

November 2021



THE GOVERNMENT OF THE REPUBLIC OF ARMENIA

INVESTOR PRESENTATION



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THE GOVERNMENT
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1 | ARMENIA AT A GLANCE



COUNTRY OVERVIEW



FORMAT OF GOVERNMENT

Parliamentary Republic



HEAD OF STATE

President



CAPITAL

Yerevan



DECLARATION OF INDEPENDENCE

September 21, 1991



TERRITORY

29,743 km²



POPULATION

2.96 million (as of January 1, 2021)



DIASPORA

8 million worldwide



NOMINAL GDP

US\$ 12.6 billion (2020)
US\$ 13.9 billion (2021*)



NOMINAL GDP PER CAPITA

US\$ 4,269 (2020)
US\$ 4,683 (2021*)



REAL GDP GROWTH

-7.4% (2020)
6.5% (2021*)



PUBLIC DEBT / GDP

63.5% (2020)
60.8% (2021*)



CPI INFLATION

3.7% (2020)
7.4% (2021*)



CURRENCY

Armenian Dram (AMD)



UNEMPLOYMENT

18.2% (2020)



SOVEREIGN RATING

Moody's: Ba3 (Stable), S&P B+(Positive),
Fitch: B+ (Stable)

* 2022 Budget Draft Forecasts

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

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 full and broad based recovery of Armenian economy and boosted growth potential with significantly larger public investments in physical infrastructure and human capital.

FISCAL CONSOLIDATION AND PROACTIVE DEBT MANAGEMENT

Fiscal consolidation in based on newly adopted fiscal rules during 2018-2019 driven by both revenue mobilization and spending optimization has created fiscal buffers, which supported to effective counter-cyclical fiscal policy reaction during COVID-19 and war shocks of 2020, which the Armenian economy has faced.

Fiscal policy is targeting also strengthened fiscal sustainability with reduction of public debt in line with the fiscal rule, and thus achieving growth-friendly fiscal consolidation as a result.

PROACTIVE GOVERNMENT MEASURES TO CONTAIN COVID-19

The government has taken proactive fiscal measures amounting to 2.7% of 2020 GDP that were well-targeted at the most impacted sectors and segments of the population in order to cushion the impact of the Covid-19 shock

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



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COVID-19 RESPONSE



RESPONSE TO COVID-19

ECONOMIC AND SOCIAL SUPPORT MEASURES

• Supporting liquidity provision to businesses

- Loans to SMEs in certain affected sectors, to finance employee-related expenses, tax, duties and mandatory payments, purchase of raw materials or equipment, utility services payments
- Interest rate subsidies for agricultural loans/lease and co-financing
- Interest rate subsidies for loans that finance employee-related expenses, tax, duties and mandatory payments, purchase of raw materials or equipment, utility services payments, food
 - Eligible loans (up to AMD 500 million)
 - Eligible co-financing/refinancing (up to AMD 250 million)
 - Maturity: 2 years with a 1 year grace
- Lump sum financing aimed at preserving jobs for businesses with 2-50 employees (approximately one-fifth of total employee's wages)

• Direct social assistance transfers to the vulnerable

Lump-sum transfers to the vulnerable, including:

- Families with children under 14 and children under 18: AMD 100,000 and AMD 26,500 per child, respectively
- Micro-enterprises: 10% of the turnover in the first 3 months of 2020 or up to AMD 136,000 or AMD 68,000 if not activating cash-register machine with State Revenue Committee
- IT businesses: (1) grants for innovation – up to AMD 10 million per project, (2) grants for sustainable companies – up to AMD 20 million per project, (3) 100% co-financing grants not exceeding AMD 30 million
- Individuals made redundant due to Covid-19: AMD 68,000
- Pregnant women who faced difficulties due to Covid-19: AMD 100,000
- Tuition subsidies and subsidizing student loans
- Subsidies for utility services (gas and electricity)

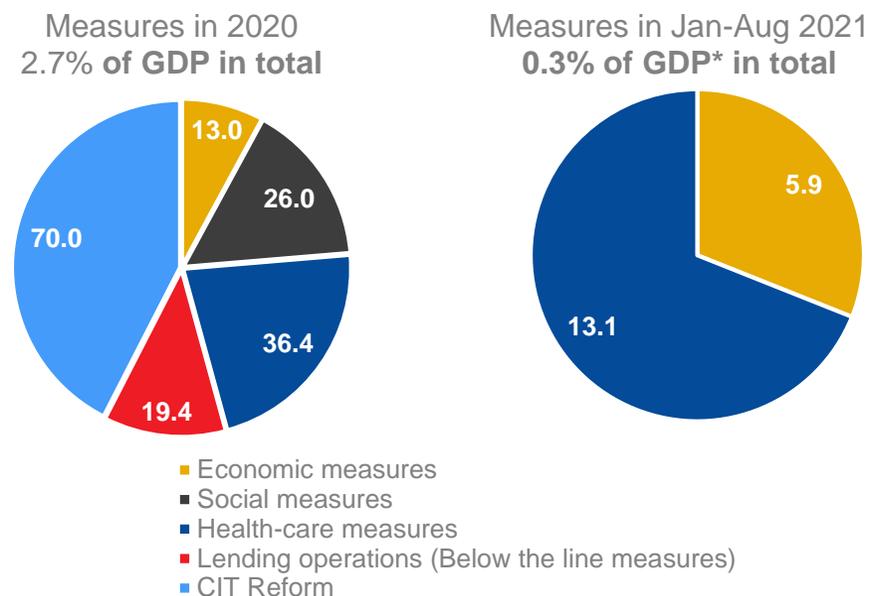
• Investments to support post crisis recovery

From USD 0.5 million to USD 4.0 million of equity per project in sectors of strategic importance (via Entrepreneur + State Anti-Crisis Investments Fund)

• Corporate Income Tax Reform

Government has implemented a deferral in corporate income tax advance payment for the second quarter of 2020 and, also allowed the CIT payers to choose an alternative method of calculating the tax advance payment, based on the turnover over the previous quarter.

Fiscal Response to COVID-19 Crisis, AMD bln



* Calculated using projected GDP of 2021, based on 2022 Budget Draft Forecasts

RESPONSE TO COVID-19

MONETARY RESPONSE

- The Central Bank of Armenia reduced the policy rate by 125 bps since March to 4.25% on September 15, 2020 and has since increased the policy rate by 100bps on December 15, 2020 to 5.25%, and a cumulative 200 bps as of September 14, 2021 to 7.25%.
- FX swaps were used to support FX liquidity in the market
- Free-floating exchange rate allowed orderly adjustment of the exchange rate: AMD depreciated by around 12% against the USD and then appreciated somewhat settling at 4%, a depreciated level compared to the pre-pandemic level
- The CBA has enhanced engagement between banks and supervisors to continuously assess the impact of the crisis on asset quality, capital, and liquidity

INTERNATIONAL FINANCIAL AID

- In May 2020, the IMF added SDR 128.8 million to its Stand-by Facility for Armenia, and immediately took SDR 206.0 million thereunder as direct budget support. A further disbursement of SDR 25.7 million was drawn in December 2020
- In November-December 2020, under European Union's EUR 92 million response package to the COVID-19 pandemic in Armenia, EUR 35.63 million was allocated as fixed tranche under the ongoing 4 budget support programs, repurposed for that aim, as well as EUR 24 million and EUR 9 million were allocated respectively in the framework of the signed Financing Agreements "COVID-19 Resilience Contract for Armenia" (EUR 30 million) and "Support to Justice Sector Reforms in Armenia: Phase I" (EUR 30 million) (entered into force on October 9, 2020)
- Under the Grant Agreement signed with ADB on August 27, 2020 ADB's Asia Pacific Disaster Response Fund (APDRF) provided USD2 million to Armenia in December 2020 to support Armenia in mitigating the negative consequences COVID-19
- On June 30, 2020 Exchange of Notes was signed between the RA Government and the Government of Japan, pursuant to which, for the purpose of contributing to the implementation of the Economic and Social Development Programme, the Government of Japan shall extend to Armenia a grant of JPY 400 million
- In the scope of fight against COVID-19, Armenia has received aid from various international organizations and foreign states, including UN (UNICEF, UNFPA, WFP), ICRC, WHO, IAEA, USA, Russian Federation, China, Southern Korea and European countries.



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RESILIENT AND DIVERSIFIED ECONOMY

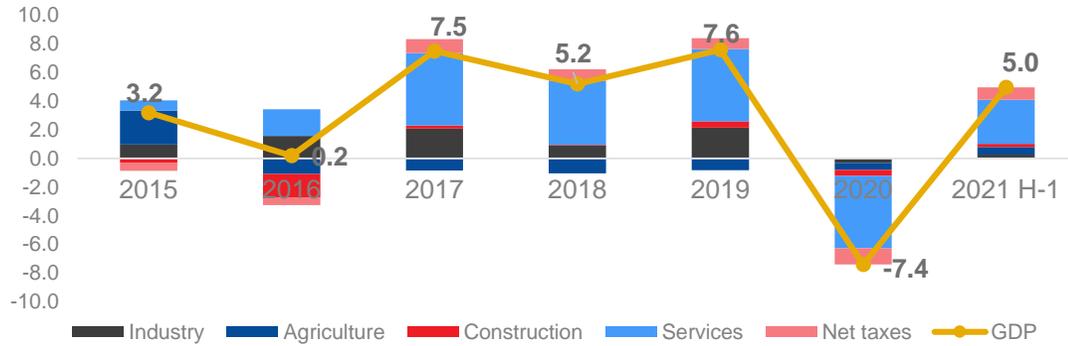


ECONOMIC INDICATORS

IN 2020 ARMENIA EXPERIENCED TWO UNPRECEDENTED SHOCKS (COVID-19 AND NAGORNO-KARABAKH WAR), HOWEVER UNDER PRUDEN MACROECONOMIC (FISCAL AND MONETARY) MANAGEMENT THE MACROECONOMIC STABILITY WAS PRESERVED. THE ECONOMY HAS ENTERED A PHASE OF BROAD-BASED RECOVERY IN 2021 AND IN THE FIRST HALF OF THE YEAR IT WAS MAINLY DRIVEN BY SERVICES AND DOMESTIC DEMAND.

REAL GDP: CONTRIBUTION OF SUPPLY COMPONENTS

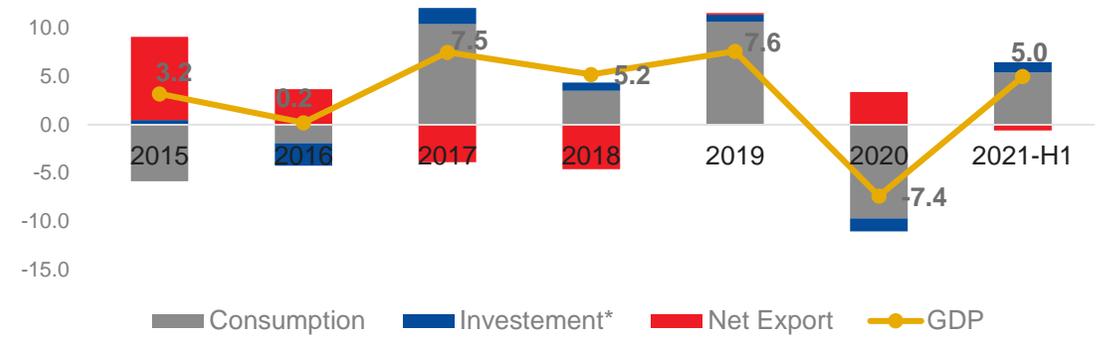
(Real growth (%) and contribution to growth (percentage point))



Source: Armstat, Calculations of the Ministry of Finance

REAL GDP: CONTRIBUTION OF EXPENDITURE COMPONENTS

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

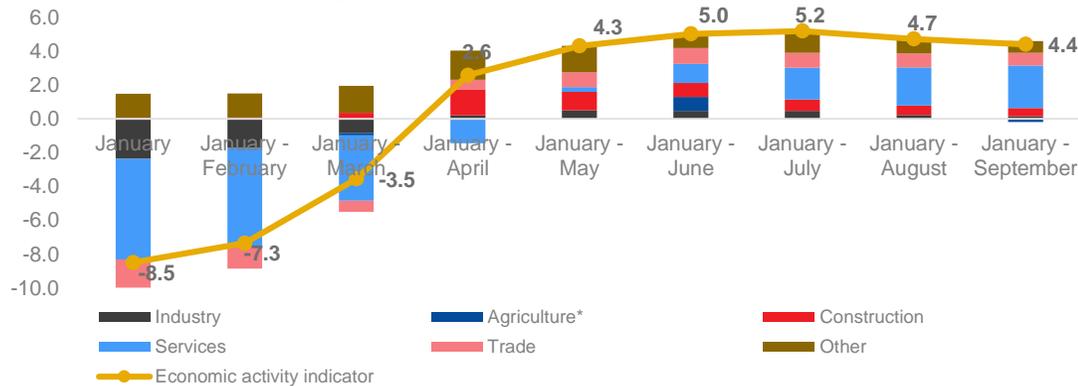


*Gross fixed capital formation

Source: Armstat, Calculations of the Ministry of Finance

ECONOMIC ACTIVITY INDICATOR

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

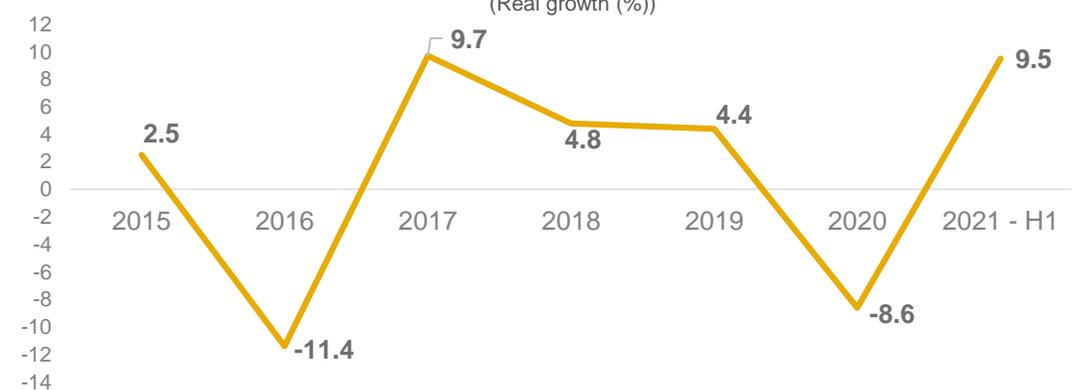


*Gross output of agriculture is published quarterly.

Source: Armstat, Calculations of the Ministry of Finance

GROSS FIXED CAPITAL FORMATION

(Real growth (%))

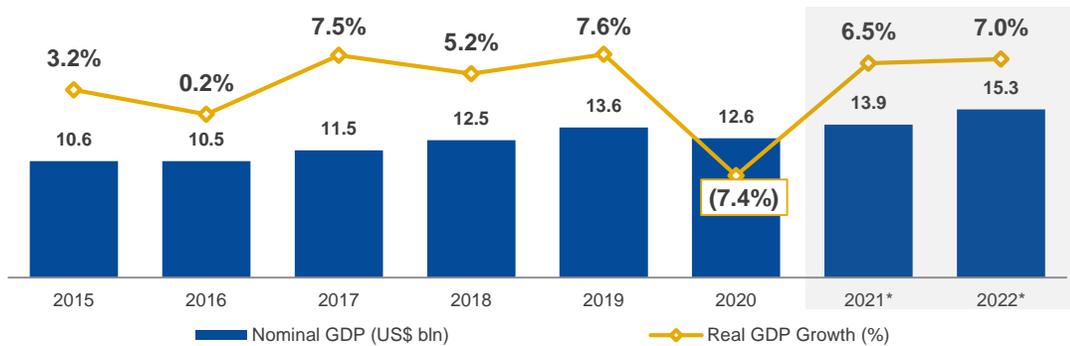


Source: Armstat

ECONOMIC INDICATORS

IN LINE WITH THE GOVERNMENT TARGETS THE GROWTH IS EXPECTED TO ACCELERATE AND WILL BE DRIVEN BY INCREASED PUBLIC INFRASTRUCTURE INVESTMENTS AND ENHANCED PRIVATE INVESTMENTS AND EXPORTS. ECONOMIC DIVERSIFICATION TOWARDS HIGHER VALUE ADDED ACTIVITIES WILL CONTINUE.

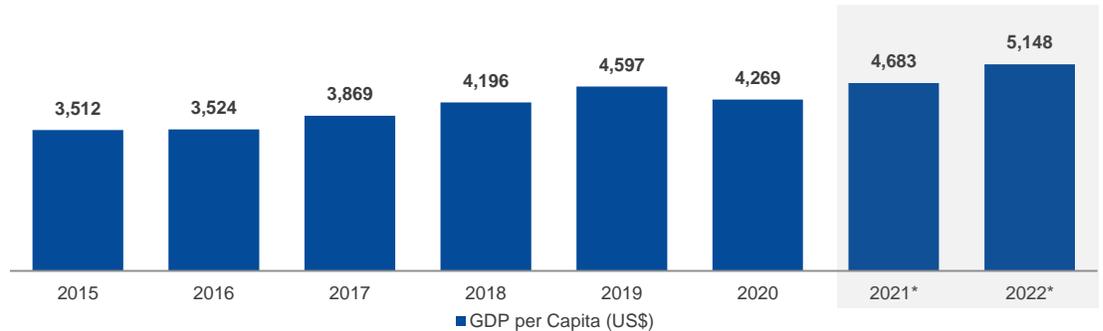
GDP TREND



Source: Armstat

* 2022 Budget Draft Forecasts

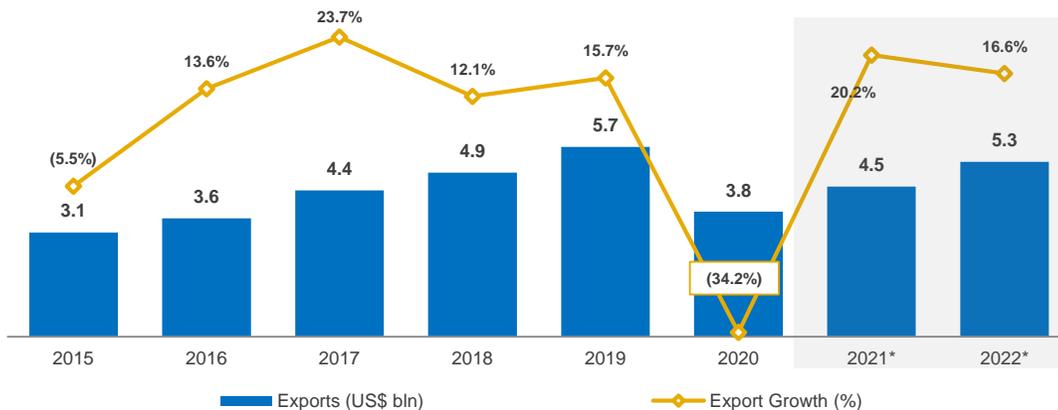
NOMINAL GDP PER CAPITA



Source: Armstat

* 2022 Budget Draft Forecasts

GOODS AND SERVICES EXPORT TREND

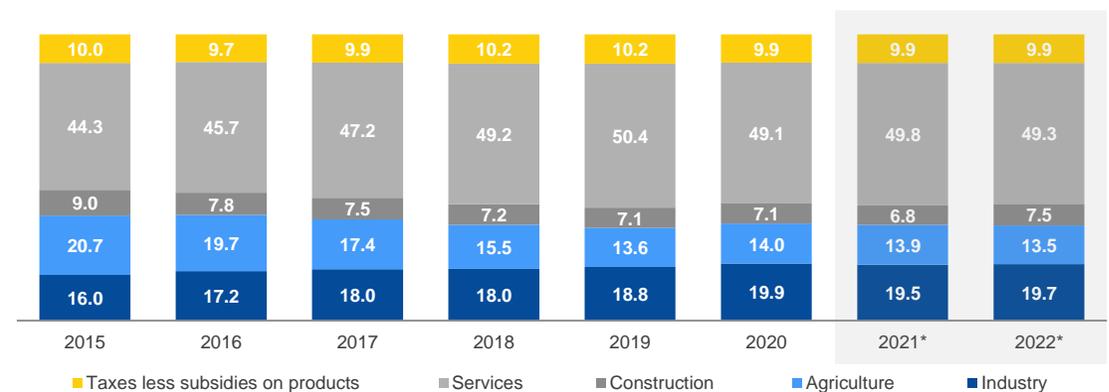


Source: Armstat

*2022 Budget Draft Forecasts

DIVERSIFICATION INTO HIGHER VALUE ADDED ACTIVITIES

(% Share in Real GDP)



Source: Armstat, Calculations of the Ministry of Finance

*2022 Budget Draft Forecasts

KEY SECTORS

WELL DIVERSIFIED ECONOMY, SHIFTING TOWARDS HIGHER VALUE ACTIVITIES

AGRICULTURE

14%

- Over 68% 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



7%

CONSTRUCTION

- Armenia's construction sector experienced strong growth as soviet-era housing and office buildings were replaced with more modern structures, growing 3.8% in 2020**. These developments continue throughout 2021 (18.1% in H1),
- 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 by Economic Activity, as of end of 2020

INDUSTRY

20%

- Armenia's mining industry accounted for 3.8% of Armenian GDP in 2020. Main activity is focused on metal ores, in particular molybdenum, copper and zinc
- In 2020, manufacturing accounted for 12.4% 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



49%

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 6.7% in 2020). 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



TAXES*
10%

Source: Armstat.

*Taxes less subsidies on products

** Growth rates are presented in nominal terms

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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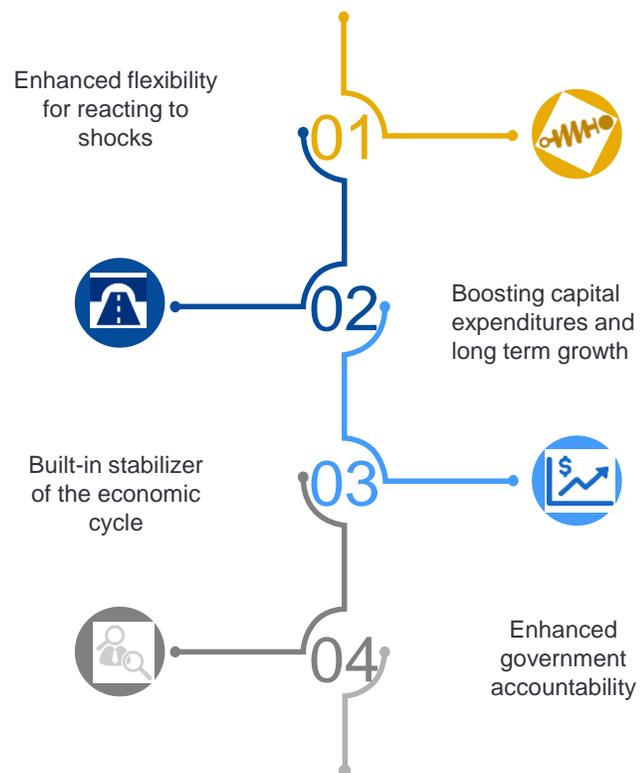
4 | PRUDENT FISCAL MANAGEMENT



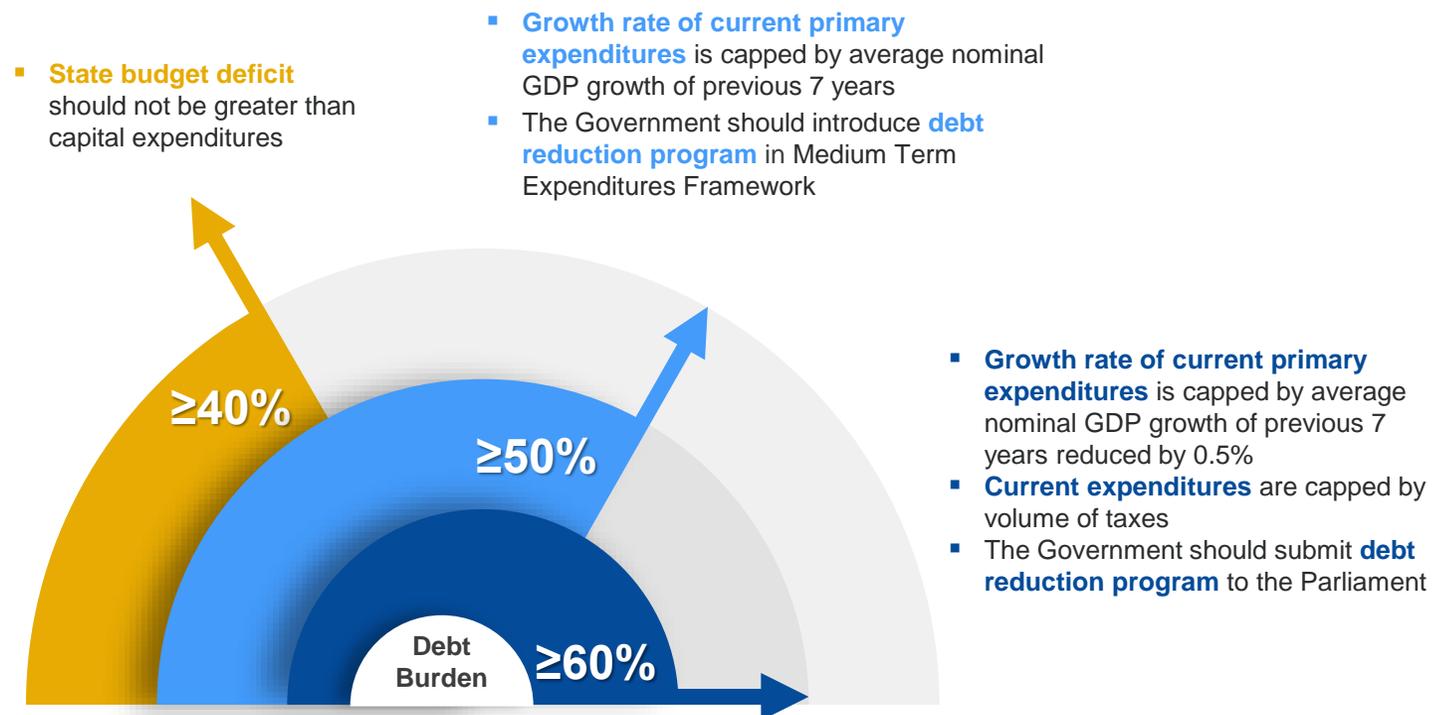
FISCAL RULE REFORM

UPGRADED FISCAL RULES SUPPORT DEBT SUSTAINABILITY AND FISCAL SPACE

ACTIVE FISCAL POLICY PRIORITIES



FISCAL RULE

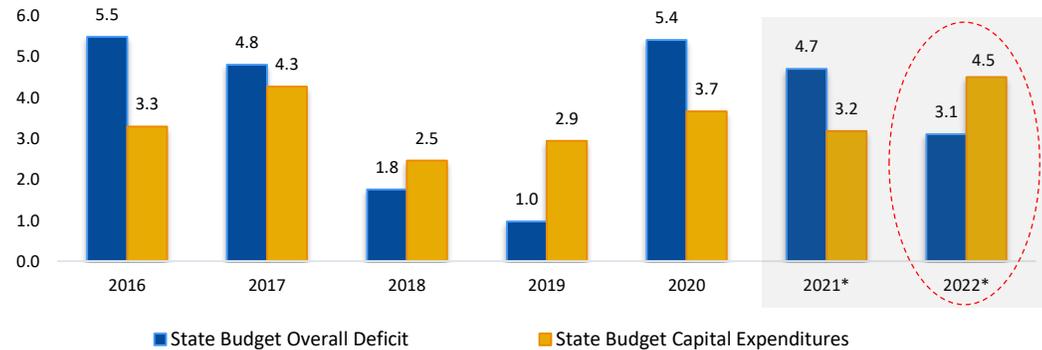


Due to the extraordinary circumstances linked to the global pandemic, the Fiscal Rule has not been applied in 2020 and 2021. The Government remains committed to reducing the Government Debt-to-GDP ratio from 2021 and bringing this ratio below the respective target in the medium-term in line with the fiscal rule

GROWTH-FRIENDLY FISCAL POLICY IS ON TRACK

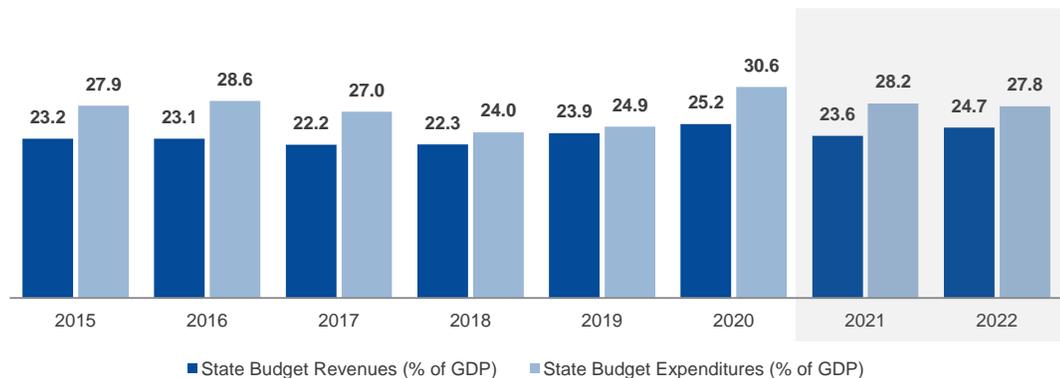
PRUDENT FISCAL FRAMEWORK SUPPORTIVE FOR RECOVERY AND ECONOMIC POTENTIAL - IN LINE WITH THE FISCAL RULE

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



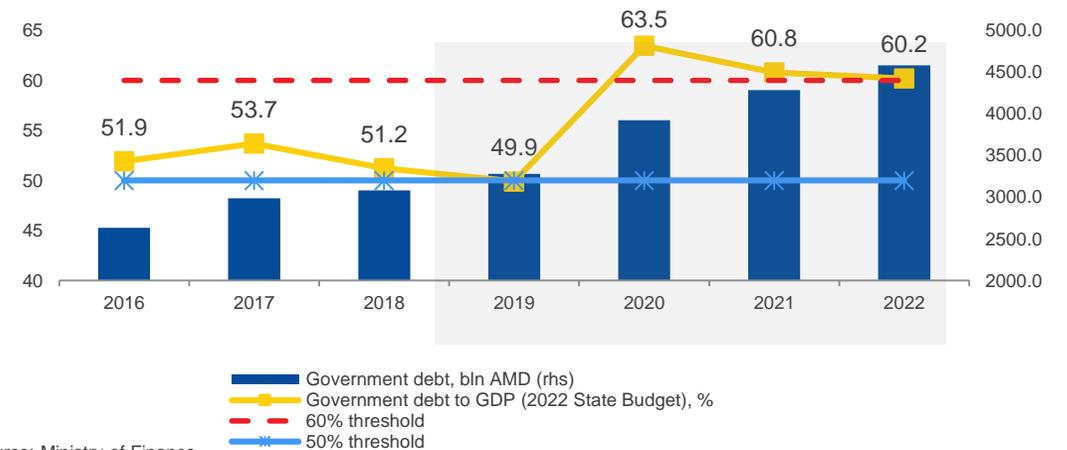
Source: Ministry of Finance, 2021 and 2022 are projections based on 2022 Budget Draft

CONCERTED GOVERNMENT REVENUE MOBILIZATION



Source: Ministry of Finance, 2021 and 2022 are projections based on 2022 Budget Draft

GOVERNMENT DEBT TO GDP RATIO PROJECTION



Source: Ministry of Finance

MORE EMPHASIS ON ENHANCING CAPEX TO ACHIEVE HIGHER GROWTH

With 2022 State budget Draft, Government plans to increase the role of capital spending even more than it was planned in 2022-2024 MTEF

	State Budget	
Share in GDP, %	2021	2022
State Budget Revenues	23.6	24.7
Tax Revenues	22.5	23.4
State Budget Expenditures	28.2	27.8
Current Expenditures	25.1	23.4
Transactions with non-financial assets	3.2	4.4
State Budget Balance	-4.7	-3.1
Government Debt	60.8	60.2

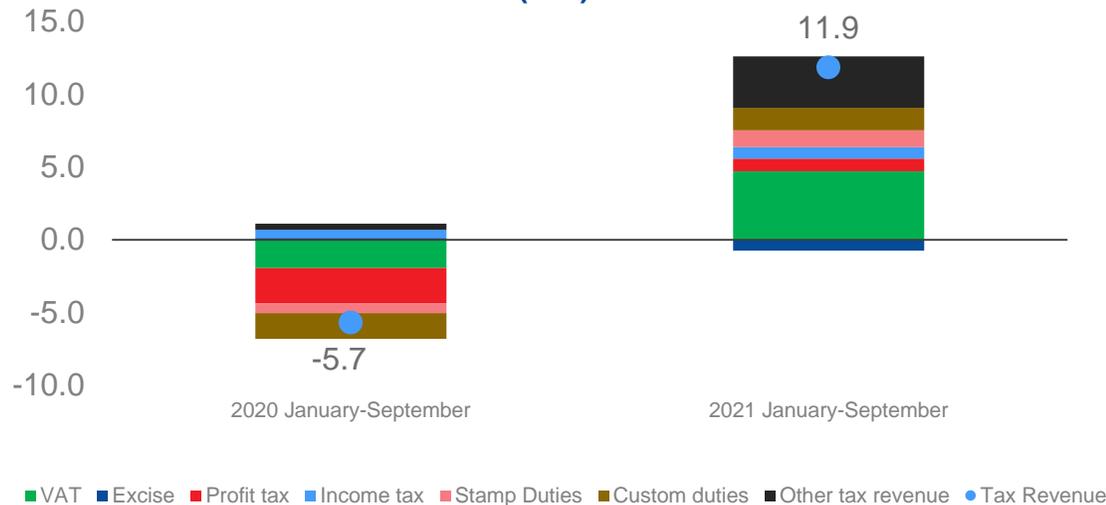
Source: Ministry of Finance, 2022 Budget Draft

TAX REVENUES

TAX REVENUES ARE RECOVERING FAST IN 2021 AND ARE EXPECTED TO SIGNIFICANTLY IMPROVE THE RATIO IN GDP IN 2022

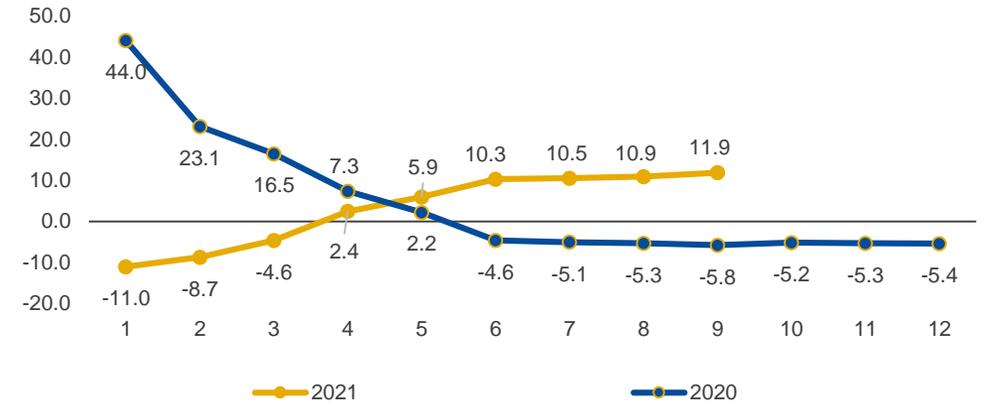
- In line with economic recovery tax revenues are increasing with a high growth rates, after decline in 2020 due to economic crisis.
- The increase of tax revenues is mainly driven by VAT, Custom Duties and Other tax revenues.
- As a result of tax policy and administration efforts tax to GDP ratio is expected to improve by 0.9 percentage points in 2022 reaching 23.4%.

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



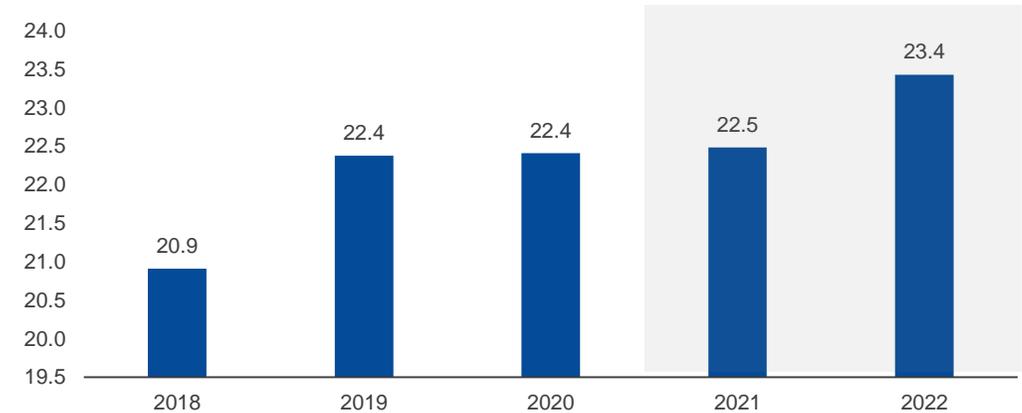
Source: Ministry of Finance

TAX REVENUES, YOY % CHANGE



Source: Ministry of Finance

TAX REVENUES, % OF GDP

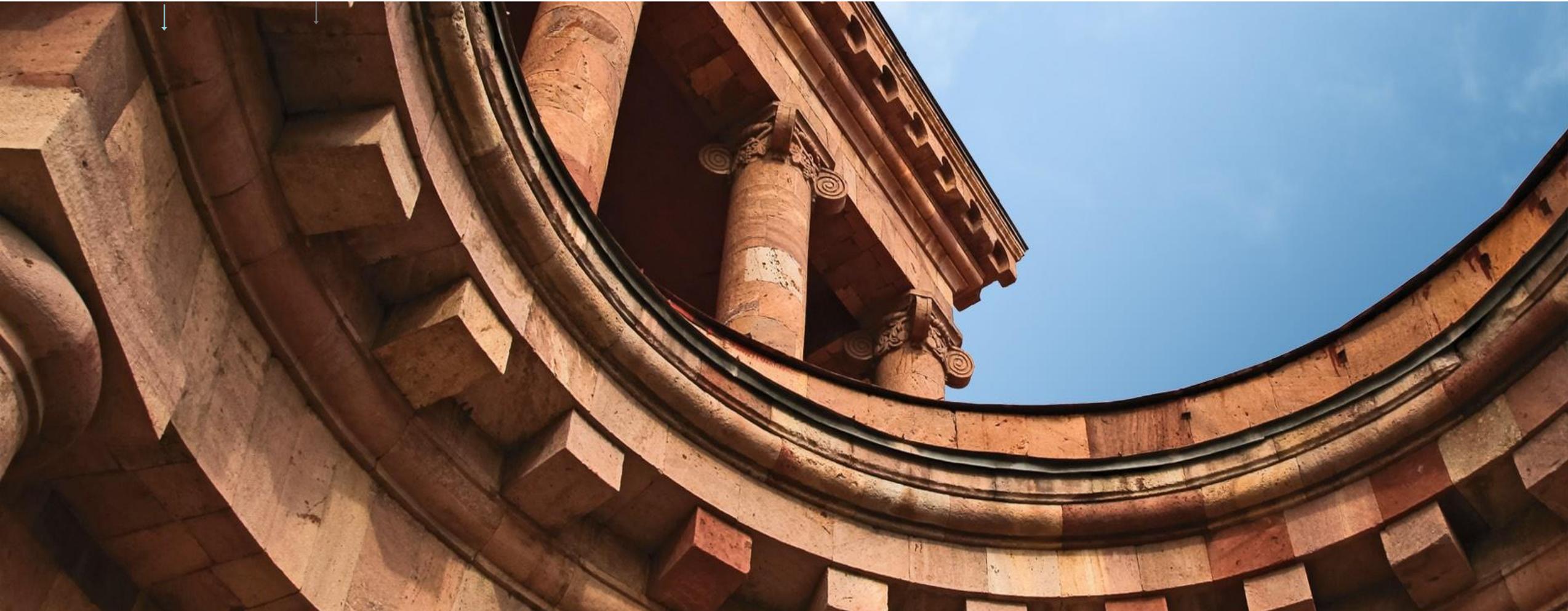


Source: Ministry of Finance, 2021 and 2022 are projections based on 2022 Budget Draft



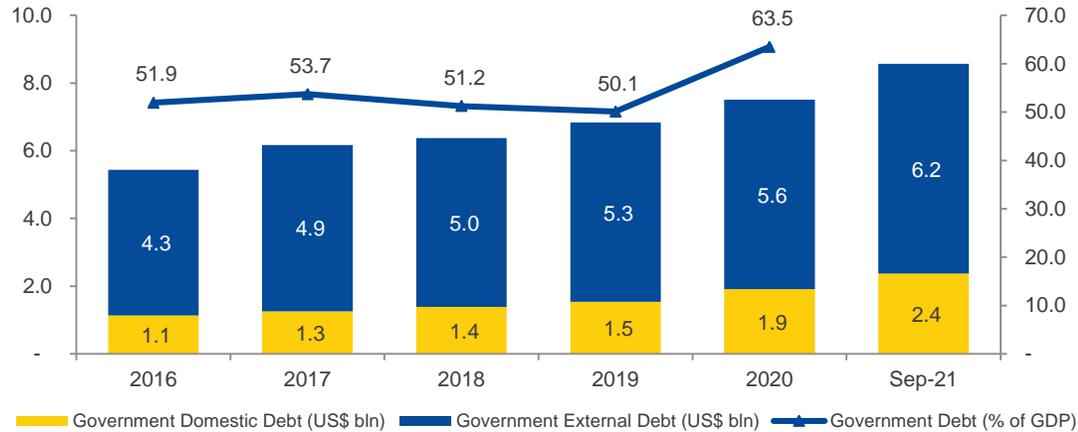
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5 | GOVERNMENT DEBT MANAGEMENT



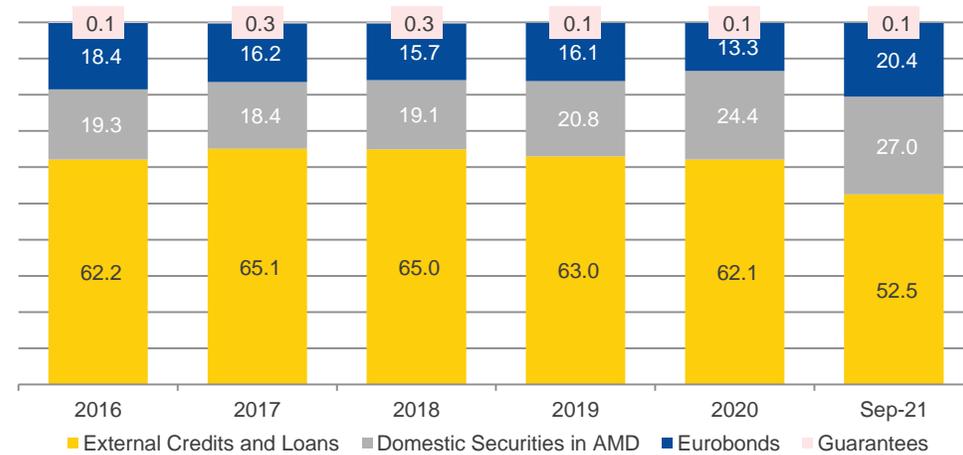
GOVERNMENT DEBT MANAGEMENT

GOVERNMENT DEBT TO GDP



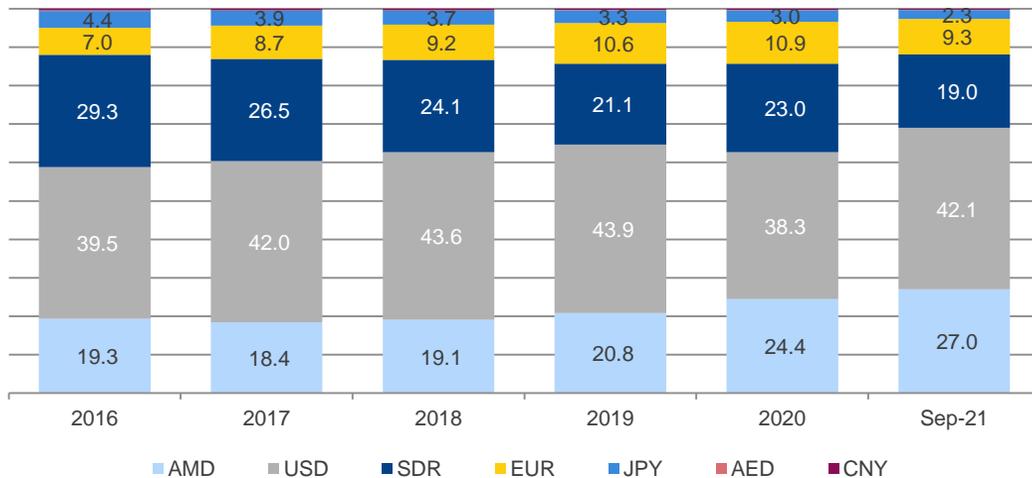
GOVERNMENT DEBT BY INSTRUMENTS

(% of Total Government Debt)



GOVERNMENT DEBT CURRENCY COMPOSITION

(% of Total Government Debt)



CONTINGENT LIABILITIES

- As of September 30, 2021 there were no outstanding domestic guarantees issued by the Government while amounts outstanding under External Guarantees issued by the Government totalled USD 117.4 million out of which USD 109.3 million was provided by the Government for external loans of the CBA.

Source: Ministry of Finance

GOVERNMENT DEBT MANAGEMENT (CONT'D)

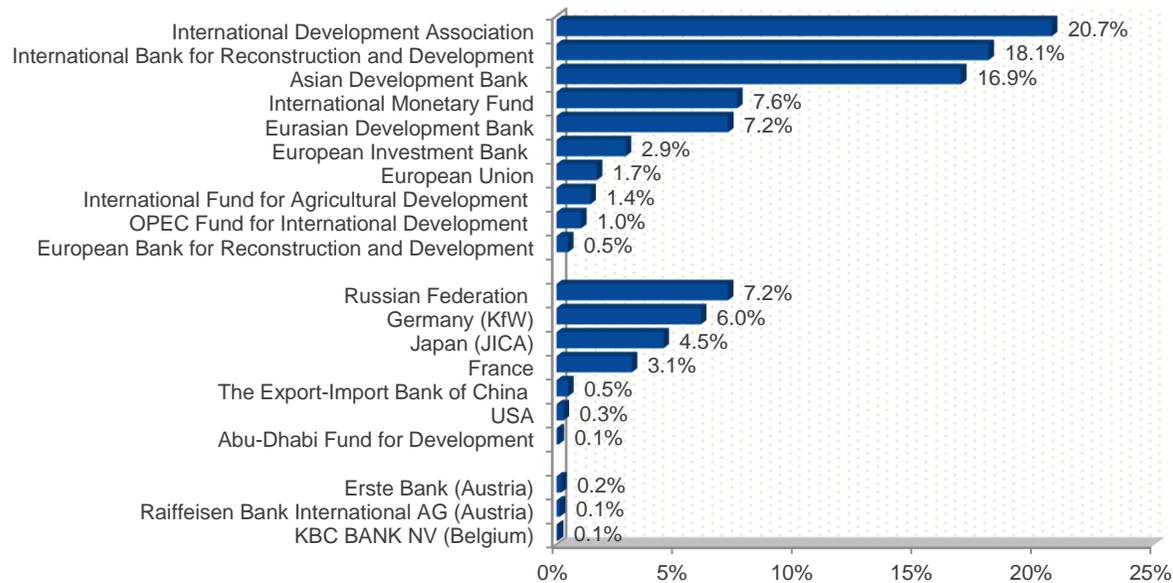
EXTERNAL CREDITS AND LOANS

(as of September 30, 2021)

	30.09.2021
Stock Outstanding (USD mln)	4,496.4
<i>of which</i>	
Multilateral Creditors	3,504.1
Bilateral Creditors	974.7
Commercial Banks	17.6
Weighted Average Interest Rate, %	1.5
Weighted Average Time to Maturity (ATM), years	8.0

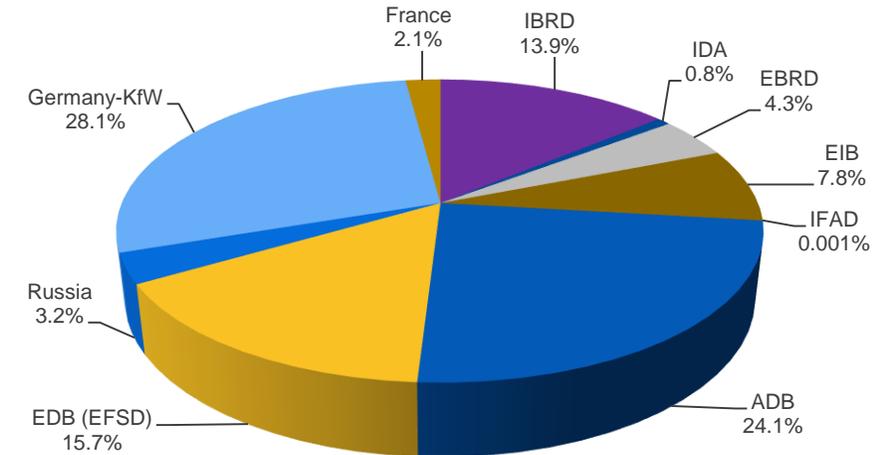
EXTERNAL PUBLIC LOANS STRUCTURE BY CREDITORS

(% of External Public Loans as of September 30, 2021)



As of September 30, 2021

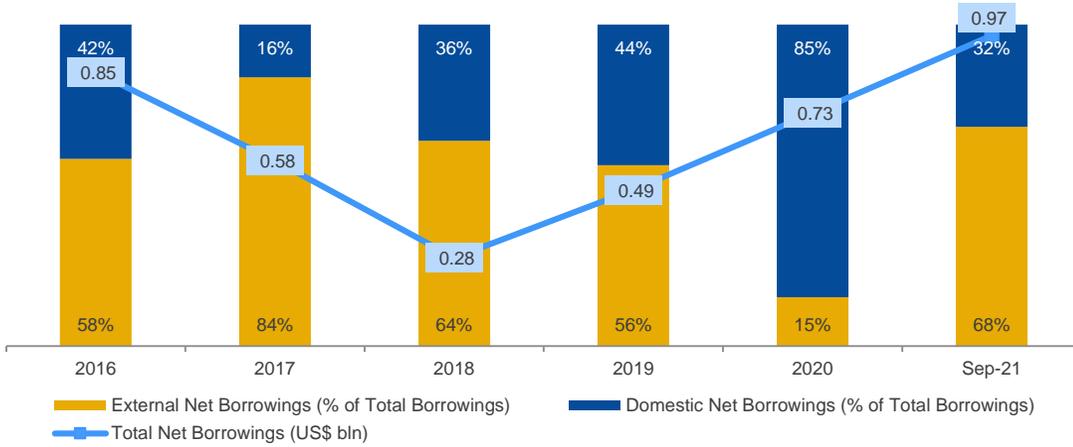
US\$1.06 BILLION OF UNDISBURSED BALANCE UNDER EXISTING LOANS



Source: Ministry of Finance

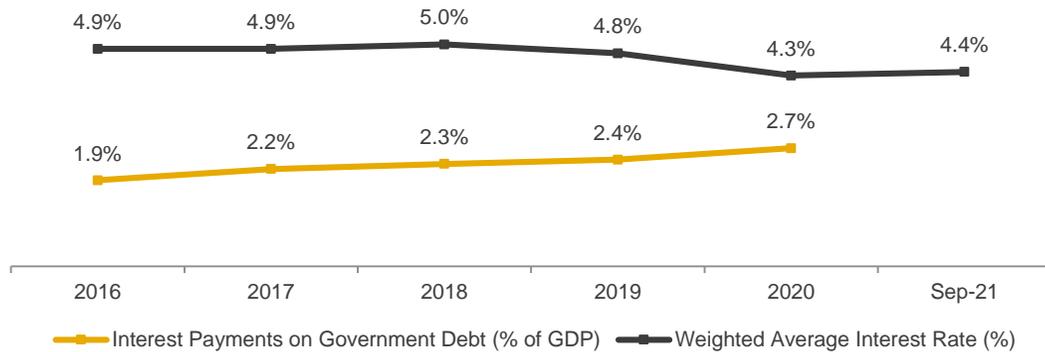
GOVERNMENT DEBT MANAGEMENT (CONT'D)

NET FINANCING OF THE STATE BUDGET DEFICIT BY BORROWINGS

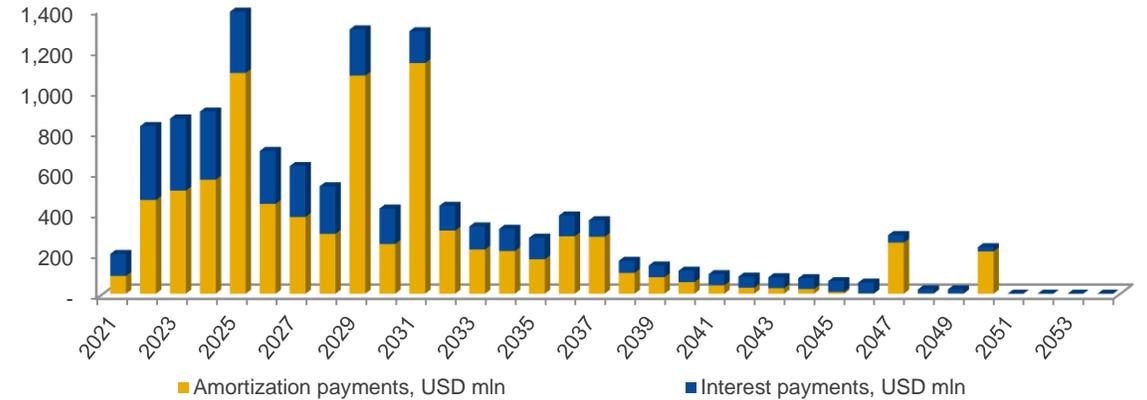


* the amounts of net borrowings have been converted into US\$ based on the USD/AMD average exchange rate for the period

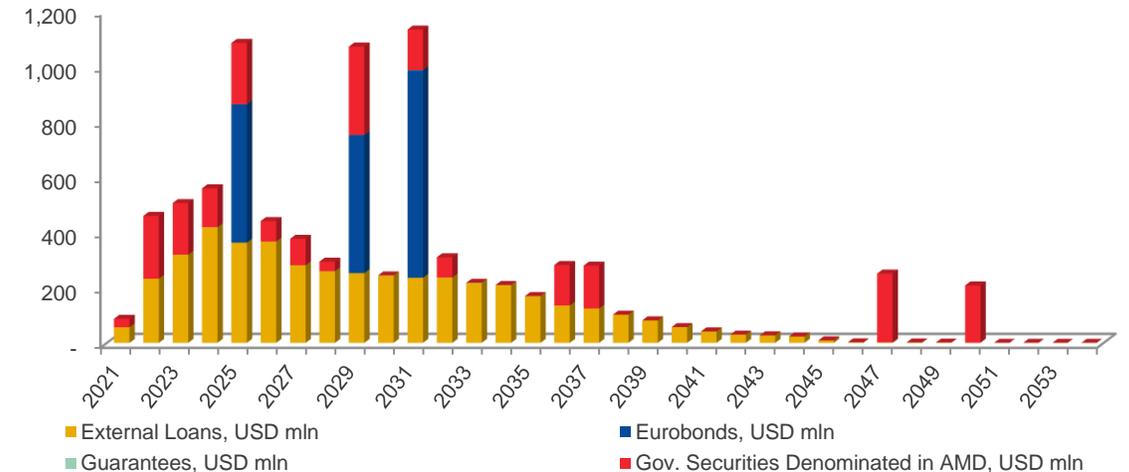
GOVERNMENT DEBT SERVICING COSTS



CONSOLIDATED REDEMPTION AND DEBT SERVICE PROFILE (SEPT. 30, 2021)



REDEMPTION PROFILE OF GOVERNMENT DEBT (SEPT. 30, 2021)



Source: Ministry of Finance

GOVERNMENT DEBT MANAGEMENT (CONT'D)

OUTSTANDING GOVERNMENT DOMESTIC SECURITIES

	30.09.2021
Stock outstanding, AMD bln	1,116.8
Weighted Average Yield, %	10.06
Weighted Average Time to Maturity, days	3,905

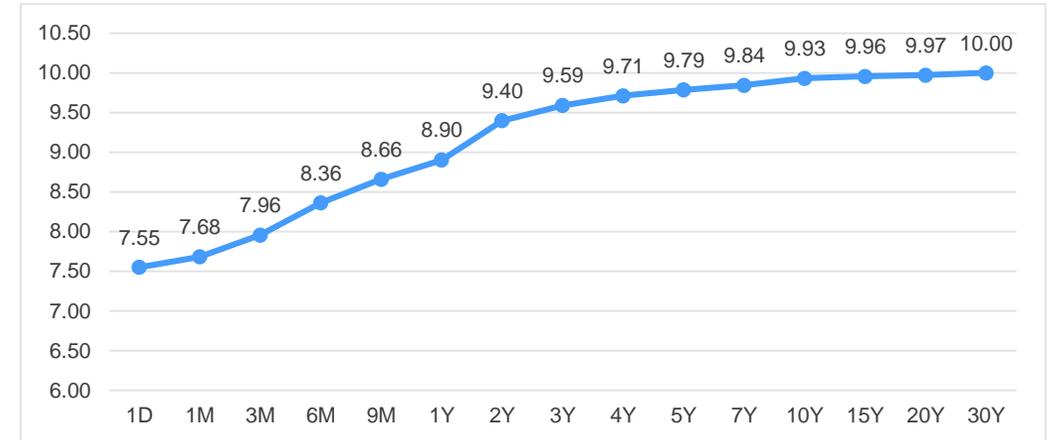
Type of Security	Average Time to Maturity, days	Weighted Average Yield, %
T-bills	143	7.12
Medium-Term Coupon Notes	844	7.95
Long-Term Coupon Bonds	5,495	11.17
Saving Coupon Bonds	464	9.07

Weighted average yield of Government Securities allocated on the Primary Market in January-September, 2021 equals to 9.08%, and weighted average time to maturity is 3,380 days.

ON-THE-RUN GOVERNMENT SECURITIES: LATEST AUCTIONS

Auction Date	ISIN	Allocation	Weighted Average Yield	Coupon Yield	Outstanding, AMD	Maturity Date
4-Oct-2021	AMGT5203A226	2,638,700,000	8.81%		2,638,700,000	3-Oct-2022
14-Sep-2021	AMGN36294244	20,400,000,000	9.35%	6.50%	35,400,000,000	29-Apr-2024
10-Aug-2021	AMGN60294268	20,892,000,000	9.60%	7.00%	35,892,000,000	29-Apr-2026
13-Jul-2021	AMGB1129A316	48,160,950,000	9.91%	8.00%	70,779,150,000	29-Oct-2031
12-Oct-2021	AMGB3129A504	12,247,051,000	10.33%	9.75%	112,653,843,000	29-Oct-2050

YIELD CURVE OF DOMESTIC SECURITIES

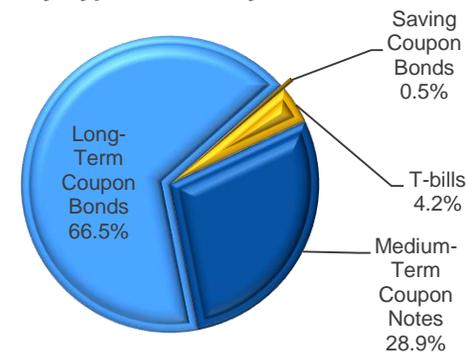


Source: CBA, as of 05.11.2021

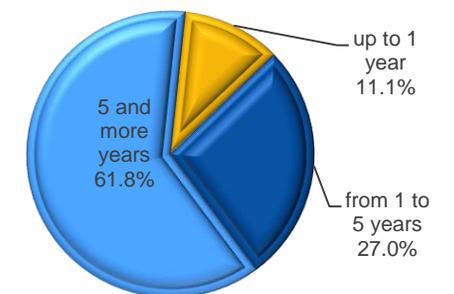
STRUCTURE OF DOMESTIC SECURITIES (SEPTEMBER 30, 2021)

(% of total)

by Type of Security



by Average Time to Maturity



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

On January 26, 2021, the Republic of Armenia returned to the international capital markets with a benchmark USD 750 mln 10-year 144a/RegS Eurobond offering that priced at a re-offer yield of 3.875% and a 3.600% coupon.

KEY TRANSACTION ACHIEVEMENTS

- ✓ *Largest transaction ever performed by Republic of Armenia in Eurobond market*
- ✓ *Lowest yield and coupon ever achieved by the Republic of Armenia*
- ✓ *Second lowest US\$ coupon ever obtained by a sub-IG Sovereign issuer for a tenor over 5 years*
- ✓ *Significant price revision of ~50-62.5bps from IPTs, allowing Armenia to price inside its US\$ fair value curve*
- ✓ *Peaking above US\$ 3bn, the offering saw Armenia's largest orderbook ever, reflecting investors' confidence in the country's fundamentals*

GOVERNMENT DEBT MANAGEMENT (CONT'D)

INDICATORS CHARACTERIZING GOVERNMENT DEBT AND BENCHMARKS FOR 2021-2023

	Benchmark	31.12.2020 actual	30.09.2021 actual
Weighted Average Interest Rate, %		4.3	4.5
Refinancing risk			
Weighted Average Time to Maturity (ATM), years	8 - 11	8.8	8.6
Debt Share Maturing in Upcoming 365 Days, %		5.8	5.7
The share of Government Treasury Securities maturing in the next year in total TS (at the end of the year), %	maximum 20%	11.5	11.1
Interest rate risk			
The share of fixed rate debt in the total debt, %	at least 80%	80.4	82.6
Weighted Average Time to Refixing (ATR), years		7.1	7.4
Debt Share Refixing in Upcoming 365 Days, %		25.7	22.5
Exchange rate risk			
Share of domestic debt in total debt, %	at least 25%	25.4	27.7
Share of AMD denominated debt in total debt, %	at least 25%	24.4	27.0

Abstract from Debt Strategy

In the medium-term and long-term, the share of the domestic net borrowings in the State budget deficit financing will be increased along with the targeted change of the structure and composition, as well as the significant increase in the number of market participants. It will be aimed at reducing the foreign exchange rate risk, as well as will establish a background 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 the State budget deficit financing from the domestic sources.

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

6 | IMPROVING EXTERNAL POSITION



STRONG ACCESS TO MARKETS THROUGH TRADE AGREEMENTS

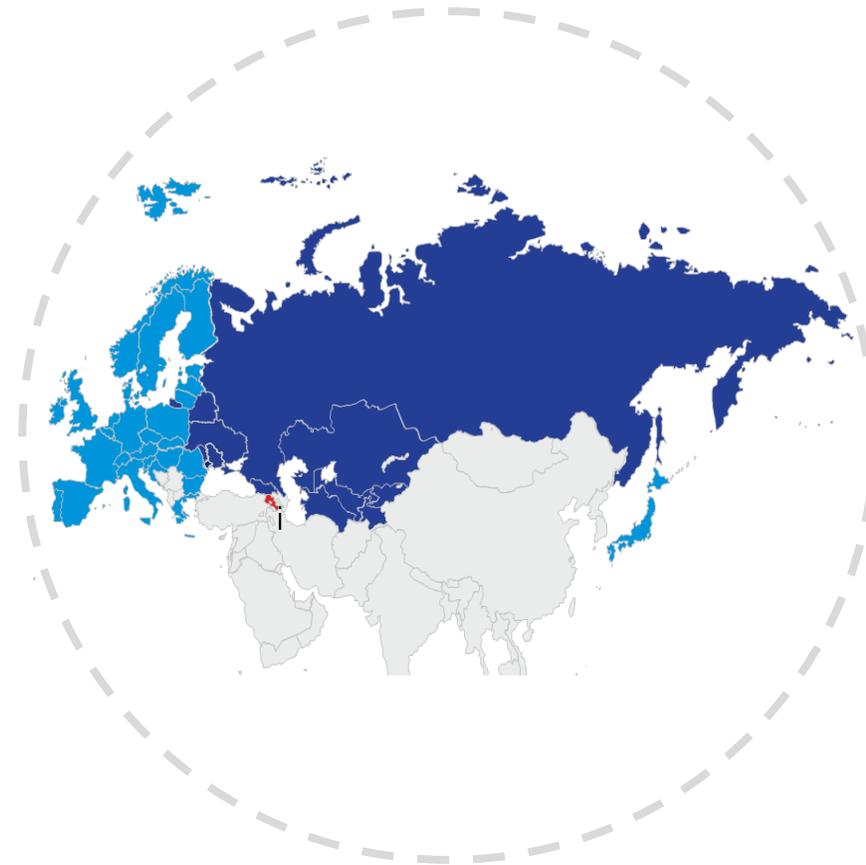
STRONG BILATERAL AND MULTILATERAL PARTNERSHIPS

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
- Armenia benefits from the GSP+¹ system which provides the country with facilitated access to the EU market through no tariffs for 90% of the country's exported goods valid until 2024
- For the six months ended 30 June 2021, the EU accounted for 21.6% of the country's total exports and 20.4% 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 the six months ended 30 June 2021, import and exports from CIS countries and Georgia accounted for 47.5% and 30.8% respectively
- Armenia holds bilateral free trade agreements with 8 of the 11 country members



- Countries With Free Trade Agreements with Armenia
- Countries included in the GSP+ Agreements with Armenia

RUSSIA

- Russia is Armenia's largest source of worker remittances and largest trading partner, accounting for 33.3% of the value of imports (by country of origin) and 26.5% of the value of exports for the six months ended 30 June 2021
- The two countries have signed a free trade agreements 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 of Armenia's has expressed its support to China's One Belt One Road initiative and joined its Economic Belt of Silk Road component

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

Note: 1. GSP+ Special Incentive Arrangement for Sustainable Development and Good Governance

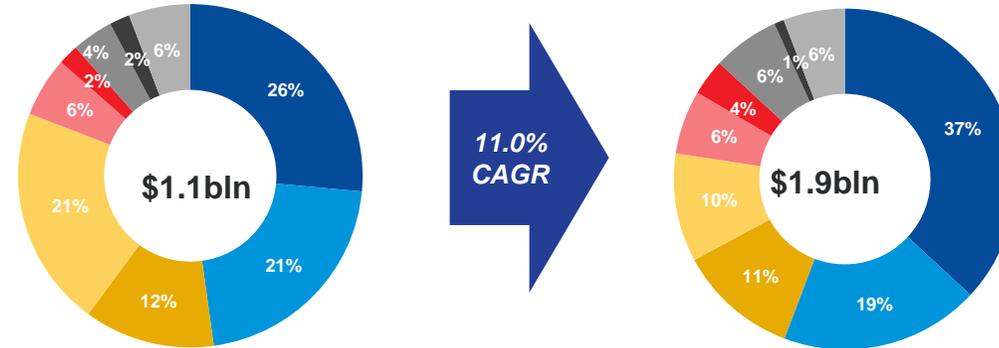
FOCUS ON EXPORT-ORIENTED AND COMPETITIVE INDUSTRIES

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
- Animals and animal products
- Vegetables
- Instruments and devices
- Other



✓ Share of textile and clothing exports up by 0.4pp

✓ Share of base metals exports down by 0.9pp

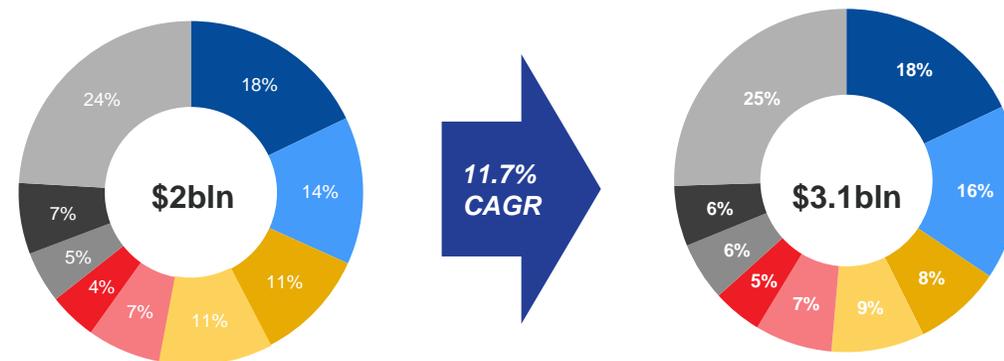
For the eight months ended August 31 2016 For the eight months ended August 31 2021

Source: Armstat

ARMENIA'S IMPORT COMPOSITION SHIFTING FROM CONSUMPTION TOWARDS INVESTMENT

(% Share of Goods Imports)

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



✓ Share of machinery imports up by 2.6 pp

✓ Share of prepared foodstuffs down by 2.4pp

For the eight months ended August 31 2016 For the eight months ended August 31 2021

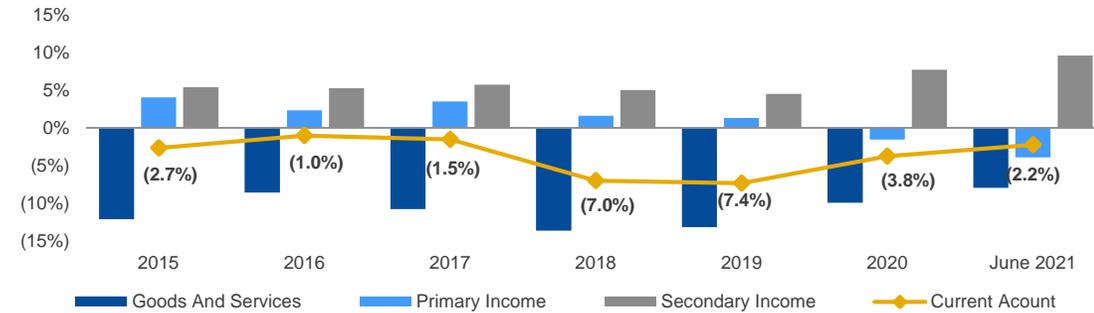
Source: Armstat

EXTERNAL POSITION

DESPITE WEAKENING EXTERNAL POSITION AS A RESULT OF COVID-19, ARMENIA IS MAINTAINING SIGNIFICANT RESERVE ADEQUACY

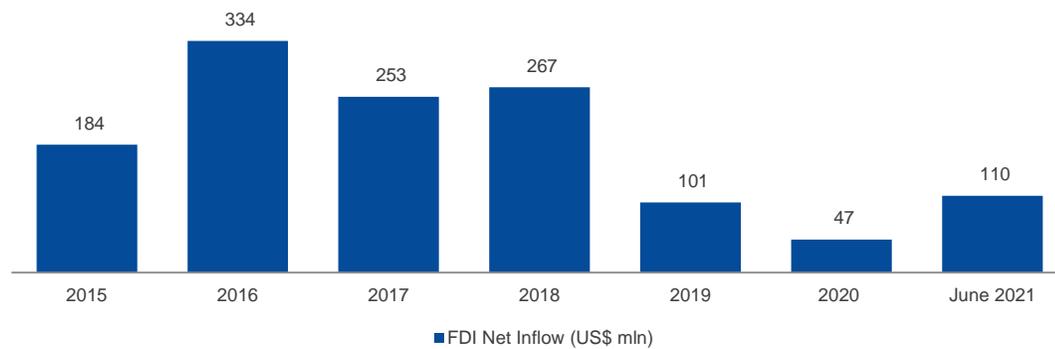
TREND IN CURRENT ACCOUNT

(% of GDP)



Source: CBA

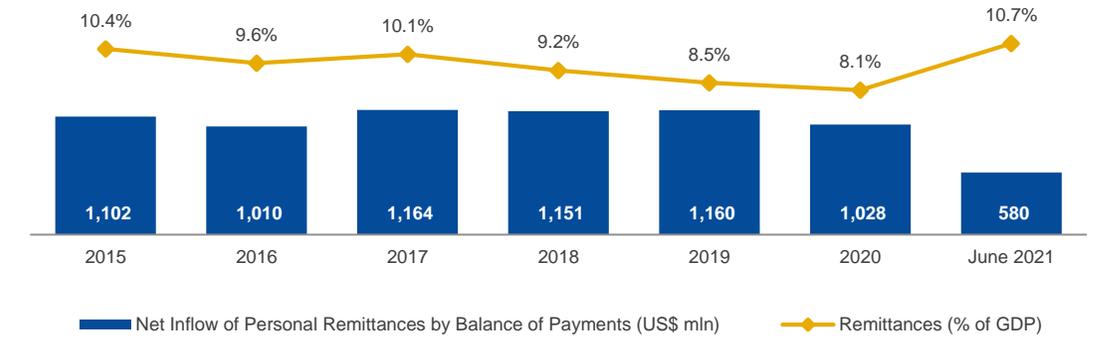
Net FDI*



Source: CBA

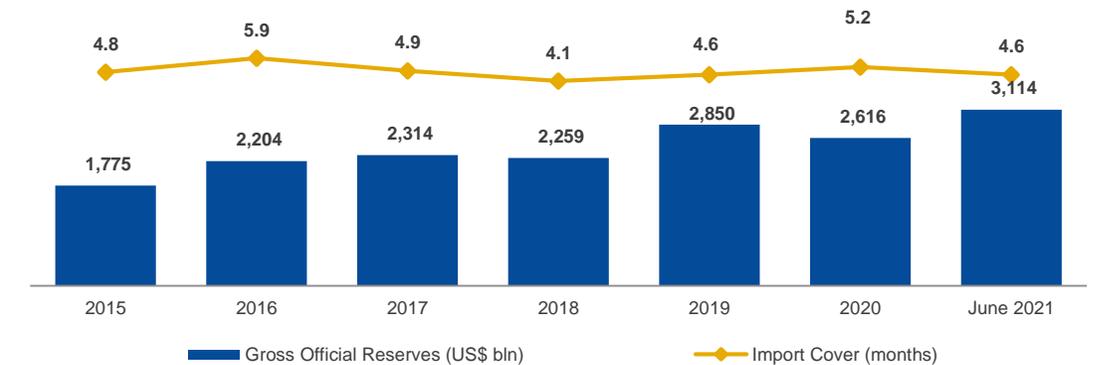
* Net incurrence of liabilities

REMITTANCES



Source: CBA

INTERNATIONAL RESERVES



Source: CBA



THE GOVERNMENT
OF THE REPUBLIC
OF ARMENIA
INVESTOR PRESENTATION

7

CREDIBLE MONETARY POLICY & STABLE FINANCIAL SECTOR



INSTITUTIONAL FRAMEWORK

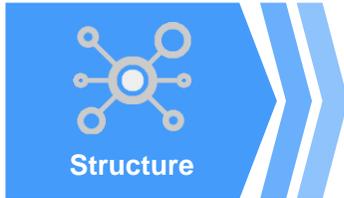
CREDIBLE INSTITUTIONAL FRAMEWORK FOR MANAGING MONETARY POLICY AND THE FINANCIAL SECTOR

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



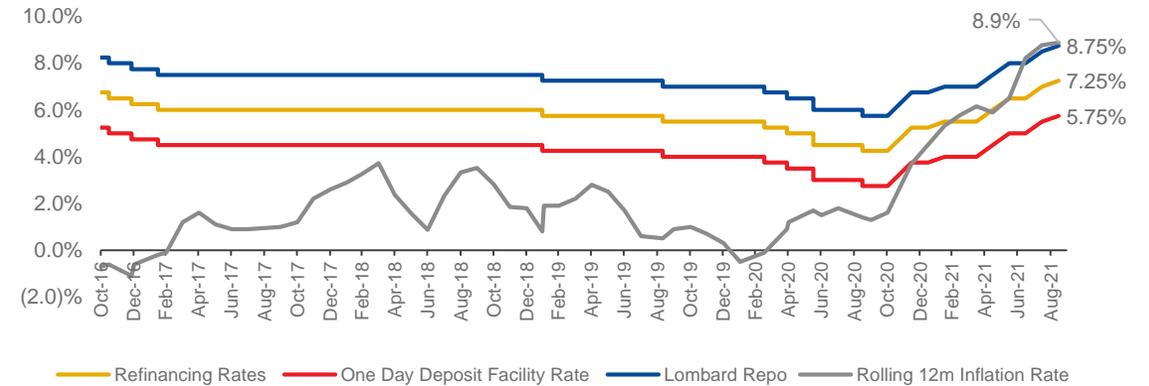
- Inflation targeting policy with an annual inflation target of 4% (tolerance band of plus/minus 1.5%)
- Key inflation targeting instrument is the interest rate on short-term loans from the CBA to the domestic banking system (the “Refinancing Rate”)



- Assessed by the Financial Stability and Special Resolution Committee
- Oversight includes various stress-testing models, to identify potential risks and consider appropriate measures to ensure financial stability

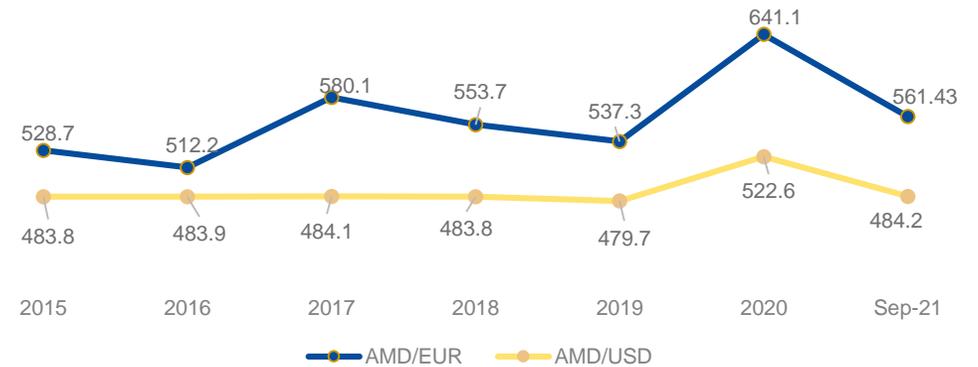
KEY CENTRAL BANK RATES AND INFLATION

(%)



EXCHANGE RATES

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

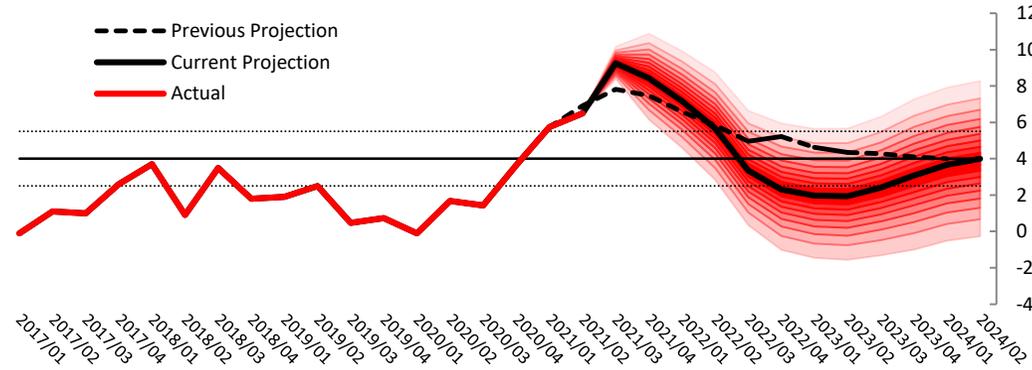


Source: CBA

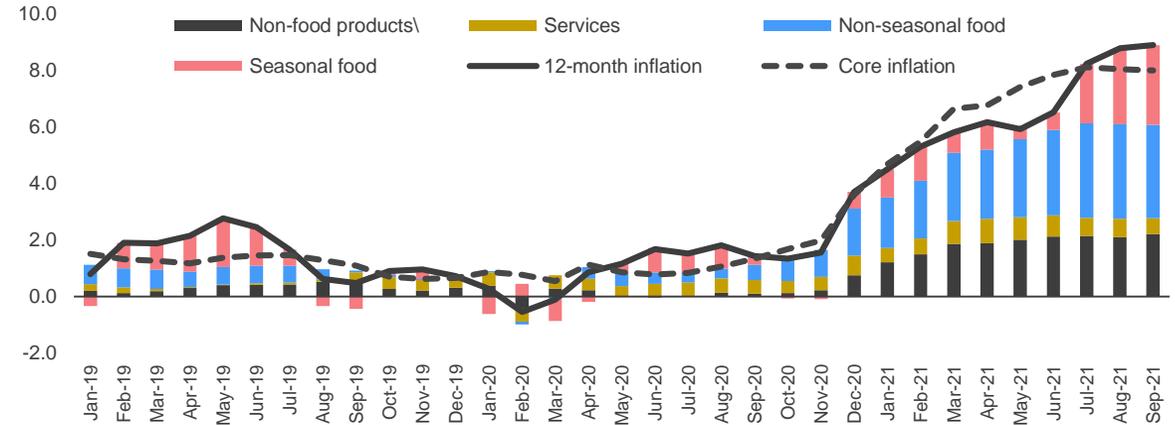
MONETARY POLICY IS COMMITTED TO PRICE STABILITY

CBA'S COMMITTED TIGHTENING OF MONETARY CONDITIONS SINCE DEC 2020 IS EFFECTIVE IN TERMS OF CONTROLLING THE OUTPACING DEMAND AND CONTAINING THE INFLATION IN FULFILLMENT OF INFLATION TARGET IN THE MEDIUM RUN

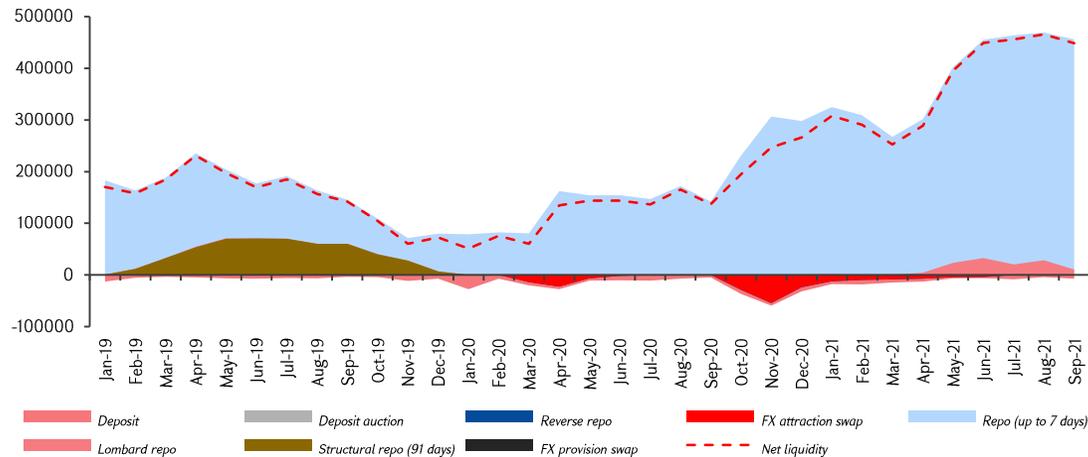
INFLATION PROJECTION (CBA, Sept. 2021)



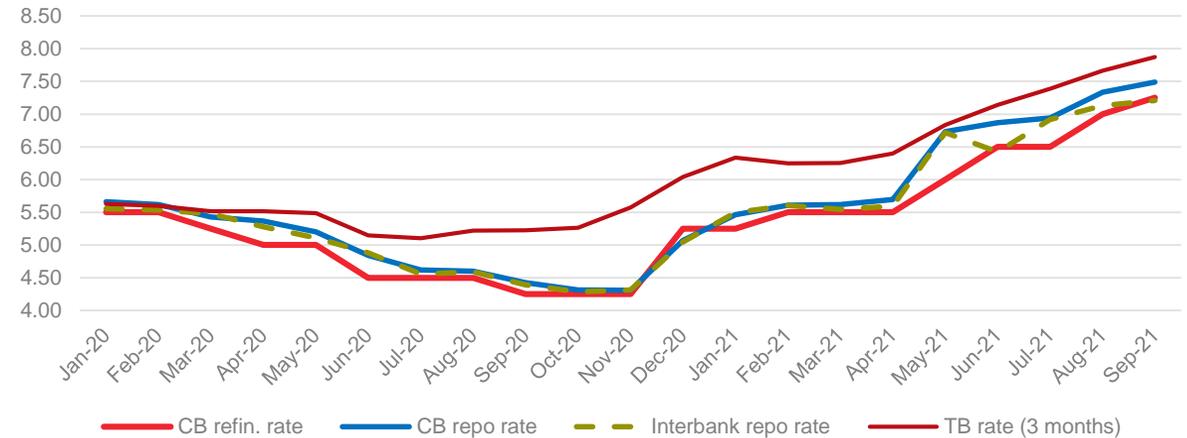
INFLATION COMPONENTS



CENTRAL BANK LIQUIDTY TRANSACTIONS (BLN DRAMS)



MARKET INTEREST RATES (%)

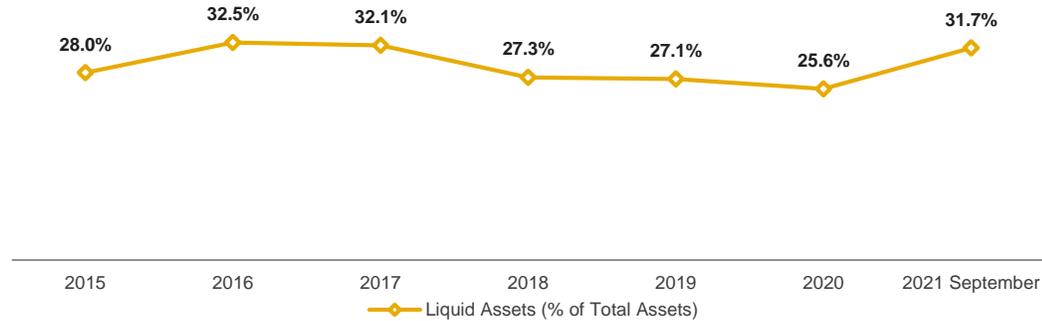


Source: CBA

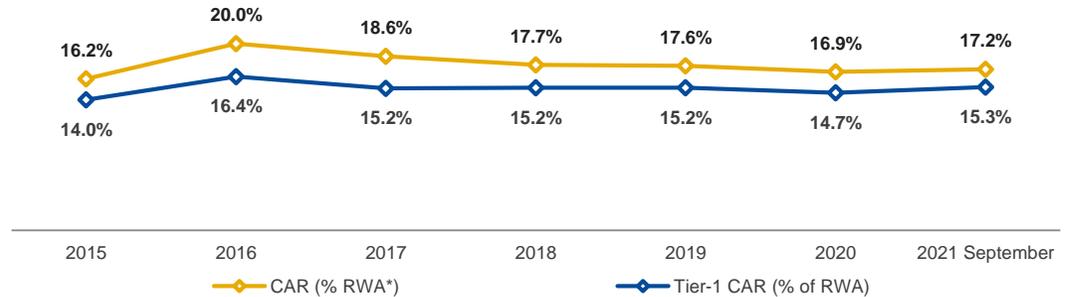
BANKING SECTOR OVERVIEW

ARMENIAN BANKING SYSTEM IS ADEQUATELY CAPITALIZED ABOVE THE REGULATORY REQUIREMENTS AND WELL-POSITIONED TO THE SHOCKS INDUCED BY THE PANDEMIC

LIQUIDITY RATIO

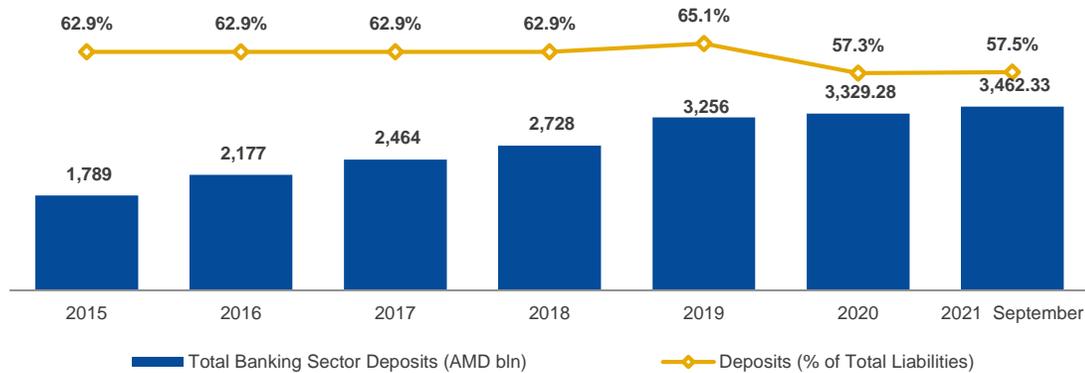


CAPITAL ADEQUACY RATIO

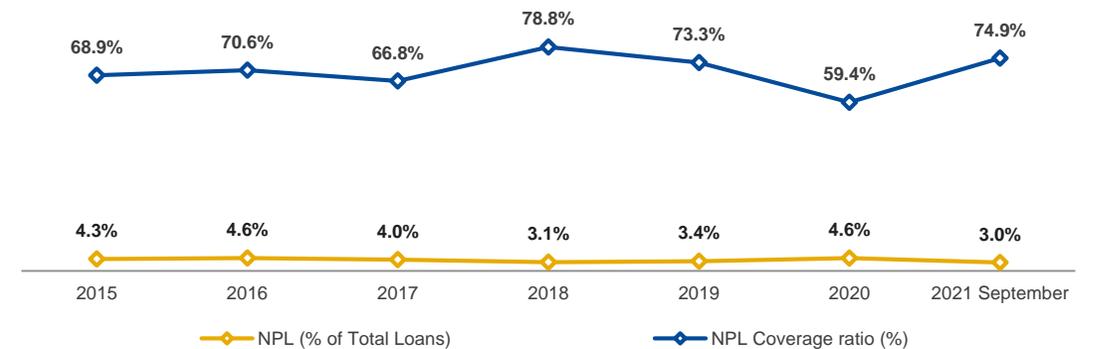


* Risk Weighted Assets

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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Ministry of Finance, Republic of Armenia

Tel.: +374 11 910 405, +374 11 910 407, +374 11 910 416

Web: www.minfin.am

E-mail: publicdebt@minfin.am arshaluys.margaryan@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

VTB ARMENIA CJSC