IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QIBS (AS DEFINED BELOW) OR (2) PERSONS LOCATED OUTSIDE OF THE UNITED STATES.

IMPORTANT: You must read the following before continuing. The following applies to the prospectus (the "**Prospectus**"), whether received by e-mail, accessed from an internet page or received as a result of electronic transmission, and you are therefore advised to read this carefully before reading, accessing or making any other use of the Prospectus. In accessing the Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information as a result of such access.

The Prospectus has been prepared solely in connection with the proposed offering to certain institutional and professional investors of the securities described herein (the "**Notes**").

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF NOTES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO.

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT ("RULE 144A") TO QUALIFIED INSTITUTIONAL BUYERS (AS DEFINED IN RULE 144A) ("QIBs") OR (2) OUTSIDE THE UNITED STATES IN RELIANCE ON REGULATION S UNDER THE SECURITIES ACT ("REGULATION S"), IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES.

THE PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED OTHER THAN AS PROVIDED BELOW AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. THE PROSPECTUS MAY ONLY BE DISTRIBUTED IN "OFFSHORE TRANSACTIONS," AS PERMITTED BY REGULATION S, OR WITHIN THE UNITED STATES TO QIBS IN ACCORDANCE WITH RULE 144A. ANY REPRODUCTION OF THE PROSPECTUS IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THESE RESTRICTIONS MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of your representation: In order to be eligible to view the Prospectus or make an investment decision with respect to the Notes, you must be (i) outside the United States for the purposes of Regulation S or (ii) a QIB that is acquiring the Notes for its own account or for the account of another QIB. By accepting this electronic transmission and accessing, reading or making any other use of the Prospectus, you shall be deemed to have represented to the Republic of Armenia and to Citigroup Global Markets Limited, HSBC Bank plc and J.P. Morgan Securities plc (the "**Joint Lead Managers**") that (1) you understand and agree to the terms set out herein; (2) in respect of the Notes being offered pursuant to Rule 144A, you are (or the person you represent is) a QIB, and the e-mail address to which, pursuant to your request, the Prospectus has been delivered by electronic transmission is utilised by someone who is a QIB; (3) in respect of the Notes being offered outside of the United States in an offshore transaction pursuant to Regulation S, you are outside the United States, and the e-mail address to which, pursuant to your request, the Prospectus has been delivered by electronic transmission is not located in the United States for the purposes of Regulation S; (4) you consent to delivery by electronic transmission; (5) you will not transmit the Prospectus (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person (other than your professional advisers bound by an undertaking of confidentiality) except with the consent of the Joint Lead Managers; and (6) you acknowledge that you will make your own assessment regarding any legal, taxation or other economic considerations with respect to your decision to subscribe for or purchase any of the Notes.

You are reminded that the Prospectus has been delivered to you on the basis that you are a person into whose possession the Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver the Prospectus to any other person and in particular to any U.S. address. Failure to comply may result in a direct violation of the Securities Act or the applicable laws of other jurisdictions. The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and any of the Joint Lead Managers or any affiliate of the Joint Lead Managers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such Joint Lead Manager or such affiliate on behalf of the Ministry of Finance of the Republic of Armenia acting on behalf of the Republic of Armenia in such jurisdiction.

In addition, in the United Kingdom, the attached document is being distributed only to and is directed only at: (a) persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Order**"); (b) high net worth entities falling within Article 49(2)(a) to (d) of the Order; and (c) other persons to whom it may otherwise lawfully be communicated under the Order (all such persons together referred to as "**relevant persons**"). Any investment or investment activity to which the document relates is available only in the United Kingdom to relevant persons and will be engaged in only with such persons.

MiFID II product governance/Professional investors and ECPs only target market - For the purposes of MiFID II, the target market in respect of the Notes is expected to be eligible counterparties and professional clients only, each as defined in MiFID II. Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration such target market; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes and determining appropriate distribution channels.

UK MIFIR product governance / Professional investors and ECPs only target market – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("**COBS**"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**UK MiFIR**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration the manufacturers' target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

PRIIPs Regulation/ Prohibition of sales to EEA retail investors – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the "**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive 2016/97/EU (as amended or superseded, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and, therefore, offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Prohibition of sales to UK retail investors – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

Under no circumstances shall the Prospectus constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Notes in any jurisdiction in which such offer, solicitation or sale would be unlawful.

The Prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission, and consequently none of the

Republic of Armenia or the Ministry of Finance of the Republic of Armenia or any officials thereof, the Joint Lead Managers, any person who controls any of the foregoing, any director, officer, employee, representative or agent of any of the foregoing or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Prospectus distributed to you in electronic format and the hard copy version available to you on request from the Joint Lead Managers.

Republic of Armenia

(acting through the Ministry of Finance)

US$750,000,000 3.600 per cent. Notes due 2031

Issue Price: 97.738 per cent.

The U.S.$750,000,000 3.600 per cent. Notes due 2031 (the "**Notes**") to be issued by the Republic of Armenia (the "**Issuer**" or "**Armenia**"), acting through the Ministry of Finance of Armenia (the "**Ministry of Finance**"), will mature on 2 February 2031, and, unless previously purchased and cancelled, will be redeemed at their principal amount on that date.

The Notes will bear interest at a rate of 3.600 per cent. per annum. Interest will accrue on the outstanding principal amount of the Notes from and including 2 February 2021 and will be payable semi-annually in arrear on 2 February and 2 August in each year, commencing on 2 August 2021.

All payments of principal and interest in respect of the Notes will be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or government charges of whatever nature imposed, levied, collected, withheld or assessed by Armenia or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts as will result in the receipt by the holders of the Notes of such amounts as would have been received by them if no such withholding or deduction had been required, subject to certain exceptions set out in the Terms and Conditions of the Notes.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), or with any securities regulatory authority of any state or other jurisdiction of the United States, and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. For a summary of certain restrictions on resale, see "*Subscription and Sale*" and "*Transfer Restrictions*."

The Notes will be offered and sold outside the United States in reliance on Regulation S under the Securities Act ("**Regulation S**") and within the United States to "qualified institutional buyers" ("**QIBs**") only (as defined in Rule 144A under the Securities Act ("**Rule 144A**")) in reliance on Rule 144A. Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

SEE "RISK FACTORS" FOR A DISCUSSION OF CERTAIN FACTORS TO BE CONSIDERED IN CONNECTION WITH AN INVESTMENT IN THE NOTES STARTING ON PAGE 4.

The Notes are expected to be rated Ba3 by Moody's Investors Service, Ltd. ("**Moody's**") and B+ by Fitch Ratings Ltd. ("**Fitch**"). The rating agencies have also issued ratings in respect of the Issuer as set out in this prospectus (the "**Prospectus**"). A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. As of the date of this Prospectus, each of the rating agencies is established in the European Union (the "**EU**") and is registered under Regulation (EU) No 1060/2009 (as amended) (the "**CRA Regulation**"). As such, each of the rating agencies is included in the list of credit rating agencies published by the European Securities and Markets Authority ("**ESMA**") on its website in accordance with the CRA Regulation.

The Notes will be offered and sold in registered form in denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof. The Notes offered and sold in reliance on Regulation S (the "**Unrestricted Notes**") are each represented by beneficial interests in an unrestricted global Note (the "**Unrestricted Global Note**"), in registered form without interest coupons attached, which will be registered in the name of a nominee for, and shall be deposited on or about 2 February 2021 (the "**Closing Date**") with the common depositary (the "**Common Depositary**") for, and in respect of interests held through, Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**"). The Notes offered and sold in reliance on Rule 144A (the "**Restricted Notes**") are each represented by beneficial interests in one or more restricted global Notes (the "**Restricted Global Note**" and together with the Unrestricted Global Note, the "**Global Notes**"), in registered form without interest coupons attached, which will be deposited on or about the Closing Date with a custodian (the "**Custodian**") for, and registered in the name of Cede & Co., as nominee for The Depository Trust Company ("**DTC**"). It is expected that the Notes will be issued on the Closing Date. Interests in the Restricted Global Note will be subject to certain restrictions on transfer. Beneficial interests in the Global Notes will be shown on, and transfers thereof will be effected only through, records maintained by DTC, Euroclear and Clearstream, Luxembourg and their participants. Except as described herein, certificates will not be issued in exchange for beneficial interests in the Global Notes.

Application has been made to the Irish Stock Exchange plc trading as Euronext Dublin ("**Euronext Dublin**") for the Notes to be admitted to its official list (the "**Official List**") and trading on the regulated market of Euronext Dublin (the "**Market**"). References in this Prospectus to the Notes being "listed" (and all related references) shall mean that the Notes have been admitted to the Official List and have been admitted to trading on the Market. The Market is a regulated market for the purposes of Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments, as amended ("**MiFID II**").

This Prospectus has been approved by the Central Bank of Ireland, as competent authority under Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"). The Central Bank of Ireland only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval should not be considered as an endorsement of either the Issuer or the quality of the Notes that are the subject of this Prospectus and investors should make their own assessment as to the suitability of investing in the Notes.

Joint Lead Managers

Citigroup **HSBC** **J.P. Morgan**

Prospectus Dated 1 February 2021

The Prospectus constitutes a prospectus for the purposes of Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"). Armenia accepts responsibility for the information contained in this Prospectus. To the best of Armenia's knowledge, the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect its import.

Information included herein that is identified as being derived from information published by Armenia or one of its agencies or instrumentalities is included herein on the authority of such publication as a public official document of Armenia. All other information herein with respect to Armenia is included herein as a public official statement made on the authority of the Ministry of Finance.

No person has been authorised to give any information or to make any representation other than as contained in this Prospectus in connection with the offering, issue and sale of the Notes, and, if given or made, such information or representation must not be relied upon as having been authorised by Armenia or the Joint Lead Managers (as defined in "*Subscription and Sale*").

Neither the delivery of this Prospectus nor any offer or sale of the Notes made hereunder shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of Armenia since the date hereof. The Joint Lead Managers expressly do not undertake to review the financial condition or affairs of Armenia during the life of the Notes or to advise any investor in the Notes of any information coming to their attention. This Prospectus may only be used for the purposes for which it has been published.

This Prospectus does not constitute an offer to sell or an offer to buy in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction, nor does this Prospectus constitute an offer or an invitation to subscribe for or purchase any Notes and it should not be considered as a recommendation by Armenia or any Joint Lead Manager that any recipient of this Prospectus should subscribe for or purchase any Notes. The distribution of this Prospectus and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by Armenia and the Joint Lead Managers to inform themselves about and to observe any such restrictions.

None of Armenia or the Joint Lead Managers makes any representation to any recipient of this Prospectus regarding the legality of an investment in the Notes by such recipient under applicable investment or similar laws. This Prospectus is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by Armenia or any of the Joint Lead Managers that any recipient of this Prospectus should purchase the Notes. Each investor should consult with its own advisers as to the legal, tax, business, financial and related aspects of its purchase of the Notes. For a description of certain restrictions on offers, sales and deliveries of Notes, see "*Subscription and Sale*" and "*Transfer Restrictions*."

Every prospective investor must determine the suitability of an investment in the Notes in the light of its particular circumstances. Accordingly, each prospective investor should:

(i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes and the merits and risks of investing in the Notes;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolios;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from its currencies;

(iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and

(v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for currency, economic, interest rate and other factors that may affect its investments and ability to bear the applicable risks.

The Notes have not been approved or disapproved by the United States Securities and Exchange Commission or any other securities commission or other regulatory authority in the United States, nor have the foregoing authorities passed upon or endorsed the merits of the offering of the Notes or approved this Prospectus or confirmed the accuracy or determined the adequacy of the information contained in this Prospectus. Any representation to the contrary is a criminal offence in the United States.

None of the Joint Lead Managers or any of their directors, affiliates, advisers and agents has separately verified the information contained in this Prospectus. Accordingly, no representation, warranty or undertaking, express or implied, is made, and no responsibility or liability is accepted, by the Joint Lead Managers as to the accuracy or completeness of the information contained in this Prospectus or any other information provided by Armenia in connection with the Notes or their distribution. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of Armenia.

This Prospectus does not constitute an offer of securities to the public in the United Kingdom. Consequently, this document is being distributed only to, and is directed at (a) persons who have professional experience in matters relating to investments falling within article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Order**"); (b) high net worth entities falling within article 49(2)(a) to (d) of the Order; and (c) other persons to whom it may be lawfully communicated under the Order (all such persons together being referred to as "**relevant persons**"). Any person who is not a relevant person should not act or rely on this document or any of its contents. Persons into whose possession this Prospectus may come are required by Armenia and the Joint Lead Managers to inform themselves about and to observe such restrictions.

STABILISATION

IN CONNECTION WITH THE ISSUE OF THE NOTES, J.P. MORGAN SECURITIES PLC (THE "STABILISING MANAGER") (OR ANY PERSON ACTING FOR THE STABILISING MANAGER) MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISING MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 DAYS AFTER THE DATE OF THE INITIAL ALLOTMENT OF THE NOTES. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILISING MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

This Prospectus has been prepared by Armenia for use in connection with the offer and sale of the Notes outside the United States, the resale of the Notes in the United States in reliance on Rule 144A and the admission of the Notes to the Official List and to trading on the Market. Armenia and the Joint Lead Managers reserve the right to reject any offer to purchase the Notes, in whole or in part, for any reason. This Prospectus does not constitute an offer to any person in the United States other than any QIB to whom an offer has been made directly by one of the Joint Lead Managers or its U.S. broker-dealer affiliate. Distribution of this Prospectus to any person within the United States, other than any QIB and those persons, if any, retained to advise such QIB with respect thereto, is unauthorised and any disclosure without the prior written consent of Armenia of any of its contents to any person within the United States, other than any QIB and those persons, if any, retained to advise such QIB, is prohibited.

PROHIBITION ON MARKETING AND SALES TO RETAIL INVESTORS

The Notes are complex financial instruments and are not a suitable or appropriate investment for all investors. In some jurisdictions, regulatory authorities have adopted or published laws, regulations or guidance with respect to the offer or sale of securities such as the Notes to retail investors.

On 1 January 2018, the provisions of Regulation (EU) No. 1286/2014 on key information documents for packaged and retail and insurance-based investment products ("**EU PRIIPs**") became directly applicable in all EEA member states and (ii) the Markets in Financial Instruments Directive 2014/65/EU (as amended) ("**EU MiFID II**") was required to be implemented in EEA member states by 3 January 2018. EU PRIIPs as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**EUWA**") is referred to as UK PRIIPs and EU

MiFID II as it forms part of domestic law by virtue of the EUWA is referred to as UK MiFID II. Together EU PRIIPs, UK PRIIPs, EU MiFID II and UK MiFID II are referred to as the "**Regulations**".

To the extent applicable, the Joint Lead Managers are required to comply with some or all of the Regulations. By purchasing, or making or accepting an offer to purchase, any Notes (or a beneficial interest in such Notes) from the Issuer and/or the Joint Lead Managers, each prospective investor represents, warrants, agrees with and undertakes to the Issuer and each of the Joint Lead Managers that:

(a) it is not a retail client in the EEA (as defined in EU MiFID II) or in the United Kingdom (the "**UK**") as defined under the paragraph headed "*Prohibition of sales to UK retail investors*" below;

(b) whether or not it is subject to the Regulations, it will not (A) sell or offer the Notes (or any beneficial interest therein) to retail clients in the EEA (as defined in EU MiFID II) or in the UK as defined under the paragraph headed "*Prohibition of sales to UK retail investors*" below or (B) communicate (including the distribution of this document) or approve an invitation or inducement to participate in, acquire or underwrite the Notes (or any beneficial interests therein) where that invitation or inducement is addressed to or disseminated in such a way that it is likely to be received by a retail client in the EEA (in each case within the meaning of the MiFID II) or in the UK as defined under the paragraph headed "*Prohibition of sales to UK retail investors*" below; and

(c) it will at all times comply with all applicable laws, regulations and regulatory guidance (whether inside or outside the EEA and/or in the UK) relating to the promotion, offering, distribution and/or sale of the Notes (or any beneficial interests therein), including (without limitation) EU MiFID II, UK MiFID II and any other applicable laws, regulations and regulatory guidance relating to determining the appropriateness and/or suitability of an investment in the Notes (or any beneficial interests therein) by investors in any relevant jurisdiction.

Each potential investor further acknowledges that:

(i) the identified target market for the Notes (for the purposes of the product governance obligations in EU MiFID II and UK MIFIR) is eligible counterparties and professional clients; and

(ii) no key information document (KID) under EU PRIIPs or UK PRIIPs has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful under EU PRIIPs and UK PRIIPs.

PRIIPs Regulation / Prohibition of Sales to EEA Retail Investors – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by the PRIIPs Regulation for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Prohibition of sales to UK retail investors – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by the UK PRIIPs Regulation for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

MIFID II product governance / Professional investors and ECPs only target market – For the purposes of MiFID II, the target market in respect of the Notes is expected to be eligible counterparties and professional clients only, each as defined in MiFID II. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration such target market; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes and determining appropriate distribution channels.

UK MIFIR product governance / Professional investors and ECPs only target market – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the COBS, and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the UK MiFIR; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to the UK MiFIR Product Governance Rules is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

Where acting as agent on behalf of a disclosed or undisclosed client when purchasing, or making or accepting an offer to purchase, any Notes (or any beneficial interests therein) from the Issuer and/or the Joint Lead Managers, the foregoing representations, warranties, agreements and undertakings will be given by and be binding upon both the agent and its underlying client.

PRODUCT CLASSIFICATION PURSUANT TO SECTION 309B OF THE SECURITIES AND FUTURES ACT (CHAPTER 289) OF SINGAPORE

This Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Prospectus or any other document or material in connection with the offer and sale, or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be distributed, nor may the Notes be offered or sold or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "**SFA**")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Notification under the SFA – all Notes shall be prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

Armenia is a sovereign state, and nearly all of the assets of Armenia are located outside the United States and the United Kingdom. There is a risk that, notwithstanding the limited waiver of sovereign immunity by Armenia in connection with the Notes, a claimant will not be able to enforce a foreign court judgment or arbitral award against Armenia (including the imposition of any arrest order or the attachment or seizure of such assets and their subsequent sale), without Armenia having specifically consented to such enforcement at the time when the enforcement is sought. See "*Terms and Conditions of the Notes—17. Governing Law, Arbitration and Jurisdiction*." In addition, certain state-owned assets are statutorily exempt from court enforcement procedures within Armenia. Armenia has waived its immunity from execution in proceedings before the English courts, however it has not waived any immunity in respect of (a) assets and property of the Issuer located in Armenia; (b) the premises and property of the Issuer's diplomatic and consular missions; (c) assets and property of the Issuer outside Armenia not used or intended to be used for a commercial purpose; (d) assets and property of the Issuer's central bank (the "**CBA**") or monetary authority and the international reserves of the Issuer held by the CBA or the Issuer's monetary authority; (e) assets and property of a military character or under the control of a military authority or defence agency of the Issuer; or (f) assets and property forming part of the cultural heritage of the Issuer.

It may not be possible to effect service of process against Armenia in courts outside Armenia or in a jurisdiction to which Armenia has not explicitly submitted, and the choice of jurisdiction of a foreign court (including the English courts) in contractual agreements may be held to be invalid by an Armenian court. In addition, courts in Armenia will enforce a judgment obtained in a foreign court only if such enforcement is provided for by a treaty ratified by Armenia or on the basis of reciprocity (if courts in the country where the foreign judgment is rendered have not previously refused to enforce judgments issued by Armenian courts). Armenian law establishes the presumption of such reciprocity, but this presumption can be rebutted. Armenia has no treaty regarding the enforcement of foreign judgments with the United Kingdom or with the United States.

Armenia is a party to the Convention on Recognition and Enforcement of Foreign Arbitral Awards of 10 June 1958 (the "**NY Convention**") in accordance with which an award of the International Chamber of Commerce (the "**ICC**") should be recognised and enforced by the courts of Armenia, and there is precedent of enforcement of international arbitration clauses and recognition and enforcement of foreign arbitral awards. Nevertheless, it may not be possible as a practical matter to enforce foreign arbitral awards against Armenia possibly due to Armenian courts broadly interpreting "public policy" as a ground for refusing recognition and enforcement of the award.

See "Risk Factors—Risk Factors Relating to an Investment in the Notes— Noteholders May Not In Practice Be Able to Enforce Judgments in their Favour Against Armenian State Assets," and "Risk Factors—Risk Factors Relating to an Investment in the Notes—Armenian Courts May Not Enforce Foreign Arbitral Awards."

PRESENTATION OF CERTAIN INFORMATION

All references in this Prospectus to the "**Government**" or to the "**National Assembly**" are to the central government and to the Parliament of Armenia, respectively; and references to the "**CIS**" are to the Commonwealth of Independent States.

In this Prospectus, all references to the "**dram**" and "**AMD**" are to the lawful currency of Armenia; all references to "**dollar**" and "**U.S.$**" are to the lawful currency of the United States of America; all references to "**euro**" and "**€**" are to the lawful single currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty Establishing the European Community, as amended by the Treaty on the European Union; all references to "**rouble**" and "**RUB**" are to the lawful currency of Russia; and all references to "**SDRs**" are to special drawing rights allocated by the International Monetary Fund (the "**IMF**").

Gross domestic product ("**GDP**") is a measure of the total value of final products and services produced in a country. "**Nominal GDP**" measures the total value of final production in current prices. "**Real GDP**" measures the total value of final production in constant prices, thus allowing historical GDP comparisons that exclude the effect of inflation. For the purposes of this Prospectus, real GDP figures are calculated by reference to 2008 prices.

In this Prospectus, all references to the "**ADB**" are to the Asian Development Bank; all references to the "**EBRD**" are to the European Bank for Reconstruction and Development; all references to the "**EDB**" are to the Eurasian Development Bank; all references to the "**EEU**" are to the Eurasian Economic Union; all references to the "**EFSD**" are to the Eurasian Fund for Stabilisation and Development; all references to the "**EIB**" are to the European Investment Bank; all references to the "**IBRD**" are to the International Bank for Reconstruction and Development of the World Bank; all references to the "**IDA**" are to the International Development Association of the World Bank; all references to the "**World Bank**" are to the IBRD and the IDA collectively; all references to the "**IFAD**" are to the International Fund for Agricultural Development; all references to the "**JICA**" are to the Japan International Cooperation Agency; all references to the "**OECD**" are to the Organisation of Economic Cooperation and Development; all references to "**OPEC**" are to the Organisation of Petroleum Exporting Countries; and all references to "**UNCTAD**" are to the United Nations Conference on Trade and Development.

All references in this Prospectus to interest accruing from a specified date or to a specified date are to interest accruing from and including the first specified date to but excluding the second specified date.

Except as otherwise provided, translations of amounts from one currency into another currency are solely for the convenience of the reader and are made at various exchange rates. No representation is made that amounts referred to herein could have been, or could be, converted into another currency at any particular exchange rate or at all.

Statistical data appearing in this Prospectus has, unless otherwise stated, been obtained from the National Statistics Service of Armenia ("**Armstat**"), the Ministry of Finance, the CBA and other official Government sources. Certain statistics are preliminary and are identified as such where presented. The development of statistical information relating to Armenia is an ongoing process, and revised figures and estimates are produced on a continuous basis and may change further in the future. For this reason, certain data presented herein may differ from data made public previously. All statistical information provided in this Prospectus may differ from that produced by other sources for a variety of reasons, including the use of different definitions and cut-off times. See "*Risk Factors—Risk Factors Relating to Investments in the Emerging Markets—Statistical Information*."

Unless otherwise stated, all annual information, including budget information, is based on calendar years, and interim statistical information has not been annualised. Data included in this Prospectus have been subject to rounding adjustments; accordingly, data shown for the same item of information may vary, and total figures may not be arithmetical sums of their components.

In 2003, Armenia subscribed to the Special Data Dissemination Standard (the "**SDDS**") of the IMF, which is designed to improve the timeliness and quality of information of subscribing member countries. The SDDS requires subscribing member countries to provide schedules indicating, in advance, the date on which data will be released (the "**Advance Release Calendar**"). For Armenia, precise dates or "no-later-than" dates for the release of data under the SDDS are disseminated no later than three months in advance through the Advance Release Calendar, which is published on the Internet under the IMF's Dissemination Standards Bulletin Board. Summary methodologies of all data and data dissemination practices (metadata) to enhance the transparency of statistical compilation are also provided on the Internet under the IMF's Dissemination Standards Bulletin Board. The website is http://dsbb.imf.org/pages/sdds/home.aspx.

FORWARD LOOKING STATEMENTS

This Prospectus includes forward looking statements. All statements other than statements of historical fact included in this Prospectus regarding, among other things, Armenia's economy, fiscal condition, politics, debt or prospects may constitute forward looking statements. In addition, forward looking statements generally can be identified by the use of forward looking terminology such as "may," "will," "expect," "project," "intend," "estimate," "anticipate," "believe," "continue," "could," "should," "would" or the like.

Although Armenia believes that expectations reflected in its forward looking statements are reasonable as at the date of this Prospectus, there can be no assurance that such expectations will prove to have been correct. Armenia undertakes no obligation to update the forward looking statements contained in this Prospectus or any other forward looking statement it may make.

For Armenia, in addition to the factors described in this Prospectus, including, but not limited to, those discussed under "*Risk Factors*," the following factors, among others, could cause future conditions to differ materially from those expressed in any forward looking statements made herein:

- adverse external factors, such as global or regional economic slowdowns that may affect Armenia, higher international interest rates, reduced demand for Armenia's exports or increases in oil and gas prices, which could each adversely affect Armenia's economy;

- adverse domestic factors, such as recession, declines in foreign direct investment ("**FDI**") and portfolio investment, high domestic inflation, high domestic interest rates, exchange rate volatility, a reduction in oil and gas supplies, difficulties in borrowing on the domestic or foreign markets, trade and political disputes between Armenia and its trading partners and neighbours (in particular, an escalation of the conflict in Nagorno-Karabakh), political uncertainty or lack of political consensus;

- decisions of Armenia's creditors regarding the provision of new debt or the rescheduling of existing debt and decisions of international financial institutions, such as the IMF, the World Bank, the EBRD and the ADB, regarding the terms of their financial assistance to Armenia and the funding of new or existing projects in Armenia and accordingly the net cash flow to or from such international organisations over the life of the Notes;

- political factors in Armenia, which may affect, *inter alia*, the timing and structure of economic reforms in Armenia and the climate for FDI; and

- global or national health concerns, including the impact of contagious disease, such as the ongoing coronavirus ("**COVID-19**") pandemic, and measures introduced to combat the pandemic.

EXCHANGE RATES

For ease of presentation, certain financial information included herein is presented as translated into dollars and euros.

The following tables set forth, for the periods indicated, the exchange rate history of the dram relative to the dollar, euro and rouble, respectively:

Dram to Dollar Exchange Rate History

Year	Low	High	Period average(1)	Period End
2021 (through 29 January 2021)	518.16	526.89	521.20	518.27
2020	478.33	525.09	489.01	522.59
2019	475.74	490.68	480.45	479.70
2018	480.06	488.68	482.99	483.75
2017	477.78	488.03	482.72	484.10
2016	473.29	496.11	480.49	483.94
2015	469.79	485.61	477.92	483.75

Note:

(1) The average rates are calculated as the average of the monthly exchange rates for the period. Average monthly exchange rates are calculated as the average of the daily exchange rates for the relevant month.

Source: CBA.

Dram to Euro Exchange Rate History

Year	Low	High	Period average(1)	Period End
2021 (through 29 January 2021)	627.83	642.33	633.02	627.83
2020	516.69	641.11	558.22	641.11
2019	518.52	559.75	537.00	537.26
2018	546.97	602.52	570.73	553.65
2017	509.93	580.10	545.25	580.10
2016	499.81	561.41	531.85	512.20
2015	500.47	577.47	530.60	528.69

Note:

(1) The average rates are calculated as the average of the monthly exchange rates for the period. Average monthly exchange rates are calculated as the average of the daily exchange rates for the relevant month.

Source: CBA.

Dram to Rouble Exchange Rate History

Year	Low	High	Period average(1)	Period End
2021 (through 29 January 2021)	6.80	7.16	7.01	6.80
2020	6.13	7.86	6.79	7.02
2019	7.12	7.77	7.43	7.77
2018	6.92	8.62	7.73	6.97
2017	7.89	8.66	8.28	8.40
2016	5.77	8.04	7.19	7.88
2015	6.62	9.82	7.89	6.62

Note:

(1) The average rates are calculated as the average of the monthly exchange rates for the period. Average monthly exchange rates are calculated as the average of the daily exchange rates for the relevant month.

Source: CBA.

As of 29 January 2021, the exchange rates published by the CBA were AMD518.27 = U.S.$1.00, AMD627.83 = €1.00 and AMD6.80 = RUB1.00.

TABLE OF CONTENTS

OVERVIEW

The overview below describes the principal terms of the Notes and is qualified in its entirety by the more detailed information contained elsewhere in this Prospectus. Capitalised terms used herein and not otherwise defined have the respective meanings given to them in the "*Terms and Conditions of the Notes*" (the "**Conditions**").

Issuer:	Republic of Armenia, acting through the Ministry of Finance of Armenia
Legal Entity Identifier:	2549008QLWTFS81EUF38
Notes:	U.S.$750,000,000 3.600 per cent. Notes due 2031
Issue Date:	2 February 2021
Maturity Date:	2 February 2031
Issue Price:	97.738 per cent of the principal amount of the Notes
Interest:	The Notes bear interest from 2 February 2021 at 3.600 per cent. per annum, payable semi-annually in arrear, on 2 February and 2 August in each year, commencing on 2 August 2021.
Redemption:	The Issuer will redeem the Notes at their principal amount on the Maturity Date. See "*Terms and Conditions of the Notes—5. Redemption and Purchase*."
Denominations:	The Notes will be offered and sold, and may only be transferred, in minimum principal amounts of U.S.$200,000 and integral multiples of U.S.$1,000.
Status:	The Notes are the direct, unconditional and unsecured obligations of the Issuer and rank and will rank *pari passu*, without preference among themselves, with all other unsecured Public External Indebtedness of the Issuer, from time to time outstanding, provided, further, that the Issuer shall have no obligation to effect equal or rateable payment(s) at any time with respect to any such other Public External Indebtedness and, in particular, shall have no obligation to pay other Public External Indebtedness at the same time or as a condition of paying sums due on the Notes and *vice versa*, as further described under "*Terms and Conditions of the Notes—1. Form, Denomination, Title and Status*."
Events of Default:	The Conditions will permit the acceleration of the Notes following the occurrence of certain events of default. Holders of not less than 25% in aggregate principal amount of the outstanding Notes may, by notice in writing to the Issuer (with a copy to the Fiscal Agent), declare all the Notes to be immediately due and payable, whereupon they shall become immediately due and payable at their principal amount together with accrued interest without further action or formality. If the Issuer receives notice in writing from holders of at least 50% in aggregate principal amount of the outstanding Notes to the effect that the Event of Default or Events of Default giving rise to any such declaration is or are cured following any such declaration and

	that such holders wish the relevant declaration to be withdrawn, the Issuer shall give notice thereof to the Noteholders (with a copy to the Fiscal Agent), whereupon the relevant declaration shall be withdrawn and shall have no further force or effect but without prejudice to any rights or obligations which may have arisen before the Issuer gives such notice (whether pursuant to these Conditions or otherwise). No such withdrawal shall affect any other or any subsequent Event of Default or any right of any Noteholder in relation thereto. See "*Terms and Conditions of the Notes—8. Events of Default*."
Negative Pledge:	So long as any Note remains outstanding (as defined in the Fiscal Agency Agreement) the Issuer will not create or permit to subsist any mortgage, charge, pledge, lien or other form of encumbrance or security interest ("**Security**") upon the whole or any part of the assets or revenues present or future of the Government of Armenia or the Ministry of Finance of Armenia to secure any of its Public External Indebtedness, or any guarantee of or indemnity in respect of any Public External Indebtedness unless, at the same time or prior thereto, the Issuer's obligations under the Notes (i) are secured equally and rateably therewith or benefit from a guarantee or indemnity in substantially identical terms thereto, as the case may be, or (ii) have the benefit of such other security, guarantee, indemnity or other arrangement as shall be approved by an Extraordinary Resolution (as defined in Condition 11) of the Noteholders. See "*Terms and Conditions of the Notes—3. Negative Pledge*."
Taxation:	All payments of principal and interest by or on behalf of the Issuer in respect of the Notes shall be made free and clear of, and without withholding or deduction for, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Armenia or any political subdivision thereof or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. If such withholding or deduction is required by law, the Issuer shall pay such additional amounts as will result in receipt by the Noteholders of such amounts as would have been received by them had no such withholding or deduction been required, subject to certain exceptions set out in "*Terms and Conditions of the Notes—7. Taxation*."
Modification and Amendment:	The terms and conditions of the Notes may be modified as a single series of Notes or, in respect of other debt securities containing substantively similar aggregation provisions to those applicable to the Notes. Each such amendment will be binding on all Noteholders, whether or not they voted in favour of such amendment or at all. See "*Terms and Conditions of the Notes—11. Meetings of Noteholders, Written Resolutions*."
Governing Law:	The Notes will be governed by English law.
Listing and Admission to Trading:	Application has been made to Euronext Dublin for the Notes to be admitted to the Official List and trading on the Market.

Ratings:	The Notes are expected to be rated Ba3 by Moody's Investors Service, Ltd. ("**Moody's**") and B+ by Fitch Ratings Ltd. ("**Fitch**"). A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. Each of the rating agencies is established in the European Union (the "**EU**") and is registered under Regulation (EU) No 1060/2009 (as amended) (the "**CRA Regulation**").
Use and Estimated Net Amount of Proceeds:	The estimated net proceeds of the issue of the Notes, after taking into account commissions and expenses, will be U.S.$732,204,000, which will be applied to general governmental purposes.
Transfer Restrictions:	The Notes have not been and will not be registered under the Securities Act or any U.S. state securities laws. Consequently, the Notes may not be offered or sold in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable U.S. state securities laws. See "*Transfer Restrictions*."
Risk Factors:	For a discussion of certain risk factors relating to the Issuer and the Notes that prospective investors should carefully consider prior to making an investment in the Notes. See "*Risk Factors*."
Fiscal Agent, Exchange Agent, Registrar, Transfer Agent and Paying Agent:	Citibank, N.A., London Branch
ISINs:	XS2010028939 (Unrestricted Global Note) US042207AD24 (Restricted Global Note)
Common Codes:	201002893 (Unrestricted Global Note) 111730326 (Restricted Global Note)

RISK FACTORS

Investment in the Notes involves a high degree of risk. Potential investors should carefully review this entire Prospectus and, in particular, should consider, among other things, all the risks inherent in making such an investment, including the risk factors set forth below, before making a decision to invest.

If any of the risks discussed below is realised, in part or in whole, individually or in some combination, the value of the Notes could decline, and such circumstance could have a material adverse effect on Armenia's ability to pay principal, interest and other amounts due on the Notes, so that investors could lose some or all of their investment.

Armenia believes that the risk factors described below represent the principal risks in relation to investing in the Notes, but does not represent that such risks are exhaustive. Prospective investors should note that Armenia may be unable to pay interest, principal or other amounts on or in connection with the Notes for other reasons. There may be additional risks and uncertainties that Armenia currently considers immaterial or of which Armenia is currently unaware, and any of these risks and uncertainties could have similar effects as those set forth below or other adverse effects. Prospective purchasers of Notes should make such inquiries as they think appropriate regarding Armenia and the Notes prior to making any investment decision.

Risk Factors Relating to Armenia

The Impact of the COVID-19 Pandemic

In December 2019, a novel coronavirus first noticed in Wuhan, China ("**COVID-19**"), was reported to the World Health Organization (the "**WHO**"). On 11 March 2020, WHO characterised the COVID-19 outbreak as a global pandemic. Across the world, states have undertaken measures to combat COVID-19 as a matter of public health, including mandatory quarantines/lockdowns, limitations on public gatherings, and travel restrictions, and to mitigate its economic consequences, including fiscal stimulus packages, wage and unemployment support, subsidies to businesses, and quantitative easing, amongst other measures.

Armenia confirmed its first case of COVID-19 on 1 March 2020. On 16 March 2020, the Government of Armenia declared a state of emergency lasting until 11 September 2020. On 24 March 2020, a nationwide lockdown was imposed, which was then lifted in stages and ended on 4 May 2020. On 11 September 2020, the state of emergency was replaced with a quarantine regime initially lasting until 11 January 2021 and then further extended to 11 July 2021, under which various requirements and restrictions remain in place. From 11 September 2020, the number of daily registered cases has been increasing, which started the 'second wave' of the pandemic: total cases per month averaged 8,498 in April-June 2020 against 36,296 per month in October-December 2020. As at 11.00 a.m., 21 January 2021, there have been in total 165,528 registered cases in Armenia with 3,021, or 1.8% of cases, resulting in death (a rate of infection of 5,592.7 cases per 100,000 people and a death rate of 102.1 deaths per 100,000 people). See "*Economy of Armenia—The COVID-19 Outbreak in Armenia—General Background*."

The Government of Armenia has taken a broad array of measures to mitigate the economic impact and ameliorate the social consequences of the COVID-19 pandemic. These have included increased Government spending under a number of programmes intended to provide support to individuals and businesses and drawing on external financings, including US$316.7 million under its stand-by facility with the IMF in 2020. The Armenian economy has suffered as a result of the pandemic: after five years of GDP growth, in the nine months ended 30 September 2020, Armenian GDP (in real terms, in drams) declined by 7.1%, and is now estimated to have declined by 7.9% in 2020. In addition, the 2020 budget deficit, which was originally budgeted at AMD160.7 billion (2.3% of GDP) was then budgeted to reach AMD411 billion (6.7% of GDP), and is now estimated to have been 7.1% of 2020 GDP, reflecting both higher spending and lower tax revenue. In the nine months ended 30 September 2020, exports of goods and services fell by 31.1% while imports fell by 28.1%, versus the nine months ended 30 September 2019. See "*Economy of Armenia—The COVID-19 Outbreak in Armenia—Economic and Social Support Measures*" and "*—Immediate Economic Consequences*."

The further consequences of the COVID-19 pandemic, as a matter of public health and of economic performance, globally and in Armenia, cannot be predicted. Were a severe new wave of COVID-19 to sweep Armenia, especially if it resulted in a new lockdown, the economy could be further damaged, further deficit spending could be incurred by the Government, and trade could further diminish. In addition, although the Armenian economy is generally becoming less dependent on the Russian economy, a significant downturn in the Russian economy in light of the outbreak of the 'second wave' of COVID-19 pandemic in Russia might have a negative impact on the

Armenian economy. See "*—Relations with Russia*" and "*—Vulnerability to Global/Regional Economic Conditions and Commodities Markets and to the Russian Economy*."

Any failure on the part of the Government to effectively address the consequences of COVID-19 could lead to social unrest and public discontent, as may heightened levels of unemployment and poverty. Government programmes to provide financial support to businesses to sustain them during the COVID-19 pandemic are vulnerable to corruption and may sustain businesses that are ultimately uneconomic. Even without a new lockdown within the country, the Armenian economy will still be affected by the global impact of the pandemic and its effects on the global economy.

Regional Tensions – Nagorno-Karabakh and Relations with Azerbaijan

During Soviet times the Nagorno-Karabakh region, which is to the east of Armenia but which has a largely ethnic Armenian population, was administered as the Nagorno-Karabakh Autonomous Oblast within the Azerbaijan Soviet Socialist Republic, an arrangement which afforded some degree of local autonomy. Azerbaijan's declaration of independence from the Soviet Union on 30 August 1991 led, in turn, to the declaration of independence by the Nagorno-Karabakh Autonomous Oblast in September 1991. In December 1991, in a referendum carried out in accordance with then-applicable Soviet law, as well as public international law, the population of Nagorno-Karabakh voted in favour of the establishment of the Nagorno-Karabakh Republic. Thus, on the territory of the former Azerbaijan Soviet Socialist Republic, two equal state formations were created – the Nagorno-Karabakh Republic and the Republic of Azerbaijan.

In 1991-1992, full-scale hostilities broke out, with Armenia supporting the Nagorno-Karabakh population. There were thousands of casualties. In May 1994, a Russian-brokered trilateral ceasefire agreement signed by representatives of Azerbaijan, Armenia and Nagorno-Karabakh ended large-scale warfare and established truce lines along the then line of contact between the military forces. These truce lines encompassed significant territory, in the form of security zones, inside Azerbaijan beyond the borders of the Nagorno-Karabakh Republic. From 1994 until September 2020, the line of contact separating Armenian forces and the Azerbaijan army was generally maintained, with skirmishes breaking out from time to time. Over this time, the Nagorno-Karabakh Republic (also referred to as the Republic of Artsakh) has functioned as a de facto independent state having a territory, permanent population and democratic institutions of governance, although no country (including Armenia) has recognised the Nagorno-Karabakh Republic. Armenia remains committed to protecting the territorial integrity of Nagorno-Karabakh.

The situation in Nagorno-Karabakh has recently changed significantly. On 27 September 2020, Azerbaijan launched a large-scale military offensive in the region. In response, on 27 September 2020, Armenia declared martial law and mobilised its army to defend the Armenian population in Nagorno-Karbakh. Azerbaijani armed forces bombarded densely-populated areas of Nagorno-Karabakh, including its capital Stepanakert and its second-largest city Shushi. Certain NATO members were critical of Turkish involvement in the conflict, warning that Turkey's involvement in the conflict has increased the risk in the region. There was no fighting within the borders of Armenia itself, although Azerbaijani forces fired on Armenian villages, causing casualties. The defence forces of Nagorno-Karabakh were forced to retreat, with over 5,000 military and around 150 civilian deaths reported, as well as significant losses of military equipment and civilian infrastructure. Three attempts to establish a truce immediately failed, and Armenian and Azerbaijani forces were engaged in active combat for much of the period from 27 September to 10 November 2020.

On 8 November 2020, Azerbaijani forces entered the strategic town of Shushi, which overlooks Stepanakert. On 9 November 2020, a Russian-brokered ceasefire was agreed between the Prime Minister of Armenia and the Presidents of Russia and Azerbaijan, which took effect at midnight on 10 November 2020. The ceasefire has held since that time.

Under the terms of the ceasefire, Azerbaijan retained control over the territories it had taken during the war, including Shushi, further taking control of the security zones around Nagorno-Karabakh that had been controlled by the Defense Forces of Nagorno-Karabakh since 1994-1995. A total of 1,960 Russian peacekeepers have been deployed to police the new contact line as well as the "Lachin corridor" – the passage connecting Nagorno-Karabakh and Armenia. Armenia also committed to allow passage to be established across Armenia between Azerbaijan and its exclave of Nakhijevan, under the supervision of the Russian Federal Security Service. The Russian peacekeepers are to remain in place for five years, with the possibility of prolongation for another five years. The ceasefire does not address the future status of Nagorno-Karabakh. As a result of the war and the ceasefire, thousands of ethnic Armenians have fled Nagorno-Karabakh and its surrounding security zones for

Armenia, although following the ceasefire a significant number have returned to Nagorno-Karabakh. The influx of refugees from Nagorno-Karabakh and its surrounding territories could contribute to the rise of social tensions.

The terms of the ceasefire have led to significant, ongoing street protests in Armenia, mainly in its capital Yerevan. Opposition parties have demanded the end of martial law, the resignation of the Prime Minister and the Government, and holding new parliamentary elections. Over November and December 2020, a number of cabinet officers resigned, including the Ministers of Economy, Foreign Affairs, Defence, Emergency Situations, Education and Science, and Labor and Social Affairs. On 16 November 2020, the President of Armenia, Armen Sarkissian, released a statement supporting the formation of a government of national accord, pending new, snap parliamentary elections. On Sunday 22 November 2020, a Day of Remembrance was observed in Armenia and in Armenian churches around the world for those who had fallen in the war.

The declaration of martial law made on 27 September 2020 currently remains in place. Under Armenian law, new parliamentary elections cannot be held so long as martial law remains in place, nor may the National Assembly pass a motion of no confidence. Each of the National Assembly (upon consultation with the Constitutional Court) and the Government has the authority to lift martial law. At an emergency session on 26 November 2020, the National Assembly voted not to lift martial law. On 3 December 2020, the Government ended certain restrictions that had been imposed under martial law (including bans on the holding of meeting and strikes, and restrictions on publications in the media) but did not lift martial law. When martial law is ended, there may be increased calls for the Government to resign and new parliamentary elections to be held. On 25 December 2020, the Prime Minister invited consultations with participation of various stakeholders, including members of parliament, to discuss the issue of holding snap parliamentary elections in 2021.

On 11 January 2021, the Prime Minister of Armenia and the Presidents of Russia and Azerbaijan met in Moscow. They agreed, pursuant to the terms of the ceasefire, to establish a working group aimed at opening up the economic and transport links in the region, with one immediate focus on rail and road infrastructure to facilitate an international flow of transport across the region. *See* "*Economy of Armenia—Principal Sectors of the Economy—Transport and Storage*". There were protests against the meeting in Yerevan and outside the Armenian embassy in Moscow, with critics of the Government saying other issues should have been addressed at the summit and again calling for the resignation of the Prime Minister.

The Nagorno-Karabakh conflict has had other serious repercussions for Armenia. In 1993, Turkey, in solidarity with Azerbaijan, closed its air and land border with Armenia, and the land border remains closed to this day. Azerbaijan has kept its borders closed, depriving Armenia of the benefits of significant mutual trade and severely limiting Armenia's access to international trade routes, although as discussed above there are now talks to re-open transport links. Armenia is not well-integrated into the regional economy and has been effectively excluded by Azerbaijan and Turkey from major cross-border infrastructure projects traversing the South Caucasus such as oil and gas pipelines and railways. The need to defend Nagorno-Karabakh also contributes to a relatively high defence expenditure for Armenia (19.4% of total state expenditure in 2019), which may now increase in light of the recent military defeat. See "*Public Finance—Public Accounts—Expenditures*."

The conflict had a negative impact on Armenia's GDP and budget deficit (see "*—Fiscal Deficit*"). In respect of 2020 GDP, this had been forecasted to decline by 6.0% in the initial draft budget presented to the Parliament at the end of September, before the war; largely due to the effects of the conflict and the second wave of COVID-19, it is now estimated to have declined by 7.9%. In respect of the budget deficit, due to the same factors, it has widened from the pre-conflict forecast of 6.1% of GDP to a current estimate of 7.1%. The full repercussions of the conflict cannot be known at this time. Renewed hostilities arising from the situation in Nagorno-Karabakh could materially disrupt the Armenian economy, require Armenia to make substantial expenditures to defend its positions, and have other material domestic and international political consequences, including as a result of increased refugee flows or violations of human rights and humanitarian law.

Political Risk Associated with a Transitional Democracy

With its independence only re-established in 1991 and with no historic tradition of democratic rule, Armenia remains a transitional democracy, its political institutions still maturing. Presidential elections have in the past been marred by allegations of irregularities, the worst case of disputed elections taking place in 2008, when ten people died in violent protests, resulting in the declaration of a 20-day state of emergency. The most recent nationwide elections, conducted in December 2018 to elect a new parliament, were widely perceived as free and fair, and drew muted criticism from losing parties as compared to prior elections.

As a transitional democracy, Armenia's political institutions may be less stable than political institutions in mature democracies, may not carry the same institutional legitimacy as in the case of mature democracies, and may be more prone to the effects of mass demonstrations and street protests. In April 2018, mass protests triggered by the transition of Serzh Sargsyan to the office of Prime Minister following his two consecutive terms as the President brought about his resignation and the National Assembly electing as the new Prime Minister the leader of the mass demonstrations, Nikol Pashinyan. See "*Description of Armenia—History*." In the aftermath of the recent war in Nagorno-Karabakh, there have been many voices, including those of the President and the Catholicos, calling for the immediate formation of a government of national accord followed by snap parliamentary elections; the Prime Minister is holding consultations about doing so, but to date has not indicated any intention to resign.

Other former members of the Soviet Union – such as Ukraine, Georgia and Kyrgyzstan – have had popular uprisings resulting in extra-constitutional transfers of power or contested elections being repeated, although this has not happened in Armenia. Economic hardship, increased unemployment, decreased remittances from Armenians abroad, increased food prices, perceived Governmental mismanagement or other events, such as public disappointment over the terms of the Nagorno-Karabakh cease-fire or their implementation, could provoke protests. Accordingly, while the Government is currently pursuing a course of political, economic and regulatory reforms, such reforms may not continue. The pursuit of reforms and economic growth may be frustrated as a result of a change in Government or changes affecting the stability of the Government or as a result of a rejection or reversal of Governmental policies.

Relations with Russia

Armenia has historically maintained good relations with Russia, which is vital for Armenia taking into consideration the role that Russia plays in Armenia's trade and investment, workers' remittances, energy supply and distribution and military security.

While the Armenian economy is becoming more integrated into the global economy and less dependent on the Russian economy, it remains possible that a significant downturn in the Russian economy might have negative repercussions for the Armenian economy. See "*—Vulnerability to Global/Regional Economic Conditions and Commodities Markets and to the Russian Economy*."

On 10 October 2014, Armenia signed the Treaty on the Eurasian Economic Union (the "**EEU**"), agreeing to join the EEU, which seeks to integrate the economies of its member states. On 2 January 2015, Armenia joined the EEU. The other current EEU Member States are the Russian Federation, the Republic of Belarus, the Republic of Kazakhstan and the Kyrgyz Republic. Armenia is part of the EEU's customs union and no tariffs apply within the EEU. Armenia's entry into the EEU entails a gradual transition (with scheduled completion by 2022) to the unified tariff system of the EEU, as a result of which some tariffs have increased (according to WTO statistics, from 2009 to 2019 the applied average tariff in Armenia increased from 2.7% to 6.3%) and will further increase until 2022 when the transitional period ends. Membership in the EEU is among the priorities of the economic policy of Armenia along with cooperation with Russia, the United States, the European Union and its Member States, as well as other European countries, Georgia, Iran, China, India and Japan, and partner countries of the Near East, America, Asia and Oceania, and Africa. Trade and economic cooperation with other EEU member states is one of the most important factors, which has a visible positive impact on Armenia's economic growth.

Armenia shares no contiguous border with any EEU member state, and goods transiting between Armenia and another EEU state through Georgia still need to undergo procedural formalities and incur road charges (although no Georgian customs duties are payable on such goods). As a result, Armenia may not fully exploit the benefits of EEU membership.

Natural gas is Armenia's main source of primary energy (the primary source of heating for Armenian consumers as well as the fuel for over 40% of the country's electricity) and Armenia imports roughly 83% (2015-2019 average) of its natural gas supply from Russia (via a pipeline that crosses Georgia) with Gazprom Export (a subsidiary of Gazprom, Russia's national gas company) selling natural gas to Gazprom's subsidiary Gazprom Armenia, which in turn sells to end customers in Armenia at tariff rates established by the Armenian Public Services Regulatory Commission.

In December 2013, Armenia and Russia entered into a five-year interstate agreement, under which Russia agreed, taking into account a 30% discount (due to the waiver of Russian export duty to EEU members), to sell gas to Armenia at U.S.$189 per 1,000 cubic metres through 2018 (the "**Gas Price Agreement**"). Subsequent amendments to the Gas Price Agreement set pricing per 1,000 cubic metres at U.S.$165 from 1 January 2015 to 31 March 2016, at U.S.$150 from 1 April 2016 through 31 December 2018 and at U.S.$165 from 1 January 2019 to 31 March 2021 (a rate significantly below European prices when this period commenced but now exceeding European pricing levels). Pricing to apply from 1 April 2021 has not yet been agreed.

If for any reason the Russian supply of natural gas to Armenia is interrupted (including due to any outbreak of hostilities or terrorist act damaging the gas pipeline or closure of the connecting pipeline across Georgia, which had a military conflict with Russia in 2008) or should Gazprom significantly increase the price at which it sells natural gas to Armenia, such events could have a material adverse effect on Armenia's economy.

Likewise, Russian companies (including state-owned entities) provide a significant amount of the petroleum products used in Armenia. Furthermore, Armenia's electricity distribution network, as well as one of its largest hydropower plants, is controlled by CJSC Tashir Capital, an Armenian company with ties to a Russian conglomerate of industrial and construction companies, Tashir. In December 2014, it was announced that Rosatom, the Russian state-owned nuclear power company, would undertake a project to extend the operating lifespan of the second power unit of Metsamor Nuclear Power Plant (the "**Metsamor Plant**") to 2026. In February 2015, Russia agreed to provide a U.S.$270 million loan (as well as a U.S.$30 million grant to support safety upgrades) for financing this project, which is scheduled for completion by the end of 2022. Armenia drew down U.S.$163 million under the loan. The drawdown deadline expired in 2019, and Armenia decided to further finance the construction of the Metsamor Plant from the State Budget. Active planning is underway to further extend the Metsamor Plant lifetime for another decade, to 2036. See "*Economy of Armenia—Energy—Electricity*." Russia has also provided important economic support to Armenia in past years, including a U.S.$500 million loan in 2009 to provide fiscal assistance (repaid in 2013).

Armenia and Russia also enjoy developed cooperation in the military sector. Together with Belarus, Kazakhstan, Kyrgyzstan, and Tajikistan, they are members of the Collective Security Treaty Organization, or CSTO, which seeks to strengthen peace along with international/regional security and stability as well as to ensure the collective defence of the independence, territorial integrity and the sovereignty of each of its Member States. See "*Description of Armenia – International Relations – CSTO.*" Russia also provides important military support to Armenia. As a component of Armenia's security, Russia maintains a base in the country with roughly 3,000 troops under an arrangement that applies until 2044. Russian border guards help patrol Armenia's borders with Iran and Turkey. Russia is one of the main suppliers of arms to the Armenian military. Russia played a key role in brokering the ceasefire to end the recent hostilities in Nagorno-Karabakh, contributing 1,960 peacekeepers to maintain the truce lines for at least the next five years, as discussed above.

The Government of Armenia led by Prime Minister Nikol Pashinyan has confirmed the importance of maintaining strong relations with Russia and this intention is reflected in the five-year Government programme adopted in 2019 (the "**2019 Government Programme**").

Given the traditional allied relations between Armenia and Russia, any deterioration in their relations could, in light of Russia's vital economic, energy and military importance to Armenia, have a significant effect on Armenia's economy and security.

Vulnerability to Global/Regional Economic Conditions and Commodities Markets and to the Russian Economy

Armenia has a relatively small economy (nominal GDP in 2019 of U.S.$13.7 billion); low nominal GDP per capita (U.S.$4,615 in 2019); and a high poverty rate at 43.8% of the population in 2019 (with monthly consumption below AMD44,048; see "*Economy of Armenia – Labour and Social Policy – Social Insurance System – Poverty Assessment*"). As such, the Armenian economy is sensitive to exogenous economic developments.

In terms of sector exposure, mining and base metals accounted for 39% of Armenia's exports in 2018 and 38% in 2019. Accordingly, Armenia has a relatively narrow export base and is particularly vulnerable to global demand for mining and metals products, which tends to be cyclical, reflecting global production and demand.

More generally, decreased demand from any of Armenia's major trading partners, such as the EU Member States (which together comprise Armenia's largest export market) and Russia (which is Armenia's largest single-country export market, partially due to their mutual participation in the EEU), could have a material adverse impact on Armenia's balance of trade and on the export-oriented sectors of Armenia's economy. The significant fall in the value of the rouble over late 2014 and 2015 made Armenian exports to Russia more expensive and, as there was a degree of correlation between the trading value of the rouble and the dram, put pressure on the dram. Historically, remittances to Armenia, predominantly sourced from Russia, have been an important feature of the Armenian economy, although remittances as a percentage of GDP declined from 10.4% in 2015 to 9.2% in 2018, 8.5% in 2019 and 7.7% in the first nine months of 2020, and are expected to continue to further decline. The Armenian economy is generally becoming less dependent on the Russian economy in part due to the decline (as a percentage of GDP) of remittances from Russia and in part due to the move towards a more diversified Armenian economy (with increased emphasis on IT services, tourism and textiles/clothing) and more diverse, higher-quality foreign direct investment ("**FDI**"). This trend is evidenced by the Armenian economy and the dram remaining relatively strong over the past three years during which period the Russian economy was sluggish and the rouble volatile. Nonetheless, a significant downturn in the Russian economy (which itself is highly dependent on global natural resource prices) could have negative repercussions for the Armenian economy.

Vulnerability to Sanctions Imposed on Russia

The European Union Member States and the United States (as well as other countries such as Australia, Canada, Japan, Switzerland and the United Kingdom) have imposed several rounds of economic sanctions against Russian entities and individuals. Among other measures, EU, U.K. and U.S. nationals were prohibited from doing business with certain Russian citizens, whose assets in the EU, the U.K. and the U.S. were 'frozen' or immobilised. A number of Russian government officials, businessmen, banks and companies have been targeted. Another approach these sanctions have taken, with more significant consequences for the Russian economy, are so-called 'sectoral' sanctions that effectively restrict access of Russia's leading banks and oil and gas companies (as specifically identified in the sanctions) to Western capital and financial markets. Further sanctions are possible.

Sanctions have had the effect, magnifying over time, of adding to the overall cost of capital in Russia and are a factor in the slower (or reduced) growth of the Russian economy, which in turn negatively impacts the Armenian economy, including its growth prospects and FDI and remittance flows. See "—*Relations with Russia*" and "—*Vulnerability to Global/Regional Economic Conditions and Commodities Markets and to the Russian Economy*." If persons, including Armenian businesses, conduct business with sanctioned Russian businesses or nationals, there is a risk they could be directly sanctioned, harming the Armenian economy.

Relations with the Islamic Republic of Iran

Armenia has generally enjoyed friendly relations with Iran since Armenia's independence in 1991. Although transport infrastructure between the two countries is limited, there is nonetheless some trade between them. In 2019, Armenia exported U.S.$83.9 million of goods to Iran (3.2% by value of total exports) and imported U.S.$325.3 million of goods from Iran (5.9% by value of total imports). The border with Iran is Armenia's only open route to the outside world other than Georgia. If for some reason the Georgian border is effectively closed, as was the case during the August 2008 Georgian-Russian conflict, then the Iranian trade route would become a vital supply route for Armenia. The largest single source of trade between Armenia and Iran is the exchange of natural gas (provided by the state-owned entity National Iranian Gas Company) for electricity (provided by the state-owned entity Yerevan Thermal Power Station). These gas supplies are delivered via a pipeline which came into operation in May 2009. Iranian gas is bartered for Armenian electricity (with Armenia using more of the gas for its own domestic needs – especially heating – in the winter months and providing more electricity generated by the use of the supplied gas to Iran during the summer months). In 2019, 378.5 million cubic metres of gas were supplied under this arrangement, representing roughly 14.9% of Armenia's natural gas supply. The completion of a new high-voltage transmission line to Iran, which is expected to be completed in 2021 will allow significantly more electricity to be exported to Iran. See "*Economy of Armenia—Energy—Electricity*."

In 2016, sanctions imposed by the United Nations against Iran were lifted following the adoption of the Joint Comprehensive Plan of Action regarding the Iranian nuclear programme. Under the Trump administration, the United States unilaterally withdrew from the Joint Comprehensive Plan of Action, applied new sanctions against Iran, and argued for the reinstatement of the pre-2016 U.N. sanctions (the incoming Biden administration has indicated it will seek to re-engage in negotiations with Iran). In response to the U.S. withdrawal, Iran has recommenced active enrichment of uranium, which could eventually result in the re-imposition of international sanctions. The Armenian authorities (principally the Ministry of Foreign Affairs, the Financial Monitoring Centre of the CBA (the "**FMC**") and the Prosecutor's Office) monitor compliance by Armenia with its international obligations. Armenia is conscious of its commitments to international economic sanctions and maintains appropriate internal policies with respect to sanctioned entities or countries, such as Iran (including the monitoring of UN, OFAC, EU and other applicable sanctions lists). While Armenia believes such policies are an effective means to monitor its commitments with regard to international sanctions, there can be no assurance that Armenia will not inadvertently deal (or be alleged to have dealt) with sanctioned entities or countries in some way that may violate international sanctions.

Armenia expects that its trade and cooperation with Iran will increase. In 2017, Armenia established a free economic zone adjacent to the border with Iran near the town of Meghri, offering tax benefits to foreign and Armenian businesses operating there. It is hoped this may attract Iranian businesses in light of Armenia's access to the EEU and EU markets on no-tariff or low-tariff terms.

On 2 July 2019, a Memorandum of Understanding Regarding the 16th Joint Meeting of the Armenia-Iran Intergovernmental Commission was signed. The Memorandum contemplates Iran purchasing electricity produced by the Meghri Hydroelectric Power Plant, but pricing has yet to be agreed. The Memorandum also states that opportunities for cooperation between the two states in the areas of energy, nature protection, transport, finance, trade and others will be explored. In the meantime, Armenia will remain cognizant of all relevant sanctions.

Any closure of the border with Iran (especially at a time when Armenia's principal trade route via Georgia is effectively closed) due to international sanctions or an outbreak of hostilities involving Iran, or any imposition of sanctions having the effect of curbing existing trade relations between the countries, in particular the current arrangement for the barter of natural gas for electricity, could have a material adverse impact on the Armenian economy.

Limited Routes for Exports

Armenia's borders with Azerbaijan and land border with Turkey remain closed as a consequence of the Nagorno-Karabakh conflict and the absence of diplomatic relations with Turkey (although there are now talks between Armenia and Azerbaijan about opening up transport links). Although the Turkish air border is not closed for Armenia, during the recent hostilities Turkey stopped the delivery of U.S. humanitarian aid to Armenia via Turkish airspace. While Armenia's border with Iran is open, the lack of modern transport infrastructure between the countries (as well as U.S. sanctions) severely constrains Armenia's ability to trade with Iran and to export its goods via Iran (especially during the winter months). Accordingly, Armenia's only practical export route is via Georgia. Georgia's relations with Russia have been strained after their armed conflict in 2008 and at times this has effectively halted trade across the Georgian-Russian border. When the Georgian-Russian border last closed, emergency deliveries of wheat, diesel fuel and other goods from Iran were organised, but such deliveries may not be possible in the future due to sanctions or any conflict involving Iran. The lack of practical export routes other than via Georgia increases the cost of transport of Armenia's exports.

Lack of Economic Diversification and Competition

The lack and uncertainty of export routes for Armenian goods, together with a relatively small domestic base and geopolitical concerns, have discouraged investment into and development of the Armenian economy, which helps explain Armenia's historic lack of economic diversification and outdated technological base. FDI in Armenia is relatively low: total FDI was U.S.$254.1 million in 2019 and U.S.$112.4 million in the nine months ended 30 September 2020. In turn, this has allowed a relatively small number of exporters and importers to at times dominate certain markets, decreasing competition and fostering oligopolistic behaviour. Furthermore, these circumstances contribute towards the relatively high unemployment rate in Armenia (18.1% in the nine months ended 30 September 2020). The Government has set as a priority making further progress towards achieving a more competitive, private-sector-led, dynamic economy, featuring more inclusive growth, based on good governance and fair competition.

Tax Collection and Tax Reform

Armenia's ability to administer and collect taxes falls short of Western norms, and improved tax collection has been identified by international organisations as a critical measure to bolster the state's finances. In 2018, tax revenues were 20.8% of GDP and in 2019, 22.3%. Accordingly, while there have been recent improvements in tax and customs administration, lack of further progress in Armenia's ability to efficiently assess, collect and enforce taxes on a consistent, even-handed basis for all taxpayers (yet in a business-friendly manner) could have a material adverse effect on the financial and economic condition of Armenia.

In June 2019, the National Assembly adopted the following tax reform legislation (the "**2019 Tax Reform**"), under which:

- a flat income tax of 23% was established for individuals starting in 2020, to be reduced to 20% by 2023, replacing the previous regime of a progressive income tax with rates from 23% to 36%;
- from 2020, the corporate profit tax rate was reduced from 20% to 18%;
- from 2020, the tax on dividends for non-residents was reduced from 10% to 5%;
- from July 2019, the revenue ceiling (VAT threshold) for small businesses exempt from corporate profit tax and VAT was raised from AMD58 million to AMD115 million.

See "*Public Finance—Armenian Tax System*."

While it is anticipated that the 2019 Tax Reform will ultimately increase GDP by 0.8% in the long term and spur consumption growth by an estimated 0.3%-0.4% and employment growth by 0.5%, the Ministry of Finance has at the same time estimated that the 2019 Tax Reform will immediately reduce annual tax revenues. This reduction will be offset in part by stepped increases in excise tax rates (*e.g.*, on tobacco and alcohol), state duties and the improved tax administration.

There can be no assurance that the 2019 Tax Reform will succeed, and it may lead to a sustained reduction in tax revenues, which may not be fully offset by other new taxes. This would contribute to widening fiscal deficits, and in turn may result in increased Government borrowing, which could have a material adverse impact on the financial and economic condition of Armenia.

External Debt Burden

Armenia's total Public Debt (as defined herein) has increased from U.S.$5.1 billion (48.7% of GDP) in 2015 to U.S.$7.3 billion (53.5% of GDP) in 2019; total External Public Debt has increased from U.S.$4.3 billion in 2015 to U.S.$5.8 billion in 2019. Much of this increase in debt has been funded by multilateral institutions such as the World Bank on concessionary terms. As of 31 December 2019, External Public Debt amounted to U.S.$5.8 billion, U.S.$3.6 billion of which was funded by multilateral institutions and U.S.$1.0 billion of which was mainly funded by the issuance of US$500,000,000 7.150% Notes due 2025 (the **"2015 Eurobond"**) and of US$500,000,000 3.950% Notes due 2029 (the "**2019 Eurobond**"). Furthermore, on 18 May 2020 the IMF, to provide support for Armenia's efforts to combat the effects of the COVID-19 epidemic, increased its standby facility to Armenia from SDR180 million to SDR308.8 million, of which SDR206 million (about U.S.$280 million) was drawn by Armenia on 20 May 2020 and further SDR25.714 million (around U.S.$36.7 million) on 15 December 2020 See "*Public Debt and Related Matters— Multilateral and Bilateral Development Organisations*."

As of 31 December 2020, the average weighted interest rate on External Public Debt was approximately 3.0% per annum, and the average contractual maturity was approximately 7.8 years. As of 31 December 2020, approximately 73.0% of Armenia's External Public Debt portfolio carried fixed interest rates, and the remainder carried floating rates. Multilateral lenders have also provided significant financing to the Armenian banking sector. Armenia has good relations with its multilateral lenders and seeks to satisfy the conditions of their lending programmes, but if multilateral lenders were to curtail future lending to Armenia, that could have a material adverse effect on the financial and economic condition of Armenia. As Armenia graduates from concessional financings from multilateral institutions, its borrowing costs are expected to increase. Depreciation of the dram increases the cost, in dram terms, of servicing Armenia's External Public Debt. Armenia's relatively high levels of debt (as measured against its GDP) may constrain its ability to attract new net financing.

Structural Current Account Deficit

Armenia's current account deficit was U.S.$0.2 billion in 2017 (1.5% of GDP); in 2018 it widened to U.S.$0.9 billion (6.9% of GDP), largely reflecting, as the IMF found, a rebound in imports (up 17.0% year on year) on the back of recovery in domestic demand (while exports were up 11.3%); in 2019 it increased to U.S.$1.0 billion (7.2% of GDP) due to a higher trade deficit; and it stood at 4.8% of GDP for the nine months ended 30 September 2020. See "*External Sector—Balance of Payments*."

Remittances have traditionally provided significant net inflows to Armenia so as to narrow the current account deficit. Remittances to Armenia have generally fluctuated in line with the state of the global economy, and in particular the Russian economy, whence remittances to Armenia predominantly originate. See "*External Sector—Remittances*." Remittance flows from Russia depend, inter alia, on the state of the Russian economy. See "*—Vulnerability to Global/Regional Economic Conditions and Commodities Markets and to the Russian Economy.*"

A widening of the current account deficit may result in a further increase in the levels of Government borrowing to finance the current account deficit and a depreciation of the dram; it may also affect the capacity of Armenia's economy to generate foreign currency assets sufficient to cover liabilities arising from private external debt and External Public Debt. As the IMF has observed, the combination of the current account deficit and high dollarisation of the Armenian economy leave it vulnerable to shocks. A widening current account deficit could have a material adverse effect on the financial and economic condition of Armenia.

Fiscal Deficit

Over the past decade, Armenia has consistently run a fiscal deficit. In 2016, the fiscal deficit was 5.5% of GDP; in 2017, 4.8%; in 2018, 1.8%; in 2019, 1.0%; and while originally budgeted to be 2.3% in 2020, was then budgeted to reach AMD411 billion (6.7% of GDP), and is now estimated to have been 7.1% of 2020 GDP. *See "The COVID-19 Outbreak in Armenia—Immediate Economic Consequences."* Furthermore, costs arising from the recent conflict with Azerbaijan over Nagorno-Karabakh may add to the deficit. The fiscal deficit has been largely funded by a combination of increased borrowing, especially funding from multilateral institutions and the issuance of dram-denominated treasury bills in the domestic capital markets. The domestic capital markets nonetheless remain underdeveloped, reflecting, according to the IMF, low market transparency and a lack of a comprehensive regulatory regime, which constrains the ability of the Government to raise financing domestically and contributes to the dollarisation of the economy.

To the extent the fiscal deficits continue, the lack of future debt funding (or the deterioration of terms on which funding is made) could have a material adverse effect on the financial and economic condition of Armenia. The Government has been able to manage the fiscal deficit in recent years, but there is no assurance this will remain the case, especially if the Government needs to address an economic downturn or if fiscal policy loosens. In general, social and geopolitical pressures may constrain the Government's ability to prioritise fiscal consolidation given the potential for increases in spending requirements due to these, or any other spending pressures that may arise. Increasing fiscal deficits could have a material adverse effect on the financial and economic condition of Armenia.

Dollarisation of the Economy

Reflecting concerns over price stability, the Armenian economy has become highly dollarised. Residents' foreign currency deposits as a share of residents' all deposits stood at 51.8% in 2018, 44.6% in 2019 and 41.9% in the nine months ended 30 September 2020, respectively. Residents' foreign currency loans accounted for 54.1% in 2018, 49.5% in 2019 and 48.3% in the nine months ended 30 September 2020, respectively. Due to the CBA's disinflationary policy in recent years, dollarisation has gradually decreased, but remains a concern. The dollarisation rate tempers the effectiveness of the CBA's monetary and exchange rate policies and makes the Armenian economy more vulnerable to external shocks. Armenian banks are also exposed to the risk that borrowers are borrowing in foreign currencies but their revenues are in drams. See "*Monetary and Financial System— Monetary and Financial Policies of the CBA —Implementation*."

Inflation

Annual inflation in Armenia, as measured by the end-of-period Consumer Price Index ("**CPI**"), was 3.7% in 2020, 0.7% in 2019, 1.8% in 2018, and 2.6% in 2017, while featuring a negative rate of 1.1% and 0.1% in 2016 and 2015, respectively, against the backdrop of a slowdown in the global economy and a relatively weak domestic demand. In 2014, Armenia's end-of-year annual CPI inflation rate was 4.6%, which was largely attributable to a regional currency crisis along with the depreciation of Armenian dram. See "*Monetary and Financial System—Inflation*." Historically, inflation in Armenia has been volatile, in part because food comprised roughly half of the CPI basket (currently, food and non-alcoholic beverages make up over 40% of the CPI composition), and in part due to a weak monetary policy transmission attributable to the high dollarisation of the Armenian economy. In the 1990s, Armenia suffered from hyperinflation. While inflation in recent years has been more benign due to a prudent CBA monetary policy and ongoing reforms to improve its transmission, such trends may not continue in the future. Sustained high inflation (as experienced by Armenia in the 1990s) could lead to market instability, a reduction in consumer purchasing power, erosion of consumer confidence, and could also hamper efforts of the

CBA to decrease the dollarisation of the Armenian economy (see "—*Dollarisation of the Economy*"). Any of these events could have a material adverse impact on the financial and economic condition of Armenia.

Depreciation of Dram and Consequences for Foreign Exchange Reserves and Public Finance

At times, there has been significant volatility in the dram/dollar exchange rate such as in the spring of 2009, which was mainly due to the consequences of the global economic crisis, and in late 2014 and 2015, which was mainly due to the faltering Russian economy together with public concern about the strength of the dram in light of the fall of the rouble. In addition, a contraction of net capital inflows to the economy that would lead to further pressure on the dram could arise from changes in the expectations of monetary intervention by the central banks of developed countries (*e.g.*, by the U.S. Federal Reserve or the European Central Bank).

In March 2009, the dram/dollar exchange rate fell from AMD305.8/dollar to AMD367.7/dollar, a 20% decline. Between September 2008 and March 2009, the CBA expended significant amounts of foreign reserves to defend the dram, which was intended to help banks, and more specifically their customers, adjust to the depreciating dram, lessen the impact of the crisis and prevent runs on the banks by depositors. Subsequently, and in keeping with the recommendation of the IMF, the CBA has allowed greater exchange rate flexibility. Should pressure on the dram increase, the CBA may expend reserves in its defence, depleting Armenia's foreign exchange reserves, which may adversely affect Armenia's ability to service its Public External Debt as well as the overall financial and economic condition of Armenia.

The dram/dollar exchange rate experienced significant depreciation from 17 November 2014 at AMD415.7/dollar to 17 December at AMD527.2/dollar, a 27% decline. See "—*Relations with Russia*." On 17 December 2014, the CBA doubled its reserve requirement for Armenian banks on their exposure to foreign-currency liabilities from 12% to 24% (with the reserve to be held in drams), which allowed the policy interest rate to effectively influence the financial markets and real economy; and had the effect of immediately stabilising the inflation expectations and the dram.

In 2020, the dram exhibited volatility, opening the year at AMD479.70/dollar, weakening to AMD504.96/dollar on 1 April 2020, at the time its weakest position over the past five years. To stabilise the foreign exchange trading market, in March-April 2020 the CBA intervened by selling U.S.$93.9 million (net) of foreign currency. The dram then recovered to AMD478.99/dollar on 22 June 2020 but then weakened in December 2020 to a new five-year low of AMD525.09/dollar on 15 December 2020. On 15 December 2020, the CBA increased its base Refinancing Rate from 4.25% to 5.25%, citing the high demand for the U.S. dollar in the local markets. Notwithstanding measures taken by the CBA, the dram may exhibit further volatility and/or weaken in the future.

As of 30 September 2020, 49.2% of Armenia's total External Public Debt was in U.S. dollars, 31.4% was in SDRs, and the remainder in other foreign currencies. Depreciation of the dram against the dollar (or other foreign currencies in which Armenia's Public Debt (as defined herein) is denominated or payable) negatively affects Armenian public finances, because it results in an increase in the dram amount of Armenian public funds required for debt servicing. In addition, the share of foreign currency denominated loans (including loans indexed to foreign currency) in private lending accounted for in the External Debt was 41.7% as of 30 September 2020, so that private Armenian borrowers are also exposed to exchange rate risk. Furthermore, depreciation of the dram increases prices of imported goods. Accordingly, an abrupt and significant fall of the dram against foreign currencies (and in particular against the dollar), as was experienced during 2009 and late 2014, may adversely affect the financial and economic condition of Armenia.

Possible Environmental Issues at the Amulsar Gold Mine and Possible Claims by Mine Owner

Mining comprises an important sector of the Armenian economy, accounting for 2.8% of nominal GDP in 2019, and in turn feeds related manufacturing activities. Mining has also traditionally been an important source of FDI into Armenia.

One of the largest mines under development in recent years has been the Amulsar gold mine (the "**Amulsar Mine**") located outside the mountain spa town of Jermuk, approximately 170 kilometres southeast of Yerevan. The firm Lydian International has carried out work to develop the Amulsar Mine, reportedly investing almost U.S.$500 million into the project. Environmentalists have raised concerns that gold mining operations at the Amulsar Mine, which includes the use of sulphuric acid, could contaminate water used for drinking and irrigation, potentially damaging agricultural production in the fertile Ararat valley and contaminating Lake Sevan. Since summer 2018, local residents have assembled roadblocks and checkpoints on the access roads to the Amulsar

Mine, which led Lydian International to suspend further development. In March 2019, two Lydian International entities (one based in Canada and one based in the United Kingdom) each filed a notice of claim under the relevant bilateral investment treaties in respect of their investments into the Amulsar Mine, which remain pending, although negotiations are being held between the Government of Armenia and the claimants. Separately, in December 2019, Lydian International started a corporate restructuring process, and it has submitted a plan of arrangement with its secured creditors under the Canadian Companies' Creditors Arrangement Act.

A new independent international environmental study of the Amulsar Mine, commissioned by the Government and carried out by Earth Link & Advanced Resources Development (ELARD), concluded in August 2019 that the environmental risks associated with the project are manageable, while also making 16 recommendations as to how best to manage environmental risks. After review of this study, the Government decided further review was merited, but this has not yet been carried out. In December 2020, the Government extended the licensed period for the construction of the mine to continue to June 2021. The Government remains committed to resolving the situation with Lydian International in accordance with international and Armenian law.

Until the situation at the Amulsar Mine is resolved, potential foreign investors, especially in the mining sector, may be deterred from making investments. If the Amulsar Mine project does not go ahead due to environmental issues, this may too raise concerns for potential foreign investors, while Armenia also faces the prospect of significant claims being pursued against it by Lydian International.

Corruption

Corruption has been identified as a significant, endemic problem in Armenia: in Transparency International's 2019 Corruption Perceptions Index survey of 180 countries, Armenia was ranked 77th (moving up 28 ranks compared to 2018). Tackling corruption has been identified as a key area for reform by international organisations advising Armenia, and the Government of Prime Minister Pashinyan has identified fighting corruption as a key pillar of its economic strategy. As such, the Government is reinvigorating efforts to combat corruption, including putting the Corruption Prevention Commission into operation and developing a set of reforms to address corruption. See "*Economy of Armenia—Economic Policy*." These efforts have resulted in over 350 former and current officials being charged with abuse of office, bribery and/or corruption, such as the 27 August 2019 arrest of Gagik Khachatryan, who was the head from 2008 to 2014 of a committee that oversaw Armenia's tax collection and customs services and then the Minister of Finance from 2014 to 2016. Most prominently, in February 2020, a trial started in which former President and Prime Minister Serzh Sargsyan, together with a former minister of agriculture and others, are charged with participating in a scheme whereby diesel fuel was sold at inflated prices to the state as part of the government's agricultural assistance programme, with AMD489 million distributed to the participants in the scheme; the trial is currently adjourned. Government corruption can lead to the misallocation and dissipation of state funds/tax revenues or the mismanagement of state projects. Corruption, and allegations of corruption, in Armenia may have a negative impact on Armenia's economy and reputation abroad, especially on its ability to attract foreign investment.

Informal Economy

A significant portion of the Armenian economy, estimated by Armstat to be roughly 22% of the economy in 2018, is comprised of an informal, or shadow, economy. The informal economy is only partially taxed, resulting in a lack of revenue for the Government. Likewise, the informal economy is not fully policed and regulated, giving rise to other issues such as non-compliance with health and safety standards. Armstat takes the informal economy into account when it calculates GDP but measuring the output of the informal economy is inherently more difficult than the output of businesses complying with tax, regulatory and reporting requirements. Although the Government is attempting to address the informal economy by streamlining certain regulations, particularly tax laws, there can be no assurance that such reforms will adequately address the issues and bring the informal economy into the formal sector.

Earthquakes and Armenia's Ageing Nuclear Power Plant

Armenia straddles two tectonic plates, a geology conducive to earthquakes occurring from time to time. In December 1988, a powerful earthquake struck in north-western Armenia as a result of which an estimated 25,000 people died and 500,000 were rendered homeless. It is not possible to predict when earthquakes may recur.

Armenia operates the Soviet-built Metsamor Plant, located 36 kilometres outside Yerevan, which generates over 40% of Armenia's electricity supply. The Metsamor Plant uses a reactor that came into use in 1980. Although the plant was not damaged, after the 1988 earthquake this reactor was mothballed. In 1995, it was re-opened to address chronic electricity shortages. In April 2012, it was announced that the plant would remain in operation for the next decade, and in practice the old plant is likely to remain in operation until a new plant can replace its output. The EU has previously requested the earliest possible closure of the Metsamor Plant, taking the view that it cannot be upgraded to meet internationally recognised safety standards. However, under current Government planning, the Metsamor Plant will stay in operation until 2036, when it will be replaced with a new nuclear unit. See "*Economy of Armenia—Energy—Electricity*." In July 2020, a spokesman for the Azeri Ministry of Defence observed that the Metsamor Plant was within the striking range of Azeri missiles.

A strong earthquake, or a nuclear disaster, or like events could overwhelm the ability of state authorities to provide emergency care and create conditions in which contagion could spread or civil order could break down. Accordingly, catastrophes, whether natural or man-made, the conditions they create, and the remedial efforts carried out in their aftermath can have a material adverse impact on the Armenian economy.

Climate Change and Weather Extremes

As a country with a mountainous ecosystem of which large parts are arid and under-watered, Armenia is potentially especially vulnerable to global warming and climate change, which could have a material impact on Armenia's economy. As discussed in the Third National Communication on Climate Change of 2015 prepared by the Ministry of Environment of Armenia with the support of the United Nations Development Programme, forecasts for air temperature and rainfall changes show clear trends of further aridisation for most of the country. Without effective remedial actions the projected rise in average temperatures is expected eventually to result in heat waves and droughts; a fall in river flows, lake levels and water supply; de-forestation, landslides and mudflows; frequent and intense forest wildfires; and increased flooding. This could be especially harmful to Armenia given its topography and geography, an arid zone with no access to the sea, and taking into account the importance of agriculture to its economy (agriculture is the single largest contributor to GDP). Accordingly, negative implications for the agriculture sector resulting from the climate change may have a significant impact on the Armenian economy and raise social tensions. Weather extremes (such as hail storms in the spring 2013 and summer 2018 which destroyed much of the season's crops), the frequency of which may be increasing due to global warming, can cause a sharp rise in food prices, inflation and hardship to the rural poor.

Ongoing Emigration

Since the independence of Armenia in 1991, there has been a consistent pattern of emigration from Armenia. Emigration was especially high during the 1990s as the country suffered protracted hardship (see "*Description of Armenia—History*") but persists to this day, due in part to Armenia's relatively high unemployment and poverty rates. Emigration in recent years is estimated to be roughly 20,000-25,000 people per annum. Meanwhile, other Armenians work abroad on a seasonal, migrant basis, in some cases year after year. Many of the emigrants and migrant workers accept employment opportunities in Russia, sending remittances to their families in Armenia; and other emigrants join the global Armenian diaspora. The Government has undertaken various initiatives to encourage the return of emigrants to Armenia, but this has yet to occur in significant numbers. Persistent and ongoing emigration from Armenia, including a "brain drain" of educated citizenry, could materially adversely affect Armenia's economic growth.

Risk Factors Relating to Investments in the Emerging Markets

Higher Volatility, Risks of Downturns and "Contagion" Effect

Investing in securities involving emerging markets, such as Armenia, involves a higher degree of risk than investments in securities of corporate or sovereign issuers of more developed markets. This higher degree of risk reflects the exposure of emerging economies to higher volatility, limited liquidity, a narrow export base and fiscal and current account deficits while they are also subject to sometimes sudden and unexpected changes in their political, economic, social, legal and regulatory environments. Emerging economies, such as the Armenian economy, are subject to rapid change and are vulnerable to market conditions and economic downturns elsewhere in the world. Emerging markets may also experience more instances of corruption of government officials and misuse of public funds than more mature markets.

In addition, international investors' reactions to events occurring in one emerging market country or region sometimes indicate a "contagion" effect, in which an entire region or class of investment is disfavoured by such investors. If such a contagion effect occurs, Armenia could be adversely affected by negative economic/financial developments in emerging markets generally, in neighbouring countries and/or in countries with similar credit ratings (*e.g*., Belarus, Albania and Moldova). For example, sustained downturn in the Russian economy may have an adverse impact on Armenia's economy, a linkage that the World Bank and rating agencies have cited. Armenia has also been adversely affected by contagion effects in the past, such as the 2008 global financial crisis, and may be affected by similar events in the future. See "*—Risk Factors Relating to Armenia—Vulnerability to Global/Regional Economic Conditions and Commodities Markets and to the Russian Economy*."

Accordingly, an investment in Armenia carries risks that are not typically associated with investing in more mature markets. Prospective investors should also note that emerging economies such as Armenia's are subject to rapid change and that the information set out in this Prospectus may soon become outdated. Accordingly, prospective investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in light of those risks, their investment is appropriate. Investment in emerging markets is only suitable for sophisticated investors who appreciate the significance of the risks involved. Prospective investors are urged to consult with their legal and financial advisers before making an investment decision.

Developing Legal System

As is the case in many other emerging market jurisdictions, Armenia's legal framework is relatively new when compared to countries with long-established legal traditions, and is still evolving. The recent introduction of much Armenian legislation and the rapid evolution of the Armenian legal system place the quality and the enforceability of laws in doubt and result in ambiguities and inconsistencies in their application.

Armenia's court system is understaffed and has been undergoing significant reforms. Compared with many Western jurisdictions, judges and courts in Armenia are less experienced in the area of business and corporate law. Enforcement of contractual rights as well as court judgments may, in practice, be slow and difficult in Armenia. Improving the judicial system – including addressing corruption, assuring the independence of the judiciary and improving the training of the judges – has been identified as a key area for reform by international organisations advising Armenia and by the Government, which is currently implementing the large-scale Programme for Legal and Judicial Reforms for 2019-2023. Nevertheless, existing inadequacies of the Armenian judicial system may generally deter foreign and domestic investment in Armenia, and materially adversely affect its economic growth.

Statistical Information

As is the case in many other emerging market countries, the accuracy and dependability of Armenian statistical information and the state resources available to collect information may fall short of comparable statistics-gathering in more developed countries, although Armenia has subscribed to the IMF's SDDS since 2003. See "*Presentation of Certain Information.*" Although a number of government ministries, including the Ministry of Finance, the CBA and Armstat produce statistics relating to Armenia and its economy, there can be no assurance that these statistics are as accurate or reliable as those produced by the relevant bodies in more developed countries. Potential investors in the Notes should be aware that the data on Armenia's GDP and other data referred to in this Prospectus may not have been prepared in accordance with international standards and/or to the same degree of accuracy as equivalent statistics produced by the relevant bodies in more developed countries.

In addition, the accuracy of statistical data can vary from one institution to another or from one period to another, due to various factors, including different methodologies having been applied. In this Prospectus, the data is presented as having been provided by the relevant responsible ministry to which it relates, and there has been no attempt to reconcile this data with the data collected by other ministries or other organisations, such as the IMF or World Bank. See "*Presentation of Certain Information*."

The existence of a substantial unofficial or unrecorded economy may also affect the accuracy and reliability of statistical data. Potential investors should also be aware that none of the statistical data presented in this Prospectus has been independently verified.

Risk Factors Relating to an Investment in the Notes

The Notes Contain a "Collective Action" Clause Under Which the Terms of the Notes May Be Amended, Modified or Waived Without the Consent of All The Holders of the Notes

The Notes contain provisions regarding acceleration and voting on amendments, modifications, changes and waivers, which are commonly referred to as "collective action clauses." Under these provisions, certain key provisions of the Notes may be amended, including the maturity date, interest rate and other payment terms, with the consent of Armenia and the specified majority of Noteholders. Each such amendment will be binding on all Noteholders, whether or not they voted in favour of such amendment or at all.

The provisions of the "collective action clause" clause permit "cross-series modifications" to be made to one or more series of debt securities issued by Armenia (provided that those debt securities also contain a cross-series modification provision), including the Notes. In the case of a cross-series modification, a defined majority of the holders of the debt securities of all series (when taken in the aggregate) that would be affected by the proposed modification may bind all holders of such series, provided that a lower defined majority of Noteholders of each affected series of Notes approve the relevant amendment. See "*Terms and Conditions of the Notes—11. Meetings of Noteholders, Written Resolutions*."

Any modification or actions relating to Reserved Matters (as defined in the Terms and Conditions of the Notes), including in respect of payments and other important terms, may be made to the Notes with the consent of the holders of 75 per cent. of the aggregate principal amount outstanding of the Notes, and to multiple series of debt securities issued by the Issuer with the consent of both (i) the holders of 66⅔ per cent. of the aggregate principal amount outstanding of all debt securities being aggregated and (ii) the holders of 50 per cent. in aggregate principal amount outstanding of each series of debt securities being aggregated. In addition, under certain circumstances, including the satisfaction of the Uniformly Applicable condition (as more particularly described in the Terms and Conditions of the Notes), any such modification or action relating to Reserved Matters may be made to multiple debt securities with the consent of 75 per cent. of the aggregate principal amount outstanding of all debt securities being aggregated only, without requiring a particular percentage of the holders in any individual affected debt securities to vote in favour of any proposed modification or action. Any modification or action proposed by the Issuer may, at the option of the Issuer, be made in respect of some debt securities only and, for the avoidance of doubt, the provisions may be used for different groups of two or more debt securities simultaneously. At the time of any proposed modification or action, the Issuer will be obliged, *inter alia*, to specify which method or methods of aggregation will be used by the Issuer.

There is a risk, therefore, that the Terms and Conditions of the Notes may be amended, modified or waived in circumstances whereby the holders of debt securities voting in favour of an amendment, modification or waiver may be holders of different debt securities and as such, less than 75 per cent. of the Noteholders would have voted in favour of such amendment, modification or waiver. In addition, there is a risk that the provisions allowing for aggregation across multiple debt securities may make the Notes less attractive to purchasers in the secondary market on the occurrence of an Event of Default (as defined in the Terms and Conditions of the Notes) or in a distress situation. Further, any such amendment, modification or waiver in relation to the Notes may adversely affect their trading price.

The Terms and Conditions Restrict the Ability of an Individual Noteholder to Declare an Event of Default, and Permit a Majority of Noteholders to Rescind a Declaration of Such a Default

The Terms and Conditions contain a provision which, if an Event of Default occurs, permits the holders of at least 25% in aggregate principal amount of the outstanding Notes, by notice in writing to the Issuer (with a copy to the Fiscal Agent), to declare all the Notes to be immediately due and payable, whereupon they shall become immediately due and payable at their principal amount together with accrued interest without further action or formality.

The Terms and Conditions also contain a provision permitting the holders of at least 50 per cent. in aggregate nominal amount of the outstanding Notes to notify the Issuer to the effect that the Event of Default or Events of Default giving rise to any above-mentioned declaration is or are cured following any such declaration and that such holders wish the relevant declaration to be withdrawn. The Issuer shall give notice thereof to the Noteholders, whereupon the relevant declaration shall be withdrawn and shall have no further effect.

Armenia is not Required to Effect Equal or Rateable Payment(s) with Respect to its Other Debt Obligations, and is not Required to Pay Other Debt Obligations at the Same Time or as a Condition of Paying Sums on the Notes and Vice Versa

The Notes will at all times rank at least *pari passu* with all other unsubordinated obligations of Armenia. However, Armenia will have no obligation to effect equal or rateable payment(s) at any time with respect to any other unsubordinated obligations of Armenia and, in particular, will have no obligation to pay other unsubordinated obligations of Armenia at the same time or as a condition of paying sums due on the Notes and vice versa. Accordingly, the Issuer may choose to grant preferential treatment to, and therefore prioritise payment obligations to, other unsubordinated creditors of Armenia as payments fall due. For the avoidance of doubt, Armenia does not construe the *pari passu* clause of the Terms and Conditions of the Notes, or any comparable provision in any other debt instrument of Armenia, to require Armenia to pay all items of its Public Debt on a rateable basis.

Unsecured Obligations

Upon issue, the Notes will constitute unsecured obligations of Armenia.

Credit Ratings May Not Reflect All Risks

Armenia has been assigned foreign currency sovereign credit ratings of Ba3 (Moody's) with stable outlook and B+ (Fitch) with stable outlook. The Notes are expected to be assigned a Ba3 rating by Moody's and B+ rating by Fitch. A credit rating is not a recommendation to buy, sell or hold the Notes, and is subject to revision or withdrawal at any time by the assigning rating agency. Similar ratings on different types of Notes do not necessarily mean the same thing. Ratings do not address the likelihood that the principal on the Notes will be prepaid or paid on an expected final payment date. Ratings also do not address the marketability of the Notes at any market price. The significance of each rating should be analysed independently from any other rating. No assurance can be given that Armenia's current or future sovereign ratings will not be downgraded or withdrawn entirely, if circumstances in the future so warrant in the judgment of the assigning rating agency (including as a result of geopolitical events). Armenia has no obligation to inform Noteholders of any revision, downgrade or withdrawal of its current or future sovereign credit ratings. A suspension, downgrade or withdrawal at any time of a credit rating assigned to Armenia may adversely affect the market price of the Notes.

The Secondary Market Generally

The Notes have no established trading market. While application has been made to list the Notes on the Official List, and any one or more of the Joint Lead Managers may make a market in the Notes, they are not obliged to do so and may discontinue any market making, if commenced, at any time without notice. There can be no assurance that a secondary market will develop for the Notes, or, if a secondary market therein does develop, that it will continue or be liquid, which may have a severely adverse effect on the market value of the Notes.

The market for the Notes will be influenced by economic and market conditions in Armenia and, to varying degrees, interest rates, currency exchange rates and inflation rates in other countries, such as the United States, the Member States of the EU and elsewhere. There can be no assurance that events in Armenia, in the region or elsewhere will not cause market volatility or that such volatility will not adversely affect the liquidity or the price of the Notes or that economic and market conditions will not have any other adverse effect. If the Notes are traded after their initial issuance, they may trade at a discount to their offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions, the political, economic or financial condition of Armenia or other factors. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market.

Noteholders May Not In Practice Be Able to Enforce Judgments in their Favour Against Armenian State Assets

Armenia is a sovereign state. There is a risk that, notwithstanding the limited waiver of sovereign immunity by Armenia in connection with the Notes, a claimant will not be able to enforce a court judgment, such as a Noteholder who has won a court judgment in its favour due to any failure by the Issuer to make due payment on the Notes, against the assets of the State of Armenia (including the imposition of any arrest order or attachment or seizure of such assets and their subsequent sale) without Armenia having specifically consented to such enforcement at the time when the enforcement is sought. See "*Terms and Conditions of the Notes—17. Governing Law, Arbitration and Jurisdiction*." Certain state-owned assets are statutorily exempt from court enforcement procedures within Armenia. While Armenia waived its immunity from execution in proceedings before the English courts in connection with the issuance of the Notes, it expressly did not waive any immunity in respect of (a) assets and property of the Issuer located in Armenia; (b) the premises and property of the Issuer's diplomatic and consular missions; (c) assets and property of the Issuer outside Armenia not used or intended to be used for a commercial purpose; (d) assets and property of the CBA or Issuer's monetary authority and the international reserves of the Issuer held by the CBA or the Issuer's monetary authority; (e) assets and property of a military character or under the control of a military authority or defence agency of the Issuer; or (f) assets and property forming part of the cultural heritage of the Issuer.

Even though under the terms and conditions of the Notes Armenia has agreed to the jurisdiction of the English courts to resolve disputes with Noteholders, the courts of Armenia may consider such submission invalid. In addition, courts in Armenia will enforce a judgment obtained in a foreign court only if such enforcement is provided for by a treaty ratified by Armenia or on the basis of reciprocity (if courts of the country where the foreign judgment is rendered have not previously refused to enforce judgments issued by Armenian courts). Armenian law establishes the presumption of such reciprocity, but this presumption can be rebutted. Armenia has no treaty regarding the enforcement of foreign judgments with the United Kingdom or with the United States. See "*Service of Process and Enforcement of Civil Liabilities*."

Armenian Courts May Not Enforce Foreign Arbitral Awards

Armenia is a party to the NY Convention in accordance with which an award of the ICC should be recognised and enforced by the courts of Armenia, and there is precedent of enforcement of international arbitration clauses and recognition and enforcement of foreign arbitral awards. Nevertheless, it may be difficult to enforce arbitral awards in Armenia due to a number of other factors, including the lack of experience of Armenian courts in international commercial transactions, certain procedural ambiguities and resistance in Armenia to the enforcement of awards against Armenia in favour of foreign investors. Furthermore, "public policy" as a ground for refusing recognition and enforcement of foreign arbitral awards against Armenia has not been tested in Armenian courts. While these issues should be mitigated by the Civil Procedure Code of Armenia adopted on 9 February 2019 which regulates in detail the recognition and enforcement of foreign arbitral awards, the process of enforcing any foreign arbitral award in Armenia may be still subject to delay and unpredictability. See "*Service of Process and Enforcement of Civil Liabilities*."

Armenian Courts May Not Enforce Gross-up Obligations

Condition 7 of the Terms and Conditions of the Notes requires Armenia to increase the payment of principal or interest made in respect of the Notes in the event any taxes are withheld or deducted, subject to the exceptions therein provided. Although there is no prohibition on contractual compensation for tax withholding under Armenian law, gross-up provisions similar to those under Condition 7 of the Terms and Conditions of the Notes have not been tested in Armenian courts. Consequently, Armenian courts may construe the gross-up provisions of Condition 7 of the Terms and Conditions of the Notes as invalid and, therefore, unenforceable against the Issuer. See "*Taxation—Armenian Taxation*."

Legal Investment Considerations

The investment activities of certain investors are subject to legal investment laws and regulation, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent: (i) the Notes are legal investments for it; (ii) the Notes can be used as collateral for various types of borrowing; and (iii) other restrictions apply to its purchase or pledge of the Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

Investors Who Hold Less Than the Minimum Specified Denomination May Be Unable to Sell Their Notes and May be Adversely Affected if Definitive Note Certificates are Subsequently Issued

The Terms and Conditions do not permit the sale or transfer of Notes in such circumstances as would result in amounts being held by a Noteholder which are lower than the minimum Specified Denomination (as defined in the Terms and Conditions). However, in the event that a Noteholder holds a principal amount of less than the minimum Specified Denomination, such Noteholder would need to purchase an additional amount of Notes such that it holds an amount equal to at least the minimum Specified Denomination to be able to trade such Notes.

Noteholders should be aware that Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

If a Noteholder holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time, such Noteholder may not receive a Definitive Note Certificate in respect of such holding (should Definitive Note Certificates be issued) and would need to purchase a principal amount of Notes such that its holding amounts to at least a Specified Denomination in order to be eligible to receive a Definitive Note Certificate.

If Definitive Note Certificates are issued, Noteholders should be aware that Definitive Note Certificates which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

Holders of Notes Held Through DTC, Euroclear and Clearstream, Luxembourg Must Rely on Procedures of Those Clearing Systems to Effect Transfers of Notes, Receive Payments in Respect of Notes and Vote at Meetings of Noteholders

Notes will be represented on issue by the Global Notes that will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg or with a custodian for DTC. Except in the circumstances described in each Global Note, investors will not be entitled to receive Notes in definitive form. Each of DTC, Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the beneficial interests in each Global Note held through it. While the Notes are represented by a Global Note, investors will be able to trade their beneficial interests only through the relevant clearing systems and their respective participants.

While the Notes are represented by Global Notes, the Issuer will discharge its payment obligations under the Notes by making payments through the relevant clearing systems. A holder of a beneficial interest in a Global Note must rely on the procedures of the relevant clearing system and its participants to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in any Global Note. Holders of beneficial interests in a Global Note will not have a direct right to vote in respect of the Notes so represented. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

USE AND ESTIMATED NET AMOUNT OF PROCEEDS

The estimated net proceeds of the issue of the Notes, after taking into account commissions and expenses, will be U.S.$732,204,000, which will be applied to general governmental purposes.

DESCRIPTION OF ARMENIA

History

An ancient nation, Armenia regained independence in 1991 when the Republic of Armenia was proclaimed.

Organised settlement existed in Armenia by the 14^{th} century BC; references to an Armenian people first occur in the sixth century BC. In antiquity and medieval times, Armenia existed on the edges of Western empires (Greek, Roman, Byzantine) and Eastern empires (Assyrian, Persian, Parthian, Arab). In practice, Armenia often had significant self-rule; the hereditary chiefs of Armenian clans (the *nakharars*) exercised local power in an often fractious relationship with their king. In the first century BC, King Tigran the Great established a short-lived Armenian empire stretching from the Mediterranean to the Caspian. A golden age of Armenian culture flourished from the 5^{th} to 7th century.

A pivotal and defining moment in Armenian history was the nation's conversion to Christianity in AD 301 when King Tiridates III was baptised, making Armenia the first nation to adopt Christianity as its state religion. The Armenian Apostolic Church, headed by its patriarch, the Catholicos, remains an important national institution to this day. The medieval stone churches that dot the Armenian countryside are a source of great national pride. Of like importance was the invention of the Armenian alphabet in AD 404 by Saint Mesrop Mashtots. Through the following centuries when they had no nation state, the religion and the alphabet of the Armenian people were essential to preserving their national identity.

Weakened following its incorporation into the Byzantine Empire in 1045, Armenia was overrun by the Seljuk Turks in 1064, when Ani, the capital of the Armenian kingdom, was sacked (Ani is now an abandoned town located in the Turkish province of Kars). The Mongol invasions followed, an especially bleak period of Armenian history. One population of Armenians moved to the southwest, and Armenian princes established in 1080 the Kingdom of Cilicia (sometimes referred to as 'Lesser Armenia') along the north-eastern Mediterranean coast, which continued to 1375; other Armenians moved along the Black Sea littoral and into Ukraine, Poland and Russia.

Having lost independent statehood, Armenia remained under the dominance of various states. From the 16^{th} century, the main Armenian population was split between those living to the west (in the vicinity of Kars, Erzerum and Van) under Ottoman rule (with some authority delegated to the Armenian Patriarch of Constantinople) and those living to the east (in the vicinity of Yerevan, Gyumri and Nagorno-Karabakh) initially under Persian rule and then, following the 1826-1828 Russo-Persian war and other military campaigns, under imperial Russian rule. After the Congress of Berlin in 1878, the 'Armenian Question' – the issue of the physical security of Armenians residing in the Ottoman Empire – became one of the items on the international agenda.

Taking advantage of disruptions arising from the First World War, the Ottoman authorities planned and carried out the genocide of Armenians starting in 1915 (the "**Genocide**"). From 1915 to 1923, one and a half million of Armenians, one-third of the population, were killed, with thousands of survivors seeking refuge around the world. Subsequent Turkish governments have persisted in denying that the Genocide was carried out, attributing the deaths to the mayhem of civil strife and famine.

In May 1918 the First Republic of Armenia was proclaimed, a democratic parliamentarian republic based on western models. The first republic faced multiple existential challenges: territorial disputes with the newly-independent states of Georgia and Azerbaijan; assertions of power by Bolshevik authority; invasion by Turkish armies; the ongoing Genocide; an influx of refugees; epidemics of typhus and cholera; and severe food shortages. Military clashes ensued with Georgia and with Azerbaijan, which, backed by the Turkish army, attempted to establish control over a number of Armenian regions, including Nagorno-Karabakh. The First Armenian Republic existed for two and a half years; it became a party to the Sevres Treaty, which envisaged the unification of Armenian-populated areas of the former Ottoman Empire with the Republic of Armenia. In December 1920, the Russian Red Army entered Armenia and established Soviet rule amid an Armenian-Turkish war which had brought renewed occupation of significant parts of the Republic of Armenia. Soviet Armenia was subsequently incorporated into the Union of Soviet Socialist Republics (the "**USSR**") in March 1922 when the Transcaucasian Socialist Federative Soviet Republic (encompassing Armenia, Azerbaijan and Georgia) was declared; in 1936, it was divided into its constituent nations and the Soviet Socialist Republic of Armenia was established (the smallest, by land area, of the 15 Soviet republics).

In 1921, by virtue of the Treaty of Moscow between Russia and Turkey and the Treaty of Kars between Turkey and the Transcaucasian Socialist Federative Soviet Republic, the south-eastern region of Nakhijevan was transferred – as an autonomous republic – to the guardianship of Azerbaijan, on the basis that the region could not be transferred to a third state. On 5 July 1921, the Caucasus Bureau of the Russian Communist (Bolshevik) Party, acting beyond its powers, decided to include the Nagorno-Karabakh region (Artsakh) in the composition of Azerbaijan as an autonomous oblast. In the view of the Government of Armenia, these decisions disregarded the inseparable historical, ethnic and cultural ties of these two territories to the Armenian nation and their primarily Armenian population. The Treaty of Kars also resulted in the allocation of the ancient Armenian towns of Kars and Surmalu to Turkey.

After coming under the administrative subordination of the Soviet Socialist Republic of Azerbaijan, the regions of Nagorno-Karabakh and Nakhijevan were regularly subjected to a policy of ethnic cleansing of their native Armenian population and destruction of their Armenian cultural heritage. In Nakhijevan, this resulted in the complete depopulation of Armenians.

Seven decades of Soviet rule in some ways benefited Armenia: after the Genocide and the 1918-1920 sequence of wars, it provided a degree of security and assurance of national survival. The economy was significantly industrialised and the population significantly urbanised. Major transportation and energy infrastructure projects were carried out. Education and healthcare systems were put in place.

The political reforms introduced by Soviet leader Mikhail Gorbachev in the late 1980s allowed long suppressed nationalist aspirations to emerge. This led to violent confrontations as local populations pressed for independence against a faltering central Soviet authority. In the South Caucasus, this was brought out by the shooting of Georgian pro-independence protesters in April 1989 in Tbilisi by Soviet troops.

In Nagorno-Karabakh, the "Karabakh Movement" expressed the aspiration of its population for independence. In 1988, Azeri authorities retaliated against the efforts of the population of Nagorno-Karabakh to achieve self-determination by carrying out a campaign of ethnic cleansing of the Armenian population across the territory of Azerbaijan, particularly in the cities of Sumgait, Kirovabad and Baku. As a result, Armenia's move towards independence became inextricably tied to the issue of the security of the population of Nagorno-Karabakh.

In December 1988, a devastating and powerful earthquake struck north-western Armenia, around the city of Leninakan (now Gyumri), as a result of which an estimated 25,000 people died, over 200,000 were rendered homeless, and much of Leninakan and nearby towns were damaged or destroyed. A global relief effort was launched in response.

Guided by the provisions of the Declaration on the Independence of Armenia of 23 August 1990 the Supreme Council of the Soviet Socialist Republic of Armenia decided to hold a referendum on independence, and on 21 September 1991 the Armenian people voted overwhelmingly in favour of independence. Based on the results of the referendum, on 23 September 1991, the Supreme Council declared Armenia an independent state.

Guided by the principles and norms of public international law and the laws of the USSR then still in force, by the referendum of 10 December 1991, the population of Nagorno-Karabakh voted in favour of the declaration of the independent Nagorno-Karabakh Republic. During this time, the Azerbaijani authorities incited ethnic cleansing and mass atrocities against the Armenian population in Nagorno-Karabakh and its adjacent territories. The conflict escalated and full-scale hostilities broke out in 1991-1992 with Armenia supporting the population of Nagorno-Karabakh. There were thousands of casualties. In May 1994, a Russian-brokered trilateral ceasefire agreement signed by representatives of Azerbaijan, Armenia and Nagorno-Karabakh ended large-scale warfare and established truce lines along the then line of contact between the military forces. These truce lines encompassed significant territory, in the form of security zones, inside Azerbaijan beyond the borders of the Nagorno-Karabakh Republic.

From 1994 until November 2020, the line of contact separating Armenian forces and the Azerbaijan army was generally maintained, with skirmishes breaking out from time to time. Over this period, the Nagorno-Karabakh Republic (also referred to as the Republic of Artsakh) has functioned as a de facto independent state having a territory, permanent population and democratic institutions of governance, although no country (including Armenia) has recognised the Nagorno-Karabakh Republic. Armenia remains committed to protecting the territorial integrity of Nagorno-Karabakh. In September 2020, the situation in Nagorno-Karabakh significantly changed. See "*Risk Factors—Risk Factors Relating to Armenia—Regional Tensions – Nagorno-Karabakh and Relations with Azerbaijan*."

Upon its independence, Armenia's immediate future was daunting. Armenia was still coping with the consequences of the 1988 earthquake. The dissolution of the Soviet Union severely disrupted the economies of all the former Soviet Union states. The conflict in Nagorno-Karabakh strained national resources. Azerbaijan stopped its supply of natural gas to Armenia, which led to energy shortages with frequent blackouts and lack of heat in winter. The economy was marked by high inflation, high unemployment, low investment and declining GDP. There was large-scale emigration from Armenia while at the same time a large influx of refugees from Azerbaijan. It was estimated that 85% of the population lived at or below the poverty line. The situation stabilised during the course of the 1990s when the Nagorno-Karabakh truce was brokered in May 1994, the Metsamor Plant (a vital source of electricity) re-opened in 1995, and Russia, Armenia's key economic, energy and security partner, recovered.

Levon Ter-Petrosyan was elected as the first President of the new Republic of Armenia in polling held in October 1991. Ter-Petrosyan had been a leader of the Nagorno-Karabakh independence movement. The 1995 Constitution established broad powers for the President. Ter-Petrosyan was re-elected in September 1996. Ter-Petrosyan's pursuit of peace talks to resolve the Nagorno-Karabakh conflict attracted large-scale opposition. Ter-Petrosyan resigned from the presidency in February 1998.

Upon Ter-Petrosyan's resignation, the Prime Minister, Robert Kocharyan, assumed the presidency, pending the holding of an extraordinary presidential election. Kocharyan then ran in, and won, the elections held in March 1998. Kocharyan had earlier served as President of the Nagorno-Karabakh Republic, and was an independent candidate in the 1998 presidential elections. Kocharyan was elected to a second five-year term in March 2003.

In November 2005, a nationwide constitutional referendum was held, and an amended constitution was adopted. Under (the now superseded) November 2005 Constitution, the President of Armenia appointed the Prime Minister and the members of the cabinet upon the recommendation of the Prime Minister. The President was allocated primary responsibility for international relations and security, while the Prime Minister was allocated primary responsibility for domestic affairs. The November 2005 Constitution established a term limit on the office of the President of two consecutive terms.

In February 2008, Serzh Sargsyan, the leader of the Republican Party of Armenia, won the presidential election in which his main opponent was former President Ter-Petrosyan. Prior to Serzh Sargsyan's election, he had served as Prime Minister and Minister of Defence during the Kocharyan administration and led the Nagorno-Karabakh Self-Defence Forces Committee. In the worst post-election violence during Armenia's independence, 10 people died in violent protests in Yerevan, resulting in a declaration of a 20-day state of emergency. President Sargsyan was re-elected to a second, five-year term in February 2013.

In December 2015, a nationwide constitutional referendum approved amendments to the Constitution transforming Armenia into a parliamentary republic. Under the Constitution, executive powers are primarily vested in the Prime Minister, who is elected by the parliamentary majority and formally appointed by the President. The President is elected by the National Assembly rather than by popular vote and performs a largely ceremonial role.

In April 2017, elections for the National Assembly returned a majority for the Republican Party, led by President Serzh Sargsyan. Under the new Constitution, on 2 March 2018, the National Assembly elected Armen Sarkissian as President of Armenia, and on 17 April 2018, elected Serzh Sargsyan as Prime Minister of Armenia. The latter provoked massive public protests across the country, which led to the resignation of Mr. Sargsyan on 23 April 2018. On 8 May 2018, the National Assembly elected Nikol Pashinyan, the leader of "Yelq" (Exit) parliamentary bloc, as Prime Minister of Armenia. In October 2018, the resignation of Mr. Pashinyan triggered snap parliamentary elections, which were held on 9 December 2018. In those elections the majority of the seats in the National Assembly was won by the "My Step" Alliance, led by Mr. Pashinyan (the former ruling party, the Republican Party of Armenia, did not pass the 5% vote threshold to take seats in the new parliament). On 14 January 2019, Mr. Pashinyan was sworn in as Prime Minister.

Historically the conduct of elections in Armenia has not been determined by international observers to be fully fair and free. In respect of the 2018 snap parliamentary elections, however, the OSCE/ODHR expressed the view that "the elections were held with respect for fundamental freedoms and enjoyed broad public trust." See "*Risk Factors—Risk Factors Relating to Armenia—Political Risk Associated with a Transitional Democracy*."

On 14 February 2019, the National Assembly adopted a new five-year Government Programme, which aims to boost economic growth through structural reforms, export promotion and attraction of foreign investment. Improving the business environment, ensuring fair competition and eliminating corruption are among the goals listed in the 2019 Government Programme.

Location and Population

Armenia is a landlocked country with an area of 29,800 square kilometres in the South Caucasus. The Great Caucasus mountain range runs to the north of Armenia while the Minor Caucasus range runs across the northeast of the country, and roughly 80% of its terrain is mountainous. Armenia is ringed to the west by Turkey, to the north by Georgia, to the east by Azerbaijan, to the south by Iran, and to the southwest by the Nakhijevan province of Azerbaijan (which is a non-contiguous exclave of Azerbaijan). Armenia has a number of fast-flowing but non-navigable rivers, a source of hydropower. The Arax River largely defines its border with Turkey and Iran. Agricultural production is possible in the plains and valleys of the country, especially in the Ararat plain to the southwest of Yerevan, the volcanic highlands around Gyumri and along Lake Sevan, and roughly 20% of its land is arable. Given sparse rainfall, agriculture generally requires irrigation. Over the centuries, Armenia has lost most of its forests and the country has a predominantly arid and rocky landscape. Armenia's natural resources include hydropower, copper, bauxite, molybdenum, gold, zinc and iron ore.

Politically, Armenia is organised into 10 regions and 502 communities, including Yerevan, the capital city.

According to Armstat, Armenia had a total population of approximately 3.0 million as of 1 January 2020, with the following breakdown by age and gender (such breakdowns current as of 1 January 2020):

Armenia's Population

Age	*Percentage of Population*	*Male*	*Female*	*Total Population*
0-14	20.3	318,017	281,565	599,582
15-64	67.4	935,212	1,059,870	1,995,082
65 and over	12.3	143,776	221,254	365,030
Total	**100.0**	**1,397,005**	**1,562,689**	**2,959,694**

Source: Armstat.

Most of the population lives in the western and north-western parts of the country; the two principal cities are the capital Yerevan with a population of approximately 1.1 million people and Gyumri (in Soviet times called Leninakan, and in Tsarist times Aleksandropol) with a population of approximately 113,300 people.

Based on the results of the 2011 census, approximately 98.1% of the population are ethnic Armenians. Other ethnic groups include Yezidis, Russians, Assyrians and Kurds. The official language of Armenia is Armenian, using the Armenian alphabet. A vast majority of the population speaks Armenian, while Russian is often a second language. The literacy rate for the population over the age of 15 is 99.7%. The predominant religion in Armenia is the Armenian Apostolic Church. Other religious communities in Armenia include Orthodox Christians and Catholics.

The Constitution and the President

The Constitution of Armenia was adopted on 5 July 1995 and amended in 2005, 2015 and further in 2020. The 2015 amendments to the Constitution transformed Armenia into a parliamentary republic with executive power being largely vested in the Prime Minister. The 2020 amendments to the Constitution revised the term limits for judges serving on the Constitutional Court. Further constitutional amendments envisaging, *inter alia*, the absorption of the Constitutional Court into a newly constituted Supreme Court are currently under consideration and are preliminarily scheduled for a 2021 referendum.

Under the Constitution, the President of Armenia is the head of state, although his powers are largely ceremonial. The President is elected by the National Assembly for a single, seven-year term of office. Following his election as President in March 2018, Armen Sarkissian's term is scheduled to end in 2025.

The Constitution authorises the President to:

- upon the recommendation of the Government, conclude international treaties, and approve, suspend or revoke international treaties not requiring ratification;

- upon recommendation of the Prime Minister, confer the highest diplomatic ranks, and appoint and recall diplomatic representatives to foreign states and international organisations;

- appoint the candidate elected by the parliamentary majority as Prime Minister;

- appoint Deputy Prime Ministers and ministers proposed by the Prime Minister or, in case the President disagrees with the proposal of the Prime Minister, apply to the Constitutional Court for resolution; upon recommendation of the Prime Minister make changes in the composition of the Government;

- in cases prescribed by the Constitution, accept the resignation of the Government;

- appoint the judges and the chairpersons of the courts of first instance and courts of appeal upon recommendation of the Supreme Judicial Council;

- appoint the judges of the Court of Cassation upon recommendation of the National Assembly and the chairpersons of the chambers of the Court of Cassation upon recommendation of the Supreme Judicial Council;

- in cases prescribed by the Constitution the President may return the relevant act with his or her objections to the authority submitting the proposal or filing a motion, and in case this objection is not accepted by the competent authority shall either sign the relevant act or refer the matter to the Constitutional Court;

- sign and promulgate the laws passed by the National Assembly, or apply to the Constitutional Court for it to assess the compliance of the law with the Constitution; and

- issue decrees and orders within the President's authority.

The Government

Pursuant to the Constitution and the Law of the Republic of Armenia "On the Structure and Activities of the Government", the Government comprises the Prime Minister, two Deputy Prime Ministers and 12 ministers (there was a significant change in the structure of the ministries in 2019 – the previously existing 17 ministries were consolidated into 12). Under the Constitution, the Government is empowered to develop and implement the domestic and foreign policy of Armenia, as well as exercise overall management of the bodies of the state administration.

Sittings of the Government are convened and chaired by the Prime Minister, who is vested with broad executive powers. The Prime Minister manages the activities of the Government, coordinates the work of ministers and signs decisions of the Government. The Prime Minister also determines the main directions of policy of the Government, heads the Security Council and at the time of war acts as the Commander-in-Chief of the armed forces.

The Government's powers and responsibilities include:

- declaring a state of emergency, and declaring martial law and calling for a general or partial mobilisation of the armed forces;

- submitting the draft State Budget (as defined below) to the National Assembly for approval, ensuring execution of the budget and submitting financial reports to the National Assembly;

- managing state property; and

- implementing the unified state policies on finances, the economy, taxation, loans and credits, and state development policy.

All matters of state administration, which are not reserved by law to other state or local self-government bodies, fall within the competence of the Government.

The National Assembly

Legislative power in Armenia is vested in the National Assembly, a unicameral body consisting of 132 Deputies elected for a term of five years. In the most recent, December 2018, legislative elections, the "My Step" Alliance, a bloc led by Prime Minister Nikol Pashinyan, received 70.4% of the vote, yielding 88 seats in the National Assembly, the "Prosperous Armenia" Party led by businessman Gagik Tsarukian received 8.3% yielding 26 seats and the Bright Armenia Party took 6.4% of the votes, yielding 18 seats. None of the eight other political parties participating in the election cleared the 5% vote threshold to enter the National Assembly.

Standing Committees of the National Assembly conduct preliminary discussions of draft legislative acts and other issues and provide the National Assembly with opinions thereon. The Chairman of the National Assembly (elected by a majority vote of its Deputies) chairs National Assembly sittings, manages its resources and ensures its normal functioning. The procedure for the operation of the National Assembly, as well as the formation and activities of its bodies, is defined by the Constitution and the Rules of Procedure of the National Assembly.

Under the Constitution, the National Assembly has power to:

- elect the President and the Prime Minister;

- adopt a declaration of no-confidence in the Prime Minister upon which he is considered to have submitted his resignation;

- apply to the Constitutional Court to remove the President and, upon a positive opinion of the Constitutional Court, remove the President by a 2/3 vote;

- adopt the State Budget upon its submission by the Government, and oversee its implementation, along with that of loans and credits received from foreign governments and international organisations;

- lift martial law (imposed by the Government) or cancel the implementation of measures provided for under the legal regime of martial law;

- elect nine judges of the Constitutional Court, of which three judges shall be elected upon recommendation of the President, three judges upon recommendation of the Government, and three judges upon recommendation of the General Assembly of Judges;

- elect the Chairman of the CBA upon recommendation of the competent standing committee of the National Assembly, and remove the Chairman of the CBA in cases prescribed by the Constitution;

- upon the recommendation of the Government, ratify, suspend or terminate the international treaties of Armenia; and

- upon the recommendation of the Government, declare war (unless a sitting of the National Assembly cannot be convened, in which case the Government may declare war).

Judicial System

The courts in Armenia consist of: (i) the courts of first instance of general jurisdiction; (ii) the courts of appeal; (iii) the Court of Cassation, the highest appellate court in Armenia, except for matters of constitutional justice, which are heard by (iv) the Constitutional Court. There is also a specialised Administrative Court and specialised bankruptcy courts.

Constitutional justice in Armenia is administered by the Constitutional Court, comprised of nine judges elected by the National Assembly for terms of 12 years. The 2015 amendments to the Constitution established a 12-year term limit for constitutional judges with grandfathering provisions for the judges then on the court, allowing them to serve out longer terms. Under the 2020 amendments to the Constitution, however, the grandfathering was ended such that all judges became subject to the 12-year term limit, leading three judges to step down, replaced with new judges confirmed by the National Assembly.

The role of the Constitutional Court is to:

- determine the compliance of laws, decisions of the National Assembly, decrees of the President, and decisions of the Government, the Prime Minister, and regulatory bodies with the Constitution;

- prior to ratification of an international treaty, determine the compliance of commitments stipulated therein with the Constitution;

- resolve all disputes arising from the results of referenda, and all disputes concerning the outcomes of elections of Deputies in the National Assembly;

- confirm the existence of grounds for impeaching the President;

- determine the incapacity of the President to discharge his or her responsibilities; and

- settle disputes arising between constitutional bodies with respect to the constitutional powers thereof.

The Supreme Judicial Council, a separate body, is composed of 10 members. Five members are elected from among judges by the General Assembly of Judges and the other five members are elected from among academic lawyers and other prominent lawyers by the National Assembly. Members elected by the National Assembly could not be judges. The role of the Supreme Judicial Council is to:

- prepare the list of candidates for judges, chairpersons of courts and chairpersons of chambers of the Court of Cassation, as well as official promotion lists of judges, on the basis of which appointments are made, and submit them to the President for approval;

- impose disciplinary action on judges, terminate the power of judges, issue decisions on the initiation of criminal prosecution against judges or the restriction of judges from exercising their powers;

- propose to the National Assembly candidates for judgeships and the chairperson of the Court of Cassation; and

- approve the estimate of the courts' expenditures, and submit such estimates to the Government for inclusion in the draft State Budget.

The Government is developing reforms (which would take the form of 'constitutional acts,' which require a super-majority (three-fifths) passage by the National Assembly – but are not considered amendments to the Constitution) to improve the appointment process and ensure the independence of the judiciary. The establishment of a specialised court empowered to administer cases involving corruption is also under active consideration.

Local Self-Government

Armenia is composed of 10 regions and 502 communities, of which 49 are classified as urban and 453 as rural. The Government appoints the regional governors. In the communities, local self-government is exercised to resolve local issues for the welfare of their population in accordance with the Constitution and law. These communities generate their own budgets, which are primarily funded by their taking a share of taxes (*e.g.*, property taxes and taxes on cars) collected by national authorities, as well as by state subsidies (intended to address regional economic disparities), local taxes, duties and fees for services. See "*Public Finance—Fiscal Relations with Local Governments*."

The bodies carrying out local self-government are the Council of Aldermen and the Head of Community (in a city, the mayor) who are elected for five-year terms. The Mayor of Yerevan is elected by the Community Council of Yerevan (whose members are themselves popularly elected). If a political party participating in the Yerevan municipal elections wins more than 50% of the Community Council's seats, the first person on such party's list of candidates shall be the Mayor of Yerevan by operation of law. The Government may remove the Head of Community from office on the opinion of the Constitutional Court, in cases specified by law.

Armed Forces

The Armenian Armed Forces consist of the Land Forces and the Aviation and Air Defence Forces. Total personnel of the Armenian Armed Forces stood at 42,841 in 2019, including 6,780 officers, 2,479 non-commissioned officers and warrant officers, 10,788 contract soldiers and 18,964 conscripts, supported by 3,830 civilians (of which 335 are special civil service personnel).

The Land Forces are composed of five corps headquarters, which exercise command and control over 11 regiments (10 motorized rifle and rifle), seven battalions (five armoured, artillery, nuclear-biological-chemical defence) and two fortified areas (status of infantry regiments). The Land Forces also include six independent brigades (two artillery, special forces, peacekeeping force, training motorized infantry, signal), five combat support and combat service support regiments (anti-tank, combat engineer, logistics, radio-electronic warfare, policing), one armoured equipment technical maintenance base, one evacuation and transportation base, five military hospitals and one polyclinic.

Air Defence Forces are composed of an air and air defence brigade and battalion, an air defence missile brigade and regiment, an air defence missile artillery regiment, and an air defence training battalion. The Air and Air Defence Joint Command exercises responsibility for the management of Armenian airspace, which provides a common zone to Armenian and Russian air defence units.

The defence budget for 2020 is approximately AMD 402.5 billion (20% of the 2020 State Budget). See "*Public Finance—2020 State Budget*."

The July 2020 National Security Strategy of the Republic of Armenia (the "**National Security Strategy**") outlines the fundamental values and national interests and assesses Armenia's security environment, including the factors and activities that provide security and the threats to the its security. It highlights the necessity for an effective state governance system, for the rule of law and inculcation of democratic values, for an independent and impartial judiciary, for combat readiness of the armed forces and purposeful activities of security and law-enforcement structures, for foreign policy, for ensuring fully-fledged international engagement and guaranteed social justice.

The Military Doctrine of the Republic of Armenia, being defensive in nature, further elaborates in detail the relevant provisions of the National Security Strategy that pertain to the defence and military sector, and establishes priorities of the Defence Policy of the Republic of Armenia (the "**Defence Policy**"). The Defence Policy, reviewed every five years through a strategic defence review, is conducted based on an analysis of the regional and international political-military situation, strategic forecasts, requirements of the military security system and the capabilities of the economy, current threats and challenges, and the nature of probable future armed conflicts, as well as the international commitments of Armenia.

Armenia's current Defence Policy aims to develop security guarantees, promote peace and stability in the region, and create necessary political and military preconditions for the peaceful resolution of the Nagorno-Karabakh (Artsakh) conflict. The Defence Policy is also aimed at enhancing Armenia's strengthened capabilities to implement international commitments for participation in international peacekeeping and peace support operations. Armenian Defence Policy is based on a multi-layered system of cooperation, including strategic alliance with the Russian Federation, membership in the Collective Security Treaty Organisation (the "**CSTO**"), Armenia-NATO partnership in security and defence sectors through NATO programmes (Individual Partnership Action Plan ("**IPAP**") and Partnership Planning and Review Process), Armenia-EU cooperation in the area of common security and defence policy, cooperation in the framework of the OSCE, bilateral cooperation with NATO, EU and CIS members and other states as well as engagement in international arms control and disarmament treaties.

International Relations

Armenia has established bilateral and diplomatic relations with 194 countries and has 42 diplomatic missions and 10 general consulates abroad. Armenia hosts 64 diplomatic and consular missions, including 37 embassies and 27 offices of intergovernmental organisations and international financial institutions. It has full membership or observer status in a number of international and regional organisations, including the UN and its specialized agencies, programmes (WHO, UNICEF, UNESCO, UPU, ITU, ICAO, IAEA and others), the IMF, the World Bank, the Council of Europe, the EBRD, the World Trade Organisation (the "**WTO**"), Asian Development Bank, Eurasian Development Bank, IBRD, Federation of Euro-Asia Stock Exchanges, World Customs Organization, Eurasian Customs Union, Council of Europe, Interpol, Non-Aligned Movement, ASEAN, The Community of

Democracies, the CIS, the EEU, the CSTO, the OSCE, BSEC, International Organization of Francophonie, TRASECA and the International Organization of Vine and Wine. Armenia is a dialogue partner in the Shanghai Cooperation Organisation, and a prospective member of the Asian Infrastructure Investment Bank.

Armenia has consistently pursued a foreign policy of multiple engagements and compatibility of interests in order to maximise its development potential and security in a global and regional context. See "*External Sector—International Trade Agreements*" for a discussion of Armenia's international trade relations and WTO membership.

European Union

Cooperation with the EU is one of the foreign policy priorities for the Republic of Armenia which is reflected in the 2019 Government Programme. Since independence, cooperation with the EU has greatly contributed to economic, judicial and public administration reforms, to upholding democratic values and to re-enforcing the respect of human rights and fundamental freedoms in Armenia. Armenia-EU relations entered a new phase in 2017 when the Comprehensive and Enhanced Partnership Agreement (the "**CEPA**") was signed. The provisional application of the CEPA started in 2018. The CEPA sets as goals for Armenia the strengthening of democracy and human rights, improving employment and business opportunities, promoting fairer rules, enhancing safety and security, cleaning the environment, and bettering education. CEPA also underlines the importance of the peaceful resolution of the Nagorno-Karabakh conflict and states the EU's commitment to support the settlement process. Armenia is also an active member of the Eastern Partnership, which is viewed as an auxiliary value-based platform for developing bilateral relations with the EU and its member states, as well as furthering the democratic reforms in Armenia. The EU is the second largest trade partner of Armenia. See "*External Sector—International Trade Agreements*" and "*Public Debt and Related Matters—Multilateral and Bilateral Development Organisations*" for further discussion of Armenia's trade relations with the EU.

CIS

The Commonwealth of Independent States (the "**CIS**"), was announced on 8 December 1991 by the leaders of Belarus, Russia and Ukraine, who signed its Creation Agreement. On 21 December 1991, Armenia, Azerbaijan, Belarus, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine and Uzbekistan signed the Protocol to the Agreement so as to confirm the formation of the CIS. Georgia joined the CIS in 1993, then withdrew in 2009. In 2005, Turkmenistan took the status of an "associate member". Turkmenistan and Ukraine have never ratified the CIS Charter, as a result of which these two countries are not considered de-jure as CIS member states, but only as founding-states or participating states.

The goals of the CIS are to realise political, economic, environmental, humanitarian and cultural cooperation and to assist the free interaction, contact and movement of citizens within the CIS. Armenia is an active participant in the development and implementation of cooperation programmes within the CIS.

EEU

The EEU is an international organisation for regional economic integration of its members: Armenia, Belarus, Kazakhstan, Kyrgyzstan and Russia (Moldova has an observer status), which Armenia joined in January 2015. The EEU provides for the free movement of goods, services, capital and labour amongst its member states so as to form a single economic space. The EEU's stated goal is to comprehensively upgrade, raise the competitiveness of and cooperation between the national economies, and to promote stable development in order to raise the living standards of the nations of its member states. Among the benefits to Armenia of its membership in the EEU has been more attractive pricing for its import of natural gas from Russia and an upturn in exports to Russia, which increased over three times (in U.S.$ terms) from 2015 to 2019. See "*Economy of Armenia—Energy—Petroleum Products and Natural Gas*" and "*External Sector—International Trade*."

CSTO

Armenia is a member of the Collective Security Treaty Organization (the "**CSTO**"), together with Belarus, Kazakhstan, Kyrgyzstan, Russia and Tajikistan. The purposes of the CSTO are to strengthen peace along with international/regional security and stability and to ensure the collective defence of the independence, territorial integrity and the sovereignty of each of its Member States. Moreover, to help ensure collective security and stability, members conduct not only military exercises, but also anti-drug operations and operations aimed to counter illegal migration and human trafficking, and threats to information security.

NATO

Armenia-NATO partnership relations date back to 1992 when Armenia joined the North Atlantic Cooperation Council. Starting from 2006 the IPAP lays out the programme of cooperation between Armenia and NATO in defence and security sector reforms, counter-terrorism, disaster response, fight against corruption, *etc*. Currently, alongside with involvement in UN-led peacekeeping missions in Lebanon (UNIFIL) and Mali (MINUSMA), Armenia continues to contribute to UN mandated NATO peacekeeping efforts, participating in the Kosovo Force mission and to Resolute Support Mission in Afghanistan. While Armenia intends to intensify practical and political cooperation with NATO, it does not seek membership to NATO.

Bilateral Relations

Russia

Armenia and Russia enjoy strategic allied relations, and cooperate within the framework of regional multilateral institutions such as the EEU, the CSTO and the CIS. Russia plays a significant role in Armenia's economy in terms of trade, workers' remittances, energy supply and distribution. In 2019 the trade turnover between Armenia and Russia estimated over U.S.$2.2 billion. Russia is also the largest investor in Armenia. Two countries cooperate closely in military sphere. As Armenia's security component, Russia maintains a military base in the country. In 2019, the Armenian Ministry of Defence deployed humanitarian mission to provide humanitarian assistance in Syria, clearing landmines and providing medical care, in cooperation with the Russian military. See "*Risk Factors—Risk Factors Relating to Armenia—Relations with Russia*."

Georgia

Since independence Armenia has prioritised maintaining friendly relations and deepening political and economic cooperation with Georgia, drawing on the shared history and culture of the two countries. Since Armenia has no diplomatic relations with two of its neighbours, the main land routes connecting Armenia with the EEU (of which Armenia is member) and the Black Sea area, as well as important infrastructural facilities like gas pipeline and fibre-optic cable lines, pass through the territory of Georgia.

Today Georgia remains one of the main international partners of Armenia. High level meetings between the heads of the two states, as well as various branches of the two governments, are held regularly. Prospects for the further development of multidimensional cooperation are discussed at sessions of the Intergovernmental Commission on Economic Cooperation between Armenia and Georgia (the most recent of which was conducted on 26-27 June 2019). The bilateral agenda of the two countries envisions many areas of cooperation, including energy, transport, trade, tourism, education and culture, with a particular emphasis on developing projects to improve infrastructure links between the two countries. Current joint projects are the construction of an Armenian-Georgian 400 kV power transmission line/substations (expected to become operational by the end of 2022), the "Friendship" bridge over the river Debed at the Sadakhlo-Bagratashen border crossing and various projects to improve road infrastructure connecting the countries.

Azerbaijan

Azerbaijan and Armenia do not have diplomatic relations. Armenian citizens are prohibited entry into Azerbaijan. Armenia has supported the authorities of Nagorno-Karabakh to protect its population from military attacks launched by Azerbaijan over the last 30 years. Significant outlays in military expenditure by Azerbaijan, fuelled by its oil and gas revenues, are a source of concern. See "*Risk Factors—Risk Factors Relating to Armenia—Regional Tensions – Nagorno-Karabakh and Relations with Azerbaijan*."

Turkey

In 1991, when Armenia declared its independence, Turkey was among the first countries to recognize Armenia. Ankara, however, refused to establish diplomatic relations with Yerevan. In 1993, as a solidarity gesture with Azerbaijan in the Nagorno-Karabakh war, Turkey unilaterally closed its air and land borders with Armenia. The airspace was opened in 1995 under the pressure of international society.

Efforts to open the land border and establish diplomatic relations have failed due to Turkey's preconditions. In 2008, at the initiative of the President of Armenia, a potential new phase of Armenian-Turkish relations was started as evidenced by the signing in October 2009 by the Ministers of Foreign Affairs of the two countries of a

"Protocol on the Establishment of Diplomatic Relations Between the Republic of Armenia and the Republic of Turkey" and "Protocol on Development of Relations Between of the Republic of Armenia and the Republic of Turkey." However, after the signature, Turkey changed its position and rejected to implement the agreements on the normalization of the relations within a reasonable timeframe and without preconditions. Instead, the Turkish authorities tied the ratification of the protocols in the Grand National Assembly of Turkey to the resolution of the Nagorno-Karabakh conflict.

Taking into account the situation created by Turkey, as well as the call of the Political Council of the parties-members of the ruling coalition, on 22 April 2010, the President of Armenia signed a decree on the suspension of the process of ratifications of the protocols. On 16 February 2015, the protocols were called back from the National Assembly.

During the recent conflict in Nagorno-Karabakh, Turkey's leadership actively supported Azerbaijan's position. See "*Risk Factors—Risk Factors Relating to Armenia—Regional Tensions – Nagorno-Karabakh and Relations with Azerbaijan*."

Turkey continues to deny the Genocide and denigrate its victims and their memory.

Iran

The Islamic Republic of Iran promptly recognised the independence of Armenia upon its founding, and soon afterwards the two countries signed a declaration on establishing diplomatic relations. In 1995, the two countries signed an agreement on construction of an Iran-Armenia gas pipeline, which came into operation in May 2009. The Iranian gas is bartered for Armenian electricity. In 2019, 378.5 million cubic metres of gas were supplied under this arrangement, roughly 14.9% of Armenia's natural gas supply. Construction of a new electricity transmission line to Iran is expected to be completed in 2021, which would enable significantly larger export of electricity to Iran. See "*Economy of Armenia—Energy—Electricity*." In 2017, Armenia established a free-economic-zone adjacent to the border with Iran near the town of Meghri, offering tax benefits to foreign and Armenian businesses operating there which is hoped to attract Iranian businesses in light of Armenian's access to the EEU and EU markets on no-tariff or low-tariff terms. Transport infrastructure between Iran and Armenia remains very limited. On 2 July 2019, the Memorandum of Understanding regarding the 16th Joint Meeting of the Armenia-Iran Intergovernmental Commission was signed. Under the Memorandum, opportunities for cooperation between the two states in the areas of energy, nature protection, transport, finance, trade and others are to be explored. At the same time, Armenia is conscious of the international sanctions that have been imposed on Iran, and complies with those sanctions. See "*Risk Factors—Risk Factors Relating to Armenia—Relations with the Islamic Republic of Iran*."

China

China is Armenia's third largest trade partner behind Russia and the EU. For the last decade the annual volume of trade turnover between Armenia and China has been within the range of U.S.$300 to U.S.$950 million, accounting for from 7.5% to 11.6% of the total Armenia trade turnover in 2009 and 2019, respectively. Armenia and China have developed relations of friendly cooperation over the last decades. The Government of Armenia has expressed its support to China's One Belt One Road initiative and joined its Economic Belt of Silk Road component.

The Armenian Diaspora

The sufferings that Armenia has endured over the centuries (and especially at the time of persecution and the Genocide in the Ottoman Empire at the beginning of the 20th century) has led hundreds of thousands of Armenians to emigrate. There are significant ethnic Armenian communities in Russia, the United States, Latin America, Europe and the Middle East. Armenian communities in more than 100 countries around the world play a noticeable role in the economic, cultural and socio-political life of respective countries. A large population of ethnic Armenians living outside of Armenia are a significant source of capital and investment for the Armenian economy. Some of the diaspora has returned to Armenia after it achieved its independence, but the diaspora further expanded due to the ensuing after the collapse of the Soviet Union economic and regional turmoil. In recent years, emigration is estimated to be roughly 20,000-25,000 persons per year. The Armenian diaspora provides important moral and financial support to Armenia. From 2008 to July 2019, Armenia operated a Ministry of the Diaspora, which was established to strengthen ties between the Armenian diaspora and their homeland and to promote Armenian national identity. In July 2019, the principal functions of the Ministry of the Diaspora were transferred to the Office of the High Commissioner for Diaspora Affairs within the Administration of the Prime Minister.

ECONOMY OF ARMENIA

Overview

Armenia has made the successful transition from a centrally planned economy to a market economy, having implemented a broad set of political and economic reforms designed to stimulate growth and investment, maintain price stability, restore confidence in the dram and improve tax collection.

The advent of the new Government led by Prime Minister Pashinyan marks a cardinal opportunity to re-invigorate efforts to improve the economy of Armenia and to make it more dynamic, resilient and inclusive. The latest Government Programme, adopted in 2019, highlighted the following strategic tasks to expand Armenia's economic potential and promote inclusiveness:

- strengthening competition;
- enhancing governance;
- developing human capital;
- developing infrastructure; and
- preserving macroeconomic and financial stability.

The principal sectors of the Armenian economy are industry, agriculture, trade and real estate. In 2019, industry (i.e., manufacturing together with mining and quarrying) accounted for 14.5% of nominal GDP, followed by agriculture (including forestry, hunting and fishing) at 12.0%, trade at 11.5% and real estate at 7.5%.

Five years of Armenian economic growth ended in 2020 with the COVID-19 outbreak. Armenian GDP (in real terms, in drams) grew by 3.2% in 2015, 0.2% in 2016, 7.5% in 2017, 5.2% in 2018 and 7.6% in 2019. The slow growth of 0.2% in 2016 was largely attributable to the downturn in the Russian economy, which historically has had an important influence on the Armenian economy, although now Armenia is becoming more integrated in the global economy and generally less dependent on the Russian economy. See "*Risk Factors—Risk Factors Relating to Armenia—Vulnerability to Global/Regional Economic Conditions and Commodities Markets and to the Russian Economy*." In the nine months ended 30 September 2020, the Armenian GDP (in real terms, in drams) declined by 7.1% (compared to a 7.6% growth in the same period in 2019), which was primarily attributable to a significant slowdown in economic activity following the implementation of the measures designated to address the COVID-19 outbreak. See "*—Economic and Social Support Measures*." The budget deficit stood at 4.8% in 2015, 5.5% in 2016, 4.8% in 2017, 1.8% in 2018, 1.0% in 2019 and 3.6% in the nine months ended 30 September 2020. Armenia's trade deficit for goods and services equalled 13.4% of GDP in 2019 and 9.3% of GDP for the nine months ended 30 September 2020.

In recent years, new drivers for Armenian economic growth have come to the fore, in particular:

- the IT sector, which is increasingly geared towards research and development of high and emerging technologies, both in software design and hardware engineering, and servicing a wide region as a hub, providing a foundation for the development of a skills- and knowledge-based economy. IT companies are attracted by Armenia's expanding pool of technology specialists and entrepreneurs, aided by the partnership of many of these companies with universities and high schools and increasing availability of private funding across different stages for start-ups, which create an ecosystem conducive for growth;
- manufacturing, which has featured a compounded annual growth rate of 13.5% over the past four years. Light manufacturing such as jewellery, food processing, tobacco and alcoholic beverage production have recently been the main drivers of this growth, with pharmaceuticals also making an important contribution; and
- tourism, where ongoing investments in hotels have raised tourism capacity, but which is immediately impacted by the COVID-19 outbreak.

These developments diversify the Armenian economy, strengthen its resilience to shocks and act to render it more integrated into the global economy and generally less dependent on the Russian economy.

The Government has put into place a legislative framework designed to promote foreign investment in Armenia, key components of which are: a streamlined tax system with beneficial tax regimes for certain projects; a progressive customs regime with low import tariffs and no export restrictions; and the free movement of capital, including the repatriation of earnings, dividends and interest. See "*—Economic Policy*." At the same time, FDI inflow remains relatively low, at U.S.$254.1 million in 2019 and U.S.$254.2 million in 2018. See "*External Sector—FDI*." To spur FDI and attract foreign investors into the country, a specialized investment promotion agency, the Investment Support Center (Enterprise Armenia), under the office of the Deputy Prime Minister, has been established to serve as a "one-stop-shop" with a mandate of FDI promotion, investor aftercare and assistance to exporters.

Armenia has been assigned foreign currency sovereign credit ratings of Ba3 (Moody's) with stable outlook confirmed on 31 August 2020 and B+ (Fitch) with stable outlook assigned on 5 October 2020.

The COVID-19 Outbreak in Armenia

General Background

Since December 2019, a novel coronavirus (commonly referred to as COVID-19) has spread rapidly around the world, causing more than one million deaths and economic recession.

On 28 February 2020, the WHO declared the outbreak a Public Health Emergency of International Concern. On 1 March 2020, Armenia confirmed its first case of COVID-19. On 11 March 2020, the WHO declared the outbreak was a pandemic. On 16 March 2020, the Government declared a state of emergency lasting to 11 September 2020, empowering the Government to take extraordinary measures to combat the spread of the virus, which included, inter alia, prohibiting gatherings of more than 20 individuals and restricting entry of non-Armenian nationals into the country. On 24 March 2020, a nationwide lockdown was imposed, which was then lifted in stages and ended on 4 May 2020. Starting from 13 April 2020, activities in certain areas (such as outdoor construction and manufacturing) were permitted. On 23 April 2020, the intrastate travel ban was lifted, and certain retail trade recommenced. On 4 May 2020, public transportation was restored and businesses generally re-opened.

On 11 September 2020, the state of emergency was replaced with a quarantine regime initially lasting until 11 January 2021 and then further extended to 11 July 2021, under which various requirements and restrictions remain in place, for example, face masks are required in public spaces. The Government is authorised to re-introduce a state of emergency, if the need arises. From 11 September 2020, the number of daily registered cases has been increasing, which started the 'second wave' of the pandemic: total cases per month averaged 8,498 in April-June 2020 against 36,296 per month in October-December 2020.

As at 11.00 a.m., 21 January 2021, there have been in total 165,528 registered cases in Armenia with 3,021, or 1.8% of cases, resulting in death (a rate of infection of 5,592.7 cases per 100,000 people and a death rate of 102.1 deaths per 100,000 people).

Economic and Social Support Measures

In order to address and mitigate the adverse social and economic consequences of the pandemic, on 26 March 2020, the Government adopted Order No. 354 "On Approval of Comprehensive Programme of Actions to Counter Coronavirus Consequences" outlining key objectives and setting forth general guidelines for developing specific measures. The total socio-economic package (expenditure and lending) to implement these measures is approximately AMD150 billion, of which AMD89.8 billion had been expended as of 31 December 2020. In turn, these programmes, including agricultural sector support programmes, have facilitated Armenian banks and credit organisations in providing approximately AMD170 billion in loans to Armenian businesses, farmers and individuals in 2020, as reported by the CBA. In addition, the Government suspended the collection of prepaid profit tax in the second quarter of 2020, representing a deferral of approximately AMD65 billion in tax revenue (prepayment of profit tax takes the form of the taxpayer either paying 20% of the profit tax amount for the same quarter of the prior year or 2% of revenue of the prior quarter; a June 2020 regulation also made it easier for taxpayers to choose the latter option and made clear the taxpayer could choose the option where less tax is paid). As of 30 October 2020, the fiscal measures approved by the Government to mitigate the consequences of the pandemic have amounted to 3.4% of 2020 projected GDP (including the AMD150 billion socio-economic package approved in March 2020 (representing 2.4% of GDP) and the AMD65 billion tax deferral package approved in June 2020 (representing 1.0% of GDP)).

Under Order No. 354, the Government has implemented an array of measures, with 25 governmental programmes adopted as of 25 September 2020. Broadly speaking, these measures contemplate: (i) direct social assistance transfers to the vulnerable; (ii) labour subsidies to help SMEs maintain core employees; and (iii) low-interest loans to support the agricultural sector, SMEs in affected sectors (manufacturing, hospitality, transportation, tourism and services) and select other firms with bank co-financing; and (iv) interest-free loans or grants to support innovative sectors. Separately, the CBA has enhanced engagement between Armenian banks and its supervisors to continually assess the impact of the crisis on their asset quality, capital and liquidity.

The following table sets out the main programmes as of 31 December 2020:

Package	**Form of Support/Amount**
Subsidised Loans	
Maintaining liquidity of businesses	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 AMD500 million), eligible co-financing/refinancing (up to AMD250 million). Maturity: 2 years, 1 year grace.
Helping businesses/individual workers in agriculture	Co-financing of targeted loans or leasing arrangements or interest-rate subsidies. Amount/maturity depends on purposes of the loans or leases (maturity: up to 10 years, up to 5 years grace), as well as on the beneficiary's legal status.
Helping businesses in agriculture to purchase raw materials	Interest rate subsidies for targeted loans that finance the purchase of agricultural raw materials. Eligible loans (up to AMD3 billion). Maturity: up to 2 years, up to 6 months grace.
Helping SMEs in affected sectors (such as accommodation and public catering, transportation, healthcare, construction)	Loans (up to AMD50 million with a cap of 10% of 2019 turnover). Maturity: up to 3 years, 6 months grace.
Helping SMEs developing innovative business projects	Interest-free loans (maturity: 8 years) or grants.
Helping logistics businesses operating in tourism industry	Interest rate subsidy for targeted loans that finance the purchase of vehicles.
Lump-sum Transfer	
Supporting families with children under 14	AMD100,000 per child. Eligibility criteria, inter alia: (i) both parents lost their jobs in the period from 13 March to 25 March 2020; (ii) one of the parents lost his/her job in the period from 13 March to 25 March 2020 and the other was unemployed at that time; (iii) one of the parents lost his/her job in the period from 13 March to 25 March 2020 and the other parent is dead or missing; or (iv) a single parent lost his/her job.

Package	Form of Support/Amount
Supporting families with children under 18	AMD26,500 per child. Eligibility criteria, inter alia: (i) neither of the parents had a registered or temporary place of employment in 2020; or (ii) a family was included into a social benefit list for March 2020.
Helping micro-enterprises	Lump-sum financing in the amount of 10% of their turnover of goods and/or services provided in the first three months of 2020, up to AMD136,000 or AMD68,000 if not activating cash-register machine with State Revenue Committee.
Helping IT businesses	Lump-sum financing in the amount of AMD10,000-30,000 (as appropriate, depending on a beneficiary and a project).
Preserving jobs for businesses with 2-50 employees	Lump-sum financing in the amount of approximately one-fifth of total employee's wages.
Preserving jobs for businesses with 2-100 employees (if respective headcount was preserved throughout 1 February – 30 April 2020)	Lump-sum financing in the amount of approximately one-fifth of total employee's wages.
Preserving jobs for businesses with more than 3 employees in tourism and related industries	Lump-sum financing in the amount of salaries of every third or fourth employee.
Protecting vulnerable employees who lost jobs due to COVID-19	AMD68,000.
Protecting pregnant women who faced difficulties due to COVID-19	AMD100,000.
Helping Individuals and entrepreneurs in affected industries	Lump-sum financing in the amount of average salary or 10% of their turnover of goods and/or services provided in the last three months of 2020, up to AMD136,000.
Protecting vulnerable residents against hardship in paying utility bills	50% of natural gas and electricity bills in February 2020 (residents' bills for natural gas and electricity must not exceed AMD10,000 and AMD5,000 respectively).
Protecting vulnerable residents against hardship in paying utility bills	30% of natural gas and electricity bills in February 2020 (residents' bills range between AMD10,000 and AMD30,000 for utility, and between AMD5,000 and AMD10,000 for electricity).

Package	Form of Support/Amount
Protecting vulnerable families facing social problems	50% of household's family and social benefits (35% cash payment and 15% electricity payment)
Protecting students in higher education	Tuition subsidy up to 100%, and interest reduction on student loans down to 0%, conditional on grade point average and year of studies.

Direct financial support has also been provided to individuals, including families with children where a parent has lost their job, employees who have lost their job, and pregnant women as well as to students to pay in whole or in part their tuition or subsidise the payment of interest under student loans.

In addition, in 2020, the Entrepreneur + State Anti-Crisis Investments Fund was established in order to address and mitigate the long-term economic consequences of the COVID-19 pandemic. See "*External Sector—FDI*." The Entrepreneur + State Anti-Crisis Investments Fund will co-finance projects in sectors of strategic importance for Armenia, as defined by the Government's economic programme, in the amount of U.S.$0.5-4 million per project by way of equity injections.

Immediate Economic Consequences

The immediate economic consequences of the COVID-19 outbreak, and the measures taken to combat the pandemic, have had significant and rippling effects across the Armenian economy, as illustrated by the following:

- after five years of GDP growth, in the nine months ended 30 September 2020, Armenian GDP (in real terms, in drams) declined by 7.1%;
- the 2020 State Budget was revised in October 2020 and forecast: a decline in 2020 GDP of 6.8% (versus the original expectation of an increase of 4.9%), and a budget deficit of AMD411.0 billion, or 6.7% of GDP (versus the original expectation of a deficit of AMD160.7 billion, or 2.3% of GDP, with the Government being empowered to increase the budget deficit up to AMD459 billion, or to 7.4% of the GDP). In part also due to the consequences of the conflict in Nagorno-Karabakh, 2020 GDP is now estimated to have declined by 7.9% and the 2020 budget deficit is estimated at 7.1% of GDP. See "*Risk Factors – Regional Tensions – Nagorno-Karabakh and Relations with Azerbaijan*";
- exports of goods and services fell by 31.1% while imports fell by 28.1% in the nine months ending 30 September 2020 compared to the nine months ending 30 September 2019;
- the dram exhibited volatility, opening the year at AMD479.70/dollar, weakening to AMD504.96/dollar on 1 April 2020, at the time its weakest position over the past five years. To stabilise the foreign exchange trading market, in March-April 2020 the CBA sold U.S.$93.9 million (net) of foreign currency. The dram then recovered to AMD478.99/dollar on 22 June 2020 but then weakened in December 2020 to a new five-year low of AMD525.09/dollar on 15 December 2020;
- in 2020, the CBA reduced its base Refinancing Rate from 5.5% at the start of the year to the rate of 4.25% on 16 September 2020 in response to weakening demand amid persisting uncertainty about the end of the COVID-19 pandemic, but then, citing new inflationary pressures, hiked the Refinancing Rate to 5.25% on 15 December 2020;
- in the Armenian banking sector, from 31 December 2019 to 30 September 2020: total cash held fell from AMD200,583 million to AMD169,104 million; total loans increased from AMD3,631,158 million to AMD4,023,804 million; the percentage of non-performing loans increased from 5.51% to 6.05%;
- net remittances, as measured by the nine months ended 30 September 2020 against the nine months ended 30 September 2019, fell in dollar terms by 11.0% from US$765.7 million (8.0% of Armenian GDP) to US$681.4 million (7.7% of Armenian GDP);

- due to the extraordinary circumstances, the Government activated the escape clause to suspend the fiscal rules for the 2020 State Budget and the 2021 State Budget. See "*Public Debt and Related Matters–Overview.*" Accordingly, in 2021 it is not expected that the budget deficit will not exceed capital expenditures. At the same time, the growth of primary current expenditures in 2021 is expected to be in line with the long-term economic growth rate of the prior seven years. The Government remains committed to reducing the Government debt-to-GDP ratio from 2021 and bringing this ratio below 60% in the medium-term in line with the fiscal rule; and

- the Government taking external financings to fund measures to mitigate the consequences of the COVID-19 pandemic, in particular, agreeing with: (i) the IMF in May 2020 to add SDR128.8 million to its stand-by facility for Armenia, and immediately take SDR206 million (about U.S.$280 million) thereunder as direct budget support, with a further disbursement of SDR25.714 million made on 15 December 2020; (ii) the European Union such that in November-December 2020 the European Union disbursed €35.63 million as part of its €92 million response package to the COVID-19 pandemic in Armenia, as well as €24 million as part of its €30 million commitment under its "COVID-19 Resilience Contract for Armenia" (€30 million) and €9 million as part of its €30 million commitment under its "Support to Justice Sector Reforms in Armenia: Phase I"; (iii) the ADB to receive a grant of U.S.$2 million from its Asia Pacific Disaster Response Fund disbursed in December 2020 and (iv) the Government of Japan to provide a JPY400 million grant for the purpose of contributing to the implementation of the Economic and Social Development Programme.

Economic Policy

The Government is committed to alleviating poverty, reducing unemployment and improving the overall socio-economic condition of the Armenian population. To achieve these goals, the Government adheres to a liberal economic policy that is designed to increase the competitiveness of the Armenian economy and foster sustainable, long-term economic growth.

The Government continues to pursue reforms aimed at creating an economic environment that is both transparent and business friendly for local entrepreneurs and foreign investors alike. The Government of Prime Minister Pashinyan is seeking to re-invigorate these efforts, and the 2019 Government Programme for 2019-2023 is based on two pillars:

- anchoring fiscal policy on the fiscal rule to maintain debt sustainability, and creating space for priority (social and capital infrastructure) spending; and

- implementing a strong package of structural reforms, targeting productivity, equal access to opportunities and transparent governance.

The above goals are complemented by the traditional responsibilities of the CBA to:

- further strengthen of the monetary policy framework and maintain a flexible exchange rate system; and

- safeguard the financial system and improve access to finance.

The following areas remain core components of Armenia's economic development policy:

Improving the business environment. The new Government of Prime Minister Pashinyan has made improvement of the business environment a key goal in an effort to achieve a more dynamic, resilient and inclusive economy. In announcing its May 2019 stand-by arrangement to Armenia, the IMF confirmed the sentiment expressed in the Government's letter of intent to the IMF that the 2019 Government Programme marks a "watershed moment creat[ing] a new opportunity for Armenia to deal with the oligarchical economic system and combat corruption." To this extent, the Government has implemented a successful set of actions (including administrative measures) aimed to eliminate existing informal market barriers. As another part of this effort, significant changes are being made to Armenia's tax system, designed in part to improve transparency and compliance. See "*Public Finance—Armenian Tax System*." These efforts build on prior reforms, in an effort to achieve continual and gradual improvement. In 2010, for example, the Government passed a Code of Corporate Governance drafted in accordance with OECD principles and international best practices; this Code was updated in 2020 with the support of the UK Good Governance Fund and is currently in its public discussion stage. In 2011, the Government launched the "regulatory guillotine" initiative, which was completed in 2015 and resulted in a substantial reduction of regulations that impact business operations in Armenia. As a result of these efforts, Armenia's score on the ease of doing business score which assesses a country's absolute level of regulatory performance improved from 73.2 in Doing Business 2019 to 74.5 in Doing Business 2020. The Government strives to improve further Armenia's position in the Doing Business report published by the World Bank Group. In 2020, the Government, in cooperation with the International Financial Centre, adopted an action plan to define and implement specific actions across 10 main pillars for improving business environment in Armenia, which targets 50 specific measures (for example, the modernisation and/or implementation of different electronic systems and registers (including an electronic land register, an electronic system for the issuance of construction permits, an e-system for civil, bankruptcy, administrative and criminal cases, an electronic customs system), introduction of an administrative appeal framework in the state cadastre system, creation of a unified framework for secured transactions with movable property, implementation of a capital markets development programme and amendments to the Law on the Joint Stock Companies to increase transparency and enhance minority shareholders protection), to be implemented over three years. The CBA has also played a role in improving Armenia's business climate, having issued a series of legal acts aimed at ensuring the confidentiality of credit information, which expedites the process for obtaining loans.

Investment climate. Armenia has adopted an "open door" policy designed to promote foreign investment, ensure equal access to market opportunities and information and minimise the costs associated with the entry to, and operation in, the Armenian market. In line with this policy, the Armenian economy features the following attributes to promote the country's business climate and attract FDI: (i) the free repatriation of capital; (ii) lack of export duties and other export restrictions; (iii) full convertibility of the dram; and (iv) lack of restrictions on the foreign ownership of property and assets in Armenia (with certain exceptions in respect of land ownership). A conducive business environment in Armenia supports Armenia's ranking of 47 out of 190 countries in the 2020 Ease of Doing Business Ranking prepared by the World Bank. In 2019, Armenia was for the first time included in the OECD FDI Regulatory Restrictiveness Index, which measures statutory restrictions on FDI, and was ranked 10th out of 69 countries. A number of initiatives aimed at improving investment policy and business environment are being currently implemented, in particular: (i) review of the Armenia investment policy with the support of UNCTAD; and (ii) development of eRegulations Armenia Portal, which is aimed at providing detailed, practical and up-to-date description of business and foreign investment matters, within the framework of the United Nations Development Programme, with the project being funded by Austrian Development Cooperation. According to the investment policy review conducted by UNCTAD in 2019, the country was recognised for its good investment environment with increased access to the EEU markets. The review also identified the potential for export-oriented growth in a number of sectors, such as IT, tourism, manufacturing of clothing apparel and pharmaceutical industry. With a view to promote the Government's commitments, in 2020, the Government established the Investment Support Centre which currently operates as a one-stop shop for both domestic and international investors. Armenia is also a party to several bilateral and multilateral free trade agreements, and has been a member of the WTO since 2003. Armenia became a member of the EEU in January 2015. See "*Risk Factors—Risk Factors Relating to Armenia—Relations with Russia*." Armenia has also entered into bilateral investment treaties and double-taxation treaties with over 40 countries. See "*External Sector—International Trade Agreements*" and "*Public Finance—Armenian Tax System—International Taxation Agreements*." Armenia and the EU entered into the CEPA, which serves as the basis for improvement of the Armenian-European trade and economic relations. See "*Description of Armenia—International Relations—European Union*." Since 2009, Armenia has benefited from participation in the Generalised Scheme of Preferences + ("**GSP+**") preferential trading regime. See "*External Sector—International Trade Agreements*."

Industrial policy. Industry has historically been and continues to be one of the largest sectors of the Armenian economy. The Government has adopted an export-led industrial policy that is designed to position Armenia as a leading producer of high-value-added and knowledge-intensive goods and services. The Government supports efforts to improve technical education and training to enhance productivity. In particular, the Government plans to implement the following measures as part of its investment policy: (i) further simplifying import/export procedures; (ii) streamlining property registration procedures; (iii) further developing the legal framework for protecting intellectual property rights; (iv) enhancing the ability of local enterprises to absorb technology and knowledge (including adoption of international standards of production such as those promoted by the International Organisation for Standardisation); (v) improving infrastructure; and (vi) supporting the integration of Armenia-based enterprises into regional and global value chains. To this end, to date Armenia has created four free economic zones ("**FEZs**") which benefit from investment-friendly tax and customs regimes. See "*Public Finance—Armenian Tax System—Beneficial Tax Regimes—Free Economic Zones (FEZs)*." Currently, the Government is developing a framework for a new industrial zone with the infrastructure and business environment to attract planned, quasi-market FDI. Adoption of an industrial development strategy, prepared with the support of the ADB, has reached its final stages. The strategy sets out a number of policy measures targeted to significantly strengthen the Government's ability to stimulate industrial development and spur productivity growth.

Improving Infrastructure. Recognising the critical role that high-quality infrastructure plays in the country's continuing economic development, the Government has carried out several major infrastructure projects over the past decade, including the renovation of Zvartnots International Airport ("**Zvartnots Airport**") outside Yerevan. In close collaboration with international organisations and foreign governments, the Government has renovated hundreds of kilometres of roads across the country and is currently implementing the North-South Highway Project, which is designed to reconstruct the highway system that extends from Armenia's southern border with Iran to its northern border with Georgia. See "*—Principal Sectors of the Economy—Transport and Storage—Road Transport*." Improving Armenia's infrastructure, including its road network and irrigation system, remains a priority of the Government. To better identify, appraise, evaluate and prioritise public investment projects, in 2020, the Government, in cooperation with the World Bank, IMF and ADB, has developed a public investment management system. The project has passed its pilot stage and is currently in a final preparation for adoption and implementation (with an initial set of projects being actively considered). The Government, in cooperation with donor community, is committed to developing a range of high-quality projects. The implementation of the system will support the funding of long-term projects and enhance the Government's capacity to finance and carry out major public infrastructure projects. The recently adopted Public Private Partnership Law is designed to attract the capacities and abilities of the private sector to implement select projects, with appropriate risk allocation between the public and private partners.

Legal Reform. The Government has demonstrated a clear commitment to developing a legal framework that supports business and economic development. In recent years, Armenia has introduced several important legal reforms to streamline the regulatory framework facing businesses and to promote the country's investment climate. As a means to further integrate Armenia into the global economy, the Government also places a priority on harmonising Armenia's legislation, particularly in the fields of economic competition, trade and corporate governance, with model legislation and international best practices. Since 2011, all draft laws must undergo a regulatory impact assessment, which is designed to improve the effectiveness of legislation, enhance the transparency of the legislative process and reduce corruption. Regulatory impact assessments are carried out by multiple ministries, with the Ministry of Economy reviewing draft laws for their impact on economic competitiveness, the Ministry of Finance for their impact on the budget and the Ministry of Justice for their consistency with the Government's anticorruption strategy. Since 2019, in an effort to enhance contract enforcement, the Government has been developing a plan to strengthen debt enforcement through computerised processing for straightforward debt claims.

Accounting Reform. As part of overall efforts to improve corporate transparency, accounting practices and access to finance, in 2020 the Government developed a framework to establish the Public Oversight Board, a public oversight body, and the Chamber of Accountants and Auditors, which will work on improving corporate financial information and streamline financial reporting requirements for small and medium-sized enterprises ("**SME**").

Support for SME Sector. The Government views the promotion of the SME sector as critical for reducing unemployment, balancing regional development and creating a robust middle class. In 2020, the Government adopted SME Development Strategy aimed at increasing productivity growth, ensuring access to markets and information and promoting innovation — the core pillars for the development of SME competitiveness in Armenia. In accordance with this strategy, the Investment Support Center (former Small and Medium Entrepreneurship Development National Centre of Armenia) administers a revolving fund to provide financial guarantees to secure obligations of certain SMEs, as well as providing other forms of support, while prioritising innovative development. In 2020, with a view to ensure better access of SMEs to fixed assets, the Government amended leasing legislation, easing the VAT regime and allowing for sale and leaseback as well as secondary leasing. Further legislative reforms are envisaged to spur the development of venture funds and crowdfunding tools. In addition, a reform of bankruptcy legislation and its administration will also be sought. The SME Development Strategy also targets to increase financial literacy of SME owners, ensure better access to research and development for SMEs, strengthen their position in international markets, and improve collection of statistical information on SME activities.

Tackling corruption. The Government has also made clear that eliminating corruption is a crucial and necessary condition for effective implementation of the economic strategy, and has set out the following programme to tackle corruption:

- establishing a new autonomous anti-corruption body in line with country best practices and international standards combining all detection and investigative functions staffed with officials whose professional qualifications and integrity are ensured through a transparent vetting process; subject to a robust external oversight process; with adequate research, intelligence and analytical capabilities that can access all relevant information for its investigations; displacing the jurisdiction of the other agencies accordingly;

- creating a registry of beneficial ownership information that can conduct verification exercises, starting with companies in the extractive industry;

- taking steps so that existing requirements on state employees to make asset declarations are realised in practice (and in particular, staffing the Commission for the Prevention of Corruption, which administers such declarations), and to secure the interoperability of the data systems for asset declarations with the tax declaration system;

- assessing how to improve judicial administration of corruption cases, including inflow, processing time, clearance rate, backlogs and workload assessment; and

- revising the Criminal Code of the Republic of Armenia to (i) eliminate threshold amounts on embezzlement, (ii) introduce criminal liability for legal persons, (iii) amend the statute of limitations terms for corruption cases so that it commences at the point of discovery (not at the time of the completion of the act), and (iv) retain criminal liability in case of repayment for corruption crimes, notably in tax cases.

In 2020, the Ministry of Justice of Armenia presented a set of legislative initiatives aimed to create a new Anti-Corruption Court which will be authorised to hear cases on corruption offenses and a new Anti-Corruption Committee, both planned to be set up in 2021 (in addition to the existing Corruption Prevention Commission). Implementing legislation has been submitted to the National Assembly of the Republic of Armenia and is currently under review.

According to the Enterprise Surveys carried out by the World Bank in 2019-2020, Armenia has shown positive performance scoring significantly below average corruption levels for many indicators used in comparison surveys although it continues to face challenges in respect of licensing as compared to European and Central Asian countries.

Gross Domestic Product

The following table sets forth certain information about Armenia's GDP for the periods indicated:

Gross Domestic Product Indicators

	For the year ended 31 December					For the nine months ended 30 September	
	2015	2016	2017	2018	2019	2019	2020
Nominal GDP (AMD, millions)	5,043,633	5,067,294	5,564,493	6,017,035	6,569,031	4,570,319	4,283,850
Nominal GDP (U.S.$, millions)[1]	10,553	10,546	11,527	12,458	13,673	9,491	8,847
Real GDP (AMD, millions)[2]	4,870,670	4,880,411	5,246,442	5,519,257	5,938,720	4,109,215	3,816,513
Real GDP (U.S.$, millions)[2]	11,891	11,914	12,808	13,474	14,498	9,993	9,281
Real GDP growth (period-on-period, %)	3.2	0.2	7.5	5.2	7.6	7.6	-7.1
GDP deflator (period-on-period, %)	1.2	0.3	2.2	2.8	1.5	2.0	0.9
Nominal GDP per capita (AMD)	1,678,637	1,693,444	1,867,656	2,026,620	2,217,394	1,543,297	1,445,391
Nominal GDP per capita (U.S.$)	3,512	3,524	3,869	4,196	4,615	3,205	2,985
Real GDP per capita growth (period-on-period, %)[3]	3.5	0.6	8.0	5.6	7.8	n/a	n/a

	For the year ended 31 December					For the nine months ended 30 September	
	2015	2016	2017	2018	2019	2019	2020
Real GDP per capita (U.S.$)[(2)]	3,957	3,982	4,299	4,538	4,894	n/a	n/a

Notes:

n/a = not available.

(1) Converted to dollars, using the period average exchange rates. See "*Exchange Rates*."
(2) Calculated on the basis of 2013 prices and 2013 exchange rates.
(3) Volume index of GDP per capita, as % of previous year.

Sources: Armstat; World Bank; nominal GDP in AMD for 2018 – as revised by Armstat upon release of 2019 GDP information as part of regular statistical adjustment.

The following table sets forth the structure of GDP by expenditure for the periods indicated:

Gross Domestic Product by Structure

	For the year ended 31 December										For the nine months ended 30 September			
	2015		2016		2017		2018		2019		2019		2020	
	%	% change	%	% change	%	% change	%	% change	%	% change	%	% change	%	% change
GDP	**100**	**3.2**	**100**	**0.2**	**100**	**7.5**	**100**	**5.2**	**100**	**7.6**	**100.0**	**7.6**	**100**	**(7.1)**
Consumption[(1)] ...	**91.0**	**(6.0)**	**89.8**	**(2.1)**	**92.3**	**11.6**	**91.3**	**5.1**	**95.9**	**11.8**	**95.0**	**10.7**	**95.1**	**(6.2)**
Private	77.5	(7.6)	75.8	(2.1)	79.3	13.7	79.2	4.8	82.8	11.7	83.0	11.2	80.6	(8.7)
Public	13.1	4.7	13.5	(2.4)	12.3	(2.1)	11.5	7.4	12.5	12.5	11.4	6.8	14.0	11.5
Non-profit institutions............	0.4	3.9	0.5	11.1	0.7	56.4	0.6	(0.3)	0.7	13.4	0.6	13.4	0.5	(18.3)
Gross capital formation	**20.7**	**(3.2)**	**18.0**	**(8.7)**	**18.4**	**10.3**	**22.4**	**26.8**	**17.4**	**(13.8)**	**15.3**	**(18.2)**	**14.1**	**(18.4)**
Gross fixed assets accumulation........	20.6	2.5	17.4	(11.4)	17.6	9.7	16.7	4.5	15.8	4.4	13.4	4.5	13.1	(14.2)
Change in inventories............	0.1	n/a	0.7	n/a	0.8	n/a	5.7	n/a	1.7	n/a	1.9	n/a	1.0	n/a
Net exports..........	**(12.2)**	**n/a**	**(8.6)**	**n/a**	**(10.8)**	**n/a**	**(13.7)**	**n/a**	**(13.4)**	**n/a**	**(10.2)**	**n/a**	**(9.2)**	**n/a**
Exports.................	29.7	4.9	33.7	21.3	38.2	19.3	39.4	4.6	41.2	16.0	42.6	12.1	31.4	(30.8)
Imports.................	42.0	(15.3)	42.3	6.3	49.0	24.6	53.1	12.7	54.5	12.0	52.8	6.8	40.7	(27.6)
Statistical discrepancy.........	**0.5**	**n/a**	**0.8**	**n/a**	**-**	**n/a**	**-**	**n/a**	**-**	**n/a**	**-**	**n/a**	**-**	**-**

Note:

n/a = not available.

(1) Represents expenditures on final consumption.

Source: Armstat, as revised in 2020 due to reassessment of the information comprising the Balance of Payments.

In the nine months ended 30 September 2020, Armenian GDP (in real terms, in drams) declined by 7.1% (compared to a 7.6% growth in the same period in 2019), which was primarily attributable to a significant slowdown in economic activity due to the COVID-19 outbreak. See "*—Economic and Social Support Measures*."

Principal Sectors of the Economy

The principal sectors of the Armenian economy are industry (*i.e.*, manufacturing together with mining and quarrying), agriculture (including forestry, hunting and fishing), trade and real estate. In 2019, industry accounted for 14.5% of nominal GDP, followed by agriculture at 12.0%, trade at 11.5% and real estate at 7.5%.

Armenia has developed a strong manufacturing sector, ranging from the production of foods and beverages to the processing of metals. Its principal food products include canned foods, meat, dairy products and confectionary, while natural juices, mineral waters, brandy, wine, beer and vodka account for most of Armenia's beverage production. In recent years, textiles/clothing manufacturing has grown significantly. Armenia's metals manufacturing sector is supported by the country's mining activities, which generate copper concentrate, zinc concentrate and molybdenum. In 2017, 2018 and 2019, manufacturing represented 10.6%, 11.3% and 11.7% of

Armenia's nominal GDP, respectively. In the nine months ended 30 September 2020, manufacturing represented 12.1% of Armenia's nominal GDP, compared to 11.6% in the same period in 2019.

Agriculture (including forestry, hunting and fishing) is a large contributor to the Armenian economy, accounting for 15.0%, 13.9% and 12.0% of nominal GDP in 2017, 2018 and 2019, respectively, and in the nine months ended 30 September 2020, 11.5%, compared to 11.6% in the same period in 2019. Armenia's main agricultural products include vegetables, dairy products, grains, fruits and berries.

Trade (both retail and wholesale) continues to account for a consistently large share of the Armenian economy, representing 11.1%, 11.5% and 11.5% of nominal GDP in 2017, 2018 and 2019, respectively, and in the nine months ended 30 September 2020, 11.1%, compared to 11.5% in the same period in 2019.

In 2019, real estate activities accounted for 7.5% of Armenia's nominal GDP, compared to 7.6% in 2018 and 7.8% in 2017. In the nine months ended 30 September 2020, real estate activities represented 7.5% of Armenia's nominal GDP, compared to 7.8% in the same period in 2019.

Nominal GDP

The following table sets forth the composition of Armenia's nominal GDP by economic activity for the periods indicated:

Nominal GDP by Economic Activity

	For the year ended 31 December					For the nine months ended 30 September	
	2015	**2016**	**2017**	**2018**	**2019**	**2019**	**2020**
				(AMD millions)			
Agriculture, hunting and forestry; fishing	868,671	830,553	834,355	838,914	787,519	528,120	494,761
Mining and quarrying	107,718	130,835	185,510	169,795	184,231	132,490	149,228
Manufacturing	464,326	521,153	591,568	678,235	771,164	528,567	516,659
Electricity, gas, steam and air conditioning supply	231,279	227,108	226,849	212,446	207,452	152,129	155,625
Water supply, sewage, waste management and remediation	19,224	23,796	27,839	31,779	28,077	21,829	15,438
Construction	474,107	393,176	404,403	397,355	404,522	254,311	226,976
Trade[1]	551,485	499,044	614,987	692,654	755,685	525,337	476,353
Transport and storage	125,912	143,496	169,358	192,123	214,083	149,485	108,420
Hotels and restaurants	60,263	62,416	78,160	97,264	127,145	91,183	49,729
Information and communications	170,901	179,239	185,608	193,575	218,015	154,473	170,946
Financial and insurance activities	196,290	221,917	272,756	330,363	386,167	279,171	307,815
Real estate activities	437,501	434,592	436,486	459,861	493,084	354,656	320,024
Professional, scientific and technical activities	58,260	60,943	60,540	69,234	75,875	49,992	49,697
Administrative and support service activities	41,775	44,739	50,413	54,502	60,484	40,965	24,924
Public administration	244,554	250,607	262,763	265,194	289,216	180,043	205,582
Education	148,448	153,593	151,118	155,342	153,828	107,062	115,104
Human health and social work activities	198,219	206,540	231,319	260,804	307,744	221,876	239,724
Arts, entertainment and recreation	163,269	232,761	256,257	335,684	424,101	294,674	255,968
Other service activities	31,872	36,358	52,180	56,394	54,251	40,369	29,355
Private households[2]	2,923	2,870	2,886	2,948	2,959	2,051	1,905
FISIM adjustment[3]	(89,162)	(97,244)	(102,935)	(116,656)	(121,757)	(89,402)	(104,022)
Nominal GVA	**4,507,832**	**4,558,490**	**4,992,418**	**5,377,810**	**5,823,846**	**4,019,379**	**3,810,211**
Taxes less subsidies on products	535,801	508,804	572,075	639,225	745,185	550,940	473,640
Nominal GDP at market prices	**5,043,633**	**5,067,294**	**5,564,493**	**6,017,035**	**6,569,031**	**4,570,319**	**4,283,850**
Nominal GDP per capita (AMD)	1,678,637	1,693,444	1,867,656	2,026,620	2,217,394	1,543,297	1,445,391
Nominal GDP per capita (U.S.$)	3,512.0	3,524.0	3,869.0	4,196	4,615	3,205	2,985
Nominal GDP (U.S.$ millions)[4]	10,553	10,546	11,527	12,457.9	13,672.7	9,491	8,847

Notes:

(1) Includes wholesale and retail trade and repairs of motor vehicles and personal and household goods.

(2) Includes activities of private households as employers and other miscellaneous production activities of private households.

(3) FISIM refers to the total property income receivable by financial intermediaries minus total interest payable, excluding the value of any property income receivable from the investment of their own funds, as such income does not arise from financial intermediation.
(4) Converted to dollars, using the period average exchange rates. See "Exchange Rates."

Source: Armstat, nominal GDP for 2018 – as revised by Armstat upon release of 2019 GDP information as part of regular statistical adjustment.

The following table sets forth the share of various economic sectors in Armenia's nominal GDP for the periods indicated:

Share in Nominal GDP by Economic Activity

	For the year ended 31 December					For the nine months ended 30 September	
	2015	2016	2017	2018	2019	2019	2020
	(% of Nominal GDP)						
Agriculture, hunting and forestry; fishing	17.2	16.4	15.0	13.9	12.0	11.6	11.5
Mining and quarrying	2.1	2.6	3.3	2.8	2.8	2.9	3.5
Manufacturing	9.2	10.3	10.6	11.3	11.7	11.6	12.1
Electricity, gas, steam and air conditioning supply	4.6	4.5	4.1	3.5	3.2	3.3	3.6
Water supply, sewage, waste management and remediation	0.4	0.5	0.5	0.5	0.4	0.5	0.4
Construction	9.4	7.8	7.3	6.6	6.2	5.6	5.3
Trade[(1)]	10.9	9.8	11.1	11.5	11.5	11.5	11.1
Transport and storage	2.5	2.8	3.0	3.2	3.3	3.3	2.5
Hotels and restaurants	1.2	1.2	1.4	1.6	1.9	2.0	1.2
Information and communications	3.4	3.5	3.3	3.2	3.3	3.4	4.0
Financial and insurance activities	3.9	4.4	4.9	5.5	5.9	6.1	7.2
Real estate activities	8.7	8.6	7.8	7.6	7.5	7.8	7.5
Professional, scientific and technical activities	1.2	1.2	1.1	1.2	1.2	1.1	1.2
Administrative and support service activities	0.8	0.9	0.9	0.9	0.9	0.9	0.6
Public administration	4.8	4.9	4.7	4.4	4.4	3.9	4.8
Education	2.9	3.0	2.7	2.6	2.3	2.3	2.7
Human health and social work activities	3.9	4.1	4.2	4.3	4.7	4.9	5.6
Arts, entertainment and recreation	3.2	4.6	4.6	5.6	6.5	6.4	6.0
Other service activities	0.6	0.7	0.9	0.9	0.8	0.9	0.7
Private households[(2)]	0.1	0.1	0.1	0.0	0.0	0.0	0.0
FISIM adjustment[(3)]	(1.8)	(1.9)	(1.8)	(1.9)	(1.9)	(2.0)	(2.4)
Nominal GVA	**89.4**	**90.0**	**89.7**	**89.4**	**88.7**	**87.9**	**88.9**
Taxes less subsidies on products	10.6	10.0	10.3	10.6	11.3	12.1	11.1
Nominal GDP at market prices	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Notes:

(1) Includes wholesale and retail trade and repairs of motor vehicles and personal and household goods.
(2) Includes activities of private households as employers and other miscellaneous production activities of private households.
(3) FISIM refers to the total property income receivable by financial intermediaries minus total interest payable, excluding the value of any property income receivable from the investment of their own funds, as such income does not arise from financial intermediation.

Source: Armstat, as revised by Armstat in 2020 as part of regular statistical adjustment.

The following table sets forth the year-on-year growth rates of Armenia's nominal GDP by economic activity for the periods indicated:

Growth Rate of Nominal GDP by Economic Activity

	For the year ended 31 December					For the nine months ended 30 September	
	2015	2016	2017	2018	2019	2019	2020
	(%)						
Agriculture, hunting and forestry; fishing	(0.5)	(4.4)	0.5	0.5	(6.1)	(6.0)	(6.3)
Mining and quarrying	5.0	21.5	41.8	(8.5)	8.5	10.9	12.6
Manufacturing	(0.5)	12.2	13.5	14.7	13.7	9.8	(2.3)
Electricity, gas, steam and air conditioning supply	23.0	(1.8)	(0.1)	(6.3)	(2.4)	(1.2)	2.3

	For the year ended 31 December					For the nine months ended 30 September	
	2015	2016	2017	2018	2019	2019	2020
Water supply, sewage, waste management and remediation	36.3	23.8	17.0	14.2	(11.6)	(9.7)	(29.3)
Construction	5.6	(17.1)	2.9	(1.7)	1.8	2.3	(10.7)
Trade[(1)]	(3.3)	(9.5)	23.2	12.6	9.1	9.1	(9.3)
Transport and storage	(12.9)	14.0	18.0	13.4	11.4	6.8	(27.5)
Hotels and restaurants	9.4	3.6	25.2	24.4	30.7	34.7	(45.5)
Information and communications	5.4	4.9	3.6	4.3	12.6	9.2	10.7
Financial and insurance activities	(5.0)	13.1	22.9	21.1	16.9	17.2	10.3
Real estate activities	8.4	(0.7)	0.4	5.4	7.2	5.6	(9.8)
Professional, scientific and technical activities	8.8	4.6	(0.7)	14.4	9.6	6.8	(0.6)
Administrative and support service activities	1.3	7.1	12.7	8.1	11.0	9.6	(39.2)
Public administration	17.6	2.5	4.9	0.9	9.1	7.8	14.2
Education	8.5	3.5	(1.6)	2.8	(1.0)	(0.2)	7.5
Human health and social work activities	6.6	4.2	12.0	12.7	18.0	21.8	8.0
Arts, entertainment and recreation	83.4	42.6	10.1	31.0	26.3	29.6	(13.1)
Other service activities	7.7	14.1	43.5	8.1	(3.8)	(2.1)	(27.3)
Private households[(2)]	3.4	(1.8)	0.6	2.1	0.4	1.5	(7.1)
FISIM adjustment[(3)]	(10.8)	9.1	5.9	13.3	4.4	3.1	16.4
Nominal GVA	**5.3**	**1.1**	**9.5**	**7.7**	**8.3**	**8.1**	**(5.2)**
Taxes on products	(1.9)	(5.0)	12.4	11.7	16.6	23.4	(14.0)
Nominal GDP at market prices	**4.5**	**0.5**	**9.8**	**8.1**	**9.2**	**9.7**	**(6.3)**

Notes:

(1) Includes wholesale and retail trade and repairs of motor vehicles and personal and household goods.
(2) Includes activities of private households as employers and other miscellaneous production activities of private households.
(3) FISIM refers to the total property income receivable by financial intermediaries minus total interest payable, excluding the value of any property income receivable from the investment of their own funds, as such income does not arise from financial intermediation.

Source: Armstat, as revised by Armstat in 2020 as part of regular statistical adjustment.

Real GDP

The following table sets forth the composition of Armenia's real GDP by economic activity for the periods indicated (based on 2013 prices):

Real GDP by Economic Activity

	For the year ended 31 December					For the nine months ended 30 September	
	2015	2016	2017	2018	2019	2019	2020
	(AMD millions, unless otherwise indicated)						
Industry	778,418	839,787	942,708	992,569	1,077,310	751,218	735,952
Agriculture	1,007,107	959,010	914,160	854,188	833,802	548,257	539,314
Construction	440,327	379,134	391,488	395,274	410,797	258,311	208,471
Services	2,156,325	2,230,951	2,478,511	2,714,037	3,012,316	2,109,385	1,936,294
Real GVA	**4,382,176**	**4,408,882**	**4,726,867**	**4,956,068**	**5,334,224**	**3,667,171**	**3,420,031**
Taxes less subsidies on products	488,493	471,529	519,575	563,189	604496	439,947	394,583
Real GDP at market prices	**4,870,670**	**4,880,411**	**5,246,442**	**5,519,257**	**5,938,720**	**4,107,118**	**3,814,613**
Real GDP per capita[(1)] (AMD)	1,621,071	1,630,990	1,760,906	1,858,962	2,004,631	n/a	n/a
Real GDP per capita (U.S.$)[(1)(2)]	3,957	3,982	4,299	4,538	4,894	n/a	n/a
Real GDP (U.S.$ millions[(2)])	11,891	11,914	12,808	13,474	14,498	9,993	9,281

Notes:

n/a = not available. Per capita figures are only calculated on an annual basis.

(1) Per capita figures based on the results of the 2011 census.
(2) Calculated on the basis of 2013 prices and 2013 exchange rates.

Source: Armstat, as revised in 2020 as part of regular statistical adjustment.

The following table sets forth the contribution of various economic sectors to real GDP for the periods indicated (based on 2013 prices):

Share in Real GDP by Economic Activity

	For the year ended 31 December					For the nine months ended 30 September	
	2015	**2016**	**2017**	**2018**	**2019**	**2019**	**2020**
				(%)			
Services	44.3	45.7	47.2	49.2	50.7	51.4	50.8
Industry	16.0	17.2	18.0	18.0	18.1	18.3	19.3
Agriculture	20.7	19.7	17.4	15.5	14.0	13.3	14.1
Construction	9,0	7.8	7.5	7.2	6.9	6.3	5.5
Real GVA	**90.0**	**90.3**	**90.1**	**89.8**	**89.8**	**89.3**	**89.7**
Taxes less subsidies on products	10.0	9.7	9.9	10.2	10.2	10.7	10.3
Real GDP at market prices	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: Armstat, as revised in 2020 as part of regular statistical adjustment.

The following table sets forth the year-on-year growth rates of Armenia's real GDP by economic activity for the periods indicated (based on 2013 prices):

Growth Rate in Real GDP by Economic Activity

	For the year ended 31 December					For the nine months ended 30 September	
	2015	**2016**	**2017**	**2018**	**2019**	**2019**	**2020**
				(%)			
Industry	6.2	7.6	11.8	4.9	8.3	6.1	(2.0)
Agriculture	13.2	(5.0)	(5.1)	(6.9)	(2.6)	(2.5)	(1.6)
Construction	(3.1)	(14.1)	2.8	0.6	3.7	3.9	(19.3)
Services	1.6	3.2	10.6	9.1	10.7	11.2	(8.2)
Real GVA	**4.3**	**0.6**	**7.3**	**4.9**	**7.6**	**7.7**	**(6.7)**
Taxes less subsidies on products	(5.1)	(3.7)	9.7	8.0	7.1	7.7	(10.3)
Real GDP at market prices	**3.2**	**0.2**	**7.5**	**5.2**	**7.6**	**7.6**	**(7.1)**

Source: Armstat, as revised in 2020 as part of regular statistical adjustment.

Agriculture

In 2019, agriculture (including forestry, hunting and fishing) accounted for 12.0% of Armenia's nominal GDP, compared to 13.9% in 2018 and 15.0% in 2017, and 11.5% in the nine months ended 30 September 2020 compared to 11.6% in the same period in 2019. 68.7% of Armenia's land area is classified as agricultural land, which is mainly comprised of pasture. Approximately 54% of Armenia's total sown area is used for grains and grain legumes with the remainder mainly allocated to forage crops, potatoes and vegetables.

The following table sets forth the structure of Armenia's agricultural output by sector and type of farm for the years indicated:

Share in Agricultural Output by Sector and Farm(1)

	For the year ended 31 December				
	2015	**2016**	**2017**	**2018**	**2019**
			(%)		
Household plots	**97.1**	**96.8**	**96.5**	**94.9**	**93.8**
Planting	57.9	55.0	51.1	45.5	46.5
Animal husbandry	39.1	41.9	45.4	49.4	47.3

	For the year ended 31 December				
	2015	2016	2017	2018	2019
			(%)		
Commercial organisations	**2.9**	**3.2**	**3.5**	**5.1**	**6.2**
Planting	0.2	0.4	0.6	1.0	1.6
Animal husbandry	2.7	2.7	3.0	4.0	4.6
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Note:

(1) Share of output in current prices.

Source: Armstat.

The following table sets forth Armenia's annual production of certain agricultural products for the years indicated:

Annual Production of Certain Agricultural Products

	For the year ended 31 December				
	2015	2016	2017	2018	2019
	(in thousands of tonnes, unless otherwise indicated)				
Wool[(1)]	1,571.0	1,641.0	1,385.0	1,032.0	981.0
Vegetables	1,007.6	968.6	861.0	628.2	621.6
Milk	728.6	754.2	758.2	697.7	667.9
Eggs[(2)]	659.8	694.6	683.0	726.8	720.6
Potatoes	607.7	606.3	547.4	415.1	404.1
Grains and grain legumes	601.5	604.2	302.5	337.7	198.7
Fruits and berries	377.1	242.6	361.6	343.4	290.6
Grapes	309.2	178.8	210.0	179.7	271.5
Melons	286.8	236.1	215.8	126.8	128.0
Meat	100.4	106.1	109.0	108.2	107.3

Notes:

(1) Physical weight (in tonnes).
(2) Number of eggs (in millions).

Source: Armstat.

In December 2019, the Government approved the 2020-2030 strategy to develop the agricultural sector. The Government's key objectives are to: ensure prosperity and inclusive growth in rural areas; engage rural youth, ensure climate adaptation and sustainable use of the country's natural resources; improve national food and nutrition security; and promote the export of high-value agricultural products that substantially increase the agriculture sector's overall value-add to the economy, all against the background of a strong enabling environment, best-in-class food safety systems, and regional leadership on technology-driven agricultural innovation.

The Government in its current agricultural policy is carrying out concrete objectives and measures, including several that are high priority:

Land reform. Most critically, land reform is an important step for unlocking growth in the agriculture sector. To foster this objective, in January 2020, the Government adopted a new development concept and step plan on the usage of agricultural land aimed at enhancing the efficiency of such usage. Initial work thereunder includes creating digital maps and databases of agricultural land plots. It is envisioned that producers and businesses should be able to access and cultivate agricultural land more effectively to encourage the intensification, higher productivity, and increased scale of agriculture-related activities. This should in turn attract additional investment into rural areas.

Export diversification. Another key ambition is to build on Armenia's success in the EEU market and to increase overall export market orientation, quality aspirations, and diversification through entry into new high-value markets (*e.g.*, the EU, Middle East, Japan, and North America) via Government investments into export promotion and – critically – investments into modern food safety standards, phytosanitary enforcement, and modernised traceability and certification systems and practices.

Commercialisation and value-add activities. The push toward export diversification and select import substitution activities (*e.g.*, poultry production) will be closely linked to the Government's policy support and catalytic grant investments into agro-processing industry creation and growth (*e.g.*, priority horticulture value chains, wine, dairy, meat). Beyond creating a conducive policy environment, support for essential public goods (*e.g.*, irrigation systems), and targeted support schemes for priority value chains and innovative businesses, the Government will actively pursue new international investments into agriculture, including support from donors for transformative programmes and large-scale commercial investments from international agribusinesses and domestic agribusiness sector leaders.

Technology, modernisation and innovation. For Armenia's agricultural sector to be globally competitive, progress must be made on the introduction and effective adoption of modern technologies. The Government will achieve this by investing in the foundations for digital agriculture infrastructure (*e.g.*, farmer and livestock registries, remote-sensing agricultural observatory, digitalisation of operations and extension systems of the Ministry of Economy of Armenia), to establish Armenia as a regional leader in agriculture digitalisation. Technology modernisation will also include the scalable introduction of innovative technologies needed for a modern, thriving agriculture sector (*e.g.*, hail protection systems, irrigation systems, innovative greenhouse and post-harvest technologies).

Human capacity and skills training. The development of the agriculture sector will also require further investment in human capacity across all agriculture market segments and levels. This includes reform of educational and vocational training systems so as to engage youth and improve farmer skills and to promote the next generation of Armenian agronomists, agricultural technologists, and entrepreneurs (*e.g.*, investment in building greenhouse management, agro-processing, agricultural product marketing, and financial and business literacy skills).

Rural development. For rural areas to become more prosperous and productive, there must be investment in the diversification of income-generating activities and opportunities to integrate rural dwellers into the development planning. This should include improvements in rural community engagement and inclusion through a focus on attracting young, economically-active segments of the population to farming. This is best done by taking a holistic approach to rural development, such as active support for agro-tourism.

Institutional capacity. For the broader sector to develop, the ability of the Government to deliver on its objectives depends on the capacity of the institutions that support agriculture and rural development. Going forward, of utmost importance are continuing institutional development and improving the capacity of agricultural institutions to create, improve and oversee improved agricultural policies. This should draw heavily on the introduction of new tools for the Government to interact with beneficiaries more effectively, including farmer registries and payment systems. The success of these efforts will anchor improved communication between policy makers and market participants, and the range of actors across the value chains.

Agriculture is an important component of Armenia's exports. In 2019, prepared foodstuffs, vegetables and animals/animal products accounted for 24.2%, 4.0% and 1.9%, respectively, of Armenia's exports. See "*External Sector—International Trade*."

Manufacturing

In 2019, manufacturing accounted for 11.7% of Armenia's nominal GDP, compared to 11.3% in 2018. As measured by nominal GDP, the manufacturing sector contracted by 2.3% during the nine months ended 30 September 2020, largely due to the slowdown in economic activity following the COVID-19 outbreak. See "*—Economic and Social Support Measures*.".

In 2019, Armenia's manufacturing sector accounted for 69.8% of the value of the country's overall industrial production. The main areas of manufacturing in Armenia include food, beverage and tobacco production, basic metals production and non-metallic mineral production, such as rubber, plastics and other non-metallic goods. In 2019, food production accounted for 37.2% of the value of manufacturing output; basic metals for 11.4%; beverage production for 12.6%; and textiles/clothing for 1.9%. Armenia's principal food products include canned foods, meat, dairy and confectionary. The main beverage products are natural juices, mineral waters, brandy, wine, beer and vodka. Of basic metals, Armenia produces copper concentrate, aluminium foil, zinc concentrate and various molybdenum products, as well as other refined metals. Non-metallic minerals manufactured in Armenia include concrete, cement and other building materials. Approximately half of the country's manufacturing output is generated in Yerevan.

Mining and Quarrying

In each of 2018 and 2019, mining and quarrying accounted for 2.8% of Armenia's nominal GDP. In 2019, Armenia's mining and quarrying sector accounted for 16.9% of the value of the country's overall industrial production. Metal ores accounted for 96.1% of mining and quarrying output in 2019, in particular molybdenum, copper and zinc. The Lori region has the largest ore reserves by volume, represented mainly by iron (100% of Armenian iron reserves). Syunik, the country's southernmost region where many of the country's largest mines are located, including the Zangezur Copper Molybdenum Complex, has the second highest ore reserves by volume, and is estimated to hold 42% of Armenia's gold reserves, and 100% of copper, 99% of zinc and 100% of molybdenum reserves. The Vayots Dzor region holds 11% of gold reserves while the Gegharkunik region holds all Armenian magnesium and chromite reserves.

Electricity, Gas, Steam and Air Conditioning Supply

In 2019, electricity, gas, steam and air conditioning supply accounted for 3.2% of Armenia's nominal GDP, compared to 3.5% in 2018. After growing (in nominal terms) by 23.0% in 2015 mainly due to an increase in power generation, transmission and distribution, this sector contracted (in nominal terms) by 1.8% in 2016, 0.1% in 2017, 6.3% in 2018 and 2.4% in 2019 mainly as a result of a decline in power generation, transmission and distribution.

In 2019, Armenia's electricity, gas, steam and air conditioning supply sector accounted for 12.1% of the value of the country's overall industrial production. Nearly half of the country's electricity, gas, steam and air conditioning supply is generated in Yerevan. See "*—Energy*" for a discussion of Armenia's electricity, oil and gas sectors.

Construction

In 2019, construction accounted for 6.2% of Armenia's nominal GDP, compared to 6.6% in 2018. In the nine months ended 30 September 2020, construction accounted for 5.3% of Armenia's nominal GDP, compared to 5.6% in the nine months ended 30 September 2019.

Prior to the global financial crisis, the construction industry experienced significant growth as Soviet-era housing and office buildings were replaced with more modern structures. In 2009, however, the construction sector contracted by over 40% (as measured by a methodology, "NACE 1.1," no longer used), largely as a result of the global financial crisis. The construction sector decreased (in nominal terms) by 17.1% in 2016, grew by 2.9% in 2017, contracted by 1.7% in 2018 and again grew by 1.8% in 2019. In the nine months ended 30 September 2020, the construction sector contracted (in nominal terms) by 10.7%, primarily due to the consequences of the COVID-19 outbreak.

The largest public construction projects undertaken in recent years include the construction of a new terminal at Zvartnots Airport near Yerevan (which opened in 2011), the construction of a residential-retail project Northern Avenue, which runs through the centre of Yerevan (which opened in 2007), the overhaul of Republic Square in central Yerevan (completed in 2003), and the construction of the Kamar business centre in Yerevan (which opened in 2018). There are also several on-going large construction projects, such as the reconstruction of the Old Yerevan, a historical quarter in the city centre of Yerevan and the construction of a new thermal power plant in Yerevan, which is expected to be finished by autumn 2021. The ongoing construction of the North-South Road Corridor is the largest single infrastructure project in progress, with the 556 kilometre highway expected to span the country, linking Meghri and Yerevan and Bavra. The North-South Road Corridor investment program is implemented in tranches. The first tranche of 31 kilometres has been completed; construction work on the second tranche of 42 kilometres was suspended in 2019 due to the failure of the contractor and expected to resume this year; and work on the third tranche of 42 kilometres is in progress. Detailed design work is currently underway for the fourth tranche of 32 kilometres. Financing for the construction of the remaining sections of the North-South Road Corridor is being sought. There have also been talks concerning the construction of a nuclear power plant. See "*—Energy—Electricity*". The reconstruction of buildings and homes damaged during the 1988 earthquake continues. Many of Armenia's large-scale construction projects have been financed, in part, by wealthy members of the Armenian diaspora.

Real Estate Activities

In 2019, real estate activities accounted for 7.5% of Armenia's nominal GDP, compared to 7.6% in 2018. In the nine months ended 30 September 2020, real estate activities continued to account for 7.5% of Armenia's nominal

GDP. In 2017, 2018 and 2019, the real estate activities grew (in nominal terms) by 0.4%, 5.4% and 7.2%, respectively. Armenia's real estate market has become more dynamic since mid-2017, reflecting improved economic conditions, more favourable interest rates, introduction of subsidy programmes for young families and Government policies aimed at improving housing construction.

Trade

In each of 2019 and 2018, trade accounted for 11.5% of Armenia's nominal GDP, and in the nine months ended 30 September 2020, 11.1%. The trade sector comprises retail trade turnover, wholesale trade turnover and motor vehicle trade. In 2019, wholesale trade turnover accounted for 48.6% of overall trade turnover, followed by retail turnover for 47.7% and motor vehicle trade for 3.8%. Food products account for the majority of retail trade turnover by volume.

Transport and Storage

In 2019, transport and storage accounted for 3.3% of Armenia's nominal GDP, compared to 3.2% in 2018. In the nine months ended 30 September 2020, transport and storage accounted for 2.5% of Armenia's nominal GDP. The transport and storage sector expanded (in nominal terms) by 11.4% in 2019, compared to 13.4% in 2018 and 18.0% in 2017. The sector dropped by 27.5% in the nine months ended 30 September 2020, primarily due to the consequences of the COVID-19 outbreak.

Investment in Armenia's transport infrastructure, particularly the country's road network, continues to be a key priority of the Government. Loans and grants from international organisations have been a significant source of funding for infrastructure projects; funds from the State Budget are also allocated to such projects. See "*Public Debt and Related Matters—Multilateral and Bilateral Development Organisations*." A substantial share of investments in the aviation and rail sectors are made pursuant to long-term concession agreements.

On 11 January 2021, the Prime Minister of Armenia and the Presidents of Russia and Azerbaijan met in Moscow and agreed, pursuant to the terms of the 9 November 2020 Nagorno-Karabakh ceasefire, to establish a working group aimed at opening up the economic and transport links in the region, with one immediate focus on road and rail infrastructure. The working group is co-chaired by the Deputy Prime Ministers of Armenia and of Azerbaijan and the Deputy Chairman of the Russian government. As contemplated by the ceasefire agreement, renewed transport communications crossing Armenia between Azerbaijan and its exclave of Nakhijevan are to be established. Opening up road and rail transport logistics between the two countries carries the prospect that Armenia would have improved transport links with Russia and Iran, and possibly re-opened links with Turkey via Nakhijevan. If the working group is successful, there may be significant new road and rail construction projects in the coming years in Armenia, which may also help attract increased foreign direct investment into the country.

Road Transport

As of 31 December 2019, the Armenian road network comprised 10,799 kilometres of roads, including 7,513 kilometres general purpose roads. Of the general purpose roads, Armenia has approximately 1,753 kilometres of interstate roads, 2,000 kilometres of republican roads (between major cities and regional centres) and 3,760 kilometres of local roads (between villages and regional centres). In the nine months ended 30 September 2020, 7.1 million tonnes of cargo and 45.3 million passengers were carried by road transport. Freight turnover on Armenia's road network equalled 637.3 million tonnes-kilometres. In the nine months ended 30 September 2020 passengers turnover on Armenia's road network equalled 577.3 million passengers-kilometres. Motor vehicles remain the most popular form of transport in Armenia, accounting for 64.9% of total cargo volumes and 80.6% of total passenger volumes, by type of transport in the nine months ended 30 September 2020.

The development and maintenance of Armenia's road network are critical to the country's sustainable development and ensuring equal access to economic opportunities. In recent years, the Government has significantly increased funding for the construction, rehabilitation and maintenance of Armenia's road network. The Government has prioritised the reconstruction of over 7,500 kilometres of roads. As part of its anti-crisis policy, from 2009 to 2013, the Government implemented the Lifeline Roads Improvement Project (the "**LRIP**"), which was designed to rehabilitate the country's rural road network and, in particular, to ensure that each rural community has access to at least one "lifeline road" connected to an interstate highway. The lifeline road network runs over 3,000 kilometres, and, by some estimates, 60% of this network remains in poor condition. The World Bank provided U.S.$101.6 million in financing to support the LRIP. In 2013, the World Bank approved a follow-up project to the LRIP, the Lifeline Road Network Improvement Project (the "**LRNIP**"). The LRNIP is financed through three loans totalling U.S.$100 million. The original loan in the amount of U.S.$45 million was provided in 2013. Additional financing of U.S.$40 million was provided in 2015 and a further financing of U.S.$15 million was provided in 2019 in order to increase the project scope, in particular, to improve accessibility to markets and social services through the rehabilitation of an additional part of the road network. As of May 2020, 383 kilometres of lifeline rural roads had been rehabilitated under the LRNIP, and the rehabilitation of another 67 kilometres is in progress. By the conclusion of the project at the end of 2021, a total of 450 kilometres of rural roads are planned for rehabilitation. The LRIP and the LRNIP have led to substantial reductions in travel time and helped stimulate employment in the regions. The LRIP and the LRNIP have also improved overall road safety, including pavements and facilities for disabled pedestrians added to lifeline roads passing through residential areas.

The ADB has provided loans for road construction and rehabilitation in Armenia within the framework of the Rural Road Sector Programme and for the construction of North-South Road Corridor. The ADB financing in respect of the first three tranches of the North-South Road Corridor amounted to U.S.$330 million. The EIB provided financing in the form of a EUR60 million loan and EUR12 million grant to support the third tranche. For the fourth tranche, the Eurasian Development Bank has extended a loan of U.S.$150 million.

Civil Aviation

Currently, Armenia maintains two airports with regularly-scheduled commercial service: Zvartnots Airport near Yerevan and the Shirak International Airport ("**Shirak Airport**") outside Gyumri. In 2019, the number of passengers served at Zvartnots Airport increased by 13.3% to 3,048,859 passengers from 2,690,727 passengers in 2018. In 2019, traffic at Shirak Airport decreased by 12.0% to 147,536 passengers from 165,946 passengers in 2018. In 2020, the outbreak of COVID-19 has led to a substantial reduction in airport traffic, and the suspension of all international flights at time, and the ongoing suspension of flights to Russia and the European Union. Also, in June 2020, flights by Armenian-based airlines to the EU were suspended due to concerns with their compliance with international aviation safety standards. Armenia is currently implementing a set of agreed measures in an effort to have the ban lifted by November 2022.

Zvartnots Airport was built in 1961 and underwent renovations in the 1980s. In 2001, the Government entered into a 30-year concession agreement with Armenian International Airports CJSC ("**Armenian International Airports**") for the management of operations at the airport. Armenian International Airports is owned by the Argentine company, Corporation America. Since 2007, Armenian International Airports has also managed operations at Shirak Airport.

In 2004, construction of a new international terminal began at Zvartnots Airport. The new arrivals terminal opened in 2006, followed by a new departures terminal in 2007. Between 2008 and 2011, an additional passenger terminal was built, doubling the number of passenger check-in counters and security control points. As a result of these renovation projects, Zvartnots Airport has the capacity to serve up to 3.5 million passengers annually. Prior to the COVID-19 outbreak, Zvartnots Airport was servicing approximately 30 airlines with regular flights to Russia and the Middle East.

The Government has been working with several international organisations to develop a new policy framework for the country's civil aviation sector. The framework, which was approved in October 2013, aims to increase competition, improve connectivity, enhance service costs and lower costs. As part of this new policy, the Government is in the process of introducing 'open skies' principles into its bilateral aviation agreements, and has begun negotiations with the EU on a Common Aviation Area Agreement. Since 2008, Armenia has had an open skies agreement in place with the U.S.

Armenia is a member of several supra-national aviation organisations, including the International Civil Aviation Organisation, the European Civil Aviation Conference, the Interstate Aviation Committee and, since 2006, EUROCONTROL. As a member of EUROCONTROL, Armenia plans to continue harmonising its air traffic control and navigation practices with those of the EU. Armenia is also a party to over 40 bilateral agreements on air transport and air services.

Railways

The Armenian railway system runs on approximately 806 kilometres of track (as of 31 December 2019), and is used mainly for cargo transport. In 2019, 3.2 million tonnes of freight (or 21.8% of all freight transported in Armenia) were shipped by rail, and freight turnover amounted to approximately 900 million tonnes-kilometres.

The main types of cargo shipped by rail include non-ferrous metal ore (1,998.0 thousand tonnes in 2019), petroleum and petroleum products (415.4 thousand tonnes in 2019), mineral building materials (169.7 thousand tonnes in 2019), grain and re-grinding products (176.5 thousand tonnes in 2019) and cement (1.0 thousand tonnes in 2019). In 2019, approximately 430,000 passengers travelled by rail, 0.2% of total passenger volumes by type of transport.

Since 2008, Armenia's railway system has been operated by Southern Caucasus Railways, a subsidiary of the Russian state-owned enterprise Russian Railways, pursuant to a 30-year concession agreement under which Russian Railways is to invest approximately AMD175 billion in the development of Armenia's rail infrastructure through 2038, and from 2008 to 2018 it made investments of approximately AMD110 billion.

Southern Caucasus Railways currently operates seven passenger routes, including two international routes, from Yerevan to the Georgian cities of Tbilisi and Batumi. All rail links with Azerbaijan, Turkey and Iran (through Nakhijevan) currently remain closed, but as noted above there is now an Armenian-Azerbaijani working group looking to open up rail communications between the two countries and beyond.

Metro

Armenia operates one metro system, the Yerevan Metro. The Yerevan Metro opened in 1981 and runs on a single, 13.4 kilometre line, servicing 10 stations. In 2017, there were approximately 16.2 million trips on the Yerevan Metro. The European Investment Bank, together with the EBRD, has been financing a programme to renovate the Yerevan Metro, which includes the rehabilitation of rail carriages and improvements to its drainage system, as well as other structural improvements.

Information and Communications

In 2019, information and communications accounted for 3.3% of Armenia's nominal GDP, compared to 3.2% in 2018. Mobile telephony is now generally used in Armenia. 3G was introduced in 2008 and is now available in all major towns and cities of Armenia. As of 1 January 2019, 4G+ technology is available in 88% of localities in Armenia. As of 31 December 2019, there were approximately 3.62 million mobile phone subscribers. The major mobile network operators in Armenia are Beeline, VivaCell-MTS and Ucom.

Telecom Armenia controls all of the country's fixed-line networks and a significant share of the country's cellular network; it is wholly-owned by Team LLC, which is controlled by Armenian businessmen and which acquired Telecom Armenia in late 2020. VivaCell-MTS currently has the largest number of mobile subscribers; it is 80%-owned by the Russian telecommunications company MTS. Ucom entered the Armenian market in 2015 when it acquired Orange Armenia from Orange S.A.

As of 2018, 68.2% of the Armenian population were internet subscribers, compared to 25.0% in 2010, according to International Telecommunication Union, the United Nations specialised agency for information and communication technologies. Internet services in Armenia are provided through a range of fixed wire networks, such as dial-up and DSL, wireless fixed networks, such as Wimax, and mobile communications networks, such as GSM, GPRS, EDGE, UMTS and HSDPA. Information and communications has been designated by the Government as a priority sector for investment and development. The number of companies operating in this sector, both local start-ups and branches of foreign companies, has increased significantly over the past 10 years. Armenia is connected to the Trans-Asia-Europe fibre-optic cable system, which runs from the Black Sea port of Poti, Georgia to Tbilisi and then south to Armenia. At Poti, the Trans-Asia-Europe cable connects to KAFOS, a sub-marine telecommunications system in the Black Sea, which, in turn, connects to the Black Sea Fibre Optic Cable System.

The Government considers the IT sector, which is increasingly geared towards research and development of high and emerging technologies, as a key, growing sector of the Armenian economy, providing the foundation for the development of a skills- and knowledge-based economy. Sustainable growth in this sector has been fostered by governmental policies, including special tax regimes such as 0% profit tax for new start-up companies, and by an expanding pool of technology specialists and entrepreneurs, with the support of private funding.

The Government has developed multiple programmes to promote the IT sector. In August 2020, the "Armenian Virtual Bridge" project was launched to give Armenian start-ups a direct contact with the Silicon Valley and other global IT hubs. Another planned step is to establish the National Venture Capital Fund in order to fund tech start-ups in Armenia. The Government also encourages start-ups through grants allocated within the framework of the "From Idea to Business" project with a budget of AMD1 billion in 2020.

Financial and Insurance Activities

In 2019, financial and insurance activities accounted for 5.9% of Armenia's nominal GDP, compared to 5.5% in 2018. In the nine months ended 30 September 2020, financial and insurance activities accounted for 7.2% of Armenia's nominal GDP.

In recent years, the financial services sector has grown (in nominal terms), it grew by 16.9% in 2019 and by 21.1% in 2018. According to the CBA, total assets of Armenia's banking sector increased in nominal terms by 16.9% from AMD4,986.4 billion as of 31 December 2018 to AMD5,828.4 billion as of 31 December 2019. In the nine months ended 30 September 2020, total assets of Armenia's banking sector equalled AMD6,343.0. Net profits of the banking sector significantly increased in nominal terms by 61.2% from AMD38.6 billion in 2018 to AMD62.2 billion in 2019. See "*Monetary and Financial System—Financial Services Industry—Banking Sector*."

The growth in Armenia's financial services sector has mainly been driven by an increase in customer loans. For example, between 2015 and 2019, the gross loan portfolio increased from 39.8% of GDP to 52.1% of GDP. As of 31 December 2019, corporate loans accounted for 54.0% of the gross loan book of the banking sector, with loans to individuals accounting for the remaining 46.0%. 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. See "*Monetary and Financial System—Financial Services Industry—Banking Sector*." Net profits in the banking sector increased in 2019 mainly as a result of the increase in both interest and non-interest income. See "*Monetary and Financial System—Financial Services Industry—Banking Sector*."

Energy

Electricity

The following table sets forth Armenia's total electricity capacity for the years indicated:

Electricity Capacity

	For the year ended 31 December				
	2015(1)	2016(1)	2017(1)	2018(1)	2019(2)
	(kW thousands)				
Total capacity	**3,536.8**	**3,562.0**	**3,579.6**	**3,582.3**	**2,878.7**
Thermal power plants	1840.0	1840.0	1840.0	1,826.6	1,105.6
Hydropower plants	1,286.7	1,311.6	1,326.8	1,336.4	1,345.6
Nuclear power plants	407.5	407.5	407.5	407.5	407.5
Wind farms	2.6	2.9	5.3	11.8	20.0

Notes:

n/a = not available.

(1) Figures for 2015-2018 are presented in accordance with the Armstat 2018 Yearbook.
(2) Figures for 2019 are based on the data of the Ministry of Territorial Administration and Infrastructure of Armenia.

Source: Armstat, Ministry of Territorial Administration and Infrastructure.

The following table sets forth Armenia's electricity generation and consumption for the years indicated:

Electricity Generation and Consumption

	For the year ended 31 December				
	2015	2016	2017	2018	2019
	(kWh millions, except where indicated)(1)				
Total generation	**7,798.2**	**7,315.2**	**7,762.9**	**7,776.9**	**7,632.3**
Nuclear power plants	2,787.7	2,380.5	2,619.6	2,076.1	2,197.8
Thermal power plants	2,801.2	2,581.5	2,871.8	3,375.6	3,046.9
Hydropower plants	2,205.6	2,351.4	2,269.0	2,318.2	2,370.9

Wind farms	3.7	1.8	2.5	1.9	3.3
Total consumption	**6,548.1**	**6,361.5**	**6,642.8**	**6,354.1**	**6,684.0**
Distribution companies and direct customers	5,736.3	5,655.5	5,974.3	5,742.1	6,136.0
Transmission losses	811.8	706.0	668.5	612	548
Losses to total consumption (%)	12.4	11.1	10.1	10.7	8.9
Net import (export)	**(1,250.1)**	**(953.7)**	**(1,120.1)**	**(1,478.7)**	**(958.5)**
Import	173.6	275.1	319.5	140	292.6
Export	1,423.7	1,228.8	1,439.6	1,618.7	1,251.1

Note:

n/a = not available.

(1) Kilowatt hours.

Source: Armstat and Public Services Regulatory Commission of Armenia.

Electricity is produced in Armenia by the country's nuclear power plant, thermal power plants, and hydro power plants.

The nuclear facility, the Metsamor Plant, has historically generated approximately one-third of Armenia's electricity supply; in 2019 it generated approximately 28.8%. Located 36 kilometres outside Yerevan, the plant operates a single unit that initially came into use in 1980, was closed as a precautionary measure following the 1988 earthquake and was re-activated in 1995 to help address electricity shortages. The other unit has not been re-activated after the earthquake. Although the EU has publicly requested its closure, in April 2012 Armenia announced that the Metsamor Plant would remain in operation for the next decade. In December 2014, it was further announced that Rosatom, the Russian state-owned nuclear power company, would undertake a project to extend the operating lifespan of the second power unit of Metsamor Plant to 2026. In February 2015, Russia agreed to provide a U.S.$270 million loan (as well as a U.S.$30 million grant to support safety upgrades) for financing this project, which is scheduled for completion by the end of 2022. Armenia drew down U.S.$163 million under the loan. The drawdown deadline expired in 2019, and Armenia decided to further finance the construction of the Metsamor Plant from the State Budget. In January 2021, the Government adopted the Energy Sector Development Strategic Plan to 2040, which identified the extension of the design lifetime of the Metsamor Plant second power unit beyond 2026 as a key priority of the Government. Studies to assess the continued safe operation of the second power unit of the Metsamor Plant beyond 2026 are to be carried out by the end of 2022, and it is contemplated works will be completed by the end of 2026 such that the lifetime of the Metsamor Plant is extended for another decade, to 2036. The Government looks to build a new nuclear unit by 2035 to replace the production of the Metsamor Plant. Russia provides the fuel used at the Metsamor Plant, which is transported by air to Yerevan.

The main thermal power plants operated in Armenia are the Yerevan Combined Cycle Thermal Power Plant, the Hrazdan Thermal Power Plant, and the Hrzadan-5 unit.

The Yerevan Combined Cycle Thermal Power Plant, which is state-owned, has a capacity of 242 MW. Construction of its second unit was financed by a long-term U.S.$247 million loan made on concessional terms from the Japanese Bank of International Cooperation. The Yerevan Combined Cycle Thermal Power Plant came on line in 2010. The old Yerevan Thermal Power Station, with a stated capacity of 550 MW, does not currently operate. The Hrazdan Thermal Power Plant, built in 1963 and owned by the Tashir Group Company, has a capacity of 1,210 MW, currently generates about 200 MW of electricity annually. The Hrazdan-5 unit with a capacity of 480 MW came on line in 2012 and is owned by Gazprom Armenia. In total, thermal power plants generated approximately 39.9% of Armenia's electricity supply in 2019.

In 2019, a project to construct a 250MW combined-cycle power plant, the first project-financed independent power plant in Armenia, was launched. Located next to the Yerevan Thermal Power Station, the new plant is being developed by a special-purpose company with an investment of about U.S.$250 million, in which the Italian companies Renco and Simest hold 60% and Siemens holds 40%. The plant is scheduled for commissioning in 2022.

Armenia's largest hydropower plant is the Sevan-Hrazdan Cascade, with an installed capacity of 556 MW, which is now majority-owned by CJSC Tashir Capital, an Armenian company with ties to a Russian conglomerate of industrial and construction companies Tashir. The Sevan-Hrazdan Cascade was built between 1936 and 1961 and consists of seven hydropower stations, canals and reservoirs between Lake Sevan and Yerevan. Armenia's second largest hydropower plant is the Vorotan Cascade, located in the Syunik region, which was privatised in 2015 by way of acquisition by CJSC ControurGlobal Hydro Cascade, a local subsidiary of ContourGlobal, a U.S. energy company. The Vorotan Cascade was built between 1970 and 1989 and maintains three stations with an installed capacity of 404 MW. As of 1 July 2020, there are also 189 commercial size small hydropower plants operating in Armenia (with a total installed capacity of approximately 382.2 MW) and 23 new small hydropower plants (with a total capacity of approximately 50 MW) expected to be commissioned by 2023. Hydropower plants generated approximately 31.1% of Armenia's electricity supply in 2019.

The Government has developed an Energy Sector Development Strategy Programme to 2040, which contemplates the possible construction of three new hydropower plants (at Meghri, Shnogh and Lori-Berd), if needed, although they are not considered as 'least cost' projects.

As of 1 July 2020, electricity is also generated by three wind power plants with approximately 2.9 MW of total installed capacity, while four wind power plants with approximately 4.2 MW of total design capacity are under construction. As of 1 July 2020, 2,669 autonomous solar power plants with a total installed capacity of 49.5 MW are connected to the network. The current development rates allow to anticipate that the total installed capacity of these plants will reach 100 MW in the next three years. The Government is targeting solar power to generate at least to 15% of Armenia's electricity by 2030, via construction of solar power plants with total installed capacity of 1,000 MW (including autonomous plants). In 2018, the Government entered into a public private partnership with the Spanish companies Fotowatio Renewable Ventures and FSL Solar, which envisions the construction, with IFI financing, of the utility-scale Masrik-1 solar photovoltaic power plant, with capacity of 55 MW, in the Gegharkunik region. Tenders for construction of seven solar photovoltaic power plants with collective installed capacity of about 520 MW, including the Masdar project for the construction of two solar photovoltaic power plants with a capacity of 200 MW each, are expected to be held starting in 2021. In addition, 48 small solar plants with the total installed capacity of 197 MW are under construction and expected to be commissioned by 2022.

Total electricity generation decreased by 1.9% in 2019, compared to 2018. Apart from domestic usage, Armenia exports electricity to Georgia and Iran. In 2007, Armenia and Iran entered into a 20-year barter arrangement, under which the Government-owned Yerevan Thermal Power Station delivers electricity to the state-owned National Iranian Gas Company in exchange for natural gas. Armenia generally uses the gas for its own domestic needs – especially heating – in the winter months and provides more electricity generated by the use of the supplied gas to Iran during the summer months. See "*Risk Factors—Risk Factors Relating to Armenia—Relations with the Islamic Republic of Iran*."

Armenia's electricity transmission grid consists of over 1,300 kilometres of 220 kV lines and over 2,800 kilometres of 110 kV lines. One 220 kV line connects Armenia with Georgia, and two 220 kV lines connect Armenia with Iran, with two new 400 kV lines to Iran and Georgia currently under construction and expected to be completed by the end of 2021 and 2024. Armenia's electricity distribution network is currently majority-owned by CJSC Tashir Capital. Electricity tariffs are regulated by the Armenian Public Services Regulatory Commission. The tariff for electricity exports is not regulated. The calculation of tariffs is based on the principle of the revenue requirement, according to which the required revenue must be sufficient to cover proper expenses and depreciation while also provide reasonable profit in the course of the licensed activity. The main factors affecting the rates for electricity sold to consumers are the structure of generation and consumption, depreciation and profit calculated on the base of new capital investments, with the inclusion of interest payments and repayments of the principal amount of loans guaranteed by the Government of Armenia, as well as changes in foreign currency exchange rates and other expense items. As a result of these factors, rates have fluctuated over the years. In particular, from 1 August 2015 the rates for electricity sold to consumers increased by 6.93 AMD/kWh including VAT (with partial subsidy mechanism applied), and then from 1 August 2016 the rates were reduced by 2.58 AMD/kWh (including VAT). Beginning from 1 February 2017, the rates were reduced by 6.2 AMD/kWh (including VAT) for socially vulnerable residential customers and by 1.22 AMD/kWh (including VAT) for other consumers. On 1 February 2019, the rate for socially vulnerable consumers was further reduced by 10.01 AMD/kWh (including VAT). The 2020 rates, for both socially vulnerable consumers and other consumers were unchanged compared to the 2019 rates. Starting from 1 February 2021, tariffs for electricity for end-users will be increased by 3 AMD/kWh (including VAT), except for socially vulnerable consumers and population with monthly consumption of less than 400 kWh for whom tariffs will remain unchanged.

Petroleum Products and Natural Gas

Armenia has no proven reserves of oil or natural gas, nor does it have a refinery to refine crude oil. The following table sets forth Armenia's imports of petroleum products and gas by source for the periods indicated:

Petroleum Products and Gas Imports

	For the year ended 31 December					For the nine months ended 30 September	
	2015	**2016**	**2017**	**2018**	**2019**	**2019**	**2020**
			(thousands of tonnes)				
Petroleum Products							
Russia	217.7	230.5	235.7	210.5	283.6	199.8	243.2
Iraq	0.6	0.1	-	-	0.1	0.1	-
Israel	3.4	0.8	0.6	0.3	-	0.0	0.0
Romania	10.5	11	1.8	2.0	6.9	6.9	4.0
Bulgaria	13.2	25.6	26.1	19.7	8.8	7.1	0.0
Turkmenistan	-	10.3	13.4	29.7	-	-	-
Greece	6.3	8.6	47.6	56.8	0.9	0.5	2.9
Other countries	46.2	31.3	1.2	11.3	93.0	53.5	85.8
Total	**297.9**	**318.2**	**346.1**	**330.3**	**393.2**	**267.9**	**335.9**
			(millions of cubic metres)				
Gas							
Russia	1,920.0	1,865.0	1,996.0	1,940.0	2,166.9	1557.4	1557.9
Iran	371.0	372.0	383.0	524.0	378.5	282.8	292.9
Total	**2,291.0**	**2,237.0**	**2,379.0**	**2,464.0**	**2,545.4**	**1,840.2**	**1,850.8**

Note:

n/a = not available

Source: Armstat.

Russia is Armenia's principal supplier of natural gas. In 2019, Russia accounted for approximately 85% of Armenia's gas supply, down from nearly 100% in 2008 and 2009. Beginning in 2010, Iran has become the second source of gas for Armenia. In 2017, 2018 and 2019, Iran accounted for approximately 16.1%, 21.3% and 14.9%, respectively, of Armenia's gas supplies. Russia supplies gas to Armenia by means of a single pipeline that transits Georgia. Iran supplies gas to Armenia by means of a single gas pipeline, which came on line in 2009 and within Armenia is owned by the Armenian High Voltage Network Company. See "*Risk Factors—Risk Factors Relating to Armenia—Relations with the Islamic Republic of Iran*."

Gas imports from Russia are provided by Gazprom Export (a subsidiary of Gazprom, Russia's national gas company), which sells the gas to its subsidiary Gazprom Armenia. Pursuant to the Gas Price Agreement of December 2013, a new base price of U.S.$189 per 1,000 cubic metres (effective January 2014) was set, reflecting non-application of a Russian 30% customs tax (one of the principal benefits of Armenia's accession to the EEU). The sales price is subject to adjustment for changes in the domestic gas price in the Orenburg region of Russia and U.S CPI. The Gas Price Agreement was further amended, cutting the gas price to U.S.$165 per 1,000 cubic metres (from 1 January 2015 to 31 March 2016), and then to U.S.$150 per 1,000 cubic metres (from 1 April 2016 to 31 December 2018), and returning to U.S.$165 per 1,000 cubic metres (from 1 January 2019 to 31 December 2019). In 2020, the gas price has remained at the 2019 level and will continue to be applicable in the first quarter of 2021. See "*Risk Factors—Risk Factors Relating to Armenia—Relations with Russia*."

Gazprom Armenia sells gas to end-consumers in Armenia at tariff rates established by the Armenian Public Services Regulatory Commission. In 2020, the average tariff price for natural gas for consumers is U.S.$ 266.71/1,000 cubic metres.

Iran supplies gas to Armenia pursuant to a 20-year barter arrangement in exchange for electricity supplies. See "*—Electricity*" and "*Risk Factors—Risk Factors Relating to Armenia—Relations with the Islamic Republic of Iran*."

As Armenia has no oil refining capacity, it does not import crude oil. Russia is Armenia's largest supplier of petroleum products, accounting for 69.7% of Armenia's petroleum products' imports in 2019 (again reflecting the lack of tariffs within the EEU). Armenia also receives substantial supplies of petroleum products from Greece, Turkmenistan and Bulgaria.

Privatisation

Armenia completed a substantial part of its privatisation programme in the 1990s. To date, over 2,000 enterprises have been privatised, including nearly all of the enterprises operating in the trade, services, banking and industry sectors. Privatisation was mainly carried out by means of a public offer, such as an auction or tender, or by direct sale, with public offers accounting for most privatisations (by number of sales).

Among key privatisations were the following:

- the Zangezur Copper and Molybdenum Combine in 2004 for U.S.$132 million;
- the telecommunications company Armentel in 1997 for U.S.$73.1 million; and
- the Yerevan Brandy Factory in 1997 for U.S.$30.0 million.

Since 2015, the privatisation programme has not generated significant revenues.

Environment

Armenia's natural resources include its land, forests, water, subsoil resources and air. Armenia occupies approximately 2,974.3 thousand hectares of land, of which approximately 2,044.2 thousand hectares are agricultural land and 334.0 thousand hectares are forested land. Armenia currently operates four national parks and three state nature reserves. In total, specially protected areas cover 13.0% of Armenia's total territory.

Primary responsibility over environmental protection, conservation, reasonable use of natural resources and sustainable management in Armenia rests with the Ministry of Environment. The Ministry of Environment collaborates with other Governmental ministries handling environmental issues and maintains close relationships with environmental protection agencies worldwide. The Government receives assistance within the framework of multilateral and bilateral cooperation and from private donors for the implementation of projects designed to remediate, protect and make sustainable use of Armenia's natural resources.

In addition to its core departments and as a result of structural reforms undertaken by the Ministry of Environment, three separate agencies (namely, Bioresources Management Agency, Waste and Atmosphere Emissions Management Agency and Water Resources Management Agency) that previously were vested with different mandates were merged into the Department for licences, permits and compliance of the Ministry of Environment, the functions of which are, inter alia, to: (i) issue licenses, permits, contracts, limits, guidance and ecological opinions in the fields of environmental protection and natural resources management (excluding ore); (ii) keep the state cadastre and register of natural resources (excluding ore); and (iii) ensure environmentally safe treatment of hazardous waste.

Armenia is a party to a number of the UN treaties on the environment, including 14 protocols, 11 multilateral conventions and four UNECE Conventions, as of 23 October 2020. Armenia ratified the UN Framework Convention on Climate Change (the "**UNFCCC**") in 1993, the Kyoto Protocol to the UNFCCC in 2003 and the Paris Agreement in 2017. Armenia is associated with the Copenhagen Accord, which the Conference of Parties to the UNFCCC took note of in 2009. Armenia joined the Kyoto Protocol as a "Non-Annex 1" party, which means that Armenia, while committed to reducing emissions, is not subject to binding emissions targets. Armenia endorses the continuation of the Kyoto Protocol.

Environmental protection in Armenia is mainly financed out of the State Budget. There are various ongoing environmental projects in Armenia that are being financed by private enterprises, international organisations, donors and governments, including projects related to: renewable energy; reforestation; biodiversity protection; water and waste management; energy conservation; and the sustainable management of special protection areas. Since 2014, the international community has disbursed approximately U.S.$50.0 million in funds for projects related to the environment that were implemented by the Ministry of Environment. In 2019, approximately

AMD5.6 billion of funds from the State Budget were spent on environmental protection measures. Armenia's mining industry generates tailings and other waste rock and materials, which may cause damage to the environment if not properly disposed of.

The table below sets forth certain information concerning the protection of Armenia's environment for the years indicated:

Certain Environmental Indicators

	For the year ended 31 December				
	2015	**2016**	**2017**	**2018**	**2019**
Discharges					
Waste water discharge (mln. cubic metres)	811	770	551	612.1	797.2
Hazardous atmospheric emissions (thousand tonnes), *of which*	268.7	276.7	291.1	263.4	389.3
Emissions from stationary sources	128.9	131.8	141.3	114.0	211.1
Emissions from vehicles	139.8	144.9	149.8	149.4	178.2
Payments (AMD millions)					
For protection of the environment, *of which*	1,215.4	1,043.0	1,087.3	1,433.2	1,162.0
Harmful discharge into water bodies and sewage	222.5	201.5	181.0	203.3	224.6
Emissions from stationary sources	212.7	218.5	375.7	417.4	80.1
For use of natural resources	1,806.4	1,437.4	1,125.6	1,496.0	2,128.9
Total	**3,021.8**	**2,480.4**	**2,212.8**	**2,929.2**	**3,290.9**

Source: Armstat.

Labour and Social Policy

Wages

The following tables set forth key figures on wages for the periods indicated.

Wages

	For the year ended 31 December					For the nine months ended 30 September	
	2015	**2016**	**2017**	**2018**	**2019**	**2019**	**2020**
				(period average)			
Average monthly nominal wage (AMD)	171,615.0	174,445.0	177,817.0	172,727.0	182,673.0	178,569	186,962
Average monthly nominal wage (U.S.$)[(1)]	359.1	363.1	368.4	357.6	380.2	371	386
Average monthly real wage (AMD)[(2)]	165,492.0	176,922.0	176,056.0	168,514.0	180,151.0	175,757	185,320
Average monthly nominal wage (AMD) by sector							
Public sector	160,522.0	157,331.0	158,155.0	149,188.0	161,669.0	154,899	166,361
Private sector	184,416.0	191,901.0	195,425.0	186,254.0	193,244.0	190,703	196,805
Agriculture, forestry and fishing	113,126.0	115,092.0	121,475.0	118,090.0	124,261	n/a	n/a
Industry	194,122.0	210,673.0	212,093.0	205,337.0	213,712	n/a	n/a
Construction	203,537.0	179,163.0	174,399.0	185,007.0	185,429	n/a	n/a
Services	166,309.0	167,234.0	170,719.0	165,420.0	176,367	n/a	n/a

Notes:

n/a = not available.

(1) Calculated using the average exchange rate for the relevant period. See "*Exchange Rates*."
(2) Average monthly real wage is the average monthly nominal wage divided by the consumer price index for the relevant period.

Sources: Armstat; Ministry of Finance; the levels of wages for 2015-2017 are not comparable with the levels of wages in 2018-2020, as since 1 January 2018 the Armstat has been applying a new methodology for the average wage calculation using the database of records on individual income tax and social security tax payments.

The average monthly wage in Armenia (as well as the average monthly nominal wage in dollar terms) trended upwards in 2015-2017. Figures for 2018 and 2019 are not comparable with prior years due to a change in methodology. In the first nine months of 2020, compared to the first nine months of 2019, the average monthly nominal wage in Armenia increased by 4.7% and the average monthly real wage grew by 5.4%.

The minimum monthly wage remains low in Armenia compared to the level of average monthly wages. In 2019, the minimum wage was AMD55,000, or 31.8% of average nominal wages. Starting from 1 January 2020, the minimum monthly wage was increased to AMD68,000. The justification for setting such amount of minimum monthly wage is provided in the Report on "Estimation of the Consonant Amount of Minimum Wage in the Republic of Armenia," prepared by the National Institute of Labour and Social Research under the Ministry of Labour and Social Affairs in June 2019.

Employment

The following table sets forth key employment statistics for the periods indicated:

Employment Indicators(1)

	For the year ended 31 December					For the nine months ended 30 September(7)	
	2015	**2016**	**2017**	**2018(8)**	**2019(8)**	**2019(8)**	**2020(8)**
	(thousands of people, unless otherwise indicated)						
Total population(1)	2,998.6	2,986.1	2,972.7	2,965.3	2,959.7	2,957.5	2,967.9
Labour force(2)	1,316.4	1,226.3	1,230.7	1,293.8	1,318.1	1,282.5	1,249.9
Employed persons(3)	1,072.6	1,006.2	1,011.7	1,048.5	1,077.4	1,063.8	1,023.0
Employers	9.7	10.5	12.3	9.0	15.8	n/a	n/a
Employee	613.5	584.0	603.3	610.7	673.7	n/a	n/a
Self-employed	370.5	351.2	372.2	341.6	323.5	n/a	n/a
Unemployed persons(4)	243.7	220.2	219.0	245.4	240.8	218.7	226.9
Unemployment rate (%)(5)	18.5	18.0	17.8	19.0	18.3	17.1	18.1
Activity rate (%)(6)	62.5	61.0	60.9	58.9	59.9	61.5	60.0
Employed persons by sector							
Private sector	812.4	762.1	764.2	727.3	766.0	n/a	n/a
Public sector	260.3	244.1	247.6	247.8	246.9	n/a	n/a
Agriculture, forestry and fishing	379.0	338.1	317.1	266.2	235.9	n/a	n/a
Industry	120.7	121.4	132.9	138.4	149.0	n/a	n/a
Construction	49.9	37.5	37.1	98.4	96.6	n/a	n/a
Services	523.2	509.4	524.6	545.4	595.9	n/a	n/a

Notes:

n/a = not available.

(1) Figures in this table are presented on an average basis for each period, except for total population and unless otherwise indicated, which number is presented as of the end of each period.
(2) Labour force includes all employed and unemployed persons.
(3) For the years 2015-2017 employed persons refer to persons who are (i) between the ages of 15 and 75; (ii) working on a paid-basis, are self-employed or are engaged in household or farming activities, provided that partial or total output of such activities is for sale. For the years 2018-2020 see footnote 8 below.
(4) As from 2008, and in accordance with the ILO International Labour Standards, the Statistical Committee has defined unemployed persons to refer to those who are: (i) between the ages of 15 and 75; (ii) without work or gainful employment; (iii) capable and willing to work within two weeks; and (iv) actively seeking employment.

(5) Unemployed persons as a percentage of the labour force.
(6) Labour force as a percentage of the population between the ages of 15 and 75.
(7) Labour market figures are presented as average figures for the third quarters of 2019 and 2020.
(8) From 2018, labour market figures are presented in accordance with a revised methodology that defines employment as income-generating work for others, and accordingly the figures from 2018 and onwards are not comparable with the prior years. The new methodology also includes permanent residents who are outside Armenia for up to 12 months. However, the employment figures for the public and private sectors do not include short-term emigrants (the data on the employment of emigrants is limited), and therefore aggregate public and private sector employment does not equal total reported employment.

Source: Armstat.

Unemployment

The unemployment rate in Armenia remains relatively high. In 2017, the unemployment rate declined to 17.8% for the year, aided by a real GDP growth rate of 7.5%. In 2018, the Statistical Committee of Armenia introduced a new labour market methodology which was further revised. Based on the new methodology, unemployment rate was 19.0% in 2018, decreasing to 18.3% in 2019. In the nine months ended 30 September 2020 the unemployment rate stood at 18.1%, indicating that Government measures to maintain employment during the COVID pandemic have been successful over this period.

Employment

The Law on Employment entered into force on 1 January 2014, which introduced a new model of employment policy with exclusively active targeted programmes aimed at ensuring sustainable employment for the unemployed, especially those who are uncompetitive in the labour market. Under the new model of employment policy, there are 14 active state regulation programmes aimed at: ensuring employment of young people, especially of young women; job placement of people with disabilities through employment adjustment assistance, partial salary compensation and financial support for the accompanying person; assistance to persons uncompetitive in the labour market for small entrepreneurship activities; acquisition of job skills and abilities through providing the employer with lump sum compensation; organization of vocational training courses; support to the rural economy through promotion of seasonal employment; and state support for child care organisation.

Social Insurance System

Poverty Assessment

Since 1996, Armenia has relied on the Integrated Living Conditions Survey ("**ILC Survey**") to gather information on the living conditions of households. With assistance from the World Bank, Armenia has taken steps to improve the ways in which it collects statistical information and over time has expanded the sample size of its ILC Surveys. Since 2001, the ILC Surveys have been administered on an annual basis.

Consumption aggregate is used to evaluate the level of well-being in Armenia. A consumption aggregate comprised of both food and non-food baskets as well as an estimated rental value of durables is an important tool for measuring poverty because consumption is considered to be more accurately declared and less sensitive to changes than income. Based on the consumption approach, Armenia has established three poverty lines: an upper poverty line, a lower poverty line and an extreme (or food) poverty line. Those whose monthly consumption is below the upper poverty line are deemed "poor;" those whose consumption is below the lower poverty line are deemed "very poor;" and those whose monthly consumption levels are below the food poverty line are classified as "extremely poor."

The table below sets forth certain information about Armenia's poverty levels for the years indicated:

Poverty Indicators

	For the year ended 31 December				
	2015	**2016**	**2017**	**2018**	**2019[3]**
Poverty lines[1]					
Extreme (or food) poverty line (monthly consumption, AMD)..	24,109.0	23,313.0	24,269.0	24,827.0	23,763.0
Upper poverty line (monthly consumption, AMD)..	41,698.0	40,867.0	41,612.0	42,621.0	53,043.0

Average monthly consumption per capita of all households (AMD)	**42,867.0**	**43,978.0**	**44,413.0**	**45,788.0**	**47,324.0**
Poverty levels					
Extremely poor (% of households)	2.0	1.8	1.4	1.0	1.4
Very poor (% of households)	10.4	9.8	10.6	9.6	10.2
Poor (% of households)	29.8	29.4	25.7	23.5	43.8
Poverty gap (%)(2)	4.7	4.3	4.4	4.2	10.1

Notes:

(1) Poverty lines are based on average annual prices (both urban and rural) from the ILC Survey.

(2) Poverty gap indicates, in percentage terms, the extent to which the average consumption of the poor falls short of the poverty line.

(3) Poverty indicators for 2019 are not comparable with the respective indicators of the previous years as its measurement methodology was revised in 2020.

Source: Armstat.

Accordingly, from 2015 to 2018, the share of Armenian households classified as poor decreased by 21.1% and the share of Armenian households classified as extremely poor fell by 50%. Reducing poverty remains a priority for the Government.

Poverty Alleviation

Under the Law on Benefits, which was passed in October 2005, families classified as poor or extremely poor are entitled to receive a poverty family benefit or lump-sum financial assistance. Poverty benefits are paid out of the State Budget and are classified as social transfers within the expenditure ledger of the State Budget.

The table below sets forth certain information regarding Armenia's poverty alleviation benefits for the years indicated:

Poverty Alleviation Benefits

	As of the year ended 31 December				
	2015	**2016**	**2017**	**2018**	**2019**
Total number of families receiving benefits	**116,883.0**	**111,806.0**	**105,564.0**	**97,601.0**	**91,302.0**
Number receiving family and social benefit	106,371.0	106,431.0	100,288.0	92,564.0	86,197.0
Number receiving quarterly emergency benefits	10,512.0	5,375.0	5,276.0	5,037.0	5,105.0
Average size of monthly benefit per family (AMD)	**30,350.0**	**31,350.0**	**31,350.0**	**31,350.0**	**31,350.0**

Source: Armstat.

Health Insurance

There is currently no system for mandatory health insurance in Armenia (except for public-sector employees), but a "Concept for Universal Health Insurance" to address health insurance policy, rights and obligations of payments and other important health care issues is under active development and expected to be submitted to the Government by the Ministry of Health and other relevant public agencies by 2022-2023.

Student Support

Under the Decree of the Prime Minister dated 14 April 1999, certain categories of students are entitled to grants from the State Budget. The minimum size of monthly grants distributed as student subsidies has remained unchanged for the past five years, at AMD4,750/month for students at certain specialised secondary schools, AMD5,000/month for students of higher education, and AMD20,000/month for postgraduate students (i.e., students who have discontinued employment to return for post-graduate work at scientific, research and other academic institutions).

In February 2015, the Government put into place a tuition fee cap that regulates maximum tuition fees at institutions of higher education. Such caps apply regardless of course of study or whether the student is enrolled full time or part time or as a distance learner.

Pensions and Disability

The basic eligibility criteria for state pensions are as follows: (i) reaching the retirement age (63 years for both men and women with insurance records and 65 years for those without insurance records) and non-employees at the age of 65); (ii) disability; (iii) the death of a household's primary provider; (iv) long service; or (v) employment under particularly hazardous and heavy conditions.

Armenia launched a new mandatory funded pension in January 2014. Armenia's pension system (the "**Pension System**") currently consists of two components: the State pension (the "**State Pension**") and the funded pension (the "**Funded Pension**").

State Pension

The State Pension is composed of a fixed amount (the "**Basic Component**") and a variable component which is largely based on the length of employment (the "**Labour Component**"). The Basic Component is set by law and is modified on an annual basis by the National Assembly. The Labour Component is the multiplication of the beneficiary's years of service, an applicable annual service value and a personal coefficient. Since 1 January 2019, the amount of the Labour Component cannot be less than the minimum level set by the Government. Starting from 1 January 2020, it equals AMD26,500. The State Pension is funded by social contributions made by employers and employees. Since 1 January 2005, these social contributions are made directly to the State Revenue Committee rather than to a separate pension fund.

Funded Pension

The Funded Pension, which consists of funds accumulated in a pensioner's individual pension account, has two components: the voluntary pillar (the "**Voluntary Pillar**") and the mandatory pillar (the "**Mandatory Pillar**"). Anyone, regardless of age, may contribute to the Funded Pension through the Voluntary Pillar, and an individual who is required to make funded pension contributions under the Mandatory Pillar may also make voluntary funded contributions in excess of the amounts regulated under the Mandatory Pillar.

Under the Mandatory Pillar, those born on or after 1 January 1974 must contribute a percentage of their salary to their private individual pension account, with a matching Government contribution, as described below. Those who were born before 1 January 1974 may also choose to contribute to the Mandatory Pillar by selecting a pension fund (such choice is irrevocable), while also maintaining his/her pension rights under the pay-as-you-go system.

Individuals have the ability to choose the pension fund or fund manager for the management of their funded contributions. They also have the ability to change pension funds or fund managers and may invest in more than one fund. Currently, there are three private fund managers, of which one – Capital Asset Management – manages voluntary contributions and two – Amundi-Acba Asset Management CJSC and C-Quadrat Ampega Asset Management Armenia LLC – manage mandatory contributions. Should an individual fail to choose a fund, his pension contributions are directed to a conservative fund of a manager randomly selected by computer. Private pension funds and fund managers may invest pension savings in a variety of assets permitted by law, including securities of Armenian public and private issuers.

In 2013, the Government introduced several reforms in an effort to make the Pension System more efficient and transparent. It completed the integration of the personal income tax and social contributions regimes, as well as the roll-out of a new electronic system for individual accounting of personal income tax payments and pension contributions. The Government has also taken steps to integrate and streamline the work of agencies that provide services to pensioners or otherwise disburse social payments.

In July 2018, when the pension system became mandatory for all individuals born in 1974 and later, the total contribution was set at 10% of the monthly income of an individual up to a cap of AMD 500,000 of monthly income, with such contribution being made 2.5% by the individual (thus up to a maximum of AMD 12,500) and 7.5% by the state (thus up to a maximum of AMD 37,500). In 2021-2023, these allocations are shifting so that in 2023 the contribution made by the individual is 5% and the contribution made by the state is likewise 5%. Furthermore, in July 2020, the AMD500,000 cap was replaced by a cap equal to 15 times the monthly minimum wage (which is currently AMD68,000, such that the cap is then AMD1,020,000) while the state's contribution is capped in 2023 at AMD25,000 (with the result that individuals may then be making more than a 5% contribution).

The following table sets forth certain statistics concerning the Pension System:

Pension Benefits

	As of or for the year ended 31 December				
	2015	**2016**	**2017**	**2018**	**2019**
Total number of pensioners (in thousands, as of year-end).......	465.8	468.5	458.2	463.1	466.5
Minimum (basic pension) monthly payment from State Pension (AMD, for each period)..	16,000	16,000	16,000	16,000	25,500
Average size of monthly pensions (AMD, for each period)......	40,441	40,397	40,634	40,478	40,424

Source: Armstat.

EXTERNAL SECTOR

Balance of Payments

The following table sets forth the balance of payments of Armenia for the periods indicated:

Balance of Payments of Armenia in Dollars[(1)(2)]

	For the year ended 31 December					For the nine months ended 30 September	
	2015	**2016**	**2017**	**2018**	**2019**	**2019**	**2020[(3)]**
			(U.S.$ millions)				
Current account	**(284.7)**	**(107.9)**	**(173.9)**	**(860.0)**	**(987.5)**	**(453.2)**	**(421.8)**
Goods and services	**(1,282.8)**	**(906.5)**	**(1,241.5)**	**(1,702.3)**	**(1,828.8)**	**(972.1)**	**(820.6)**
Export	3,136.4	3,563.5	4,409.1	4,907.2	5,640.7	4,050.1	2,790.7
Import	4,419.2	4,470.0	5,650.6	6,609.5	7,469.5	5,022.2	3,611.3
Goods	(1,186.4)	(976.9)	(1,400.9)	(1,759.0)	(1,805.5)	(1,068.5)	(937.4)
Export	1,623.9	1,892.0	2,386.8	2,689.0	3,210.0	2,274.7	1,963.0
Import	2,810.3	2,868.9	3,787.7	4,448.0	5,015.4	3,343.2	2,900.4
Services	(96.4)	70.4	159.4	56.7	(23.4)	96.4	116.8
Export	1,512.5	1,671.5	2,022.3	2,218.2	2,430.7	1,775.4	827.7
Import	1,608.9	1,601.1	1,862.9	2,161.5	2,454.1	1,679.0	710.9
Investment income and employee compensation	**428.4**	**245.2**	**407.4**	**218.6**	**227.7**	**66.3**	**(143.0)**
Received	885.9	846.6	1,017.4	910.1	937.9	627.4	329.0
Paid	457.5	601.5	610.0	691.4	710.2	561.1	471.9
Employee compensation[(4)]	661.7	597.3	682.8	656.8	675.4	433.6	192.1
Received	842.4	773.7	858.1	822.3	845.9	560.4	271.4
Paid	180.6	176.4	175.4	165.5	170.4	126.8	79.2
Investment income[(5)]	(233.3)	(352.1)	(275.4)	(438.2)	(447.7)	(367.3)	(335.1)
Received	43.6	72.9	159.3	87.8	92.1	67.0	57.6
Paid	276.9	425.0	434.7	525.9	539.7	434.3	392.7
Current transfers[(6)]	**569.7**	**553.4**	**660.2**	**623.7**	**613.6**	**452.6**	**541.7**
Received	907.5	882.9	1,031.4	995.2	1,022.5	741.6	801.5
Paid	337.7	329.5	371.1	371.5	408.9	288.9	259.7
Capital account	**65.3**	**34.9**	**46.3**	**67.6**	**54.5**	**36.4**	**26.7**
Capital transfers[(7)]	65.3	34.9	46.3	67.6	54.5	36.4	26.7
Received	78.3	45.8	53.9	77.4	65.5	44.7	31.3
Paid	13.0	10.9	7.6	9.8	11.0	8.3	4.6
Financial account	**(345.9)**	**(417.2)**	**(524.0)**	**(682.9)**	**(615.3)**	**(165.0)**	**(765.6)**
Direct investment[(8)]	(155.4)	(263.2)	(221.9)	(247.1)	(396.6)	(150.3)	(144.1)
Assets	28.8	70.5	29.1	7.0	(142.6)	35.2	(31.8)
Liabilities	184.1	333.7	250.9	254.2	254.1	185.5	112.4
Portfolio investment[(9)]	(235.4)	(33.9)	87.3	33.0	(8.2)	(30.4)	97.2
Assets	19.4	23.1	30.6	14.1	94.8	64.2	25.1
Liabilities	254.8	56.9	(56.8)	(18.9)	103.0	94.6	(72.1)
Financial derivatives (other than reserves) and employee stock options	(1.7)	1.3	(0.9)	0.6	(1.4)	0.1	0.8
Other investment[(10)]	(286.0)	(576.1)	(438.3)	(432.9)	(800.9)	(155.5)	(302.2)
Assets	83.1	245.4	(231.0)	139.2	346.4	343.8	49.9
Other equity	1.7	1.1	4.3	2.0	1.7	1.7	1.4
Currency and deposits	18.1	(243.4)	(47.0)	67.0	181.3	264.2	160.1
Trade credits	(17.8)	37.8	(27.1)	(2.2)	90.5	44.3	(9.1)
Loans extended	82.0	454.8	(168.2)	79.9	59.6	26.9	(93.7)
Insurance, pension and standardised guarantee schemes	0.2	1.0	0.7	1.2	6.6	8.6	(2.5)
Other assets	(1.1)	(5.9)	6.2	(8.7)	6.8	(2.0)	(6.2)
Liabilities	369.2	821.4	207.3	572.1	1,147.2	499.2	352.2
Currency and deposits	53.4	285.6	(218.8)	372.8	712.6	380.8	(343.5)
Trade credits	20.8	23.7	9.2	13.2	(15.6)	2.9	56.7

	For the year ended 31 December					For the nine months ended 30 September	
	2015	2016	2017	2018	2019	2019	2020[3]
			(U.S.$ millions)				
Loans extended	303.4	518.7	414.9	149.8	454.8	117.7	633.4
Insurance, pension and standardised guarantee schemes	0.7	0.8	1.3	1.1	2.3	1.9	0.6
Other liabilities	(9.1)	(7.4)	0.6	35.1	(6.8)	(4.0)	5.1
Special drawing rights (net incurrence of liabilities)	0.0	0.0	0.1	0.1	(0.1)	(0.0)	(0.1)
Change in reserve assets (increase)	332.6	454.6	49.8	(36.4)	591.9	171.1	(417.3)
Net errors and omissions	**(126.5)**	**(344.2)**	**(396.4)**	**109.6**	**317.8**	**251.7**	**(370.5)**

Notes:

1) Figures in this table are presented in accordance with the IMF's *Balance of Payments Manual—6th Edition* and are current as of 30 September 2020.
2) For those transactions denominated in currencies other than the dollar, conversions into dollars are made using period-average exchange rates.
3) Data for the nine months ended 30 September 2020 is preliminary.
4) Employee compensation reflects wages and other payments received by residents of Armenia who carry out temporary or seasonal work abroad, as well as wages received by residents of Armenia for work at embassies and international organisations in Armenia.
5) Net investment income reflects net income received by residents of Armenia from investments abroad or paid by residents of Armenia for capital attracted from abroad.
6) Current transfers reflect monetary or in-kind transfers from abroad, except for transfers related to fixed assets which are included in capital transfers. Current transfers include both public transfers and transfers by individuals working abroad on a long-term basis to residents of Armenia.
7) Capital transfers comprise transfers received/paid for the acquisition of fixed assets or for construction work, and also include debt forgiveness.
8) Direct investments reflect international investment activities when a resident obtains influence in a company of another country by means of investments. Direct investments in equity and reinvested earnings are included in direct investments.
9) Portfolio investments consist of investments in securities issued by non-residents of Armenia which are otherwise not included under direct investment.
10) Other investments comprise all investments which are not otherwise classified as direct or portfolio investments.

Source: CBA, with 2018-2019 data as updated on 30 June 2020 in light of governmental research on the underlying data.

The following table sets forth certain key figures from Armenia's balance of payments as a percentage of GDP for the periods indicated:

Key Balance of Payments Figures of Armenia as a Percentage of GDP[1][2][3]

	For the year ended 31 December					For the nine months ended 30 September	
	2015	2016	2017	2018	2019	2019	2020[4]
				(% of GDP)			
Current account	**(2.70)**	**(1.02)**	**(1.51)**	**(6.90)**	**(7.22)**	**(4.8)**	**(4.8)**
Goods and services	(12.16)	(8.60)	(10.77)	(13.66)	(13.38)	(10.2)	(9.3)
Investment income and employee compensation	4.06	2.32	3.53	1.75	1.67	0.7	(1.6)
Current transfers	5.40	5.25	5.73	5.01	4.49	4.8	6.1
Capital account	**0.62**	**0.33**	**0.40**	**0.54**	**0.40**	**0.4**	**0.3**
Financial account	**(3.28)**	**(3.96)**	**(4.55)**	**(5.48)**	**(4.50)**	**(1.7)**	**(8.7)**
Direct investment	(1.47)	(2.50)	(1.92)	(1.98)	(2.90)	(1.6)	(1.6)
Assets	0.27	0.67	0.25	0.06	(1.04)	0.4	(0.4)
Liabilities	1.74	3.16	2.18	2.04	1.86	1.9	1.3
Portfolio investment	(2.23)	(0.32)	0.76	0.26	(0.06)	(0.3)	1.1
Assets	0.18	0.22	0.27	0.11	0.69	0.7	0.3
Liabilities	2.41	0.54	(0.49)	(0.15)	0.75	1.0	(0.8)
Other investment	(2.71)	(5.46)	(3.80)	(3.48)	(5.86)	(1.6)	(3.4)
Assets	0.79	2.33	(2.00)	1.12	2.53	3.6	0.6
Liabilities	3.50	7.79	1.80	4.59	8.39	5.2	4.0

	For the year ended 31 December					For the nine months ended 30 September	
	2015	**2016**	**2017**	**2018**	**2019**	**2019**	**2020(4)**
				(% of GDP)			
Change in reserve assets (increase)	3.15	4.31	0.43	(0.29)	4.33	1.8	(4.7)
Net errors and omissions	**(1.20)**	**(3.26)**	**(3.44)**	**0.88**	**2.32**	**2.6**	**(4.2)**

Notes:

(1) Figures in this table are current as of 30 September 2020.
(2) For those transactions denominated in currencies other than the dollar, conversions into dollars are made using period-average exchange rates.
(3) Calculated as a percentage of Armenia's nominal GDP converted into dollars, using the period-average exchange rate.
(4) Data for the nine months ended 30 September 2020 is preliminary.

Source: CBA.

Current Account

Between 2015 and 2019 and in the nine months ended 30 September 2020, Armenia recorded current account deficits, driven largely by high trade deficits that in turn were caused by the value of imports outpacing the value of exports.

In 2016, compared to 2015, the trade deficit (including services) decreased by 29.3% (by U.S.$376.3 million) due to exports increasing at a faster rate than imports: exports of goods and services increased by 13.6% while imports of goods and services increased by 1.1%. As a result, the current account deficit declined by 62.1% (by U.S.$176.8 million) in 2016. As a share of GDP, the current account deficit declined to 1.0% in 2016 from 2.7% in 2015.

In 2017, compared to 2016, the trade deficit (including services) increased by 37.0% (by U.S.$335.0 million). The current account deficit increased in 2017 despite a 14.3% increase in net inflows of employee compensation (an increase of U.S.$85.5 million). As a share of GDP, the current account deficit increased in 2017 to 1.5% from 1.0% in 2016.

In 2018, the trade deficit (including services) increased by 37.1% (by U.S.$460.8 million) compared to 2017 due to imports increasing at a faster rate than exports: exports of goods and services increased by 11.3% while imports of goods and services increased by 17.0%. The current account deficit increased by 394.5% (by U.S.$686.1 million) in 2018 compared to 2017 mostly due to the higher trade deficit, but also to an 59.1% increase in negative investment income (a decrease of U.S.$162.8 million), as well as a fall in received employee compensation of 4.2% (U.S.$35.8 million) and in received current transfers of 3.5% (U.S.$36.2 million), both reflecting decline in remittances sent from abroad. As a share of GDP, the current account deficit widened to 6.9% in 2018 compared to 1.5% in 2017.

In 2019, the trade deficit (including services) increased by 7.4% (by U.S.$126.5 million) compared to 2018 despite exports increasing at a faster rate than imports: exports of goods and services increased by 14.9% while imports grew by 13.0%. The current account deficit increased by 14.8% (by U.S.$127.5 million) compared to 2018 mostly due to the higher trade deficit. As a share of GDP, the current account deficit increased in 2019 to 7.2% from 6.9% in 2018.

In the nine months ended 30 September 2020, the trade deficit (including services) decreased by 15.6% (by U.S.$151.5 million) compared to the nine months ended 30 September 2019 despite exports decreasing at a faster rate than imports: exports of goods and services decreased by 31.1% while imports decreased by 28.1%. The current account deficit decreased by 6.9% in the nine months ended 30 September 2020 compared to the nine months ended 30 September 2019 primarily due to the lower trade deficit. As a share of GDP, the current account was constant at 4.8% in the nine months ended 30 September 2020 and the nine months ended 30 September 2019.

Capital Account and Financial Account

The current account deficit is financed mainly by FDI inflows and external borrowing (both public and private).

In 2016, Armenia recorded a 69.4% increase in net direct investments driven by an increase in foreign investment in Armenia which was partially offset by an increase in Armenian investment abroad. Net other investments rose by 101.4% in 2016 mainly as a result of an inflow of capital to commercial banks and an increase of loans extended to the Government together with the value of loans received from abroad increasing by 71.0% compared to 2015.

In 2017, compared to 2016, net direct investments decreased by 15.7% while net other investments decreased by 23.9%. The decrease in net direct investments was driven by a decrease in foreign investments in Armenia which was partially offset by a decrease in Armenian investments abroad. See "—*FDI*." The decline in net other investments was in large part attributable to an outflow of capital from commercial banks.

In 2018, compared to 2017, net direct investments increased by 11.4% (to U.S.$247.1 million in 2018), mainly as a result of lower Armenian investment abroad (to U.S.$7.0 million). See "—*FDI*." Net other investments decreased by 1.2% driven by a decrease in the loans extended to the Government, which was offset by an increase in the inflows of capital to commercial banks.

In 2019, compared to 2018, net direct investments increased by 60.5% (to U.S.$396.6 million in 2019), mainly as result of a net decrease in Armenian investments abroad (of U.S.$142.6 million in 2019). See "—*FDI*." Net other investments increased by 85.0% (to U.S.$800.9 million in 2019) as financial inflows to commercial banks nearly doubled (to U.S.$712.6 million in 2019) and loans received from abroad increased by 203.6% (to U.S.$454.8 million in 2019).

In the nine months ended 30 September 2020, compared to the nine months ended 30 September 2019, net direct investments decreased by 4.1% with foreign investments into Armenia decreasing at a slower pace than Armenian investments abroad. See "—*FDI*." Armenia recorded net other investment inflows of U.S.$302.2 million in the nine months ended 30 September 2020 compared to U.S.$155.5 million of inflow in the nine months ended 30 September 2019 on account of an increase in the inflow of capital to commercial banks. In the nine months ended 30 September 2020, there was a net outflow of capital from Armenian commercial banks of U.S.$343.5 million compared to an inflow of U.S.$380.8 in the nine months ended 30 September 2019.

Remittances

The following table sets forth the source of net inflows of remittances into Armenia for the periods indicated:

Net Inflow of Remittances

	For the year ended 31 December					**For the nine months ended 30 September**	
	2015	**2016**	**2017**	**2018**	**2019**	**2019**	**2020**
	(U.S.$ millions, except percentage)						
Inflow	1,430.4	1,330.1	1,494.2	1,452.3	1,489.5	1,009.7	890.7
Outflow	328.5	320.5	330.6	301.0	329.4	244.0	209.3
Net Inflow of Personal Remittances by Balance of Payments	1,101.9	1,009.6	1,163.6	1,151.3	1,160.1	765.7	681.4
Net remittances/GDP(%)(1)	**10.4**	**9.6**	**10.1**	**9.2**	**8.5**	**8.0**	**7.7**
Net remittances/Current account receipts (%)(2)	**22.4**	**19.1**	**18.0**	**16.9**	**15.3**	**14.1**	**17.4**

Notes:

(1) Calculated as a percentage of Armenia's nominal GDP in dollars, using the average AMD/U.S.$ exchange rates for the respective period.

(2) Current account receipts are calculated as a sum of export of goods and services, investment income and employee compensation received and current transfers received.

Source: CBA.

Net inflows of remittances to Armenia have generally fluctuated in line with the state of the global economy, and in particular the Russian economy, which is where remittances to Armenia predominantly originate. Net inflow of remittances has historically been an important feature of the Armenian economy, financing a substantial share of Armenia's trade deficit, but as measured by share in GDP the net inflow of remittances has been declining from 10.4% of GDP in 2015 to 9.6% in 2016, 10.1% in 2017, 9.2% in 2018, 8.5% in 2019 and 7.7% in the first nine months of 2020. The CBA expects the share of net money transfers inflows as measured in terms of share of GDP (and hence, their importance) to decline further.

International Trade

Armenia has an open economy, and the value of foreign trade turnover in goods and services represented 95.9% of GDP in 2019. Armenia's principal trading partners are Russia and the EU.

From 2015 through 2019, the simple average annual deficit of Armenia's trade balance, *i.e.*, the balance between the import and export of goods, stood at 17.7% of GDP. Structural factors affect the nature of Armenia's imports and exports. Armenia is dependent on imports of energy and certain other commodities. Armenia's principal exports are commodities, such as mineral products and metals and particularly copper, which heighten the country's vulnerability to price and demand fluctuations on the world markets, although in recent years there has been robust growth in export volumes in the industry and mining sectors. Over the period of 2015-2019, Armenia also recorded a steady increase in exports of prepared foodstuff (97.4%) as well as textiles and clothing (147.7%).

Armenia is also particularly dependent on the state of the Russian and European economies, as they account for approximately half of Armenia's overall exports. See "*Risk Factors—Risk Factors Relating to Armenia—Vulnerability to Global/Regional Economic Conditions and Commodities Markets and to the Russian Economy*." Armenian exports are also restricted by its geopolitical position. Armenia's borders with Azerbaijan and land border with Turkey remain closed as a consequence of the Nagorno-Karabakh conflict (although some Turkish goods flow into Armenia via Georgia). Trading with Iran is limited both by limited transport infrastructure and by U.S. sanctions against Iran. Therefore, Armenia's sole reliable trade route is through Georgia, which increases transportation costs, limits the types of goods that can be exported and hampers competition in the country's export and import sectors. See "*Risk Factors—Risk Factors Relating to Armenia—Limited Routes for Exports*."

Russia is expected to remain a significant trade partner of Armenia (consistent with Armenia's participation in the EEU), accounting for 26.9% of the value of imports (by country of origin) and 28.0% of the value of exports in 2019. Armenia also values its trade relationship with the EU, with which it maintains a GSP+ trade regime. See "*—International Trade Agreements*." In 2019, imports from the EU accounted for 20.8% of total imports and exports to the EU accounted for 22.0% of total exports (as measured by value). Armenia is also taking steps to broaden its trade relationships beyond the EU and Russia.

The following table sets forth Armenia's trade balance by value for the periods indicated:

Trade Balance by Value(1)(2)(3)(4)

	For the year ended 31 December					For the nine months ended 30 September	
	2015	2016	2017	2018	2019	2019	2020
	(U.S.$ millions)						
Trade balance	**(1,753.91)**	**(1,481.75)**	**(1,859.37)**	**(2,563.11)**	**(2,889.01)**	**(1,818.21)**	**(1,396.01)**
Imports	3,239.24	3,273.47	4,097.07	4,975.54	5,537.59	3,730.61	3,225.85
Exports	1,485.33	1,791.72	2,237.70	2,412.43	2,648.58	1,912.40	1,829.84

Notes:

(1) Figures in this table are current as of 30 September 2020.
(2) The trade balance is limited to the import and export of goods, and does not reflect trade in services.
(3) The value of imports is recorded on a CIF (cost, insurance, freight) basis. The value of exports is recorded on an FOB (free on board) basis, *i.e.*, the value of goods to the port of shipment, and includes goods of domestic origin and re-exported goods of foreign origin. Figures in this table do not reflect unregistered trade volumes.
(4) For those transactions denominated in currencies other than the dollar, conversions into dollars are made using average daily exchange rates.

Source: Armstat.

The following table sets forth Armenia's trade balance as a percentage of GDP for the periods indicated:

Trade Balance by Percentage of GDP(1)(2)(3)(4)

	For the year ended 31 December					For the nine months ended 30 September	
	2015	2016	2017	2018	2019	2019	2020
				(% of GDP)			
Trade balance	**(16.62)**	**(14.05)**	**(16.13)**	**(20.54)**	**(21.13)**	**(19.09)**	**(15.78)**
Imports	30.69	31.04	35.54	39.94	40.50	39.17	36.47
Exports	14.07	16.99	19.41	19.40	19.37	20.08	20.69

Notes:

(1) Figures in this table are current as of 30 September 2020.
(2) The trade balance is limited to the import and export of goods, and therefore does not reflect trade in services.
(3) The value of imports is recorded on a CIF basis. The value of exports is recorded on an FOB basis, *i.e.*, the value of goods to the port of shipment, and includes goods of domestic origin and re-exported goods of foreign origin. Figures in this table do not reflect unregistered trade volumes.
(4) Calculated as a percentage of Armenia's nominal GDP converted into dollars, using the average AMD/U.S.$ exchange rate for the respective period.

Source: Armstat.

Imports

Armenia's imports primarily comprise machinery and equipment, mineral products (including natural gas and petroleum products), transport (mainly motor vehicles), chemical products, foodstuffs, base metals, textiles/clothing and precious stones and metals.

The following table sets forth the value of Armenia's imports by product category for the periods indicated:

Imports of Goods by Value in Dollars(1)(2)(3)

	For the year ended 31 December					For the nine months ended 30 September	
	2015	2016	2017	2018	2019	2019	2020
				(U.S.$ millions)			
Mineral products	639.3	583.6	644.9	720.7	814.2	579.9	521.1
Machinery and equipment	413.8	468.8	628.4	934.9	864.9	576.5	616.8
Prepared foodstuffs	314.9	331.7	353.1	399.8	437.5	281.7	272.8
Chemical products	303.3	328.4	406.9	394.7	470.7	354.4	300.3
Base metals	251.4	219.3	292.0	340.6	346.3	239.5	257.0
Vegetables	192.4	165.5	190.8	218.3	234.5	152.9	167.8
Transport	191.5	160.6	247.7	362.1	756.6	426.0	148.8
Textiles/clothing	164.5	224.8	263.6	318.4	301.4	214.4	165.7
Plastics and rubber	136.5	130.0	171.7	200.1	211.9	149.1	144.0
Precious stones and metals	118.1	161.5	233.4	288.3	299.9	194.7	96.7
Animals and animal products	106.1	92.9	133.7	131.9	149.4	100.1	94.2
Instruments and devices	83.4	68.2	83.6	116.7	122.8	85.6	83.5
Miscellaneous manufactured products	73.4	78.0	123.2	160.1	133.3	89.4	102.7
Paper products	66.9	64.6	77.4	101.2	96.8	70.6	67.0
Stone, plaster and cement	64.1	64.5	86.8	94.2	95.5	68.6	69.0
Fats and oils	44.7	43.3	49.2	55.1	51.2	32.8	34.6
Wood products	41.5	38.2	45.5	56.5	66.6	49.1	40.7
Footwear, umbrellas and headgear	21.9	34.7	45.7	57.2	59.1	45.8	31.4
Leather products	11.1	14.4	19.4	24.4	24.2	19.0	11.7
Art and antiques	0.4	0.7	0.3	0.2	0.9	0.6	0.1
Total	**3,239.2**	**3,273.5**	**4,097.1**	**4,975.5**	**5,537.6**	**3,730.6**	**3,225.9**

Notes:

(1) Figures in this table are current as of 30 September 2020.
(2) The value of imports is recorded on a CIF basis and reflects goods of foreign manufacture that have been imported for consumption and for re-export. Figures in this table do not reflect unregistered trade volumes.
(3) For those transactions denominated in currencies other than the dollar, conversions into dollars are made using average daily exchange rates.

Source: Armstat, as updated in 2020 as part of regular statistical adjustment.

The following table sets forth the value of Armenia's imports, in percentage terms, by product category for the periods indicated:

Imports of Goods by Value in Percentage Terms(1)(2)

	For the year ended 31 December					For the nine months ended 30 September	
	2015	**2016**	**2017**	**2018**	**2019**	**2019**	**2020**
				(%)			
Mineral products	19.7	17.8	15.7	14.5	14.7	15.5	16.2
Machinery and equipment	12.8	14.3	15.3	18.8	15.6	15.5	19.1
Prepared foodstuffs	9.7	10.1	8.6	8.0	7.9	7.6	8.5
Chemical products	9.4	10.0	9.9	7.9	8.5	9.5	9.3
Base metals	7.8	6.7	7.1	6.8	6.3	6.4	8.0
Vegetables	5.9	5.1	4.7	4.4	4.2	4.1	5.2
Transport	5.9	4.9	6.0	7.3	13.7	11.4	4.6
Textiles/clothing	5.1	6.9	6.4	6.4	5.4	5.7	5.1
Plastics and rubber	4.2	4.0	4.2	4.0	3.8	4.0	4.5
Precious stones and metals	3.6	4.9	5.7	5.8	5.4	5.2	3.0
Animals and animal products	3.3	2.8	3.3	2.7	2.7	2.7	2.9
Instruments and devices	2.6	2.1	2.0	2.3	2.2	2.3	2.6
Miscellaneous manufactured products	2.3	2.4	3.0	3.2	2.4	2.4	3.2
Paper products	2.1	2.0	1.9	2.0	1.7	1.9	2.1
Stone, plaster and cement	2.0	2.0	2.1	1.9	1.7	1.8	2.1
Fats and oils	1.4	1.3	1.2	1.1	0.9	0.9	1.1
Wood products	1.3	1.2	1.1	1.1	1.2	1.3	1.3
Footwear, umbrellas and headgear	0.7	1.1	1.1	1.1	1.1	1.2	1.0
Leather products	0.3	0.4	0.5	0.5	0.4	0.5	0.4
Art and antiques	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Notes:

(1) Figures in this table are current as of 30 September 2020.
(2) The value of imports is recorded on a CIF basis and reflects goods of foreign manufacture that have been imported for consumption and for re-export. Figures in this table do not reflect unregistered trade volumes.

Source: Armstat.

In 2018 and 2019, respectively, Russia accounted for 25.3% and 26.9%, the EU 23.2% and 20.8%, and China 13.3% and 13.6%, of Armenia's imports.

The following table sets forth the value of Armenia's imports by country of origin for the periods indicated:

Value of Imports of Goods by Country of Origin in Dollars(1)(2)(3)

	For the year ended 31 December					For the nine months ended 30 September	
	2015	2016	2017	2018	2019	2019	2020
	(U.S.$ millions)						
Imports from other CIS countries, Ukraine and Georgia	**1,163.7**	**1,219.0**	**1,435.8**	**1,563.7**	**1,778.3**	**1,214.7**	**1,280.2**
Russia	942.4	983.8	1,173.2	1,259.9	1,490.0	1,012.2	1,070.7
Ukraine	124.6	101.8	115.5	153.6	146.2	102.1	84.5
Georgia	66.8	98.3	88.0	70.8	79.7	52.6	54.2
Belarus	25.7	23.3	39.1	38.6	49.9	35.0	47.3
Turkmenistan	0.5	6.2	10.2	27.5	2.7	2.0	2.0
Kazakhstan	0.4	0.7	4.0	3.7	2.9	1.9	7.7
Other CIS countries	3.3	4.9	5.7	9.6	6.9	8.9	13.8
Imports from the EU	**778.2**	**737.9**	**903.0**	**1,152.1**	**1,153.0**	**803.6**	**626.9**
Germany	202.1	186.4	201.2	296.9	383.8	242.3	166.0
Italy	148.5	128.8	158.0	182.6	205.1	149.2	138.8
France	65.1	53.0	73.5	110.2	84.2	61.1	59.2
Belgium	49.5	58.0	43.3	39.5	45.8	35.0	25.8
Poland	34.0	36.1	49.3	44.0	45.0	32.4	27.2
Netherlands	29.5	28.6	32.9	55.9	40.0	27.7	23.5
Spain	26.7	25.4	35.2	36.8	35.4	23.7	22.4
United Kingdom	26.6	27.7	34.7	39.2	75.2	64.1	20.9
Bulgaria	26.0	34.0	40.0	43.8	30.8	22.4	13.0
Romania	17.6	15.1	8.9	14.4	15.0	12.3	8.5
Austria	16.4	17.0	21.0	28.8	34.1	25.2	16.9
Other EU countries	136.3	127.9	204.9	260.0	158.6	108.2	104.7
Imports from other countries	**1,297.3**	**1,316.5**	**1,758.3**	**2,259.7**	**2,606.3**	**1,712.3**	**1,318.8**
China	316.1	357.2	477.7	663.9	751.6	520.9	466.0
Iran	198.4	164.0	174.7	269.3	325.3	221.9	226.4
Turkey	137.0	163.6	222.9	252.6	268.1	185.5	162.4
USA	107.6	82.9	133.4	178.4	280.3	160.7	48.5
Brazil	61.4	53.0	62.6	61.7	67.5	50.1	33.7
Japan	57.6	51.7	81.0	99.1	207.8	114.0	30.2
India	52.4	71.9	46.6	77.8	128.3	84.8	54.5
Switzerland	51.6	47.4	96.4	128.8	53.8	35.6	9.9
Other countries	315.3	324.9	462.8	528.1	523.6	338.8	287.2
Total	**3,239.2**	**3,273.5**	**4,097.1**	**4,975.5**	**5,537.6**	**3,730.6**	**3,225.9**

Notes:

(1) Figures in this table are current as of 30 September 2020.
(2) The value of imports is recorded on a CIF basis, *i.e.*, the value of goods up to the borders of Armenia, with insurance and transportation costs included, and reflects goods of foreign manufacture that have been imported for consumption and for re-export. Figures in this table do not reflect unregistered trade volumes.
(3) For those transactions denominated in currencies other than the dollar, conversions into dollars are made using average daily exchange rates.

Source: Armstat, as updated in 2020 as part of regular statistical adjustment.

The following table sets forth the value of Armenia's imports, in percentage terms, by country of origin for the periods indicated:

Value of Imports of Goods by Country of Origin in Percentage Terms(1)(2)

	For the year ended 31 December					For the nine months ended 30 September	
	2015	2016	2017	2018	2019	2019	2020
	(%of total value of imports)						
Imports from other CIS countries, Ukraine and Georgia	**35.9**	**37.2**	**35.0**	**31.4**	**32.1**	**32.6**	**39.7**
Russia	29.1	30.1	28.6	25.3	26.9	27.1	33.2
Ukraine	3.8	3.1	2.8	3.1	2.6	2.7	2.6
Georgia	2.1	3.0	2.1	1.4	1.4	1.4	1.7
Belarus	0.8	0.7	1.0	0.8	0.9	0.9	1.5
Turkmenistan	0.0	0.2	0.3	0.6	0.1	0.1	0.1
Kazakhstan	0.0	0.0	0.1	0.1	0.1	0.1	0.2
Other CIS countries	0.1	0.2	0.1	0.2	0.1	0.2	0.4
Imports from the EU	**24.0**	**22.5**	**22.0**	**23.2**	**20.8**	**21.5**	**19.4**
Germany	6.2	5.7	4.9	6.0	6.9	6.5	5.1
Italy	4.6	3.9	3.9	3.7	3.7	4.0	4.3
France	2.0	1.6	1.8	2.2	1.5	1.6	1.8
Belgium	1.5	1.8	1.1	0.8	0.8	0.9	0.8
Poland	1.0	1.1	1.2	0.9	0.8	0.9	0.8
Netherlands	0.9	0.9	0.8	1.1	0.7	0.7	0.7
Spain	0.8	0.8	0.9	0.7	0.6	0.6	0.7
United Kingdom	0.8	0.8	0.8	0.8	1.4	1.7	0.6
Bulgaria	0.8	1.0	1.0	0.9	0.6	0.6	0.4
Romania	0.5	0.5	0.2	0.3	0.3	0.3	0.3
Austria	0.5	0.5	0.5	0.6	0.6	0.7	0.5
Other EU countries	4.2	3.9	5.0	5.2	2.9	2.9	3.2
Imports from other countries	**40.1**	**40.2**	**42.9**	**45.4**	**47.1**	**45.9**	**40.9**
China	9.8	10.9	11.7	13.3	13.6	14.0	14.4
Iran	6.1	5.0	4.3	5.4	5.9	5.9	7.0
Turkey	4.2	5.0	5.4	5.1	4.8	5.0	5.0
USA	3.3	2.5	3.3	3.6	5.1	4.3	1.5
Brazil	1.9	1.6	1.5	1.2	1.2	1.3	1.0
Japan	1.8	1.6	2.0	2.0	3.8	3.1	0.9
India	1.6	2.2	1.1	1.6	2.3	2.3	1.7
Switzerland	1.6	1.5	2.4	2.6	1.0	1.0	0.3
Other countries	9.7	10.0	11.3	10.6	9.5	9.1	8.9
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Notes:

(1) Figures in this table are current as of 30 September 2020.
(2) The value of imports is recorded on a CIF basis, *i.e.*, the value of goods up to the borders of Armenia, with insurance and transportation costs included, and reflects goods of foreign manufacture that have been imported for consumption and for re-export. Figures in this table do not reflect unregistered trade volumes.

Source: Armstat, as updated in 2020 as part of regular statistical adjustment.

Imports increased year-on-year by 1.1% in 2016, 25.2% in 2017, 21.4% in 2018 and 11.3% in 2019, in total dollar value increasing from U.S.$3,239.2 million in 2015 to U.S.$5,537.6 million in 2019, or 71.0%, driven in large part by an increase in the import value of transport (295.1%), precious stones and metals (153.9%), machinery and equipment (109.0%), textiles/clothing (83.2%), plastic and rubber and chemical products (55.2%).

Exports

Armenia's exports primarily comprise mineral products, such as copper and electricity, base metals, such as copper ore and ferro-molybdenum, processed and unprocessed food, tobacco, wines and brandy, textiles/clothing and precious stones and metals.

The following table sets forth the value of Armenia's exports by product category for the periods indicated:

Exports of Goods by Value in Dollars(1)(2)(3)

	For the year ended 31 December					For the nine months ended 30 September	
	2015	**2016**	**2017**	**2018**	**2019**	**2019**	**2020**
				(U.S.$ millions)			
Mineral products	476.9	471.1	675.9	644.7	743.0	538.4	632.4
Prepared foodstuffs	325.3	416.6	524.1	552.9	642.2	431.9	382.8
Base metals	227.8	222.2	268.8	296.6	261.1	200.3	164.7
Precious stones and metals	194.0	336.9	291.0	307.4	414.8	305.7	259.6
Textiles/clothing	68.4	96.8	136.1	225.3	169.4	130.7	98.2
Animals and animal products	46.4	34.7	58.5	50.6	51.3	36.0	52.3
Vegetables	37.8	69.5	63.4	93.1	106.7	77.7	95.8
Instruments and devices	26.0	32.8	39.4	52.8	96.1	72.6	36.1
Machinery and equipment	15.5	21.0	41.4	43.6	44.6	33.3	27.5
Chemical products	15.0	17.4	29.5	28.7	30.7	21.3	22.8
Stone, plaster and cement	12.0	15.2	16.0	24.2	16.0	12.0	15.4
Transport	10.7	15.4	15.9	26.3	31.4	23.0	9.4
Miscellaneous manufactured products	9.9	17.5	49.6	29.7	13.2	9.0	13.6
Plastics and rubber	9.4	9.3	10.3	14.3	13.6	9.7	11.4
Leather products	5.1	8.1	10.3	13.7	8.7	7.0	4.2
Paper products	1.5	1.4	1.2	1.4	1.4	1.0	0.8
Footwear, umbrellas and headgear	1.5	2.4	2.8	4.5	2.6	1.6	2.0
Wood products	1.3	1.5	2.3	1.9	1.1	0.8	0.5
Art and antiques	0.7	1.2	0.9	0.7	0.5	0.4	0.4
Fats and oils	0.1	0.6	0.1	0.1	0.1	0.0	0.1
Total	**1,485.3**	**1,791.7**	**2,237.7**	**2,412.4**	**2,648.6**	**1,912.4**	**1,829.8**

Notes:

(1) Figures in this table are current as of 30 September 2020.
(2) The value of exports is recorded on a FOB basis, *i.e.*, the value of goods to the port of shipment, and includes goods of domestic origin and re-exported goods of foreign origin. Figures in this table do not reflect unregistered trade volumes.
(3) For those transactions denominated in currencies other than the dollar, conversions into dollars are made using average daily exchange rates.

Source: Armstat, as updated in 2020 as part of regular statistical adjustment.

The following table sets forth the value of Armenia's exports, in percentage terms, by product category for the periods indicated:

Exports of Goods by Value in Percentage Terms(1)(2)

	For the year ended 31 December					For the nine months ended 30 September	
	2015	**2016**	**2017**	**2018**	**2019**	**2019**	**2020**
				(%of total value of exports)			
Mineral products	32.1	26.3	30.2	26.7	28.1	28.2	34.6
Prepared foodstuffs	21.9	23.3	23.4	22.9	24.2	22.6	20.9
Base metals	15.3	12.4	12.0	12.3	9.9	10.5	9.0
Precious stones and metals	13.1	18.8	13.0	12.7	15.7	16.0	14.2
Textiles/clothing	4.6	5.4	6.1	9.3	6.4	6.8	5.4
Animals and animal products	3.1	1.9	2.6	2.1	1.9	1.9	2.9
Vegetables	2.5	3.9	2.8	3.9	4.0	4.1	5.2
Instruments and devices	1.8	1.8	1.8	2.2	3.6	3.8	2.0

	For the year ended 31 December					For the nine months ended 30 September	
	2015	2016	2017	2018	2019	2019	2020
	(%of total value of exports)						
Machinery and equipment	1.0	1.2	1.9	1.8	1.7	1.7	1.5
Chemical products	1.0	1.0	1.3	1.2	1.2	1.1	1.2
Stone, plaster and cement	0.8	0.8	0.7	1.0	0.6	0.6	0.8
Transport	0.7	0.9	0.7	1.1	1.2	1.2	0.5
Miscellaneous manufactured products	0.7	1.0	2.2	1.2	0.5	0.5	0.7
Plastics and rubber	0.6	0.5	0.5	0.6	0.5	0.5	0.6
Leather products	0.3	0.5	0.5	0.6	0.3	0.4	0.2
Paper products	0.1	0.1	0.1	0.1	0.1	0.1	0.0
Footwear, umbrellas and headgear	0.1	0.1	0.1	0.2	0.1	0.1	0.1
Wood products	0.1	0.1	0.1	0.1	0.0	0.0	0.0
Art and antiques	0.0	0.1	0.0	0.0	0.0	0.0	0.0
Fats and oils	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Notes:

(1) Figures in this table are current as of 30 September 2020.
(2) The value of exports is recorded on a FOB basis, *i.e.*, the value of goods to the port of shipment, and includes goods of domestic origin and re-exported goods of foreign origin. Figures in this table do not reflect unregistered trade volumes.

Source: Armstat, as updated in 2020 as part of regular statistical adjustment.

In 2018 and 2019, the EU accounted for 28.3% and 22.0%, respectively, Russia accounted for 27.6% and 28.0%, respectively, and Iran accounted for 3.9% and 3.2%, respectively, of Armenia's exports. Bulgaria, the Netherlands and Germany are Armenia's principal export markets within the EU. Exports to the EU primarily consist of copper and other metals, exports to Russia primarily consist of alcohol, textiles/clothing, fruits and vegetables, fish and diamonds; and exports to Iran primarily consist of the electricity generated by Iranian natural gas transferred to Armenia pursuant to a gas-for-electricity barter arrangement. See "*Economy of Armenia—Energy—Electricity*." Switzerland, China and Georgia are also significant export markets for Armenian goods.

The following table sets forth the value of Armenia's exports by country of destination for the periods indicated:

Value of Exports of Goods by Country of Destination in Dollars(1)(2)(3)

	For the year ended 31 December					For the nine months ended 30 September	
	2015	2016	2017	2018	2019	2019	2020
	(U.S.$ millions)						
Exports to other CIS countries, Ukraine and Georgia	**411.7**	**559.9**	**747.9**	**787.6**	**874.9**	**613.3**	**538.4**
Russia	244.9	374.5	557.3	665.8	742.7	520.1	456.1
Georgia	125.3	146.9	152.9	68.7	69.3	51.3	42.1
Turkmenistan	17.3	5.7	6.0	3.1	5.1	3.1	1.6
Belarus	6.8	13.4	7.1	11.9	17.9	10.1	13.2
Ukraine	6.2	8.0	10.2	18.3	24.6	16.4	16.0
Kazakhstan	4.2	5.0	4.9	9.8	5.4	3.5	4.1
Other CIS countries	7.0	6.3	9.6	10.1	9.9	8.8	5.3
Exports to EU	**413.1**	**478.6**	**633.7**	**683.2**	**583.2**	**452.8**	**329.4**
Germany	140.3	138.9	133.1	136.1	69.6	52.1	38.6
Bulgaria	78.9	152.4	282.3	214.9	207.4	163.7	126.5
Netherlands	47.3	50.8	88.6	132.4	153.9	119.0	73.8
Belgium	42.4	41.6	45.8	49.2	44.5	34.2	25.6
Italy	32.5	31.9	43.3	49.9	59.7	46.5	29.7

	For the year ended 31 December					For the nine months ended 30 September	
	2015	2016	2017	2018	2019	2019	2020
				(U.S.$ millions)			
France	5.4	3.8	4.7	8.6	8.8	7.5	3.3
Spain	1.7	0.1	1.7	0.4	0.7	0.4	2.8
Other EU countries	64.6	59.0	34.2	91.8	38.6	29.4	29.1
Exports to other countries	**660.5**	**753.2**	**856.1**	**941.6**	**1,190.5**	**846.3**	**962.0**
China	165.3	96.4	118.5	107.2	193.7	128.5	189.3
Canada	108.3	139.9	15.0	33.2	61.2	47.0	2.9
Iran	81.7	75.3	84.1	94.2	83.9	63.3	64.9
USA	52.9	38.8	66.2	47.7	53.9	38.8	47.2
Switzerland	39.0	74.6	261.4	337.5	457.9	330.5	389.3
UAE	9.1	63.8	102.2	73.8	57.3	41.8	81.0
Other countries	204.1	264.3	208.7	247.9	282.6	196.4	187.4
Total	**1,485.3**	**1,791.7**	**2,237.7**	**2,412.4**	**2,648.6**	**1,912.4**	**1,829.8**

Notes:

(1) Figures in this table are current as of 30 September 2020.
(2) The value of exports is recorded on a FOB basis, *i.e.*, the value of goods to the port of shipment, and includes goods of domestic origin and re-exported goods of foreign origin. Figures in this table do not reflect unregistered trade volumes.
(3) For those transactions denominated in currencies other than the dollar, conversions into dollars are made using average daily exchange rates.

Source: Armstat, as updated in 2020 as part of regular statistical adjustment.

The following table sets forth the value of Armenia's exports, in percentage terms, by country of destination for the periods indicated:

Value of Exports of Goods by Country of Destination in Percentage Terms(1)(2)

	For the year ended 31 December					For the nine months ended 30 September	
	2015	2016	2017	2018	2019	2019	2020
			(% of total value of exports)				
Exports to other CIS countries, Ukraine and Georgia	**27.7**	**31.2**	**33.4**	**32.6**	**33.0**	**32.1**	**29.4**
Russia	16.5	20.9	24.9	27.6	28.0	27.2	24.9
Georgia	8.4	8.2	6.8	2.8	2.6	2.7	2.3
Turkmenistan	1.2	0.3	0.3	0.1	0.2	0.2	0.1
Belarus	0.5	0.7	0.3	0.5	0.7	0.5	0.7
Ukraine	0.4	0.4	0.5	0.8	0.9	0.9	0.9
Kazakhstan	0.3	0.3	0.2	0.4	0.2	0.2	0.2
Other CIS countries	0.5	0.4	0.4	0.4	0.4	0.5	0.3
Exports to EU	**27.8**	**26.7**	**28.3**	**28.3**	**22.0**	**23.7**	**18.0**
Germany	9.4	7.8	5.9	5.6	2.6	2.7	2.1
Bulgaria	5.3	8.5	12.6	8.9	7.8	8.6	6.9
Netherlands	3.2	2.8	4.0	5.5	5.8	6.2	4.0
Belgium	2.9	2.3	2.0	2.0	1.7	1.8	1.4
Italy	2.2	1.8	1.9	2.1	2.3	2.4	1.6
France	0.4	0.2	0.2	0.4	0.3	0.4	0.2
Spain	0.1	-	0.1	-	0.0	0.0	0.2
Other EU countries	4.3	3.3	1.5	3.8	1.5	1.5	1.6
Exports to other countries	**44.5**	**42.0**	**38.3**	**39.0**	**44.9**	**44.3**	**52.6**
China	11.1	5.4	5.3	4.4	7.3	6.7	10.3
Canada	7.3	7.8	0.7	1.4	2.3	2.5	0.2
Iran	5.5	4.2	3.8	3.9	3.2	3.3	3.5

	For the year ended 31 December					For the nine months ended 30 September	
	2015	2016	2017	2018	2019	2019	2020
				(% of total value of exports)			
USA	3.6	2.2	3.0	2.0	2.0	2.0	2.6
Switzerland	2.6	4.2	11.7	14.0	17.3	17.3	21.3
UAE	0.6	3.6	4.6	3.1	2.2	2.2	4.4
Other countries	13.7	14.8	9.3	10.3	10.7	10.3	10.2
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Notes:

(1) Figures in this table are current as of 30 September 2020.

(2) The value of exports is recorded on a FOB basis, *i.e.*, the value of goods to the port of shipment, and includes goods of domestic origin and re-exported goods of foreign origin. Figures in this table do not reflect unregistered trade volumes.

Source: Armstat, as updated in 2020 as part of regular statistical adjustment.

Exports increased year-on-year by 20.6% in 2016, 24.9% in 2017, 7.8% in 2018 and 9.8% in 2019, in total dollar value increasing from U.S.$1,485.3 million in 2015 to U.S.$2,648.6 million in 2019, or 78.3%, driven mainly by growth in the export value of agricultural products – vegetables (182.3%) and prepared foodstuffs (97.4%) – textiles/clothing (147.7%), precious stones and metals (113.8%) and mineral products (including electricity) (55.8%).

International Trade Agreements

Armenia has signed a number of multilateral and bilateral economic cooperation agreements. Since 1991, Armenia has been a member of the CIS, and, since 2003, a member of the WTO. Upon signing the Protocol on Accession to the Marrakesh Agreement establishing the WTO (the "**Marrakesh Agreement**"), Armenia joined the WTO and made commitments under the Marrakesh Agreement. Armenia is accordingly bound by WTO maximum customs tariff rates allowed on imports compliant with WTO tariff rules. Since accession, Armenia has been improving its customs and tariff practices. The trade-weighted average tariff of imports to Armenia for most-favoured-nations was 5.6% in 2018. Armenia has most-favoured-nation trading relationships with all WTO members.

Together with Albania, Azerbaijan, Bulgaria, Georgia, Greece, Moldova, Romania, Russia, Serbia, Turkey and Ukraine, Armenia is also a member of the Organisation of Black Sea Economic Cooperation, which is designed to foster closer economic ties among the countries of the Black Sea region. Armenia has bilateral free trade agreements in place with Russia, Georgia, Ukraine, Moldova, Belarus, Kazakhstan, Uzbekistan, Tajikistan, Turkmenistan, Kyrgyzstan and Singapore.

On 2 January 2015, Armenia joined the EEU, which seeks to integrate the economies of its member states; the other current EEU member-states are Russia, Belarus, Kazakhstan and Kyrgyzstan. Accordingly, Armenia is part of the EEU's customs union, in which no tariffs apply. Armenia's entry into the EEU precluded further pursuit of a deep and comprehensive free trade area with the EU, as had been under consideration. Armenia's entry into the EEU entails a gradual transition (with scheduled completion by 2022) to the unified tariff system of the EEU, as a result of which some tariffs have already increased (according to WTO statistics, as compared to 2009 the applied average tariff in Armenia has increased from 2.7% to 6.3% in 2019). At the same time, Armenia plans to comply with its obligations under WTO rules as a member of the WTO. Armenia shares no contiguous border with any EEU member state, and goods transiting between Armenia and another EEU state through Georgia still need to undergo procedural formalities and incur road charges in connection with passage through Georgia (although no Georgian customs duties are payable on such goods). As a result, Armenia may not fully exploit the benefits of EEU membership.

On 24 November 2017, the EU and Armenia concluded the EU-Armenia CEPA which provides a framework for cooperation between Armenia and the EU. See "*Description of Armenia—International Relations—European Union*" for further discussion of Armenia's relations with the EU.

Since 2009, Armenia has benefitted from the EU's Special Incentive Arrangement for Sustainable Development and Good Governance - the Generalised Scheme for Preferences + ("**GSP+**"), under which zero duties or duty discounts are applied to 6,200 products exported to the EU. In 2019, the GSP+ utilisation rate (measuring the difference between an amount of goods and services eligible for export preferences under the GSP+ programme and an actual amount of goods and services that benefited from the respective preferences) was 98%. The current GSP+ arrangements apply until 2024. Under with the GSP+ programme, Armenia ratified and oversees the implementation of 27 core international conventions on human rights, labour rights, environmental protection, sustainable development and good governance. Since 1 January 2018, Armenia has been applying the Registered Exporter System within the GSP+ framework, which contributes to the facilitation of export procedures to the EU and reduces export costs. Armenia also benefits from the Generalised Scheme of Preferences status with Canada, Japan, Norway, Switzerland and the United States.

Barriers to Trade

Armenia does not apply quantitative restrictions or non-tariff barriers on trade, except for health, safety, environmental protection and national security considerations. VAT and excise taxes apply equally to imported and local products. See "*Public Finance—Armenian Tax System*." Licensing requirements apply for the import of certain medicines, weapons, explosive materials, dual usage goods and radioactive products.

Since Armenia's entry into the EEU, Armenia has been transitioning to the unified tariff system of the EEU, as discussed above. Armenia currently does not have any export restrictions in place, such as export quotas, export tariffs or voluntary export restraints.

FDI

Net FDI in Armenia is supported by the full convertibility of the dram and is an important source of financing for the Armenian economy. Armenia relies on net FDI inflows, together with Government, CBA and commercial bank financing and workers' remittances, to cover its trade deficit.

FDI has been relatively low in recent years. FDI declined by 54.7% to U.S.$184.1 million in 2015, partly due to the outflow of investments in the metal manufacturing sector and telecommunications sector (*e.g.,* the disposal by Orange S.A. of Orange Armenia CJSC in favour of Ucom). In 2016, FDI increased to U.S.$333.7 million, on account of higher investments in financial services sector (*e.g.,* additional equity investment in Byblos Bank Armenia CJSC by its Lebanese shareholder, additional equity investment in Mellat Bank CJSC by its Iranian shareholder and additional equity investment in Evocabank by its Russian shareholder). In 2017, FDI declined to U.S.$250.9 million, due mainly to outflows of investments from financial services and power and gas supplies sectors. FDI increased slightly in 2018 to U.S.$254.2 million as a result of increases in FDI in the power and gas supply and real estate sectors. In 2019, FDI decreased slightly to U.S.$254.1 million, notwithstanding significantly higher investments in financial services sector. While historically the FDI inflows were mostly directed to major projects, in 2019 FDI inflows were primarily directed into the financial services sector. FDI decreased to U.S.$112.4 million in the nine months ended 30 September 2020, compared to U.S.$ 185.5 million in the nine months ended 30 September 2019, mainly reflecting an outflow of investments from power and gas supply sector.

There are no restrictions on foreign ownership of property or assets in Armenia (except for restrictions to buy land). There are no restrictions on the repatriation of profits/dividends from Armenia, subject to compliance with applicable tax laws.

The following table sets forth the value of FDI net inflows into Armenia by product category for the periods indicated:

Value of FDI net Inflows into Armenia by Product Category in Dollars

	For the year ended 31 December					For the nine months ended 30 September	
	2015	2016	2017	2018	2019	2019	2020
	(U.S.$ millions)						
Power and gas supply	119.1	8.4	(80.9)	99.1	88.2	53.8	(28.2)
Mining industry	61.7	(52.4)	33.4	23.3	(1.1)	12.4	6.8
Agriculture and hunting	26.2	7.3	6.1	5.4	2.7	2.0	0.2
Food and beverage	21.5	13.5	(17.6)	6.8	2.1	(4.6)	(3.9)

	For the year ended 31 December					For the nine months ended 30 September	
	2015	2016	2017	2018	2019	2019	2020
				(U.S.$ millions)			
Financial services	12.4	190.5	76.1	72.9	132.8	105.6	111.8
Real estate	10.7	18.9	11.5	28.1	19.1	13.1	19.2
Hotel services	6.9	64.3	6.3	7.3	5.7	2.3	1.1
Construction	1.7	0.5	0.5	6.1	1.6	2.2	2.0
Research	(0.3)	-	-	(2.8)	(1.1)	(0.6)	(2.2)
Metals manufacturing	(62.3)	12.1	14.2	13.9	(14.4)	(15.6)	(19.5)
Telecommunications	(62.9)	(21.6)	(28.6)	2.4	(15.4)	(13.1)	(10.2)
Land transport	-	(1.2)	0.4	1.1	2.3	3.6	4.5
Air transport activities	-	0.3	0.2	(1.3)	14.2	10.0	(6.6)
Other	49.4	93.1	229.3	(8.1)	17.4	14.4	37.4
Total	**184.1**	**333.7**	**250.9**	**254.2**	**254.1**	**185.5**	**112.4**

Note: Figures in this table are current as of 30 September 2020.

Source: Armstat, CBA, as updated in October 2020 based on additional and adjusted data received from reporting persons.

The following table sets forth the value of FDI net inflows into Armenia by product category in percentage terms for the periods indicated:

Value of FDI net Inflows into Armenia by Product Category in Percentages

	For the year ended 31 December					For the nine months ended 30 September	
	2015	2016	2017	2018	2019	2019	2020
				(%)			
Power and gas supply	64.7	2.5	(32.2)	39.0	34.7	29.0	(25.1)
Mining industry	33.5	(15.7)	13.3	9.2	(0.4)	6.7	6.0
Agriculture and hunting	14.2	2.2	2.4	2.1	1.1	1.1	0.2
Food and beverage	11.7	4.0	(7.0)	2.7	0.8	(2.5)	(3.5)
Financial services	6.7	57.1	30.3	28.7	52.3	56.9	99.5
Real estate	5.8	5.7	4.6	11.1	7.5	7.1	17.1
Hotel services	3.7	19.3	2.5	2.9	2.2	1.2	1.0
Construction	0.9	0.1	0.2	2.4	0.6	1.2	1.8
Research	(0.2)	-	-	(1.1)	5.6	(0.3)	(2.0)
Metals manufacturing	(33.8)	3.6	5.7	5.5	(5.7)	(8.4)	(17.3)
Telecommunications	(34.2)	(6.5)	(11.4)	0.9	(6.1)	(7.1)	(9.1)
Land transport	-	(0.4)	0.2	0.4	0.9	1.9	4.0
Air transport activities	-	0.1	0.1	(0.5)	(0.4)	5.4	(5.9)
Other	26.8	27.9	91.4	(3.2)	6.8	7.8	33.3
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Note: Figures in this table are current as of 30 September 2020.

Source: Armstat, CBA, as updated in October 2020 based on additional and adjusted data received from reporting persons.

The following table sets forth the value of FDI net inflows into Armenia by country of origin for the periods indicated:

Value of FDI net Inflows into Armenia by Country of Origin in Dollars

	For the year ended 31 December					For the nine months ended 30 September	
	2015	2016	2017	2018	2019	2019	2020
				(U.S.$ millions)			
Switzerland	86.6	(3.3)	2.2	(5.2)	3.1	4.0	1.6
Russia	77.5	(116.9)	(1.0)	162.2	55.0	19.6	(40.5)
Argentina	26.1	7.4	6.1	7.5	17.7	14.0	(5.9)
Lebanon	9.2	(11.9)	(13.1)	15.6	(12.1)	(13.6)	(0.3)
Seychelles	4.4	1.1	-	-	-	-	-
Germany	(18.5)	(1.1)	30.0	32.6	18.8	26.4	(3.7)
France	(72.7)	10.0	(11.1)	(31.7)	(2.3)	(11.7)	(4.1)
Other	71.5	448.4	237.8	73.2	173.9	146.8	165.3
Total	**184.1**	**333.7**	**250.9**	**254.2**	**254.1**	**185.5**	**112.4**

Note: Figures in this table are current as of 30 September 2020.

Source: Armstat, as updated and published in January 2021.

The following table sets forth the value of FDI net inflows into Armenia by country of origin in percentage terms for the periods indicated:

Value of FDI net Inflows into Armenia by Country of Origin in Percentages

	For the year ended 31 December					For the nine months ended 30 September	
	2015	2016	2017	2018	2019	2019	2020
				(%)			
Switzerland	47.0	(1.0)	0.9	(2.0)	1.2	2.2	1.4
Russia	42.1	(35.0)	(0.4)	63.8	21.6	10.6	(36.0)
Argentina	14.2	2.2	2.4	3.0	7.0	7.5	(5.2)
Lebanon	5.0	(3.6)	(5.2)	6.1	(4.8)	(7.3)	(0.3)
Seychelles	2.4	0.3	-	-	-	-	-
Germany	(10.0)	(0.3)	12.0	12.8	7.4	14.2	(3.3)
France	(39.5)	3.0	(4.4)	(12.5)	(0.9)	(6.3)	(3.6)
Other	38.8	134.4	94.8	28.8	68.4	79.1	147.1
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Note: Figures in this table are current as of 30 September 2020.

Source: Armstat, as updated and published in January 2021.

Investment Support Center and Armenia National Interest Fund

Since 1998, Armenia has sought to encourage FDI in Armenia and promote Armenian exports abroad, a function now led by the Investment Support Centre ("**ISC**"). The ISC operates as a 'one-stop shop' for both domestic and international investors.

The ISC provides information on investment laws and regulations, business opportunities, investment projects, creates preconditions for investment retention, facilitates interaction between investors and the public sector, while also promoting awareness of the "Made in Armenia" brand abroad. As a national investment promotion agency, the ISC is responsible for the following core functions:

- Country image building, by fostering a positive image of Armenia and branding it as a lucrative investment destination;
- Investment generation, by targeting specific sectors, markets, projects in line with national priorities;

- Investment facilitation, retention and maintenance, by providing support to investors to facilitate their 'soft landing', creating preconditions for investment retention, encouraging reinvestment by responding to investors needs and challenges;

- Policy advocacy, by identifying bottlenecks in the investment climate and providing recommendations to the Government in order to address them.

The ISC also facilitates institutional cooperation with local and international organisations, business support organisations, business associations, financial institutions, as well as organises site visits, business forums, roadshows and other business events.

In May 2019, the Government established the Armenian National Interest Fund (the "**ANIF**"), a state-owned closed joint-stock company. ANIF's goal is to act as a fiduciary for Armenia's public interests in FDI matters, attracting large-scale investments in Armenia, promoting the transformation and substantial growth of Armenia's industrial footprint, and developing a skilled workforce and expertise. ANIF will co-invest with its selected partners into promising large-scale projects in Armenia, including critical infrastructure projects, and will also act the Government's vehicle for public-private partnership projects. Currently, one focus of the ANIF is the planned AYG-1 project, a utility-scale solar photovoltaic plant with a 200 MW capacity to be built in western Armenia. ANIF is also managing the Entrepreneur + State Anti-Crisis Investments Fund, which has been created to address and mitigate the long-term economic consequences of the COVID-19 pandemic. It is envisaged that the Government will eventually allocate up to AMD50 billion by way of equity contributions to the fund with AMD5 billion in liquid assets allocated to date.

PUBLIC FINANCE

Overview

The Law on the Budgetary System of Armenia (the "**Budgetary System Law**"), adopted on 21 July 1997 (as subsequently amended), defines the procedures governing Armenia's budgetary system and regulates the preparation, adoption, execution and monitoring of the Consolidated Budget (as defined below). The Budgetary System Law also defines the budgetary relations between the Government and local governments.

The consolidated general government budget (the "**Consolidated Budget**") comprises (i) the state budget (the "**State Budget**") and (ii) the local government budgets.

The following table sets out the Consolidated Budget of Armenia, as executed, for the periods indicated:

Consolidated Budget

	For the year ended 31 December					For the nine months ended 30 September	
	2015	2016	2017	2018	2019	2019	2020
	(AMD billions)						
Consolidated Budget							
Revenues	1,201.7	1,205.8	1,276.8	1,384.5	1,614.9	1,180.8	1,106.3
Expenditures	1,444.0	1,485.3	1,541.6	1,480.8	1,667.3	1,071.9	1,246.7
Deficit/(surplus)	242.3	279.5	264.8	96.3	52.4	108.9	140.4
State Budget							
Revenues	1,167.7	1,171.1	1,237.8	1,341.7	1,565.5	1,148.1	1,075.1
Expenditures	1,409.0	1,449.1	1,504.8	1,447.1	1,629.4	1,053.0	1,229.9
Deficit/(surplus)	241.3	278.0	267.0	105.4	63.9	(95.1)	154.8
Local budgets							
Revenues	128.2	128.6	126.6	127.5	144.5	96.6	101.2
Expenditures	129.2	130.2	124.4	118.4	132.9	82.8	86.8
Deficit/(surplus)	1.0	1.5	(2.2)	(9.1)	(11.6)	(13.8)	(14.3)

Note:

(1) The table shows the actual data.

Source: Ministry of Finance.

The Ministry of Finance is centrally involved in each stage of the budgetary process, establishing fiscal policy objectives and coordinating the preparation, adoption, execution and reporting of the State Budget. In addition to the Ministry of Finance, each of the Government, National Assembly and Audit Chamber of the Republic of Armenia (the "**Audit Chamber**") performs certain oversight functions with respect to execution of the State Budget. Budget figures are also discussed with IMF missions in the context of their annual review process.

Under the Budgetary System Law, local governments are entitled to a share of the revenues from certain Government-imposed taxes and are permitted to raise revenues directly through limited property tax levies and local duties, as well as through certain fees and other non-tax measures. The Government also allocates funds to local governments by subsidies (to address regional economic disparities) and other transfers. See "*—Fiscal Relations with Local Governments*."

Fiscal Reforms

Modernising the country's public finance system in an effort to improve the preparation, execution and oversight of the budgetary process/cycle is a key priority of the Government. In 1996, the Government initiated a set of reforms, whereby all bank accounts held by State and local budgetary institutions were closed (except for project implementation units ("**PIUs**") that were required by donors to operate with commercial bank accounts) and replaced with a treasury single account (the "**TSA**") held at the CBA and controlled by the Ministry of Finance. All budgetary receipts and payments on both the State and community levels are now processed through the TSA. As of 31 December 2014, all PIU accounts were also transferred to the TSA. As part of these reforms, the

Government established an integrated general treasury ledger with sub-accounts for each budgetary institution and began to report all accounts on a cash basis and in accordance with the principle of double-entry accounting. Improved methods for monitoring all stages of the expenditure cycle were also introduced, and contingent liabilities are now recorded. Since 2008, Government financial statistics have been prepared and reported in accordance with the guidelines and definitions set forth in the IMF's Government Finance Statistics Manual. At the end of 2018, all state non-commercial organisations were also transferred to the TSA from commercial banks.

In 2019, the Government approved a new Public Finance Management Strategy along with an action plan with respect thereto for 2019-2023, which set forth reforms designed to: (i) enhance fiscal discipline and increase the predictability of the budget system; (ii) ensure the implementation of fiscal policy based on macro-economic and fiscal fundamentals; (iii) minimise deviations between projected and actual indicators; (iv) ensure that resources are used in line with the main Government policies and priorities; and (v) ensure accountability concerning the management of public resources. One of the focal points of the Public Finance Management reforms is the digitalisation and the use of modern information technology tools. In particular, one of the targets of the Public Finance Management Strategy Action Plan is the creation and implementation of the Government Financial Management Information System (the "**GFMIS**"). In 2020, the Ministry of Finance finalised the preparation of a set of documents for the GFMIS tender implementation and announced a two-stage tender for the provision of consulting services for the purposes of the GFMIS framework implementation. The winner will be determined in February 2021.

Since 2011, the Government has begun the transition to a programme-based budgetary system, which is a results-oriented budgeting procedure meant to shift focus from managing financial resources to managing results and to strengthen linkages between policy objectives/targets and budgets. Under a programme-based approach to budgeting, non-financial performance indicators, such as the quality of services rendered or delivered by a budgetary institution, in addition to financial performance measures, are taken into consideration when planning appropriations and assessing their performance. As part of this transition, public spending is expected to be channelled through programmes tied to specific targets and measurable indicators. Furthermore, the Government plans to continue with measures to improve the presentation of expenditure items in accordance with functional classification spheres. These reforms are expected to grant the ministries more autonomy over the development and management of their respective budgets, to make the budget planning process more detailed and to put greater emphasis on medium-term benchmarking. The State Budgets for 2019 and 2020 were prepared in accordance with a programme-based approach. The Government is intensifying the application of the programme-based approach in its budgeting. In addition, in 2019, the Government approved a Policy for Defining Gender Sensitive Budget Programmes along with an action plan with respect thereto for 2019-2023 aimed to ensure that the budget programmes, their objectives and outcome indicators take gender sensitivities into account.

From 2019, the Government has also put a strong emphasis on strengthening the public investment management ("**PIM**") framework and improving the management of foreign-financed capital spending. To this end, the Government decided to incorporate all PIUs into the relevant ministries to eliminate redundant and overlapping functions, streamline responsibilities, and raise accountability. This restructuring is aimed to control the implementation of donor-financed projects, reduce the volatility in budget execution, and optimise the use of public resources. The Government regards having a sound and complete PIM framework as paramount for better managing the project pipeline, prioritizing and selecting investment projects, and linking them with the priorities in the Government's programme, as well as the MTEF and budget processes.

See "*—Armenian Tax System—Reforms*," for a discussion of tax reforms.

Budget Process

Budget Preparation and Adoption

Armenia's fiscal year is from 1 January to 31 December. The draft State Budget is prepared by the Ministry of Finance, in consultation with other ministries and agencies. The process of drafting and enacting the State Budget is carried out in accordance with detailed budget calendars and procedures as prescribed by the Budgetary System Law. No later than 90 days before the end of the current year, the Government presents the draft State Budget for the following fiscal year to the National Assembly for review and comment; in conjunction therewith, in order to improve the transparency and increase the supervisory role of the National Assembly, the Government carries out a process of organising meetings with relevant standing committees of the National Assembly to discuss the budget programmes and non-financial indicators prior to sending a formal draft of the State Budget. The draft State Budget contains a three-year forecast for the main socio-economic indicators of the country as well as budget projections for the three years following the fiscal year covered by the draft State Budget. The State Budget for the upcoming year is typically adopted by the National Assembly in November or early December, after which it is sent to the President for signature. The 2020 State Budget was approved by the National Assembly on 6 December 2019. The 2020 State Budget was revised, first, on 29 April 2020, in order to address the negative impact of the COVID-2019 pandemic outbreak, and, second, on 7 October 2020, due to the declaration of martial law in Armenia. The 2021 State Budget was approved by the National Assembly on 10 December 2020.

The Ministry of Finance also prepares the Medium-Term Public Expenditure Framework (the "**MTEF**"), using budgetary information and spending requests gathered from other ministries and agencies, which it then submits to the Government for approval. The MTEF is an important component of the budgetary process as it sets out the Government's fiscal priorities over the medium-term and analyses the historical performance and future needs of the Armenian economy on a sector-by-sector basis. The MTEF also contains certain medium-term economic and budgetary projections. The MTEF is typically approved by the Government in June or July of each year. In 2020, the Government initiated the development of legal framework aimed to create a single integrated preparation process for the MTEF and the State Budget. The MTEF currently in effect was approved on 28 July 2020 by the Government and covers the three-year period from 2021 to 2023. The MTEF for 2021-2023 also indorses a preliminary draft of State Budget for 2021, which was sent to the National Assembly for discussion at the relevant standing committees.

Budget Execution and Monitoring

After the annual State Budget becomes law, the Government issues an implementing decree on its execution, which includes quarterly breakdowns of revenues and expenditures.

The Ministry of Finance is responsible for managing the execution of the State Budget, which sets out targets for revenues and expenditures, as well as caps on domestic and foreign borrowing and other sources of deficit financing. The expenditure levels as set forth in the State Budget are annual spending limits with breakdowns for each line item. Upon adoption of the State Budget, the Ministry of Finance promulgates annual, quarterly and monthly allocation targets for each line item. Within the annual spending limits, the Government may, and often does, reallocate funds between line items. In addition, pursuant to the Budgetary System Law, the Government has access to a reserve fund ("**Government Reserve Fund**"), which is a source of financing for unforeseen expenditures in the State Budget. The Government Reserve Fund may not exceed 5% of the total budgetary appropriations for the relevant fiscal year. Subject to certain conditions under the Budgetary System Law, the Government may increase spending levels beyond annual spending limits without seeking approval of the National Assembly. As part of programmes-based budgeting, from 2019 monies from the Government Reserve Fund are to be distributed in accordance with the relevant programme on the basis of Government decrees.

There are various mechanisms in place for monitoring implementation of the State Budget. The Audit Chamber is responsible for carrying out periodic audits of Government accounts, and, in addition to the audits it is required to perform, may also on its own initiative and at any time initiate an investigation of Government programmes and expenditures. In addition, the Government has certain reporting obligations concerning the State Budget. Within 40 days after the end of each quarter, the Government is required to deliver a status report (prepared with the assistance of the Ministry of Finance) to the National Assembly on progress made in the implementation of the State Budget, and, on 1 May of each year, the Government must submit to the National Assembly a final report on the performance of the previous year's State Budget (the "**Annual Budget Report**"). The Annual Budget Report is required by law to include analyses of key economic and budgetary trends and to disclose certain data on the Public Debt and any use of the Government Reserve Fund. The Audit Chamber reviews the Annual Budget Report and provides the National Assembly with its own set of findings on the accuracy of the figures included therein and on the level of Government compliance with the country's budgetary laws and regulations. The National Assembly is required under the Budgetary System Law to discuss and approve the Annual Budget Report no later than the second Wednesday in June. As part of its commitment to e-governance and transparency, Armenia has become one of the first countries in the world to allow the real-time monitoring of the execution of the State Budget, having introduced this capacity on the Government website (www.e-gov.am) since 2012. To strengthen its commitment, in 2020 the Government developed methodological guidelines for the adoption of so-called "citizens' budgets" (simplified outlines of the State Budgets and the State Budget execution reports published on the website of the Ministry of Finance) aimed to increase transparency of public spending and ensure general public awareness of the budgetary processes, the first of which is expected to be issued in January 2021.

The following table shows the public revenues and expenditures under the State Budget, as planned and executed, for the years 2015 to 2019 and for the nine months ended 30 September 2020:

State Budget: Planned versus Actual Revenues and Expenditures

	For the year ended 31 December										For the nine months ended 30 September	
	2015		2016		2017		2018		2019		2020	
	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual
	(AMD billions)											
Revenues	**1,248.6**	**1,167.7**	**1,278.5**	**1,171.1**	**1,320.9**	**1,237.8**	**1,365.3**	**1,341.7**	**1,609.1**	**1,565.5**	**1,088.0**	**1,075.1**
Tax revenues	1,140.6	1,067.9	1,173.9	1,079.7	1,204.7	1,158.0	1,262.1	1,258.1	1,488.7	1,464.3	1,010.8	1,016.8
Grants	38.2	29.9	43.0	31.4	35.1	14.6	38.6	11.2	40.1	12.4	21.0	4.6
Other revenues	69.8	70.0	61.7	60.0	81.0	65.2	64.7	72.3	80.3	88.8	56.2	53.7
Expenditures	**1,415.2**	**1,409.0**	**1,459.0**	**1,449.1**	**1,561.0**	**1,504.8**	**1,527.3**	**1,447.1**	**1,762.9**	**1,629.4**	**1,457.3**	**1,229.9**
Debt service	74.1	74.1	98.7	98.3	122.6	122.1	139.2	139.0	160.2	157.6	120.6	117,7
Interest on Government Internal Debt	32.2	32.2	42.2	42.0	58.2	58.2	64.1	64.0	70.3	69.8	55.1	54.7
Interest on Government External Debt	41.9	41.9	56.5	56.2	64.4	63.9	75.0	75.0	89.9	87.8	65.5	63.1
Non-interest expenditures	1,341.1	1,334.9	1,360.3	1,350.8	1,438.5	1,382.7	1,388.1	1,308.1	1,602.7	1,471.9	1,336.7	1,112.2
General public services	211.4	207.3	203.2	193.8	158.4	154.9	146.2	139.4	179.9	16.5	138,7	117.3
Interbudgetary transfers to local governments	47.7	47.4	49.7	49.4	49.0	48.8	49.2	48.9	62.0	58.5	48.8	45.7
Defence	207.5	198.5	217.4	225.9	296.5	294.4	247.6	238.5	332.4	315.6	247.7	205.2
Public order, security and judiciary	123.0	122.0	124.6	120.3	124.7	122.5	127.5	123.1	150.4	143.7	111.3	102.2
Economic relations	105.0	109.8	119.3	131.1	151.8	129.5	135.8	112.2	156.9	111.9	156.8	67.3
Environmental protection	5.6	5.7	4.7	4.5	11.1	5.4	10.7	5.7	10.9	5.8	7.8	2.9
Housing and public services	34.2	39.2	33.9	25.6	17.4	12.6	25.0	11.7	25.6	16.2	15.3	4.0
Health care	86.2	86.1	88.9	88.6	85.7	83.2	83.3	79.6	103.9	99.3	100.6	91.1
Tourism, culture and religion	30.3	30.4	27.0	26.6	26.1	26.0	26.0	25.3	35.7	33.6	27.5	24.4
Education	122.1	122.3	125.9	122.4	124.8	124.4	124.6	121.6	139.5	129.3	116.6	105.1
Social welfare	385.2	383.7	399.5	396.8	413.1	409.0	424.4	416.6	465.4	453.9	414.2	392.5
Other reserve funds(1)	30.5	29.9	16.1	15.1	28.8	20.7	37.1	34.3	2.1	-	0,3	-
Budget balance	**(166.5)**	**(241.3)**	**(180.5)**	**(278.0)**	**(240.2)**	**(267.0)**	**(161.9)**	**(105.4)**	**(153.8)**	**(63.9)**	**(369.3)**	**(154.8)**

Note:

(1) During the periods under review, "other reserve funds" consisted of solely the Government Reserve Fund.

Source: Ministry of Finance.

Actual revenues were lower than planned revenues in each period under review. Actual expenditures were also lower than planned expenditures, in part reflecting delays in making planned capital expenditure. Actual budget deficits in each year under review were higher than estimated, except for 2018, 2019 and the nine months ended 30 September 2020. In the nine months ended 2020, the actual budget deficit was AMD154.8 billion, compared to a planned deficit of AMD369.3 billion, mainly due to lower than expected expenditures on defence, economic relations and social welfare.

2020 and 2021 State Budgets

The following table sets forth the State Budgets for 2020 and 2021:

2020 and 2021 State Budgets

	2020 State Budget(1)		2021 State Budget	
	AMD billions	% of GDP	AMD billions	% of GDP
Total revenues	**1,560.9**	**25.3**	**1,509.5**	**23.6**
Tax revenues and duties	1,337.2	21.7	1,440.1	22.5
Grants	28.8	0.5	24.3	0.4
Other revenues	195.0	3.2	45.1	0.7
Total expenditures	**1,971.9**	**32.0**	**1,850.9**	**28.9**
Debt service	166.8	2.7	194.7	3.0
Interest on Government Internal Debt	87.1	1.4	112.3	1.8
Interest on Government External Debt	79.7	1.3	82.4	1.3
Non-interest expenditures	1,805.1	29.3	1,656.3	25.9
General public services	115.3	1.9	130.1	2.0
Interbudgetary transfers to local governments	66.6	1.1	72.4	1.1
Defence	402.5	6.5	312.2	4.9
Public order, security and judicial activity	155.7	2.5	156.6	2.4
Economic relations	179.5	2.9	149.6	2.3
Environment protection	10.3	0.2	10.9	0.2
Housing and public services	19.6	0.3	14.4	0.2
Health care	140.1	2.3	117.5	1.8
Tourism, culture and religion	34.3	0.6	30.6	0.5
Education	156.2	2.5	153.2	2.4
Social welfare	525.0	8.5	504.9	7.9
Other reserve funds(2)	0.1	0.002	3.9	0.061
Deficit	**(411.0)**	**(6.7)**	**(341.4)**	**(5.3)**
Deficit financing	**411.0**	**6.7**	**341.4**	**5.3**
Domestic financing	352.5	5.7	138.7	2.2
Net borrowings	309.1	5.0	209.9	3.3
Net financial assets	43.4	0.7	(71.2)	(1.1)
External financing	58.5	0.9	202.7	3.2
Net borrowings	136.0	2.2	268.1	4.2
Net financial assets	(77.5)	(1.3)	(65.3)	(1.0)

Note:

(1) According to the budget revisions as of 31 October 2020.
(2) "Other reserve funds" consists of solely the Government Reserve Fund.

Source: Ministry of Finance.

The 2020 State Budget, as amended on 7 October 2020 and further revised on 31 October 2020, was based on the following macroeconomic assumptions for 2020: a nominal GDP of AMD6,170.2 billion; annual inflation of 2.5%; and an average exchange rate of AMD476.46 per U.S.$.

The 2020 State Budget as amended on 31 October 2020, envisaged revenues in 2020 of AMD1,560.9 billion, or 25.3% of GDP, expenditures of AMD1,971.9 billion, or 32.0% of GDP, net external borrowings in 2020 of AMD136.0 billion, or 2.2% of GDP, excluding the proceeds from the Notes, and an overall deficit of AMD411.0 billion, or 6.7% of GDP. The Government was also empowered to increase the 2020 State Budget deficit to up to AMD459 billion, or to 7.4% of GDP, based on the 2020 State Budget revision of 7 October 2020. The 2020 budget deficit is now estimated to have been 7.1% of 2020 GDP.

The 2021 State Budget is based on the following macroeconomic assumptions for 2021: a nominal GDP of AMD6,395.3 billion; annual inflation of 1.9%; and an average exchange rate of AMD493.76 per U.S.$.

The 2021 State Budget envisages revenues in 2021 of AMD1,509.5 billion, or 23.6% of GDP, expenditures of AMD1,850.9 billion, or 28.9% of GDP, and an overall deficit of AMD341.4 billion, or 5.3% of GDP. The 2021 State Budget envisions net external borrowings in 2021 of AMD268.1 billion, or 4.2% of GDP, excluding the proceeds from the Notes.

The following table sets forth certain budgetary projections, as set forth in the current MTEF and approved by the Government:

Medium-Term Expenditure Framework for 2021-2023

	For the year ended 31 December					
	2021		2022		2023	
	AMD billions	% of GDP	AMD billions	% of GDP	AMD billions	% of GDP
Total revenues	**1,669.9**	**23.4**	**1,885.9**	**24.0**	**2,082.9**	**24.3**
Tax revenues and duties	1,600.3	22.4	1,819.7	23.2	2,027.1	23.6
Grants	24.3	0.3	18.4	0.2	7.1	0.1
Other revenues	45.3	0.6	47.9	0.6	48.7	0.6
Total expenditures	**1,879.0**	**26.3**	**2,026.1**	**25.8**	**2,241.4**	**26.1**
Debt service	185.5	2.6	211.2	2.7	236.6	2.8
Interest on Government Internal Debt	107.0	1.5	125.9	1.6	150.7	1.8
Interest on Government External Debt	78.5	1.1	85.3	1.1	85.9	1.0
Non-interest expenditures	1,693.5	23.7	1,814.9	23.1	2,004.8	23.4
Social, culture, science	808.2	11.3	853.3	10.9	890.2	10.4
Defence, public order, security and judicial activity	468.7	6.6	509.6	6.5	564.5	6.6
Economic relations, Environment protection, Housing and public services	211.7	3.0	252.0	3.2	254.4	3.0
Public administration	204.9	2.9	200.0	2.5	295.7	3.4
Deficit	**(209.1)**	**(2.9)**	**(140.2)**	**(1.8)**	**(158.6)**	**(1.8)**
Deficit financing	**209.1**	**2.9**	**140.2**	**1.8**	**158.6**	**1.8**
Domestic financing	257.8	3.6	171.1	2.2	359.0	4.2
Net borrowings	295.0	4.1	190	2.4	327.9	3.8
Net financial assets	(37.2)	(0.5)	(18.9)	(0.2)	31.1	0.4
External financing	(48.7)	(0.7)	(30.9)	(0.4)	(200.4)	(2.3)
Net borrowings	17.6	0.2	40.5	0.5	(121.5)	1.4
Net financial assets	(66.3)	(0.9)	(71.4)	(0.9)	(78.9)	(0.9)
Assumptions:						
Nominal GDP, AMD billions	7,143.0		7,853.8		8,582.5	
CPI	3.2		3.5		3.9	
Average exchange rate (AMD/U.S.$)	480.0		480.0		480.0	

Source: Ministry of Finance.

Public Accounts

The following table sets forth a summary of the actual revenues and expenditures of, and certain other statistics related to, the State Budget for the periods indicated:

Public Accounts

	For the year ended 31 December					For the nine months ended 30 September	
	2015	2016	2017	2018	2019	2019	2020
	(AMD billions, except percentages)						
Revenues	**1,167.7**	**1,171.1**	**1,237.8**	**1,341.7**	**1,565.5**	**1,148.1**	**1,075.1**
Taxes and duties	1,067.9	1,079.7	1,158.0	1,258.1	1,464.3	1,079.1	1,016.8
VAT	423.9	391.1	406.6	438.2	506.5	388.3	335.1
Social contributions	10.9	13.4	15.8	17.4	18.7	13.9	17.4
Excise taxes	49.0	59.7	82.3	109.0	138.6	93.3	83.6
Personal income tax	311.7	332.7	341.5	356.6	440.8	335.2	310.5
Profit tax	103.7	127.2	109.9	170.1	233.8	201.2	122.6
Customs duties	61.5	55.4	72.6	80.2	95.1	65.9	46.9
Stamp duties	32.4	33.3	37.1	37.9	45.9	30.0	22.6
Presumptive tax[(1)]	3.1	3.2	3.6	-	-	-	-
Other taxes	71.7	63.6	88.6	104.1	122.2	88.1	78.4
Overpayments	-	-	-	(55.3)	(137.3)	(136.7)	(0.3)
Grants	29.9	31.4	14.6	11.2	12.4	9.3	4.6
Other revenues	70.0	60.0	65.2	72.3	88.8	59.7	53.7
Expenditures[(2)]	**1,409.0**	**1,449.1**	**1,504.8**	**1,447.1**	**1,629.4**	**1,053.0**	**1,229.9**
Debt service	**74.1**	**98.3**	**122.1**	**139.0**	**157.6**	**117.8**	**117.7**
Interest on Government Internal Debt	32.2	42.0	58.2	64.0	69.8	46.0	54.7
Interest on Government External Debt	41.9	56.2	63.9	75.0	87.8	71,9	63.1
Non-interest expenditures	**1,334.9**	**1,350.8**	**1,382.7**	**1,308.1**	**1,471.9**	**935.2**	**1,112.2**
Social welfare	383.7	396.8	409.0	416.6	453.9	330.6	392.5
Defence	198.5	225.9	294.4	238.5	315.6	164.0	205.2
General public services	207.3	193.8	154.9	139.4	162.5	104.9	117.3
Interbudgetary transfers to local governments	47.4	49.4	48.8	48.9	58.5	38.9	45.7
Education	122.3	122.4	124.4	121.6	129.3	85.5	105.1
Public order, security and judiciary	122.0	120.3	122.5	123.1	143.7	94.7	102.2
Economic relations	109.8	131.1	129.5	112.2	111.9	61.8	67.3
Health care	86.1	88.6	83.2	79.6	99.3	59.9	91.1
Other reserve funds[(3)]	29.9	15.1	20.7	34.3	-	-	-
Tourism, culture and religion	30.4	26.6	26.0	25.3	33.6	21.7	24.4
Housing and public services	39.2	25.6	12.6	11.7	16.2	8.3	4.0
Environmental protection	5.7	4.5	5.4	5.7	5.8	3.8	2.9
State Budget deficit	**241.3**	**278.0**	**267.0**	**105.4**	**63.9**	**(95.1)**	**154.8**
Revenues/GDP (%)[(4)]	23.2	23.1	22.2	22.3	23.9	25.1	25.1
Expenditures/GDP (%)[(4)]	27.9	28.6	27.0	24.1	24.9	23.0	28.7
Deficit/GDP (%)[(4)]	4.8	5.5	4.8	1.8	1.0	(2.1)	3.6

Notes:

(1) The past "presumptive" tax regime, which applied to activities such as gambling, ended on 31 December 2017, replaced by an interim "patent" tax regime of such activities in effect in 2018-2019 (with the revenues generated thereby classified as "Other taxes" for the purposes of this table), which in turn was replaced by a new regime of licencing fees effective from 1 January 2020. See "*—Armenian Tax System—Tax Structure—Other taxes*."

(2) Under the Budgetary System Law, the Government has had the authority to allocate extra-budgetary funds arising from fees charged by Government agencies (*e.g*., the issuance of licence plates and passports), fines, and donations from multilateral organisations. Prior to 2020, the attraction of this funding was neither recorded as a separate line-item in the State Budget nor subject to the approval by the National Assembly. However, the Government's approval of the expenditure of such spending was considered an amendment to the State Budget and was subject to the same execution processes and reporting rules as the other items of the State Budget. At the end of 2019, the balances of most of these extra-budgetary accounts were transferred to the respective State Budget accounts and those extra-budgetary accounts were closed. The process of closing the remaining extra-budgetary accounts continued during 2020. Extra-budgetary funds in the periods under review were as follows: AMD37.2 billion (2.6% of annual expenditures) in 2015; AMD27.1 billion (1.9%) in 2016; AMD36.4 billion (2.4%) in 2017; AMD34.1 billion (2.4%) in 2018; and AMD39.2 billion (2.4%) in 2019 while in the nine months ended 30 September 2019 AMD 25.8 billion (2.4% of period expenditures) and in the nine months ended 30 September 2020 AMD0.3 billion (0.03%). As noted above, in 2020, the amount of funding from extra-budgetary accounts was being closed out.

(3) During the periods under review, "other reserve funds" consisted of solely the Government Reserve Fund.

(4) Calculated as a percentage of Armenia's nominal GDP.

Source: Ministry of Finance.

Revenues

The Government's principal sources of revenues are taxes, in particular, VAT, personal income taxes and profit taxes. See "*—Armenian Tax System—Tax Structure*."

Total revenues have grown over the past five years, from AMD1,167.7 billion in 2015 to AMD1,565.5 billion in 2019, an increase of 34.1%. In the nine months ended 30 September 2020, total revenues comprised AMD1,075.1 billion. Revenues experienced year-on-year growth in each year under review, and tax revenues as a share of GDP slightly increased from 21.2% in 2015 to 22.3% in 2019. In the nine months ended 30 September 2020, however, revenues decreased by 6.4%, compared to the nine months ended 30 September 2019, reflecting the impact of the outbreak of COVID-19 pandemic (see "*Risk Factors—Risk Factors Relating to Armenia—The COVID-19 Outbreak*"), and driven mainly by a 39.0% decrease in profit tax collections, a 13.7% decrease in VAT collections and an 7.4% decrease in personal income tax collections.

Taxes and duties represent the largest share of Government revenues, accounting for 93.5% and 94.6%, respectively, of State Budget revenues in 2019 and the nine months ended 30 September 2020. Due to a combination of GDP growth and measures taken to improve tax collection (see "*—Armenian Tax System—Reforms*"), tax revenues and duties increased by 37.1% between 2015 and 2019, driven largely by a 41.4% growth in personal income tax receipts, a 125.5% rise in profit tax collections and a 182.9% increase in excise duties collections.

The following table sets forth certain additional information about State Budget revenues for the periods indicated:

State Budget Revenues

	For the year ended 31 December					For the nine months ended 30 September	
	2015	2016	2017	2018	2019	2019	2020
	(AMD billions, except percentages)						
Total tax revenues and duties	**1,067.9**	**1,079.7**	**1,158.0**	**1,258.1**	**1,464.3**	**1079.1**	**1016.8**
Annual (period) change *(%)*	0.4	1.1	7.3	8.6	16.4	21.6	(5.8)
% of GDP(1)	21.2	21.3	20.8	21.0	22.3	23.6	23.7
% of total revenues	91.4	92.2	93.6	93.8	93.5	94.0	94.6
VAT	**423.9**	**391.1**	**406.6**	**438.2**	**506.6**	**388.3**	**335.1**
Annual (period) change *(%)*	(3.7)	(7.7)	4.0	7.8	15.6	27.2	(13.7)
% of GDP(1)	8.4	7.7	7.3	7.3	7.7	8.5	7.8
% of total revenues	36.3	33.4	32.8	32.7	32.4	33.8	31.2
Social contributions	**10.9**	**13.4**	**15.8**	**17.4**	**18.7**	**13.9**	**17.4**
Annual (period) change *(%)*	127.0	23.0	18.3	9.9	7.4	3.3	25.6
% of GDP(1)	0.2	0.3	0.3	0.3	0.3	0.3	0.4
% of total revenues	0.9	1.1	1.3	1.3	1.2	1.2	1.6
Excise taxes	**49.0**	**59.7**	**82.3**	**109.0**	**138.6**	**93.3**	**83.6**
Annual (period) change *(%)*	(3.1)	22.0	37.8	32.3	27.2	25.6	(10.4)
% of GDP(1)	1.0	1.2	1.5	1.8	2.1	2.0	2.0
% of total revenues	4.2	5.1	6.7	8.1	8.9	8.1	7.8

	For the year ended 31 December					For the nine months ended 30 September	
	2015	2016	2017	2018	2019	2019	2020
	(AMD billions, except percentages)						
Personal income tax	**311.7**	**332.7**	**341.5**	**356.6**	**440.8**	**335.2**	**310.5**
Annual (period) change *(%)*	7.8	6.7	2.6	4.4	23.6	29.2	(7.4)
% of GDP(1)	6.2	6.6	6.1	5.9	6.7	7.3	7.2
% of total revenues	26.7	28.4	27.6	26.6	28.2	29.2	28.9
Profit tax	**103.7**	**127.2**	**109.9**	**170.1**	**233.8**	**201.2**	**122.6**
Annual (period) change *(%)*	0.1	22.7	(13.6)	54.8	37.5	56.0	(39.0)
% of GDP(1)	2.1	2.5	2.0	2.8	3.6	4.4	2.9
% of total revenues	8.9	10.9	8.9	12.7	14.9	17.5	11.4
Customs duties	**61.5**	**55.4**	**72.6**	**80.2**	**95.1**	**65.9**	**46.9**
Annual (period) change *(%)*	27.0	(9.9)	30.9	10.6	18.6	11.0	(28.8)
% of GDP(1)	1.2	1.1	1.3	1.3	1.5	1.4	1.1
% of total revenues	5.3	4.7	5.9	6.0	6.1	5.7	4.4
Stamp duties	**32.4**	**33.3**	**37.1**	**37.9**	**45.9**	**30.0**	**22.6**
Annual (period) change (%)	(17.5)	2.8	11.4	2.0	21.1	16.3	(24.6)
% of GDP(1)	0.6	0.7	0.7	0.6	0.7	0.7	0.5
% of total revenues	2.8	2.8	3.0	2.8	2.9	2.6	2.1
Presumptive tax(2)	**3.1**	**3.2**	**3.6**	-	-	-	-
Annual (period) change (%)	(36.1)	3.1	12.3	-	-	-	-
% of GDP(1)	0.1	0.1	0.1	-	-	-	-
% of total revenues	0.3	0.3	0.3	-	-	-	-
Other taxes	**71.7**	**63.6**	**88.6**	**104.1**	**122.2**	**88.1**	**78.4**
Annual (period) change (%)	(13.7)	(11.3)	39.2	17.5	17.4	15.4	(11.0)
% of GDP(1)	1.4	1.3	1.6	1.7	1.9	1.9	1.8
% of total revenues	6.1	5.4	7.2	7.8	7.8	7.7	7.3
Grants	**29.9**	**31.4**	**14.6**	**11.2**	**12.4**	**9.3**	**4.6**
Annual (period) change (%)	73.3	5.1	(53.4)	(23.2)	10.1	31.3	(50.4)
% of GDP(1)	0.6	0.6	0.3	0.2	0.2	0.2	0.1
% of total revenues	2.6	2.7	1.2	0.8	0.8	0.8	0.4
Other revenues	**70.0**	**60.0**	**65.2**	**72.3**	**88.8**	**59.7**	**53.7**
Annual (period) change (%)	10.4	(14.2)	8.6	11.0	22.8	21.4	(10.0)
% of GDP(1)	1.4	1.2	1.2	1.2	1.4	1.3	1.3
% of total revenues	6.0	5.1	5.3	5.4	5.7	5.2	5.0

Note:

(1) Calculated as a percentage of Armenia's nominal GDP.

(2) The past "presumptive" tax regime, which applied to activities such as gambling, ended on 31 December 2017, replaced by an interim "patent" tax regime of such activities in effect in 2018-2019 (with the revenues generated thereby classified as "Other taxes" for the purposes of this table), which in turn was replaced by a new regime of licencing fees effective from 1 January 2020 – see "*—Armenian Tax System—Tax Structure—Other taxes*."

Source: Ministry of Finance.

Expenditures

The Government's largest areas of spending in 2019 were: (i) social welfare, which accounted for 27.9% of expenditures; (ii) defence, which accounted for 19.4% of expenditures; and (iii) general public services, which accounted for 10.0% of expenditures. Social welfare includes retirement, survivor and disability pensions, allowances to parents of new-born children, as well as certain other social disbursements, and general public services include inter-budgetary transfers to local governments and expenses on legislative and executive affairs, financial and fiscal affairs, general research and other administrative expenses.

Total expenditures have grown over the past years, from AMD1,409.0 billion in 2015 to AMD1,629.4 billion in 2019, an increase of 15.6%. In the three largest areas of Government spending (based on year-end 2019 figures), expenditures grew by 18.0% between 2015 and 2019, with social welfare spending increasing by 18.3%, defence spending increasing by 59.0% and general public services decreasing by 21.6%.

Capital/infrastructure spending, which falls within general public services, has fell significantly from an expenditure of AMD31.0 billion in 2015 to AMD12.1 billion in 2016, AMD7.4 billion in 2017 and AMD4.4 billion in 2018 before an uptick in 2019 to AMD7.1 billion.

In the nine months ended 30 September 2020, expenditures increased by 16.8%, compared to the nine months ended 30 September 2019, driven mainly by spending growth in social welfare, defence and health care.

Between 2015 and 2019, debt service payments increased by 112.7%, from AMD74.1 billion in 2015 to AMD157.6 billion in 2019. This increase was driven by growth in interest payments on Internal Public Debt incurred by the Government, which rose from AMD32.2 billion in 2015 to AMD69.8 billion in 2019, and on External Public Debt incurred by the Government, which rose from AMD41.9 billion in 2015 to AMD87.8 billion in 2019. See "*Public Debt and Related Matters*."

The following table sets forth certain additional information about State Budget expenditures for the periods indicated:

State Budget Expenditures

	For the year ended 31 December					For the period ended 30 September	
	2015	**2016**	**2017**	**2018**	**2019**	**2019**	**2020**
	(AMD billions, except percentages)						
Debt service	**74.1**	**98.3**	**122.1**	**139.0**	**157.6**	**117.8**	**117.7**
Annual (period) change *(%)*	20.2	32.7	24.3	13.8	13.3	12.6	(0.1)
% of GDP[(1)]	1.5	1.9	2.2	2.3	2.4	2.6	2.7
% of total expenditures	5.3	6.8	8.1	9.6	9.7	11.2	9.6
% of tax revenues and duties	6.9	9.1	10.5	11.0	10.8	10.9	11.6
Social welfare	**383.7**	**396.8**	**409.0**	**416.6**	**453.9**	**330.6**	**392.5**
Annual (period) change *(%)*	12.0	3.4	3.1	1.9	9.0	8.2	18.7
% of GDP[(1)]	7.6	7.8	7.3	6.9	6.9	7.2	9.2
% of total expenditures	27.2	27.4	27.2	28.8	27.9	31.4	31.9
% of tax revenues and duties	35.9	36.8	35.3	33.1	31.0	30.6	38.6
Defence	**198.5**	**225.9**	**294.4**	**238.5**	**315.6**	**164.0**	**205.2**
Annual (period) change *(%)*	4.2	13.8	30.4	(19.0)	32.3	24.9	25.1
% of GDP[(1)]	3.9	4.5	5.3	4.0	4.8	3.6	4.8
% of total expenditures	14.1	15.6	19.6	16.5	19.4	15.6	16.7
% of tax revenues and duties	18.6	20.9	25.4	19.0	21.6	15.2	20.2
General public services	**207.3**	**193.8**	**154.9**	**139.4**	**162.5**	**104.9**	**117.3**
Annual (period) change *(%)*	33.2	(6.5)	(20.1)	(10.0)	16.5	7.2	11.9
% of GDP[(1)]	4.1	3.8	2.8	2.3	2.5	2.3	2.7
% of total expenditures	14.7	13.4	10.3	9.6	10.0	10.0	9.5
% of tax revenues and duties	19.4	18.0	13.4	11.1	11.1	9.7	11.5
Education	**122.3**	**122.4**	**124.4**	**121.6**	**129.3**	**85.5**	**105.1**
Annual (period) change *(%)*	5.6	0.1	1.6	(2.2)	6.3	4.5	23.0
% of GDP[(1)]	2.4	2.4	2.2	2.0	2.0	1.9	2.5
% of total expenditures	8.7	8.4	8.3	8.4	7.9	8.1	8.5
% of tax revenues and duties	11.5	11.3	10.7	9.7	8.8	7.9	10.3
Public order, security and judiciary	**122.0**	**120.3**	**122.5**	**123.1**	**143.7**	**94.7**	**102.2**
Annual (period) change *(%)*	16.4	(1.4)	1.9	0.5	16.7	14.3	8.0
% of GDP[(1)]	2.4	2.4	2.2	2.0	2.2	2.1	2.4
% of total expenditures	8.7	8.3	8.1	8.5	8.8	9.0	8.3
% of tax revenues and duties	11.4	11.1	10.6	9.8	9.8	8.8	10.1
Economic relations[(2)]	**109.8**	**131.1**	**129.5**	**112.2**	**111.9**	**61.8**	**67.3**
Annual (period) change *(%)*	31.9	19.3	(1.2)	(13.4)	(0.3)	(8.9)	8.9
% of GDP[(1)]	2.2	2.6	2.3	1.9	1.7	1.4	1.6
% of total expenditures	7.8	9.0	8.6	7.8	6.9	5.9	5.5
% of tax revenues and duties	10.3	12.1	11.2	8.9	7.6	5.7	6.6
Health care	**86.1**	**88.6**	**83.2**	**79.6**	**99.3**	**59.9**	**91.1**
Annual (period) change (%)	12.3	3.0	(6.1)	(4.4)	24.8	17.5	52.1
% of GDP[(1)]	1.7	1.7	1.5	1.3	1.5	1.3	2.1
% of total expenditures	6.1	6.1	5.5	5.5	6.1	5.7	7.4

	For the year ended 31 December					For the period ended 30 September	
	2015	2016	2017	2018	2019	2019	2020
	(AMD billions, except percentages)						
% of tax revenues and duties	8.1	8.2	7.2	6.3	6.8	5.6	9.0
Other reserve funds(3)	**29.9**	**15.1**	**20.7**	**34.3**	**-**	**-**	**-**
Annual (period) change (%)	(36.4)	(49.4)	36.8	65.7	-	-	-
% of GDP(1)	0.6	0.3	0.4	0.6	-	-	-
% of total expenditures	2.1	1.0	1.4	2.4	-	-	-
% of tax revenues and duties	2.8	1.4	1.8	2.7	-	-	-
Tourism, culture and religion	**30.4**	**26.6**	**26.0**	**25.3**	**33.6**	**21.7**	**24.4**
Annual (period) change (%)	42.0	(12.4)	(2.3)	(2.7)	32.6	25.5	12.2
% of GDP(1)	0.6	0.5	0.5	0.4	0.5	0.5	0.6
% of total expenditures	2.2	1.8	1.7	1.7	2.1	2.1	2.0
% of tax revenues and duties	2.8	2.5	2.2	2.0	2.3	2.0	2.4
Housing and public services	**39.2**	**25.6**	**12.6**	**11.7**	**16.2**	**8.3**	**4.0**
Annual (period) change (%)	25.3	(34.6)	(50.8)	(7.1)	38.8	26.1	(51.6)
% of GDP(1)	0.8	0.5	0.2	0.2	0.2	0.2	0.1
% of total expenditures	2.8	1.8	0.8	0.8	1.0	0.8	0.3
% of tax revenues and duties	3.7	2.4	1.1	0.9	1.1	0.8	0.4
Environmental protection	**5.7**	**4.5**	**5.4**	**5.7**	**5.8**	**3.8**	**2.9**
Annual (period) change (%)	20.9	(21.1)	21.2	5.3	2.2	8.8	(23.8)
% of GDP(1)	0.1	0.1	0.1	0.1	0.1	0.1	0.1
% of total expenditures	0.4	0.3	0.4	0.4	0.4	0.4	0.2
% of tax revenues and duties	0.5	0.4	0.5	0.5	0.4	0.3	0.3

Notes:

(1) Calculated as a percentage of Armenia's nominal GDP.
(2) Economic relations consists of expenditures on various sectors of the economy, including agriculture, forestry, irrigation, energy, mining, transport, communications and tourism.
(3) During the periods under review, "other reserve funds" consisted of solely the Government Reserve Fund.

Source: Ministry of Finance.

Fiscal Relations with Local Governments

The two main sources of funding for local governments are tax revenues and non-tax transfers from the State Budget. Land and real property taxes are collected by local governments while all other taxes are collected by the Government. The Government also allocates equalisation subsidies and other non-tax transfers to local governments.

Armenian Tax System

Reforms

On 4 October 2016, the National Assembly adopted a new tax code (the "**Tax Code**") which entered into force on 1 January 2018. The Tax Code replaced various laws on different types of taxes, thus simplifying the tax system and promoting stability and predictability of tax legislation.

In June 2019, the National Assembly adopted the 2019 Tax Reform. Pursuant to the 2019 Tax Reform, Armenia switched to a flat taxation system with the personal tax rate set at 23% for all taxpayers from 1 January 2020, gradually falling to 20% by 2023. Pursuant to the 2019 Tax Reform, the profit tax rate was decreased from 20% to 18% from 1 January 2020. Conversely, excise tax rates were increased in 2020 and will be further increased over 2021-2023 as part of the 2019 Tax Reform.

In June 2020, the National Assembly adopted a new property tax regime that came into effect on 1 January 2021, with implementation over a six-year transition period. Under the new regime, property tax is calculated on the estimated market value of property instead of its cadastral value. Further, new scales of the tax base, and in some cases, new tax rates will apply. For instance, the non-taxable threshold will be eliminated and the tax rate of 0.05% will apply up to a property market value of AMD7-10 million (depending on the type of property). The pre-reform highest tax rate amounted to a sum of AMD127,100 plus 1% of property cadastral value exceeding AMD40 million while the new highest tax rate will amount to a sum of AMD1,223,500 - 1,326,000 (depending on the type of property) plus 1.5% of property market value exceeding AMD200 million. Property taxes will continue to be collected by local governments.

In conjunction with these reforms, in 2020, the Government was actively conducting studies and developing action plans to ensure broader and more equitable compliance by taxpayers and combat deep-seated tax evasion. By improving tax compliance, the Government expects to raise the tax-to-GDP ratio in the medium term. See "*Risk Factors—Risk Factors Relating to Armenia—Tax Collection and Tax Reform*."

Tax Structure

Armenia's tax structure includes both direct taxation, such as personal income taxes and corporate profit taxes, and indirect taxation, such as VAT. In addition, Armenia collects excise taxes, customs duties, stamp duties and certain other taxes, and administers a regime of social contributions. See "*Economy of Armenia—Labour and Social Policy—Pensions and Disability*" for a discussion of Armenia's pension system.

VAT

VAT, which is a general consumption tax levied on the supply of goods and services in Armenia and on the supply of goods imported into Armenia, is the largest single source of State Budget revenues. The general VAT rate for the supply of goods and services and the import of goods is 20%. Certain items – such as the supply of goods and services to educational, scientific, social and religious institutions, the sale of certain precious stones and the provision of insurance and re-insurance and banks' services – are exempt from VAT. The payment of VAT on imports related to investment programmes may be postponed for up to three years following import.

VAT accounted for 36.3%, 33.4%, 32.8%, 32.7% and 32.4% of State Budget revenues in 2015, 2016, 2017, 2018 and 2019, respectively. In the nine months ended 30 September 2019 and 2020, VAT accounted for 33.8% and 31.2%, respectively, of State Budget revenues.

Excise Taxes

Excise taxes are currently levied on, among other things, alcoholic beverages, tobacco and tobacco substitutes and certain hydrocarbon products (on imports or domestic production). Domestic and imported products subject to excise are treated equally. Excise tax is paid upon sale or import, at fixed rates.

The following table shows current rates of excise tax for certain products for the periods indicated below.

Excise Tax Rates

Product	*Excise Rates*	*Period*
Alcohol products		
Beer	U.S.$0.27 per litre	2020-2023
Wine	U.S.$0.31 per litre	2020-2023
Alcoholic beverages	U.S.$3.27 per litre	2020
	U.S.$4.26 per litre	2021
	U.S.$5.54 per litre	2022
	U.S.$7.20 per litre	2023
Ethyl spirits	U.S.$5.46 per litre	2020
	U.S.$7.10 per litre	2021
	U.S.$9.24 per litre	2022
	U.S.$11.97 per litre	2023
Tobacco products		
Tobacco products	U.S.$20.21 per 1,000 items	2020
	U.S.$23.24 per 1,000 items	2021
	U.S.$26.73 per 1,000 items	2022
	U.S.$30.74 per 1,000 items	2023

Product	*Excise Rates*	*Period*
Manufactured tobacco substitutes	U.S.$3.15/kg	2020-2023
Hydrocarbon products		
Crude oil, mineral oils	U.S.$56.72 per tonne	2020-2023
Natural gas and other gas-like hydrocarbons...........	U.S.$2.1 per tonne	2020-2023
Gasoline..	U.S.$84.04 per tonne	2020-2023
Diesel fuel	U.S.$27.31 per tonne	2020-2023
Lubricating oil	U.S.$1.05/kg	2020-2023

Excise tax rate for all products (excluding ethyl spirits, alcoholic beverages, tobacco products) over the next three years will be increased by the following coefficients:

Excise Tax Rates Coefficients

	From 1 January		
	2021	2022	2023
Coefficient	1.03	1.06	1.09

Excise tax rates are also indexed for inflation.

Excise taxes accounted for 4.2%, 5.1%, 6.7%, 8.1% and 8.9% of State Budget revenues in 2015, 2016, 2017, 2018 and 2019, respectively. In the nine months ended 30 September 2019 and 2020, excise taxes accounted for 8.1% and 7.8%, respectively, of State Budget revenues.

Personal Income Tax

A resident, individual taxpayer is required to pay tax on income generated in Armenia or in any other country, whereas a non-resident, individual taxpayer is taxed only on income earned in Armenia (subject to any applicable treaty on the elimination of double taxation). Before 1 January 2020, personal income tax was graduated, with rates ranging from 23% to 36%. Under the 2019 Tax Reform, Armenia switched to a flat taxation system with the personal tax rate set at 23% for all taxpayers from 1 January 2020, gradually falling to 22% in 2021, 21% in 2022 and 20% from 2023). Certain types of income are exempt from the personal income tax, including Government disbursements to certain categories of vulnerable people, pension payments and insurance compensation.

Personal income taxes accounted for 26.7%, 28.4%, 27.6%, 26.6% and 28.2% of State Budget revenues in 2015, 2016, 2017, 2018 and 2019, respectively. In the nine months ended 30 September 2019 and 2020, personal income taxes accounted for 29.2% and 28.9%, respectively, of State Budget revenues. In absolute terms, personal income tax receipts have increased by 41.4% between 2015 and 2019, from AMD311.7 billion in 2015 to AMD440.8 billion in 2019, reflecting the growth in the Armenian economy.

Profit Tax

Profit tax is payable by resident and non-resident legal entities. Legal entities resident in Armenia are required to pay profit tax on all profits generated in Armenia and/or any other country, while non-resident legal entities are required to pay profit tax only on profits generated in Armenia (subject to any applicable treaty on the elimination of double taxation). Pursuant to the 2019 Tax Reform, the profit tax rate fell from 20% to 18% from 1 January 2020. The non-resident profit tax rate is 20%, except in respect of passive income, which is taxed at 10% (with the exception of dividends, which are taxed at 5%, and capital gains on securities, which are taxed at 0%), and certain types of insurance compensation, which is taxed at 5%. Profits from the sale of agricultural products are exempt from the profit tax.

Profit tax accounted for 8.9%, 10.9%, 8.9%, 12.7% and 14.9% of State Budget revenues in 2015, 2016, 2017, 2018 and 2019, respectively. In the nine months ended 30 September 2019 and 2020, profit tax accounted for 17.5% and 11.4%, respectively, of State Budget revenues. In absolute terms, profit tax receipts increased significantly in 2018 (AMD170.1 billion versus AMD109.9 billion in 2017) and 2019 (AMD233.8 billion versus AMD170.1 billion in 2018) primarily reflecting recent improvements in collection.

Customs Duties

As a result of Armenia's accession into the EEU, from 1 January 2015 customs duties have been regulated in accordance with EEU principles. See "*External Sector—International Trade Agreements—Barriers to Trade*."

Customs duties accounted for 5.3%, 4.7%, 5.9%, 6.0% and 6.1% of State Budget revenues in 2015, 2016, 2017, 2018 and 2019, respectively. In the nine months ended 30 September 2019 and 2020, customs duties accounted for 5.7% and 4.4%, respectively, of State Budget revenues.

Other Taxes

The Government also imposes various other taxes, including stamp duties and licensing fees. Previously, certain groups of taxpayers, based on their business activity (*e.g.* certain gambling activities), were subject to the patent tax, which assigned fixed lump-sum payments to such taxpayers. Patent tax was abolished from 1 January 2020 when a new regime of licensing fees for the gambling and financial sectors started to apply.

International Taxation Agreements

The Government has entered into double taxation treaties with 47 states, including Russia and Georgia. In July 2013, Armenia became a member of the International Convention on the Simplification and Harmonisation of Customs Procedures, as amended in 2006 (the "**Kyoto Convention**"). The Kyoto Convention was drafted in an effort to standardise and simplify international customs procedures. In 2017, Armenia joined the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (the "**BEPS Convention**").

Beneficial Tax Regimes

Armenian tax legislation also extends certain tax benefits to the following regimes.

International Development Organisations

Armenia has agreements in place with certain international development organisations, such as the World Bank, ADB KfW and the United States Agency for International Development, according to which the Government bears all tax liabilities incurred by such organisations in connection with their work in Armenia.

Free Economic Zones (FEZs)

Armenia opened its first FEZ in July 2013 – the "Alliance" FEZ ("**Alliance**"). Located in Yerevan, the Alliance FEZ has 55,800 square metres of industrial space and 37,900 square metres of office space and is open to businesses specialising in certain high-tech sectors, such as precision engineering, biotechnology, pharmaceuticals, information technology, alternative energy and telecoms. Alliance, in which currently 12 enterprises have the right to operate, is managed by Sitronics Armenia, a unit of the Russian company Sistema.

Armenia opened its second FEZ in 2014 – the "MERIDIAN" FEZ ("**MERIDIAN**"). Located in Yerevan, the MERIDIAN FEZ specialises in jewellery- and watch-making as well as stone cutting. An investment of U.S.$14 million was made in connection with the opening of MERIDIAN, which has led to the creation of over 120 jobs.

Armenia opened its third FEZ in 2017 – the "Meghri" FEZ ("**Meghri**"). The Meghri FEZ is located on the border with Iran and has facilities for a wide range of economic sectors, including agriculture, manufacturing, trade, cargo shipment and tourism.

Armenia opened its fourth FEZ in 2018 – the "Ecos" FEZ ("**Ecos**"). Located in town of Hrazdan in east-central Armenia, the Ecos FEZ is aimed at creating a favourable environment for developing and supporting innovative technological enterprises including such areas as digital assets, mining and others.

FEZ residents are exempt from VAT, customs duties, profit and property taxes, as well as currency restrictions, and enjoy the free movement of capital, profits and dividends.

MONETARY AND FINANCIAL SYSTEM

Central Bank of Armenia

The CBA is the central bank of the Republic of Armenia. It is an autonomous public entity governed by the Law of the Republic of Armenia on the Central Bank of Armenia (the "**CBA Law**"), which was adopted on 30 June 1996 by the National Assembly, as subsequently amended.

The CBA Law sets out the objectives, authority, structure and management of the CBA. The primary objective of the CBA as set by the Constitution is maintenance of price and financial stability.

For the purposes of preserving price stability in Armenia, the CBA develops, approves, and conducts monetary policy. The CBA Law sets out further objectives of the CBA, including the creation of requisite conditions for stability, liquidity, solvency and the normal functioning of the banking sector, and the creation and development of an efficient payment and settlement system. The CBA Law establishes the CBA's relationship with Government authorities, banks and other legal entities. The CBA Law establishes the CBA as the authority responsible for the issuance of domestic currency and for the organisation and regulation of its circulation. The CBA is responsible for implementing monetary and foreign exchange policies, supervising the banking sector, regulating other financial services (including insurance and trading in securities), as well as holding foreign reserves and acting as the financial agent and banker for the Government. The CBA's website is www.cba.am.

The CBA is independent of the Government and National Assembly. The Constitution guarantees the independence of the CBA.

CBA Strategy for 2018-2020

The CBA's strategic programme for 2018-2020 is based on two strategic objectives:

- *Price stability*. Price stability is defined by the CBA as a process of anchoring public expectations around the inflation target, so that a price change does not affect market participants' behaviour related to spending, savings, investment and other decisions. The achievement of this strategic objective requires improving the forecasting and policy analysis system, as well as increasing confidence in the monetary policy.

- *Financial stability*. Financial stability is defined by the CBA as a state in which the financial system operates smoothly (without undesirable impacts on present and future performance of the economy), while being resistant to adverse shocks. The achievement of this strategic objective requires improvement and development of macro prudential analysis and mechanisms to identify and assess systemic risks, as well as ensuring transparency and clear communication of macro prudential policy decisions and decision-making processes.

In addition to the implementation of these two strategic objectives, the CBA carries out the following critical functions: (i) creating an organised framework for the issuance and circulation of currency; (ii) combating money laundering and terrorism financing; (iii) regulating and protecting consumer rights; and (iv) effectively managing Armenia's international reserves.

CBA Management

The supreme policy-making body of the CBA is the board (the "**CBA Board**"), which consists of the Chairman, two deputies and five members. The CBA Board members are appointed by the National Assembly for a period of six years.

The Chairman of the CBA is the highest official of the CBA. In the absence of the Chairman, or if the Chairman is unable to perform his or her duties, the Chairman is substituted by one of the deputy Chairmen, and in case of the deputy Chairmen's absence, or the inability of the deputy Chairmen to perform their duties, the eldest member of the CBA Board shall act in his place. The Chairman coordinates the work of the CBA, represents the CBA in Armenia, overseas and in meetings of international organisations, presides over the CBA Board sessions and ensures implementation of legal acts adopted by the CBA Board. The Chairman and the deputy Chairmen as well as members of the CBA Board cannot be members of any political party or engage in political activities, may not hold offices, which are not related to their status, in state or municipal office titles and may not carry out business activities or perform other paid work, except for scientific, educational and creative activities. Minutes of the CBA Board meetings are published on the CBA website.

As of the date of this Prospectus, the Chairman of the CBA Board is Mr. Martin Galstyan and the deputy Chairmen are Mr. Nerses Yeritsyan and Mr. Vakhtang Abrahamyan. The other members of the CBA Board are Messrs. Davit Nahapetyan, Oleg Aghasyan, Artur Stepanyan and Hovhannes Khachatryan and Mrs. Hasmik Ghahramanyan.

Monetary and Financial Policies of the CBA

Overview

One of the CBA's primary policy objectives is to ensure price stability. Since 2006, the CBA has adopted a policy of inflation targeting to meet this objective. An inflation target is reflected in the inflation reports prepared by the CBA, the MTEF and the State Budget. Inflation reports consist of (i) a monetary policy programme with a forecast horizon and (ii) a report on the implementation of such monetary policy programme. Each year, the first quarter's inflation reports are submitted to, although not subject to approval of, the National Assembly. Since January 2006, the CBA has maintained an annual inflation target of 4%, with a tolerance band of plus/minus 1.5%.

The CBA, and, in particular, its Monetary Policy Department (the "**MPD**") of the Macroeconomic Directorate, is responsible for the formulation and implementation of Armenia's monetary and foreign exchange policies. The MPD is composed of five divisions – the Monetary and Fiscal Analysis Division, the External Sector Analysis and Forecasting Division, the Real Sector Analysis and Forecasting Division, the Macroeconomic Forecasting Division and the Models Development Division. A team within the MPD, known as the Forecasting Team, meets eight times per year in order to discuss monetary policy, present inflation forecasts for the upcoming 12 quarters and advise the Chairman of the CBA on policies to minimise deviations from the targeted rate of inflation through interest rate adjustments with least costs in the real economy. The Forecasting Team also assists in the preparation of inflation reports. The CBA's interest rates and the press release on policy rates are published on the CBA website in Armenian and English.

In 2011, the CBA established a consultative body known as the Financial Stability and Special Resolution Committee, which is responsible for the assessment of financial stability. The Financial Stability and Special Resolution Committee is composed of the Chairman of the CBA and heads of the Financial Stability Directorate, Financial Supervisory and Licensing Directorate, Macroeconomic Directorate, Financial System Stability and Development Department and Legal Department. The Financial Stability and Special Resolution Committee employs various tools to monitor the stability of Armenia's financial system, including various stress-testing models, identifies potential risks to the stability of Armenia's financial system, considers appropriate measures to ensure financial stability and suggests policies and other actions. The Financial Stability and Special Resolution Committee meets every quarter, although in extraordinary situations a special session may be convened.

Implementation

Since 1 July 2006, the CBA has been implementing an inflation-targeting strategy. The CBA carries out inflation targeting mainly through adjustments in the interest rate on short-term loans from the CBA to the domestic banking system (the "**Refinancing Rate**"). From 24 December 2014 to 10 February 2015, the CBA increased the Refinancing Rate to 10.5% to stabilise the increase of inflation expectations coming from the regional currency crisis. Following this increase, the CBA kept it stable for six months and then, beginning on 11 August 2015, when the Refinancing Rate was decreased to 10.25%, the CBA instituted a series of further reductions as both inflation and inflation expectations were decreasing. On 14 February 2017, the Refinancing Rate was further decreased to 6.0% and remained unchanged till 30 January 2019 when it was decreased to 5.75% in response to downward pressure on inflation, reflecting demand-side factors including a fiscal tightening, slowdown in consumption and supply-side factors including muted pressure from food prices. On 10 September 2019, the CBA announced the reduction of the Refinancing Rate to 5.5% and kept it unchanged till 18 March 2020. From 18 March 2020 to 16 September 2020, the Refinancing Rate was gradually decreased from 5.5% to 4.25% in response to weakening demand amid persisting uncertainty about the end of the COVID-19 pandemic. On 15 December 2020, the CBA increased the Refinancing Rate to 5.25% in response to the higher projected inflation rates and the increase in country risk premium.

The following table sets forth the Refinancing Rate for the dates indicated:

Refinancing Rates

Dates	Refinancing Rate
15 December 2020 – current	5.25%
16 September 2020 – 14 December 2020	4.25%
17 June 2020 – 15 September 2020	4.50%
29 April 2020 – 16 June 2020	5.00%
18 March 2020 – 28 April 2020	5.25%
11 September 2019 – 17 March 2020	5.5%
30 January 2019 – 10 September 2019	5.75%
15 February 2017 – 29 January 2019	6.0%
28 December 2016 – 14 February 2017	6.25%
16 November 2016 – 27 December 2016	6.5%
28 September 2016 – 15 November 2016	6.75%
17 August 2016 – 27 September 2016	7.25%
29 June 2016 – 16 August 2016	7.5%
18 May 2016 – 28 June 2016	7.75%
30 March 2016 – 17 May 2016	8.25%
17 February 2016 – 29 March 2016	8.5%
23 December 2015 – 16 February 2016	8.75%
11 November 2015 – 22 December 2015	9.75%
12 August 2015 – 10 November 2015	10.25%
25 March 2015 – 11 August 2015	10.5%
13 March 2015 – 24 March 2015	10.5%
11 February 2015 – 12 March 2015	10.5%
22 January 2015 – 10 February 2015	9.5%
24 December 2014 – 21 January 2015	8.5%

Source: CBA.

Through its operations with the commercial banks, the CBA targets the interbank short-term borrowing rate to be close to the Refinancing Rate. To manage short-term deviations in liquidity and interest rates, the CBA uses various adjustment instruments, including repo, reverse repo and deposit auction. The CBA also employs a variety of structural instruments that are designed to encourage long-term adjustments to liquidity and interest rates. The CBA also engages in the purchase and sale of Government securities on the domestic market. Only treasury bills issued by the CBA and the Ministry of Finance, or securities issued by certain commercial entities which have been approved as eligible assets by the CBA Board, can be used in repo transactions.

Armenian banks may make use of the CBA's standing facilities, consisting of one-day Lombard repos and one-day deposit facilities. Lombard repos expand liquidity in the financial system, while deposit facilities have the effect of absorbing market liquidity. Through the use of Lombard repos and deposit facilities, an interest rate corridor of +/- 1.5% is set for the interbank market, thereby limiting interest rate volatility. The only deviation from this approach came during the 2014 regional currency crisis when the CBA reacted to a sharp increase of inflation expectations by using its Lombard rate. For the period from 26 November 2014 up until 25 March 2015, the Lombard rate served as an interest rate indicator for the policy stance. To counteract the inflation pressures, the Lombard rate increased from 8.25% to 10.25% on 25 November 2014 and then sharply increased to 21% on 3 December 2014. After the stabilisation of the situation in mid-December 2014, the Lombard rate was normalized with a series of subsequent stepped decreases to 12% on 24 March 2015. After that, the Lombard rate has remained at 1.5% above the Refinancing Rate, moving in tandem.

The following table sets forth the rates on the CBA's standing facilities for the dates indicated:

Standing Facilities

Dates	One-day Deposit Facility Rate	One-day Lombard Repo Rate
15 December 2020 – current	3.75%	6.75%
16 September 2020 – 14 December 2020	2.75%	5.75%
17 June 2020 – 15 September 2020	3.0%	6.0%
29 April 2020 – 16 June 2020	3.5%	6.5%
18 March 2020 -28 April 2020	3.75%	6.75%
11 September 2019 – 17 March 2020	4.0%	7.0%
30 January 2019 – 10 September 2019	4.25%	7.25%
15 February 2017 – 29 January 2019	4.5%	7.5%
28 December 2016 – 14 February 2017	4.75%	7.75%
16 November 2016 – 27 December 2016	5.0%	8.0%
28 September 2016 – 15 November 2016	5.25%	8.25%
17 August 2016 – 27 September 2016	5.75%	8.75%
29 June 2016 – 16 August 2016	6.0%	9.0%
18 May 2016 – 28 June 2016	6.25%	9.25%
30 March 2016 – 17 May 2016	6.75%	9.75%
17 February 2016 – 29 March 2016	7.0%	10.0%
23 December 2015 – 16 February 2016	7.25%	10.25%
11 November 2015 – 22 December 2015	8.25%	11.25%
12 August 2015 – 10 November 2015	8.75%	11.75%
25 March 2015 – 11 August 2015	9.0%	12.0%
13 March 2015 – 24 March 2015	9.0%	13.5%
11 February 2015 – 12 March 2015	9.0%	14.5%
22 January 2015 – 10 February 2015	8.0%	17.0%
24 December 2014 – 21 January 2015	7.0%	20.0%

Source: CBA.

The CBA establishes minimum reserve requirements, which are determined separately for dram liabilities and foreign currency liabilities. Aside from the role in safeguarding the stability of the local banking sector, the minimum reserve requirements also serve as a tool of managing market liquidity in order to achieve a targeted interbank interest rate. Generally, changes of reserve requirements reflect dynamics in the financial sector stability and are directed at tackling identified risks. In mid-December 2014, when high inflation expectations made financial markets flow to foreign currency liquidity, the CBA sharply increased reserve requirements of foreign currency liabilities to be held daily in AMD from 12% to 24%. By increasing liquidity demand for AMD, the CBA ensured the transmission of the Refinancing Rate to the financial markets, which helped to stabilise the economy and restrain accelerating inflation.

The Armenian economy remains significantly dollarised. As of 31 December 2019, residents' foreign currency deposits represented 44.6% of residents' total deposits and residents' foreign currency loans represented 49.5% of residents' total loans. As of 30 September 2020, residents' foreign currency deposits represented 41.9% of residents' total deposits and residents' foreign currency loans represented 48.3% of residents' total loans. The CBA believes that the de-dollarisation of the economy will be propelled by market participants' confidence in monetary policy as a whole, and thus de-dollarisation can only be achieved through maintaining price stability and anchored inflation expectations. The strengthening of market participants' confidence in monetary policy remains the long-term goal of the CBA. The CBA was able to maintain price stability despite the severe shock caused by the Russian recession in late 2014 and thus curtailed financial outflows into foreign currencies. Since 2015, residents' foreign currency deposits as a share of residents' total deposits and foreign currency loans as a share of residents' total loans have been gradually decreasing.

At the same time, the CBA has set a number of regulatory requirements aimed at controlling the currency induced credit risk and foreign currency liquidity risk, including in particular:

- The minimum reserve requirement is set at 2% for funds attracted in AMD, but at 18% for funds attracted in foreign currencies, of which currently 10% is maintained in AMD and 8% in the foreign currency but this allocation will shift in coming next years, by about 2% per annum, so that the reserve will be maintained entirely in the foreign currency.

- When calculating the capital adequacy ratio for purposes of determining credit risks, assets denominated in foreign currencies carry a 50% higher risk-weighting than assets denominated in AMD.

- Loan loss provisioning for assets denominated in the foreign currency is 20% higher than loan loss provisioning for assets denominated in AMD.

- The introduction of a differentiated deposit guarantee contribution system, according to which the deposit guarantee contributions made by a bank depends on the interest rate of the foreign currency deposit.

- Liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) for all currencies as well as for each significant currency (including foreign currencies) have been introduced.

The CBA may adjust the above-mentioned instruments in order to readjust the level of currency induced risks.

As of 31 December 2015, 2016, 2017, 2018, 2019 and 30 September 2020, respectively, residents' foreign currency deposits as a share of residents' total deposits accounted have been steadily decreasing from 64.1% to 59.9%, 55.3%, 51.8%, 44.6% and 41.9%, respectively, and residents' foreign currency loans as a share of residents' total loans have been steadily decreasing from 66.2% to 65.0%, 61.4%, 54.1%, 49.5% and 48.3%, respectively.

Monetary Aggregates

The table below sets forth certain statistics relating to money aggregates in Armenia and in the Armenian banking sector as of the dates indicated:

Money Aggregates

	As of 31 December					As of 30 September
	2015	**2016**	**2017**	**2018**	**2019**	**2020**
	(AMD millions, unless otherwise indicated)					
Currency in circulation	345,507	390,918	445,155	476,996	502,304	550,156
Broad money (M2)	860,477	1,073,730	1,383,876	1,566,824	1,903,131	2,081,851
Broad money (M2X)	1,855,676	2,180,098	2,582,783	2,775,095	3,085,464	3,234,526
Broad money (M2X) year-on-year growth rate (%)	10.8	17.5	18.5	7.4	11.2	11.9
Broad money (M2X) share of GDP(1) (%)	36.8	43.0	46.4	46.1	47.2	49.2
Reserve money	921,325	1,042,299	1,032,005	1,215,585	1,322,230	1,272,836
Reserve money year-on-year growth rate (%)	3.9	13.1	(1.0)	17.8	8.8	12.6
Deposits in drams(2)	593,846	855,236	1,038,825	1,169,765	1,512,588	1,664,689
Deposits in foreign currencies(2)	1,357,261	1,558,124	1,585,767	1,787,531	2,055,619	1,905,968
Loans in drams(3)	727,519	900,568	1,028,288	1,377,125	1,793,789	2,060,663
Loans in foreign currencies(3)	1,391,994	1,535,513	1,656,294	1,751,446	1,863,222	1,995,735

Notes:

(1) Calculated as a percentage of nominal GDP. The percentage as of 31 December 2018 has been revised by Armstat upon release of 2019 GDP information as part of regular statistical adjustment.

(2) Includes deposits in commercial banks from non-residents and resident non-financial corporations, households, non-profit organisations and other financial organisations.

(3) Includes loans by commercial banks to non-residents and resident non-financial corporations, households, non-profit organisations and other financial organisations.

Source: CBA.

Monetisation of the Armenian economy, expressed as the ratio of broad money (M2X, which is M2 plus foreign exchange deposits) to nominal GDP, has increased in recent years: from 36.8% in 2015 to 47.2% in 2019.

The increase in monetary aggregates between 2015 and 2019 was due to growing money demand due to the growth of the Armenian economy. Currency in circulation, broad money (M2) and reserve money increased over 2015-2019. The rate of increase in broad money (M2X) was 10.8% in 2015, 17.5% in 2016, 18.5% in 2017, 7.4% in 2018 and 11.2% in 2019. In 2019, currency in circulation increased by 5.3% (compared to 7.2% in 2018), deposits in drams increased by 29.3% (compared to 12.6% in 2018), and deposits in foreign currencies increased by 15.0% (compared to 12.7% in 2018). The growth of both deposits and loans (in both drams and foreign currencies) during the years under review was mainly the result of economic expansion and an increase in financial intermediation, as well as an increase in competition between commercial banks.

Liquidity and Credit Aggregates

The following table sets forth the liquidity and credit aggregates for the Armenian banking sector as of the dates indicated:

Liquidity and Credit Aggregates

	As of 31 December					As of 30 September
	2015	2016	2017	2018	2019	2020
			(AMD millions)			
Liquid assets (core)[(1)]	873,797	1,136,871	1,316,239	1,260,454	1,440,517	1,644,930
Short-term liabilities	613,807	665,732	928,942	1,054,836	1,290,117	1,405,568
Total loans[(2)]	2,119,513	2,436,081	2,684,582	3,128,570	3,657,011	4,056,398
Loans to resident public sector	26,201	22,339	18,460	16,426	16,053	18,075
Loans to resident private sector (excluding interbank loans)	1,979,041	2,094,494	2,461,125	2,873,960	3,395,587	3,801,389
Loans to non-residents	114,271	319,248	204,997	238,184	245,371	236,934
Domestic interbank loans[(3)]	66,446	44,132	89,624	75,029	122,175	96,509

Notes:

(1) Core liquid assets include currency, deposits and other financial assets that are available either on demand or within three months or less.

(2) Total loans include loans by commercial banks to non-residents and resident non-financial corporations, households, non-profit organisations and other financial organisations. Total loans also include factoring, leasing and repo agreements.

(3) Domestic interbank loans are not included in total loans.

Source: CBA.

As of 31 December 2016, the liquid assets to short term-liabilities ratio was 170.8%, an increase from 142.4% as of 31 December 2015, due to liquid assets growing at a faster rate than short-term liabilities. As of 31 December 2017, 2018 and 2019, the liquid assets to short-term liabilities ratio equalled 141.7%, 119.5% and 111.7%, respectively. As of 30 September 2020, the liquid assets to short term-liabilities ratio was 117.0%. The increase in the ratio as of 31 December 2016 was mainly the result of a 30.1% increase in highly liquid assets compared to an 8.5% increase in short-term liabilities, whereas the decreases as of 31 December 2017, 31 December 2018 and 31 December 2019 reflect 39.5%, 13.6% and 22.3% respective increases in short-term liabilities outpacing an increase of 15.8% in 2017, a decrease of 4.2% in 2018 and an increase of 14.3% increase in 2019 of highly liquid assets.

The local private sector is the primary recipient of loans from the Armenian banking sector. As of 31 December 2015, 2016, 2017, 2018 and 2019, loans to the domestic private sector (excluding domestic interbank loans and resident public sector) accounted for 93.4%, 86.0%, 91.7%, 91.9% and 92.9%, respectively, of all banking sector loans. The volume of loans to the domestic private sector fell 4.4% as of 31 December 2015, but since then it has grown steadily: by 5.8% as of 31 December 2016, by 17.5% as of 31 December 2017, by 16.8% as of 31 December 2018 and by 18.2% as of 31 December 2019. The volume of outstanding loans to non-residents increased from AMD114,271 as of 31 December 2015 (5.4% of outstanding banking sector loans) to AMD319,248 million as of 31 December 2016 (13.1% of outstanding banking sector loans); fell to AMD204,997

(7.6% of outstanding banking sector loans) in 2017; and increased to AMD238,184 in 2018 (7.6% of outstanding banking sector loans) and then to AMD245,371 in 2019 (6.7% of outstanding banking sector loans).

Volumes of domestic interbank loans have fluctuated in recent years. Outstanding interbank loans decreased from AMD89,624 million as of 31 December 2017 to AMD75,029 million as of 31 December 2018, before increasing to AMD122,173,792 as of 31 December 2019.

Inflation

CPI

CPI is used as a broad measure of inflation in Armenia. CPI statistics are collected and calculated on a monthly basis by Armstat of the Republic of Armenia ("**Armstat**") and published on its website at www.armstat.am on the third business day after a reporting month. The CBA uses the data collected by Armstat to monitor headline inflation and calculate an index of core inflation.

Core inflation is a measure of the more persistent movements in headline inflation, which is mainly driven by aggregate demand and is less sensitive to direct effects of short-term supply side shocks such as one-off increases in public utility fees or adverse weather conditions of a temporary nature. Under the inflation targeting framework, CBA uses monetary policy to control inflation through affecting aggregate demand in the economy while trying not to react to the first-round effects of one-time supply shocks. Using a measure of core inflation helps to avoid inefficient reactions to these shocks, as well as have a better understanding of the effects of monetary conditions on inflation dynamics generally.

The CBA puts primary emphasis on 12-month end-of-period inflation indicators. To ensure inflation remains close and converges to the target level of 4.0% per annum in the medium term, the CBA monitors the 12-month inflation indicator on a monthly basis against the same month of the previous year.

The following table sets forth certain CPI information for the years indicated:

CPI Inflation Rates

	For the year ended 31 December					
	2015	**2016**	**2017**	**2018**	**2019**	**2020**
			(%)			
CPI (end of year)	**(0.1)**	**(1.1)**	**2.6**	**1.8**	**0.7**	**3.7**
Food	(3.7)	(0.2)	5.3	1.8	0.2	5.5
Non-food	3.4	(3.4)	1.7	3.2	1.4	3.4
Services	3.2	(0.7)	(0.5)	0.8	1.1	1.6
CPI (average)	**3.7**	**(1.4)**	**1.0**	**2.5**	**1.4**	**1.2**
Food	3.0	(2.9)	4.0	2.5	2.1	1.2
Non-food	5.6	(2.5)	(1.8)	4.5	1.5	1.0
Services	3.0	1.8	(1.2)	1.2	0.5	1.4

Source: Armstat.

To determine CPI, Armstat currently monitors the prices of 427 goods and services across Armenia.

The following tables set forth the composition of CPI and the relative weight attributable to each component in calculating CPI, per the classification system introduced in 2017 by Armstat, and the inflation rates per CPI component for 2015-2016 using the prior classification system and for 2017 – 2020 using the current classification system):

Composition of CPI in 2020, %

Food and non-alcoholic beverages	39.28
Housing and household services	15.87
Health	9.56
Transport	8.22

Communication	4.73
Alcoholic beverages and tobacco	4.18
Clothing and footwear	3.77
Furniture and household goods	3.39
Education	2.98
Recreation and culture	2.16
Restaurants and hotels	1.36
Miscellaneous goods and services	4.51

Source: Armstat.

Inflation Rates of CPI Components 2015 - 2016, %

	2015	2016
All items	**(0.1)**	**(1.1)**
Health	7.4	(0.1)
Furnishings, household equipment	5.0	(6.5)
Recreation and culture	4.4	3.3
Clothing and footwear	4.2	(2.3)
Housing, water, electricity, gas	4.0	(1.7)
Alcoholic beverages and tobacco	(0.1)	1.1
Transportation and communication	(2.6)	(2.7)
Food and non-alcoholic beverages	(4.1)	(0.3)
Miscellaneous goods and services	7.1	(1.5)

Source: Armstat.

Inflation Rates of CPI Components 2017 - 2020, %

	2017	2018	2019	2020
All items	**2.6**	**1.8**	**0.7**	**3.7**
Food and non-alcoholic beverages	5.5	1.6	(0.3)	4.9
Transport	5.2	5.9	2.3	4.7
Clothing and footwear	4.4	0.9	2.5	0.3
Alcoholic beverages and tobacco	4.0	3.9	4.6	10.4
Health	2.5	3.7	1.8	3.9
Recreation and culture	1.9	(2.4)	(0.9)	(0.7)
Education	1.2	2.4	3.7	2.0
Restaurants and hotels	0.5	2.8	1.9	1.8
Communication	(0.1)	(0.6)	(0.1)	0.0
Furniture and household goods	(0.2)	0.7	0.1	3.6
Miscellaneous goods and services	(0.3)	0.7	(0.1)	5.5
Housing and household services	(3.8)	0.5	0.9	0.5

Source: Armstat.

In 2015, Armenia's end-of-year annual CPI inflation rate was negative 0.1%. This deflation was largely due to a 3.7% decrease in food prices, which was offset by a 3.4% increase in non-food prices and a 3.2% increase in the prices for services. Price growth in the services sector was, in turn, largely due to an 11.1% increase in electricity tariffs in August 2014. Overall price growth decelerated in 2015 mainly due to a weakening domestic demand and vanishing effects of prior cost-push shocks.

In 2016, Armenia's end-of-year annual CPI inflation rate was negative 1.1%, reflecting a 3.4% decrease in non-food prices, a 0.7% decrease in services and a 0.2% decrease in food prices. Decrease of services prices was in large measure caused by a decrease in natural gas tariffs prices. Overall price growth was slower in 2016 compared to 2015 mainly due to a deflationary impact from international commodity markets, weak domestic demand and, to a lesser extent, favourable developments in the agricultural sector, which resulted in lower than expected prices of seasonal fruits and vegetables.

The deflationary environment during 2015-2016 can be attributed to a few main drivers, principally the slowdown in the global economy and in particular the Russian economy, deflationary pressures from international markets for commodities, a shared deflationary trend among many emerging markets in the region and relatively weak domestic demand.

In 2017, Armenia's end-of-year annual CPI inflation rate was 2.6%, largely due to a 5.3% increase in food prices (including alcohol and cigarettes) and a 1.7% increase in non-food prices, partly offset by a 0.5% decrease in services. Inflation returned in 2017 mainly due to an expansionary monetary policy environment, modest inflationary pressures from international food markets and a rapid increase in prices of fruits and vegetables in the second half of 2017.

In 2018, Armenia's end-of-year annual CPI inflation rate was 1.8%, largely due to a 3.2% increase in non-food prices and a 1.8% increase in food prices, as well as a 0.8% increase in services prices. The increase in food prices was mainly due to an increase in prices of fruits, meat and oil and fats. The decrease of CPI inflation versus 2017 was mostly due to a relatively weak domestic demand attributable to a more-than-expected restrictive fiscal policy over the course of the year.

In 2019, Armenia's end-of-year annual CPI inflation rate was 0.7%, largely due to a 1.4% increase in non-food prices, a 1.1% increase in services prices and a slight 0.2% increase in food prices. The relative stability of food prices was due to an increase in prices of fruits, vegetables, bread, cigarette and alcohol products which was offset by a decrease in prices of meat, oil and fats, sugar and milk. The decrease of CPI inflation versus 2018 was mainly due to a relatively weak domestic demand and the weakening of certain prices in international food markets.

In 2020, Armenia's end-of-year annual CPI inflation rate was 3.7%, largely due to a 5.5% increase in food prices, a 3.4% increase in non-food prices and 1.6% increase in services prices. The increase of food prices was due to an upsurge of international food prices combined with the fall in the dram. The fall in the dram also largely contributed to the increase of non-food prices. Inflation for services prices was driven by the 4.7% increase in transportation prices.

Other Inflation Indices

In addition to the CPI, the CBA uses other indices to monitor price movements in the economy, including: (i) the producer price index ("**PPI**"), which measures price changes in various industrial sectors; (ii) the freight tariff index, which measures changes in freight tariffs based on mode of transport; (iii) the construction price index, which measures changes in prices for various construction inputs, including materials, parts and labour; and (iv) the sale price index for agricultural products, which measures changes in the sales price of a basket of agricultural products.

The following table sets forth certain information of these other inflation indices:

Selected Inflation Rates

	For the year ended 31 December				
	2015	**2016**	**2017**	**2018**	**2019**
			(%)		
PPI (end of period)................	**(7.7)**	**7.0**	**3.2**	**(1.2)**	**1.4**
PPI (period average).............	**(0.8)**	**1.5**	**3.9**	**1.6**	**0.5**
Freight tariff index (period average)..................................	**1.2**	**7.4**	**6.4**	**0.6**	**0.9**
Roads.......................................	(0.6)	(5.2)	-	1.1	2.0
Rail..	10.1	(2.0)	2.9	0.5	(2.4)
Air	-	n/a	n/a	-	(1.5)
Pipeline	-	15.8	13.7	-	0.0
Construction price index (period average)..................................	**6.1**	**(1.8)**	**0.2**	**1.8**	**(2.1)**
Sale price index for agricultural products (period average)......	**(19.5)**	**(2.2)**	**0.8**	**13.1**	**(5.6)**

Note:

n/a = not available.

Source: Armstat.

Financial Market Interest Rates

The following table sets forth the weighted average interest rates for dram deposits in Armenian banks for the years indicated:

Interest Rates on Deposits(1)

	For the month indicated and the year					
	2015	2016	2017	2018	2019	2020
			(%)			
January	12.06	13.35	8.96	8.82	8.95	9.10
February	13.99	11.44	9.29	8.73	8.65	8.65
March	15.21	11.45	9.21	8.39	8.99	7.23
April	13.26	10.77	10.15	8.97	8.85	8.08
May	15.26	12.20	8.86	8.48	8.86	8.31
June	14.85	12.81	9.10	8.64	8.25	7.92
July	14.44	12.37	8.82	8.69	8.22	8.14
August	12.26	12.04	9.42	9.14	8.30	8.22
September	14.06	11.76	8.62	8.63	7.37	8.41
October	15.22	10.69	8.77	8.80	8.51	7.94
November	15.07	10.60	8.56	8.10	8.42	8.00
December	14.09	9.90	8.41	8.57	8.47	7.40

Note:

(1) These figures include average deposit rates (up to one year, excluding demand deposits). Weighted average interest rates on deposits of the given maturity attracted from legal entities and households by commercial banks are presented.

Source: CBA.

Interest rates on deposits have historically varied, sometimes significantly, depending on the currency of the deposit and the identity of the depositor. Variations are driven by competition between Armenian commercial banks and anticipated exchange rates.

In 2020, the weighted average interest rates on short-term, dram-denominated household deposits (excluding demand deposits) stood at 7.9%, compared to 8.1% in 2019. In 2020, the weighted average interest rates on short-term, dram-denominated deposits (excluding demand deposits) for non-financial corporations stood at 6.8%, compared to 8.9% in 2019.

In 2020, the weighted average interest rates on long-term, dram-denominated and foreign currency-denominated household deposits stood at 9.3% and 4.4%, respectively, compared to 9.5% and 4.3%, respectively, in 2019. In 2020, the weighted average interest rates on long-term, dram-denominated and foreign currency-denominated deposits for non-financial corporations stood at 8.8% and 3.3%, respectively, compared to 8.5% and 5.6%, respectively, in 2019.

In 2020, the weighted average interest rates on short-term, dram-denominated and foreign currency-denominated household loans (including consumer and other loans) stood at 14.1% and 10.6%, respectively, compared to 14.2% and 10.9%, respectively, in 2019. In 2020, the weighted average interest rates on short-term, dram-denominated and foreign currency-denominated loans to non-financial corporations stood at 10.3% and 7.8%, respectively, compared to 10.5% and 7.6%, respectively, in 2019.

In 2020, the weighted average interest rates on long-term, dram-denominated and foreign currency-denominated household loans (including mortgage, consumer and other loans) stood at 12.9% and 11.0%, respectively, compared to 13.3% and 9.9%, respectively, in 2019. In 2020, the weighted average interest rates on long-term, dram-denominated and foreign currency-denominated loans to non-financial corporations stood at 10.5% and 7.7%, respectively, compared to 10.5% and 8.1%, respectively, in 2019.

Dram-denominated mortgage loans to individuals carried a 10.4% weighted average interest rate in 2020, compared to a 10.8% weighted average interest rate in 2019. Foreign currency-denominated mortgage loans to individuals carried a 9.5% weighted average interest rate in 2020, compared to a 10.0% weighted average interest rate in 2019.

The weighted average yield on short-term Government securities issued in the primary market was 6.4% in 2020, compared to 5.7% in 2019. The weighted average yield on mid-term Government securities issued in the primary market was 7.7% in 2020, compared to 6.5% in 2019. The weighted average yield on long-term Government securities issued in the primary market was 9.1% in 2020, compared to 10.9% in 2019.

Exchange Rates and Exchange Rate Policy

Armenia's national currency, the dram, was introduced in 1993. Consistent with its policy of inflation targeting, the CBA oversees a freely floating exchange rate regime. The exchange rate of the dram against the dollar is published on each business day as the weighted average rate of the buying and selling exchange rates of the dollar for transactions carried out by commercial banks, credit organisations and investment companies. Exchange rates of other currencies are calculated using their cross rates against the dollar, which are obtained from Bloomberg information systems at 14:00 Yerevan time. The exchange rates are published on the CBA's website before 15:45, Yerevan time, each business day.

The CBA's policy is to maintain the existing flexible exchange rate regime in line with the inflation targeting framework, while aiming to ensure international reserves adequacy. It considers continued two-way exchange rate flexibility will help protect reserve buffers and maintain competitiveness. Its currency interventions are expected to be limited to smoothing excessive fluctuations and mitigating transitory pressures. To further bolster Armenia's resilience to external shocks, the CBA is committed to maintaining the international reserves at adequate levels in line with the IMF reserve adequacy metrics.

The CBA has the exclusive right to issue bank notes and coins in Armenia. The CBA is responsible for the printing of bank notes and the minting of coins, the security and safekeeping of bank notes and coins intended for circulation and the custody and destruction of bank notes and coins withdrawn from circulation.

The following tables present, for the periods indicated, the exchange rates of the dram against the dollar and euro:

Dram to Dollar Exchange Rate History

Year	Low	High	Period average(1)	Period End
2021 (through 29 January 2021)	518.16	526.89	521.20	518.27
2020	478.33	525.09	489.01	522.59
2019	475.74	490.68	480.45	479.70
2018	480.06	488.68	482.99	483.75
2017	477.78	488.03	482.72	484.10
2016	473.29	496.11	480.49	483.94
2015	469.79	485.61	477.92	483.75

Note:

(1) The average rates are calculated as the average of the monthly exchange rates for the period. Average monthly exchange rates are calculated as the average of the daily exchange rates for the relevant month.

Source: CBA.

Dram to Euro Exchange Rate History

Year	Low	High	Period average(1)	Period End
2021 (through 29 January 2021)	627.83	642.33	633.02	627.83
2020	516.69	641.11	558.22	641.11
2019	518.52	559.75	537.00	537.26
2018	546.97	602.52	570.73	553.65

2017	509.93	580.10	545.25	580.10
2016	499.81	561.41	531.85	512.20
2015	500.47	577.47	530.60	528.69

Note:

(1) The average rates are calculated as the average of the monthly exchange rates for the period. Average monthly exchange rates are calculated as the average of the daily exchange rates for the relevant month.

Source: CBA.

As a result of the regional currency crisis at the end of 2014, in 2015, in nominal terms, the dram depreciated against the dollar by 12.97% based on average rates and depreciated by 1.8% based on year-end exchange rates. In 2015, the dram appreciated against the euro in nominal terms by 4.0% based on average rates and by 9.2% based on year-end rates. In 2015, the average nominal effective exchange rate of the dram appreciated by 10.6%, and the average real effective exchange rate by 6.6%. Despite the depreciation of the dram against the dollar and euro, the average nominal and real effective exchange rates of the dram appreciated in 2015, mainly due to appreciation of the dram against the rouble, Ukrainian hryvnia and Iranian rial. Over 2015, the CBA raised the Refinancing Rate. The CBA raised the Refinancing Rate several times up to 10.5% at the beginning of the year to combat the hike in inflation expectations coming from regional currency crisis, and started to ease the monetary conditions after it monitored a reverse in expectations in the second part of the year by decreasing the Refinancing Rate from 10.5% to 8.75%. In the first quarter of 2015, after the regional currency crisis, the CBA lowered the one-day Lombard repo rate down from 20% to 12%, thus shifting back to the normal inflation-targeting regime (with the Lombard rate and deposit facility rate within the corridor of 1.5% of the Refinancing Rate). See "—*Monetary and Financial Policies of the CBA—Implementation*." In 2015, the CBA accumulated U.S.$285.9 million in reserves.

In 2016, in nominal terms, the dram depreciated against the dollar by 0.5% based on average rates and by 0.03% based on year-end exchange rates. In 2016, the dram depreciated against the euro in nominal terms by 0.29% based on average rates and appreciated by 3.2% based on year-end rates. The average nominal effective exchange rate of the dram appreciated by 4.5%, and the average real effective exchange rate of the dram depreciated by 0.8% in 2016. During 2016, the CBA continued to lower gradually the Refinancing Rate from 8.75% to 6.25%, due to decreasing inflation and inflation expectations. In 2016, the CBA accumulated U.S.$428.8 million in reserves.

In 2017, in nominal terms, the dram depreciated against the dollar by 0.5% based on average rates and by 0.03% based on year-end exchange rates. In 2017, the dram depreciated against the euro in nominal terms by 2.9% based on average rates and by 11.7% based on year-end rates. The average nominal effective exchange rate of the dram depreciated by 1.6%, and the average real effective exchange rate of the dram depreciated by 4.6% in 2017. In February 2017, the CBA decreased the Refinancing Rate from 6.25% to 6.00%. See "*—Monetary and Financial Policies of the CBA—Implementation*." In 2017, the CBA accumulated U.S.$110.0 million in reserves. See "*—Net Foreign Assets*."

In 2018, in nominal terms, the dram depreciated by 0.05% against the dollar based on average rates and appreciated by 0.1% based on year-end exchange rates. In 2018, the dram depreciated against the euro in nominal terms by 4.1% based on average rates and appreciated by 4.8% based on year-end rates. The average nominal effective exchange rate of the dram appreciated by 6.4%, and the average real effective exchange rate of the dram appreciated by 4.1% in 2018.The Refinancing Rate remained unchanged during 2018, as well as the standing facilities rates. See "*—Monetary and Financial Policies of the CBA—Implementation*. "See "*—Monetary Aggregates*" and "*Risk Factors—Risks Factors Relating to Armenia—Depreciation of Dram and Consequences for Foreign Exchange Reserves and Public Finance*." In 2018, the CBA reserves decreased by U.S.$54.8 million mostly due to the service and net payback of the Government loans.

In 2019, in nominal terms, the dram appreciated by 0.5% against the dollar based on average rates and appreciated by 0.8% based on year-end exchange rates. In 2019, the dram appreciated against the euro in nominal terms by 5.7% based on average rates and appreciated by 3.0% based on year-end rates. The average nominal effective exchange rate of the dram appreciated by 7.2%, and the average real effective exchange rate of the dram appreciated by 3.5% in 2019. In 2019, the CBA decreased the Refinancing Rate from 6.00% to 5.50%. See "—*Monetary and Financial Policies of the CBA—Implementation*." In 2019, the CBA reserves increased by U.S.$590.1 million.

In 2020, in nominal terms, the dram depreciated against the dollar by 1.8% based on average rates and depreciated by 8.9% based on period-end exchange rates due to high demand for US Dollar. Over the same period, in nominal terms, the dram depreciated against the euro by 3.8% based on average rates and depreciated by 19.3% based on the period-end exchange rates. In 2020, the CBA monitored both appreciation and depreciation pressures on the national currency and intervened into exchange rate market mostly to ensure its normal functioning in the face of the COVID-19 outbreak by selling U.S.$93.9 million (net) of foreign currency. In the nine months ended 30 September 2020, the CBA reserves decreased by U.S.$ 400.5 million, largely due to the outflow from foreign currency accounts of commercial banks held at the CBA.

Net Foreign Assets

Armenia has no gold reserves and does not maintain a reserve position in the IMF. Its foreign exchange reserves are held in a mixture of major foreign currencies, deposits and securities.

Foreign liabilities of the CBA primarily consist of IMF credits, SDR allocations and other loans.

The following table sets forth the official foreign exchange reserves of Armenia and foreign liabilities of the CBA in dollars as of the dates indicated:

Official Reserves and Foreign Liabilities(1)

	As of 31 December					
	2015	**2016**	**2017**	**2018**	**2019**	**2020(2)**
			(U.S.$ millions)			
Foreign exchange reserves	1,772.43	2,200.63	2,306.90	2,253.35	2,843.49	2,605.17
SDR holdings	2.9	3.48	7.23	5.98	6.17	8.98
Gross official reserves	**1,775.29**	**2,204.12**	**2,314.13**	**2,259.33**	**2,849.66**	**2,614.15**
IMF credits	273.7	285.7	294.2	249.2	202.6	161.4
SDR allocation	121.9	118.3	125.5	122.6	121.8	126.7
Other loans	203.6	220.1	309.1	302.9	288.4	299.6
Other liabilities	0.9	0.7	1.9	1.7	2.6	1.2
Foreign liabilities	**600.1**	**624.8**	**730.7**	**676.3**	**615.4**	**589.0**

Notes:

(1) Amounts converted into dollars are calculated based on period-end exchange rates, and include accrued interest.
(2) Data for 2020 is preliminary.

Source: CBA.

As of 31 December 2015, the gross official reserves of Armenia stood at U.S.$1,775.3 million and foreign liabilities equalled U.S.$600.1 million. Consequently, net foreign assets amounted to U.S.$1,175.2 million as of 31 December 2015. As of 31 December 2015, Armenia's foreign exchange reserves represented import coverage of 4.8 months.

As of 31 December 2016, the gross official reserves of Armenia stood at U.S.$2,204.1 million, an increase of U.S.$428.8 million, or 24.2%, compared to the level of gross official reserves as of 31 December 2015. The increase in reserves in 2016 was driven by a U.S.$428.2 million rise in foreign exchange reserves which in turn was driven by the Government and CBA debt inflows, as well as foreign currency reserve requirement flows from the commercial banks. As of 31 December 2016, foreign liabilities equalled U.S.$624.8 million, compared to U.S.$600.1 million as of 31 December 2015, an increase of 4.1%. The increase in foreign liabilities was mainly due to an increase of U.S.$12 million in IMF liabilities and an increase of US$16.5 million in other loans. Consequently, net foreign assets increased to U.S.$1,579.3 million as of 31 December 2016 from U.S.$1,175.2 million as of 31 December 2015. As of 31 December 2016, Armenia's foreign exchange reserves represented import coverage of 5.9 months.

As of 31 December 2017, the gross official reserves of Armenia stood at U.S.$2,314.1 million, an increase of U.S.$110.1 million, or 5.0%, compared to the level of gross official reserves as of 31 December 2016. The increase in reserves in 2017 was driven by a U.S.$106.3 million increase in foreign exchange reserves, which was mainly due to the loans extended both to the Government and the CBA. As of 31 December 2017, foreign liabilities equalled U.S.$730.7 million, compared to U.S.$624.8 million as of 31 December 2016, an increase of 17.0%. The increase in foreign liabilities was mainly due to an increase of U.S.$8.5 million in IMF credits, an increase of U.S.$89 million in other loans and U.S.$7.2 million in SDR allocation. Net foreign assets increased to U.S.$1,583.4 million as of 31 December 2017 from U.S.$1,579.3 million as of 31 December 2016. As of 31 December 2017, Armenia's foreign exchange reserves represented import coverage of 4.9 months.

As of 31 December 2018, the gross official reserves of Armenia stood at U.S.$2,259.3 million, a decrease of U.S.$54.8 million, or 2.4%, compared to the level of gross official reserves as of 31 December 2017. The decrease in reserves in 2018 was driven by a U.S.$53.6 million decline in foreign exchange reserves, which, in turn, was mainly due to the payback of External Debt by the Government. See "*—Exchange Rates and Exchange Rate Policy*." As of 31 December 2018, foreign liabilities equalled U.S.$676.3 million, compared to U.S.$730.7 million as of 31 December 2017, a decrease of 8.0%. The decrease in foreign liabilities was mainly due to a decline of U.S.$45 million in IMF credits. Net foreign assets decreased to U.S.$1,583.0 million as of 31 December 2018 from U.S.$1,583.4 million as of 31 December 2017. As of 31 December 2018, Armenia's foreign exchange reserves represented import coverage of 4.1 months.

As of 31 December 2019, the gross official reserves of Armenia stood at U.S.$2,849.7 million, an increase of U.S.$590.3 million, or 26.1%, compared to the level of gross official reserves as of 31 December 2018. The increase in reserves in 2019 was driven by a U.S.$590.1 million increase in foreign exchange reserves, which, in turn, was mainly due to a high volume of currency purchases by the CBA. See "*—Exchange Rates and Exchange Rate Policy*." As of 31 December 2019, foreign liabilities equalled U.S.$615.4 million, compared to U.S.$676.3 million as of 31 December 2018, a decrease of 9.9%. The decrease in foreign liabilities was mainly due to a decline of U.S.$46.6 million in IMF credits. Net foreign assets increased to U.S.$2,234.3 million as of 31 December 2019 from U.S.$1,583.0 million as of 31 December 2018. As of 31 December 2019, Armenia's foreign exchange reserves represented import coverage of 4.6 months.

As of 31 December 2020, the gross official reserves of Armenia stood at U.S.$2,614.15 million, a decrease of U.S.$235.5 million, or 8.3%, compared to the level of gross official reserves as of 31 December 2019, reflecting a decrease of U.S.$238.3 in foreign exchange reserves. As of 31 December 2020, foreign liabilities equalled U.S.$589.0 million, compared to U.S.$615.4 million as of 31 December 2019, a decrease of 4.3%. The decrease in foreign liabilities was mainly due to US$41.2 million decrease in IMF credits. Net foreign assets decreased to U.S.$2,025.2 million as of 31 December 2020 from U.S.$2,234.3 million as of 31 December 2019. As of 30 September 2020, Armenia's foreign exchange reserves represented import coverage of 5.2 months (the full year figure is not yet available).

According to IMF data, Armenia's international reserves satisfy all adequacy requirements based on both the composite metric (IMF ARA EM), which involves benchmarking foreign exchange reserves against risk-weighted liability shocks, and other internationally accepted metrics, which call for coverage by foreign exchange of at least: (i) three months of imports; (ii) 100% of short-term debt at remaining maturity; and (ii) 20% of broad money (M2).

Financial Services Industry

Supervision and Licensing

Following the adoption of the CBA Law in 1996, the CBA is the sole regulator and supervisor of the financial services sector in Armenia, including in respect of, *inter alia*, banks, credit organisations, insurance companies, securities market participants, investment fund (including pension fund) management companies, currency exchange bureaus and payment organisations (including money remittance service providers). The CBA is authorised to issue and revoke licences, carry out on- and off-site inspections and impose restrictions and sanctions. The CBA is also authorised to place banks, credit organisations, investment firms, investment fund managers, payment organisations and insurance companies into temporary administration, liquidation or insolvency regimes, as the case may be.

Banking Sector

As of 30 September 2020, there were 17 commercial banks in Armenia, of which 14 had foreign capital participation. Foreign capital participation comprised 60% of total share capital in all Armenian banks as of 30 September 2020.

As of 31 December 2019, total assets of the Armenian banking sector equalled AMD5,828.4 billion compared to AMD4,986.4 billion as of 31 December 2018 and AMD4,363.4 billion as of 31 December 2017. Between 31 December 2015 and 31 December 2019, total assets of the Armenian banking sector increased by AMD2,378.8 billion, or 69.0%, in large part due to significant growth in lending. As of 31 December 2019, loans accounted for AMD3,414.8 billion, compared to AMD2,006.1 billion as of 31 December 2015, an increase of 70.2%. Loans account for the largest share of banking sector assets, comprising 58.6% of total assets as of 31 December 2019.

As of 31 December 2019, total liabilities of the Armenian banking sector amounted to AMD5,004.3 billion, compared to AMD4,237.6 billion as of 31 December 2018 and AMD3,678.1 billion as of 31 December 2017. Between 31 December 2015 and 31 December 2019, total liabilities of the Armenian banking sector increased by AMD2,061.3 billion, or 70.0%, in large part due to a substantial growth in deposits. As of 31 December 2019, demand and time deposits accounted for AMD3,255.7 billion of total liabilities, compared to AMD1,789.3 billion of total liabilities as of 31 December 2015, an increase of 82.0%. Time and demand deposits represent the largest components of banking sector liabilities, accounting respectively for 39.0% and 26.1% of total liabilities as of 31 December 2019.

As of 30 September 2020, total assets of the Armenian banking sector equalled AMD6,343.0 billion, including loans in the amount of AMD3,785.5 (59.7% of all banking sector assets). As of 30 September 2020, total liabilities of the Armenian banking sector amounted to AMD5,453.5 billion, including demand and time deposits in the amount of AMD3,223.7 billion (which respectively represented 36.7% and 22.4% of banking sector liabilities).

As of 31 December 2019, banks with majority foreign capital participation accounted for 48% of the banking sector's total assets.

There are no restrictions under Armenian law on the foreign ownership of banks. VTB Bank Armenia is 100% owned by VTB Bank, a Russian bank. Byblos Bank is fully owned by Byblos Bank SAL, a Lebanese bank. HSBC-Armenia bank is 70% owned by HSBC Europe B.V. As of 31 December 2019, EBRD has a shareholding of 17.76% in Ameriabank and of 22.7% in Inecobank. Mellat Bank CJSC ("**Mellat Bank**") is 100% owned by Bank Mellat IRI, an Iranian bank. Mellat Bank has no correspondent accounts with any Armenian bank and is not able to engage in any type of international wire transfer since it has been disconnected from the international SWIFT system. The CBA believes that, in general, increasing foreign investment in the Armenian banking sector has supported the development of a competitive and resilient banking market.

Lending to customers is the primary activity of banks operating in Armenia. Between 2015 and 2019, the gross loan portfolio increased from 39.8% of GDP to 52.1% of GDP. As of 31 December 2019, corporate loans accounted for 54% of the gross loan book of the banking sector, with loans to individuals accounting for the remaining 46%.

In 2005, the CBA established the Deposit Guarantee Fund, which guarantees local-currency deposits of up to AMD10 million and foreign currency deposits of up to the equivalent of AMD5 million.

The CBA believes that the banking sector's refinancing risk is relatively low due to the high percentage of long-term borrowings from parent entities and international financial institutions.

The following table sets forth the aggregate balance sheet and certain key ratios of the Armenian banking sector as of the dates indicated:

Aggregate Balance Sheet and Key Ratios of the Banking Sector in Armenia

	As of 31 December					As of 30 September
	2015	2016	2017	2018	2019	2020
	(AMD millions, unless otherwise indicated)					
Cash	130,665	120,412	131,629	158,283	200,583	169,104
Balances on correspondent accounts	634,382	674,141	567,748	698,714	789,087	731,569
Other claims on banks	78,549	59,159	143,255	150,695	212,852	204,354
Government securities	251,664	425,201	487,980	549,596	600,106	767,987
Other securities	33,705	39,803	50,626	72,607	86,968	102,236
Repo agreements (without interbank repos)	15,498	23,394	37,512	23,750	28,028	23,047
Loans	2,006,101	2,315,719	2,516,837	2,932,928	3,414,787	3,785,473
Accrued interest	66,604	77,362	76,382	82,048	84,754	101,290
Fixed assets	87,448	95,054	98,383	101,185	114,457	110,776
Other assets	144,976	156,801	254,029	216,642	296,740	347,207
Total assets	**3,449,592**	**3,987,045**	**4,364,380**	**4,986,449**	**5,828,362**	**6,343,041**
Current accounts	15,093	32,586	9,478	15,450	25,800	30,642
Other liabilities to banks	404,228	328,974	328,198	435,522	479,336	603,143
Liabilities to other financial institutions	531,606	574,202	582,524	666,635	746,989	950,019
Demand deposits (legal and natural persons)	549,964	682,163	800,045	1,008,422	1,305,947	1,224,255
Time deposits (legal and natural persons)	1,239,311	1,495,297	1,663,690	1,719,902	1,949,711	1,999,427
Accrued interest	34,286	41,526	44,322	46,537	54,063	66,367
Other liabilities	168,531	186,202	249,852	345,133	442,439	579,690
Total liabilities	**2,943,020**	**3,340,950**	**3,678,109**	**4,237,602**	**5,004,285**	**5,453,542**
Share capital	356,621	450,505	463,717	505,091	525,609	534,011
Reserves	30,672	31,927	33,387	45,871	53,035	62,104
Retained earnings	101,803	119,578	134,936	147,575	190,629	233,383
Equity	**506,572**	**646,095**	**686,271**	**748,847**	**824,077**	**889,499**
Total liabilities and equity	**3,449,592**	**3,987,045**	**4,364,380**	**4,986,449**	**5,828,362**	**6,343,041**
Key Ratios						
Loans/total assets (%)	58.2	58.1	57.7	58.8	58.6	59.7
Liquid assets/total assets (%)	28.0	32.5	32.1	27.3	27.1	27.7
Loans/non-bank deposits (%)	112.1	106.3	102.2	107.5	104.9	117.4
Total deposits/total liabilities (%)	62.9	62.9	62.9	62.9	65.1	59.1
Demand deposits/total deposits (%)	30.74	31.33	32.47	36.96	40.1	38.98

Source: CBA.

As of 31 December 2020, on a preliminary basis, demand and time deposits amounted to AMD3,329.3. As of 31 December 2020, on a preliminary basis, liquid assets to total assets ratio stood at 25.6%. and total deposits/total liabilities ratio stood at 57.3%.

The following table sets forth the aggregate profit and loss statement and certain key ratios of the Armenian banking sector for the years indicated:

Aggregate Profit and Loss Statement and Key Ratios of the Banking Sector in Armenia

	For the year ended 31 December					For the nine months ended 30 September
	2015	2016	2017	2018	2019	2020
	(AMD millions, unless otherwise indicated)					
Interest income	303,875.24	312,037.03	340,162.89	351,416.10	394,746.91	334,168.24
Interest expense	188,672.63	192,828.39	205,499.88	201,426.99	223,575.92	185,002.62
Net interest income	115,202.61	119,208.64	134,663.01	149,989.11	171,170.99	149,165.63
Non-interest income	93,378.65	95,100.34	100,465.05	116,557.83	143,211.57	109,242.15
Non-interest expense	117,019.44	118,664.30	131,222.66	156,127.20	164,794.56	120,034.31
Net non-interest expense	(23,640.79)	(23,563.96)	(30,757.62)	(39,569.37)	(21,582.98)	(10,792.16)
Asset loss provisioning	(421,036.52)	(426,415.78)	(513,320.10)	(230,136.65)	(241,689.45)	(205,343.93)
Recoveries from asset loss provisioning	313,257.09	369,346.77	461,121.20	174,779.69	172,549.61	140,035.39
Pre-tax profit	(16,217.62)	38,575.68	51,706.50	55,062.78	80,448.17	73,064.92
Profit tax	4,491.23	6,904.86	11,490.09	16,476.11	18,234.77	13,091.85
Net profit	(20,708.85)	31,670.83	40,216.41	38,586.67	62,213.39	59,973.07
Dividends	0	160.05	0	232.438	920.76	789.14
Retained earnings	(20,708.85)	31,510.78	40,216.41	38,354.23	61,292.63	59,183.94
Key ratios						
Return on average assets (%)	(0.5)	1.1	1.4	1.1	1.5	1.6
Return on average equity (%)	(3.5)	7.0	8.6	7.4	10.3	11.3
Interest margin to gross income (%) (1)	29.0	29.3	30.6	32.1	31.8	33.6

Note: Interest income minus interest expense divided by gross income (gross income is defined as the sum of interest and non-interest income).

Source: CBA.

In 2016, net profits of the banking sector amounted to AMD31,670.83 million, compared to negative net profits of AMD20,708.85 million in 2015. The growth in net profits in 2016 was largely attributable to a strong decline in net provisioning of the banking sector (from AMD107,779.44 million in 2015 to AMD57,069.00 million in 2016). The growth in net profits was supported by an increase in net interest income (3.5% compared to 2015), which was supplemented by a minor fall in net non-interest expense from AMD23,640.79 million in 2015 to AMD23,563.96 million in 2016.

In 2017, net profits of the banking sector increased by AMD8,545.58 million, or by 27.0%, to AMD40,216.41 million from AMD31,670.83 million in 2016 mainly due to a 24.8% increase in recoveries from asset loss provisioning, which was partially offset by a 20.4% increase in asset loss provisioning. The 8% decrease in net loan loss provisioning was mainly caused by a 10.3% decrease in non-performing loans. See "—*Non-Performing Loans*."

In 2018, net profits of the banking sector decreased by AMD1,629.7 million, or by 4.1%, to AMD38,586.67 million from AMD40,216.41 million in 2017, mainly due to a 62.1% decrease in recoveries from asset loss provisioning. As in 2018, the 6.0% increase in net loan loss provisioning was primarily driven by increase in written-off assets.

In 2019, net profits of the banking sector increased by AMD23,626.7 million, or by 61.2%, to AMD62,213.39 million from AMD38,586.67 million in 2018, mainly due to a 22.9% increase in non-interest income and a 12.3% increase in interest income.

Non-Performing Loans

The CBA requires banks to classify a loan as non-performing where: (i) payments of principal or interest are past due by 90 days or more; (ii) interest payments have been capitalised, refinanced or delayed by agreement; or (iii) payments of principal or interest are not overdue, but there are other good reasons to doubt that payments will be made in full. The CBA requires banks to classify loans which are more than 270 days past due in the loss category because they are considered as fully depreciated and are not included in balance sheet assets.

The following table sets forth certain statistics concerning non-performing loans as of the dates indicated:

Non-Performing Loans

	As of 31 December					As of 30 September
	2015	2016	2017	2018	2019	2020
Non-performing loans (*AMD millions*) ..	166,003	162,220	145,428	146,367	199,956	241,691
Total outstanding loans [(1)] (*AMD millions*)	2,088,168	2,412,506	2,677,091	3,078,564	3,631,158	4,023,804
Non-performing loans/total loans (%)	7.95	6.72	5.43	4.75	5.51	6.05
Reserves for loan losses/total loans (%)	3.41	3.50	2.82	2.69	2.75	2.69
Non-performing loan coverage ratio (%)[(2)]	42.91	52.05	51.52	56.58	49.92	43.37

Note:

(1) Total outstanding loans include loans, factoring, leasing, swaps and repos.

(2) The ratio of reserves for loan losses to non-performing loans.

Source: CBA.

As of 31 December 2017, outstanding non-performing loans decreased by 10.4% compared to 31 December 2016 and decreased to 5.4% of total loans as of 31 December 2017 compared to 6.7% of total loans as of 31 December 2016. In 2018, non-performing loans slightly increased (from AMD145,428 million in 2017 to AMD146,367 million in 2018) while as a share of total loans they decreased to 4.8%. In 2019, non-performing loans increased by AMD53,589 million, or by 36.6%, and as a share of total loans increased to 5.5%. In the first nine months of 2020, non-performing loans increased by AMD41,735 million, or by 20.9%, and as a share of total loans increased to 6.1%.

As of 31 December 2020, on a preliminary basis, the non-performing loans to total loans ratio stood at 6.6% and the non-performing loans coverage ratio stood at 44.9%.

Banking Supervision

Key Prudential Requirements

The principal laws regulating the Armenian banking sector are the CBA Law and the Law on Banks and Banking of Armenia, dated 30 June 1996, as amended (the "**Banking Law**"). The Banking Law (i) sets out the list of permitted and prohibited activities for banks and (ii) establishes the framework for the registration and licensing of banks in Armenia and the regulation and supervision of banking activity. The CBA regulates financial institutions in line with risk-based supervision principles and organises banking supervision through specialised-function units. The CBA also has the authority to revoke the banking licence of any bank that becomes insolvent, as well as under certain other circumstances.

The CBA has adopted amendments to Armenia's prudential standards in order to introduce Basel III principles with measures taken to improve capital quality, implement new approaches to liquidity risk management and improve risk management processes. Accordingly, in line with Basel III, the CBA introduced three types of buffers above the minimum requirements of capital adequacy for banks, namely, a capital conservation buffer, a countercyclical capital buffer and a systemic buffer. The countercyclical capital buffer has been implemented since July 2019 while the capital conservation buffer and systemic buffer are being implemented gradually starting from 1 January 2020. The CBA is also introducing the liquidity coverage ratio and the net stable funding ratio for all currencies and for each significant currency, with requirements being implemented gradually starting from 1 January 2021.

As of 31 December 2019, each commercial bank in Armenia must maintain regulatory capital of at least AMD30 billion. A bank's Tier I capital ratio, *i.e.*, the ratio of Tier I capital to risk-weighted assets, must be at least 9% (effective from 1 January 2020), and a bank's total regulatory capital ratio, *i.e.*, the ratio of regulatory capital to risk-weighted assets, must be at least 12%. To reduce foreign currency-induced credit risk, banks are required to assign a risk weight to foreign currency-denominated loans that is around 50% higher than the risk weight that would be attributed to an equivalent dram-denominated loan. This approach effectively raises the prudentially-mandated ratio well above the corresponding BIS (Basel II) requirement. See "*—Monetary and Financial Policies of the CBA*."

The following table sets forth certain statistics relating to capital adequacy ratios as of the dates indicated:

Capital Adequacy Ratios

	As of 31 December					As of 30 September
	2015	**2016**	**2017**	**2018**	**2019**	**2020**
Equity/total assets	14.68	16.20	15.71	15.02	14.14	14.02
CBA total capital adequacy ratio	16.18	19.95	18.57	17.66	17.58	17.12
CBA Tier I capital adequacy ratio	13.95	16.43	15.17	15.22	15.22	14.86

Source: CBA.

As of 31 December 2020, on a preliminary basis, CBA Tier I capital adequacy ratio stood at 14.7% and CBA total capital adequacy ratio stood at 16.9%.

Banks are required to set aside sufficient provisions to cover potential losses on loans and other assets, to review these provisions and to report them to the CBA on a monthly basis. CBA regulations set forth the provisioning requirements for the creation of loan loss reserves. For regulatory purposes, banks classify loans into the following five categories: (i) standard, (ii) watch, (iii) sub-standard, (iv) doubtful and (v) loss. Loans are classified based on the financial position of the borrower, the quality of the borrower's servicing of the debt, the number of past due days and any other relevant factors. The CBA has authority to revise the classification of assets done by banks. In 2010, the CBA made changes to the provisioning requirements for foreign currency assets. Pursuant to these changes, each bank is required to make an additional 20.0% capital provision for foreign currency assets as compared to equivalent assets denominated in drams.

For each reporting month, banks are required to maintain high quality liquid assets equal to at least 15.0% of total assets. The minimum ratio of a bank's high quality liquid assets expressed in Group I currencies, which comprise the dollar, euro, Japanese Yen, British pound, the Swiss franc, Canadian dollar, Swedish krona, Danish krone and banking gold, to total assets expressed in Group I currencies is 4.0%. Should liabilities expressed in any Group II currency (being any currency that is not a Group I currency), exceed 5.0% of a bank's total liabilities according to the month's average daily calculation, then, for each Group II currency, the following standard shall apply: the average ratio of high quality liquid assets expressed in dollars, euros and the applicable Group II currency to total assets expressed in dollars, euros and the applicable Group II currency must be at least 4.0%.

Banks are required to keep high quality liquid assets for any reporting month of not less than 60.0% of demand liabilities for such reporting month. The minimum ratio of a bank's high quality liquid assets expressed in Group I currencies to demand liabilities expressed in Group I currencies is 10.0%. Should liabilities expressed in any Group II currency exceed 5.0% of a bank's total liabilities according to the month's average daily calculation, then, for each Group II currency, the following standard shall apply: the average ratio of highly liquid assets expressed in dollars, euros and the applicable Group II currency to demand liabilities expressed in dollars, euros and the applicable Group II currency must be at least 10.0%.

A bank's gross foreign currency position as a share of total capital must not exceed 10.0%. A bank's maximum open position in any foreign currency as a share of total capital must not exceed 7.0%.

The CBA performs stress tests at least quarterly on the Armenian banking industry. The tests follow best international practices and are designed to highlight the sensitivity of Armenian banks to changes in the credit or liquidity environment, to movements in interest rates and foreign exchange rates, and to changes generally in the macroeconomic environment (including possible contagion effects).

Payment and Settlement Systems

The CBA is empowered to assist banks in organising facilities for the clearing and settlement of interbank payments and may establish procedures and issue regulations relating thereto as it deems appropriate to ensure the efficient operation of the payment system.

From 1996 to 2001, the interbank electronic payments system (known as BANKMAIL) and the Government securities accounting and settlements system (known as BOOKENTRY) were introduced, and the SWIFT system was put into more widespread use in international payments. A national payments and settlements system was developed in compliance with international standards, including the creation of a unified payment and settlement system, known as the Armenian Card or ArCa payment system.

In the nine months ending 30 September 2020: payment card transactions (including the withdrawal of cash from cash machines) carried out in Armenia amounted to approximately AMD 1,941.0 trillion, including non-cash transactions by payment cards of AMD 567.7 billion. Internet payments accounted for AMD 386.3 billion of these transactions, of which card-to-card transfers comprised AMD 85.9 billion and electronic commerce comprised AMD 224.0 billion. In the nine months ending 30 September 2020, compared to the nine months ending 30 September 2019, money transfers to individuals by banks and money transfer organisations (including SWIFT payments) decreased by 8.8% to AMD1,278.5 billion, while the amount of outgoing transfers decreased by 20.5% to AMD848.8 billion. As a result of outgoing transfers decreasing at a greater pace than incoming transfers, in the nine months ending 30 September 2020, net money transfer inflows increased and totalled AMD429.6 billion.

As of 30 September 2020, 16 commercial banks in Armenia provided and serviced payment cards, with a total number of cards in circulation of approximately 2.5 million. The number of active ArCa cards decreased by 1.0% in the nine months ended 30 September 2020, bringing the total number of such cards to 745,600 as of 30 September 2020. The number of international cards grew by 6.6% in the nine months ended 30 September 2020, with Visa, MasterCard and other international cards increasing by 6.5% (to approximately 1,062,000 cards), 7.3% (to approximately 634,400 cards) and 0.5% (to approximately 48,200 cards), respectively. As of 30 September 2020, commercial banks maintained 1,551 automated teller machines nation-wide as well as 12,775 point-of-sale terminals and 2,326 virtual points-of-sale.

Regulation of Accounting and Reporting Rules

In accordance with the Law on Accounting of Armenia, adopted on 26 December 2002, almost all financial institutions shall prepare and submit their financial reports in compliance with IFRS standards. The CBA together with the State Revenue Committee are responsible for overseeing compliance with this requirement.

AML/CFT System

Armenia's first legislation designed to prevent money laundering and terrorism financing came into force in 2005. The second piece of legislation on money laundering and terrorism financing, the Law on Combating Money Laundering and Terrorism Financing of Armenia (the "**AML/CFT Law**"), came into force in August 2008 and was substantially amended in June 2014 and in March 2018. The amendments implemented recommendations from the 3rd and 5th rounds of the Evaluation Reports of the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism ("**MONEYVAL**") and under the 40 Recommendations of the Financial Action Task Force ("**FATF**").

The AMT/CFT Law defines the role and responsibilities of the CBA and its national financial intelligence unit, the Financial Monitoring Centre (the "**FMC**"), in the fight against money laundering and terrorism financing. The AMT/CFT Law also governs the relationships between various stakeholders of the AML/CFT system (including the FMC, law enforcement and supervisory authorities and reporting entities) and sets out the framework for international cooperation. The AML/CFT Law lists the entities that are required to disclose certain financial transactions and defines the scope of information that such reporting entities provide to the FMC. Under the AML/CFT Law, financial institutions, including all banks, are deemed 'reporting entities' and are obliged to file reports with the FMC on all non-cash transactions in excess of AMD20 million, all cash transactions in excess of AMD5 million and all suspicious transactions or business relationships, regardless of the amount involved. To assist reporting entities, the FMC has shared with them a matching algorithm programme and a monitoring list that is designed to recognise metadata related to suspicious individuals and entities, including those designated under applicable sanctions regimes.

By Presidential decree, the Interagency Committee for Combating Money Laundering, Terrorist Financing and Proliferation Financing in the Republic of Armenia (the "**Interagency Committee**") was established in 2002. It is the principal forum for cooperation and coordination among the country's authorities responsible for preventing money laundering and terrorism financing. Under a new composition of members of the Interagency Committee approved by the Prime Minister on 17 January 2019, it includes representatives of the CBA, law enforcement bodies, the judicial system, the Ministry of Foreign Affairs, the Ministry of Finance and the Union of Banks, among others. The main responsibilities of the Interagency Committee include: (i) the issuance of policy recommendations in the sphere of combating money laundering, terrorism financing and proliferation financing; (ii) the development of strategies to implement such recommendations; and (iii) cooperation with applicable national and international authorities.

In 2005, the FMC was established as an autonomous unit within the CBA and, for purposes of the AML/CFT Law, acts as an intermediary between reporting entities and law enforcement authorities. The FMC carries out its work in accordance with the AML/CFT Law, CBA resolutions, decisions of the CBA Chairman and the FMC statute, approved in 2009 and 2018 by the CBA Board. The primary responsibilities of the FMC are to: (i) gather and analyse information from reporting entities, state bodies and organisations; (ii) refer suspicious activity to the relevant authorities for criminal prosecution; and (iii) cooperate and exchange information with international financial intelligence units. There are four divisions within the FMC – the Legal Compliance Division, the Analysis Division, the Information Systems Design and Development Division, and the International Relations Division. The FMC publishes annual reports on its activities.

Armenia is a member of MONEYVAL and maintains observer status within the Eurasian Group on Combating Money-Laundering and Terrorism Financing. Both of these groups implement and enforce FATF recommendations. In addition, since 2007, the FMC has been a member of the Egmont Group of Financial Intelligence Units (the "**Egmont Group**"), which provides the FMC with the opportunity to cooperate with financial intelligence units from more than 160 countries and exchange information with these units through a secured system. The FMC participates in plenary sessions and working group meetings of the Egmont Group. Armenia actively cooperates with its international partners on matters related to UN and other applicable sanctions.

The CBA requires banks to conduct relationships with clients according to the "Core Principles for Effective Banking Supervision" ("**CPEBS**") published by the Basel Committee on Banking Supervision. All banks and other financial institutions employ officers whose responsibility is to ensure internal compliance with CPEBS.

The CBA is authorised to carry out on-site and off-site inspections of AML/CFT issues arising in the financial sector and has dedicated budget resources and personnel to carry out such inspections and communicate to the FMC any breach of the AML/CFT Law or related regulations. Representatives of the FMC are also involved in inspections carried out by the Financial Supervision Department of the CBA.

Stock Market

The Armenian Stock Exchange ("**AMX**") was established in 2000 as a joint-stock company and is the only recognised stock exchange in Armenia, currently operating under the name: Armenia Securities Exchange "AMX." On 18 September 2020, the CBA and the Warsaw Stock Exchange ("**GPW**") signed a term sheet for the acquisition by the GPW of a majority interest in the AMX for which the diligence process is continuing.

The following table sets forth certain statistics regarding trading on the AMX for the years indicated:

AMX Market Statistics

	For the year ended 31 December					For the nine months ended 30 September
	2015	2016	2017	2018	2019	2020
Number of trades	1,093	1,631	1,537	2,369	3,023	2,407
Average number of trades per month	91	136	128	197	252	267
Shares traded *(volume of shares, AMD millions)*	6,767.75	31,839.22	12,057.41	2,141.62	2,161.7	1,653.4
Average volume of shares traded per month	564	2,653	1,005	178	180	184
Treasury bills traded *(volume of bills, AMD millions)*(1)	12,082.28	53,821.37	65,101.26	56,991.63	59,001.6	65,378.23
Average volume of treasury bills traded per month(1)	1,006.86	4,485.11	5,425.10	4,749.30	4,917	7,264.3
Corporate bonds traded *(volume of bonds, AMD millions)*	14,230.55	11,475.70	18,996.03	37,670.11	37,443.7	44,049.83
Average volume of corporate bonds traded per month	1186	956	1583	3,139	3,120	4,894
Trading volume *(AMD millions)*	33,080.57	97,136.29	96,154.69	96,803.36	98,607	111,082
Year-on-year change *(%)*	(54.9)	193.6	(1.01)	0.7	1.86	11.23
Average trading volume per month	2,756.71	8,094.69	8,012.89	8,066.95	8,217.25	12,342.39

Note:

(1) Treasury bills include short-term treasury bills and Government bonds.

Source: AMX.

Insurance Sector

Under the CBA Law and the Law on Insurance and Insurance Activities, which was adopted in 2007, the CBA is responsible for the supervision of the insurance sector. The CBA also issues and revokes licences of insurance companies, insurance brokerage companies, registers insurance agents, sets minimum capital and other requirements for insurance companies, adopts corresponding regulations with respect to insurance supervision, examines insurers' activities, imposes sanctions on insurance companies violating legal requirements and performs forced administration, liquidation and bankruptcy procedures, and supervises the activity of insurance brokers and agents. The CBA is a member of the International Association of Insurance Supervisors.

As of 31 December 2019, there were seven insurance companies operating in Armenia; none provide life-insurance services. Three of these insurance companies have at least 50% foreign participation in its equity. In addition, as of 31 December 2019, there were four insurance brokers in Armenia.

As of 31 December 2019 (compared to 31 December 2018), there was a 29.5% increase in the assets of insurance companies in Armenia, and equalled AMD66.9 billion as of 31 December 2019. Total liabilities of insurance companies increased by 41.1% and equalled AMD45.8 billion as of 31 December 2019, compared to AMD32.5 billion as of 31 December 2018. Total equity of insurance companies increased by 9.8% bringing the total amount to AMD21.1 billion as of 31 December 2019. As of 31 December 2019, the largest insurance companies in Armenia in terms of net assets were Rosgosstrakh Armenia and Ingo Armenia.

PUBLIC DEBT AND RELATED MATTERS

Overview

The Law of Armenia on State Debt of Armenia (the "**Law on State Debt**") defines the state debt (the "**Public Debt**") as (i) the aggregate debt incurred or guaranteed by the Government, state bodies and agencies of Armenia on behalf of Armenia (the "**Government Debt**"); and (ii) the aggregate debt incurred or guaranteed by the CBA to non-residents of Armenia, foreign states and international organisations. The Public Debt is comprised of Internal Public Debt and External Public Debt (each, as described below). Public Debt may be incurred to finance the public deficit and provide liquidity to the Government, to support the balance of payments and replenish Armenia's foreign reserves and to develop the country's market for Internal Public Debt. Local governments are permitted to issue both domestic and foreign debt, although such debt is not part of the Public Debt (so that it is not an obligation of Armenia).

As of 30 September 2020, Public Debt amounted to U.S.$7,854.6 million, of which U.S.$5,976.8 million was External Public Debt and U.S.$1,877.8 million was Internal Public Debt. As of 30 September 2020, 91.1% of the outstanding debt from the 2015 and 2019 Eurobond issuances is classified as External Public Debt.

The Budgetary System Law and the Law on State Debt set out fiscal rules regarding Government Debt. Where in the year preceding the year of the State Budget (the "**Preceding Year**") Government Debt exceeds:

(i) *40% of the GDP of the Preceding Year*, the budget deficit in the year with respect to which the relevant State Budget is prepared (the "**Budget Year**") shall not be more than capital expenditures in the Budget Year;

(ii) *50% of the GDP of the Preceding Year*, in addition to the rule set out in item (i) above, (x) the rate of increase of budgeted current expenditure in the Budget Year against actual current expenditure in the Preceding Year (in each case, excluding Government Debt service payments) shall not exceed twice the average growth rate of nominal GDP in the preceding seven years and (y) the Government shall present an action plan within the MTEF to gradually reduce the Government Debt-to-GDP ratio to below 50% in the upcoming five years;

(iii) *60% of the GDP of the Preceding Year*, in addition to the requirements set out in items (i) and (ii)(x) above, (x) the rate of increase of budgeted current expenditure in the Budget Year against actual current expenditure in the Preceding Year (in each case, excluding Government Debt service payments) shall not exceed twice the average growth rate of nominal GDP in the preceding seven years less 0.5 percentage points, (y) budgeted total current expenditure should not exceed budgeted total tax revenues, and (z) in parallel with the MTEF process, the Government shall submit an action plan to the National Assembly to gradually reduce the Government Debt-to-GDP ratio to below 60% in the upcoming five years for consideration by the Standing Committees on Financial, Credit and Budget and Economic Issues.

Under the Budget System Law, by decree the Government may in exceptional circumstances activate an 'escape clause' to temporarily suspend the fiscal rules (such as in circumstances of large-scale natural disasters, wars and economic shocks). On 23 April 2020, in light of the consequences of the COVID-19 pandemic, the Government issued Decree No. 587-A "On Approval of Draft Law on Amendments to the Law on the State Budget for 2020" that suspended the application of fiscal rules with respect to the 2020 State Budget. On 29 September 2020, in light of the ongoing effects of the COVID-19 pandemic, the Government issued Decree No. 1600-A "On the Draft Law on the State Budget for 2021", under which the fiscal rules are also suspended for the 2021 State Budget. See "*Economy of Armenia–The COVID-19 Outbreak in Armenia–Immediate Economic Consequences*."

Projected Government Debt is set out in the annual message on the budget (the "**Budget Message**"), which forms part of the draft State Budget. Under the 2021 Budget Message projected Government Debt in 2020 is U.S.$8,090.2 million, of which U.S.$6,042.5 million is allocated to External Public Debt of the Government and U.S.$2,047.7 million is allocated to Internal Public Debt of the Government, and thus Government Debt is projected to be 64.6% of GDP. Projected Government Debt in 2021 is U.S.$9,034.6 million, or 66.0% of GDP, of which U.S.$6,516.2 million is allocated to External Public Debt of the Government and U.S.$2,518.4 million is allocated to Internal Public Debt of the Government.

The following table sets forth certain key statistics with regard to Public Debt for the periods indicated:

Public Debt[(1)]

	As of and for the year ended 31 December					As of and for the nine months ended 30 September
	2015	2016	2017	2018	2019	2020
	(U.S.$ millions, except as indicated)					
Public Debt	**5,077.7**	**5,942.1**	**6,774.6**	**6,922.2**	**7,321.3**	**7,854.6**
Internal Public Debt[(2)]	752.4	1,138.7	1,260.7	1,386.1	1,536.7	1,877.8
External Public Debt	4,325.3	4,803.4	5,513.9	5,536.0	5,784.5	5,976.8
of Government	*3,849.0*	*4,298.7*	*4,912.4*	*4,986.0*	*5,295.2*	*5,496.7*
of CBA	*476.3*	*504.7*	*601.5*	*550.0*	*489.3*	*480.1*
Government Debt[(3)]	**4,601.4**	**5,437.4**	**6,173.1**	**6,372.1**	**6,831.9**	**7,374.5**
Interest payments	171.1	213.1	264.0	298.7	337.9	251.3
Internal Public Debt[(4)]	67.3	87.5	120.5	132.5	145.2	112.8
External Public Debt	103.8	125.6	143.5	166.2	192.8	138.5
Principal payments	524.6	373.7	430.1	449.4	880.8	494.8
Internal Public Debt[(4)]	237.4	269.2	284.8	244.7	240.0	202.7
External Public Debt	287.3	104.5	145.3	204.7	640.8	292.1
Public Debt/GDP (%)[(5)]	48.7	56.7	58.9	55.7	53.5	n/a
Internal Public Debt/GDP (%)	7.2	10.9	11.0	11.1	11.2	n/a
External Public Debt/GDP (%)[(5)]	41.5	45.9	48.0	44.5	42.2	n/a
Public Debt/State Budget revenues (%)[(5)]	210.3	245.5	264.9	249.6	224.3	n/a
Public Debt service/State Budget revenues (%)[(6)]	27.6	24.0	26.9	27.0	37.3	33.6
External Public Debt/official foreign exchange reserves (%)	243.6	217.9	238.3	245.0	203.0	247.9

Notes:

n/a = not available

(1) Table includes amounts outstanding under domestic and external guarantees issued by the Government.
(2) Figures for Internal Public Debt are converted into dollars, using the AMD/U.S.$ exchange rate at the end of each period. See "*Exchange Rates*."
(3) Government Debt is calculated as a sum of Internal Public Debt and External Public Debt, excluding External Public Debt of CBA.
(4) Figures for interest and principal payments on Internal Public Debt are converted into dollars, using the average AMD/U.S.$ exchange rate for each period. See "*Exchange Rates*."
(5) Figures for External Public Debt are converted into drams, using the AMD/U.S.$ exchange rate as of the end of each period. See "*Exchange Rates*."
(6) Figures for interest and principal payments on External Public Debt are converted into drams, using the average AMD/U.S.$ exchange rate for each period. See "*Exchange Rates*."

Source: Ministry of Finance.

For purposes of financing the deficit in recent years, Armenia has incurred total net borrowing in the following amounts: for the year 2015, AMD317 billion (of which AMD14 billion domestic / AMD303 billion external); for the year 2016, AMD409 billion (of which AMD171 billion domestic / AMD238 billion external); for the year 2017, AMD279 billion (of which AMD46 billion domestic / AMD233 billion external); for the year 2018, AMD133 billion (of which AMD48 billion domestic / AMD85 billion external); for the year 2019, AMD235 billion (of which AMD102 billion domestic / AMD133 billion external); and for the nine months ended 30 September 2020, AMD252 billion (of which AMD206 billion domestic / AMD46 billion external).

As of 30 September 2020, there were no outstanding domestic guarantees issued by the Government (which are classified as Internal Public Debt) while amounts outstanding under external guarantees issued by the Government totalled U.S.$131.5 million as of 30 September 2020, U.S.$123.3 million out of which was provided by the Government for external loans of the CBA (to avoid double counting, U.S.$123.3 million is included in the External Public Debt of the CBA and not the Government).

As of 31 December 2019, total external debt of Armenia, which includes private external debt and External Public Debt, amounted to U.S.$12,340.9 million, or 90.1% of GDP. As of 30 September 2020, total external debt of Armenia amounted to U.S.$ 12,658.1 million.

Under the Government Debt Management Strategy of the Republic of Armenia for 2021-2023 (the "**Government Debt Management Strategy**"), the Government has set the following benchmarks for the efficient management of the Government Debt:

	Benchmark	Actual Rates as of 31 December 2020	2023 Forecast Rates
Refinancing risk			
Average time to maturity	8-11 years	**8.8 years**	**7.7 years**
Share of the Government treasury bonds maturing in 1 year in the outstanding Government treasury bonds (at the end of the year)	Max 20%	**11.5%**	**9.8%**
Interest rate risk			
Share of fixed rate debt in total debt	Min 80%	**80.4%**	**80.7%**
Exchange rate risk			
Share of domestic debt in total debt	Min 25%	**25.5%**	**37.6%**
Share of AMD denominated debt in total debt	Min 25%	**24.4%**	**36.3%**

Source: Ministry in Finance.

The Government Debt Management Strategy forecasts in 2023: an average interest rate for the Government Debt portfolio of 5.3% (compared to 4.3% as of 31 December 2020), an average time of re-setting interest rates for Government Debt of 6.4 years (compared to 7.1 years as 31 December 2020), the share of Government Debt maturing within one year at 8.6% (compared to 5.8% as of 31 December 2020) and the share of the Government Debt to re-set its interest within one year at 25.2% (compared to 25.7% as of 31 December 2020).

Internal Public Debt

Internal Public Debt consists of (i) Government securities acquired by residents of Armenia; (ii) commercial loans issued by residents of Armenia to the Ministry of Finance; and (iii) domestic guarantees issued by the Government (the "**Internal Public Debt**").

As of 31 December 2019, Internal Public Debt amounted to AMD737.2 billion, or 11.2% of GDP. As of 30 September 2020, Internal Public Debt amounted to AMD915.7 billion.

The following table sets forth information on Internal Public Debt as of the indicated dates:

Internal Public Debt

	As of and for the year ended 31 December					As of and for the nine months ended 30 September
	2015	2016	2017	2018	2019	2020
	(AMD billions)					
Total	**364.0**	**551.1**	**610.3**	**670.5**	**737.2**	**915.7**
Government securities	***363.0***	***547.7***	***605.9***	***666.2***	***737.2***	***915.7***

	As of and for the year ended 31 December					As of and for the nine months ended 30 September
	2015	2016	2017	2018	2019	2020
			(AMD billions)			
Government domestic securities purchased by residents	320.0	500.3	540.0	584.5	**677.7**	872.1
Eurobonds purchased by residents	43.0	47.3	65.9	81.7	59.5	43.5
Commercial loans	**-**	**-**	**-**	**-**	**-**	**-**
Domestic guarantees	***1.0***	***3.4***	***4.4***	***4.4***	**-**	**-**
						(% of total)
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Government securities	***99.7***	***99.4***	***99.3***	***99.4***	***100.0***	***100.0***
Government domestic securities purchased by residents	87.9	90.8	88.5	87.2	91.9	95.2
Eurobonds purchased by residents	11.8	8.6	10.8	12.2	8.1	4.8
Commercial loans	**-**	**-**	**-**	**-**	**-**	**-**
Domestic guarantees	***0.3***	***0.6***	***0.7***	***0.6***	**-**	**-**
						(% of GDP)
Total	**7.2**	**10.9**	**11.0**	**11.1**	**11.2**	**n/a**
Government securities	***7.2***	***10.8***	***10.9***	***11.1***	***11.2***	***n/a***
Government domestic securities purchased by residents	6.3	9.9	9.7	9.7	10.3	n/a
Eurobonds purchased by residents	0.9	0.9	1.2	1.4	0.9	n/a
Commercial loans	**-**	**-**	**-**	**-**	**-**	**-**
Domestic guarantees	***0.0***	***0.1***	***0.1***	***0.1***	**-**	**-**
Memo:						
Internal Public Debt projection (*U.S.$ millions*)(1)	824.0	782.8	1,189.0	1,362.4	1,837	n/a
GDP (market prices) (*AMD billions*)	5,043.6	5,067.3	5,564.5	6,017.0	6,569.0	4,283.9
Exchange rate, AMD/U.S.$, end of period(2)	483.8	483.9	484.1	483.8	479.7	487.6
Internal Public Debt (*U.S.$ millions*)	752.4	1,138.7	1,260.7	1,386.1	1,536.7	1,877.8

Notes:

n/a = not available

(1) As set forth in the relevant annual Budget Message.
(2) As published by the CBA. See "*Exchange Rates*."

Source: Ministry of Finance.

The following table provides information on the profile of Armenia's domestic Government securities, including the maturity profile based on time to redemption:

Domestic Government Securities(1)

	As of 31 December					
	2015	2016	2017	2018	2019	2020
			(AMD billions)			
Total, of which	**320.8**	**508.3**	**549.7**	**588.1**	**681.0**	**958.8**
T-bills	21.5	78.8	22.7	29.1	23.8	47.5
Medium-term bonds	153.9	212.7	241.4	230.1	218.6	265.0
Long-term bonds	144.3	214.7	282.5	323.2	431.9	640.8
Saving bonds	1.0	2.1	3.2	5.7	6.7	5.6
Total, of which	**320.8**	**508.3**	**549.7**	**588.1**	**681.0**	**958.8**
Up to one year(2)	54.7	116.2	90.1	76.1	86.2	110.4
1-2 years	41.7	77.0	61.0	73.9	67.2	77.7
2-3 years	66.4	53.9	64.2	71.5	68.1	76.7
3-4 years	15.7	36.2	69.8	41.5	43.4	31.8

	As of 31 December					
	2015	2016	2017	2018	2019	2020
			(AMD billions)			
4-5 years	25.2	56.8	27.6	37.5	17.4	91.4
5 years or more	117.1	168.3	237.1	287.5	398.7	570.8

Notes:

(1) Excludes Eurobonds purchased by residents.
(2) Includes T-bills and savings bonds with maturities of up to one year.

Source: Ministry of Finance.

As of 31 December 2020, Government securities amounted to AMD958.8 billion (U.S.$1,834.7 million), comprising 100% of Internal Public Debt. Government securities consist mainly of medium-term and long-term bonds and, to a lesser extent, Eurobonds held by Armenian residents, T-bills and savings bonds. In April 2017, the auction system for government treasury bonds was transferred from the CBA to the NASDAQ OMX Armenia (now the AMX), which allowed carrying out the primary placement of treasury bonds through a trading platform that has a modern software solutions and possibilities for doing transactions with debt management instruments. The procedure for selecting participants in the primary market for government treasury bonds was established under a July 2017 order of the Minister of Finance, which also set goals to increase the responsibility of the participants in the primary market for government treasury bonds, ensure an equal competitive environment, create a transparent selection process, and increase the activity of the secondary market. An online system for retail sales of government treasury bonds through treasury custodian has also been introduced, which aims at both the improvement of the investment-making process and at extending the scope of investors and increasing the investment volumes in retail sales.

Medium-term bonds are fixed rate, dram-denominated obligations with maturities of between one and five years. All of Armenia's outstanding medium-term bonds bear either three- or five-year maturities. As of 31 December 2019, outstanding medium-term bonds amounted to AMD218.6 billion. As of 31 December 2020, the outstanding amount of medium-term bonds was AMD265.0 billion. In 2020, a total of twelve auctions of medium-term bonds took place.

Long-term bonds are fixed rate, dram-denominated obligations with maturities of more than five years. All of Armenia's outstanding long-term bonds bear 10-, 20- or 30-year maturities. As of 31 December 2019, outstanding long-term bonds amounted to AMD431.9 billion. As of 31 December 2020, the outstanding amount of long-term bonds was AMD640.8 billion. In 2020, a total of eight auctions of long-term bonds took place.

T-bills are fixed rate, dram-denominated obligations with a maturity of up to one year. As of 31 December 2019, outstanding T-bills amounted to AMD23.8 billion. As of 31 December 2020, the outstanding amount of T-bills was AMD47.5 billion. In 2020, a total of 35 T-bills auctions took place.

Since 2017, Armenia has been decreasing the number of auctions for medium- and long-term bonds and T-bills, but increasing auction volumes. On 14 July 2020, 10-year bonds with a total amount of AMD70.7 billion (approximately U.S.$146 million) were allocated, against total bids exceeding AMD160 billion, the largest auction sale of Government securities in Armenia to date. In the medium-term to long-term, it is expected that the use of domestic borrowing as a means to finance the State budget will increase (supported in part by the pension reforms). The increase of the liquidity of domestic bonds through increasing the volume of bonds in circulation is a public debt management target.

The Government also issues savings bonds, which are fixed rate, non-tradeable securities sold only to individual retail investors. Coupon payments for savings bonds can be made on a quarterly, semi-annual or annual basis, and the maturity period for savings bonds range from three months to 25 years. As of 31 December 2019, the outstanding amount of savings bonds was AMD6.7 billion. As of 31 December 2020, the outstanding amount of savings bonds was AMD5.6 billion.

As of 31 December 2020, the weighted average yield of domestic Government securities was 10.4%, and the average contractual maturity of domestic Government securities equalled 3,944 days (over ten years). All Government securities carry fixed interest rates. All domestic Government securities are dram-denominated (other than Eurobonds held by Armenian residents).

In 2020, turnover on the secondary market for domestic Government securities equalled AMD465.6 billion, consisting of AMD402.9 billion in interbank transactions and AMD62.7 billion in transactions on the Armenia Securities Exchange.

On 28 June 2016, OJSC Central Depository of Armenia ("**CDA**") and Clearstream signed an agreement on the opening of a Clearstream nominee account at CDA. Foreign investors can now easily purchase Armenian securities, including Government bonds, without opening a direct account at CDA.

As of 30 September 2020, there were no outstanding internal commercial loans extended to the Government.

External Public Debt

In accordance with the Law on State Debt, External Public Debt consists of (i) debt incurred or guaranteed by the Ministry of Finance on behalf of Armenia and held by non-residents of Armenia; and (ii) debt incurred or guaranteed by the CBA and held by non-residents of Armenia (the "**External Public Debt**"). External guarantees issued by the Government are provided to the CBA and, to avoid double counting, are included in the External Public Debt of the CBA and not the Government.

The outstanding External Public Debt was U.S.$5,976.8 million as of 30 September 2020. As of 30 September 2020, External Public Debt comprised (i) debt to multilateral financial institutions of U.S.$3,872.3 million; (ii) bilateral debt to other sovereigns of U.S.$1,158.9 million; (iii) bonds held by non-residents of U.S.$917.5 million, nearly all of which comprises outstanding Eurobond debt; (iv) indebtedness to commercial banks of U.S.$19.9 million, consisting of U.S.$3.1 million to KBC BANK NV (Belgium), U.S.$7.4 million to Raiffeisen Bank International AG (Austria) and U.S.$9.4 million to Erste Bank (Austria); and (v) a guarantee of U.S.$8.2 million issued to Erste Bank (Austria).

Historically, most External Public Debt was raised on concessionary terms. With Armenia now being classified as a 'middle-income' country, it has less access to the concessional loans provided by international institutions, and, for example, the World Bank and the Asian Development Bank have reviewed and increased the interest rates for their financings. Accordingly, the share of External Public Debt raised on commercial terms has risen in recent years, particularly as a result of the September 2013 debut Eurobond (followed by the March 2015 Eurobond and the September 2019 Eurobond issuances), one of the main purposes of which was to promote the country's transition from raising debt on concessionary terms to that raised on commercial terms. As of 30 September 2020, 38% of External Public Debt was extended on concessionary terms and 62% on semi-concessionary or commercial terms.

As of 31 December 2020, the average weighted interest rate on External Public Debt was approximately 3.0% per annum, and the average contractual maturity was approximately 7.8 years. As of 31 December 2020, 73.0% of Armenia's External Public Debt portfolio carried fixed interest rates, and the remainder carried floating rates. As of 31 December 2020, 62% of Armenia's External Public Debt portfolio was represented by semi-concessional and commercial loans, and the remainder was attributed to concessional loans.

The following table sets forth information on External Public Debt as of the indicated dates:

External Public Debt

	As of 31 December					As of 30 September
	2015	2016	2017	2018	2019	2020
			(U.S.$ millions)			
Total	**4,325.3**	**4,803.4**	**5,513.9**	**5,536.0**	**5,784.5**	**5,976.8**
Government, of which	***3,849.0***	***4,298.7***	***4,912.4***	***4,986.0***	***5,295.2***	***5,496.7***
Multilateral creditors, of which	***2,489.2***	***2,831.4***	***3,167.2***	***3,185.7***	***3,237.4***	***3,516.6***
IDA	1,139.7	1,098.2	1,131.8	1,071.0	1,011.5	989.5
IMF	141.1	126.8	110.7	79.8	51.2	322.4
IBRD	462.9	596.7	631.1	681.8	768.3	783.9
ADB	388.2	501.6	642.0	708.7	768.9	767.8
EU	71.0	68.8	77.9	74.4	72.8	76.0
IFAD	61.2	63.5	66.4	64.3	64.3	65.7

	As of 31 December					As of 30 September
	2015	2016	2017	2018	2019	2020
			(U.S.$ millions)			
OFID	40.4	55.4	57.5	56.6	53.9	51.0
EBRD	18.9	20.5	23.6	21.8	19.2	20.9
EIB	65.8	94.9	120.9	121.0	117.0	127.9
EDB (EFSD)	100.0	205.0	305.2	306.3	310.1	311.5
Government securities	***912.8***	***918.8***	***883.9***	***838.7***	***980.7***	***917.5***
Government domestic securities purchased by non-residents	1.5	16.5	20.0	7.5	7.0	6.8
Eurobonds purchased by non-residents	911.2	902.3	863.9	831.2	973.7	910.7
Bilateral creditors, of which	***423.9***	***526.1***	***829.2***	***930.9***	***1,048.9***	***1,034.5***
Russia	7.8	56.4	252.6	313.2	396.5	359.4
Japan (JICA)	241.5	239.4	238.5	233.2	225.5	222.5
Germany (KfW)	104.3	100.1	166.3	211.6	256.2	268.5
USA	23.5	21.8	20.1	18.3	16.6	14.9
France	20.0	79.4	122.0	126.7	127.2	142.9
Abu Dhabi Fund for Development	6.4	6.6	5.9	5.3	4.6	4.3
Export-Import Bank of China	20.4	22.4	23.8	22.6	22.3	22.0
Commercial banks	***23.2***	***22.4***	***24.6***	***22.7***	***20.5***	***19.9***
External guarantees	***0.0***	***0.0***	***7.4***	***8.0***	***7.8***	***8.2***
CBA, of which	***476.3***	***504.7***	***601.5***	***550.0***	***489.3***	***480.1***
Multilateral creditors, of which	***390.8***	***404.4***	***471.9***	***418.4***	***365.1***	***355.7***
IMF	273.3	285.2	293.5	248.4	202.1	180.1
IBRD	48.0	46.5	45.0	43.4	41.8	40.0
ADB	7.2	10.3	17.3	13.8	13.7	14.0
EIB	62.3	62.3	116.1	112.8	107.6	121.6
Bilateral creditors, of which	***85.6***	***100.3***	***129.6***	***131.7***	***124.2***	***124.4***
Germany (KfW)	85.6	100.3	129.6	131.7	124.2	124.4
					(% of total)	
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Government, of which	***89.0***	***89.5***	***89.1***	***90.1***	***91.5***	***92.0***
Multilateral creditors, of which	***57.5***	***58.9***	***57.4***	***57.5***	***56.0***	***58.8***
IDA	26.3	22.9	20.5	19.3	17.5	16.6
IMF	3.3	2.6	2.0	1.4	0.9	5.4
IBRD	10.7	12.4	11.4	12.3	13.3	13.1
ADB	9.0	10.4	11.6	12.8	13.3	12.8
EU	1.6	1.4	1.4	1.3	1.3	1.3
IFAD	1.4	1.3	1.2	1.2	1.1	1.1
OFID	0.9	1.2	1.0	1.0	0.9	0.9
EBRD	0.4	0.4	0.4	0.4	0.3	0.4
EIB	1.5	2.0	2.2	2.2	2.0	2.1
EDB (EFSD)	2.3	4.3	5.5	5.5	5.4	5.2
Government securities	***21.1***	***19.1***	***16.0***	***15.1***	***17.0***	15.4
Government domestic securities purchased by non-residents	0.0	0.3	0.4	0.1	0.1	0.1
Eurobonds purchased by non-residents	21.1	18.8	15.7	15.0	16.8	15.2
Bilateral creditors, of which	***9.8***	***11.0***	***15.0***	***16.8***	***18.1***	17.3
Russia	0.2	1.2	4.6	5.7	6.9	6.0
Japan (JICA)	5.6	5.0	4.3	4.2	3.9	3.7
Germany (KfW)	2.4	2.1	3.0	3.8	4.4	4.5
USA	0.5	0.5	0.4	0.3	0.3	0.2
France	0.5	1.7	2.2	2.3	2.2	2.4
Abu Dhabi Fund for Development	0.1	0.1	0.1	0.1	0.1	0.1
Export-Import Bank of China	0.5	0.5	0.4	0.4	0.4	0.4
Commercial banks	***0.5***	***0.5***	***0.4***	***0.4***	***0.4***	0.3
External guarantees	-	-	***0.1***	***0.1***	***0.1***	0.1
CBA, of which	***11.0***	***10.5***	***10.9***	***9.9***	***8.5***	8.0

	As of 31 December					As of 30 September
	2015	2016	2017	2018	2019	2020
	(U.S.$ millions)					
Multilateral creditors, of which	***9.0***	***8.4***	***8.6***	***7.6***	***6.3***	6.0
IMF	6.3	5.9	5.3	4.5	3.5	3.0
IBRD	1.1	1.0	0.8	0.8	0.7	0.7
ADB	0.2	0.2	0.3	0.2	0.2	0.2
EIB	1.4	1.3	2.1	2.0	1.9	2.0
Bilateral creditors, of which	***2.0***	***2.1***	***2.4***	***2.4***	***2.1***	2.1
Germany (KfW)	2.0	2.1	2.4	2.4	2.1	2.1
	(% of GDP)[1]					
Total	**41.5**	**45.9**	**48.0**	**44.5**	**42.2**	**n/a**
Government, of which	***36.9***	***41.1***	***42.7***	***40.1***	***38.7***	***n/a***
Multilateral creditors, of which	***23.9***	***27.0***	***27.6***	***25.6***	***23.6***	***n/a***
IDA	10.9	10.5	9.8	8.6	7.4	n/a
IMF	1.4	1.2	1.0	0.6	0.4	n/a
IBRD	4.4	5.7	5.5	5.5	5.6	n/a
ADB	3.7	4.8	5.6	5.7	5.6	n/a
EU	0.7	0.7	0.7	0.6	0.5	n/a
IFAD	0.6	0.6	0.6	0.5	0.5	n/a
OFID	0.4	0.5	0.5	0.5	0.4	n/a
EBRD	0.2	0.2	0.2	0.2	0.1	n/a
EIB	0.6	0.9	1.1	1.0	0.9	n/a
EDB (EFSD)	1.0	2.0	2.7	2.5	2.3	n/a
Government securities	***8.8***	***8.8***	***7.7***	***6.7***	***7.2***	***n/a***
Government domestic securities purchased by non-residents	0.0	0.2	0.2	0.1	0.1	n/a
Eurobonds purchased by non-residents	8.7	8.6	7.5	6.7	7.1	n/a
Bilateral creditors, of which	***4.1***	***5.0***	***7.2***	***7.5***	***7.7***	***n/a***
Russia	0.1	0.5	2.2	2.5	2.9	n/a
Japan (JICA)	2.3	2.3	2.1	1.9	1.6	n/a
Germany (KfW)	1.0	1.0	1.4	1.7	1.9	n/a
USA	0.2	0.2	0.2	0.1	0.1	n/a
France	0.2	0.8	1.1	1.0	0.9	n/a
Abu Dhabi Fund for Development	0.1	0.1	0.1	0.0	0.0	n/a
Export-Import Bank of China	0.2	0.2	0.2	0.2	0.2	n/a
Commercial banks	***0.2***	***0.2***	***0.2***	***0.2***	***0.1***	***n/a***
External guarantees	***-***	***-***	***0.1***	***0.1***	***0.1***	***n/a***
CBA, of which	***4.6***	***4.8***	***5.2***	***4.4***	***3.6***	***n/a***
Multilateral creditors, of which	***3.7***	***3.9***	***4.1***	***3.4***	***2.7***	***n/a***
IMF	2.6	2.7	2.6	2.0	1.5	n/a
IBRD	0.5	0.4	0.4	0.3	0.3	n/a
ADB	0.1	0.1	0.2	0.1	0.1	n/a
EIB	0.6	0.6	1.0	0.9	0.8	n/a
Bilateral creditors, of which	***0.8***	***1.0***	***1.1***	***1.1***	***0.9***	***n/a***
Germany (KfW)	0.8	1.0	1.1	1.1	0.9	n/a
Memo:						
External Public Debt projection (*U.S.$ millions*)[2]	4,037.0	4,826.1	5,323.0	5,805.0	5,339	n/a
GDP (*AMD billions*)	5,043.6	5,067.3	5,564.5	6,017.0	6,569.0	4,283.9
Exchange rate, AMD/U.S.$, end of period[3]	483.8	483.9	484.1	483.8	479.7	487.6

Notes:

n/a = not available.

(1) Figures for External Public Debt are converted into drams, using the AMD/U.S.$ exchange rate as of the end of each period. See "*Exchange Rates*."

(2) As set forth in the relevant annual Budget Message.

(3) As published by the CBA. See "*Exchange Rates*."

Source: Ministry of Finance.

Of the U.S.$5,976.8 million outstanding as of 30 September 2020, U.S.$5,496.7 million represented External Public Debt incurred by the Government, including U.S.$3,516.6 million in loans from multilateral creditors, U.S.$1,034.5 million in loans from bilateral sovereign creditors, U.S.$910.7 million in Eurobonds held by non-residents, U.S.$19.9 million in loans from commercial banks, U.S.$8.2 million in a guarantee issued to a foreign bank and U.S.$6.8 million in dram-denominated Government securities held by non-residents. As of 30 September 2020, Armenia's largest multilateral lenders were the IDA, IBRD, ADB, IMF and the EDB (EFSD).

Russia, followed by Germany, were Armenia's largest bilateral sovereign creditors as of 30 September 2020. Bilateral sovereign debt increased substantially over 2015-2020, from U.S.$423.9 million to U.S.$1,034.5 million, largely due to the Russian loans, including a U.S.$270 million loan to help finance the extension of the operating lifetime of the Metsamor Nuclear Power Plant to 2026. In 2020, the undisbursed amount under the loan of U.S.$99.3 million was cancelled when the Government decided to continue the project by using domestic financing sources.

As of 30 September 2020, the undisbursed External Public Debt amounted to U.S.$1.6 billion, out of which 25.3% was attributed to Germany (KfW), 18.2% to ADB, 18.0% to the IMF, 11.6% to the IBRD, 11.1% to EFSD, 8.1% to EIB, 3.1% to EBRD, 2.1% to Russia, 1.4% to France, 1.0% to IDA and 0.1% to IFAD.

As of 30 September 2020, fixed-rate loans and fixed-rate Government securities comprised 57.7% and 15.4%, respectively, of Public External Debt. The remaining share of Public External Debt (26.9%) consisted of loans with floating interest rates. The following table sets forth the structure of Public External Debt by currency as of the dates indicated:

External Public Debt by Currency(1)(2)

	As of 31 December					As of 30 September
	2015	**2016**	**2017**	**2018**	**2019**	**2020**
			(U.S.$ millions)			
U.S.$	1,746.3	2,151.1	2,609.7	2,755.7	3,022.9	2,941.4
SDR	1,920.9	1,887.4	1,947.6	1,796.0	1,654.0	1,877.0
EUR	388.3	480.0	668.4	715.7	848.3	902.8
JPY	241.5	239.4	238.5	233.2	225.5	222.5
CNY	20.4	22.4	23.8	22.6	22.3	22.0
AMD	1.5	16.5	20.0	7.5	7.0	6.8
AED	6.4	6.6	5.9	5.3	4.6	4.3
Total	**4,325.3**	**4,803.4**	**5,513.9**	**5,536.0**	**5,784.5**	**5,976.8**

Notes:

(1) Includes loans and Government securities.

(2) Non-dollar amounts have been converted into dollar amounts, using the period-end exchange rates as published by the CBA. See "*Exchange Rates*."

Source: Ministry of Finance.

Government Guarantees

The Government issues domestic and external debt guarantees. As of 30 September 2020, there were no outstanding domestic guarantees issued by the Government. As of 30 September 2020, the total amount outstanding under Government external debt guarantees was U.S.$131.5 million, of which U.S.$123.3 million consisted of Government guarantees in respect of loans provided by official creditors, such as the IBRD, ADB and KfW, to the CBA. These external guarantees are reflected as External Public Debt of the CBA. The remaining U.S.$8.2 million constituted a Government guarantee in respect of a loan provided by Erste Bank (Austria) to "Nork-Marash" Medical Centre CJSC.

External Debt (Public and Private)

The following table sets forth certain statistics regarding Armenia's total external debt, including Public External Debt as well as private sector external debt:

Total External Debt (Public and Private)

	As of and for the year ended 31 December					As of and for the nine months ended 30 September
	2015	2016	2017	2018	2019	2020
Total external debt(1) (U.S.$ millions)	8,918.8	9,953.1	10,524.6	10,913.6	12,340.9	12,658.1
Public External Debt/total external debt (%)	49.9	50.6	55.0	52.8	49.0	48.9
Total external debt/GDP(2) (%)	85.5	95.1	91.6	87.7	90.1	n/a

Notes:

n/a = not available.

(1) Includes loans and Government securities.

(2) Figures for total external debt converted into drams, using the AMD/U.S.$ exchange rate as of the end of each period. See "*Exchange Rates*."

Sources: CBA.

Borrowings by domestic banks and credit organisations represent the largest component of private sector debt, constituting 52.0% of outstanding private sector debt as of 31 December 2019 and 50.9% of outstanding private sector debt as of 30 September 2020.

Public Debt Service

The following table sets forth the total Public Debt service for the periods indicated:

Public Debt Service

	For the year ended 31 December				For the nine months ended 30 September	
	2015	2016	2017	2018	2019	2020
			(U.S.$ millions)			
Internal Public Debt service(1)	**304.7**	**356.6**	**405.3**	**377.2**	**290.8**	**315.5**
Principal	237.4	269.2	284.8	244.7	195.4	202.7
Interest	67.3	87.5	120.5	132.5	95.3	112.8
External Public Debt service	**391.1**	**230.1**	**288.8**	**370.9**	**714.5**	**430.6**
Principal	287.3	104.5	145.3	204.7	558.2	292.1
Interest	103.8	125.6	143.5	166.2	156.3	138.5
Total Public Debt Service(1)	**695.8**	**586.7**	**694.1**	**748.1**	**1,005.3**	**746.1**

Note:

(1) Figures for Internal Public Debt are converted into dollars, using the average AMD/U.S.$ exchange rate for the period. See "*Exchange Rates*."

Source: Ministry of Finance.

The weighted average interest rate on Government Debt was 4.5% in 2015, 4.9% in 2016 and 2017, 5.0% in 2018, and 4.8% in 2019. As of 30 September of 2020, the weighted average interest rate on Government Debt was 4.5%.

The following table sets forth the projected total principal service payments on External Public Debt by type of creditor for the periods indicated. The repayment profile increases significantly in 2025 when the March 2015 Eurobond matures and in 2029 when the September 2019 Eurobond matures.

Projected Total External Public Debt Principal Service Requirements(1)

	As of 31 December										
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030-2054
	(U.S.$ millions)[(2)]										
Government External Public Debt, *of which*	**298.6**	**219.6**	**225.3**	**239.2**	**246.7**	**763.1**	**353.9**	**271.1**	**248.5**	**740.9**	**1,805.3**
Multilateral creditors, of which	***139.9***	***152.5***	***149.4***	***156.7***	***162.1***	***179.7***	***268.4***	***186.4***	***185.2***	***180.2***	***1476.9***
IDA	62.7	69.8	70.2	71.2	72.1	73.8	74.7	66.9	66.5	57.0	326.6
IMF	28.2	17.8	5.3	-	-	-	-	-	-	-	-
IBRD	6.5	12.0	15.9	22.3	26.3	27.7	27.7	27.7	27.7	33.4	541.3
ADB	31.2	37.4	41.6	45.9	45.9	45.9	45.9	45.9	45.9	45.9	337.6
EU	-	-	-	-	-	-	72.8	-	-	-	-
IFAD	2.4	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	29.3
OFID	4.1	4.9	4.9	4.9	4.9	4.6	4.6	3.9	3.9	3.0	10.3
EBRD	2.6	2.6	2.6	2.6	2.6	2.1	1.7	1.2	0.5	0.2	0.4
EIB	2.1	4.3	5.3	6.2	6.6	6.6	6.5	6.2	6.1	6.1	61.0
EDB (EFSD)	0.0	0.0	0.0	0.0	0.0	15.5	31.0	31.0	31.0	31.0	170.4
Foreign currency denominated bonds	***97.7***	***-***	***-***	***-***	***-***	***500.0***	***-***	***-***	***-***	***500.0***	***-***
Bilateral creditors, of which	***59.4***	***64.9***	***73.7***	***80.1***	***81.8***	***80.6***	***83.5***	***82.7***	***61.8***	***59.7***	***320.7***
Russia	37.1	37.1	37.1	39.0	39.0	39.0	41.9	42.1	22.1	22.1	40.0
Japan (JICA)	10.3	10.3	10.3	10.3	10.3	10.3	10.3	10.3	10.3	9.2	123.8
Germany (KfW)	8.4	9.5	13.7	18.0	19.8	18.5	18.5	18.5	18.5	18.1	94.8
USA	1.7	4.5	1.7	1.7	1.7	1.7	1.7	1.1	0.6	-	-
France	0.5	1.4	8.8	8.9	8.9	8.9	8.9	8.9	8.9	8.9	54.0
Abu Dhabi Fund for Development	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.3	-	-	-
Export-Import Bank of China	0.7	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	8.2
Commercial banks	***1.7***	***2.2***	***2.2***	***2.2***	***2.2***	***2.2***	***1.4***	***1.4***	***0.9***	***0.5***	***3.7***
External guarantees	***-***	***-***	***-***	***0.3***	***0.6***	***0.6***	***0.6***	***0.6***	***0.6***	***0.6***	***3.9***
CBA External Public Debt, *of which*	**75.9**	**80.5**	**68.4**	**61.5**	**48.5**	**38.2**	**29.3**	**16.0**	**13.1**	**11.1**	**47.0**
Multilateral creditors, of which	***59.2***	***63.2***	***53.4***	***46.5***	***34.6***	***30.6***	***21.8***	***10.2***	***8.5***	***8.6***	***28.5***
IMF	47.4	46.5	36.6	29.6	17.6	13.5	9.0	1.8	-	-	-
IBRD	1.8	1.8	1.9	2.0	2.1	2.2	2.4	2.5	2.6	2.7	19.6
ADB	0.3	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	7.1
EIB	9.7	14.2	14.2	14.2	14.2	14.2	9.7	5.2	5.2	5.2	1.8
Bilateral creditors, of which	***16.7***	***17.2***	***15.0***	***15.0***	***13.9***	***7.5***	***7.5***	***5.8***	***4.6***	***2.5***	***18.4***
Germany (KfW)	16.7	17.2	15.0	15.0	13.9	7.5	7.5	5.8	4.6	2.5	18.4

Notes:

(1) The table reflects contractual payments of existing obligations as of 31 December 2019. Therefore, it does not include any borrowings or prepayments of External Public Debt by or on behalf of the Government or the CBA since 31 December 2019, including the issuance of the Notes.

(2) Foreign currency values of outstanding External Public Debt have been converted into dollars at the relevant market exchange rates as of 31 December 2019.

Source: Ministry of Finance.

The Government projects the following total principal service payments on Government securities denominated in AMD: U.S.$179.8 million in 2020, U.S.$140.1 million in 2021, U.S.$141.9 million in 2022, U.S.$90.5 million in 2023, U.S.$36.3 million in 2024, U.S.$82.5 million in 2025, U.S.$105.1 million in 2027, U.S.$36.9 million in 2028, U.S.$101.8 million in 2029 and U.S.$504.9 million in 2030-2054.

The following table sets forth the projected total interest service payments on External Public Debt by type of creditor for the periods indicated:

Projected Total External Public Debt Interest Service Requirements(1)

	For the year(s) indicated										
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030-2054
	(U.S.$ millions)(2)										
Government External Public Debt, *of which*	**159.9**	**149.9**	**145.3**	**140.2**	**134.8**	**111.2**	**86.8**	**78.7**	**72.6**	**67.0**	**212.6**
Multilateral creditors, of which	***77.9***	***75.3***	***72.2***	***68.9***	***65.4***	***61.7***	***56.9***	***50.7***	***46.4***	***42.0***	***192.8***
IDA	22.6	21.4	20.1	18.7	17.4	16.0	14.5	13.1	11.6	10.2	47.6
IBRD	22.8	22.6	22.2	21.7	21.0	20.2	19.3	18.5	17.7	16.8	85.5
ADB	18.7	17.8	16.8	15.7	14.6	13.5	12.4	11.3	10.2	9.1	40.3
EU	2.4	2.4	2.4	2.4	2.4	2.4	1.8	-	-	-	-
IFAD	0.6	0.5	0.5	0.5	0.4	0.4	0.4	0.3	0.3	0.3	1.6
OFID	2.1	1.9	1.7	1.5	1.3	1.2	1.0	0.8	0.6	0.5	1.1
EBRD	0.3	0.3	0.2	0.2	0.1	0.1	0.1	0.0	0.0	0.0	0.0
EIB	1.9	1.9	1.8	1.7	1.6	1.5	1.4	1.3	1.2	1.1	5.9
EDB (EFSD)	6.5	6.5	6.5	6.5	6.5	6.4	6.0	5.4	4.7	4.1	10.8
Foreign currency denominated bonds	***61.4***	***55.5***	***55.5***	***55.5***	***55.5***	***37.6***	***19.8***	***19.8***	***19.8***	***19.8***	**-**
Bilateral creditors, of which	***20.3***	***18.8***	***17.3***	***15.5***	***13.7***	***11.8***	***10.0***	***8.1***	***6.3***	***5.1***	***19.5***
Russia	11.6	10.5	9.4	8.3	7.1	5.9	4.7	3.5	2.4	1.7	5.1
Japan (JICA)	1.9	1.8	1.7	1.6	1.5	1.4	1.3	1.2	1.1	1.0	7.4
Germany (KfW)	4.4	4.2	4.0	3.7	3.3	2.9	2.5	2.2	1.8	1.5	4.4
USA	0.3	0.2	0.2	0.2	0.1	0.1	0.1	0.0	0.0	-	-
France	1.5	1.5	1.5	1.4	1.3	1.2	1.1	0.9	0.8	0.7	2.1
Abu Dhabi Fund for Development	0.2	0.1	0.1	0.1	0.1	0.0	0.0	0.0	-	-	-
Export-Import Bank of China	0.4	0.4	0.4	0.4	0.3	0.3	0.3	0.2	0.2	0.2	0.5
Commercial banks	***0.2***	***0.2***	***0.2***	***0.1***	***0.1***	***0.1***	***0.1***	***0.1***	***0.0***	***0.0***	***0.2***
External guarantees	***0.1***	***0.1***	***0.1***	***0.1***	***0.1***	***0.1***	***0.1***	***0.1***	***0.0***	***0.0***	***0.1***
CBA External Public Debt, *of which*	**9.6**	**8.2**	**6.8**	**5.5**	**4.4**	**3.4**	**2.5**	**2.0**	**1.6**	**1.3**	**4.2**
Multilateral creditors, of which	***7.7***	***6.6***	***5.5***	***4.4***	***3.6***	***2.8***	***2.1***	***1.6***	***1.3***	***1.1***	***3.1***
IMF	2.9	2.2	1.6	1.1	0.7	0.4	0.2	0.0	-	-	**-**
IBRD	1.3	1.3	1.2	1.1	1.1	1.0	0.9	0.9	0.8	0.7	**2.1**
ADB	0.3	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.2	**0.9**
EIB	3.1	2.8	2.4	2.0	1.6	1.1	0.7	0.5	0.3	0.2	**0.0**
Bilateral creditors, of which	***1.9***	***1.6***	***1.3***	***1.1***	***0.8***	***0.6***	***0.5***	***0.4***	***0.3***	***0.2***	***1.1***
Germany (KfW)	1.9	1.6	1.3	1.1	0.8	0.6	0.5	0.4	0.3	0.2	**1.1**

Notes:

(1) The table reflects contractual payments under existing obligations as of 31 December 2019. Therefore, it does not include any borrowings or prepayments of External Public Debt by or on behalf of the Government or the CBA since 31 December 2019, including the issuance of the Notes.

(2) Foreign currency values of outstanding External Public Debt have been converted into dollars at the relevant market exchange rates as of 31 December 2019.

Source: Ministry of Finance.

Multilateral and Bilateral Development Organisations

IBRD (World Bank)

Armenia became a member of the World Bank in 1992. Armenia's partnership with the World Bank has focused on, *inter alia*, achieving sustained economic growth, fostering development of the private sector, improving social services and protecting Armenia's environment. Since the inception of the World Bank's programmes in Armenia, the World Bank has approved 106 public sector credits and loans totalling approximately U.S.$2.5 billion, out of which U.S.$1.4 billion are for IDA projects and U.S.$1.1 billion are for IBRD projects.

Armenia's borrowing from the World Bank has been largely on concessionary terms through IDA. As of 30 September 2020, the total amount of External Public Debt owed to the World Bank in respect of IDA credits was U.S.$989.5 million. In 1992, Armenia became eligible for IBRD borrowing. As of 30 September 2020, the total amount of External Public Debt in respect of IBRD loans was U.S.$823.9 million (with a further US$40.0 million owed by the CBA), and the new loan capacity was U.S.$0.2 billion.

Armenia became a member and shareholder of the International Finance Corporation (the "**IFC**") in 1995. IFC began providing advisory services in Armenia in 1999 and investing in the country in 2000. Since then, IFC's long-term investment commitments have totalled U.S.$480 million, including nearly U.S.$118 million mobilised from other lenders. That has financed 49 projects across a range of sectors, including financial markets, manufacturing, agribusiness, services, and mining. In addition, IFC has supported trade transactions worth more than U.S.$130 million through its trade finance program. IFC has also implemented a number of advisory projects to encourage private sector development.

The Government considers export expansion, firm competitiveness, human capital development, as well as sustainable management of environmental and natural resources as focus areas for further World Bank cooperation.

IMF

Armenia became a member of the IMF in 1992. Funds received from the IMF are held by the CBA to manage Armenia's international reserve position and by the Government to support Armenia's budget. As of 30 September 2020, the total amount owed to the IMF was U.S.$502.5 million, of which U.S.$180.1 million are payable by the CBA and U.S.$322.4 million by the Government.

In 2010, the IMF approved a blended Extended Fund Facility ("**EFF**") and Extended Credit Facility ("**ECF**") in for SDR266.8 million (the "**2010 EFF/ECF Arrangements**"). Armenia drew down the full amount of the 2010 EFF/ECF Arrangements, having received the final instalment of SDR55 million in June-July 2013 following the IMF's sixth and final review under the programme. Standard terms for EFF/ECF loans are as follows: a 10-year maturity period with a 4.5-5.5 year grace period (during which the borrower pays only interest), a variable interest rate for EFF loans and a fixed interest rate of 0.5% per annum for ECF loans. In March 2014, the IMF approved a 38-month EFF facility worth SDR82.21 million (approximately U.S.$127.6 million) aimed at supporting the domestic economy, reducing poverty, stabilizing inflation and reducing certain macroeconomic vulnerabilities. Since 1992, Armenia under various IMF's arrangements (ECF, EFF, SBA) has drawn down approximately SDR1,155 million. On 17 May 2019, the IMF Executive Board approved a U.S.$248.2 million stand-by arrangement for Armenia aimed at supporting Armenian authorities in strengthening economic fundamentals and policy frameworks. Under the arrangement, an amount equivalent to SDR25.714 million (about U.S.$35.5 million) became available to Armenia immediately, with the remainder available subject to six semi-annual reviews. On 18 May 2020, the IMF Executive Board adopted a decision to increase the amount by SDR128.8 million and immediately make available a sum of SDR206 million (about U.S.$280 million) for Armenia to mitigate short-term risks and address socio-economic implications of COVID-19 which was subsequently taken by Armenia on 20 May 2020. Following its review of Armenia's compliance with stand-by arrangements conditions, the IMF made a further disbursement of SDR25.714 million on 15 December 2020.

ADB

Armenia became a member of the ADB in 2005. To date, Armenia and the ADB have entered into 22 public sector loans for a total amount of approximately U.S.$1,141 million. The ADB has focused its investments on transportation infrastructure, energy, finance, urban infrastructure and services projects. Loans from the ADB are provided on concessional terms through the Asian Development Fund (the "**ADF**") and also through Ordinary

Capital Resources ("**OCR**"). As of 30 September 2020, the total amount of ADF-funded External Public Debt was U.S.$357.6 million, and the total amount of OCR-funded External Public Debt was U.S.$424.2 million. Under a grant agreement signed on 27 August 2020, ADB's Asia Pacific Disaster Response Fund (APDRF) provided U.S.$2 million to the Government in December 2020 to support Armenia in mitigating the consequences of the COVID-19 pandemic. As of 30 September 2020, Armenia had U.S.$0.8 billion of new loan capacity with ADB.

EU

In 2011-12, the EU provided to Armenia macro-financial assistance in the form of budget support in an aggregate amount of €100.0 million, of which €65.0 million was extended in the form of a loan and €35.0 million in the form of a grant. The loan was provided in two tranches (€26 million in 2011 and €39 million in 2012), both of which are to be repaid in 2026. The grant was provided in 2011. As of 30 September 2020, the total amount of External Public Debt owed to the EU was U.S.$76.0 million.

Armenia's current framework for cooperation with the EU is the Single Support Framework for EU support to Armenia for 2017-2020, which sets out the strategic objectives and priorities for EU-Armenia cooperation for the given years. The 2017-2020 Single Support Framework contemplates €144-176 million in EU financing in the priority areas of economic development and market opportunities, strengthening institutions and good governance, connectivity, energy efficiency, environment and climate change, mobility and people-to-people contacts.

In November-December 2020, the European Union disbursed EUR35.63 million as part of its EUR92 million response package to the COVID-19 pandemic in Armenia, as well as EUR24 million as part of its EUR30 million commitment under its "COVID-19 Resilience Contract for Armenia" (EUR30 million) and EUR9 million as part of its EUR30 million commitment under its "Support to Justice Sector Reforms in Armenia: Phase I".

IFAD

To date, Armenia and the IFAD have entered into seven public sector projects for a total amount of approximately SDR61.8 million. IFAD primarily invests in Armenia's agricultural sector. As of 30 September 2020, the total amount owed to IFAD was U.S.$65.7 million.

OFID

To date, Armenia and OPEC Fund for International Development have entered into five rural and agricultural development projects for a total amount of U.S.$74 million. As of 30 September 2020, the total amount owed to OFID was U.S.$51.0 million.

EBRD

Most of the EBRD assistance to Armenia since 1991 has consisted of private sector investments, and thus do not comprise Public Debt. To date, Armenia and the EBRD have entered into 14 public sector projects for a total amount of approximately U.S.$190 million. EBRD's investments in the public sector of Armenia have focused mainly on projects to improve the environment and transportation infrastructure. As of 30 September 2020, the total amount of External Public Debt outstanding to the EBRD was U.S.$20.9 million.

EIB

Armenia entered into a framework agreement with the EIB in 2008. In 2010, the EIB launched its first project in Armenia, providing funding for the reconstruction of the Yerevan Metro. As of 30 September 2020, the total amount outstanding owed to the EIB was U.S.$249.6 million.

EEU

Armenia officially joined the EEU in January 2015. See "*Risk Factors—Risk Factors Relating to Armenia—Relations with Russia*." Armenia has received two grants (U.S.$42 million and RUB130 million) to support the country's integration into the EEU.

EDB

The Government has entered into three loan agreements for a total amount of U.S.$490 million with the EDB (as an administrator of EFSD). As of 30 September 2020, the total amount of External Public Debt outstanding to the EDB was U.S.$311.5 million and the new loan capacity was U.S.$0.6 billion.

TERMS AND CONDITIONS OF THE NOTES

The issue of the Notes is authorised pursuant to the Law of Armenia on the Securities Market, dated 11 October 2007, as amended, and the Law of Armenia on State Debt, dated 26 May 2008, as amended. A fiscal agency agreement dated 2 February 2021 (the "**Fiscal Agency Agreement**") will be entered into in relation to the Notes between the Republic of Armenia ("**Armenia**"), acting through the Ministry of Finance of Armenia (the "**Issuer**"), and Citibank, N.A., London Branch as fiscal agent, registrar, transfer agent and paying agent. The fiscal agent, the paying agent, the transfer agent and the registrar for the time being are referred to below respectively as the "**Fiscal Agent**," the "**Registrar**," the "**Transfer Agent**" and the "**Paying Agent**" (which expression shall include the Fiscal Agent). The expression "**Paying and Transfer Agents**" shall include the Paying Agent and the Transfer Agent.

The Fiscal Agency Agreement includes the form of the Notes. Certain provisions of these Conditions are summaries of the Fiscal Agency Agreement and are subject to its detailed provisions. Copies of the Fiscal Agency Agreement are available for inspection during normal business hours at the specified offices of the Paying and Transfer Agents. The holders of the Notes (the "**Noteholders**") are bound by and are deemed to have notice of all the provisions of the Fiscal Agency Agreement applicable to them. References to "**Conditions**" are, unless the context otherwise requires, to the numbered paragraphs of these terms and conditions.

1. FORM, DENOMINATION, TITLE AND STATUS

1.1 **Form and denomination**: The Notes are in registered form, serially numbered and in principal amounts of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof (each, an "**authorised denomination**").

1.2 **Title**: Title to the Notes will pass by transfer and registration as described in Condition 2. The holder (as defined below) of any Note will (except as otherwise required by law or as ordered by a court of competent jurisdiction) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it or its theft or loss (or that of the related certificate, as appropriate) or anything written on it or on the certificate in respect of it (other than a duly executed transfer thereof)) and no person will be liable for so treating the holder. For this purpose, "**holder**" shall mean the person in whose name a Note is registered in the Register (as defined in Condition 2.1).

1.3 **Status:** The Notes are the direct, unconditional and unsecured obligations of the Issuer and rank and will rank *pari passu*, without preference among themselves, with all other unsecured Public External Indebtedness of the Issuer, from time to time outstanding, provided, further, that the Issuer shall have no obligation to effect equal or rateable payment(s) at any time with respect to any such other Public External Indebtedness and, in particular, shall have no obligation to pay other Public External Indebtedness at the same time or as a condition of paying sums due on the Notes and vice versa.

Definition: For the purposes of these Conditions "**Public External Indebtedness**" means any present or future indebtedness of Armenia, the Government of Armenia or the Ministry of Finance of Armenia (I) in the form of, or represented by, bonds, notes, debentures or other securities which are for the time being, or are capable of being, quoted, listed or ordinarily dealt in or purchased and sold on any stock exchange, over-the-counter or other securities market and (II) denominated or payable, or at the option of the holder thereof payable, in a currency other than the lawful currency of Armenia.

2. REGISTRATION AND TRANSFER OF NOTES

2.1 **Registration**: The Issuer will cause a register (the "**Register**") to be kept at the specified office of the Registrar outside the United Kingdom on which will be entered the names and addresses of the holders of the Notes and the particulars of the Notes held by them and of all transfers and redemptions of Notes.

2.2 **Transfer**: Notes may, subject to the terms of the Fiscal Agency Agreement and to Conditions 2.3 and 2.4, be transferred in whole or in part in an authorised denomination by lodging the relevant Note (with the form of application for transfer in respect thereof duly executed and duly stamped where applicable) at the specified office of the Registrar or any Paying and Transfer Agent.

No transfer of a Note will be valid unless and until entered on the Register. A Note may be registered only in the name of, and transferred only to, a named person (or persons, not exceeding four in number).

The Registrar will within seven business days (as defined in Condition 6.3), in the place of the specified office of the Registrar, of any duly made application for the transfer of a Note, deliver a new Note to the transferee (and, in the case of a transfer of part only of a Note, deliver a Note for the untransferred balance to the transferor) at the specified office of the Registrar or (at the risk and, if mailed at the request of the transferee or, as the case may be, the transferor otherwise than by ordinary mail, at the expense of the transferee or, as the case may be, the transferor) mail the Note by uninsured mail to such address as the transferee or, as the case may be, the transferor may request.

2.3 **Formalities free of charge**: Any such transfer will be effected without charge subject to (i) the person making such application for transfer paying or procuring the payment of any taxes, duties and other governmental charges in connection therewith, (ii) the Registrar being satisfied with the documents of title and/or identity of the person making the application and (iii) such reasonable regulations as the Issuer may from time to time agree with the Registrar.

2.4 **Closed Periods**: Neither the Issuer nor the Registrar will be required to register the transfer of any Note (or part thereof) (i) during the period of 15 calendar days ending on and including the day immediately prior to 2 February 2031 (the "**Final Maturity Date**"); or (ii) during the period of seven calendar days ending on (and including) any Record Date (as defined in Condition 6.1) in respect of any payment of interest on the Notes.

3. NEGATIVE PLEDGE

So long as any Note remains outstanding (as defined in the Fiscal Agency Agreement) the Issuer will not create or permit to subsist any mortgage, charge, pledge, lien or other form of encumbrance or security interest ("**Security**") upon the whole or any part of the assets or revenues present or future of the Government of Armenia or the Ministry of Finance of Armenia to secure any of its Public External Indebtedness, or any guarantee of or indemnity in respect of any Public External Indebtedness unless, at the same time or prior thereto, the Issuer's obligations under the Notes (i) are secured equally and rateably therewith or benefit from a guarantee or indemnity in substantially identical terms thereto, as the case may be, or (ii) have the benefit of such other security, guarantee, indemnity or other arrangement as shall be approved by an Extraordinary Resolution (as defined in Condition 11) of the Noteholders.

4. INTEREST

Each Note bears interest from and including 2 February 2021 at the rate of 3.600% per annum payable semi-annually in arrear on 2 February and 2 August in each year (each an "**Interest Payment Date**"), commencing on 2 August 2021. Each Note will cease to bear interest from and including the due date for redemption thereof unless, upon due presentation, payment of principal is improperly withheld or refused. In such event it shall continue to bear interest at such rate (both before and after judgment) up to but excluding whichever is the earlier of (a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant holder and (b) the day which falls seven days after the Fiscal Agent has notified Noteholders of receipt of all sums due in respect of all the Notes up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant Noteholders under these Conditions).

If interest is required to be calculated for a period of less than an Interest Period, it will be calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the actual number of days elapsed. The period beginning on and including 2 February 2021 and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date is called an "**Interest Period**."

5. REDEMPTION AND PURCHASE

5.1 **Redemption**: Unless previously purchased and cancelled, the Notes will be redeemed at their principal amount on the Final Maturity Date.

5.2 **Purchase and Cancellation**: The Issuer may, directly or through any of its agencies or instrumentalities, at any time purchase Notes in the open market or otherwise at any price. Any Notes so purchased may be cancelled or held and resold, provided that any Notes so purchased, while held by or on behalf of the Issuer, shall not entitle the holder to vote at any meeting of the Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Noteholders or for any other purpose pursuant to Conditions 8 and 11. Any Notes so purchased and cancelled may not be re-issued or resold.

6. PAYMENTS

6.1 **Method of payment**: Payment of principal in respect of the Notes will be made to the persons shown in the Register at the close of business on the Record Date and subject to the surrender of the Notes at the specified office of any Paying and Transfer Agent. Payments of interest will be made to the persons shown in the Register at close of business on the relevant Record Date. For this purpose, "**Record Date**" means the seventh business day, in the place of the specified office of the Registrar, before the due date for the relevant payment. Each such payment will be made by transfer to a U.S. dollar account maintained by the payee with a bank in New York City.

6.2 **Payments subject to fiscal laws**: All payments are subject in all cases to any applicable fiscal or other laws and regulations applicable at the place of payment, but without prejudice to the provisions of Condition 7. No commissions or expenses shall be charged to the Noteholders in respect of such payments.

6.3 **Delay in payment**: Noteholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due (i) as a result of the due date not being a business day or (ii) if the holder is late in surrendering (where so required) the relevant Note(s).

In these Conditions "**business day**" means a day on which commercial banks and foreign exchange markets are open in the relevant city and (where such surrender is required by these Conditions) in the place of the specified office of the relevant Paying and Transfer Agent to whom the relevant Note is surrendered.

6.4 **Paying and Transfer Agents**: The initial Registrar and Paying and Transfer Agents and their initial specified offices are listed below. The Issuer reserves the right at any time to vary or terminate the appointment of any Paying and Transfer Agent and/or the Registrar and appoint additional or other Paying and Transfer Agents, provided that it will maintain (i) a Registrar and a Fiscal Agent and (ii) Paying and Transfer Agents having specified offices in at least two major European cities.

7. TAXATION

All payments of principal and interest by or on behalf of the Issuer in respect of the Notes shall be made free and clear of, and without withholding or deduction for, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Armenia or any political subdivision thereof or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. If such withholding or deduction is required by law, the Issuer shall pay such additional amounts as will result in receipt by the Noteholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note:

7.1 **Other connection**: to a holder, or to a third party on behalf of a holder, who is liable for such taxes, duties, assessments or governmental charges in respect of such Note by reason of his having some connection with Armenia other than the mere holding of the Note; or

7.2 **Surrendered for payment more than 30 days after the Relevant Date**: surrendered for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on surrender of such Note for payment on the last day of such period of 30 days; or

7.3 **Payment by another Paying and Transfer Agent**: to a holder, or to a third party on behalf of a holder, who would have been able to avoid such withholding or deduction by surrendering the relevant Note to another Paying and Transfer Agent.

In these Conditions "**Relevant Date**" means whichever is the later of (i) the date on which such payment first becomes due and (ii) if the full amount payable has not been received in New York City by the Fiscal Agent as provided in the Fiscal Agency Agreement on or prior to such due date, the date on which, the full amount having been so received, notice to that effect shall have been given to the Noteholders. Any reference in these Conditions to principal and/or interest shall be deemed to include any additional amounts which may be payable under this Condition 7.

8. EVENTS OF DEFAULT

If any of the following events (each an "**Event of Default**") occurs and is continuing:

8.1 **Non-payment**: the Issuer fails to pay any amount of interest or principal on any of the Notes when due and such failure continues for a period of 10 calendar days in the case of principal and 15 calendar days in the case of interest; or

8.2 **Breach of other obligations**: the Issuer does not perform or comply with any one or more of its other obligations in the Notes which default is incapable of remedy or if capable of remedy, is not remedied within 30 calendar days after notice of such default shall have been given to the Issuer (with a copy to the Fiscal Agent at its specified office) by any Noteholder; or

8.3 **Cross-default**: (i) any Public External Indebtedness of the Issuer becomes due and payable prior to its stated maturity by reason of an event of default or the like (howsoever described), or (ii) any Public External Indebtedness of the Issuer is not paid when such Public External Indebtedness becomes due and payable, taking into account any originally applicable grace period, or (iii) the Issuer fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any Public External Indebtedness, provided that the aggregate amount of such Public External Indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this paragraph 8.3 have occurred equals or exceeds U.S.$25,000,000 or its equivalent in another currency or currencies (on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank on the day on which this paragraph operates); or

8.4 **Moratorium**: the Issuer declares a general moratorium on the payment of principal of, or interest in respect of, any Public External Indebtedness of the Issuer or any present or future guarantee given by the Issuer for, or indemnity given by the Issuer in respect of, any Public External Indebtedness or is unable, or officially admits its inability, to pay its Public External Indebtedness, or under any present or future guarantee given by the Issuer for, or indemnity given by the Issuer in respect of, any Public External Indebtedness, as it falls due or commences negotiations with one or more of its creditors with a view to the general rescheduling of all or part of its Public External Indebtedness or any present or future guarantee given by the Issuer for, or indemnity given by the Issuer in respect of, any Public External Indebtedness; or

8.5 **IMF**: (i) the International Monetary Fund ("**IMF**") deems that the Issuer is ineligible to use the general resources of the IMF, (ii) the Issuer ceases to be a member of the IMF or (iii) the IMF suspends the provision of any line of credit or any other facility granted by it to the Issuer the aggregate maximum principal amount of which, alone or together with other such lines of credit or facilities so suspended, if any, equals or exceeds U.S.$25,000,000 (other than by mutual agreement as a result of which the Issuer's eligibility to use the general resources of the IMF is not affected), and in the case of each event mentioned in this paragraph 8.5, such event is not remedied within 30 calendar days; or

8.6 **Performance prevented**: it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Notes or the Fiscal Agency Agreement or any of such obligations shall be or become unenforceable or invalid; or

8.7 **Repudiation**: the Issuer repudiates its obligations under the Notes or does any act or thing evidencing its intention to do so, or otherwise denies that the Notes or any of them constitute the legal, valid, binding and enforceable obligations of the Issuer; or

8.8 **Consents etc.**: any regulation, decree, consent, approval, licence or other authority necessary to enable the Issuer to perform its obligations under the Notes or the Fiscal Agency Agreement or for the validity or enforceability thereof expires or is withheld, revoked or terminated or otherwise ceases to remain in full force and effect or is modified in a manner which adversely affects any right or claim of any of the Noteholders in respect of any payment due pursuant to these Conditions, then the holders of at least 25% in aggregate principal amount of the outstanding Notes may, by notice in writing to the Issuer (with a copy to the Fiscal Agent), declare all the Notes to be immediately due and payable, whereupon they shall become immediately due and payable at their principal amount together with accrued interest without further action or formality. Notice of any such declaration shall promptly be given to all other Noteholders by the Issuer in accordance with Condition 14. If the Issuer receives notice in writing from holders of at least 50% in aggregate principal amount of the outstanding Notes to the effect that the Event of Default or Events of Default giving rise to any such declaration is or are cured following any such declaration and that such holders wish the relevant declaration to be withdrawn, the Issuer shall give notice thereof to the Noteholders (with a copy to the Fiscal Agent) in accordance with Condition 14, whereupon the relevant declaration shall be withdrawn and shall have no further force or effect but without prejudice to any rights or obligations which may have arisen before the Issuer gives such notice (whether pursuant to these Conditions or otherwise). No such withdrawal shall affect any other or any subsequent Event of Default or any right of any Noteholder in relation thereto.

9. PRESCRIPTION

Claims in respect of principal and interest shall be prescribed and will become void unless made within a period of 10 years in the case of principal and five years in the case of interest from the appropriate Relevant Date.

10. REPLACEMENT OF NOTES

If any Note is lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Fiscal Agent, subject to all applicable laws and stock exchange or other relevant authority requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes must be surrendered before replacements will be issued.

11. MEETINGS OF NOTEHOLDERS, WRITTEN RESOLUTIONS

11.1 **Convening Meetings of Noteholders; Conduct of Meetings of Noteholders; Written Resolutions:**

(a) The Issuer may convene a meeting of the Noteholders at any time in respect of the Notes in accordance with the provisions of the Fiscal Agency Agreement. The Issuer will determine the time and place of the meeting and will notify the Noteholders of the time, place and purpose of the meeting not less than 21 and not more than 45 days before the meeting.

(b) The Issuer or the Fiscal Agent will convene a meeting of Noteholders if the holders of at least 10% in principal amount of the outstanding Notes (as defined in the Fiscal Agency Agreement and described in Condition 11.9) have delivered a written request to the Issuer or the Fiscal Agent (with a copy to the Issuer) setting out the purpose of the meeting. The Fiscal Agent will agree the time and place of the meeting with the Issuer promptly. The Issuer or the Fiscal Agent, as the case may be, will notify the Noteholders within 10 days of receipt of such written request of the time and place of the meeting, which shall take place not less than 21 and not more than 45 days after the date on which such notification is given.

(c) The Issuer (with the agreement of the Fiscal Agent) will set the procedures governing the conduct of any meeting in accordance with the Fiscal Agency Agreement. If the Fiscal Agency Agreement does not include such procedures, or additional procedures are required, the Issuer and the Fiscal Agent will agree such procedures as are customary in the market and in such a manner as to facilitate any multiple series aggregation, if in relation to a Reserved Matter the Issuer proposes any modification to the terms and conditions of, or action with respect to, two or more series of debt securities issued by it.

(d) The notice convening any meeting will specify, *inter alia*;

(i) the date, time and location of the meeting;

(ii) the agenda and the text of any Extraordinary Resolution to be proposed for adoption at the meeting;

(iii) the record date for the meeting, which shall be no more than five business days before the date of the meeting;

(iv) the documentation required to be produced by a Noteholder in order to be entitled to participate at the meeting or to appoint a proxy to act on the Noteholder's behalf at the meeting;

(v) any time deadline and procedures required by any relevant international and/or domestic clearing systems or similar through which the Notes are traded and/or held by Noteholders;

(vi) whether Condition 11.2, or Condition 11.3, or Condition 11.4 shall apply and, if relevant, in relation to which other series of debt securities it applies;

(vii) if the proposed modification or action relates to two or more series of debt securities issued by it and contemplates such series of debt securities being aggregated in more than one group of debt securities, a description of the proposed treatment of each such group of debt securities;

(viii) such information that is required to be provided by the Issuer in accordance with Condition 11.6;

(ix) the identity of an aggregation agent (the "**Aggregation Agent**") and a calculation agent (the "**Calculation Agent**"), if any, for any proposed modification or action to be voted on at the meeting, and the details of any applicable methodology referred to in Condition 11.7; and

(x) any additional procedures which may be necessary and, if applicable, the conditions under which a multiple series aggregation will be deemed to have been satisfied if it is approved as to some but not all of the affected series of debt securities.

(e) In addition, the Fiscal Agency Agreement contains provisions relating to Written Resolutions. All information to be provided pursuant to this Condition 11.1 shall also be provided, *mutatis mutandis*, in respect of Written Resolutions.

(f) A "**record date**" in relation to any proposed modification or action means the date fixed by the Issuer for determining the Noteholders and, in the case of a multiple series aggregation, the holders of debt securities of each other affected series that are entitled to vote on a Multiple Series Single Limb Extraordinary Resolution or a Multiple Series Two Limb Extraordinary Resolution, or to sign a Multiple Series Single Limb Written Resolution or a Multiple Series Two Limb Written Resolution.

(g) An "**Extraordinary Resolution**" means any of a Single Series Extraordinary Resolution, a Multiple Series Single Limb Extraordinary Resolution and/or a Multiple Series Two Limb Extraordinary Resolution, as the case may be.

(h) A "**Written Resolution**" means any of a Single Series Written Resolution, a Multiple Series Single Limb Written Resolution and/or a Multiple Series Two Limb Written Resolution, as the case may be.

(i) Any reference to "**debt securities**" means any notes (including the Notes), bonds, debentures or other debt securities issued by the Issuer in one or more series with an original stated maturity of more than one year.

(j) **"Debt Securities Capable of Aggregation**" means those debt securities which include or incorporate by reference this Condition 11 and Condition 12 or provisions substantially in these terms which provide for the debt securities which include such provisions to be capable of being aggregated for voting purposes with other series of debt securities.

11.2 **Modification of this Series of Notes only:**

(a) Any modification of any provision of, or any action in respect of, these Conditions or the Fiscal Agency Agreement in respect of the Notes may be made or taken if approved by a Single Series Extraordinary Resolution or a Single Series Written Resolution as set out below.

(b) A "**Single Series Extraordinary Resolution**" means a resolution passed at a meeting of Noteholders duly convened and held in accordance with the procedures prescribed by the Issuer and the Fiscal Agent pursuant to Condition 11.1 by a majority of:

(i) in the case of a Reserved Matter, at least 75% of the aggregate principal amount of the outstanding Notes; or

(ii) in the case of a matter other than a Reserved Matter, more than 50% of the aggregate principal amount of the outstanding Notes.

(c) A "**Single Series Written Resolution**" means a resolution in writing signed or confirmed in writing by or on behalf of the holders of:

(i) in the case of a Reserved Matter, at least 75% of the aggregate principal amount of the outstanding Notes; or

(ii) in the case of a matter other than a Reserved Matter more than 50% of the aggregate principal amount of the outstanding Notes.

(d) Any Single Series Written Resolution may be contained in one document or several documents in the same form, each signed or confirmed in writing by or on behalf of one or more Noteholders.

(e) Any Single Series Extraordinary Resolution duly passed or Single Series Written Resolution approved shall be binding on all Noteholders, whether or not they attended any meeting, whether or not they voted in favour thereof and whether or not they signed or confirmed in writing any such Single Series Written Resolution, as the case may be.

11.3 **Multiple Series Aggregation – Single limb voting:**

(a) In relation to a proposal that includes a Reserved Matter, any modification to the terms and conditions of, or any action with respect to, two or more series of Debt Securities Capable of Aggregation may be made or taken if approved by a Multiple Series Single Limb Extraordinary Resolution or by a Multiple Series Single Limb Written Resolution as set out below, provided that the Uniformly Applicable condition is satisfied.

(b) A "**Multiple Series Single Limb Extraordinary Resolution**" means a resolution considered at separate meetings of the holders of each affected series of Debt Securities Capable of Aggregation, duly convened and held in accordance with the procedures prescribed by the Issuer and the Fiscal Agent pursuant to Condition 11.1, as supplemented if necessary, which is passed by a majority of at least 75% of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in aggregate).

(c) A "**Multiple Series Single Limb Written Resolution**" means each resolution in writing (with a separate resolution in writing or multiple separate resolutions in writing distributed to the holders of each affected series of Debt Securities Capable of Aggregation, in accordance with the applicable bond documentation) which, when taken together, has been signed or confirmed in writing by or on behalf of the holders of at least 75% of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in aggregate). Any Multiple Series Single Limb Written Resolution may be contained in one document or several documents in substantially the same form, each signed or confirmed in writing by or on behalf of one or more Noteholders or one or more holders of each affected series of debt securities.

(d) Any Multiple Series Single Limb Extraordinary Resolution duly passed or Multiple Series Single Limb Written Resolution approved shall be binding on all Noteholders and holders of each other affected series of Debt Securities Capable of Aggregation, whether or not they attended any meeting, whether or not they voted in favour thereof, whether or not any other holder or holders of the same series voted in favour thereof and whether or not they signed or confirmed in writing any such Multiple Series Single Limb Written Resolution, as the case may be.

(e) The "**Uniformly Applicable**" condition will be satisfied if:

(i) the holders of all affected series of Debt Securities Capable of Aggregation are invited to exchange, convert, or substitute their debt securities, on the same terms, for (A) the same new instrument or other consideration or (B) a new instrument, new instruments or other consideration from an identical menu of instruments or other consideration; or

(ii) the amendments proposed to the terms and conditions of each affected series of Debt Securities Capable of Aggregation would, following implementation of such amendments, result in the amended instruments having identical provisions (other than provisions which are necessarily different, having regard to the currency of issuance).

(f) Any modification or action proposed under paragraph (a) above may be made in respect of some series only of the Debt Securities Capable of Aggregation and, for the avoidance of doubt, the provisions described in this Condition 11.3 may be used for different groups of two or more series of Debt Securities Capable of Aggregation simultaneously.

11.4 **Multiple Series Aggregation – Two limb voting:**

(a) In relation to a proposal that includes a Reserved Matter, any modification to the terms and conditions of, or any action with respect to, two or more series of Debt Securities Capable of Aggregation may be made or taken if approved by a Multiple Series Two Limb Extraordinary Resolution or by a Multiple Series Two Limb Written Resolution as set out below.

(b) A "**Multiple Series Two Limb Extraordinary Resolution**" means a resolution considered at separate meetings of the holders of each affected series of Debt Securities Capable of Aggregation, duly convened and held in accordance with the procedures prescribed by the Issuer and the Fiscal Agent pursuant to Condition 11.1, as supplemented if necessary, which is passed by a majority of:

(i) at least 66⅔% of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in aggregate); and

(ii) more than 50% of the aggregate principal amount of the outstanding debt securities in each affected series of Debt Securities Capable of Aggregation (taken individually).

(c) A "**Multiple Series Two Limb Written Resolution**" means each resolution in writing (with a separate resolution in writing or multiple separate resolutions in writing distributed to the holders of each affected series of Debt Securities Capable of Aggregation, in accordance with the applicable bond documentation) which, when taken together, has been signed or confirmed in writing by or on behalf of the holders of:

(i) at least 66⅔% of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in aggregate); and

(ii) more than 50% of the aggregate principal amount of the outstanding debt securities in each affected series of Debt Securities Capable of Aggregation (taken individually).

(d) Any Multiple Series Two Limb Written Resolution may be contained in one document or several documents in substantially the same form, each signed or confirmed in writing by or on behalf of one or more Noteholders or one or more holders of each affected series of Debt Securities Capable of Aggregation.

(e) Any Multiple Series Two Limb Extraordinary Resolution duly passed or Multiple Series Two Limb Written Resolution approved shall be binding on all Noteholders and holders of each other affected series of Debt Securities Capable of Aggregation, whether or not they attended any meeting, whether or not they voted in favour thereof, whether or not any other holder or holders of the same series voted in favour thereof and whether or not they signed or confirmed in writing any such Multiple Series Two Limb Written Resolution, as the case may be.

(f) Any modification or action proposed under paragraph (a) above may be made in respect of some series only of the Debt Securities Capable of Aggregation and, for the avoidance of doubt, the provisions described in this Condition 11.4 may be used for different groups of two or more series of Debt Securities Capable of Aggregation simultaneously.

11.5 **Reserved Matters:** In these Conditions, "**Reserved Matter**" means any proposal**:**

(a) to change the dates, or the method of determining the dates, for payment of principal, interest or any other amount in respect of the Notes, to reduce or cancel the amount of principal, interest or any other amount payable on any date in respect of the Notes or to change the method of calculating the amount of principal, interest or any other amount payable in respect of the Notes on any date;

(b) to change the currency in which any amount due in respect of the Notes is payable or the place in which any payment is to be made;

(c) to change the majority required to pass an Extraordinary Resolution, a Written Resolution or any other resolution of Noteholders or the number or percentage of votes required to be cast, or the number or percentage of Notes required to be held, in connection with the taking of any decision or action by or on behalf of the Noteholders or any of them;

(d) to change this definition, or the definition of "**Extraordinary Resolution**," "**Single Series Extraordinary Resolution**," "**Multiple Series Single Limb Extraordinary Resolution**," "**Multiple Series Two Limb Extraordinary Resolution**," "**Written Resolution**," "**Single Series Written Resolution**," "**Multiple Series Single Limb Written Resolution**" or "**Multiple Series Two Limb Written Resolution**;"

(e) to change the definition of "debt securities" or "Debt Securities Capable of Aggregation;"

(f) to change the definition of "**Uniformly Applicable**;"

(g) to change the definition of "**outstanding**" or to modify the provisions of Condition 11.9;

(h) to change the legal ranking of the Notes set out in Conditions 1.3 and/or 3;

(i) to change any provision of the Notes describing circumstances in which Notes may be declared due and payable prior to their scheduled maturity date, as set out in Condition 8;

(j) to change the law governing the Notes, the courts or arbitral tribunals to the jurisdiction of which the Issuer has submitted in the Notes, any of the arrangements specified in the Notes to enable proceedings to be taken (including the obligation to maintain an agent for service of process in England) or the Issuer's waiver of immunity, in respect of actions or proceedings brought by any Noteholder, set out in Condition 17;

(k) to impose any condition on or otherwise change the Issuer's obligation to make payments of principal, interest or any other amount in respect of the Notes, including by way of the addition of a call option;

(l) to modify the provisions of this Condition 11.5;

(m) except as permitted by any related guarantee or security agreement, to release any agreement guaranteeing or securing payments under the Notes or to change the terms of any such guarantee or security; or

(n) to exchange or substitute all the Notes for, or convert all the Notes into, other obligations or securities of the Issuer or any other person, or to modify any provision of these Conditions in connection with any exchange of the Notes for, or the conversion of the Notes into, any other obligations or securities of the Issuer, which would result in the Conditions as so modified being less favourable to the Noteholders which are subject to the Terms and Conditions as so modified than:

  (i) the provisions of the other obligations or debt securities of the Issuer or any other person resulting from the relevant exchange or conversion; or

  (ii) if more than one series of other obligations or debt securities results from the relevant exchange or conversion, the provisions of the resulting series of debt securities having the largest aggregate principal amount.

11.6 **Information:**

(a) Prior to or on the date that the Issuer proposes any Extraordinary Resolution or Written Resolution pursuant to Condition 11.2, Condition 11.3 or Condition 11.4, the Issuer shall publish in accordance with Condition 12, and provide the Fiscal Agent with the following information:

  (i) a description of the Issuer's economic and financial circumstances which are, in the Issuer's opinion, relevant to the request for any potential modification or action, a description of the Issuer's existing debts and a description of its broad policy reform programme and provisional macroecomic outlook;

  (ii) if the Issuer shall at the time have entered into an arrangement for financial assistance with multilateral and/or other major creditors or creditor groups and/or an agreement with any such creditors regarding debt relief, a description of any such arrangement or agreement and where permitted under the information disclosure policies of the multilateral or such other creditors, as applicable, copies of the arrangement or agreement shall be provided;

  (iii) a description of the Issuer's proposed treatment of external debt securities that fall outside the scope of any multiple series aggregation and its intentions with respect to any other debt securities and its other major creditor groups; and

  (iv) if any proposed modification or action contemplates debt securities being aggregated in more than one group of debt securities, a description of the proposed treatment of each such group, as required for a notice convening a meeting of the Noteholders in Condition 11.1(d)(vii).

11.7 **Claims Valuation:** For the purpose of calculating the par value of the Notes and any affected series of debt securities which are to be aggregated with the Notes in accordance with Condition 11.3 and Condition 11.4, the Issuer may appoint a Calculation Agent. The Issuer shall, with the approval of the Aggregation Agent and any appointed Calculation Agent, promulgate the methodology in accordance with which the Calculation Agent will calculate the par value of the Notes and such affected series of debt securities. In any such case where a Calculation Agent is appointed, the same person will be appointed as the Calculation Agent for the Notes and each other affected series of debt securities for these purposes, and the same methodology will be promulgated for each affected series of debt securities.

11.8 **Manifest error, etc.:** The Notes, these Conditions and the provisions of the Fiscal Agency Agreement may be amended without the consent of the Noteholders to correct a manifest error. In addition, the parties to the Fiscal Agency Agreement may agree to modify any provision hereof or thereof, but the Issuer shall not agree, without the consent of the Noteholders, to any such modification unless it is of a formal, minor or technical nature or it is not materially prejudicial to the interests of the Noteholders.

11.9 **Notes controlled by the Issuer:**

(a) For the purposes of (a) determining the right to attend and vote at any meeting of Noteholders, or the right to sign or confirm in writing, or authorise the signature of, any Written Resolution, (b) Condition 11.1 and (c) Condition 8, any Notes which are for the time being held by or on behalf of the Issuer or by or on behalf of any person which is owned or controlled directly or indirectly by the Issuer or by any public sector instrumentality of the Issuer shall be disregarded and be deemed not to remain outstanding, where:

(i) "**public sector instrumentality**" means the Central Bank of Armenia, any department, ministry or agency of the Government of Armenia or any corporation, trust, financial institution or other entity owned or controlled by the Government of Armenia or any of the foregoing; and

(ii) "**control**" means the power, directly or indirectly, through the ownership of voting securities or other ownership interests or through contractual control or otherwise, to direct the management of or elect or appoint a majority of the board of directors or other persons performing similar functions in lieu of, or in addition to, the board of directors of a corporation, trust, financial institution or other entity.

(b) A Note will also be deemed to be not outstanding if the Note has previously been cancelled or delivered for cancellation or held for reissuance but not reissued, or, where relevant, the Note has previously been called for redemption in accordance with its terms or previously become due and payable at maturity or otherwise and the Issuer has previously satisfied its obligations to make all payments due in respect of the Note in accordance with its terms.

(c) In advance of any meeting of Noteholders, or in connection with any Written Resolution, the Issuer shall provide to the Fiscal Agent a copy of the certificate prepared pursuant to Condition 12.4 which includes information on the total number of Notes which are for the time being held by or on behalf of the Issuer or by or on behalf of any person which is owned or controlled directly or indirectly by the Issuer or by any public sector instrumentality of the Issuer and, as such, such Notes shall be disregarded and deemed not to remain outstanding for the purposes of ascertaining the right to attend and vote at any meeting of Noteholders or the right to sign, or authorise the signature of, any Written Resolution in respect of any such meeting. The Fiscal Agent shall make any such certificate available for inspection during normal business hours at its specified office and, upon reasonable request, will allow copies of such certificate to be taken.

11.10 **Publication:** The Issuer shall publish all Extraordinary Resolutions and Written Resolutions which have been determined by the Aggregation Agent to have been duly passed in accordance with Condition 12.7.

11.11 **Exchange and Conversion:** Any Extraordinary Resolutions or Written Resolutions which have been duly passed and which modify any provision of, or action in respect of, the Conditions may be implemented at the Issuer's option by way of a mandatory exchange or conversion of the Notes and each other affected series of debt securities, as the case may be, into new debt securities containing the modified terms and conditions if the proposed mandatory exchange or conversion of the Notes is notified to Noteholders at the time notification is given to the Noteholders as to the proposed modification or action. Any such exchange or conversion shall be binding on all Noteholders.

12. AGGREGATION AGENT; AGGREGATION PROCEDURES

12.1 **Appointment:** The Issuer will appoint an Aggregation Agent to calculate whether a proposed modification or action has been approved by the required principal amount outstanding of Notes and, in the case of a multiple series aggregation, by the required principal amount of outstanding debt securities of each affected series of debt securities. In the case of a multiple series aggregation, the same person will be appointed as the Aggregation Agent for the proposed modification of any provision of, or any action in respect of, these Conditions or the Fiscal Agency Agreement in respect of the Notes and in respect of the terms and conditions or bond documentation in respect of each other affected series of debt securities. The Aggregation Agent shall be independent of the Issuer.

12.2 **Extraordinary Resolutions:** If an Extraordinary Resolution has been proposed at a duly convened meeting of Noteholders to modify any provision of, or action in respect of, these Conditions and other affected series of debt securities, as the case may be, the Aggregation Agent will, as soon as practicable after the time the vote is cast, calculate whether holders of a sufficient portion of the aggregate principal amount of the outstanding Notes and, where relevant, each other affected series of debt securities, have voted in favour of the Extraordinary Resolution such that the Extraordinary Resolution is passed. If so, the Aggregation Agent will determine that the Extraordinary Resolution has been duly passed.

12.3 **Written Resolutions:** If a Written Resolution has been proposed under the Conditions to modify any provision of, or action in respect of, these Conditions and the terms and conditions of other affected series of debt securities, as the case may be, the Aggregation Agent will, as soon as reasonably practicable after the relevant Written Resolution has been signed or confirmed in writing, calculate whether holders of a sufficient portion of the aggregate principal amount of the outstanding Notes and, where relevant, each other affected series of debt securities, have signed or confirmed in writing in favour of the Written Resolution such that the Written Resolution is passed. If so, the Aggregation Agent will determine that the Written Resolution has been duly passed.

12.4 **Certificate:**

(a) For the purposes of Condition 12.2 and Condition 12.3, the Issuer will provide a certificate to the Aggregation Agent up to three days prior to, and in any case no later than, with respect to an Extraordinary Resolution, the date of the meeting referred to in Condition 11.2*,* Condition 11.3 or Condition 11.4, as applicable, and, with respect to a Written Resolution, the date arranged for the signing of the Written Resolution:

(b) The certificate shall:

(i) list the total principal amount of Notes and, in the case of a multiple series aggregation, the total principal amount of each other affected series of debt securities outstanding on the record date; and

(ii) clearly indicate the Notes and, in the case of a multiple series aggregation, debt securities of each other affected series of debt securities which shall be disregarded and deemed not to remain outstanding as a consequence of Condition 11.9 on the record date identifying the holders of the Notes and, in the case of a multiple series aggregation, debt securities of each other affected series of debt securities.

(c) The Aggregation Agent may rely upon the terms of any certificate, notice, communication or other document believed by it to be genuine.

12.5 **Notification:** The Aggregation Agent will cause each determination made by it for the purposes of this Condition 12 to be notified to the Fiscal Agent and the Issuer as soon as practicable after such determination. Notice thereof shall also promptly be given to the Noteholders.

12.6 **Binding nature of determinations; no liability:** All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 12 by the Aggregation Agent and any appointed Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Fiscal Agent and the Noteholders and (subject as aforesaid) no liability to any such person will attach to the Aggregation Agent or the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

12.7 **Manner of publication:** The Issuer will publish all notices and other matters required to be published pursuant to the Fiscal Agency Agreement including any matters required to be published pursuant to Condition 11, this Condition 12 and Condition 8:

(a) through Euroclear Bank SA/NV, Clearstream Banking S.A. and The Depository Trust Company and/or any other clearing system in which the Notes are held;

(b) in such other places and in such other manner as may be required by applicable law or regulation; and

(c) in such other places and in such other manner as may be customary.

13. FURTHER ISSUES

The Issuer may from time to time without the consent of the Noteholders create and issue further securities either having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Notes) or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the Notes.

Notwithstanding the foregoing, further notes that are not issued pursuant to a "qualified reopening" of the original series, are not otherwise treated as part of the same "issue" of debt instruments as the original series or are not issued at a premium, at the stated redemption price at maturity or with only *de minimis* original issue discount, in each case for U.S. tax purposes shall be issued with a CUSIP or ISIN different from that of the original Notes.

14. NOTICES

All notices to Noteholders shall be mailed to them at their respective addresses appearing in the Register and shall be deemed to have been given on the fourth weekday (excluding Saturday and Sunday) after the date of mailing. In addition, so long as the Notes are listed on the Irish Stock Exchange plc, trading as Euronext Dublin ("**Euronext Dublin**") and the rules or guidelines of that exchange so require, notices will be published via the companies announcements of Euronext Dublin. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made.

If it shall be impracticable to provide such notice to Noteholders as provided above, then such notification to the Noteholders as shall be given in accordance with the rules of Euronext Dublin shall constitute sufficient notice to the Noteholders for every purpose hereunder.

15. CURRENCY INDEMNITY

United States dollar (the "**Contractual Currency**") is the sole currency of account and payment for all sums payable by the Issuer under or in connection with the Notes, including damages. Any amount received or recovered in a currency other than the United States dollar (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction or otherwise) by any Noteholder in respect of any sum expressed to be due to it from the Issuer shall only constitute a discharge to the Issuer to the extent of the Contractual Currency amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that Contractual Currency amount is less than the Contractual Currency amount expressed to be due to the recipient under any Note, the Issuer shall indemnify such recipient against any loss sustained by it as a result. In any event, the Issuer shall indemnify the recipient against the cost of making any such purchase. For the purposes of this Condition, it will be sufficient for the Noteholder to demonstrate that it would have suffered a loss had an actual purchase been made. These indemnities constitute a separate and independent obligation from the Issuer's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Noteholder and shall continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note or any other judgment or order, until paid in full.

16. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

17. GOVERNING LAW, ARBITRATION AND JURISDICTION

17.1 **Governing law:**

The Fiscal Agency Agreement and the Notes, and any non-contractual obligations arising out of or in connection with them, are governed by, and shall be construed in accordance with, English law.

17.2 **Arbitration:**

Subject to Conditions 17.3 and 17.4, the Issuer and the Noteholders irrevocably and unconditionally agree that any dispute which may arise out of or in connection with the Notes or the Fiscal Agency Agreement (including any dispute regarding their existence, validity or termination and any dispute relating to non-contractual obligations arising out of or in connection with the Notes or the Fiscal Agency Agreement) (a "**Dispute**") shall be referred to and finally resolved by arbitration under the Rules of Arbitration of the International Chamber of Commerce (the "**Rules**"). The place of such arbitration shall be Paris and the language English.

The arbitral tribunal shall be composed of three (3) arbitrators. The claimant(s), irrespective of number, shall nominate jointly one arbitrator and the respondent(s), irrespective of number, shall nominate jointly the second arbitrator, in accordance with the Rules, for confirmation by the ICC Court. If a party or parties fail(s) to nominate an arbitrator, the appointment shall be made by the ICC Court. The third arbitrator, who shall serve as president of the arbitral tribunal, shall be nominated, for confirmation by the ICC Court, by agreement of the two party-nominated arbitrators within 15 days of the nomination of the second arbitrator, or, in default of such agreement, shall be appointed by the ICC Court as soon as possible.

17.3 **Noteholders' option:**

Before the Noteholders have nominated an arbitrator to resolve any Dispute or Disputes pursuant to Condition 17.2, the Noteholders, at their sole option, may require by notice in writing to the Issuer that all Disputes or a specific Dispute be heard by a court of law. If the Noteholders give such notice, the Dispute to which such notice refers shall be determined in accordance with Condition 17.4.

17.4 **Jurisdiction:**

In the event that the Noteholders serve a written notice in respect of any Dispute(s) pursuant to Condition 17.3, the Issuer irrevocably agrees for the benefit of the Noteholders that the courts of England shall have exclusive jurisdiction to resolve and settle such Disputes and that accordingly any suit, action or proceedings arising out of or in connection therewith (together referred to as "**Proceedings**") may be brought in the courts of England. Nothing in this Condition shall limit any right of the Noteholders to take proceedings relating to a Dispute against the Issuer in any other court of competent jurisdiction, nor shall the taking of proceedings in one or more jurisdictions preclude the taking of proceedings in any other jurisdiction, whether concurrently or not.

17.5 **No objection to Proceedings:**

The Issuer irrevocably and unconditionally waives and agrees not to raise any objection which it may have now or subsequently to the laying of the venue of any Proceedings in the courts of England and any claim that any Proceedings have been brought in an inconvenient forum and further irrevocably and unconditionally agrees that a final non-appealable judgment in any Proceedings brought in the courts of England shall be conclusive and binding upon the Issuer and may, subject to the proviso in paragraph 17.7 below, be enforced in the courts of any other jurisdiction to which the Issuer is or may be subject.

17.6 **Agent for service of process:**

The Issuer irrevocably appoints the Embassy of Armenia, 25a Cheniston Gardens, Kensington, London W8 6TG, United Kingdom as its authorised agent for service of process in England. If for any reason such agent shall cease to be such agent for service of process, the Issuer shall appoint a new agent for service of process in England and deliver to the Fiscal Agent a copy of the new agent's acceptance of that appointment within 30 days.

17.7 **Waiver of immunity:**

The Issuer hereby irrevocably waives, to the extent permitted by applicable law and international conventions, (a) any immunity from jurisdiction it may have in any Proceedings before the English courts or in arbitral proceedings under the Rules, and (b) except as provided below, any immunity from execution to which its assets or property might otherwise be entitled in any Proceedings in the courts of England, and agrees that it will not claim any such immunity in any such Proceedings.

Notwithstanding the foregoing, the above waiver shall not constitute a waiver of immunity from execution with respect to:

(a) assets and property of the Issuer located in Armenia;

(b) the premises and property of the Issuer's diplomatic and consular missions;

(c) assets and property of the Issuer outside Armenia not used or intended to be used for a commercial purpose;

(d) assets and property of the Issuer's central bank or monetary authority and the international reserves of the Issuer held by the Issuer's central bank or the Issuer's monetary authority;

(e) assets and property of a military character or under the control of a military authority or defence agency of the Issuer; or

(f) assets and property forming part of the cultural heritage of the Issuer.

For the purposes of the foregoing, "**property**" includes, without limitation, accounts, bank deposits, cash, revenues, securities and rights, including rights against third parties.

The foregoing constitutes a limited and specific waiver by the Issuer solely for the purposes of the Fiscal Agency Agreement and the Notes, and any non-contractual obligations arising out of or in connection with them, and under no circumstance shall it be construed as a general waiver by the Issuer or a waiver with respect to proceedings unrelated to the Fiscal Agency Agreement or the Notes, or any non-contractual obligations arising out of or in connection with them.

PROVISIONS RELATING TO THE NOTES WHILST IN GLOBAL FORM

The Global Notes contain the following provisions which apply to the Notes in respect of which they are issued whilst they are represented by the Global Notes, some of which modify the effect of the Terms and Conditions of the Notes. Unless elsewhere defined in this Prospectus, terms defined in the Terms and Conditions of the Notes have the same meaning in this section "Provisions relating to the Notes whilst in Global Form."

The Global Notes

The Notes will be evidenced on issue, in the case of Unrestricted Notes, by the Unrestricted Global Note (which will be deposited with, and registered in the name of a nominee for, a common depositary for Euroclear and Clearstream, Luxembourg) and, in the case of Restricted Notes, by the Restricted Global Note (which will be deposited with a custodian for, and registered in the name of Cede & Co. as nominee of DTC).

Beneficial interests in the Unrestricted Global Note may be held only through Euroclear or Clearstream, Luxembourg at any time. See "*Clearing and Settlement—Book-Entry Ownership*." By acquisition of a beneficial interest in the Unrestricted Global Note, the purchaser thereof will be deemed to represent, among other things, that it is not located in the United States.

Beneficial interests in the Restricted Global Note may only be held through DTC at any time. See "*Clearing and Settlement—Book-Entry Ownership*." By acquisition of a beneficial interest in the Restricted Global Note, the purchaser thereof will be deemed to represent, among other things, that it is a QIB and that, if in the future it decides to transfer such beneficial interest, it will transfer such interest in accordance with the procedures and restrictions contained in the Fiscal Agency Agreement. See "*Transfer Restrictions*."

Beneficial interests in each Global Note will be subject to certain restrictions on transfer set forth therein and in the Fiscal Agency Agreement, and with respect to Restricted Notes, as set forth in Rule 144A, and the Restricted Global Note will bear the legend set forth thereon regarding such restrictions set forth under "*Transfer Restrictions*." A beneficial interest in an Unrestricted Global Note may be transferred to a person who takes delivery in the form of an interest in a Restricted Global Note in denominations greater than or equal to the minimum denominations applicable to interests in such Restricted Global Note and only upon receipt by the Registrar of a written certification (in the form provided in the Fiscal Agency Agreement) to the effect that the transferor reasonably believes that the transferee is a QIB and that such transaction is in accordance with any applicable securities laws of any state of the United States or any other jurisdiction. Beneficial interests in a Restricted Global Note may be transferred to a person who takes delivery in the form of an interest in an Unrestricted Global Note and in accordance with Regulation S.

A beneficial interest in an Unrestricted Global Note that is transferred to a person who takes delivery in the form of an interest in a Restricted Global Note will, upon transfer, cease to be an interest in such Unrestricted Global Note and become an interest in the Restricted Global Note, and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to a beneficial interest in the Restricted Global Note for as long as it remains such an interest. A beneficial interest in a Restricted Global Note that is transferred to a person who takes delivery in the form of an interest in an Unrestricted Global Note will, upon transfer, cease to be an interest in such Restricted Global Note and become an interest in the Unrestricted Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to a beneficial interest in an Unrestricted Global Note for so long as it remains such an interest. No service charge will be made for any registration of transfer or exchange of Notes, but the Registrar may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith. Except in the limited circumstances described below, owners of beneficial interests in Global Notes will not be entitled to receive physical delivery of the definitive registered certificates ("**Note Certificates**"). No Notes will be issued in bearer form.

Legends

The holder of a Note Certificate may transfer the Notes evidenced thereby in whole or in part in the applicable minimum denomination by surrendering it at the specified office of the Registrar, the Transfer Agent or any Paying Agent, together with the completed form of transfer thereon. Upon the transfer, exchange or replacement of a Note Certificate issued and sold in reliance on Rule 144A (a "**Restricted Note Certificate**") bearing the legend referred to under "*Transfer Restrictions*," or upon specific request for removal of the legend on a Restricted Note Certificate, the Issuer will deliver only Restricted Note Certificates that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to the Issuer and the Registrar such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by the Issuer that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

Amendments to Terms and Conditions of the Notes

Each Global Note contains provisions that apply to the Notes that it evidences, some of which modify the effect of the Terms and Conditions of the Notes. The following is a summary of those provisions.

Payments

Payments of principal and interest in respect of Notes evidenced by a Global Note will be made to, or to the order of, the person who appears in the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment, where Clearing System Business Day means Monday to Friday inclusive except 25 December and 1 January, as holder of the Notes against presentation for endorsement by the Fiscal Agent and, if no further payment falls to be made in respect of the relevant Notes, surrender of such Global Note to or to the order of the Fiscal Agent or such other Paying and Transfer Agent as shall have been notified to the relevant Noteholders for such purpose. A record of each payment so made will be endorsed in the appropriate schedule to the Global Note, which endorsement will be *prima facie* evidence that such payment has been made in respect of the relevant Notes.

Notices

Notices to Noteholders may be given by delivery of the notice to the relevant clearing systems for communication by them to entitled account Noteholders.

Meetings

The holder of each Global Note will be treated as being two persons for the purposes of any quorum requirements of, or the right to demand a poll at, a meeting of Noteholders and in any such meeting as having one vote in respect of each integral U.S.$1,000 in principal amount of Notes.

Cancellation

Cancellation of any Note required by the Terms and Conditions of the Notes to be cancelled will be effected by reduction in the principal amount of the applicable Global Note.

Exchange for Note Certificates

Exchange

The Unrestricted Global Notes will be exchangeable, free of charge to the holder, in whole but not in part, for Note Certificates if: (i) it is held by or on behalf of a clearing system and such clearing system is closed for business for a continuous period of 14 calendar days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so, by the holder giving notice to the Registrar or (ii) if the Issuer would suffer a material disadvantage in respect of the Notes as a result of a change in the laws or regulations (taxation or otherwise) of any jurisdiction referred to in Condition 7 of the Terms and Conditions of the Notes which would not be suffered were the Notes in definitive form, by the Issuer giving notice to the Registrar and the Noteholders, in each case of its intention to exchange interests in the Unrestricted Global Notes for individual note certificates (the "**Unrestricted Note Certificates**," and together with the Restricted Note Certificates, the "**Note Certificates**") on or after the Exchange Date (as defined below) specified in the notice.

The Restricted Global Notes will be exchangeable, free of charge to the holder, in whole but not in part, for Note Certificates if (i) the DTC or its successor depositary notifies the Issuer that it is no longer willing or able to discharge properly its responsibilities as depositary with respect to the Restricted Global Notes or ceases to be a "clearing agency" registered under the United States Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), or is at any time unable to act as such, and the Issuer is unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of such depositary or (ii) the Issuer would suffer a material disadvantage in respect of the Notes as a result of a change in the laws or regulations (taxation or otherwise) of any jurisdiction referred to in Condition 7 of the Terms and Conditions of the Notes which would not be suffered were the Notes in definitive form, by the Issuer giving notice to the Registrar and the Noteholders, in each case, of its intention to exchange interests in the Restricted Global Notes for Restricted Note Certificates on or after the Exchange Date specified in the notice.

"**Exchange Date**" means a day falling not later than 60 calendar days after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Registrar or the relevant Paying and Transfer Agent is located.

If any of the events in the first or second paragraphs of this section ("—*Exchange*") occurs, the relevant Global Note shall be exchangeable in full for Note Certificates, and the Issuer will, free of charge to the Noteholders (but against such indemnity as the Registrar or any relevant Paying Agent may require in respect of any tax or other duty of whatever nature which may be levied or imposed in connection with such exchange), cause sufficient Note Certificates to be executed and delivered to the Registrar for completion and despatch to the relevant Noteholders. A person having an interest in a Restricted Global Note or an Unrestricted Global Note must provide the Registrar with (a) a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such Note Certificates and (b) in the case of a Restricted Global Note only, a fully completed, signed certification substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange or, in the case of a simultaneous sale pursuant to Rule 144A, a certification that the transfer is being made in compliance with the provisions of Rule 144A or to a QIB. Except as otherwise permitted, Restricted Note Certificates issued in exchange for an interest in a Restricted Global Note shall bear the legend applicable to transfers pursuant to Rule 144A, as set out under "*Transfer Restrictions*."

The Registrar will not register the transfer of, or exchange of interests in, a Global Note for Note Certificates for a period of 15 calendar days ending on the date for any payment of principal or interest in respect of the Notes.

CLEARING AND SETTLEMENT

*The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear or Clearstream, Luxembourg (together, the "**Clearing Systems**") currently in effect. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuer nor any other party to the Fiscal Agency Agreement (as defined in the Terms and Conditions of the Notes) will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.*

The Clearing Systems

Custodial and depositary links are to be established between DTC, Euroclear and Clearstream, Luxembourg to facilitate the initial issue of the Notes and cross-market transfers of the Notes associated with secondary market trading. See "*—Book-Entry Ownership*" and "*—Settlement and Transfer of Notes*" below.

Investors may hold their interests in a Global Note directly through DTC, Euroclear or Clearstream, Luxembourg if they are accountholders ("**Direct Participants**") or indirectly ("**Indirect Participants**" and, together with Direct Participants, "**Participants**") through organisations which are Direct Participants therein.

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each hold securities for their customers and facilitate the clearance and settlement of securities transactions through electronic book-entry transfer between their respective accountholders. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions which clear through or maintain a custodial relationship with an accountholder of either system. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective customers may settle trades with each other. Their customers are worldwide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations.

DTC

DTC has advised the Issuer as follows: DTC is a limited purpose trust company organised under the laws of the State of New York, a "banking organisation" under the laws of the State of New York, a member of the U.S. Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its Participants and facilitate the clearance and settlement of securities transactions between Participants through electronic computerised book-entry changes in accounts of its Participants, thereby eliminating the need for physical movement of certificates. Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to DTC is available to others, such as banks, securities brokers, dealers and trust companies, that clear through or maintain a custodial relationship with a DTC Direct Participant, either directly or indirectly.

Investors may hold their interests in the Restricted Global Note directly through DTC if they are Direct Participants in the DTC system, or as Indirect Participants through organisations which are Direct Participants in such system.

Under the rules, regulations and procedures creating and affecting DTC and its operations (the "**DTC Rules**"), DTC makes book-entry transfers of Restricted Notes represented by a Restricted Global Note among Direct Participants on whose behalf it acts with respect to Restricted Notes and receives and transmits distributions of principal and interest on Restricted Notes. The DTC Rules are on file with the Securities and Exchange Commission. Direct Participants and Indirect Participants with which beneficial owners of Restricted Notes have accounts with respect to the Restricted Notes similarly are required to make book-entry transfers and receive and transmit such payments on behalf of their beneficial owners. Accordingly, although beneficial owners who hold Restricted Notes through Direct Participants or Indirect Participants will not possess Restricted Notes, the DTC

Rules, by virtue of the requirements described above, provide a mechanism by which Participants will receive payments and will be able to transfer their interest in respect of the Restricted Notes.

DTC has advised the Issuer that it will take any action permitted to be taken by a holder of Notes only at the direction of one or more Direct Participants and only in respect of such portion of the aggregate principal amount of the Restricted Global Notes as to which such Participant or Participants has or have given such direction. However, in the circumstances described under "*Provisions Relating to the Notes whilst in Global Form—Exchange for Note Certificates*," DTC will cause its custodian to surrender the Restricted Global Notes in exchange for Note Certificates (which will bear the legend applicable to transfers pursuant to Rule 144A).

Payments through DTC

Payments of principal and interest in respect of a Global Note registered in the name of, or in the name of a nominee for, DTC are, and will be, made to the order of DTC or such nominee (as the case may be) as the registered holder of such Note.

Book-Entry Ownership

Euroclear and Clearstream, Luxembourg

The Unrestricted Global Note evidencing Unrestricted Notes will have an ISIN and a Common Code and will be registered in the name of a nominee for, and deposited with a common depositary on behalf of, Euroclear and Clearstream, Luxembourg.

DTC

The Restricted Global Note evidencing the Restricted Notes will have an ISIN, Common Code and CUSIP number and will be deposited with the Custodian and registered in the name of Cede & Co. as nominee of DTC. The Custodian and DTC will electronically record the principal amount of the Notes held within the DTC system.

Relationship of Participants with Clearing Systems

Each of the persons shown in the records of DTC, Euroclear or Clearstream, Luxembourg as the holder of a Note evidenced by a Global Note must look solely to DTC, Euroclear or Clearstream, Luxembourg (as the case may be) for its share of each payment made by the Issuer to the holder of such Global Note and in relation to all other rights arising under such Global Note, subject to and in accordance with the respective rules and procedures of DTC, Euroclear or Clearstream, Luxembourg (as the case may be). The Issuer expects that, upon receipt of any payment in respect of Notes evidenced by a Global Note, the common depositary by whom such Note is held, or nominee in whose name it is registered, will immediately credit the relevant Participants' or accountholders' accounts in the relevant Clearing System with payments in amounts proportionate to their respective beneficial interests in the principal amount of the relevant Global Note as shown on the records of the relevant Clearing System or its nominee. The Issuer also expects that payments by Direct Participants in any Clearing System to owners of beneficial interests in any Global Note held through such Direct Participants in any Clearing System will be governed by standing instructions and customary practices. Save as aforesaid, such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are evidenced by such Global Note and the obligations of the Issuer will be discharged by payment to the registered holder of such Global Note in respect of each amount so paid. None of the Issuer, the Fiscal Agent or any other Paying and Transfer Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in any Global Note or for maintaining, supervising or reviewing any records relating to such ownership interests.

Settlement and Transfer of Notes

Subject to the rules and procedures of each applicable Clearing System, purchases of Notes held within a Clearing System must be made by or through Direct Participants, which will receive a credit for such Notes on the Clearing System's records. The ownership interest of each actual purchaser of each such Note (the "**Beneficial Owner**") will in turn be recorded on the Direct and Indirect Participants' records.

Beneficial Owners will not receive written confirmation from any Clearing System of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which such Beneficial Owner entered into the transaction.

Transfers of ownership interests in Notes held within the Clearing System will be effected by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates evidencing their ownership interests in such Notes, unless and until interests in any Global Note held within a Clearing System are exchanged for Note Certificates.

No Clearing System has knowledge of the actual Beneficial Owners of the Notes held within such Clearing System and their records will reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by the Clearing Systems to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

The laws of some jurisdictions may require that certain persons take physical delivery in definitive form of securities. Consequently, the ability to transfer interests in a Global Note to such persons may be limited. As DTC can only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, the ability of a person having an interest in a Restricted Global Note to pledge such interest to persons or entities that do not participate in DTC, or otherwise take actions in respect of such interest, may be affected by a lack of a physical certificate in respect of such interest.

Trading between Euroclear and Clearstream, Luxembourg Participants

Secondary market sales of book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg to purchasers of book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg, will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream, Luxembourg and will be settled using the procedures applicable to conventional Eurobonds.

Trading between DTC Participants

Secondary market sales of book-entry interests in the Notes between DTC Participants, will occur in the ordinary way in accordance with DTC rules and will be settled using the procedures applicable to United States corporate debt obligations in DTC's Same-Day Funds Settlement system in same-day funds, if payment is effected in dollars, or free of payment, if payment is not effected in dollars. Where payment is not effected in dollars, separate payment arrangements outside DTC are required to be made between the DTC participants.

Trading between DTC Seller and Euroclear/Clearstream, Luxembourg Purchaser

When book-entry interests in Notes are to be transferred from the account of a DTC Participant holding a beneficial interest in a Restricted Global Note to the account of a Euroclear or Clearstream, Luxembourg accountholder wishing to purchase a beneficial interest in an Unrestricted Global Note (subject to the certification procedures provided in the Fiscal Agency Agreement), the DTC participant will deliver instructions for delivery to the relevant Euroclear or Clearstream, Luxembourg accountholder to DTC by 12 noon, New York time, on the settlement date. Separate payment arrangements are required to be made between the DTC Participant and the relevant Euroclear or Clearstream, Luxembourg Participant. On the settlement date, the custodian of a Restricted Global Note will instruct the Registrar to (i) decrease the amount of Notes registered in the name of Cede & Co. and evidenced by such Restricted Global Note and (ii) increase the amount of Notes registered in the name of the nominee of the common depositary for Euroclear and Clearstream, Luxembourg and evidenced by the Unrestricted Global Note. Book-entry interests will be delivered free of payment to Euroclear or Clearstream, Luxembourg, as the case may be, for credit to the relevant accountholder on the first business day following the settlement date.

Trading between Euroclear/Clearstream, Luxembourg Seller and DTC Purchaser

When book-entry interests in the Notes are to be transferred from the account of a Euroclear or Clearstream, Luxembourg accountholder to the account of a DTC Participant wishing to purchase a beneficial interest in a Restricted Global Note (subject to the certification procedures provided in the Fiscal Agency Agreement), the Euroclear or Clearstream, Luxembourg Participant must send to Euroclear or Clearstream, Luxembourg delivery free of payment instructions by 7:45 p.m., Brussels or Luxembourg time, one business day prior to the settlement date. Euroclear or Clearstream, Luxembourg, as the case may be, will in turn transmit appropriate instructions to the common depositary for Euroclear and Clearstream, Luxembourg and the Registrar to arrange delivery to the DTC Participant on the settlement date. Separate payment arrangements are required to be made between the DTC Participant and the relevant Euroclear or Clearstream, Luxembourg accountholder, as the case may be. On the settlement date, the common depositary for Euroclear and Clearstream, Luxembourg will (a) transmit appropriate instructions to the custodian of such Restricted Global Note who will in turn deliver such book-entry interests in the Notes free of payment to the relevant account of the DTC Participant and (b) instruct the Registrar to (i) decrease the amount of Notes registered in the name of the nominee of the common depositary for Euroclear and Clearstream, Luxembourg and evidenced by an Unrestricted Global Note; and (ii) increase the amount of Notes registered in the name of Cede & Co. and evidenced by such Restricted Global Note.

Although DTC, Euroclear and Clearstream, Luxembourg have agreed to the foregoing procedures in order to facilitate transfers of beneficial interests in Global Notes among Participants and accountholders of DTC, Euroclear and Clearstream, Luxembourg, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Fiscal Agent or any other Paying and Transfer Agent will have any responsibility for the performance by DTC, Euroclear, Clearstream, Luxembourg or their respective Direct or Indirect Participants of their respective obligations under the rules and procedures governing their operations.

Settlement of Pre-issue Trades

It is expected that delivery of Notes will be made against payment therefor on the Closing Date, which could be more than three business days following the date of pricing. Under Rule 15c6-1 under the Exchange Act, trades in the United States secondary market generally are required to settle within two business days (T+2), unless the parties to any such trade expressly agree otherwise.

Accordingly, purchasers who wish to trade Notes in the United States on the date of pricing or the next succeeding business days until three days prior to the Closing Date will be required, by virtue of the fact the Notes initially will settle beyond T+2, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Settlement procedures in other countries will vary.

Purchasers of Notes may be affected by such local settlement practices, and purchasers of Notes between the relevant date of pricing and the Closing Date should consult their own advisers.

TAXATION

The following discussion summarises certain Armenian tax considerations that may be relevant to holders of Notes. It also includes a limited discussion of certain United States federal income tax considerations and certain EU tax considerations. This summary is based on laws, regulations, rulings and decisions now in effect and is subject to changes in tax law, including changes that could have a retroactive effect.

This summary does not describe all of the tax considerations that may be relevant to holders of Notes, particularly holders of Notes subject to special tax rules. Holders of Notes are advised to consult their own professional advisers as to the consequences of purchasing Notes under the tax laws of the country of which they are resident.

Armenian Taxation

The following is a summary of certain Armenian tax considerations relevant to the acquisition, ownership and disposal of the Notes.

The following summary is included for general information only. Prospective investors should consult their own tax adviser as to the tax consequences under the laws of Armenia of the acquisition, ownership and disposition of the Notes. Such laws and regulations are subject to change or varying interpretations, possibly with retroactive effect. As with other areas of Armenian legislation, tax law and practice in Armenia is not as clearly established as that of more developed jurisdictions. It is possible, therefore, that changes may be made in the law or in the current interpretation of the law or current practice, including changes that could have a retroactive effect. Accordingly, it is possible that holders of Notes could become subject to Armenian taxation in ways that cannot be anticipated as at the date of this Prospectus.

Tax on Issue of the Notes

No state duty or similar tax will be payable in Armenia upon the issue of the Notes.

Tax Implications for Non-Residents of Armenia

Under the Armenian Tax Code, income earned by non-resident legal entities in the form of interest on state securities or income (discount) on state securities at maturity/repayment and any capital gains by a non-resident legal entity from disposal of the Notes are not treated as taxable income and are not subject to withholding or deduction by Armenia or any political subdivision thereof on payments under the Notes.

Under the Tax Code, income earned by non-resident individuals from the purchase, holding, sale, disposal or exchange of state securities, including the Notes, is not treated as taxable income and therefore will not be subject to personal income taxation.

Gross-up Obligations

Condition 7 of the Terms and Conditions of the Notes requires Armenia to increase the payment of principal or interest made in respect of the Notes in the event any taxes are withheld or deducted, subject to the exceptions therein provided. Although there is no prohibition on contractual compensation for tax withholding under Armenian law, gross-up provisions similar to those under Condition 7 of the Terms and Conditions of the Notes have not been tested in Armenian courts. Consequently, Armenian courts may construe the gross-up provisions of Condition 7 of the Terms and Conditions of the Notes as invalid and, therefore, unenforceable against the Issuer.

United States Federal Income Tax Considerations

The following is a summary of certain U.S. federal income tax considerations that may be relevant to a holder of a Note. This summary addresses only holders that purchase Notes as part of the initial offering, and that hold such Notes as capital assets. The summary does not address tax considerations applicable to investors that may be subject to special tax rules, such as banks or other financial institutions, regulated investment companies, real estate investment trusts, tax-exempt entities, partnerships and flow-through entities (or entities or arrangements treated as partnerships or flow-through entities for U.S. federal income tax purposes) or partners therein, insurance companies, individual retirement accounts and other tax-deferred accounts, brokers, dealers in securities or currencies, traders in securities electing to mark to market, persons that will hold the Notes as a position in a "straddle" or conversion transaction, or as part of a "synthetic security" or other integrated financial transaction for U.S. federal income tax purposes, persons subject to special tax accounting rules as a result of any item of gross income with respect to the Notes being taken into account in an "applicable financial statement" (as defined in Section 451 of the Internal Revenue Code of 1986), U.S. holders that are resident in or have a permanent establishment in a jurisdiction outside the United States, persons that have ceased to be U.S. citizens or lawful permanent residents of the United States, U.S. citizens or lawful permanent residents living abroad or persons that have a "functional currency" other than the dollar.

If any entity or arrangement treated as a partnership for U.S. federal income tax purposes holds the Notes, the U.S. tax treatment of a partner in the partnership generally will depend upon the status of the partner and the activities of the partnership. A partnership considering an investment in the Notes, and partners in such a partnership, should consult their tax advisors regarding the U.S. federal income tax consequences of the purchase, ownership and disposition of the Notes.

This summary addresses only U.S. federal income tax consequences, and does not address consequences arising under U.S. transfer taxes, such as the estate, gift, or generation-skipping transfer taxes, state, local or non-U.S. tax laws, the alternative minimum tax or the Medicare tax on net investment income. Investors should consult their own tax advisers in determining the tax consequences to them of holding Notes under such tax laws, as well as the application to their particular situation of the U.S. federal income tax considerations discussed below.

This summary is based on the Internal Revenue Code of 1986, as amended, existing, proposed and temporary U.S. Treasury regulations and judicial and administrative interpretations thereof, in each case as of the date hereof. All of the foregoing are subject to change (possibly with retroactive effect) or to differing interpretations, which could affect the U.S. federal income tax consequences described herein.

As used herein, a "**U.S. Holder**" is a beneficial owner of a Note that is a citizen or resident of the United States or a U.S. domestic corporation or that otherwise will be subject to U.S. federal income taxation on a net income basis in respect of the Note. A "**Non-U.S. Holder**" is a beneficial owner of a Note that is an individual, corporation, foreign estate, or foreign trust that is not a U.S. Holder.

U.S. Holders

Book/Tax Conformity

U.S. Holders that use an accrual method of accounting for tax purposes ("accrual method holders") generally are required to include certain amounts in income no later than the time such amounts are reflected on certain financial statements (the "book/tax conformity rule"). The application of the book/tax conformity rule thus may require the accrual of income earlier than would be the case under the general tax rules described below. It is not clear to what types of income the book/tax conformity rule applies, or, in some cases, how the rule is to be applied if it is applicable. Accrual method holders should consult with their tax advisers regarding the potential applicability of the book/tax conformity rule to their particular situation.

Payments of Interest and Additional Amounts

The gross amount of stated interest and any additional amounts (*i.e.*, without reduction for any Armenian withholding tax imposed at the appropriate Armenian withholding tax rate applicable to the U.S. Holder) will generally be taxable to a U.S. Holder as ordinary interest income when such interest is accrued or is actually or constructively received, in accordance with the U.S. Holder's regular method of accounting for U.S. federal income tax purposes.

Interest income in respect of the Notes generally will constitute foreign-source income for purposes of computing the foreign tax credit allowable under the U.S. federal income tax laws. The limitation on foreign income taxes eligible for credit is calculated separately with respect to specific classes of income. Interest income in respect of the Notes generally will constitute "passive category income" for foreign tax credit purposes for most U.S. Holders. The calculation and availability of foreign tax credits and, in the case of a U.S. Holder that elects to deduct foreign income taxes, the availability of such deduction, involves the application of complex rules that depend on the U.S. Holder's particular circumstances. In addition, foreign tax credits generally will not be allowed for certain short-term or hedged positions in the Notes.

U.S. Holders should consult their own tax advisers regarding the availability of foreign tax credits or deductions in respect of foreign taxes and the treatment of additional amounts.

Original Issue Discount

It is expected, and this discussion assumes, that the Notes will not be issued with more than a *de minimis* amount of original issue discount ("**OID**"). In general, however, if the Notes are issued with more than *de minimis* OID, a U.S. Holder will be required to include OID in gross income, as ordinary income, under a "constant-yield method" before the receipt of cash attributable to such income, regardless of the U.S. Holder's regular method of accounting for U.S. federal income tax purposes.

Sale or Disposition of Notes

A U.S. Holder generally will recognize capital gain or loss upon the sale, exchange, retirement or other taxable disposition of a Note in an amount equal to the difference between the dollar value of the amount realised upon such disposition (other than amounts attributable to accrued but unpaid interest, which will be taxable as such) and such U.S. Holder's tax basis in the Note. A U.S. Holder's tax basis in the Note will generally equal the cost of the Note to such U.S. Holder, increased by the amount of any OID included in the U.S. Holder's income with respect to the Note. Gain or loss realised by a U.S. Holder on the disposition of a Note generally will be long-term capital gain or loss if, at the time of the disposition, the Note has been held for more than one year. The net amount of long-term capital gain recognized by an individual U.S. Holder generally is subject to tax at a reduced rate. The deductibility of capital losses is subject to limitations.

Capital gain or loss recognized by a U.S. Holder generally will be U.S.-source gain or loss. Consequently, if any such gain is subject to foreign tax, a U.S. Holder may not be able to credit the tax against its U.S. federal income tax liability unless such credit can be applied (subject to the applicable limitation) against tax due on other income treated as derived from foreign sources. U.S. Holders should consult their own tax advisers as to the foreign tax credit implications of a disposition of the Notes.

Specified Foreign Financial Assets

Certain U.S. Holders that own "specified foreign financial assets" with an aggregate value in excess of $50,000 are generally required to file an information statement along with their tax returns, currently on Form 8938, with respect to such assets. "Specified foreign financial assets" include any financial accounts held at a non-U.S. financial institution, as well as securities issued by a non-U.S. issuer (which may include Notes issued in certificated form) that are not held in accounts maintained by financial institutions. Higher reporting thresholds apply to certain individuals living abroad and to certain married individuals. Regulations extend this reporting requirement to certain entities that are treated as formed or availed of to hold direct or indirect interests in specified foreign financial assets based on certain objective criteria. U.S. Holders who fail to report the required information could be subject to substantial penalties. In addition, the statute of limitations for assessment of tax would be suspended, in whole or part. Prospective investors should consult their own tax advisers concerning the application of these rules to their investment in the Notes, including the application of the rules to their particular circumstances.

Non-U.S. Holders

Payments of Interest

Subject to the discussions below under "Backup Withholding and Information Reporting," payments of interest on the Notes to a Non-U.S. Holder generally will be exempt from U.S. federal income taxes, including withholding tax. However, to receive this exemption a Non-U.S. Holder may be required to satisfy certification requirements, described below under "Backup Withholding and Information Reporting," to establish that it is not a U.S. Holder.

Sale, Exchange and Retirement of Notes

Subject to the discussion below under "Backup Withholding and Information Reporting," a Non-U.S. Holder generally will not be subject to U.S. federal income tax on gain recognized on a sale, exchange or retirement of Notes.

Backup Withholding and Information Reporting

Information returns will be filed with the IRS in connection with payments on the Notes made to, and the proceeds of dispositions of Notes effected by, certain U.S. Holders. In addition, certain U.S. Holders may be subject to backup withholding in respect of such amounts if they do not provide their taxpayer identification numbers to the person from whom they receive payments. Non-U.S. Holders may be required to comply with applicable certification procedures to establish that they are not U.S. Holders in order to avoid the application of such information reporting requirements and backup withholding. The amount of any backup withholding from a payment to a U.S. or Non-U.S. Holder will be allowed as a credit against the holder's U.S. federal income tax liability and may entitle the holder to a refund, provided that the required information is timely furnished to the IRS.

FATCA

In relation to the provisions of U.S. federal income tax law commonly known as the Foreign Account Tax Compliance Act ("**FATCA**"), the Issuer believes that it satisfies the requirements of FATCA to be treated as a Governmental Entity as defined in Annex II to the Agreement between the United States of America and the Republic of Armenia for Cooperation to Facilitate the Implementation of FATCA and thus exempt from FATCA withholding and reporting in connection with the Notes. Accordingly, the Issuer does not expect to enter into an agreement with the IRS or otherwise to become a Participating FFI for FATCA purposes. As a result, the Issuer does not expect to withhold any amount in respect of FATCA from any payment it will make on the Notes or report financial account information in respect of FATCA in connection with the Notes.

SUBSCRIPTION AND SALE

Each of Citigroup Global Markets Limited, HSBC Bank plc and J.P. Morgan Securities plc (each, a "**Joint Lead Manager**" and, together, the "**Joint Lead Managers**") has, in a subscription agreement dated 1 February 2021 (the "**Subscription Agreement**") and upon the terms and subject to the conditions contained therein, severally agreed to subscribe and pay for the aggregate principal amount of Notes listed next to its name in the table below at the issue price of 97.738% of their principal amount. The Issuer has agreed to pay to the Joint Lead Managers a fee in respect of their agreement to subscribe and pay for the Notes. The Joint Lead Managers are entitled in certain circumstances to be released and discharged from their obligations under the Subscription Agreement prior to the closing of the issue of the Notes.

Joint Lead Manager	**Principal Amount of the Notes**
Citigroup Global Markets Limited	U.S.$250,000,000
HSBC Bank plc	U.S.$250,000,000
J.P. Morgan Securities plc	U.S.$250,000,000
Total	**U.S.$750,000,000**

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Joint Lead Managers have agreed, severally and not jointly, nor jointly and severally, to offer the Notes for resale in the United States initially only to persons who they reasonably believe to be QIBs in reliance on Rule 144A and outside the United States in offshore transactions in reliance on Regulation S. Terms used in this paragraph have the respective meanings given to them by Regulation S.

The Notes are being offered and sold by the Joint Lead Managers outside the United States in accordance with Regulation S. The Subscription Agreement provides that the Joint Lead Managers may, through their respective U.S. affiliates, resell a portion of the Notes within the United States only to QIBs in reliance on Rule 144A.

In addition, until 40 days after the commencement of the offering of the Notes, an offer or sale of Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A, or another available exemption from registration under the Securities Act.

United Kingdom

Prohibition of sales to UK Retail Investors

Each Joint Lead Manager has severally represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Prospectus in relation thereto to any retail investor in the United Kingdom. For the purposes of this provision, the expression **retail investor** means a person who is one (or more) of the following:

(a) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); or

(b) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA.

Other regulatory restrictions

Each Joint Lead Manager has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated and invitation or inducement to engage in investment activity (within the meaning of

Section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**")) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Singapore

Each Joint Lead Manager has acknowledged that the Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore (the "**MAS**"). Accordingly, each Joint Lead Manager has represented, warranted and agreed that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289 of Singapore), as modified or amended from time to time (the "**SFA**")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law;

(iv) as specified in Section 276(7) of the SFA; or

(v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Armenia

Under current securities laws in Armenia, there are no restrictions on the offer or sale of foreign currency denominated state bonds, such as the Notes.

Each Joint Lead Manager has represented and agreed that it has complied and will comply with all applicable provisions of Armenian law with respect to anything done by it in relation to the Notes in, from or otherwise involving Armenia.

Hong Kong

Each Joint Lead Manager has represented and agreed that it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") and any rules made under the SFO.

General

Each Joint Lead Manager has severally acknowledged that no representation is made by the Issuer or any Joint Lead Manager that any action has or will be taken in any jurisdiction by the Issuer or any Joint Lead Manager that would permit a public offering of the Notes, or possession or distribution the Prospectus in any country or jurisdiction where action for that purpose is required. Each Joint Lead Manager has undertaken that it will comply to the best of its knowledge and belief in all material respects, with all applicable securities laws and regulations in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes the Prospectus, in all cases at its own expense unless agreed otherwise.

Some of the Joint Lead Managers, dealers and agents who participate in the distribution of the Notes may engage in other transactions with, or perform other services for, the Issuer in the ordinary course of business, for which they may have received or will continue to receive customary compensation.

TRANSFER RESTRICTIONS

The Issuer is a "foreign government" as defined in Rule 405 under the Securities Act and is eligible to register securities on Schedule B of the Securities Act. Therefore, the Issuer is not subject to the information provision requirements of Rule 144A(d)(4)(i) under the Securities Act.

Each purchaser of Restricted Notes, by accepting delivery of this Prospectus and the Notes, will be deemed to have represented, agreed and acknowledged that:

1. It is (a) a QIB, (b) acquiring the Notes for its own account, or for the account of a QIB, (c) not formed for the purpose of investing in the Issuer, and (d) aware, and each beneficial owner of such Notes has been advised, that the sale of such Notes to it is being made in reliance on Rule 144A. If it is acquiring any Notes for the account of one or more QIBs, it represents that it has sole investment discretion with respect to each such account and that it has the full power to make the foregoing representations, agreements and acknowledgements on behalf of each such account.

2. It understands that the Restricted Notes are being offered only in a transaction not involving any public offering in the United States within the meaning of the Securities Act, and that the Restricted Notes have not been and will not be registered under the Securities Act or any applicable state securities laws; it acknowledges that a Restricted Note is a "restricted security" as defined in Rule 144(a)(3) under the Securities Act; and it understands that (i) if in the future, the purchaser decides to offer, resell, pledge or otherwise transfer the Restricted Notes, such Restricted Notes may be offered, sold, pledged or otherwise transferred only (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or for the account of a QIB, (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, (c) pursuant to an exemption from registration under the Securities Act provided by Rule 144A thereunder (if available) or (d) to the Issuer or an affiliate of the Issuer (upon redemption thereof or a similar transaction), in each case in accordance with any applicable securities laws of any state or other jurisdiction of the United States; and (ii) no representation can be made as to the availability at any time of the exemption provided by Rule 144 for the resale of the Notes.

3. The Issuer has the right to refuse to honour the transfer of an interest in the Restricted Notes to a U.S. person who is not a QIB.

4. It understands that the Restricted Notes, unless otherwise agreed between the Issuer and the Fiscal Agent in accordance with applicable law, will bear a legend to substantially the following effect:

   THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) TO THE ISSUER, (2) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT ("**RULE 144A**") TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A (A "**QIB**"), THAT IS ACQUIRING THIS NOTE FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QIBS, (3) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT OR (4) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER, IF AVAILABLE, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THE RESALE RESTRICTIONS REFERRED TO ABOVE. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF ANY EXEMPTION UNDER THE SECURITIES ACT FOR RESALES OF THE NOTES.

5. It understands that the Restricted Notes will be evidenced by the Restricted Global Note. Before any interest in a Restricted Global Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in an Unrestricted Global Note, it will be required to provide a Paying and Transfer Agent with a written certification (in the form provided in the Fiscal Agency

Agreement (as defined in the Terms and Conditions of the Notes)) as to compliance with applicable securities laws.

6. It acknowledges that none of the Issuer, the Joint Lead Managers or any person representing any such entity has made any representation to it with respect to any such entity or the offering or sale of any Notes, other than the information in this Prospectus.

7. It acknowledges that the Issuer, the Registrar, the Joint Lead Managers and their respective affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any of the acknowledgements, representations or agreements deemed to have been made by it by its purchase of Restricted Notes is no longer accurate, it shall promptly notify the Issuer and the Joint Lead Managers. If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each of those accounts and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each account.

8. Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Each purchaser of the Unrestricted Notes, by accepting delivery of this Prospectus and the Notes, will have been deemed to have represented, agreed and acknowledged that:

1. It is, or at the time the Unrestricted Notes are purchased will be, the beneficial owner of such Unrestricted Notes and (a) that it is located outside the United States (within the meaning of Regulation S) and (b) it is not an affiliate of the Issuer or a person acting on behalf of such an affiliate.

2. It understands that the Unrestricted Notes have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or for the account of one or more QIBs or (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, in each case in accordance with any applicable securities laws of any state of the United States.

3. It understands that the Notes, while represented by the Unrestricted Global Note or if issued in exchange for an interest in the Unrestricted Global Note or for Unrestricted Note Certificates, will bear a legend to the following effect:

   THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"). THIS NOTE MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

4. It understands that Unrestricted Notes will be evidenced by an Unrestricted Global Note. Before any interest in an Unrestricted Global Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the corresponding Restricted Global Note, it will be required to provide a Paying and Transfer Agent with a written certification (in the form provided in the Fiscal Agency Agreement) as to compliance with applicable securities laws.

5. It acknowledges that none of the Issuer, the Joint Lead Managers or any person representing any such entity has made any representation to it with respect to any such entity or the offering or sale of any Notes other than the information in this Prospectus.

6. It acknowledges that the Issuer, the Registrar, the Joint Lead Managers and their respective affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any of the acknowledgements, representations or agreements deemed to have been made by it by its purchase of the Unrestricted Notes is no longer accurate, it shall promptly notify the Issuer and the Joint Lead Managers. If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each of those

accounts and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each account.

GENERAL INFORMATION

Authorisation

Armenia has obtained all necessary consents, approvals and authorisations in the Republic of Armenia in connection with the issue and performance of the Notes. The issue of the Notes has been duly authorised pursuant to Articles 146 and 154 of the Constitution of Armenia, Articles 2 and 7 of the Law on State Debt and the Decree of the Government No. 895-N, dated 4 July 2019 (as amended on 25 September 2020).

Listing and Admission to Trading

Application has been made to Euronext Dublin for the Notes to be admitted to the Official List and trading on the Market. It is expected that admission of the Notes to trading will be granted on or the next working day after the Closing Date. Transactions will normally be effected for delivery on the third working day after the day of the transaction, subject only to the issue of the Global Notes.

The expenses in connection with the admission of the Notes to the Official List and to trading on the Market are expected to amount to approximately €5,000.

Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for Armenia in relation to the Notes and is not itself seeking admission to the Official List or trading on the regulated market of Euronext Dublin for the purposes of the Prospectus Regulation.

Clearing Systems

The Notes have been accepted for clearance through Euroclear, Clearstream, Luxembourg and DTC. The Common Code and ISIN for the Unrestricted Global Note and the Common Code, ISIN and CUSIP number for the Restricted Global Note are as follows:

Unrestricted Global Note
Common Code: 201002893
ISIN: XS2010028939

Restricted Global Note
Common Code: 111730326
ISIN: US042207AD24
CUSIP: 042207AD2

The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium. The address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of DTC is 55 Water Street, New York, NY 10041, United States of America.

Litigation

Other than as discussed under "Risk Factors—Risk Factors Relating to Armenia—Possible Environmental Issues at the Amulsar Gold Mine and Possible Claims by Mine Owner," Armenia has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Armenia is aware) during the previous 12 months that may have, or have had in the recent past, significant effects on Armenia's financial position.

No Significant Change

Since 31 December 2020, there has been no significant change in the Issuer's (i) tax and budgetary systems, (ii) gross public debt, (iii) foreign trade and balance of payments figures, (iv) foreign exchange reserves, (v) financial position and resources and (vi) income and expenditure figures.

Yield

On the basis of the issue price of 97.738 per cent. of the principal amount of the Notes, the re-offer yield of the Notes is 3.875 per cent., on a semi-annual basis.

Address

The address of the Issuer is Ministry of Finance of the Republic of Armenia, 1, Melik-Adamyan Street, Yerevan, 0010, Armenia. The telephone number of the Issuer is +374 11 910 416.

Documents Available for Inspection

For so long as the Notes are listed on Euronext Dublin, hard copies of the Fiscal Agency Agreement may be inspected during normal business hours at the offices of the Fiscal Agent, as set forth on the back cover of this Prospectus. The 2020 State Budget is available free of charge on the website of the Ministry of Finance (http://www.minfin.am) for the life of the Prospectus.

Third Party Information

Armenia confirms that where information included in this Prospectus has been sourced from a third party, that information has been accurately reproduced and that, as far as Armenia is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Websites

Any reference to websites in this Prospectus is for information purposes only. Any website referred to in this Prospectus shall not form part of this Prospectus and has not been scrutinised or approved by the Central Bank of Ireland.

Interested Persons

Save as described in "*Subscription and Sale*," so far as the Issuer is aware, no person involved in the offering of the Notes has any interest in the offering of the Notes that is material to the offering of the Notes.

Joint Lead Managers Transacting with the Issuer

Certain of the Joint Lead Managers and their respective affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer in the ordinary course of business.

Legal Entity Identifier

The Legal Entity Identifier of the Issuer is 2549008QLWTFS81EUF38.

Language

The language of the Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

ISSUER

Republic of Armenia
(acting through the Ministry of Finance of Armenia)
1, Melik-Adamyan Street
Yerevan 0010
Republic of Armenia

JOINT LEAD MANAGERS

Citigroup Global Markets Limited
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
United Kingdom

HSBC Bank plc
8 Canada Square
Canary Wharf
London E14 5HQ
United Kingdom

J.P. Morgan Securities plc
25 Bank Street
Canary Wharf
London E14 5JP
United Kingdom

FISCAL AGENT, EXCHANGE AGENT,
TRANSFER AGENT AND PAYING AGENT

Citibank, N.A., London Branch
14th Floor, Citigroup Centre
Canada Square
London E14 5LB
United Kingdom

LEGAL ADVISERS TO THE ISSUER

As to English and U.S. law
Cleary Gottlieb Steen & Hamilton LLP
City Place House
55 Basinghall Street
London EC2V 5EH
United Kingdom

LEGAL ADVISERS TO THE JOINT LEAD MANAGERS

As to English and U.S. law
Baker McKenzie LLP
100 New Bridge St,
London EC4V 6JA
United Kingdom

As to Armenian law
Arlex International CJSC
2/3 Sose Lane, 2
Yerevan
Republic of Armenia

LISTING AGENT

Arthur Cox Listing Services Limited
Ten Earlsfort Terrace
Dublin 2
Ireland