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On the March 24 of 2015 Meeting, the Board of the Central Bank of the Republic of Armenia decided to lower the Lombard Repo Facility Rate by 1.5 percentage points to 12.0% and leave the Refinancing Rate unchanged, at 10.5%.

There was 0.2% of deflation in February of 2015 compared with 1.2% of deflation recorded in the same month last year. The 12-month inflation rate reached 5.4% late in the month. The Board believes that the 12-month inflation in the coming months will hover around the upper bound of the confidence band but will approach the target afterwards.

Recent developments in the external sector were mainly in line with forecasts of the Central Bank made at the beginning of the year, in which case economic growths in the U.S.A., Eurozone and Russia are estimated to have been within forecasts. Deflationary trends in international markets of basic commodities and food products persisted, as were expected. Based on these developments, the Board admits that minor deflationary effects from the external sector in the coming months are likely.

The Board states that in the period January-February the domestic economic activity somewhat exceeded the expectations largely due to higher than expected growth in the agricultural and construction sectors. On the other hand, determined by the previous year's developments, the tension in the domestic financial and commodity markets has eased. Therefore, the Central Bank considers it reasonable to continue reducing short-term market rates, pushing the Lombard Repo Facility Rate down and helping it uphold an accepted 1.5 percentage point spread from the Refinancing Rate.

A zero or weak mechanism of reserve requirement for long-term funds attracted by banks became effective on the 1st of March this year, which, combined with other macroprudential measures taken on during the first quarter this year, substantially reduced the impact of the reserve requirement ratio which had been tightened in the previous yearend. This, in turn, involves easing of monetary conditions, and will further

contribute to the economic revival.

Later, as economic developments unfold, the Central Bank will adjust its monetary policy directions, while fulfilling the inflation target in the medium-term perspective.

Detailed information on the setting of the interest rate will be available in the Press Release (Interest Rate Minutes) due April 3, 2015.