



ENTERPRISE
ARMENIA

Armenia's

FINANCIAL SECTOR

2022

WHY INVEST IN ARMENIA

1
2

Skilled, well-educated and
cost-efficient talent, low
business costs

Macroeconomic stability,
reliable financial sector &
open-door policy towards
foreign investors

3
4

Access to large export
markets on preferential
conditions

Comprehensive
system of fiscal and
financial incentives



FINANCIAL

SYSTEM IN FIGURES



**CENTRAL
BANK OF ARMENIA**

**18
BANKS**
559 Branches

**43
CREDIT
ORGANIZATIONS**
236 Branches

**7
INSURANCE
COMPANIES**

**91
PAWNSHOPS**

**200
CURRENCY
EXCHANGE
POINTS**

**8
PAYMENT
ORGANIZATIONS**

LEGISLATIVE

MAIN PRIORITIES OF THE CBA

PROTECTION OF THE SYSTEM

| PRICE & FINANCIAL STABILITY

| REGULATION AND SUPERVISION OF THE FINANCIAL SECTOR PAYMENT AND SETTLEMENT SYSTEM

| CURRENCY ISSUANCE AND CASH CIRCULATION

| SECURITIES MARKET

| INTERNATIONAL RESERVE MANAGEMENT

| CONSUMER PROTECTION AND FINANCIAL EDUCATION

| FIGHT AGAINST ML/TF

PRIORITIES OF CBA

AS PART OF TRANSFORMATION IN THE SPHERE OF INFLUENCE

Financial System

Macroeconomic Policy

Consumer support

FIGHT MONEY LAUNDERING AND TERRORISM FINANCING AGAINST INTERNATIONAL INSTRUMENTS

Conventions

- | Council of Europe Convention on Laundering, Search, Seize and Confiscation of the Proceeds from Crime and on the Financing of Terrorism
- | United Nations Convention Against Transnational Organized Crime
- | FATF International standards on combating money laundering and the financing of terrorism and proliferation
- | FATF Methodology for assessing technical compliance with the FATF recommendations and the effectiveness of AML/CFT systems

UN Security Council Resolutions

**Armenia is a signatory
to the IOSCO MMoU**

INFLATION

RATES

STABILITY &
PREDICTABILITY



CBA Inflation
Target **4%**
(+/- 1,5% fluctuation)

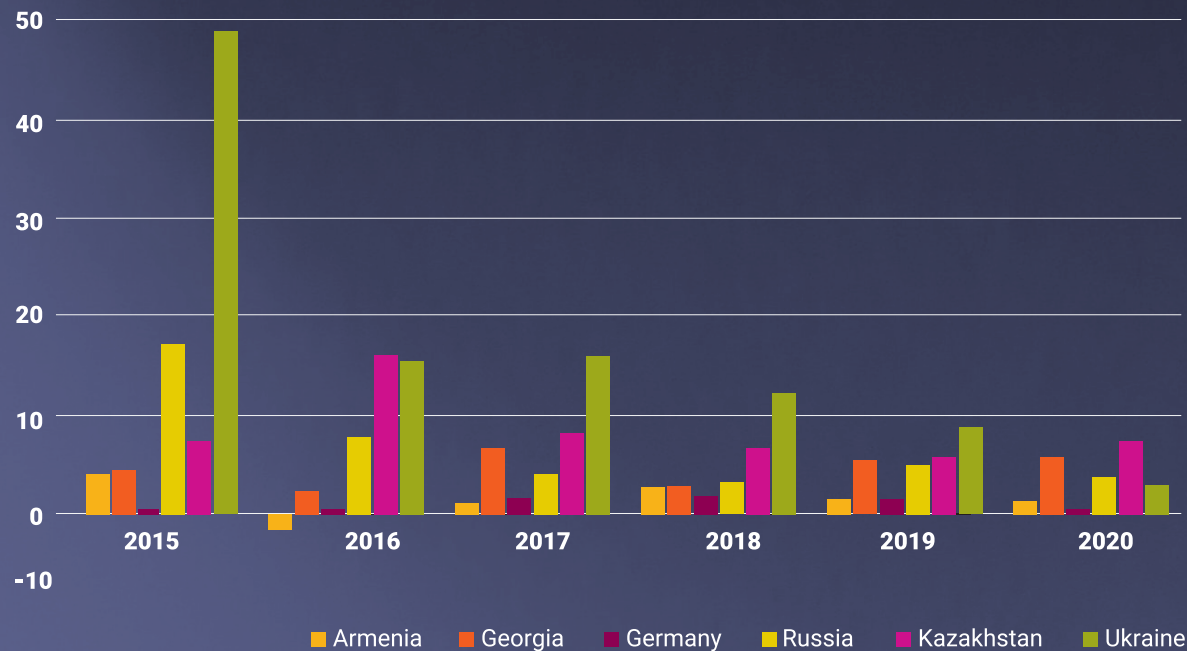


Inflation 2022
January-September:

9.9%

INFLATION

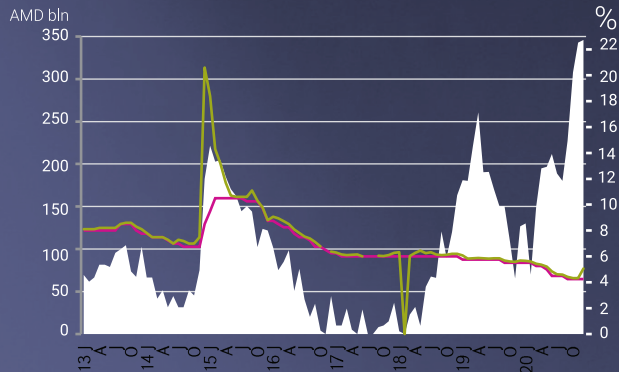
BENCHMARK



SYSTEM

FINANCIAL MARKETS STABILITY

REPO AGREEMENTS WITH THE CENTRAL BANK OF ARMENIA AND INTEREST RATES



- Gross volume of repo operations with the CBA
- Refinancing interest rate (right axis)
- CBA REPO interest rate (right axis)

Repo instrument application:

- The necessary liquidity injection in Armenian drams
- Formation of short-term market interest rates around its policy interest rate

CBA RATES

As of October 2022

Refinancing Rate **10.5%**

Lombard Repo Rate **12%**

Deposit Rate **9%**

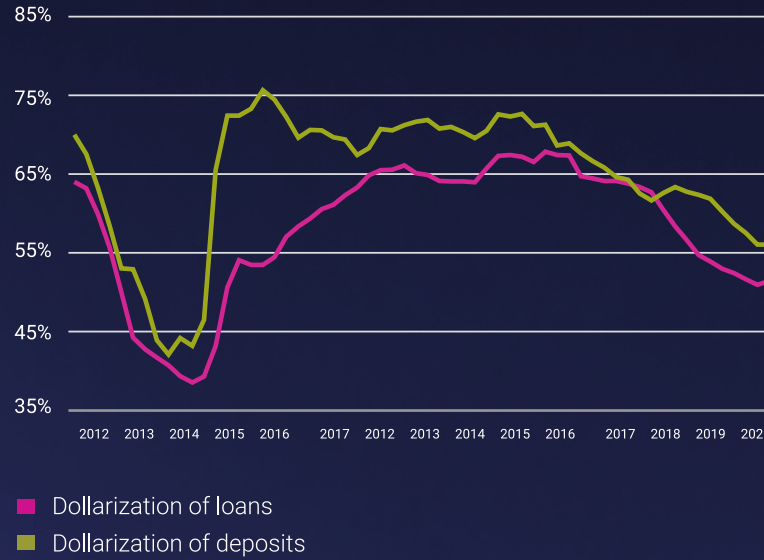
BANKING SECTOR

RESPOND TO COVID-19

MILD RISK MATERIALIZATION AT THE LIGHT OF PANDEMIC DUE TO

- | Bank loan restructuring
- | Credit holidays

In contrast to the shock developments of 2009 and 2015, in 2020, no increase in loan dollarization was recorded.



RIGHTS PROTECTION

MEASURES IMPLEMENTED BY THE CBA IN 2021

SUPERVISION

Off site supervision on the information published on the websites of financial institutions and other platforms, social networks. Examination of the new financial digital services, further measures to mitigate the identified risks.

FINANCIAL EDUCATION

Training for school teachers to ensure financial education in secondary schools. "Financial Education for Women" program. Educational website www.abcfinance.am. Remote events, webinars and competitions. "Your Financial Informant Fininfo.am" website.

REGULATION

Development of a guide on early repayment of loans, setting common rules for financial institutions and supporting a clearer and more reasonable arrangement of the early repayment process and calculations.

New MoUs with the Financial System Mediator, State Revenue Committee and ACRA Credit Bureau.

APPLICATIONS

Most applications are related to the review of loan terms, debt forgiveness, and change of credit history. The Central Bank took all the necessary measures to deal with the violations found during the examination of the applications.

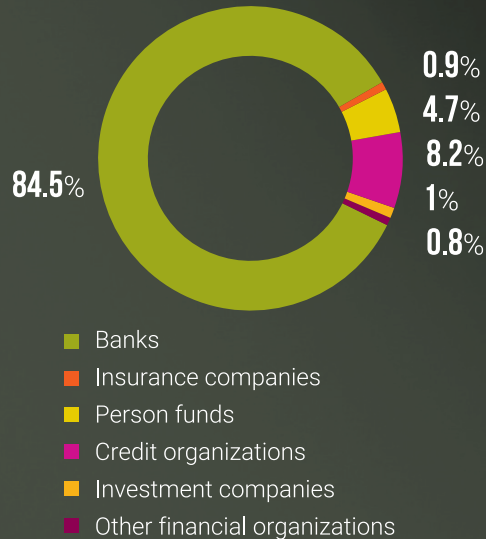
HOTLINE

Provision of information on loans, bank accounts, deposits, foreign exchange purchase and sale and other relatable questions.

STRUCTURE AND GROWTH

OF THE SYSTEM

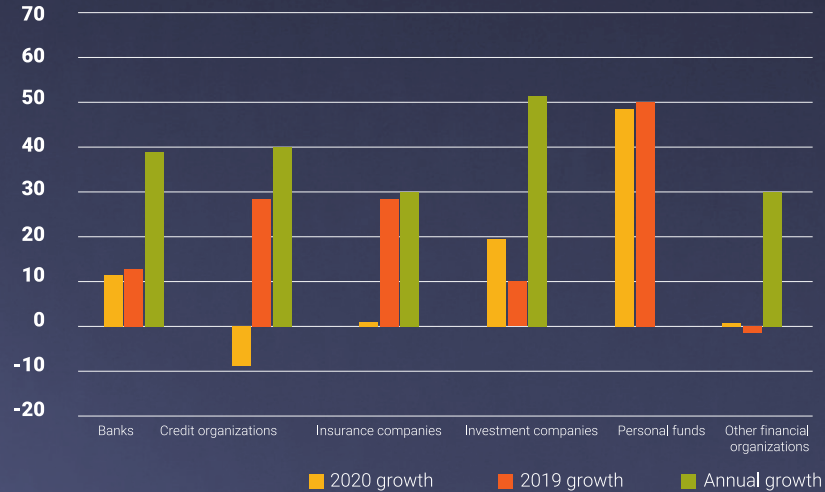
Structure of financial system assets by financial institutions



BANKS MINIMUM THRESHOLD OF TOTAL CAPITAL:

AMD
30
bln

Asset growth by financial system participants



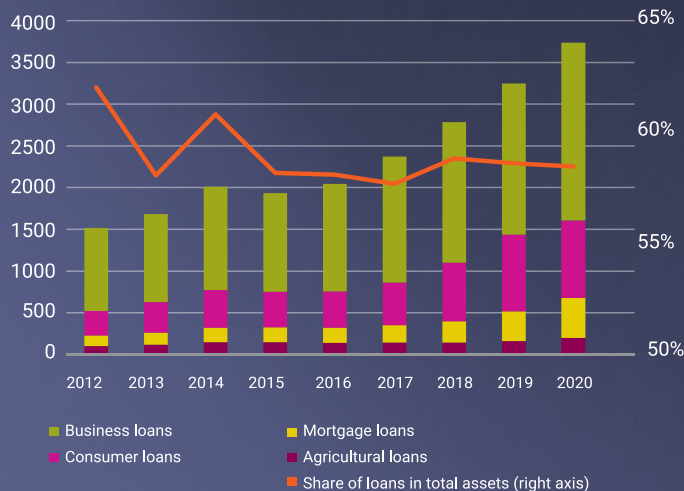
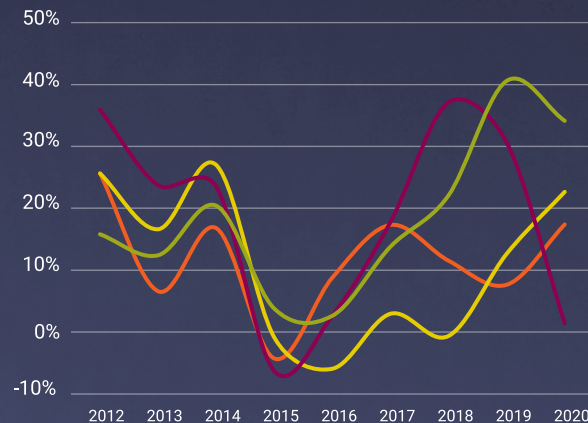
Banking system assets/GDP: **108.2%**

Loans/GDP ratios: **63.2%**

Deposits/GDP ratio: **53.8%**

OF LOANS

NO RISKY CHANGES IN CREDIT PORTFOLIO CONCENTRATION

BANKS ARE WELL
ABLE TO ABSORB THE
RISKS THAT EMERGE
FROM DETERIORATION
OF CREDIT QUALITY.Structure of loans to residents by
sectors of the economy, AMD billionThe share of major loans in the
absolute growth of loans' balance

The share of loans to large borrowers in credit investments accounts **22.2%**
 The growth of loans is due to the growth of business sector loans by **17.4%**
 and the growth of mortgage loans by **34.1%**

Business loans
Consumer loans

Agricultural loans
Mortgage loans

BANKS

IN ARMENIA

BANKS ARE PRIVATELY OWNED WITH NO GOVERNMENT SHARE



INSURANCE COMPANIES

Total **assets**
amount to
AMD **66.9**
billion

Total **capital**
amount to
AMD **21.1**
billion

Total **liabilities**
amount to
AMD **45.8**
billion



EXPORT INSURANCE
AGENCY OF ARMENIA



INSURANCE

COMPANIES

THE STATUTORY CAPITAL IS FIXED BY THEIR CHARTER
THE AUTHORIZED CAPITAL IS REPLENISHED ONLY IN AMDS

AMD **44.7** BLN
the amount of gross
written premiums

SHARE OF RISK
WEIGHTED
ASSETS **28.2%**

LOSS RATIO
57.3%

CAPITAL ADEQUACY
RATIO
183%

EXPENSE RATIO
25.9%
IPSUM

THE SOLVENCY
AMOUNT
71.8%

IMPROVED PROFITABILITY
OF INSURANCE COMPANIES

The amount of gross written
premiums

IN 2019
GREW BY **19.1%**;

IN 2020
SHRANK BY **9.3%**

CREDIT ORGANIZATIONS

The UCO is a legal entity licensed by the CBA for indefinite period of time, and has the right to:

ATTRACT
LOANS

CONCLUDE
TRANSACTIONS

PROVIDE LOANS OR MAKE INVESTMENTS
DEFINED BY THE LAW

The share of problem loans in credit organizations is higher compared to banks, due to the differences in target groups of customers.

INVESTMENT

FUNDS

LICENSED BY THE CENTRAL BANK OF ARMENIA

TYPES:
PUBLIC
NON-PUBLIC

TAXATION:
PROFIT TAX **0.01%**

MORE THAN
50 FUNDS

It is possible to establish any type of fund in the Republic of Armenia, including foreign fund shares in case of sale permit.

Currently two companies act as mandatory pension fund managers in Armenia.



Each of them offers 3 pension funds:

- | Fixed Income (FIX)
- | Conservative (CON)
- | Balanced (BAL)

The net asset value of pension funds is AMD

369,3 billion as of
December 31, 2020.

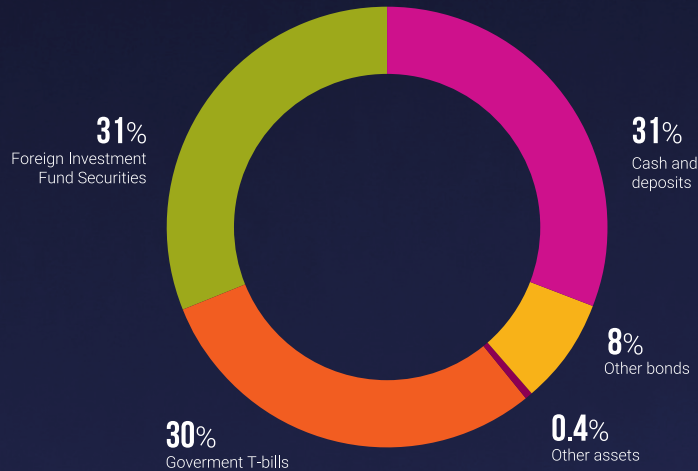
PENSION FUNDS'

ABOUT 374 THOUSAND ACTIVE PARTICIPANTS

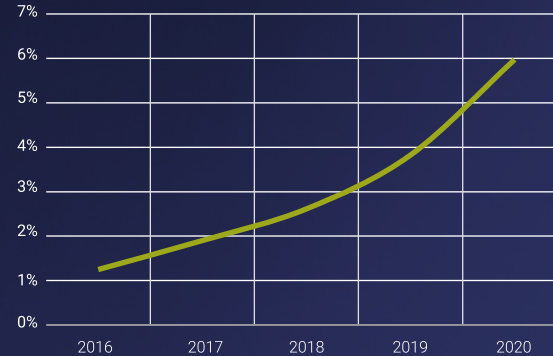
6.0%
Net assets/GDP

PERFORMANCE

Pension fund investments as of 31.12.202



Share of pension fund assets in GDP



SECURITIES EXCHANGE (AMX)

THE ONLY SECURITIES REGULATED MARKET OPERATOR IN ARMENIA

AMX
SERVICES
INCLUDE

Listing
Trading
Clearing
Information services
Alternative market solutions

Total nominal volume USD **996** mln
Number of Issuers **21**
Number of bonds **105**



In January 2021, the RA issued \$ 750 million worth of foreign exchange government bonds (Eurobonds) in the international capital market at an unprecedented low yield rate of 3.875%

According to Global Banking and Finance Review recognized as
The best stock exchange in the South Caucasus 2021.

PAYMENT CARD SYSTEM

ARCA



"Armenian Card" CJSC
Since 2001

MasterCard Europe Member &
Processing Centre (Member Service
Provider)

Third Party Processor for VISA,
American Express and Diners
Club International

Cash advance
E-commerce



**AMERICAN
EXPRESS**

VISA



TRANSFER SYSTEM (REMITTANCE)



Armenian banks make international transfers using their correspondent accounts with foreign banks, via the SWIFT telecommunications network.

Business entities make their international payments by traditional bank accounts, while international money transfers of physical persons are made mostly via money transfer systems.

COVID-19

RESPONSE

GOALS

Enhance mitigating the current liquidity risks entailed by the spread of the coronavirus

Help those who have lost their jobs

Provide social assistance to vulnerable groups

Alleviate other socio-economic costs

TARGETS

Mitigating economic consequences

Mitigating social consequences

1st program



support to individual businesses in Armenia

2nd program



support individual businesses in the agricultural sector

STATE SUPPORT TOOLKIT

Within the 1st and 2nd programs, about **57.1%** of the submitted loan applications were approved, with the total volume of loans amounting to AMD **172.6** billion.

The total volume of financial resources provided during the year reaching 3.2% of GDP.

RESPONSE

COVID-19 NEUTRALIZATION ECONOMIC MEASURES FOR SMES (3RD PROGRAM)

TERMS

- | Loan term: **36** months, no loan repayment is planned in the first **6** months
- | Loan interest: **0%** in the first year, **0%** in the second year, **12%** in the third year
- | Maximum loan amount: AMD **50** million

RESULTS

SUPPORTING AND PROVIDING FINANCING AND ADVISORY SERVICES TO SMEs

Submitted Applications

1726

Provided Loan

AMD **8.7** bln

Signed Contracts

786

RESPONSE

COVID-19 NEUTRALIZATION ECONOMIC MEASURES FOR SMES (19TH PROGRAM)
Implemented by Enterprise Armenia

STAGES

Training on Entrepreneurship for applicants

Business model development and presentation by applicants

Business model evaluation by the Evaluation Committee

Provision of loans for approved business models

TERMS AND CONDITIONS

Loan term: **60** months

Loan interest rates: **7%** for women, **9%** for men

The maximum loan amount: AMD **10** mln

RESULTS

20 trainings on digital skills

513 participants

45 trainings on Entrepreneurship

489 participants

280 business models developed

75 business models financed

659.4 mln AMD loans provided

INSTITUTIONAL FRAMEWORK FOR SUPPORT TO BUSINESSES

PROMOTION AGENCY

NATIONAL AUTHORITY FOR:

ATTRACTING & FACILITATING
FDI INFLOW TO ARMENIA

SUPPORTING DOMESTIC AND FOREIGN INVESTORS
THROUGHOUT THE WHOLE INVESTMENT LIFE CYCLE

PROVIDING AFTERCARE SERVICES
TO FOREIGN INVESTORS IN ARMENIA



ONE-STOP SHOP
For Investors

ARMENIA

CONCIERGING

| Informing

On investment laws and regulations, business opportunities, investment projects

| Identifying

The potential investment location

| Advising

Land acquisition, co-financing sources, potential resident partner

BRIDGING

| Linking

Ensure institutional cooperation with local and international organizations, business support organizations, financial institutions, B2G

| Matchmaking

Preparation of site visits, business forums, business missions, B2B

PROMOTING

| Image Building

Promoting Armenia as an attractive investment destination for doing business

| Marketing

Attract Foreign direct investment inflows into Armenia

| Outreaching

Conducting outreach campaigns, roadshows,

AFTERCARE

| Problem solving

Ensure immediate response to problems
Policy advocacy
Ensure preconditions for investment retention

| Raising Satisfaction

Ensure prompt reply in the post investment stage, satisfy investor's needs

SMES IN ARMENIA



Development and Investments Corporation of Armenia (DICA)
Universal Credit Organization

SUPPORT TO BUSINESS DEVELOPMENT

Leasing:

Agricultural machinery;
Agrofood sector equipment

Provision of loans with 0% interest rate for:

Agro-processing for purchase agricultural raw materials;
Establishing intensive fruit, berry gardens and grapes cultivated by modern technologies;
Implementation of anti-hail nets in agriculture;
Modern irrigation system development
Livestock development

ECO financing for SMEs under “Energy Efficiency for SMEs” program

Shareholders of the UCO:
Enterprise Armenia and
Ministry of Finance

EXPORT INSURANCE AGENCY

State-owned organization



OF ARMENIA

Insurance against the financial losses incurred as a result of non-payment for supplied goods by the Foreign Buyer or its Bank

- | Promotion of the Armenian export within the framework of the Export-Oriented Industrial Policy of the Republic of Armenia
- | Promote the export by offering the exporters insurance against the non-payment risk of their overseas buyers
- | Contribute to the creation of accessible and affordable financial resources for SMEs
- | Contribute to the development of the private market of commercial credit insurance

Functioning under the
Ministry of Economy

NATIONAL INTERESTS FUND (ANIF)



State sovereign fund
Co-financing in large-scale projects

Investment Areas

Transportation: Highways and Roads; Airports & Dry Ports; Urban/public transport

Telecommunication: Optic fiber, cable networks, Towers, Satellites

Energy: Clean and efficient generation, Transmission and Distribution Networks, Storage

Environment: Water treatment, Waste management and recycling, Protection of wild life

Social: Housing, Hospitals, Schools

Sectors of Economy

- | Heavy and light manufacturing
- | Aerospace and Defense
- | Automotive
- | Chemical industry
- | Engineering & construction
- | Mineral extraction
- | Agriculture and food
- | IT and Telecom
- | Pharmaceuticals
- | Real Estate



FDI LEGISLATION

OWNERSHIP

100% OWNERSHIP OF RESIDENT
LEGAL ENTITIES IS PERMITTED
TO FOREIGNERS

NO RESTRICTIONS

UNRESTRICTED ACCESS TO ALMOST
ANY SECTOR AND GEOGRAPHIC
LOCATION WITHIN THE COUNTRY

EQUAL TREATMENT

LEGAL REGIME NO LESS FAVORABLE THAN
THE ONE FOR NATIONALS, UNLESS A MORE
FAVORABLE REGIME IS PROVIDED BY A
RESPECTIVE TREATY

LAND OWNERSHIP

COMPANIES REGISTERED BY A FOREIGN
CITIZEN IN ARMENIA HAVE THE RIGHT TO
OWN LAND. FOREIGN CITIZENS CAN HAVE
LONG-TERM LEASE CONTRACTS

- **Free exchange**
of foreign currencies
- **No restrictions**
on staff recruitment
- **No restrictions**
on remittances
- **Unrestricted repatriation**
of profits

MARKET AND

TRADE

GATEWAY TO MAJOR MARKETS

Eurasian Economic Union
Market of **184,000,000**
Consumers

FTA EAEU

With Vietnam, Singapore,
Serbia and Iran (Interim FTA)

FTA Armenia

With CIS and
Georgia

GSP Regime

With USA, Japan, Canada,
Switzerland, Norway
(3500 products)

Local

Market of
3,000,000
Consumers

COUNTRY RATING



AMONG 69 COUNTRIES

OECD FDI REGULATORY
RESTRICTIVENESS
INDEX 2019

10



AMONG 177 COUNTRIES

ECONOMIC FREEDOM
INDEX 2022

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FitchRatings

B+

MOODY'S

Ba3

S&P Global
Ratings

B+



5a, Mher Mkrtchyan St.
0010 Yerevan, Armenia

onewindow@isc.am
enterprisearmenia.am