

REGIONAL POST

WINTER / 2025

C A U C A S U S

06

VAHE HOVHANNISYAN
The RA Finance Minister's
Wish List for 2025

12

MARTIN GALSTYAN
The Financial
System in Armenia
Today and Beyond

26

DANIEL AZATYAN
Three Decades
with the Union of
Banks of Armenia

40

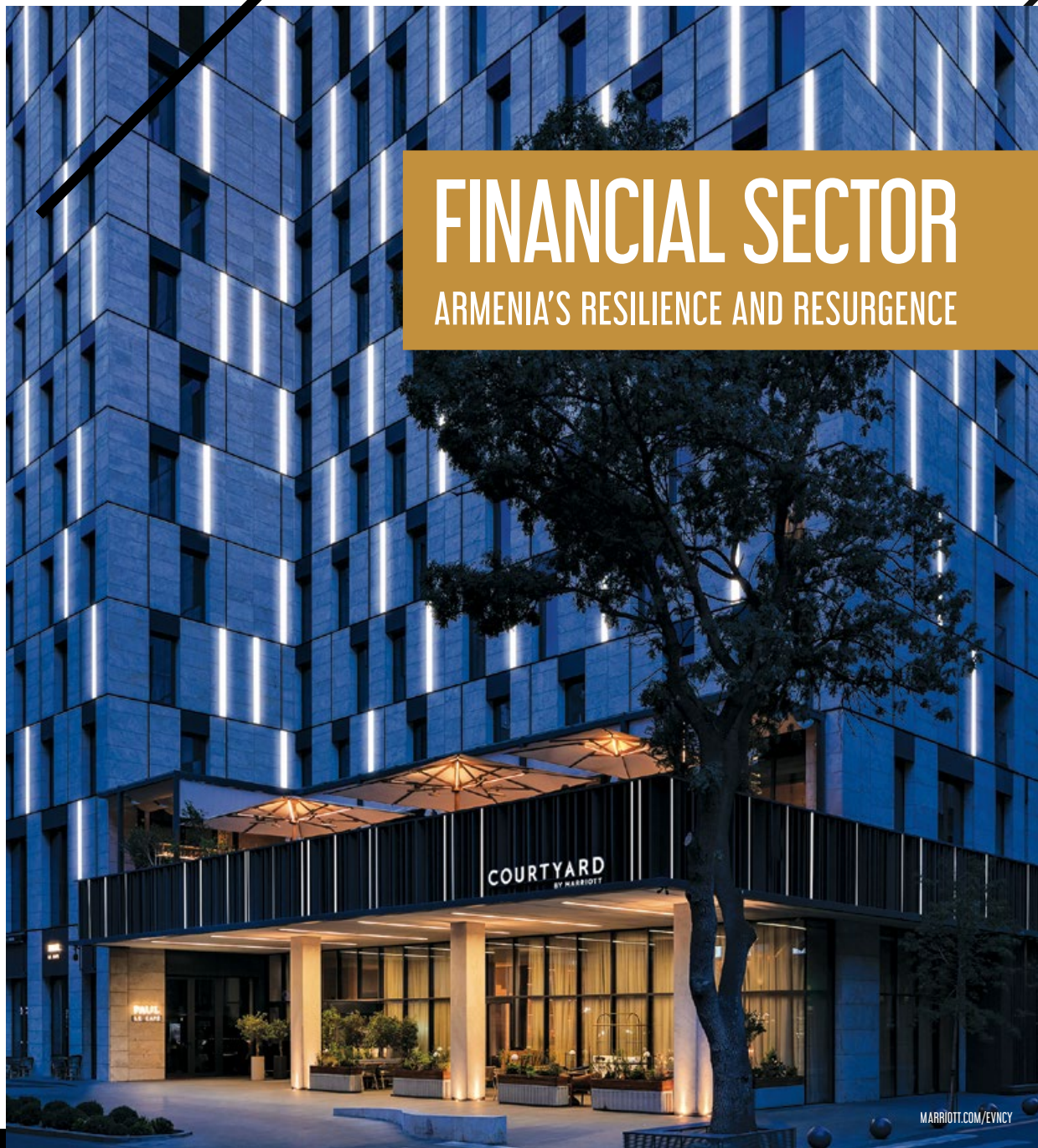
IRINA GEVORGYAN
The Path to Corporate
Market Development
in Armenia:
Opportunities and
Challenges

52

REVOLUTIONIZING
CAPITAL MARKETS:
AMX'S TECH-DRIVEN
INNOVATIONS

FINANCIAL SECTOR

ARMENIA'S RESILIENCE AND RESURGENCE



B2B SERVICES

FROM THE EDITORIAL TEAM OF REGIONAL POST MEDIA

- CORPORATE PUBLICATIONS: JOURNALS, BROCHURES & BUSINESS MAGAZINES
- STRATEGIC ANNUAL REPORTS & CORPORATE PRESENTATIONS
- MULTILINGUAL CONTENT CREATION (ENGLISH, RUSSIAN, FRENCH, ARMENIAN)
- ARTICLES FOR PUBLISHING VIA DIFFERENT MEDIA OUTLETS
- MEDIA DESIGN & LAYOUT SERVICES
- BUSINESS BRAND STORIES & MARKETING CONTENT
- PROFESSIONAL ALBUMS & PRODUCT CATALOGS
- BOOK PUBLISHING & DESIGN
- INSTITUTIONAL AND CORPORATE SOCIAL MEDIA MARKETING

CONTACT INFORMATION:

contact@regionalpost.org

+374 55387887



DIRECTOR'S NOTE



Here's a question to set the context for the rest of this magazine—"What's the easiest way to make a small fortune on the stock market?" I'll give you the answer in a few paragraphs, but it's a good way to get you thinking about a key theme from the latest issue of the Regional Post.

Over the past few years, Armenia has been going through a period of tension and complexity stemming from local, regional, and global geopolitical factors. Paradoxically, this has not seemed to negatively impact the economy. Indeed, the country has seen several years of sustained economic growth and improving indicators. This has been greatly visible in the financial services sector, particularly when it comes to the performance of Armenia's banks.

At the same time, Armenia's external debt is growing and the Government is making changes to the tax policy, with many entities in the country expected to soon pay more in taxes than before. The cost of living in Armenia has considerably increased in recent years and the Armenian Dram has appreciated against most foreign currencies, causing various kinds of pressures on the country's export sector.

It is in this context that our team at Regional Post decided to dive deeper into the picture and talk to some of the key players in the finance sector in Armenia. Through our conversations with the Minister of Finance and the Governor of the Central Bank of Armenia, we have strived

to present the vision of the public sector when it comes to managing Armenia's debt, improving the economy's competitiveness, encouraging investment, and creating a healthy environment for business. We have also included insights from several banks, investment market players, and other businesses in the country to complement this with the private sector's approach, current activities, and perspectives for development. There remains a vast field of untapped potential when it comes to institutional and retail investments in Armenia which holds great promise, once the initial challenges are overcome. So what does the future hold for Armenia's foreign and internal debt? What changes in fiscal policy can we expect from the Government? How can we expect the Armenian Dram to behave in 2025? What innovations and issues are on the radars of Armenia's leading banks? Or, to put all of this together, what is the outlook for fiscal policy and boosting investments in Armenia? Back to my initial question, which is actually part of an old joke about investing.

"What's the easiest way to make a small fortune on the stock market?"

"Start with a large fortune!"

The articles in this issue do not ignore the wisdom behind this joke—there cannot be any major rewards without risk. I believe that the articles we have put together will give you a clear idea of the challenges and opportunities that lie ahead for Armenia. Happy reading!

Executive Director
ARSHAK TOVMASYAN



Cover Photo: Courtyard by Marriott Yerevan

Executive Director
ARSHAK TOVMASYAN

Art Director
NONA ISAJANYAN

Guest Editor
NAZARETH SEFERIAN

Layout Designer
ARTAK SARGSYAN

Project Manager
MARGARIT MIRZOYAN

Contributors
NAZARETH SEFERIAN, MARGARIT MIRZOYAN,
ARSHAK TOVMASYAN, IRINA GEVORGYAN, ELINA MIRZOYAN,
DR. KONSTANTIN SAROYAN, ARMENUHI HOVAKIMYAN

Photos and illustrations
RA MINISTRY OF FINANCE, CENTRAL BANK OF ARMENIA,
AMX, UBA, IDBANK, KPMG ARMENIA, IMPACT HUB YEREVAN,
FEAS, MEDIAMAX, ARARATBANK, ARMBROK, APRICOT CAPITAL,
PMI, ABBE, WIKIPEDIA

Regional Post LLC
Address: Aghedzor 62/1
regionalpost.org
email: contact@regionalpost.org
phone: +374 55 387887

Printed in "TIGRAN METS" PUBLISHING HOUSE CJSC

© 2016-2025 Regional Post
Any use of the materials or extracts from the
magazine in any language is permitted exclusively
upon the written consent of Regional Post LLC

Գրանցման վկայական՝ N 03U962676
Գրանցման ամսաթիվ՝ 07.05.2014
Հասցե՝ ք. Երևան, Ալեկանի 62/1

CONTENT

EXCLUSIVE

- 06 THE MINISTER'S WISH LIST FOR 2025
EFFICIENCY, PRODUCTIVITY, AND AN
ATTRACTIVE INVESTMENT CLIMATE
An exclusive interview with
Armenia's Minister of Finance on
game-changing sector reforms and
strategic plans for 2025.



- 12 THE FINANCIAL SYSTEM IN ARMENIA
TODAY AND BEYOND:
VIEW FROM THE CENTRAL BANK
An exclusive interview with the
Governor of the Central Bank of
Armenia on the financial sector's
achievements and bold vision ahead.



- 18 REFORMS PLANNED IN THE FIELD OF
BUDGET FORMATION IN 2025
Regional Post asked Vahan Sirunyan,
the RA Deputy Minister of Finance,
to outline key budget reforms
of 2025.

- 20 BALANCING DEBT AND FUNDING GROWTH:
ARMENIA ENCOURAGES SAVING
THROUGH GOVERNMENT BONDS
Samvel Khanvelyan, the Head of the
Public Debt Management Depart-
ment at the RA Ministry of Finance,
explains the new strategy for
internal debt management.

FINANCIAL MARKETS AND INVESTMENT CLIMATE

- 26 INSIDE ARMENIA'S BANKING
TRANSFORMATION:
THREE DECADES WITH THE UNION OF
BANKS OF ARMENIA
The Chairman of UBA on banking
stability, digital transformation, and
Armenia's global footprint.



- 30 ARMENIA'S BANKING SECTOR
IN NUMBERS
Regional Post presents key statistics
and insights into Armenia's banking
sector as of September 2024
in partnership with the Union of
Banks of Armenia.

- 36 BANKING WITHOUT BARRIERS
The Chairman of IDBank discusses
the transformation from traditional
banking to seamless financial
services.



- 40 THE PATH TO CORPORATE MARKET
DEVELOPMENT IN ARMENIA:
OPPORTUNITIES AND CHALLENGES
Regional Post explores KPMG's in-
depth analysis of Armenia's evolving
capital markets, with Managing
Partner Irina Gevorgyan providing
an expert view of the sector's
dynamic transformation.



BYBLOS BANK

ARMENIA

DIASPORA

Housing Loan

Own Your Home
In Armenia



+374 60 61 61 00
byblosbankarmenia.am

THIS CONTENT IS AN ADVERTISEMENT. THE BANK IS SUPERVISED BY THE CBA.

42 THE DIGITAL FUTURE OF ARMENIAN BANKING

Regional Post spoke with the CEO of Byblos Bank Hayk Stepanyan about personalized banking experience and digital transformation.



46 A FOCUS ON TECHNOLOGIES AND TALENT: KPMG'S BANKING CEO OUTLOOK 2024

Regional Post spoke with Zaruhi Furunjan, Director and Head of Consulting at KPMG Armenia and Georgia, on key findings of the Banking CEO Outlook report for 2024.

48 A BRIGHT FUTURE FOR SUSTAINABLE INVESTMENT:

INSIGHTS FROM ARARATBANK

Sevak Manukyan, Head of Investment Banking at AraratBank, speaks on changing investment behavior and market opportunities in Armenia.

52 REVOLUTIONIZING CAPITAL MARKETS: AMX'S TECH-DRIVEN INNOVATIONS

A deep dive into how Armenia Securities Exchange is transforming capital markets through technological solutions.



56 "MARKETS LIKE SCALE!":

ARMBROK'S VISION FOR ARMENIA

RP talked to Armbrok's CEO Aram Kaufajyan and Head of Marketing Lilit Harutyunyan about their 30-year journey and investment outlook.



58 MAKING INVESTMENT MORE ACCESSIBLE, BUILDING A RESPONSIBLE INVESTMENT CULTURE

Regional Post spoke with Vachik Gevorgyan, Executive Director of Apricot Capital, about democratizing investments and promoting social responsibility.



60 APRICOT ACADEMY: CULTIVATING RESPONSIBLE INVESTMENT CULTURE IN ARMENIA

How Apricot Capital is Revolutionizing Financial Literacy Through Its Groundbreaking Online Platform

62 EAGERNESS TO INNOVATE, DYNAMIC ENVIRONMENT:

A RECIPE TO ATTRACT INVESTMENT

RP sat down with Gurgen Mardoyan, Head of PMI Science R&D Center, to explore the country's potential to scale up success in science and engineering and unpack the challenges facing the innovative sector.

66 FOSTERING GROWTH IN FRONTIER AND EMERGING MARKETS:

A COLLABORATIVE PATH FORWARD

Regional Post explores the collaborative approach of Dr. Konstantin Saroyan, Secretary General of FEAS, and Armenuhy Hovakimyan, Deputy Secretary General of FEAS to developing finance in emerging markets.

70 FINANCE FOR EVERYONE

We discussed Armenia's journey towards financial literacy with the Consumer Empowerment Center team to discuss Armenia's journey towards financial literacy through the ABC Finance platform.

74 IMPACT INVESTING:

SUPPORTING SOCIAL ENTREPRENEURS IN ARMENIA

Impact Hub Yerevan's VIA Fund explores the emerging landscape of impact investing, bridging social entrepreneurship with strategic financial support in Armenia.



78 INSIDE THE ABBC:

MISSION, BENEFITS, AND FUTURE GROWTH

Irina Chobanyan, Executive Director of the Armenian British Business Chamber (ABBC), outlines the organization's current trajectory and future outlook.

80 ARTEFACT

Six ministers of finance in two years—Armenia's First Republic (1918 to 1920).

**THE BEST WINES
OF NAPA VALLEY**

CULTWINES

AND MORE

CALIFORNIA

Gh. Parpetsi 20 str.
cultwines.am

THE MINISTER'S WISH LIST FOR 2025— EFFICIENCY, PRODUCTIVITY, AND AN ATTRACTIVE INVESTMENT CLIMATE

After a year marked by significant procedural reforms, 2025 promises to bring pivotal changes in Armenia's tax code and other important legislation. We sat down with Vahe Hovhannisyan, the Minister of Finance of the Republic of Armenia to explore what these changes mean for the Armenian citizens and the country's economic future in general.

INTERVIEW : NAZARETH SEFERIAN / PHOTO : RA MINISTRY OF FINANCE

Mr. Hovhannisyan, let's start with a look back on 2024. What do you consider to be the most significant achievements of your ministry over the past year?

— Our biggest achievement comes as part of our mid-term cost reduction program—we have managed to eliminate 150 billion AMD in costs for 2025. This is a key exercise that we are undertaking against inefficient allocations. You can imagine the amount of analysis involved and the negotiations with the relevant state body around each budget cut! We also advanced in strengthening our ministry's institutional framework, though such changes are usually not very visible to the general public, especially given that the Ministry of Finance does not provide direct services to everyday citizens. So, all developments that we implement enhance the general efficiency of the government. We've made some progress on this front and, since this is a very challenging task, any small progress can be considered a big success.

WE ARE ALSO CHANGING OUR APPROACH TO THE STATE BUDGET—IT IS NO LONGER GOING TO BE A ONE-YEAR DOCUMENT, BUT RATHER A THREE-YEAR BUDGET. WE WILL APPROVE IT FOR THE FIRST YEAR ALONG WITH AN INDICATIVE BUDGET FOR THE NEXT TWO YEARS

Could you walk us through the key financial reforms your ministry is currently implementing?

— First, I would highlight our governance reforms in public finance. Here again, our main beneficiaries are among state bodies, without directly involving the general public. The first thing to mention here is a new law on public procurement. The key objective is to make government costs more efficient and clarify

the tender process for participants. We are also working to make it more inclusive since we know that many suppliers are reluctant to participate due to bureaucracy and inflexibility on the part of the State. Having more diversity in our supplier pool is to the benefit of the State. So, we are going to decentralize public procurement to a certain extent and make it more flexible. In addition to a greater degree of decision-making power at the local level, we will increase accountability, so that we can cover any corruption risks that may be hidden there.

Our next reform package focuses on budget processes. Once again, the general public will benefit indirectly. We're introducing capital carry-over capability. Until now, our budget system was strictly calendar-year based—when a year ends, the budget closes and becomes unavailable. With each new year, we start with a new budget. This created major issues. For instance, when capital costs planned for the current year





weren't completed in time, there was no allocation for them in the following year's budget. Making these payments in the new year required extensive paperwork and reallocation, causing difficulties at multiple levels. We're now making it possible to use the current year's resources to cover costs in the following year, which streamlines these processes and brings them closer to reality.

We are also changing our approach to the state budget—it is no longer going to be a one-year document, but rather a three-year budget. We will approve it for the first year along with an indicative budget for the next two years. This is important because it connects the budget to our mid-term mindset and approach. We used to have a mid-term cost reduction program approved at the end of June each year, which was out of sync with the budget approval. So, we will now be able to show costs in the budget that are planned over several years. The budget must be a real, practical document, not something that is cut off from reality.

Finally, we've significantly enhanced our analytical and research capabilities, an area where we have invested considerable effort. While the public

WE HAVE TAKEN A BIG STEP IN TERMS OF DIGITALIZATION FOR PUBLIC FINANCE MANAGEMENT. WE ARE INTRODUCING AN ENTERPRISE RESOURCE PLANNING (ERP) PLATFORM CALLED GOVERNMENT FINANCIAL MANAGEMENT INFORMATION SYSTEM OR GFMIS

will see these results indirectly, we can now analyze and consult on reforms proposed by other government departments. In a way, we have become the government's think tank and can help improve the quality of decision-making at this level.

In addition to all this, we are also working on our external communication, meeting the public's need for accessible information.

There is an increased presence of international businesses and relocated companies in Armenia. How is this affecting our investment climate, and what opportunities and challenges does it present?

— There has been quite considerable capital inflow over the past year. Some of this is related to the situation in Ukraine, but we consider it our key task to continuously improve our investment climate and attract new investors to Armenia. We understand that this inflow, which started in 2022-23, must be maintained, otherwise, we will not be able to keep up the same rate of development. This investment has also helped us enhance our productivity as a whole. After all, these foreign investments do not just consist of money, they come in the form of people with knowledge and experience.

What is Armenia's current strategy regarding foreign debt management, and how is the Ministry trying to balance foreign aid with domestic resources?

— Over the past years, we have put a lot of effort into increasing the share of our internal debt. Even though final indicators are not yet clear for this year, we already know that we've reached a ratio of approximately 48 to 52 percent between internal and foreign debt. Just to put this in context, it is worth noting that the share of internal debt stood at only 25% of



our total debt in 2018-19. This means we are now better protected against currency exchange risks and, on the other hand, we are developing our capital markets and increasing liquidity in the market. But this raises the cost of capital—we see that bonds in Armenian Drams have higher percentages of return compared to those in US Dollars. However, if we hedged that US Dollar debt and added the cost of hedging to it, we would see that our debt in US Dollars would be much more expensive. Based on our need for foreign currency, we will pull this back a little next year and boost returns on US Dollar bonds by a few percentage points. But the general idea will be to maintain this tendency. However, everything depends on the structure of our economy. If we don't have an export economy, we cannot substantially increase the share of our debt in Armenian Drams, we will always be dependent on foreign

currency debt. So far, we have managed to increase the debt in Armenian Drams because we have had considerable inflows of foreign currency. By the way, we are seeing non-resident companies show a growing interest in buying Armenian Dram bonds. We want to increase this in the future.

We are seeing significant global trends in financial digitalization. How is Armenia positioning itself in this regard?

— We have taken a big step in terms of digitalization for public finance management. We are introducing an enterprise resource planning (ERP) platform called Government Financial Management Information System or GFMIS. It is basically an information system similar to what large corporations have, where they bring together accounting, HR, and treasury, i.e. everything linked to finances. This is something that the Government of

Armenia has considered since 2008, and we are finally ready to announce the pre-qualification tender. We expect to start introducing the GFMIS in 2025 and this will greatly improve the efficiency of the government.

Could you outline your vision for Armenia's financial sector development over the next five years?

— While we will continue to develop infrastructure, our focus will also shift to increasing the efficiency of the government, competitiveness, and the investment climate in Armenia. We will have a law on foreign direct investment next year and make some changes in corporate law, which will allow us to develop capital markets. All of this will make the country more competitive and conducive to investments. There's significant untapped potential here, and we're working hard to realize it. For instance, we're

making substantial investments in education, targeting both infrastructure and content. The World Bank's recent Armenia Public Finance Review acknowledged our progress in this area. We recognize that attracting investment requires both a skilled workforce and a commitment to democratic principles.

Armenia is introducing a universal mandatory declaration for individuals from 2025. What are the main objectives of this reform, and how is it beneficial for the country?

— The first thing I would like to say is that there is a global philosophy behind this reform—it will allow citizens to feel like real participants in these processes, not just bystanders. On a more practical level, we have introduced a social credit system, where you can get tax rebates on some of the costs that you bear. When this system is fully established, it will be

a fertile space for innovation. We are still cautious for now, so we have only introduced limited credits for healthcare (up to 50,000 AMD), and education (up to 100,000 AMD). But we expect a lot more in the future. We are still learning and understanding the expense patterns that exist in our population.

We need to communicate this better so that people understand the benefits of this system. This was an important reform that Armenia has aimed to launch for many years, and we have now decided to take the leap.

The upcoming changes to the tax code have been the subject of lots of discussion in the public. Could you comment on their implications for businesses and individuals in Armenia?

— Let's start with a principle everyone in Armenia agrees on—we don't want to have a shadow economy. Whenever someone does not pay taxes,

it creates a sense of injustice among the rest of the population. A portion of the shadow economy existing in Armenia today comes from the revenue tax system, which has very limited requirements in terms of documentation. To tackle this, we have increased the revenue tax level on the one hand but, on the other hand, if the right documents are in place, the actual tax due to be paid can even be lower. At the same time, we plan to remove some categories of professional service from the revenue tax system. High-earning professionals like lawyers and accountants aren't the targeted beneficiaries of this system as it was originally intended to function. People will need time to adapt to this new system. Tax evasion happens when citizens do not see justice. We're working to restore justice while improving government efficiency to ensure collected taxes are well utilized. However, if someone says that





these higher taxes will make them less competitive, this means that they need to think about their productivity. Businesses and individuals must keep investing in their education and productivity so that they remain competitive. Moreover, we must be competitive both within Armenia and outside. After all, our goal is an export-driven economy targeting developed markets like Europe and the United States. If we can't compete while paying 5% in tax, compared to European rates of 30%, then we need to seriously address our productivity levels.

Another key issue on citizens' minds is the pension system and its stability. What steps is your ministry taking to ensure long-term sustainability?

— Sustainability of pension systems is a worldwide issue, which is mainly a result of demographic trends. At the end of the day, the long-term solution is to save more for retirement. Research shows that this happens only when you have the right government incentives. This year marked the tenth anniversary of our signature pension reform, which changed the pay-as-you-go system to a multi-pillar defined contribution system based on

THIS YEAR MARKED THE TENTH ANNIVERSARY OF OUR SIGNATURE PENSION REFORM, WHICH CHANGED THE PAY-AS-YOU-GO SYSTEM TO A MULTI-PILLAR DEFINED CONTRIBUTION SYSTEM BASED ON INDIVIDUALIZED PENSION ACCOUNTS

individualized pension accounts. In the new system, our employed population saves ten percent of their pre-tax salary, half of which is financed by the government. Government contributions are capped at 25,000 Armenian Drams per month, which makes sure that the government contributes less to higher salary works accounts. Government contributions constitute a short-term cost, that is actually an investment. In the long term, the government does not have to pay large pension bills, as people save on their own. The pension funds also contribute significantly to capital markets de-

velopment. The size of the funds is increasing at a rapid pace and has reached around 2.5 billion USD. Our law stipulates that they have to invest a minimum of 60 percent of their assets in Armenia, which creates a virtuous cycle for companies and projects which are transparent and want to tap the capital markets and pension funds.

What key message would you like to send to potential international investors about Armenia's investment climate?

— When Armenia is mentioned in international bodies, the most important feature is our phenomenal ability to resist shocks. This resilience is crucial for investors, who find in Armenia a predictable, stable environment committed to continuous reform and improvement—particularly noteworthy given our region's turbulence. The establishment of peace will unlock even greater potential. Finally, Armenia, with its democratic values, has managed to set itself apart from the rest of the region. We have many support programs in Armenia for investors that I sincerely believe are quite generous. So, this is the right time to invest in Armenia. ♦



THE FINANCIAL SYSTEM IN ARMENIA TODAY AND BEYOND:

View from the Central Bank

We spoke to Martin Galst'yan, Governor of the Central Bank of Armenia, to see how the year had shaped up for the banking and financial system of the country, and what lies ahead in 2025 and the years to come.

INTERVIEW : ARSHAK TOVMASYAN / PHOTO : CENTRAL BANK OF ARMENIA

As 2025 approaches, how would you assess the overall health and stability of Armenia's financial system?

— While 2025 is likely to be characterized by the persistence of geopolitical and regional uncertainty, Armenia's financial system remains well-positioned to navigate these potential challenges. The predominantly bank-driven system is equipped with solid capital and liquidity buffers, ensuring its capacity to withstand potential risks that could materialize. Moreover, the CBA continues a proactive approach that not only fortifies the financial sector against unforeseen disruptions but also promotes sustained health and confidence within the economy, even in an uncertain global landscape.

Could you outline the Central Bank's main strategic priorities for the next 5 to 10 years and the key challenges you anticipate?

— There are several ambitious challenges ahead of us. The first is the Digital reformation of financial regulation and supervision. New models and approaches are being implemented to enhance data analysis capabilities, monitoring, changes in the regulatory field, and compliance with existing laws and regulations through automated systems. These new technologies will reduce the workload associated with gathering data from reporting systems and financial institutions, thus decreasing the responsibilities and compliance costs of supervisors. The second focus is on a digital national identifi-

cation system. The implementation of a nationwide electronic identification (eID) infrastructure will enable the secure and efficient identification of individuals within the financial system, significantly streamlining many processes in the banking system and beyond. Citizens will be the owners of their data, accounts, and transactions. This system will make personal finance management accessible and convenient, enhancing use cases and opportunities for mobile banking. Finally, we consider introducing an "open banking" or "open finances" system a major priority. We expect to have software systems with an advanced, flexible and modular system implemented in financial organizations, which are designed to provide an ecosystem of interoperable

financial services through the use of open source Application Programming Interfaces (APIs).

What role does Armenia's financial sector play in supporting the country's broader economic development goals and regional economic stability?

— A robust and stable financial system is an important precondition for long-term, sustainable economic growth and continued improvements in the welfare of our country. In this context, Armenia's financial system has undergone significant evolution and development over the past decade, increasing considerably in size and deepening financial intermediation. Banking system assets are almost equal to the national GDP, while the financial intermediation level stands at above 50%, which is a level comparable to that of many high-income countries.

Since 2022, Armenia has seen significant inflows of businesses and professionals relocating from Russia, particularly in the tech sector. How has this affected Armenia's financial system, and what steps is the Central Bank taking to ensure banking infrastructure can support this rapid growth while maintaining stability?

— The significant influx of human capital was an important driver of the high economic growth we have witnessed since 2022, with positive impacts on the banking sector in terms of increasing the customer base and profitability. The banking system infrastructure was well positioned to support additional demand for transactions stemming from these inflows of people and capital. At the same time, however, it is important to note that the banking system reacted to these developments in a prudent, rather than short-sighted, manner, topping up liquidity buffers and refraining from engaging in risky and irresponsible lending practices.

Recent years have highlighted the importance of financial and digital literacy. What initiatives is

the Central Bank undertaking to improve financial education and awareness among Armenia's population, and what results have you seen so far?

— The Central Bank of Armenia recognizes that economic and financial literacy is a critical foundation for improving the financial well-being of the population. Since 2014, we have spearheaded a comprehensive National Strategy for Financial Education, implemented through an interagency steering committee that includes

DIGITAL LITERACY IS A CRITICAL COMPLEMENT TO FINANCIAL LITERACY IN BUILDING A WELL-INFORMED AND FINANCIALLY CAPABLE POPULATION, WHICH IS WHY WE HAVE INTEGRATED DIGITAL TOOLS INTO THESE FINANCIAL LITERACY PROGRAMS

ministries, financial institutions, and educational organizations. This strategy has evolved over the years, with the current Financial Education Program for 2021–2025 targeting diverse groups, including schoolchildren, students, employees, rural communities, women, families, and the general public.

A key focus of our efforts has been integrating financial literacy into the school curriculum. Armenia has adopted an “inter-curricula” approach, embedding financial education into four subjects: “Me and the World around Me,” “Mathematics,” “Algebra,” and “Social Studies.” By 2021, over 9,500 teachers had been trained, and more than 425,000 students annually were learning financial literacy. Updated textbooks for primary and secondary grades are being developed, along with supplementary

materials such as problem books and guides, all available on our educational platform, abcfinance.am.

The CBA places a strong emphasis on evidence-based, research-driven initiatives to improve financial literacy and inclusion. A prime example is the Financial Education in Rural Areas Project, launched in 2016, which held two-day educational sessions on budget planning, credit management, and consumer protection in 100 villages. While participants initially showed improvements in financial literacy and trust in the financial system, follow-up research revealed the need for sustained and tailored interventions to ensure long-term behavioral change. This insight led to targeted strategies, including the Dram 30-30 Project, which aimed to increase the financial well-being of border village residents by creating conditions for convenient financial activities. The project was implemented among 120 residents in 4 border villages and evaluated the effectiveness of “Handholding,” a method where participants were provided with a bank card and mobile banking services, accompanied by six months of individual guidance and training. This approach helped villagers make lasting changes in their financial behavior.

Digital literacy is a critical complement to financial literacy in building a well-informed and financially capable population, which is why we have integrated digital tools into these financial literacy programs. The abcfinance.am platform offers interactive features such as calculators, games, and a wide range of educational materials to engage users and enhance their understanding of financial concepts. The fininfo.am platform allows users to compare and choose financial products, empowering them to make informed decisions. Additionally, podcasts and radio programs like “Dramapanak” on Public Radio of Armenia make financial awareness accessible and engaging.



Armenia has been working to deepen its capital markets. What specific steps is the Central Bank taking to develop the local securities market and attract more investors?

— Capital market development is currently a strategic focus area for the Central Bank of Armenia. The Armenian financial system is bank-centered. However, banks alone are not capable of effectively solving the issue of financing the economy—the non-banking sector needs to expand to fill that gap and create healthy competition in financial markets, for which we need reforms. Among the key reforms we have implemented, I want to stress the measures towards expanding the investor base. In order to also promote the inclusion of retail investors in Armenian capital markets, the CBA has taken such measures as encouraging a culture of investment through

various educational initiatives. Though local investors are essential, they alone are not sufficient for the domestic capital market to develop in a sustainable way. An advanced trading and settlement infrastructure, links with the global securities depositories, diversified quality instruments, and hedging opportunities are important for easy and effective access of foreign investors to the domestic market. We have established links with global depositories, which significantly facilitate and reduce the cost for foreign investors to invest in Armenian financial instruments, as well as for our participants to enter into securities transactions in foreign markets. Setting a path for integration into global markets is another measure taken by CBA. Increased competition and advances in IT worldwide highlight the importance

of integrated capital markets. With this in mind, in 2022 we began our cooperation with the Warsaw Stock Exchange (WSE).

I would like to also add that the limited number of investment opportunities and quality instruments have always been a primary barrier to deepening the local capital market and attracting new investors. Therefore, we continuously take actions aimed at reducing the costs for large and reputable companies and promoting their entry into the capital market.

Reforms towards enhancing the hedging instruments are also paramount reform actions at the current stage. For this purpose, we are currently working on the standardization of derivatives transaction agreements. We have also taken measures to increase public awareness and interest in derivatives instruments. ➤



What reforms or initiatives is the Central Bank prioritizing to improve Armenia's investment climate and make the banking sector more attractive to foreign direct investment?

— The Central Bank of Armenia is actively implementing reforms and initiatives to enhance the country's investment climate and increase the attractiveness of the banking sector to foreign direct investment (FDI). Among these measures is the development of a robust regulatory framework aligned with international best practices. This framework promotes financial stability, transparency, and trust within the financial system, laying the foundation for sustained economic growth.

One of the key components is the introduction of capital buffers for banks, which play a key role in strengthening the resilience of the sector. These are

additional layers of capital beyond the regulatory minimum, which ensure that financial institutions are better equipped to absorb losses during periods of economic stress, protect depositors, and minimize the likelihood of systemic risks.

In addition to capital buffers, the Central Bank has implemented the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR), essential components of the Basel III framework. The LCR ensures short-term liquidity by requiring banks to hold sufficient high-quality liquid assets to withstand a 30-day stress scenario. Meanwhile, the NSFR promotes long-term stability by mandating a stable funding structure to support longer-term assets and mitigate funding shocks. Together, these measures significantly reduce liquidity and funding risks, enhancing the stability and predictability

of the banking sector. This level of resilience is especially attractive to foreign investors, who seek secure and well-regulated financial markets when allocating capital.

To further strengthen the sector, the Central Bank has mandated the adoption of advanced risk management practices, such as stress-testing and comprehensive risk evaluation. These initiatives are designed to proactively identify and mitigate vulnerabilities, reinforcing the sector's stability and reliability.

The Armenian Dram has shown remarkable strength in recent years. What are the main factors behind this stability, and will this be sustainable in the future?

— Following the onset of the Russia-Ukraine conflict in March 2022, Armenia faced significant challenges and also opportunities stemming from

many of the conflict's externalities. This period brought a substantial external demand shock, marked by increased tourism, higher demand for Armenian goods and services, and a large inflow of capital, labor, and financial resources. These factors collectively led to more than 20% appreciation of the Armenian Dram since 2022. Despite recent cooling in capital and financial inflows and somewhat reduced external demand from Russia, the Dram has remained strong. This resilience is attributed to sustained external trade, strong capital inflows, and gradually decreasing inflation and depreciation expectations among economic agents.

Looking ahead, the trends in the exchange rate would depend on whether Armenia has expanded its production and export capacities by effectively channeling capital and labor into high-productivity sectors, such as IT, which will sustain currency inflows and maintain the dram's strength over time. The other potential outcome depends on whether the appreciation simply reflected a natural response to external demand shock, and could be potentially reversible when external demand normalizes.

There is an increased interest in Environmental, Social, and Governance (ESG) topics in Armenia's finance sector. What objectives does the Central Bank have in this domain, and how have the commercial banks been responding?

— The objectives of the CBA in ESG-related topics are well established in the National Sustainable Finance Roadmap, developed and approved by the CBA Board in 2023, the purpose of which is to increase awareness and transparency among financial institutions regarding the need to mitigate and manage ESG risks. The roadmap is built upon four pillars, each with specific objective and concrete initiatives, altogether comprising of thirteen actions/initiatives. Those pillars are - mobilizing

sustainable finance and funding, enhancing markets, embedding sustainable finance, and building awareness. The CBA established an interbank working group on sustainable finance in spring of this year to communicate its work in progress on climate and ESG-related topics. A climate and ESG risk management tool, Risk Radar, has been introduced to the banks to be published on the CBA website by the end of the year. Social considerations for the financial sector, covering initiatives in diversity,

THE CENTRAL BANK OF ARMENIA IS ACTIVELY IMPLEMENTING REFORMS AND INITIATIVES TO ENHANCE THE COUNTRY'S INVESTMENT CLIMATE AND INCREASE THE ATTRACTIVENESS OF THE BANKING SECTOR TO FOREIGN DIRECT INVESTMENT (FDI)

inclusion and social investments have been developed, to be published by the year-end as well. Finally, ESG data tracking and internal reporting procedure has been put in place, which will be finalized in 2025.

The cost of living in Armenia has increased dramatically over the past two years, but the average income of residents has yet to catch up. Does the Central Bank see a risk of increased borrowing by citizens that does not match their ability to pay back? Has lowering the interest rate been an effective tool?

— The cost of living has risen significantly in many countries worldwide; however, in Armenia, this increase has been accompanied by substantial real income growth, which has partially offset the impact on public welfare. Additionally, I think the CBA's efforts to combat inflation have been

quite successful and balanced, swiftly bringing general price levels back on track.

The rise of inflation in Armenia since the onset of the pandemic was primarily driven by global factors, similar to trends observed in other parts of the world. Globally, inflation surged from 2021 onward, and in some countries, the problem of high inflation still remains unresolved. The Central Bank of Armenia has been prudent in effectively managing inflation through proactive and aggressive monetary policy actions, while allowing the flexible exchange rate regime to absorb external shocks. As a result, the high inflation observed in 2021 and 2022 has been followed by low inflation since 2023 due to restrictive monetary policy, the effects of the appreciated Dram, and deflationary pressures from the external world. Comparing our experience with that of peer nations or even many advanced economies, one could certainly argue that Armenia has managed this inflationary period better than many other countries facing similar shocks. Over the past three years, inflation in Armenia has averaged 4.3%, only slightly above the target, and has remained well below the target since 2023, standing at 0.6% as of October 2024.

Armenia has also seen substantial income growth across the economy, with real GDP growing by around 10 percentage points, on average, since 2022. Although GDP growth and income gains have been somewhat concentrated and uneven across the economy, income growth has generally outpaced inflation, resulting in improved real wellbeing. Rising incomes have also led to an accumulation of savings and a reduction of households' debt burdens, which has strengthened the resilience of economic agents' balance sheets. As a result, increased demand for loans and strong credit growth has not significantly impacted households' ability to repay their debt. ♦

REFORMS PLANNED IN THE FIELD OF BUDGET FORMATION IN 2025

Deputy Minister of Finance Vahan Sirunyan Explains

Deputy Minister of Finance Vahan Sirunyan details Armenia's comprehensive budget reforms for 2025, introducing multi-year budgeting mechanisms, enhanced transparency, and expanded participatory budgeting approaches.



INTEGRATION OF MULTI-YEAR BUDGETING ELEMENTS IN THE BUDGETARY PROCESS

Integration of a mechanism for transferring capital expenditures to subsequent budgetary years

The draft Law on the State Budget of the Republic of Armenia for 2025 permits the government to finance contractual obligations for capital expenditures undertaken in 2024 but not executed by December 31, 2024, using the actual opening balance of free funds from the 2025 state budget. These provisions will not apply to capital expenditures in the defense sector. The selection and financing of capital expenditures under this mechanism will be regulated by the government.

Inclusion of Information on Multi-Year Obligations in Budget Documents

The government's explanatory message accompanying the draft Law on the 2025 State Budget includes an annex detailing measures with defined completion dates. This annex provides information on the content, start and end dates, total and remaining costs, and planned 2025 expenses for these measures. This transparency enables the assessment of ongoing and new measures throughout their lifecycle, considering their fiscal impact in subsequent years.

Presentation of Updated Mid-Term Macroeconomic and Fiscal Frameworks in Budget Documents

The draft Law on the 2025 State Budget (the Government's address) revises the macroeconomic and fiscal frameworks defined in the 2025–2027 Medium-Term Expenditure Framework (MTEF). Previously, revisions were limited to the fiscal framework for the upcoming budget year. This innovation allows the 2025 state budget to be analyzed in the context of mid-term developments and fiscal capacities.

OTHER SIGNIFICANT CHANGES IN THE BUDGETARY PROCESS

Adjustment and Inclusion of Rent Payments for Assets Owned and Managed by State Government Bodies in Budget Documents

The government's explanatory message accompanying the draft Law on the 2025 State Budget includes an annex presenting adjusted rental

payment estimates for public assets managed by state bodies. This step enhances transparency in the management of public assets and lays the groundwork for improving efficiency and evaluating the real cost of services provided by state bodies.

Setting Budget Expenditure Priorities and Developing Alternative Spending Scenarios

Starting with the 2025 budgetary process, within the framework of budget applications, state bodies will present their expenditure program priorities in line with criteria developed by the Ministry of Finance. They will also develop expenditure policy scenarios involving 5% and 10% reductions in total expenditures. This approach allows for the assessment and prioritization of expenditures based on unified criteria and the development of alternative scenarios to address potential economic and fiscal risks.

Simplification of Budget Document Formats

The draft Law on the 2025 State Budget and accompanying explanatory message simplify the presentation of information on budget programs and performance indicators. These formats will now be visually more accessible and user-friendly for end-users.

Introduction of Budget Program Evaluation Processes

To enhance the effectiveness and utility of budget programs, the Ministry of Finance will continue institutionalizing the regular evaluation of budget programs in 2025. This includes finalizing institutional mechanisms, establishing a methodological framework, and developing necessary human resources. Program evaluations will gradually commence.

Implementation of Participatory Budgeting Processes

The process of providing subventions to communities from the state budget based on participatory budgeting principles will continue in 2025. Existing regulations will be revised and improved to make the process more participatory and transparent, with new communities being engaged. The 2025 state budget draft allocates 1.0 billion AMD for this purpose, compared to 500.0 million AMD in 2024. ♦

BALANCING DEBT AND FUNDING GROWTH:

Armenia Encourages Saving through Government Bonds

As part of its strategy to manage debt, the Government of Armenia has decided to increase the share of internal debt in the overall figure. We spoke with Samvel Khanvelyan, Head of the Public Debt Management Department at the Ministry of Finance of the Republic of Armenia, to gain further insights into this approach.

TEXT : NAZARETH SEFERIAN / PHOTO : RA MINISTRY OF FINANCE, AMX



Just five years ago, around 80% of Armenia's state debt portfolio was held in foreign currencies. Recognizing the risk that this presented, the Ministry of Finance embarked on a strategy to find better balance, while developing domestic markets at the same time. In purely technical terms, the Ministry categorizes debt as "foreign" or "internal" depending on the residency of the creditor, and while foreign debt consists mostly of foreign currency debt and internal is in Armenian Drams, they do not coincide completely.

Today, internal debt constitutes nearly 50% of the state debt portfolio. The main instrument the state has at its disposal on this front consists of government bonds. "Around 60% of our bonds in Armenian Drams are owned by the banking sector, while around 30% are held by other financial institutions like pension funds, investment companies, asset management companies, and so on. Another 7.5% or so are held by qualified institutional buyers that are non-residents," says Samvel Khanvelyan, "This diversity is important. Around five years ago, we depended mainly on the banking sector—they held 80% of our bonds. We are happy to see others enter the market."

Government savings bonds are still not a very popular choice when it comes to the general public. Today, the total amount held by individuals in Armenia as savings bonds comes to around 6.4 billion AMD, just a modest increase from the 5.7 billion AMD in 2021. Individual savings bonds form just a small percentage of the government debt that is sold as market bonds, which totals around 2.5 trillion AMD.

When asked how Armenia compares to other countries in the region, Samvel Khanvelyan says that direct comparisons do not make sense.

"Each country builds their debt portfolio based on their own context, their own target markets, and so on. Our analysis showed that our state debt was more liable for currency exchange



EACH COUNTRY BUILDS THEIR DEBT PORTFOLIO BASED ON THEIR OWN CONTEXT, THEIR OWN TARGET MARKETS, AND SO ON. OUR ANALYSIS SHOWED THAT OUR STATE DEBT WAS MORE LIABLE FOR CURRENCY EXCHANGE RISKS, SO WE RESTRUCTURED IT

risks, so we restructured it. In Georgia, for example, I believe that internal debt is at 30% of total debt, but the right question to ask is whether any given country is attractive to investors, whether it has the right infrastructure in place, and so on. And this is one of our biggest objectives for the coming years – develop infrastructure, work with market players to further grow the domestic debt market, and be as transparent as possible," Mr. Khanvelyan says.

Debt is a crucial part of the Government's plans when it comes to funding capital costs. The lion's share of the funding that comes into the budget in the form of debt goes into large-scale projects that create value, like schools, hospitals, roads,



bridges, and so on. This impacts citizens directly and lowers long-term costs for everyone. And there is a way for everyone to be part of this bigger picture.

"We want more people to buy government savings bonds," Khanvelyan suggests, "But this is not about raising funds, we do not target our citizens as a means to fund our deficit. Buying bonds allows citizens to feel like a direct part of the country's development, and help reinforce confidence in the Government as a debtor." He acknowledged that past generations had lost their savings in state-sponsored savings programs, but points out that today's bonds are considered risk-free, and there is no tax on any income made by individuals through government bonds. Additionally, buying government bonds is now easier than ever, thanks to the new platform launched by the Ministry of Finance and AMX.

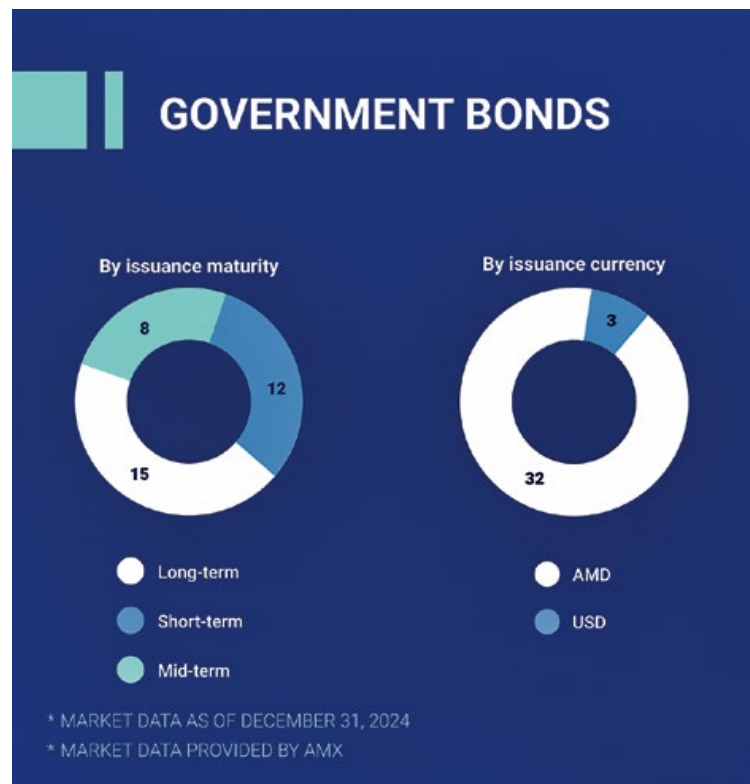
"When we introduced the retail bond system in 1999, they could only be sold in special centers, and buyers had to be physically present. In 2017, we introduced an online system, but it was limited when it came to registration—only those with physical ID cards could use it. At the end of October 2024, we relaunched this system

DEBT IS A CRUCIAL PART OF THE GOVERNMENT'S PLANS WHEN IT COMES TO FUNDING CAPITAL COSTS. **THE LION'S SHARE OF THE FUNDING THAT COMES INTO THE BUDGET IN THE FORM OF DEBT GOES INTO LARGE-SCALE PROJECTS THAT CREATE VALUE, LIKE SCHOOLS, HOSPITALS, ROADS, BRIDGES, AND SO ON**

and can now confirm any user's identity remotely and securely. At the same time, this means that anyone anywhere can now buy bonds from the Government of Armenia," Mr. Khanvelyan states. According to him, there are plans for a major communications campaign in 2025 that will promote the platform and the benefits of investing in government bonds. This campaign will go beyond just the citizens of Armenia because the Diaspora presents a major potential market for these bonds. "People in the Diaspora have always told us that they would be interested in such an opportunity. It is great to be involved in the homeland by supporting charities and so on. But, through these bonds, our compatriots abroad can now invest directly in the development of our country's infrastructure, and I would

encourage them to engage in this way.” The Armenian government continues to encourage individuals to invest in government bonds by providing them with tax exemptions for all income from these sources. A similar privilege had been allowed for corporate bonds listed in the Armenian stock exchange and this was due to end by 2024, but the National Assembly seems ready to extend it for a few more years. “People should look at all their options when making investments. They should consider the risks, assess them, and make decisions that are in their own best interests, particularly in the long term,” says Mr. Khanvelyan.

In terms of future plans for debt management, the Ministry of Finance is constantly keeping its finger on the pulse. “Our debt management strategy has benchmark indicators for mitigating any risks,” Khanvelyan explains, “There are specific thresholds of the debt-to-GDP ratio that are key. Reaching 40% serves as a kind of ‘amber light’ that cautions us and serves as a signal that fiscal deficit must be less than capital expenditures. Once the level reaches 50%, i) all debt must go to capital expenses only, ii) growth rate of current primary expenditures is capped and iii) the Government must present debt reduction program in MTEF (Medium Term Expenditures Framework). The highest level we allow ourselves to reach is 60%, and in this case: i) growth rate of current primary expenditures is capped by average nominal GDP growth of previous 7 years reduced by 0.5, ii) current expenditures are capped by volume of taxes, iii) the Government should submit debt reduction program to the Parliament. “Escape clauses” defined by the Government when negative economic developments arise due to large-scale disasters, economic shock etc. and in these cases the above mentioned rules aren’t applying. We



expect to end 2024 with a debt-to-GDP ratio of 49.8% and our forecast for 2025 is 54.3%.”

The Government of Armenia continues to have ambitious plans for infrastructure development, where debt is a key component of the funding. International partners like the World Bank Group, European Bank for Reconstruction and Development, Asian Development Bank, and others play a crucial role here. “They are not just our creditors, the capacity-building opportunities they offer are vital for our development. When it comes to debt management specifically, the MDB’s regularly provide us with technical assistance. This has allowed us to conduct serious reforms in this area as well as in the strategies that we pursue and the quality of our programs,” Khanvelyan explains.

At the end of the day, balancing the state’s debt portfolio and developing new markets for internal debt are all about one objective—building the Armenia of tomorrow. “Our citizens will see the infrastructure that is built through the capital expenses that we cover using this debt. We have more than 130 lines in the state budget with these expenses. All of them are aimed at improving the lives of our citizens and reducing costs for everyone in the long term,” Khanvelyan concludes. ♦

Close price

14,200.00
101.9463
102.1793
101.8568
0.0000
0.0000
99.7012
98.8597
101.1265
99.3577
100.8865
100.2539
99.5783
105.7152
101.4995
99.8462
99.4139
100.1935
99.7850
99.7582
100.0941
99.9986
0.0000
99.8138
99.8371
101.8757
100.2062
101.9900
102.9038
102.9422
101.0925
0.0000
212.00
0.00
0.00
419.00
0.00
101.9930
100.3356
102.1523
99.8299
101.9566
99.6665
100.4605
99.0189
104.0565
101.9347
100.8268
00.6241

ACBA [A] Level II quot.

Spread: 140.00 Last: 14,200.00

Price	Quantity	Total volu
13,000.00	7	812
14,100.00	740	805
14,200.00	65	65
14,340.00	43	43
14,500.00	600	643
14,700.00	40	683

P Q A DEPACC C

GN36264 [GBOND] Le

Spread: 0.1831 Last: 100.2647

Price	Quantity	Total vc
100.1430	610,000,000	1,830,000,000
100.2647	610,000,000	1,220,000,000
100.2648	610,000,000	610,000,000
100.4479	610,000,000	610,000,000
100.5667	610,000,000	1,220,000,000

P Q A CBAACC C

GN36274 [GBOND] Le

Spread: 0.4517 Last: 0.0000

Price	Quantity	Total volu
97.6191	440,000,000	1,315,000,000
97.6193	440,000,000	875,000,000
97.6217	435,000,000	435,000,000
98.0734	435,000,000	435,000,000
98.1703	880,000,000	1,315,000,000

P Q A CBAACC C

USD/AMD [FX] Level II

Spread: -399.00 Last: 0.00

Price	Quantity	Total volu
399.00	100,000	100,000

P Q A DEPACC C

GB1133A [GBOND] Le

Spread: 1.6568 Last: 0.0000

Price	Quantity	Total volu
97.7241	3,000,000,000	4,050,000,000
97.7247	1,000,000,000	1,050,000,000
97.7275	50,000,000	50,000,000
99.3843	100,000,000	100,000,000
99.3872	370,000,000	470,000,000

P Q A CBAACC C

GN60294 [GBOND] Le

Spread: 0.9193 Last: 0.0000

Price	Quantity	Total volu
95.9018	700,000,000	1,400,000,000
95.9021	350,000,000	700,000,000
95.9194	350,000,000	350,000,000
96.8387	100,000,000	100,000,000
96.8590	700,000,000	800,000,000

P Q A CBAACC C

ACBA Price and volume chart - [Daily]

ACBA [Price]



ACBA [Volume]

20	8	26	14	2	13	3	19	8	27	8	12	23
2023	Jun	Aug	Oct	2024	Mar	May	Jul	Sep				



FINANCIAL MARKETS AND INVESTMENT CLIMATE IN ARMENIA

INSIDE ARMENIA'S BANKING TRANSFORMATION:

Three Decades with the Union of Banks of Armenia

In his interview for *Regional Post Magazine*, the Chairman of the Union of Banks of Armenia (UBA) Daniel Azatyan discusses the system's stability, digital advancement, and the growing role of Armenian banks in the international financial arena.

INTERVIEW : ARSHAK TOVMASYAN / PHOTO : UNION OF BANKS OF ARMENIA (UBA)



➤ Social Event in the framework of the 30th anniversary of the Armenian Dram, September 2024



Mr. Azatyan, the Union of Banks of Armenia has been representing the banking sector for around three decades now. How would you assess the transformation and the current health of Armenia's banking system?

— The Union of Banks of Armenia (UBA) was founded in 1995, and this year it will celebrate 30 years of representing all commercial banks in Armenia while protecting the interests of its member banks. The evolution of the banking system can be categorized into 3 stages: the 1990s marked the establishment of the system, the 2000s were the years of formation, and the 2010s were the years of development. At present, our banking system is regarded as stable, developing, reliable, with a high level of liquidity. It is capable of adopting modern developments and changes, including digitalization, risk management, compliance, etc.

As the voice of Armenia's banking community, what are the UBA's primary responsibilities, and what key initiatives is the Union pursuing to strengthen the sector?

— For nearly 30 years, the UBA has focused on protecting the rights and interests of its member banks, iden-

AT PRESENT, OUR BANKING SYSTEM IS REGARDED AS STABLE, DEVELOPING, RELIABLE, WITH A HIGH LEVEL OF LIQUIDITY. IT IS CAPABLE OF ADOPTING MODERN DEVELOPMENTS AND CHANGES, INCLUDING DIGITALIZATION, RISK MANAGEMENT, COMPLIANCE, ETC

tifying and resolving issues related to banking operations, promoting the adoption of modern infrastructures in the banking system, and supporting the implementation of regulatory standards, new methods, technologies, and management systems. In recent years, significant focus has been placed on the education and qualification of banking system specialists, along with efforts to enhance the financial literacy of the population.

How has UBA evolved over the past three decades? What is the expected next step in the evolution of the Union?

— In the coming years, the activities of the Union of Banks of Armenia (UBA) will aim to establish and strengthen international interbank connections and integrate with other banking systems. Considering that knowledge and skills in the modern banking system are constantly transforming, the Union

will further intensify efforts to educate, train, and enhance the qualifications of the personnel in its member banks. In the future, we will continue to serve as a platform for establishing new and promising collaborations, exchanging professional proposals, and discussing innovative ideas.

Armenian banks have shown remarkable resilience and adaptability in recent years. What do you consider the sector's main achievements?

— The banking system has always demonstrated exceptional resilience in various challenging situations. In this regard, the recent years have been no exception, beginning with the pandemic, followed by the war, and other challenges arising from the geopolitical situation. Under such conditions, our banks not only managed to maintain uninterrupted financial operations and support government assistance programs but also became



◀ Daniel Azatyan's speech at the Banking Forum, October 2024

▶ Meeting on "Banking System of RA", January 2024

reliable and stable partners for international organizations. Operating in a competitive and healthy environment and in compliance with the regulatory and supervisory framework set by the Central Bank of Armenia, our banking system continues to remain stable, maintaining transparent and accountable operations.

As a result, the most significant achievement has been the development of public trust in the system. In accordance with a specific analysis, the level of trust in the system in Armenia is estimated at 3.8 points. For comparison, the global average rating is 4.0.

From a regional perspective, how competitive is Armenia's banking sector compared to other countries, and what unique advantages do our banks offer?

— Currently, there are 18 commercial banks operating in Armenia, with no state-owned banks and no banks holding a dominant monopolistic position. The top 5 largest banks according to their total assets occupy only 58% of the market, which indicates a healthy competitive environment and provides customers with a wide range of choices. Armenian banks also place great emphasis on ensuring transparency and customer security. Along with this, there

are constant investments to increase the flexibility of banking transactions, improve services through digitalization mechanisms, and provide financial services that meet customer needs.

How would you assess the level of financial inclusion in Armenia, and what steps are banks and the Union taking to expand access to banking services?

— Financial inclusion has become one of the most pressing and transformative issues in global economic development, and its importance resonates deeply within Armenia's evolving economic landscape. Armenia has made significant strides in expanding access to financial services, but gaps remain, especially in rural areas and among low-income populations. According to our analysis, nearly 93% of Armenians have interacted with the banking system in some capacity, whether through current accounts, savings accounts, or loans. However, 7% of the population still remains unbanked, with many residing in remote or economically disadvantaged regions. In recent years, banking access in Armenia has improved dramatically, with a growing number of individuals and businesses using financial services. Relocants from Russia who resettled in Armenia have also played a significant role in this. Despite the challenges, Armenia's banking





sector has made commendable efforts to address the barriers to financial inclusion. The banks and the Union of Banks of Armenia are actively working to expand access by implementing several initiatives. These include developing digital banking expansion, affordable and inclusive financial products, financial literacy, and education, including targeting vulnerable groups.

We've witnessed significant digital transformation in banking. How are Armenian banks adapting to these technological changes?

— New technologies such as digital banking, mobile banking applications, instant electronic transfers, and innovative payment solutions are actively being implemented. In this context, both the state and banks pay great attention to data digitization and cybersecurity requirements.

Armenian banks work with both local and international clients. What makes our banking sector particularly attractive to foreign customers?

— The stability of the system, technological progress, continuous growth in financial indicators, flexibility, personalized decision-making, and compliance with international standards provide a reliable financial environment for foreign customers. The stable eco-

FINANCIAL INCLUSION HAS BECOME ONE OF THE MOST PRESSING AND TRANSFORMATIVE ISSUES IN GLOBAL ECONOMIC DEVELOPMENT, AND ITS IMPORTANCE RESONATES DEEPLY WITHIN ARMENIA'S EVOLVING ECONOMIC LANDSCAPE

nomie growth and creditworthiness of our country also contribute positively to this development.

The banking sector in Armenia seems to be gearing up for more activity on environmental, social, and governance (ESG) topics in the coming months and years. Does UBA serve as a platform for discussing ESG issues? How can UBA help encourage or support banks in their relevant initiatives?

— ESG principles have gained widespread global recognition, and it was inevitable that our banking system would engage on this topic as well. The implementation of these criteria is crucial for modern banking activities, both for international organizations and regulatory bodies in several countries. Last year, the first International Banking Forum 2024 was organized by the Union, with a particular emphasis on the implementation of ESG criteria and modern approaches to them. The UBA Training and Qualification Center, with the involvement of international experts, organizes educational courses,

among which the ESG agenda is given particular importance. There is still a lot to be done in this direction. We must continuously follow developments, find innovative solutions that will ensure the implementation of modern international requirements in banks, and contribute to the stable development of the system.

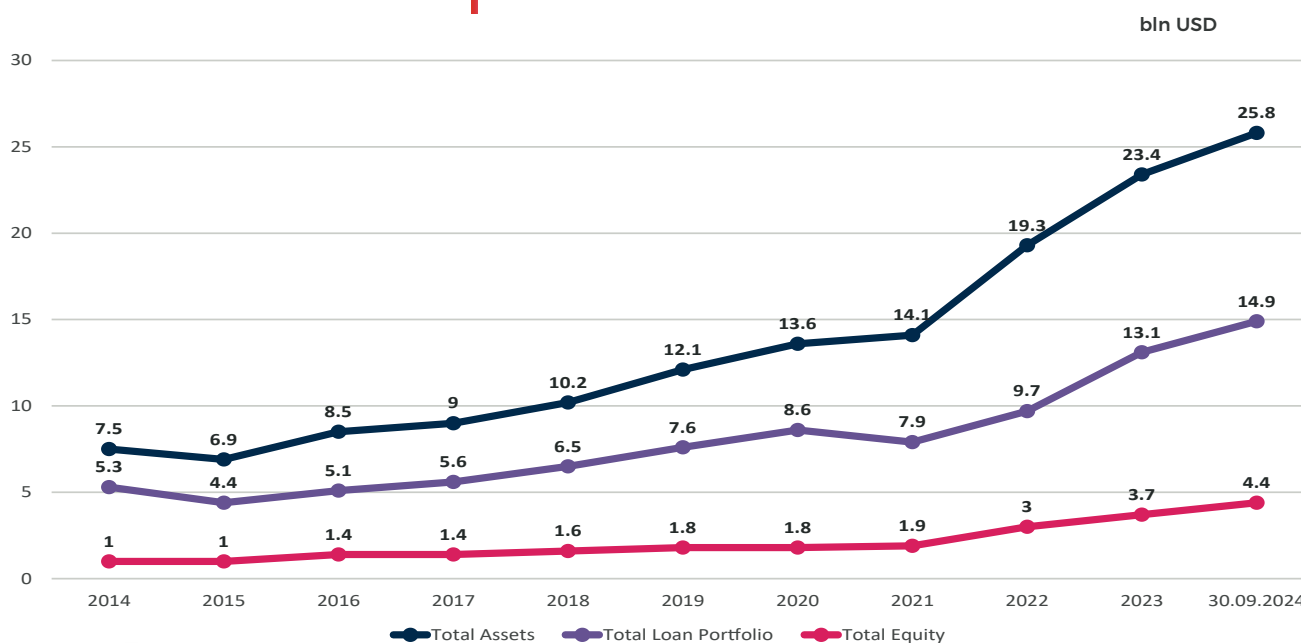
Looking at current trends and prospects, what developments do you anticipate in Armenia's banking sector, and what changes would you like to see in the coming years?

— Emphasizing current trends, I believe that in the coming years, our banks will expand into the international market and engage in IPOs (Initial Public Offerings). Overall, an IPO can offer new opportunities both financially and in terms of management and competitive positioning in the market. Achieving success in this endeavor will require thorough preparation, along with adherence to market regulations and international standards. ♦

ARMENIA'S BANKING SECTOR IN NUMBERS

Regional Post presents key statistics and insights into Armenia's banking sector as of September 2024 in partnership with the Union of Banks of Armenia.

KEY INDICATORS



During 9 months of 2024 the total assets increased by 2.4 bln USD or 10%.
During 9 months of 2024 the total loans increased by 1.8 bln USD or 14%.
During 9 months of 2024 the total equity increased by 0.7 bln USD or 18%

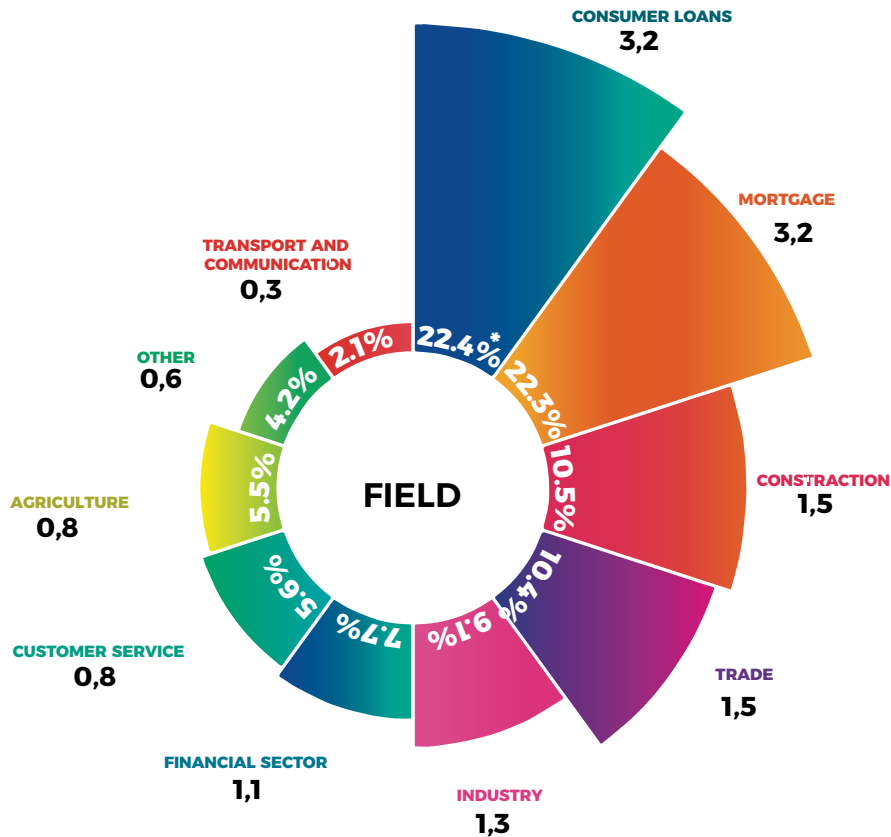
LOAN PORTFOLIO STRUCTURE

30.09.2024

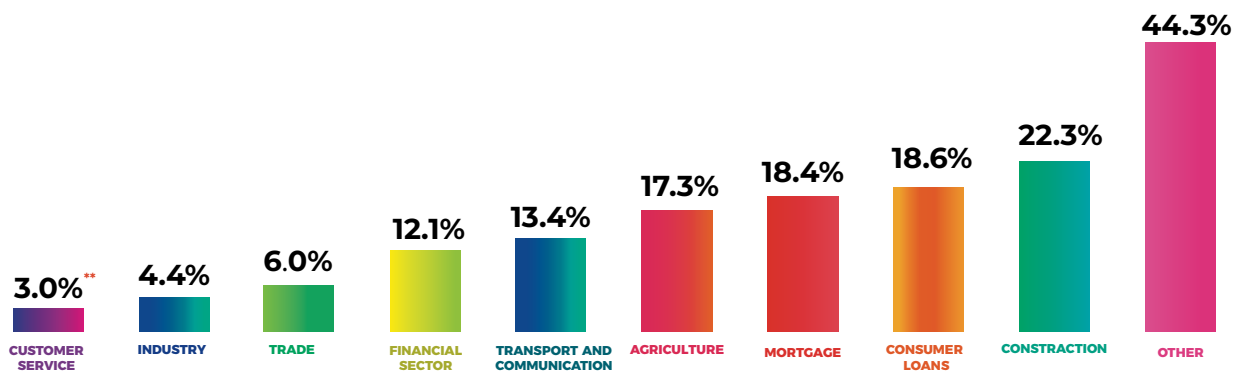


LOAN PORTFOLIO STRUCTURE BY SECTORS

30.09.2024
bln USD

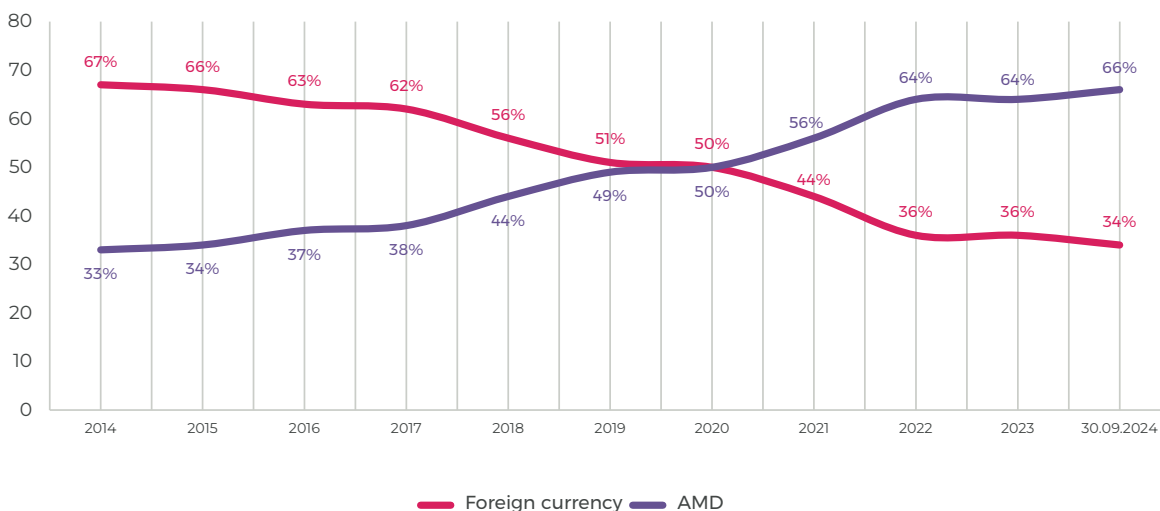


* Specific gravity of loan portfolio of each sector in total loans portfolio

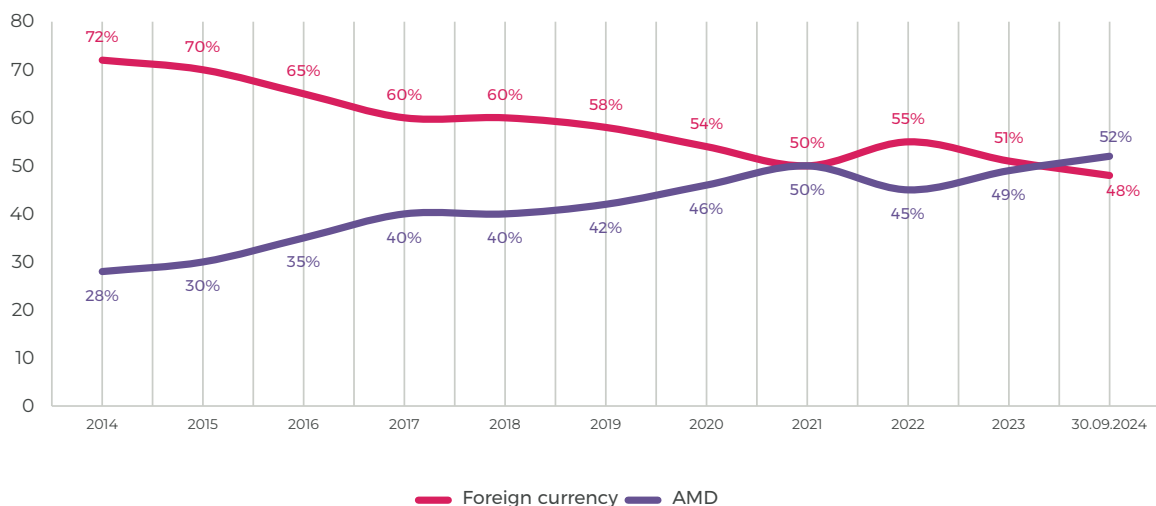


** Specific gravity of loan portfolio of each sector in total loans portfolio

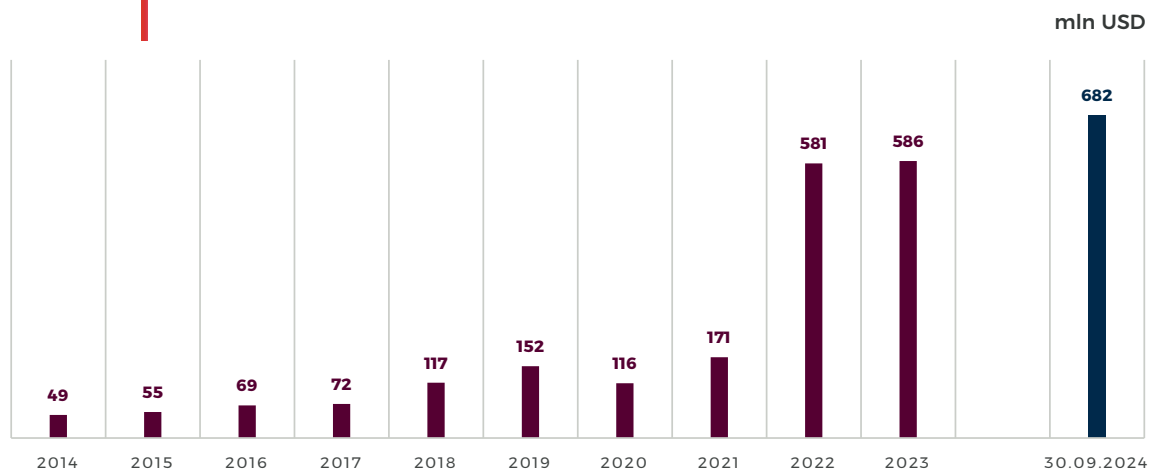
SHARE OF LOANS IN AMD AND FOREIGN CURRENCY IN TOTAL LOANS



SHARE OF DEPOSITS IN AMD AND FOREIGN CURRENCY IN TOTAL DEPOSITS

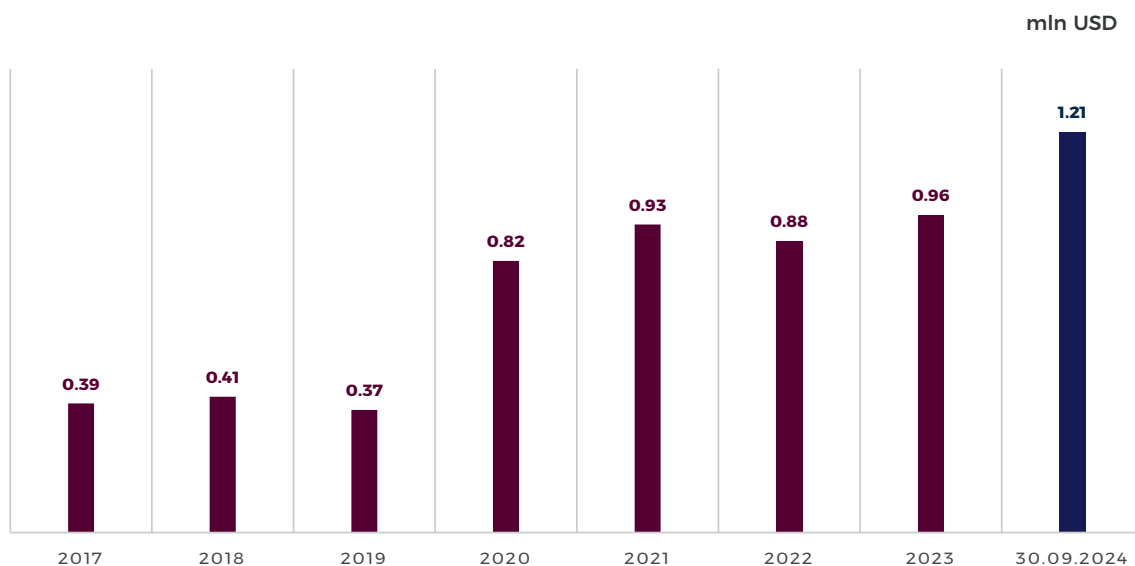


PROFIT



During 9 months of 2024 the banking system made a profit of 682 mln USD, which increased by approximately 96 mln USD, or 24.6%, compared to the same period of 2023

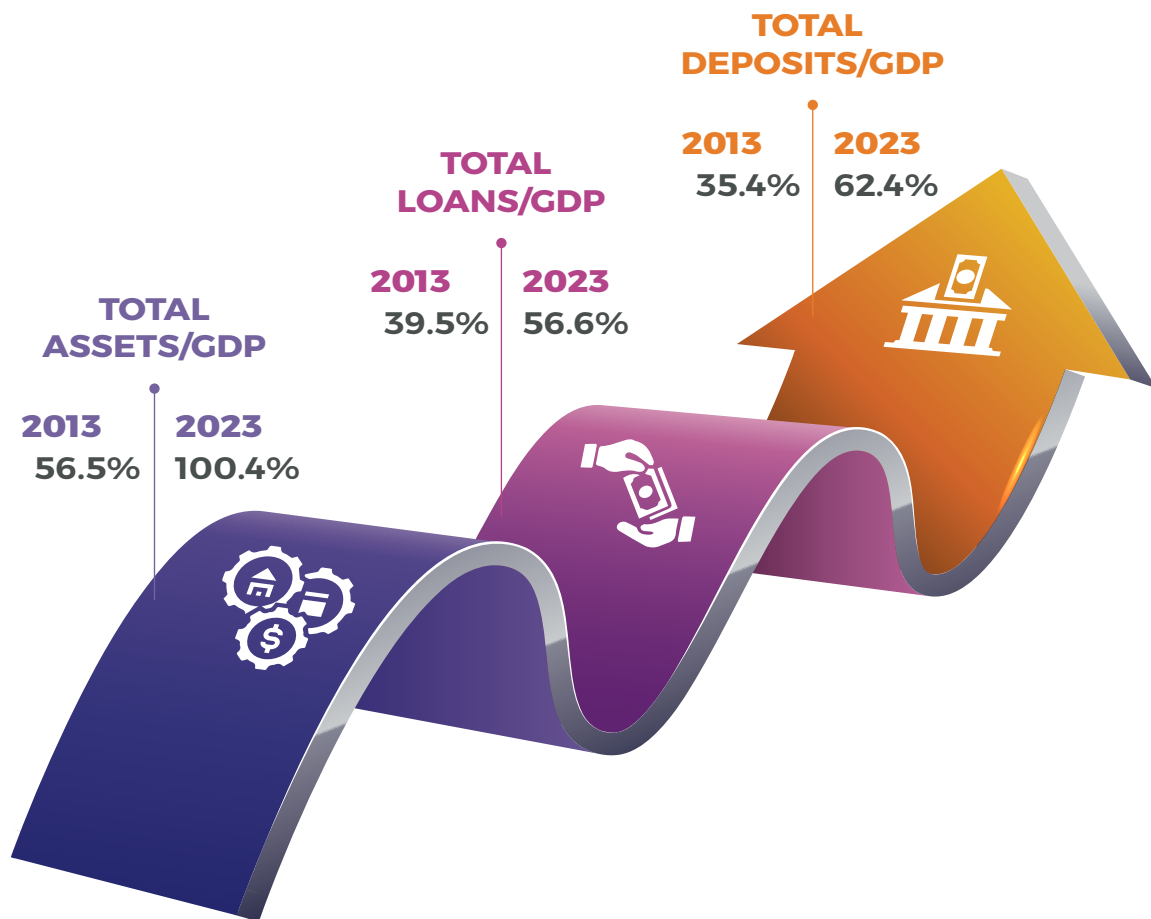
INVESTMENTS IN SECURITIES



During 9 months of 2024 the investments in securities increased by about 0.25 mln USD or 26%.

ASSETS/GDP, LOANS/GDP & DEPOSITS/GDP

2013-2023



SOURCES

Financial statements of RA Commercial Banks,
Statistical reports of the Central Bank of Armenia,
“RA Socio-Economic Situation” reports by the Statistical Committee of RA,
World Bank database, European Union Statistical Committee database,
State Revenue Committee of RA,
reports published by Arminfo News Agency.

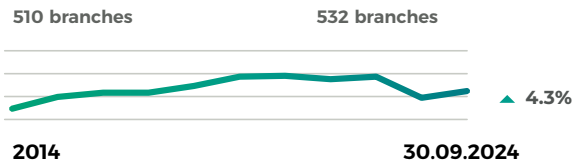
NUMBER OF BANK BRANCHES AND AVERAGE NUMBER OF EMPLOYEES

30.09.2024



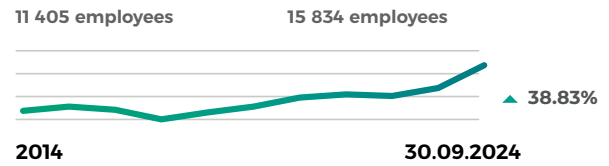
532 (▲1.7%)*

NUMBER OF BANK BRANCHES



15 834 (▲3.8%)*

NUMBER OF BANK EMPLOYEES



* Increase in number of bank branches and the average number of employees during 9 months of 2023

NUMBER OF BANK BRANCHES IN YEREVAN AND REGIONS

30.09.2024



266 (▲1.5%)**

YEREVAN



266 (▲0.4%)**

REGIONS

** Changes of the number of bank branches in Yerevan and the regions, compared to 2023.

BANKING WITHOUT BARRIERS

Regional Post sat down with Mher Abrahamyan, the Chairman of IDBank's Management Board, to explore the transformation of Armenia's banking landscape and IDBank's pioneering role in digital innovation.

INTERVIEW : MARGARIT MIRZOYAN / PHOTO : IDBANK





IDBank

How would you assess the key developments in Armenia's banking sector over the last couple of years, particularly in terms of digital banking evolution?

— The Armenian banking sector has shown remarkable dynamics, achieving unprecedented results in recent years due to both internal and external favorable conditions. The banking system has been a pioneer in our country's economy, particularly in digitalization and innovative technologies, supported by our strong professional workforce. When you look at banking services today versus the past, they're much higher quality, faster, and more accessible—customers rarely need to visit branches anymore as everything

can be done remotely and easily. This digitalization has increased productivity and helped banks minimize operational costs while becoming more effective for customers. I believe this positive trend will continue, and within 5-10 years, banking will become the most digitalized sector in Armenia's economy. Of course, this isn't just an Armenian phenomenon—digitalization and new technologies are transforming banking worldwide.

So can we say that digitalization has benefited both parties?

— Absolutely. Previously we had to consider the geographical placement of branches carefully since services

required face-to-face communication. While we still welcome customers who prefer in-person interactions, the geographical barriers have essentially disappeared. A customer can now manage their banking needs through a mobile app, even from abroad. This has dramatically expanded our reach beyond what's possible with physical branches alone.

As a pioneer in digital payments through your partnership with Idram, how has this synergy influenced IDBank's overall approach, and how has it transformed the customer experience within the banking sector in general?

— Our partnership with Idram began in 2018, as we were among the first to recognize the potential of digital banking. After significant investment in human and financial resources, we launched the platform in 2020, coinciding with COVID-19. This timing proved advantageous, as our

established online banking system allowed us to continue serving clients seamlessly when face-to-face interactions were restricted. Today, our digital platform serves 100,000 active clients, validating our early vision and investment.

Looking back at the bank's journey over the decades, what key milestones would you highlight?

The bank has a 34-year history with distinctive phases. While it was a leading institution in the 90s, followed by a quieter period, the most significant turning point came with the 2016 shareholder restructuring. This led to a complete strategy revision, resulting in our best performance to date across all indicators—profitability, assets, and customer base. Though this has been our most successful era yet, we have ambitious plans both locally and internationally that will further strengthen our position

What sets IDBank apart from others in terms of philosophy, strategy, execution, etc, and how does your "Bank of the Present" motto reflect your philosophy?

— Our competitive advantage lies in our innovative nature and our exceptional team, who deeply believe in the bank's future. We build our strategy around two key pillars: our customers and employees. While many institutions focus solely on future planning, we balance both present and future needs. Our "Bank of the Present" philosophy means creating immediate value for clients while also solving their long-term challenges. This approach, combined with our customer-centric attitude, has proven especially effective in the digital payments space.

Transparency is a crucial value in today's banking sector. How does your commitment to transparency manifest in your relationships with stakeholders, customers, and partners?





— Speaking from a broader perspective, transparency has various metrics and expressions in banking. The banking system is actually the most transparent industry in Armenia, with almost all banks ranking among the country's major taxpayers. At IDBank, transparency is woven into every aspect of our operations, from our client communications to our internal corporate culture. We've built our decision-making processes on principles of openness, fostering collaborations based on mutual trust and transparency with all our stakeholders.

We've seen banks increasingly prioritizing CSR projects. Why are these initiatives important for IDBank?

— Being one of the most active banks in social responsibility, we view it as integral to our philosophy and strategy. As a successful institution, we believe we must support other spheres. Our

initiatives span multiple directions: ESG and environmental protection, healthcare, education, military support, and assistance to our Artsakh compatriots. Our flagship program, the Power of One Dram Initiative, exemplifies our approach—IDBank and Idram direct one dram from each transaction toward important causes, demonstrating that small steps can lead to significant achievements. I firmly believe such social responsibility should be a priority for all successful businesses and institutions.

With regional changes and the Dram's stability in mind, what role do you envision for Armenian banks in the region's economic future, and how will IDBank contribute?

— The Armenian banking system has proven remarkably resilient over three decades. Consider this, our last bank bankruptcy was 25 years ago, and we've endured various global crises,

COVID-19, and wars while maintaining stability. Much credit goes to the Central Bank's effective oversight and coordination with banks. While our system has proven competitive, we've learned that predictability is rare in banking – success comes from making sound decisions amid uncertainty. This stability we see today is the direct result of those right decisions. The pace of change is accelerating, and survival will depend on quick adaptation and effective decision-making. Competition is no longer just local; we're entering a global playing field. That's why our strategy extends beyond Armenia's borders. While we can't predict the future precisely, our five-year vision is clear: we aim to strengthen our local position while establishing ourselves as an international player. It may sound ambitious, but with proper execution, we believe this goal is achievable, ultimately leading to enhanced service quality for our customers. ♦

THE PATH TO CORPORATE MARKET DEVELOPMENT IN ARMENIA:

Opportunities and Challenges

Armenia's capital markets are evolving through government initiatives to expand bond and equity issuances and incentivize corporate financing. While retail investors show increasing interest due to accessible bank and broker platforms, challenges remain, elaborates Irina Gevorgyan, the Managing Partner at KPMG Armenia.

TEXT : IRINA GEVORGYAN / PHOTO : KPMG ARMENIA



WHAT'S DRIVING THE GROWTH?

Government Incentives

Policy-driven initiatives are designed to encourage companies to issue bonds and equities. These measures aim to attract investments and enhance corporate financing alternatives beyond traditional bank loans. The government provides incentives to both retail investors and issuer companies. Individuals are exempt from taxation on income received from stocks, bonds, or other investment securities which got listed on

the Armenian Stock Exchange before 31 December 2024. Companies registered and operating in Armenia can receive financial support for costs related to obtaining credit rating, issuing, distributing, and listing securities on the Armenian Stock Exchange. This includes both one-time support of a percentage of the nominal amount of issued securities and reimbursement of eligible expenses including legal, consulting, and underwriting costs when securities are publicly offered and listed on the stock exchange.

Rising Retail Demand

Platforms offered by banks and brokers that simplify investing are attracting more individuals, creating a foundation for a stronger capital market. Factors contributing to this growth include the gradual improvement of financial literacy, the availability of digital investment platforms, and a growing interest in diversifying personal savings. This is particularly notable in the younger individuals, who are becoming more aware of opportunities in stocks and bonds.

These growth factors resulted in the total market value across corporate bonds and equities listed in AMX to rise from AMD 681 billion in 2022 to AMD 815 billion in 2023, a 20% growth. It is notable that the Head of the EBRD in the region recently announced the upcoming launch of programs designed to support the capital markets. These programs will assist Armenian corporate issuers of bonds and equity in the form of capacity building and grant co-financing of issuance related expenses.

THE CHALLENGES TO OVERCOME

Financial Literacy Gap

Despite growing interest in investments, financial literacy remains low among the general population. Without targeted education, new investors might not fully understand the risks, leading to poor decisions or losses. Public awareness campaigns are essential to build a knowledgeable investor base.

Various efforts in Armenia aim to improve financial literacy—such as Amundi-Acba programs focusing on investment skills and asset management, initiatives at AUA targeting students, as well as explanatory guides offered by the investment platforms. However, surveys show that many participants still struggle with understanding financial products and investment options, even after training. While there has been some improvement, significant gaps remain.

Weak Corporate Governance

One of the most pressing challenges lies in the governance structures of issuing companies. While regulatory requirements mandate corporate governance practices for open companies (such as independent board members, an audit committee, segregation of CEO and board chairman roles, etc) compliance is often superficial. In the banking sector the corporate governance is somewhat more developed, perhaps due to specific rules mandated and monitored by the Central Bank of Armenia, but in the real sector, it is significantly underdeveloped or nearly nonexistent. Many companies lack the cultural understanding and acceptance of collective decision-making, leading to inefficiencies and risks. Specific challenges include:

- **Board capabilities:** There is no requirement for boards to adopt a nomination policy ensuring collective suitability to perform the Board's duties.

- **Board diversity:** Generally the gender diversity on the boards is very weak.
- **Board Effectiveness:** In some cases, boards of directors are dominated by shareholders who act as ultimate decision-makers, undermining the collective function of the board. Even when non-independent directors are present, they often remain passive, which undermines the purpose of having diverse perspectives.
- **Performance Assessments:** Regular self-assessment and third-party evaluations of board performance could ensure accountability and transparency. Currently, such practices are not mandatory, leaving gaps in governance quality.

To address these challenges, the Armenian Stock Exchange, the Central Bank of Armenia, the Armenian Institute of Directors and the Corporate Governance Center organize ad hoc corporate governance trainings.

LONG-TERM RISKS

Armenia's retail investment market is still very young. A single default by an issuer could severely damage public trust, potentially stalling the progress of capital markets for years. To mitigate this risk, robust corporate governance must be enforced, coupled with improved investor education.

WHAT CAN BE DONE?

1. **Educate Investors:** The government, financial institutions, and companies should continue offering more workshops, training, and resources to teach people about investing and its risks.
2. **Enforce Stronger Governance:** Making board assessments mandatory and introducing stricter rules for independent decision-making can improve trust in the market.
3. **Shift Corporate Culture:** Companies need to understand the value of well-functioning boards and collective decision-making. This will require ongoing education and cultural change.

Only through strategic action and cultural transformation, addressing the challenges above, can Armenia build a reliable and successful corporate market, ensuring long-term benefits for both businesses and investors.

With our extensive experience in supporting companies in emerging economies, KPMG is committed to helping businesses strengthen governance practices, assess board performance, and build robust corporate cultures. KPMG has performed corporate governance reviews in a number of banks in Armenia and Georgia. Additionally, KPMG frequently assists clients with readiness assessments when considering public offerings in foreign markets. These efforts not only enhance the credibility of private companies but also contribute to the long-term development of Armenia's financial ecosystem, creating trust and opportunities for all stakeholders. ♦

THE DIGITAL FUTURE OF ARMENIAN BANKING:

Interview with
the CEO of Byblos
Bank Armenia,
Hayk Stepanyan



Regional Post spoke to Byblos Bank Armenia CEO Hayk Stepanyan about the Bank's commitment to offering personalized customer experiences both online and offline, based on the clients' preferences, behaviors, and financial needs.

INTERVIEW : MARGARIT MIRZOYAN /
PHOTO : MEDIAMAX

Mr. Stepanyan, why is digital transformation critical for banks today, and what competitive advantages does it offer financial institutions?

— Digital transformation has become essential across all sectors of the economy and in our lives in general. This shift is an inevitable wave created by technological advancement. In case of banks, first of all, customer expectations are rapidly changing, and especially after the pandemic, the demand for digital services has significantly increased. Meanwhile, digital banking offers banks substantial opportunities in terms of cost efficiency, more

precise and data-driven product development, decision making, and risk management. Moreover, embracing digital tools enables banks to streamline operations and offer personalized customer experiences, all of which contribute to a stronger competitive edge in an increasingly digital marketplace.

How do you envision the global banking industry evolving over the next 5-10 years, and what role will digital transformation play in this shift? What is your outlook on the future of the Armenian banking sector in particular, and how significant is digital transformation for its growth and competitiveness?



DIGITAL BANKING OFFERS
BANKS **SUBSTANTIAL**
OPPORTUNITIES IN TERMS
OF COST EFFICIENCY, MORE
PRECISE AND DATA-DRIVEN
PRODUCT DEVELOPMENT,
DECISION MAKING, AND RISK
MANAGEMENT

— I believe the concept of Open Banking will gradually spread through the entire world, and the use of AI in banking will continue to grow. According to one development scenario, Open Banking could enable many fintech companies to serve as intermediaries between banks and customers, shifting the role of traditional banks more towards risk management and wholesale business-to-business banking, rather than focusing on retail services. Such a development could enhance competition by allowing fintech companies to offer services that were traditionally only available through banks, such as budgeting tools, pay-

ment processing, or even lending. The question is how quickly these changes will take place in the Armenian banking sector. It will likely depend on a variety of factors, including regulatory changes, technological infrastructure, and the readiness of both banks and customers. But, of course, there is also a huge chance that Armenian banks will be more adaptive and stronger compared to emerging local fintechs and maintain control over the entire digital banking ecosystem.

How has digital banking reshaped customer experience globally and in Armenia, and how are banks adapting to meet the growing demands? ➤

**EXPECT TO SEE EVEN MORE
SIGNIFICANT CHANGES IN THE
NEXT FIVE YEARS, AND IT'S NOT
FAR OFF WHEN WE COULD SEE
FULLY DIGITAL BANKS OPERATING
SIDE BY SIDE WITH TRADITIONAL
BRICK-AND-MORTAR BANKS
IN ARMENIA**



— Recent studies indicate that mobile banking services and their quality are increasingly important factors for customers when selecting a bank, both globally and in Armenia. The convenience and user-friendliness of digital tools play a key role in customer satisfaction. Although banking is generally considered a conservative industry, Armenian banks are

making surprising strides in this area, developing quickly in response to these demands. This shift could be compared to an entity slowly but surely modernizing its infrastructure—new, more efficient digital tools are being localized and introduced, and the pace of change is accelerating faster than anticipated. I expect to see even more significant changes

in the next five years, and it's not far off when we could see fully digital banks operating side by side with traditional brick-and-mortar banks in Armenia. There is also a growing interest in mobile-only services. These attract younger, tech-savvy customers who prefer managing their finances exclusively through their mobile devices.



◀
Abovyan Branch
of Byblos Bank
Armenia



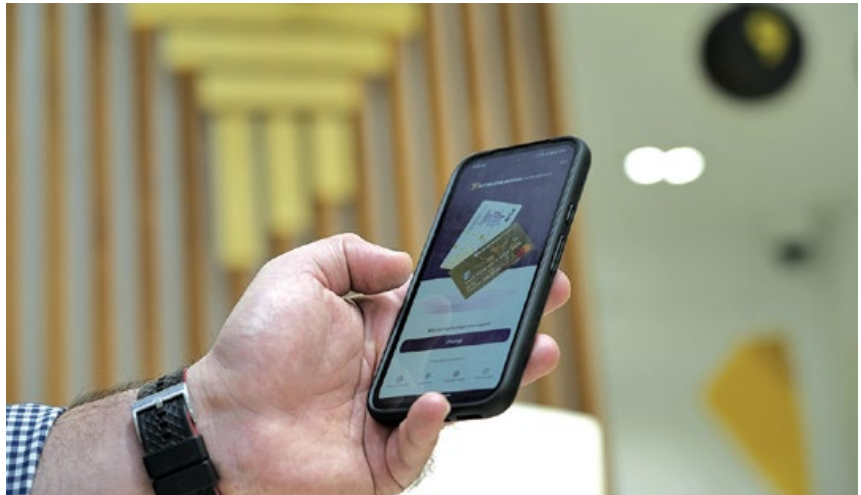
▼
The user-friendly
Byblos Mobile app

How important is customer feedback in shaping digital banking services in general, and your bank's services, in particular?

— Actually, it is very important, and fortunately, digital services offer valuable data that reveal customer preferences. We are heavily investing in customer surveys to gain a thorough understanding of customer needs and expectations and ensure that we capture as comprehensive a view as possible. Analyzing survey data is a great way to ensure that we continuously adapt our services based on customer feedback. And this is something on which we place considerable focus. These examples highlight how mobile banking services, from app functionality to customer support, digital payments, security, and account management, are becoming key considerations for customers choosing a bank in both global and local markets.

What digital transformation initiatives has Byblos Bank Armenia implemented to improve service quality and efficiency?

— Over the past two years, we have really concentrated our efforts on digital transformation and the development of our digital strategy. We have made significant upgrades to our mobile app, introducing new products and enhancing the overall customer experience.



With the Byblos Mobile app too, we strive to offer personalized services while maintaining the convenience and security of digital banking. We've also expanded our partnerships with third-party service providers, enabling our clients to use the Byblos Mobile app for a wide range of services beyond banking, including payments for various external services. While these improvements are already in place, we expect even greater changes in 2025 and are excited about what's to come.

What measures is Byblos Bank Armenia taking to ensure cybersecurity and data privacy, especially with the rise in online transactions?

— A key aspect of digital transformation is the increasing threat of cybersecurity risks, given the growing value of personal and financial data. And inevitably we are investing in our capacities to minimize these risks. Our investments focus on human resources, building expertise, and upgrading our technical infrastructure. To further strengthen our security measures, we are also conducting regular security audits, employee training sessions, and real-time monitoring. We are adopting industry best practices, and acquiring the best technologies to ensure a highly secure environment for our clients. ♦

A FOCUS ON TECHNOLOGIES AND TALENT:

KPMG's Banking CEO Outlook 2024

While it is quite common to talk about the trends expected to come up in one sector or the other, such forecasts are sometimes speculative, with no data to back them up. In contrast, KPMG's Banking CEO Outlook has talked every year to the leaders of more than a hundred companies, asking them what they consider important in the period to come. We spoke to Zaruhi Furunjyan, the Director and Head of Consulting at KPMG Armenia and Georgia, to see what is of interest in the latest report, and how our region compares to the global trends.

INTERVIEW : NAZARETH SEFERIAN / PHOTO : KPMG ARMENIA



KPMG has been publishing Banking CEO Outlook on an annual basis for the last several years. These reports provide quite important insights from the leading financial institutions on what is happening with the sector globally. What is the key takeaway from the 2024 outlook, what is the major change that you observed based on the views collected from 120 banking and capital markets CEOs?

— Yes, you are absolutely right. At KPMG, we are committed to staying well-informed about the market trends through collecting and analyzing first-hand data. This

gives us the opportunity to understand client strategies and vision from within and be better prepared to support them as consultants and auditors. Each year, we see evolving trends in the financial sector—new opportunities, challenges, ways of thinking, and changing customer expectations. Following global market trends, the financial sector is also shifting towards innovations and ESG, with increased investments in these areas. I would not call this a rapid change from previous years' trends, but rather a continuing focus on these priorities. One important point

to highlight is that with the growing investments in AI and technologies, CEOs understand the importance of investing heavily in cybersecurity and are paying more attention to cybersecurity risks. According to the report, 81% believe cybercrime will impact their organization's growth in the medium-to-long term.

Based on the KPMG 2024 Banking CEO Outlook, Gen AI is gaining prominence as a top investment priority for 81 percent of banking CEOs. Since you work with most of the financial institutions in the Caucasus region, what is your view on GenAI in our markets? Is this seen as a priority here as well?

— This is an interesting question. Based on our work with most of the financial sector companies in the Caucasus region, I would say that probably this trend is not yet the same in most of the countries. From what we have observed, although the companies in the region consider innovation as a priority and understand its importance and potential benefits, from an investment perspective we seem to be behind global trends. Financial institutions invest in digitalization and most of them consider this as a strategic priority. However, when it comes to GenAI specifically, it may still be too early to call it a major focus. I believe global trends will gain prominence locally in the mid-term, but it seems to still be early for that.

Having a good Employee Value Proposition (EVP) to attract and retain talent is one of the top operational priorities for growth over the next three years. In your opinion, what constitutes a good EVP for Gen Z talent that has been joining the workforce in recent years and where is improvement needed?

— It is indeed a priority, and a significant challenge to integrate Gen Z into the culture in which previous generations traditionally worked. The Gen Z mindset is different: they are bolder in expressing their opinion, prioritize their mental and physical wellbeing, are ready to stand firm in their viewpoints, and tend to have more flexibility both at work and in life. Furthermore, Gen Z is highly motivated by purpose and social impact. They want to work for organizations that align with their values, particularly regarding social, environmental, and ethical issues.

As a result, companies have started changing their internal culture to retain and develop this talent. The key changes seem to be moving towards flexibility in working arrangements, offering additional health-related benefits, providing more opportunities for personal development and of course being able to adapt in terms of technologies and innovation to ensure that working methods are more appealing for Gen Z talent. I believe organizations also need to focus on authenticity, clear career progression, transparent DEI (diversity, equity and inclusion) initiatives, and compensation that reflects the full range of needs for this generation. Based on the responses received from the CEOs, 93% expect to increase their company's headcount, and the majority of



new hires are expected to be Gen Z representatives. Therefore, companies need to continue to adapt in order to make the workplace both interesting and rewarding for the new generation.

During the pandemic, many companies were forced to accept policies on working from home and, later, hybrid working. The report states that 86% of CEOs expect staff to work from the office and 92% are likely to reward employees who make an effort to come to the office. Is there a contradiction between this and the good EVP we discussed earlier?

— I think during the pandemic, at some point, what was considered normal changed and the work processes were adapted accordingly. However, let's acknowledge that from the perspective of communication, work efficiency, and managing staff discipline, several issues have arisen. I think that in the Caucasus region, it was easier to bring staff back to the office by offering a limited choice for hybrid arrangements. This may be due to the size of the companies or the communication culture in our countries, which differs from that of western, developed countries. The CEOs' expectations do not necessarily mean the goal is to bring staff fully back to the office, but rather to create appealing workplace environments, provide access to programs for personal and professional development, and instill flexibility depending on employee needs and market-specific considerations. So, in my view, there is not much contradiction between a good EVP and these expectations. Rather, it's about finding a consensus between employee expectations and increased work efficiency. ♦

A BRIGHT FUTURE FOR SUSTAINABLE INVESTMENT: *Insights from AraratBank*

Investors in Armenia have more options than ever before, with individuals now having easy access to a range of bonds as well as other securities on the local and international markets. How is the behavior of the average Armenian individual changing in terms of investment and what lies ahead? We spoke to Sevak Manukyan, Head of the Investment Banking Department at AraratBank to learn more

INTERVIEW : NAZARETH SEFERIAN / PHOTO : ARARATBANK





In your opinion, what is the current state of the Armenian banking sector and how does Ararat-Bank position itself in this market?

— The banking sector has demonstrated significant growth since 2022. Central Bank data show the ratio of bank assets to GDP in Armenia has increased from 89% to 96.6% over the past five years. Meanwhile, the ratio of bank loans to GDP has gone up from 52% to around 53-54% over the same period. So, in terms of quality of growth, we see that loans have not grown at the same rate as assets, which indicates that other components of assets (e.g., investments, interbank placements, reserves) grew faster than loans and banks could have focused on improving operational efficiency, generating higher profits from non-loan-related activities, or diversifying income sources (fees, trading, investments). Over the past 5 years, the compound annual growth rate (CAGR) for the banking sector assets has been around 12.7%. For AraratBank specifically, this figure is around 13.3%. While the loan portfolio has grown by 10.6% during this period, AraratBank showed 10% growth. In deposits,

THE BANKING SECTOR HAS DEMONSTRATED SIGNIFICANT GROWTH SINCE 2022. CENTRAL BANK DATA SHOW THE RATIO OF BANK ASSETS TO GDP IN ARMENIA HAS INCREASED FROM 89% TO 96.6% OVER THE PAST FIVE YEARS

however, AraratBank has significantly outperformed the sector average, achieving a 28.4% CAGR compared to the sector's 6%.

This shows that AraratBank's development is in line with that of the whole sector, and we are positioned at its median, where we have been stable over the past few years. In terms of profit, our position is even better, exceeding sector averages in both return on assets (ROA) and return on equity (ROE).

What is the outlook for future growth at Ararat-Bank and what challenges lie ahead?

— We hope to maintain this pace of growth at AraratBank in the near future. However, there are some challenges for us to consider. First of all, there is continuing inflation in international markets, especially in the United

States, directly impacting the cost of resources the bank gets from international sources.

In the domestic market, we've seen a significant improvement in loan quality. In 2016, the share of non-performing loans in the banking system was around 4.6%, now it is just 1.24%. This is a big achievement, and our own performance is better than the sector average. Importantly, this is not just due to an increase in people's ability to pay, but also reflects our more diversified loan portfolio. We used to have a much higher share of consumer loans, but mortgages have now considerably increased in our portfolio, thanks also to the income tax rebate program. But there is also a potential risk of shocks in the real estate market that we need to monitor in the coming years. ➤



AraratBank has regularly issued corporate bonds for many years. Have there been any interesting developments over recent years on this front?

— Yes, we have always been active in this area. This year, we have successfully conducted the placement of the 27th and 28th issues of our own bonds. Our outstanding corporate bonds currently come to a total nominal value of 18.2 million USD, with interest rates between 4.5% and 5.75%. These are usually medium-term bonds; the latest maturity date we currently have is in June 2028. When it comes to our professional issuance services, we worked with the National Mortgage Company this year to issue two tranches of bonds, each worth 5 billion AMD. In the case of the National Mortgage Company, the buyers consisted

mostly of pension funds. For our own corporate bonds, around 99% of investors consist of individuals. We have managed to achieve some level of financial literacy in the country, so people are better at planning their savings. Thanks to our efforts, our customers now differentiate between deposits and corporate bonds. Our staff members take the time to explain the different levels of risk and return, as well as other nuances between these two products, helping customers make informed decisions about their savings. I mentioned that we have 18.2 million USD outstanding in corporate bonds. The lion's share of that amount consists of new investors or people putting in new investments, rather than customers converting their deposits to bonds. And, of course, our corporate bonds are guaranteed by the Arme-

nian Deposit Guarantee Fund, which gives our customers an added sense of security.

AraratBank has also made it possible for individual customers to invest in securities on the global market. What are your plans for development in this area?

— We have the AraratBank trading platform that gives our customers access to international capital markets. The platform uses Contract for Difference (CFD) trading to allow customers to have investment exposure to financial assets without physically owning the assets themselves. However, this service is mostly aimed at professional traders. We provide the platform and the customers conduct transactions themselves, which requires a certain level of knowledge and professionalism.

We plan to develop this service and target a broader base of investors who will not be traders. They will have a lower level of knowledge about trading, but our solution will allow them to buy stocks or bonds with one smartphone click. These will be long-term investors who are building their savings portfolio, not people speculating on the market and trying to make money from daily fluctuations. The platform will also allow them to obtain actual shares, rather than use CFD trading.

Regarding the knowledge and behavior of average Armenians who are investing as individuals, how have things changed in recent years?

— There are still some people who remember the loss of personal savings in the pre- and post-independence years, but the truth is that those generations did not have the range of options that people do today. They could not invest their savings in gold, foreign currency, or other assets, so they ended up risking everything into a single kind of investment. Today's diverse options require ongoing financial literacy efforts to build trust in the system.

Interestingly, we have seen a boom in cryptocurrencies over the past 10 years and people are quite fascinated by this idea. However, they should know that it is still considered quite risky as an investment option, since it is very volatile. The biggest asset management firm in the world, Blackrock, says that no more than 2% of one's portfolio should consist of bitcoin. In early 2024, the US Securities and Exchange Commission decided to approve bitcoin ETFs, and we can



OUR COMMITMENT EXTENDS TO OFFERING GREEN LOAN PRODUCTS, AND OUR EFFORTS WERE RECENTLY ACKNOWLEDGED WITH THE NVIROUM AWARD FOR CORPORATE SOCIAL RESPONSIBILITY FROM THE ARMENIAN ICC CHAPTER

now offer this to our customers on the AraratBank trading platform.

To what extent are environmental, social, and governance (ESG) factors becoming more mainstream in the Armenian investment community?

—I personally noted the importance of ESG as a topic in 2022 when I read the annual letter by Blackrock CEO Larry Fink, which focused on capitalism and sustainability as a core topic. He said that while global assets were estimated at 400 trillion USD in 2022, sustainable investments were only at around 4 trillion USD. When the most influential company in the industry makes a bold statement on ESG, this changes the rules of the game for capital markets as a whole. In Armenia, this is still not a big topic although it is gradually becoming

more visible. It is inevitable. We will eventually aim for a net-zero economy, but our pace towards this goal will be different from the pace in developed economies.

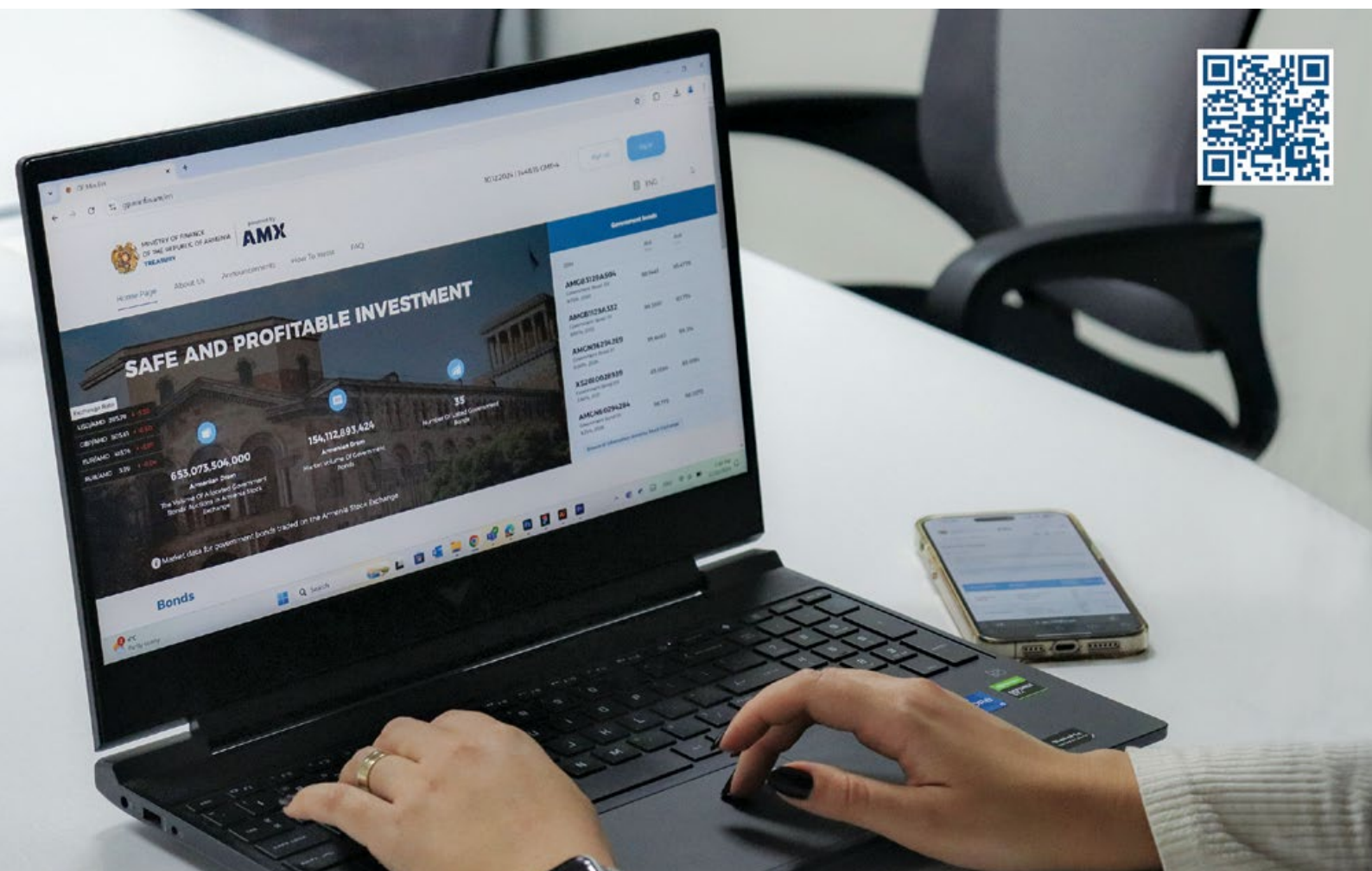
At AraratBank, we embrace the “stakeholders’ capitalism” that Fink emphasized in his 2022 letter. As part of our commitment to this topic, we were one of the first companies to join the re-launched UN Global Compact in Armenia in 2022, serving as a key partner at this year’s ESG conference. Our commitment extends to offering green loan products, and our efforts were recently acknowledged with the Nviroum Award for Corporate Social Responsibility from the Armenian ICC chapter. As an investment professional, I believe that one cannot ignore the topic of sustainability irrespective of whether one is investing in Armenia or abroad. ♦

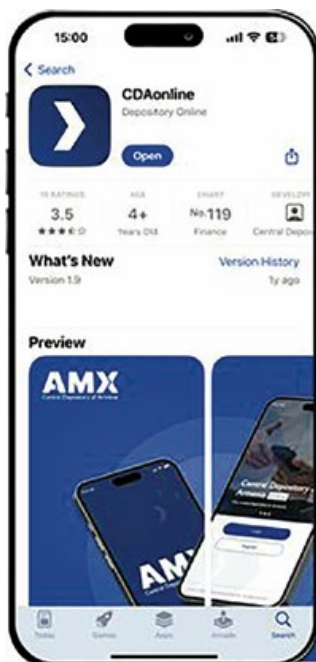
REVOLUTIONIZING CAPITAL MARKETS:

AMX's Tech-Driven Innovations

The Armenia Stock Exchange and Central Depository are employing cutting-edge technological solutions to redefine the way exchange members, investors, and issuers interact with the capital market. Regional Post explores the latest offerings available.

TEXT : ELINA MIRZOYAN / PHOTO : ARMENIA STOCK EXCHANGE (AMX)





< Download from App Store

> Download from Google Play



Just a few years ago, the mention of a stock exchange might have conjured images of a bustling trading floor, filled with noise, chaos, and a frenzy of transactions. Today, this traditional image has been completely transformed by the power of technology. Stock markets worldwide have evolved into highly efficient, digital ecosystems, where trades are executed with unprecedented speed, transparency, and accessibility. In Armenia, the AMX—Armenia Stock Exchange and Central Depository, are at the forefront of this transformation.

STOCK MARKETS WORLDWIDE HAVE EVOLVED INTO HIGHLY EFFICIENT, DIGITAL ECOSYSTEMS, WHERE TRADES ARE EXECUTED WITH UNPRECEDENTED SPEED, TRANSPARENCY, AND ACCESSIBILITY. IN ARMENIA, THE AMX—ARMENIA STOCK EXCHANGE AND CENTRAL DEPOSITORY, ARE AT THE FOREFRONT OF THIS TRANSFORMATION

CDA ONLINE: SIMPLIFYING INVESTOR CONNECTIVITY

One of the most impactful innovations developed by the Central Depository of Armenia is CDA Online, a comprehensive digital platform that bridges the gap between individual investors, companies, and their securities accounts. This user-centric solution allows participants to manage their portfolios, access real-time information, participate in electronic voting, and engage in corporate actions—all from the convenience of their devices.

Key features of CDA Online include:

- **Portfolio Reporting:** Investors gain real-time access to their securities accounts, transaction history, operator details, and information on corporate actions.
- **Transfer Services:** Whether it's a Free Delivery, Portfolio Transfer, DvP, or Fund Subscription, users can initiate and manage their transactions seamlessly.
- **E-Voting for Shareholders:** Shareholders can now actively participate in annual and extraordinary general meetings from anywhere. With secure access to agendas, voting options, and updates, corporate engagement has never been more convenient.
- **Online Securities Account Opening:** Investors can easily open securities accounts digitally without the need for physical presence at an account operator if they have a bank or brokerage account at one of CDA's partner financial institutions. ➤

- **Pension Fund Management:** Participants with funded pensions can check their account balances and adjust their pension fund details online, enhancing financial inclusivity and convenience.

E-VOTING: A GAME-CHANGER FOR CORPORATE GOVERNANCE

The E-Voting feature of CDA Online exemplifies the platform's transformative impact on corporate governance. Traditionally, shareholders' meetings required significant logistical planning, physical presence, and high costs. With E-Voting, the process has become more accessible, efficient, and transparent.

Some of its groundbreaking advantages include:

- **Remote Participation:** Shareholders and corporate administrators can join and manage meetings from anywhere, ensuring higher participation rates and flexibility.
- **Enhanced Transparency and Accountability:** Secure digital recording and archiving of voting data ensures compliance with modern corporate governance standards.
- **Simplified Administration:** Companies can easily organize meetings, share agendas, track voting in real time, and compile results, drastically reducing manual effort and the potential for errors.
- **Cost Efficiency:** E-Voting eliminates the need for physical venues, travel, and other logistical costs, while maintaining robust shareholder engagement.
- **Streamlined Processes:** Shareholders can register, review agendas, and cast votes with just a few clicks, enhancing the overall user experience.

AMXTRADER: EMPOWERING EXCHANGE MEMBERS AND SPONSORED CLIENTS

AMXTrader is the gateway to Armenia's capital market, offering a robust, digital platform that has transformed the trading landscape. By digitizing stock exchange operations, AMXTrader ensures faster order execution, increased trading volumes, and enhanced market liquidity. Designed to promote transparency, efficiency, and accessibility, it has become an indispensable tool for investors, exchange members, and sponsored clients seeking seamless engagement with Armenia's financial ecosystem.



What AMXTrader Offers

AMXTrader delivers a comprehensive suite of tools and features to facilitate participation in various market segments:

- **Access to Auctions:** Seamlessly participate in primary market auctions for government and corporate bonds, enabling direct investment opportunities.
- **Secondary Market Trading:** Effortlessly buy and sell government and corporate securities, ensuring liquidity and flexibility.
- **ETPs and Derivatives:** AMXTrader supports the trading of a wide range of exchange-traded products (ETPs) and derivatives, providing technological flexibility that drives AMX's growth and fosters the development of innovative products and services.
- **Currency Trading:** Engage in foreign exchange transactions for added financial opportunities.
- **Integration:** The trading system provides modern solutions for integration with financial infrastructure, enabling market participants to connect to the trading system using their own technological solutions.
- **Market Data:** Stay informed with real-time data, including bid and ask prices, market depth, trading volumes, and other essential market information.

AMXTrader simplifies and enhances the trading experience, catering to the needs of both seasoned investors and newcomers. Whether

trading bonds, stocks, or currencies, the platform provides a secure, efficient, and transparent path to success in Armenia's evolving financial market.

GP.MINFIN.AM: A SECURE AND EASY WAY TO INVEST IN GOVERNMENT BONDS

AMX's commitment to innovation extends to fostering public accessibility in the government bond market through its gp.minfin.am platform. Designed to simplify investment processes, gp.minfin.am provides a secure, user-friendly way for local and foreign retail investors as well as institutional investors to purchase Armenian government bonds directly.

This platform is a collaboration between AMX and the Ministry of Finance, aligning with the broader goal of promoting financial literacy and citizen participation in Armenia's economic development.

Key features of gp.minfin.am include:

- **Direct Purchase Access:** Individuals can easily buy government bonds online without intermediaries, ensuring a seamless and transparent investment process.
- **Secure Transactions:** The platform is equipped with advanced security measures, guaranteeing the safety of users' financial data and transactions.
- **User-Friendly Interface:** Even novice investors can navigate gp.minfin.am with ease, making government bond investment more inclusive.
- **Reliable Market Information:** Investors can access up-to-date details about bond issuance, yields, and maturity dates to make informed decisions. Foreign investors have access to real-time Central Bank exchange rates and an exchange rate calculator to account for rate fluctuations when making investment decisions.

gp.minfin.am not only democratizes access to government bonds but also supports the Armenian government in funding vital public projects, strengthening the bond between citizens and the nation's economic growth.

DRIVING THE FUTURE OF ARMENIA'S CAPITAL MARKET

The Armenia Stock Exchange, which owns the 100% shares of Central Depository, is not just keeping pace with global technological trends—it is actively setting new benchmarks for digital

DESIGNED TO SIMPLIFY INVESTMENT PROCESSES, GP.MINFIN.AM PROVIDES A SECURE, USER-FRIENDLY WAY FOR LOCAL AND FOREIGN RETAIL INVESTORS AS WELL AS INSTITUTIONAL INVESTORS TO PURCHASE ARMENIAN GOVERNMENT BONDS DIRECTLY



Hayk Yeganyan,
CEO of the
Armenia Stock
Exchange,
Chairman of the
Board at the
Central Depository
of Armenia



Ani Makaryan,
CEO of the
Central Depository
of Armenia

transformation in the region. These innovations empower investors, streamline corporate operations, and enhance market transparency, creating a vibrant ecosystem that supports Armenia's economic development.

Hayk Yeganyan, CEO of Armenia Stock Exchange, commented on the transformative role of innovation in Armenia's financial market: "At AMX, we are dedicated to building a financial ecosystem that connects Armenia's capital market with the global investment community. Our focus on cutting-edge platforms and international partnerships opens new avenues for cross-border investments, creating opportunities for both local and foreign investors. By enhancing market access and efficiency, we aim to position Armenia as a vibrant hub for financial activity in the region, fostering deeper integration with global markets and driving sustainable economic growth."

Ani Makaryan, CEO of Central Depository of Armenia, shared her vision for the company's future: "At the Central Depository, we are dedicated to leveraging the latest technological advancements to enhance the accessibility, efficiency, and reliability of our depository services. Our current platforms mark the first step in a broader transformation designed to streamline interactions for investors, issuers, and professional service providers alike. Looking ahead, we will continue to adopt innovative solutions that empower Armenian investors and issuers to navigate and succeed in the ever-evolving global financial environment."

As AMX continues to implement forward-thinking solutions, it reinforces its role as the cornerstone of Armenia's capital market—a driving force that is not only modernizing the financial landscape but also positioning Armenia as a regional leader in financial technology.

In a world where innovation defines progress, AMX and CDA are proving that the future of finance in Armenia is not just digital—it's transformative. ♦

“MARKETS LIKE SCALE!”:

Armbrok’s Vision for Armenia

Armbrok was established thirty years ago as a limited liability company and has now evolved into the leading investment firm in Armenia and an open joint stock company. We sat down with CEO Aram Kayfajyan and Head of Marketing Lilit Harutunyan to discuss the company’s development and its vision for the future of investment in Armenia.

TEXT : NAZARETH SEFERIAN / PHOTO : ARMBROK

Aram Kayfajyan believes that over the past three decades, Armbrok has both witnessed and actively contributed to the parallel growth of Armenia’s capital markets and economy. “Capital market developments drive economic growth, but the relationship also works in reverse—higher GDP and increased resources fuel the expansion of capital markets. In Armenia, we’ve observed these two grow hand in hand,” said Kayfajyan.

A DYNAMIC TEAM

Expatriates and repatriated Armenians make up around one-fourth of the professional staff at Armbrok. This is quite natural given that the expertise and experience needed to work in this field were virtually nonexistent in the country until recently. “There were no asset management companies in Armenia, so there was no way to get an internship and learn on the job. Now, our expat professionals are training junior staff members and helping them grow. As a result, five years later, we will have around one hundred asset managers in Armenia, whereas the number just three years ago was zero,” Kayfajyan stated. He believes that practical experience has clear superiority over academic training in this sector. “If I have a choice between someone with a humanities degree who has interned for six months at Goldman Sachs and someone with a bachelor’s degree in finance but no experience, I’ll go for the intern,” he said. The international flavor of the Armbrok team also comes with a fresh corporate culture, making the company a dynamic and fascinating employer. “Our expats have transformed how our team approaches work. For instance, they’ve inspired our staff to take up various after-work hobbies, such as running and other sports. In 2024, we proudly





sponsored the Yerevan Marathon, where many of our team members participated and successfully crossed the finish line,” said Lilit Harutyunyan, Head of Marketing. She believes that the secret to Armbrok’s success lies in its people.

INVESTMENT OPPORTUNITIES IN ARMENIA

Armbrok has grown into a regional company, with more than 75% of its clients for asset management and brokerage services based abroad. At the same time, the company stays attuned to the Armenian market, recognizing its immense potential. “We’ve seen significant growth in the bond market. Today, there is over 1 billion USD in outstanding volume—a figure that was unheard of just a few years ago. Investing in bonds has now become a common practice,” Kayfajyan stated. The equity market, meanwhile, is lagging behind. Kayfajyan mentioned two factors to explain this. “First, the instrument itself is lacking—there aren’t enough Armenian companies issuing stock here. Then, there is the technical aspect—it’s currently easier to access the New York Stock Exchange directly than the one in Armenia. Moreover, there is little incentive to develop the necessary technological solutions, since the equity market remains so small.” Plans are underway to develop the technology, but most Armenian companies are simply not big enough to present compelling stock offerings. “There is obviously no company in Armenia comparable to the scale of Apple. But there aren’t even enough companies at the scale of, say, Kaspi Bank in Kazakhstan. In Georgia, two major banks control 75% of the market share between them. In

contrast, Armenia’s largest banks each hold only 10-15% of the market share. This isn’t big enough for their stocks to be attractive to secondary markets. Markets like scale!” Kayfajyan explained. A few large companies in Armenia have the potential for an interesting equity offering, but these have opted not to go to the market for varying reasons. The Ararat Brandy Company, for example, is owned by Pernod Ricard, a listed company and part of the CAC40. It is the group’s policy that none of the companies it owns should be listed separately. Additionally, several other family-owned companies in Armenia have chosen to remain private either because they do not require additional resources or because they prefer not to share ownership of their businesses. However, the team at Armbrok believes that the market will continue to evolve, and over time more companies will opt to offer equity in Armenia, complementing the existing range of corporate and government bonds. Importantly, the ecosystem in the country is favorable and conducive to investment. The key factors—the rule of law and an attractive tax regime—are already in place, but more awareness is needed to attract investors, including Diaspora Armenians. Kayfajyan spoke confidently of the existing potential, “In the 1990s, the only investment opportunities that existed were in private equity, which carried significant risk. At that time, Armenia was also in a different place in terms of the rule of law. Now, we offer a range of opportunities and a much stronger ecosystem. So, we need to spread this message—it is time to invest in Armenia!” ♦

MAKING INVESTMENT MORE ACCESSIBLE, BUILDING A RESPONSIBLE INVESTMENT CULTURE

An Interview with Apricot Capital's Executive Director, Vachik Gevorgyan

Regional Post sat down with the Executive Director of Apricot Capital to discuss how the company makes the investment market more accessible while prioritizing social impact.

INTERVIEW : MARGARIT MIRZOYAN /
PHOTO : APRICOT CAPITAL

Mr. Gevorgyan, In recent years, Armenia has seen significant growth in both the number and activity of investment companies. Apricot Capital has quickly established itself as one of the sector's leading firms. What factors contributed to this, and what services does your company offer?

— Recently Armenians and our neighbor countries are becoming increasingly interested in investments, with more people wanting to explore securities. At Apricot Capital, we want to provide them with the tools and knowledge they need to make informed investment decisions at the most optimal cost. We believe everyone should have the opportunity to build their financial future and grow their wealth through financial instruments. That's why we do our best to offer competitive commissions, allowing individuals and companies in Armenia and abroad to access global markets and invest in a wide range of investment instruments like



stocks, ETFs, bonds, currencies, futures, options, structured products, and more. We also made it easy for people to start investing through us by removing the minimum deposit requirement, creating an online account opening option directly from our website, and offering a user-friendly mobile app for investing on the go. We also started the Apricot Academy initiative, which is a core part of our corporate social responsibility (CSR) commitment. The Academy provides free online resources, including articles, podcasts, and an investor's glossary, covering everything from basic investment concepts to advanced concepts. Additionally, we have a 14-day demo account where aspiring investors can gain practical experience without risking real capital. I'm happy to state that thanks to our professional team and partnerships, we are now an established player in the sector with a solid client base, and in the process of international expansion.

You seem quite committed to investor education. How does this translate into practice?

— Yes, indeed. We're particularly excited to announce an upcoming collaboration with Newmag—the publication of an Armenian translation of an international bestseller on financial literacy. This will provide the public with an invaluable resource. We also partner with major employers to conduct investment literacy training for their staff. This commitment to education also shapes our internal culture. We encourage continuous learning and development within the team regularly enabling our team to participate in international conferences to stay up to date on the latest trends and best practices. This allows us to bring world-class investment expertise to the Armenian market.

You mentioned Apricot Academy, how else does Apricot Capital engage in corporate social responsibility?



WE'RE OPTIMISTIC ABOUT THE FUTURE OF INVESTMENT CULTURE IN ARMENIA AND BELIEVE THAT THE GROWING INTEREST IN INVESTMENTS WILL HAVE A POSITIVE IMPACT ON ARMENIA'S ECONOMIC DEVELOPMENT

— We're proud to be the primary donor for the "AREV – EREKHANER" Children's Health and Development Center NGO, which organizes educational and recreational programs for children and youth with Down syndrome. Other initiatives are carried out through the Amaryan Charitable Foundation, co-established by our founder, Vardan Amaryan. For example, in 2024 the foundation supported the creation of free educational videos on classical music in partnership with the Primavera Foundation Educational Academy, the Casekey 2024 student competition's Academy program, and contributed to the creation of a Senior Center program in Goris for lonely elderly people. We believe in giving back to the community and supporting important causes.

Looking ahead, what are your key priorities for Apricot Capital?

— Armenia is experiencing a significant increase in what we call retail investors—individual investors who are seeking to diversify their savings along with traditional bank deposits. They are increasingly drawn to instruments like stocks, which offer higher potential returns, and government bonds, which provide tax advantages. Of course, these instruments, along with higher return potential, also carry inherent risks. For this segment, our priority is to provide them with clear and digestible information, enabling them to explore investments responsibly. At the same time, we continue attracting high-net-worth individuals and companies, who are more interested in more complex instruments like structured notes and investment funds. We're optimistic about the future of investment culture in Armenia and believe that the growing interest in investments will have a positive impact on Armenia's economic development. ♦

APRICOT ACADEMY: Cultivating Responsible Investment Culture in Armenia

Shaping a responsible investment culture in Armenia begins with financial literacy. Following this principle, Apricot Capital CJSC, a leading investment company, launched its Apricot Academy initiative – a free online platform providing educational resources in Armenian and English, making investment knowledge accessible to all.

TEXT : MARGARIT MIRZOYAN / PHOTO : APRICOT CAPITAL



<
Apricot Academy
online platform



Apricot Academy offers a wealth of resources, including:

- The Apricot Investor's Glossary series, which breaks down complex terminology into easily digestible pieces.
- Q&A with Apricot series that addresses the most frequently asked questions about investments.
- Apricot Talks: The Smart Investor's Podcast, designed to empower the audience with the knowledge for informed financial decisions.




The platform goes beyond theoretical learning by emphasizing practical experience. A 14-day demo account allows aspiring investors to experience market dynamics using non-real funds, enabling them to experiment with different strategies and build confidence in a risk-free environment.

Accessibility is at the core of Apricot Capital's mission. Its online platform ensures individuals across Armenia can access valuable financial education.

Apricot Capital also actively engages with the academic community. The company gives its staff the flexibility to lecture at Armenia's top universities, co-organizes informative masterclasses with partner universities, and hosts interns. Through these initiatives, Apricot Capital invests in developing a new generation of financially savvy individuals who can contribute to a more financially secure society. ♦

Apricot Capital

Your Gateway to Global Markets

-  **The platform of choice for smart investors**
-  **One of Armenia's largest taxpayers**
-  **Doing Digital Awards 2024**



apricot.

A leading investment company licensed by the Central Bank of Armenia, Apricot Capital CJSC offers brokerage, asset management, custody, and advisory services.

Global Markets

We serve a diverse range of investors

- ▶ Individuals
- ▶ Institutional investors
- ▶ Professional financial market players
- ▶ High-net-worth individuals
- ▶ Family offices

Broad range of instruments

- ▶ Stocks and ETFs
- ▶ Bonds
- ▶ Currencies
- ▶ Futures and Options on regulated and OTC markets
- ▶ Structured products and more

Why choose Apricot Capital ?

- ▶ Maximize your returns with low commissions.
- ▶ Start investing today with no registration fees or minimum deposit.
- ▶ Enjoy commission-free currency exchange at good exchange rates.

Visit our website to learn more and open your account

apricotcapital.am | 060707111

Apricot Capital is regulated by the Central bank of Armenia

Investments are subject to market fluctuations and carry inherent risks



EAGERNESS TO INNOVATE, DYNAMIC ENVIRONMENT: *A Recipe to Attract Investment*

Gurgen Mardoyan, Head of PMI Science R&D Center Armenia, sat down with the Regional Post to talk about the country's potential to scale up success in science and engineering, as well as the challenges faced by the field.

INTERVIEW : ARSHAK TOVMASYAN / PHOTO : PMI





You have stepped into this role at an exciting time. How do your experiences and vision shape your approach to leading the Armenian R&D Center?

— My journey as an engineer and a leader of technical teams of electronics, mechanical, software, and firmware engineers, has prepared me well for this role at the PMI Armenia R&D. At PMI, we work with an even broader range of disciplines, including chemistry, material science, data science, and AI. This diversity is key to driving innovation and solving complex challenges. I'm focused on creating a collaborative environment where cross-functional and multidisciplinary projects are the norm. My vision is to foster a space where innovation thrives, leveraging our collective expertise to develop cutting-edge solutions and drive technology forward.

What goals or priorities have you set for yourself in this role, especially given Armenia's evolving investment landscape and scientific community?

— Given Armenia's evolving investment landscape and its strong engineering, IT, and scientific communities, my primary goal is to harness this potential more effectively. PMI is not

MY VISION IS TO FOSTER A SPACE WHERE INNOVATION THRIVES, LEVERAGING OUR COLLECTIVE EXPERTISE TO DEVELOP CUTTING-EDGE SOLUTIONS AND DRIVE TECHNOLOGY FORWARD

a closed system; we actively engage with external partners to bring in fresh ideas and tackle challenges that benefit from diverse expertise. There are numerous opportunities to explore, and my priority is to initiate and execute more high-impact projects from Armenia that significantly contribute to PMI's business. By leveraging local expertise and fostering collaboration, we can drive innovation and make a substantial impact.

How has the center's mission evolved since its inception, and what are its key goals today?

— Since its inception, the mission of the Armenian R&D Center has evolved significantly. Initially, our focus was on

finding the right model for our setup and identifying the key scientific and engineering disciplines that could bring the most value. Today, we have largely settled on these aspects and have established a few key directions where our contributions are most impactful to PMI's business. Our current goals are to leverage these established directions to drive innovation and deliver high-impact projects that align with PMI's strategic objectives.

What are the main areas in which the center operates?

— The Armenian R&D Center operates in three main areas: the Mathematical Center of Excellence (CoE), Experimental Engineering, and Innovation Management.

The Mathematical CoE is our largest group, focusing on Data Science, Data Engineering, Mathematical and AI models, Statistics, and Analytics. This team provides critical insights to many organizations within PMI and develops new tools used across the company.

The Experimental Engineering team works on the early phases of innovation, exploring new ideas, building

prototypes, and testing them. They collaborate with numerous scientific and engineering partners in Armenia to push the boundaries of what's possible.

The Innovation Management team is dedicated to bringing fresh ideas from the scientific community into PMI. They connect Armenia R&D with partners worldwide to tackle the most complex challenges, ensuring that our center remains at the forefront of innovation.

The PMI R&D Center in Armenia is a success story for foreign investment. What factors contributed to this success, and how can it serve as a model for other international companies?

— The success of the PMI R&D Center in Armenia is due to several key factors: an agile and rich environment, top talent eager to seize opportunities, and strong engineering, scientific, and IT ecosystems. Establishing a small engineering team requires political will, but the dynamic environment and the strong will of the people drive the rest. This model demonstrates how leveraging local talent and ecosystems can lead to significant growth and innovation



PMI'S DECISION TO INVEST IN ARMENIA HIGHLIGHTS THE COUNTRY'S STRONG POTENTIAL FOR FOREIGN DIRECT INVESTMENT. **ARMENIA OFFERS A DYNAMIC ENVIRONMENT WITH TOP TALENT IN ENGINEERING, IT, AND SCIENCE, EAGER TO INNOVATE**

for international companies. When discussing the influx of international companies, it is evident that the presence of multinational corporations in Armenia significantly enhances the likelihood of attracting further investments. The establishment of these companies signals a stable legislative environment, sustainable business practices, and a highly qualified talent pool. This, in turn, creates a more attractive and conducive atmosphere for additional multinational enterprises to consider Armenia as a viable investment destination.

What advantages does the establishment of this center bring to Armenia, the region, and PMI?

— The establishment of the PMI R&D Center in Armenia brings several advantages to Armenia, the region, and PMI. For Armenia and the region, it opens up numerous opportunities for the local scientific, engineering, and IT communities to contribute their ideas and efforts, fostering innovation and growth. For PMI, it leverages Armenia's dynamic and rich environment, tapping into top talent and strong ecosystems in engineering, science, and IT. This collaboration not only enhances PMI's capabilities but also supports its transformation towards a smoke-free future, integrating high-tech solutions into its product offerings while remaining a leader in the FMCG industry.





PMI's decision to establish operations in Armenia represented a major foreign direct investment. In your view, what does this experience tell other potential investors about Armenia's business environment and investment climate? Also, how can we make it more attractive?

— PMI's decision to invest in Armenia highlights the country's strong potential for foreign direct investment. Armenia offers a dynamic environment with top talent in engineering, IT, and science, eager to innovate. This experience demonstrates that Armenia's business climate is conducive to investment, supported by a skilled workforce and a welcoming government. To make it even more attractive for high-tech investments, improving the logistics for sourcing components and materials, as well as exporting physical prototype units, will significantly enhance the high-tech segment. This will also support PMI's efforts to conduct quick and agile experimentations, further boosting innovation and development.

PMI's grants and research funding significantly contribute to Armenia's scientific ecosystem. Why are these investments important for PMI, and what are the primary directions?

— These investments drive innovation and support high-tech solutions, aligning with PMI's strategic goals. By fostering a strong scientific community, PMI leverages local expertise and fresh ideas, enhancing its R&D capabilities. The primary directions are ecosystem development projects, which create new capabilities, and scientific projects, which utilize these capabilities to bring direct value to PMI. Together, these investments strengthen Armenia's scientific ecosystem and significantly contribute to PMI's innovation efforts.

Looking ahead, how do you envision the center's role within Armenia's scientific community and its broader potential in the region?

— I envision the Armenian R&D Center playing a pivotal role within Armenia's scientific community and the broader region. The center will continue to foster innovation by leveraging local talent

and expertise, driving high-impact projects that contribute to PMI's strategic goals. By collaborating closely with local universities, research institutions, and industry partners, the center can help elevate Armenia's status as a hub for scientific and technological advancement.

What are the primary challenges the center has encountered in Armenia?

— The primary challenge is keeping up to fast iteration speed requirements for experimentation and prototyping which are limited by logistics. Additionally, while Armenia has a strong talent pool, there is always the challenge of continuously developing and retaining top talent in a competitive global market. Building and maintaining robust partnerships with local universities, research institutions, and industry players also requires ongoing effort and collaboration. Despite these challenges, the dynamic environment and strong will of the local community have been instrumental in overcoming obstacles and driving innovation. ♦

FOSTERING GROWTH IN FRONTIER AND EMERGING MARKETS: *A Collaborative Path Forward*

Dr. Konstantin Saroyan, Secretary General of the Federation of Euro-Asian Stock Exchanges (FEAS), and Armenuhy Hovakimyan, Deputy Secretary General of FEAS, highlight the importance of working together and creating platforms that encourage collaboration when it comes to developing the finance scene in new markets.

TEXT : KONSTANTIN SAROYAN, ARMENUHY HOVAKIMYAN / PHOTO : FEAS



➤
ConFEAS 2023



UNLOCKING POTENTIAL IN FRONTIER AND EMERGING MARKETS: CHALLENGES AND OPPORTUNITIES

In the dynamic landscape of global finance, frontier, and emerging markets are increasingly recognized for their potential to drive growth and innovation. These markets, often operating on the fringes of the global financial ecosystem, face unique challenges like being overshadowed by the dominant players of Wall Street, London, or Tokyo. Yet, within these markets, lies a story of untapped potential and unrealized collaborative efforts that could reshape the financial landscape if unlocked. However, together with these challenges, there are equally significant opportunities: the chance to foster resilience, innovation, and regional collaboration that can redefine the financial future of these economies.

CHALLENGES ON THE PATH TO DEVELOPMENT

The financial ecosystems of frontier and emerging markets often face hurdles—limited instruments, technological gaps, legal complexities, and small investor bases. While these markets are adept at identifying pathways to growth, their individual capacities often fall short of delivering the rapid transformations seen in developed economies. For instance, the combined market capitalization of FEAS member exchanges pales in comparison to giants like the NYSE. However, this does not mean stagnation; instead, it calls for smart, strategic collaborations.

Collaboration is the cornerstone of progress for smaller markets. Here are three key ways we see the cooperation between peer markets:

Frontier and emerging markets are characterized by diversity in size, structure, and maturity. Despite their differences, these markets share common hurdles that impede their progress:

TOGETHER WITH THESE CHALLENGES, THERE ARE EQUALLY SIGNIFICANT OPPORTUNITIES: **THE CHANCE TO FOSTER RESILIENCE, INNOVATION, AND REGIONAL COLLABORATION THAT CAN REDEFINE THE FINANCIAL FUTURE OF THESE ECONOMIES**

1. Strategic Partnerships with Advanced Markets: Learning from Examples

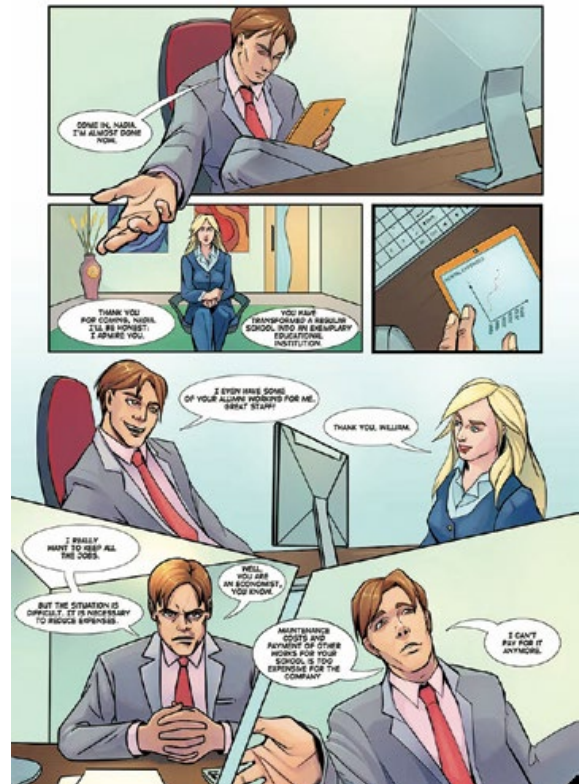
Partnering with more developed exchanges brings tangible benefits—advanced technology, shared expertise, and increased investor confidence. For example, the Armenia Stock Exchange's (AMX) strategic partnership with the GPW Group (Warsaw Stock Exchange Group) where GPW is a 65% shareholder of AMX. While these collaborations bring benefits such as resource sharing and capacity building, they can also pose challenges, such as aligning regulatory frameworks or managing differing strategic goals. Yet, the potential for growth often outweighs these hurdles.

2. Cross-Border Links: Connecting the Region by Building Bridges

This includes initiatives like Tabadul, which integrates exchanges fostering cross-listing and investment flows across the Middle East, North Africa and expanding through the whole region of FEAS and beyond, SEE Link, connecting Southeast European markets and AELP – African Exchange Linkage Project, improving debt and liquidity in Africa's capital markets. All these cases exemplify the power of regional cooperation. These platforms not only enhance market accessibility for investors but also pave

BORŞA CITY

ISSN 2738-2842
2022 / No.1



Borsa City comic book 2022 / N1



the way for innovative cross-border products. Another initiative – Shanghai-Shenzhen-Hong Kong Stock Connect became a necessity for the involved parties. After the liberalization reform policy in China, the Stock Connect became a quasi-natural experiment. That liberalization and connection initiative improves the market efficiency of the Chinese mainland stock market.

Furthermore, settlement systems like Clearstream and Euroclear play a pivotal role in settlement and custody services by ensuring seamless post-trade processes, enabling global investors to tap into local opportunities with confidence.

3. Knowledge Sharing: Power in Unity

Knowledge sharing remains an important point for individual exchanges and country ecosystems. Events such as ConFEAS bring together diverse stakeholders for large-scale discussions, while more intimate gatherings, like the Capital Market Talks, allow for in-depth exchanges of ideas. These forums foster collaboration, generate actionable insights, and build trust among market participants. They bring together thought leaders, regulators, and practitioners to exchange ideas, identify solutions, and inspire innovation.

FINANCIAL LITERACY: THE FOUNDATION OF PROGRESS

Financial literacy is a cornerstone of thriving capital markets, especially in frontier and emerging economies where knowledge gaps often limit market participation. Empowering individuals with the tools to understand financial systems not only enhances their ability to make informed decisions but also fosters trust and stability within the broader financial ecosystem. In markets where

ABOUT FEAS

The Federation of Euro-Asian Stock Exchanges (FEAS) has been a catalyst for collaboration since its establishment in 1995. Representing over 20+ countries with 40+ members, FEAS unites stock exchanges, depositories, and financial institutions to address shared challenges and seize emerging opportunities by providing platforms for knowledge sharing, capacity building, and networking.

More about FEAS:

FEAS – www.feas.org

ConFEAS – www.confeas.org

Comics – www.commics.feas.org

LinkedIn – [FEAS page](#)

THE VALUE OF COLLABORATION CANNOT BE OVERSTATED. IN A FRAGMENTED FINANCIAL LANDSCAPE, INITIATIVES THAT UNIFY EFFORTS AND POOL RESOURCES CAN ACHIEVE RESULTS THAT INDIVIDUAL MARKETS CANNOT ACCOMPLISH ALONE

access to formal financial education may be limited, innovative literacy initiatives play a crucial role in bridging these gaps.

Across the globe, frontier and emerging economies have implemented creative approaches to improve financial understanding. In Latin America, coordinated national strategies bring together governments, private institutions, and civil society to develop accessible financial education programs. Similarly, in Africa, initiatives targeting women and youth combine workshops, digital content, and community-based learning to address unique regional needs. Programs like these exemplify how tailored education can reach underserved groups, encouraging them to engage with financial systems confidently.

Imagine the impact of a regional platform delivering customized financial education across multiple languages and cultures. Such efforts not only empower individual investors but also elevate the collective maturity of our markets. For instance, Borsa City comic books have been translated into the 7 languages of FEAS member countries: Armenian, English, Russian, Greek, Arabic, Persian and Kazakh.

THE ROLE OF FEDERATIONS IN A TRANSFORMING WORLD

Regional associations and federations play a crucial role in addressing the shared challenges of frontier and emerging markets. By serving as platforms for dialogue, they bring together diverse stakeholders to discuss solutions, share resources, and advocate for change. These organizations foster unity and amplify the collective voice of their members on the global stage.

The value of collaboration cannot be overstated. In a fragmented financial landscape, initiatives that unify efforts and pool resources can achieve results that individual markets cannot accomplish alone. By focusing on shared goals—such as improving market efficiency, expanding access to capital, and fostering innovation—regional partnerships have the potential to drive transformative change. ♦

FINANCE FOR EVERYONE

Regional Post Caucasus sat down with the team of Consumer Empowerment Center of Central Bank of Armenia to discuss Armenia's journey towards financial literacy through their pioneering ABC Finance platform established by CBA.

INTERVIEW : MARGARIT MIRZOYAN / PHOTO : CENTRAL BANK OF ARMENIA



How would you assess the state of financial literacy in Armenia when you first launched ABC Finance and where are we today?

— The roots of ABC Finance date back to 2010, during a period of dynamic growth in Armenia's financial system. The 2011 Findex data showed that only 17% of adults had accounts with formal financial institutions, while many relied on informal loans. This highlighted the urgent need for financial education and inclusion. In response, the World Bank conducted a diagnostic review in 2012, calling for stronger consumer protection, clearer financial information, and a coordinated approach to financial education. By 2014, Armenia made a significant step forward with the Financial Capability Barometer, which showed a Financial Capability Index of 44%. Only 18% of respondents were financially literate, and savings rates were very low. Many managed debt by taking on new loans, emphasizing the need for financial literacy programs. By 2019, the index had improved to 46.8%, reflecting progress. Saving and budgeting behaviours saw positive changes, but knowledge and skills in using financial services still needed attention. Today, financial literacy in Armenia continues to grow. New challenges, such as digital finance, require focus, and the needs of different groups, from rural communities to young professionals, drive priorities. With ongoing efforts, Armenia is steadily working towards a more financially informed and empowered population.

ABC Finance was established by the Central Bank of Armenia as a public resource for financial literacy. What led you to the decision to create this platform and how has it evolved since then?

— The decision to create ABC Finance was driven by a thorough evaluation of Armenia's needs at the time, combined with insights from international practice, which showed the importance of public financial literacy plat-



forms. The 2008 global financial crisis underscored that financial stability depends not only on the regulation and supervision of financial institutions but also on empowering consumers with the knowledge to make informed decisions. To address this dual need—strengthening both institutions and consumers—the Central Bank of Armenia launched ABC Finance. Since its creation, the platform has undergone significant development. In 2017, the entire website was redesigned to enhance usability and align with evolving financial trends. The content is regularly updated to reflect new priorities, such as digital finance, long-term planning, and consumer protection. To stay relevant, we have embraced digital tools, introducing videos, interactive content, and even educational games, ensuring that the platform remains engaging and accessible to diverse audiences. Today, consumer empowerment is a key pillar of the Central Bank of Armenia's strategy. Through ABC Finance, we continue to build a financially informed population, leveraging innovative approaches to support Armenia's financial stability and resilience.

What specific barriers to financial education you are working to overcome in Armenia?

— In Armenia, our primary goal in financial education is to promote financial well-being by addressing key challenges. Like everyone else, we too face certain social and cultural barriers that can sometimes hinder our progress towards greater financial well-being. To understand the root causes of these obstacles, we regularly conduct behavioral research, which informs our plans and actions. For example, like many countries, we face a “present bias,” where people prioritize immediate needs over long-term planning. This leads to low savings rates and a lack of preparation for old age. Financial fraud is another growing concern, with only 32% of Armenians feeling confident in protecting themselves from scams and frauds. While seeking advice from others can be valuable, it is important to remember that what worked for someone else might not be the best fit for another person. Given the broad range of financial products offered by Armenian financial institutions, shopping around can be helpful on finding a better fit for one's individual needs. To empower informed decision-making, we have developed a digital tool www.fininfo.am, where users can easily compare financial products and find the best offers tailored to their specific circumstances.

Additionally, over 300,000 Armenians are over-indebted, struggling to repay their loans. This highlights the urgent need for better financial planning and responsible borrowing education. Steps are now being taken towards this issue as well.

Could you give us an overview of ABC Finance—what key objectives does it serve for Armenian citizens?

— Behind ABC Finance and other financial education programs is a dedicated team with a clear mission: to equip Armenian citizens with the knowledge, skills, and behaviour needed for responsible financial decision-making and improved financial well-being. To achieve this, we implement targeted programs for diverse groups. For example, we integrated financial education into school curricula, in the subjects like Me and the World Around Me, Mathematics, Algebra, and Social Studies. From 2017 to 2021, 9560 teachers from 1399 schools were trained to deliver this content effectively, and new textbooks infused with financial literacy concepts are being developed. Beyond schools, our efforts extend to rural communities. For instance, we introduced the handholding model, where trained individuals sup-



port participants for four months, helping them turn financial knowledge into lasting behaviours as research showed that classroom workshops are effective only in the short-run, but the result doesn't remain high in the long run. The ABC Finance website is a central hub for financial education. It offers resources on topics like loans, deposits, insurance, digital finance, and fraud prevention. The platform goes beyond static content, providing interactive tools such as calculators for pensions, deposits, loans, and salaries. Users can also play financial games, watch videos, and engage with content that makes learning both practical and enjoyable.

Our outreach does not stop at the website. ABC Finance actively engages citizens on social media platforms like Facebook, Instagram, YouTube, TikTok, and Threads, ensuring our resources are accessible to all and adaptable to their needs. Together, these initiatives make ABC Finance a key driver of financial literacy and well-being in Armenia.

Your platform combines educational materials, tools, and even games—how did you determine this format would best serve the users?

— The format of ABC Finance was determined through a blend of user feedback and international practice. We regularly engage with Armenian consumers, conducting focus group research to understand their needs, preferences, and challenges. This ensures that our offerings are relevant and practical for our audience. In addition, we leverage global best practices through our active participation in international organizations such as the Organisation for Economic Co-operation and Development International Network on Financial Education, and Alliance for Financial Inclusion. By exchanging ideas and best practices with other countries, we can adapt successful strategies to Armenia's context. For example, our decision to develop an e-learning platform, where users can take courses, complete tests, and earn certificates, stems from insights gained both locally and internationally. This project is a major initiative planned for this year, and we are optimistic about its potential. By combining local insights with global knowledge, we have created a platform that engages users in a meaningful way, making financial education accessible, interactive, and effective.

Your slogan is “Finance for everyone”. How did you examine the specific needs of different demographic groups in Armenia to ensure the platform is truly accessible and useful for everyone?



— The Financial Education Program and its Steering Committee play a key role in guiding our efforts. Armenia's Financial Education Program and its action plan, which is approved by the Government of the Republic of Armenia, has been implemented in two phases: the first from 2014 to 2019 and the second from 2021 to 2025. The program's committee is made up of more than 30 state and private organizations, ensuring the interests and needs of different societal groups are represented. Programs are developed collaboratively. For example, the Ministry of Education, Science, Culture, and Sports addresses the needs of schoolchildren and students, while the Ministry of Territorial Administration and NGOs highlight the priorities of residents in rural areas etc. Additionally, we engage directly with consumers, gathering insights through research and program evaluations. An essential part of this process is the Financial Capability Assessment, conducted every five years. This study provides valuable data and deep insights, helping us continuously refine our approach to meet the evolving needs of Armenia's population.

What role does ABC Finance play in the Central Bank's broader strategy for improving financial literacy, and how do you measure its effectiveness?

— ABC Finance, representing the Consumer Empowerment Centre's Financial Education and Inclusion division, plays a key role in the Central Bank's strategy for improving financial literacy by directly contributing to its strategic goal of consumer empowerment. Our approach emphasizes supporting consumers in making informed financial decisions.

The centre measures its effectiveness through a two-pronged approach:

Macro-level assessment: Every five years, they conduct a “Financial Capability Assessment” to gauge the overall financial capability of the entire society, providing a broad overview of progress and areas needing attention. Financial capability includes financial knowledge, skill, attitude, and behavior.

Micro-level program evaluation: Individual programs are rigorously assessed, often using different methods as Randomized Controlled Trials (RCTs), Difference in Difference (DID), and other tools. Examples include an RCT evaluating financial education in schools, which revealed positive outcomes, particularly for STEM students and those taught by trained teachers, and another RCT in villages demonstrating the effectiveness of personalized “handholding” assistance in navigating financial matters. These program-specific evaluations inform decisions on program continuation and necessary adjustments. ♦

IMPACT INVESTING:

Supporting Social Entrepreneurs in Armenia

While a conventional approach to investment calculates discounted net values and focuses on a financial return, Armenia is gradually witnessing the rise of impact investing, with enterprises funded for the social and environmental issues they help solve in addition to their commercial results. We spoke to the team at Impact Hub Yerevan regarding the work they are doing in this area through an initiative called VIA Fund.

TEXT : NAZARETH SEFERIAN / PHOTO : IMPACT HUB YEREVAN



➤ The Armenian delegation at Impact Days in Vienna, June 2022



LDIF empowers women through the production and sale of handmade items

It is no secret that Armenia, like every country in the world, faces a range of social and environmental challenges, like poverty, lack of accessible quality education, pollution, and so on. In the recent past, a new movement has evolved to tackle such issues—social entrepreneurship. Social enterprises are businesses that have a social or environmental problem as their core mission along with a value proposition in the market that allows them to make revenue while contributing to that problem's solution.

Aregak Bakery and Café in Gyumri is one of the leading social enterprises in Armenia. “Our mission is simple but powerful. We want to change stereotypes and provide workplaces for vulnerable groups and people with disabilities in Gyumri. By offering employment for vulnerable groups, we actively work towards reducing inequality in our community,”



said Tigranuhi Hakobyan of Aregak Bakery and Café. If you visit the café, you will see what many similar spots in Yerevan would offer—fresh croissants, good coffee, and a warm atmosphere. But what is different is that you will be served by young men and women with Down's syndrome, cerebral palsy, and other conditions that were, until recently, considered by many in Armenia to mean a lifetime of solitude and isolation. Thanks to the team at Aregak Bakery and Café, there is a whole new level of visibility for people with disabilities in Gyumri, which is leading to more awareness and less discrimination. ➤

◀ An Impact for Breakfast discussion at Impact Hub Yerevan

^ Aregak Bakery and Cafe is very popular in Gyumri

Gevorg Poghosyan and
Tijay Jeghelian

“Social entrepreneurship is an exciting field because it can lead to very innovative and successful businesses while also tackling serious issues in the country. Impact Hub Yerevan has a mission to support social entrepreneurs in the country – a key area of our focus for the past ten years,” said Gevorg Poghosyan, CEO of Impact Hub Yerevan, “When we started the Collaborate for Impact project with support from the European Commission and our partners, Impact Europe, we began to dive deeper into the issues of sustainable financing for social enterprises, and we came to the conclusion that Armenia needs a healthy impact investing ecosystem to meet the challenges our country faces.” Indeed, when a social business like Aregak Bakery and Café needs funding, going to a bank is usually not the best option. The banking system in Armenia does not currently have any financial products that consider or appreciate impact, nor do they understand the specific difficulties faced by social entrepreneurs.



“Globally, there is a gap in funding of more than 1 trillion USD when it comes to the needs of social enterprises. If this funding becomes available, it can go a long way to achieving the Sustainable Development Goals to which the international community has committed. We decided to lead the way on this issue in Armenia,” said Poghosyan.

Impact Hub Yerevan took action on several fronts to grow an impact investing community in Armenia. Thanks to funding from the European Union, they took several investors from the country to large impact investing conferences in Vienna, Brussels, Torino, and Bilbao, giving them a major opportunity to learn from experts in the field and network with peers from other countries. Impact Week, organized by Impact Europe, is a major event on the calendar of most impact-oriented funds, bringing together around one thousand people to discuss how the world’s social problems can be solved by providing the right kind of support. This is not just about tailored funding; social enterprises also need non-financial support like training and mentoring, along with an optimal approach to impact measurement.

“Taking our stakeholders to Impact Week allowed them to see the wider world of impact investing, inspiring the possibilities that this holds for Armenia. Over the past years, we’ve also organized several panel discussions and other events in Yerevan on various aspects of impact investing, allowing local companies and organizations to learn more

Social entrepreneurs undergoing
training at Impact Hub Yerevan

➤
An impact investment
discussion at Impact Days
in Vienna, June 2022



about this topic. Finally, we launched VIA Fund in December 2022 – the first impact fund for social enterprises in Armenia,” said Gevorg Poghosyan.

This approach has proven quite effective. Kirk Wallace had been providing support to various initiatives through the Whitt Family Foundation for a few years when he got an invitation from Impact Hub Yerevan. “I was asked if I wanted to attend an impact investing conference in Vienna and I decided to go. I learned a lot there and was inspired to take a different look at how I approached my work in Armenia. When Impact Hub Yerevan launched VIA Fund, I was the first to confirm my financial contribution!” said Wallace. While securing the necessary finances is important when it comes to funding social enterprises, Impact Hub Yerevan also actively develops the pipeline through various incubation and acceleration programs. “Many of the social entrepreneurs we see are self-taught – they know the problem well and have a passion to tackle it, but they need to learn about effective approaches to business, impact measurement, and so on,” said Tijay Jeghelian, Director of Programs at Impact Hub Yerevan, “We provide several months of comprehensive training followed by regular mentoring to make sure that our social enterprises are well prepared to grow and maximize the impact of the financial support they receive from VIA Fund.”

The support that VIA Fund provides aims to help social enterprises grow both in terms of business as well as impact. “Thanks to VIA Fund, we are training three more individuals with special needs, who will be able to gain employment with us,” said Tigranuhi from Aregak Bakery and Café.

“For the moment, we’re arranging a combination of grants and zero- or low-interest loans for our investees. We’re continuously evolving as a fund and looking forward to the day when we can go into equity investments. From Day One, we are seeking to respect the main principles of impact investing – intentionality, additionality, and measurability. Our funding is intended for specific impact, which would not have happened without that funding, and which needs to be clearly monitored and measured,” said Gevorg Poghosyan. Homeland Development Initiative Foundation (HDIF) was one of the first social enterprises in Armenia, empowering more than 150 women across the country by helping them produce a variety of handmade items that HDIF then sells around the world. “We relied heavily on exports and were doing quite well a couple of years ago until a couple of our big European buyers had financial issues and closed operations. Thanks to VIA Fund, we were able to experiment with local sales and secure a new stream of income that will hopefully now lead to more growth and further opportunities for the women that do this wonderful work in the regions of Armenia. As a result of the support from VIA Fund, our local sales have doubled over the past year and we are constantly adding new points of sale in the country,” said Tim Straight, founder of HDIF.

With 15 companies in its portfolio and more in the pipeline, Impact Hub Yerevan is inviting more individual and institutional investors to join the impact investing movement in Armenia. “This is a meaningful way to contribute directly to the national economy while helping solve serious challenges in the country,” said Gevorg Poghosyan. ♦

INSIDE THE ABBC:

Mission, Benefits, and Future Growth

In a conversation with Irina Chobanyan, Executive Director of the Armenian British Business Chamber, ABBC, Regional Post explores the organization's current trajectory and future outlook.

INTERVIEW : MARGARIT MIRZOYAN / PHOTO : ABBC

To start with, what is ABBC, and what drives its mission?

— The Armenian British Business Chamber (ABBC) is a business membership organization, BMO, created by local, UK, and multinational companies to represent their interests in Armenia. The Chamber's core mission is creating value for its members by enhancing Armenia's business environment and strengthening Armenia-UK trade and economic ties. In this role, ABBC serves as the primary business partner of the British Embassy in Yerevan. And of course, as a BMO, around 80 large, medium, and small companies currently comprise the ABBC membership representing more than 10 sectors of the economy.

As a business membership organization, why should companies become ABBC members? What specific benefits can these companies expect from ABBC membership?

— As is the case with all business membership organizations, ABBC provides its members with diverse growth opportunities, depending on the organization's stages of development. Currently, we specifically work and create value for our members within four important functions – business development, networking, information/knowledge sharing, and advocacy.



THE UPCOMING YEAR IS ABOUT TO BE MONUMENTAL FOR ABBC. IN 2025 THE ARMENIAN BRITISH BUSINESS CHAMBER WILL MARK ITS 15TH ANNIVERSARY, WHICH SIMULTANEOUSLY ALIGNS WITH THE LAUNCH OF ABBC BUSINESS GUIDE'S VERY FIRST PUBLICATION



Could you elaborate on each of these four functions?

— In regard to networking, in its daily operations, ABBC serves as a bridge to connect its members with different interested stakeholders, including fellow members from the private sector, or partners from the British Embassy Yerevan, other international missions, organizations, etc. Moreover, networking is a core component of almost every ABBC event, whether it is the Chamber's favorite unofficial networking evening gatherings—Thirsty Thursdays or more targeted quarterly Business Talks.

Within this important function of business development, ABBC also allows numerous promotional opportunities for its members through various platforms, including its quarterly newsletter ABBC Insider, the biennial publication of Business Guide, daily email disseminations, and, of course, ABBC social media platforms (Facebook, LinkedIn) which are all used to represent the ABBC members and address/pinpoint their needs.

Besides creating valuable business development opportunities, ABBC provides its members with value through sharing important information, knowledge, and expertise, whether through the ABBC network or from

outside parties, like international organizations and missions.

Finally, ABBC also serves as a one-stop-shop for any legislative issues that our members might encounter, providing a united front for the businesses to raise, monitor, and follow up on any legislative issues that might potentially prevent growth opportunities for local and international businesses. Thus, heavily emphasizing the importance of public-private collaboration in advocacy efforts for sustainable growth and development.

How is ABBC structured in terms of ownership and stakeholders?

— ABBC is a non-governmental organization where member companies serve as the main stakeholders. The Chamber's governance operates through the biennial Board of Directors' election from within its membership, with the Board then employing an executive team to implement strategic decisions. Ultimately, ABBC's members function as both key stakeholders and the primary governing force.

Given ABBC's partnership with the British Embassy in Yerevan, how does the Chamber maintain its presence in the UK and expand its international representation?

— One of the Chamber's mission components is developing further economic ties between Armenia and the UK. To strengthen this connection, ABBC launched its UK Representation Programme last year, appointing two representatives: Mr Haig Armaghanean, Founder and CEO of Haig Barret Partners, and Ms Arpine Manukyan, founder of 30 CP AM. These individuals serve as primary contacts for UK market inquiries and guide business relocation. They also actively recruit UK-based companies into ABBC membership and organize events in the UK, expanding the Chamber's network and creating new business development opportunities both in Armenia and the UK.

Looking ahead, what are some important dates on ABBC's calendar?

— The upcoming year is about to be monumental for ABBC. In 2025 the Armenian British Business Chamber will mark its 15th anniversary, which simultaneously aligns with the launch of ABBC Business Guide's very first publication. So, let's say, our next upcoming milestone is March 2025, when we will elect the ABBC new Board of Directors, celebrate the Chamber's 15th anniversary, and of course, mark all the recent achievements and growth within the organization. ♦

SIX FINANCE MINISTERS, TWO YEARS, ONE REPUBLIC:

Armenia's First Independence (1918-1920)

When Armenia's First Republic emerged in 1918, its Ministry of Finance became an unexpected center of change. Six ministers cycled through its doors in just two years, each lasting an average of four months. From Karchikyan's ambitious start to Terteryan's brief week-long finale, this financial merry-go-round mirrored the young republic's tumultuous quest for stability in a post-World War I world. Think of it as history's fastest game of political hot potato, where each minister inherited the challenge of building a nation's economy from scratch. Their efforts, however ambitious, became a footnote in history as Armenia lost its independence in November 1920. Meet the men who managed Armenia's finances in its brief taste of independence.



Khachatur Karchikyan
(06.07.1918 – 04.11.1918)



Artashes Enfiayyan
(04.11.1918 – 24.06.1919)



Grigor Jaghetyan
(24.06.1919 – 05.08.1919)



Sargis Araratyan
(10.08.1919 – 05.05.1920)



Abraham Gyulkhandanyan
(05.05.1920 – 23.11.1920)



Hambardzum Terteryan
(25.11.1920 – 02.12.1920)



KENAN POLEO
**HIS MAJESTY'S TRADE COMMISSIONER TO EASTERN
EUROPE AND CENTRAL ASIA**

Armenia is a dynamic and ambitious player in global trade, offering a wealth of opportunities for UK companies. The UK already has strong business ties with Armenia, with Armenia holding £370 million of UK investments, which makes us the second-largest investor in Armenian financial institutions and the fifth-largest in the country's real economy. The UK-Armenia Bilateral Investment Treaty, along with a Double Taxation Convention, provides robust protection for UK investors. Moreover, UK Export Finance has a £2 billion credit limit for Armenia to support investment and development in key sectors such as energy, infrastructure, and financial services. Several UK companies are already involved in significant projects, including the modernisation of Armenia's infrastructure and the development of key water reservoirs.

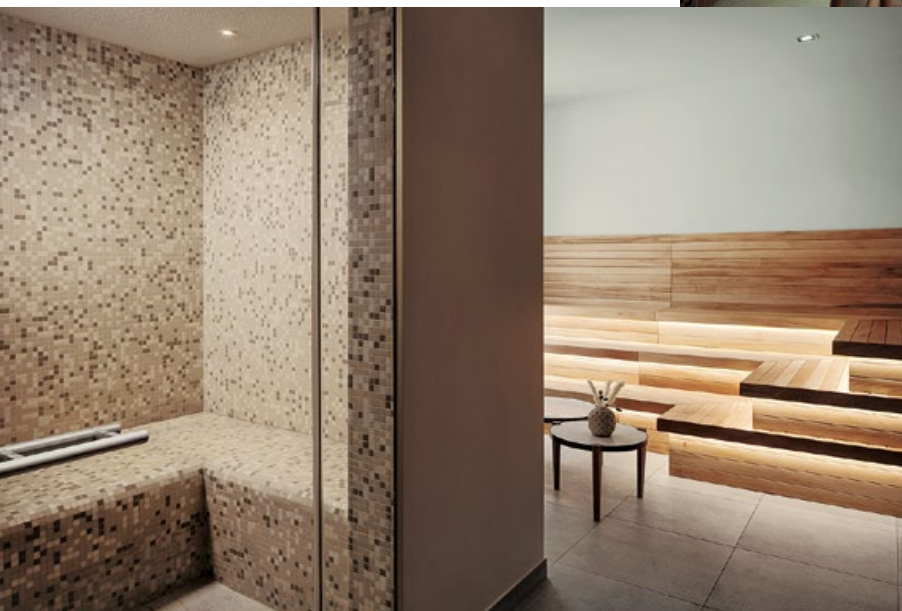
During my recent visit to Yerevan, I joined a panel discussion on AI regulation and ethics at the World Congress on Innovation & Technology, with the focus on how supporting businesses in the AI market and reducing trade barriers can help us all become more secure and prosperous. My meetings with Minister Papoyan and tech leaders from companies like PicsArt and TUMO highlighted Armenia's ambitions in technology and innovation, and how the UK's talent pool and expertise can support. As Armenia's first tech Unicorn, PicsArt expanded to the UK in 2021, establishing an office in London, with remote staff based in Edinburgh. My tour of Aregi Solar Park demonstrated Armenia's commitment to renewables, where UK expertise in clean finance and regulations can help scale its capacity for sustainability. Visiting Fast

Bank, which is Armenia's largest investor in the UK, was inspiring. In the long term, FastBank aims to further expand into the UK market, potentially evolving into a bank and establishing a global presence. I also visited Wigmore Women's and Children's Hospital, a key British investment, where I learned of the enormous opportunities for innovative British businesses to grow their operations in Armenia. The UK government is keen to support Armenian companies, including through the Global Entrepreneur Programme that help them expand globally, especially into the UK. The UK is committed to fostering a secure, prosperous, and resilient partnership with Armenia, driving mutual growth and innovation. The road ahead is full of promise, and I am confident that our diplomatic and commercial relationships will continue to flourish.

GIA

MIDDLE TERRANEAN
RESTAURANT

+374 44 100 900



*The Spa
at the Courtyard*

+374 44 100 500

go & sip

after work
cocktail room

+374 44 100 800



TERYAN 5 STREET, YEREVAN, ARMENIA