

PUBLIC DEBT OF THE REPUBLIC OF ARMENIA

ANNUAL REPORT: 2016

“The 2016 annual Report of the Public Debt of the Republic of Armenia” was published by edition of the Head of Public Debt Management Department Arshaluys Margaryan.

The materials have been prepared by the staff of Public Debt Management Department of MoF - Artak Marutyan, Naira Grigoryan, Marine Harutyunyan, Gayane Malkhasyan, Anna Yeganyan, Varduhi Danielyan, Samvel Khanvelyan, Christine Khachatryan, Hasmik Stepanyan, Stella Mkrtchyan, Artur Hambardzumyan, Gohar Vardapetyan, Marine Melikyan and Samvel Khalatyan.

Contents

Macroeconomic Environment.....	4
RA Public Debt	6
RA Government Debt Service.....	11
Government Treasury Securities.....	14
Government Foreign Exchange Securities.....	20
RA Government Loans and Borrowings	22
External Debt of the Central Bank of RA.....	27
Cash Flow Management	28
Risks Analysis.....	31
Appendix 1. Government Treasury Securities Transactions in 2016.....	41
Appendix 2. Outstanding Government Treasury Securities as of December 31, 2016 (AMD million).....	46
Appendix 3. Government Treasury Securities Retail Market in 2016.....	49
Appendix 4. The Transactions of the Loans Borrowed by RA Government during 2016	51
Appendix 5. The Transactions of the Loans Borrowed by the Central Bank of RA during 2016.....	52
Appendix 6. Guaranties Provided by the RA Government and Outstanding as of December 31, 2016	52
Appendix 7. Government Treasury Securities Primary Market Agents.....	53

Abbreviations

GS	Government treasury securities
T-bills	Short-term bills
MTCN	Medium-term coupon notes
LTCB	Long-term coupon bonds
SCB	Saving coupon bonds
TD	Treasury Direct
<i>GDP</i>	<i>Gross National Product (Since 2015 the GDP is compiled by NSS RA according to System of national accounts 2008 (SNA 2008) international standard. GDP indicators for the period 2012-2014 have also been revised taking into account SNA 2008 and they are not comparable with the GDP indicators for the period 2000-2011, which had been compiled according to the System of national accounts 1993 (SNA 1993) standard. In April, 2017 the NSS of RA revised the GDP indicator for 2015.)</i>
NPV	Net Present Value
MTEF	Medium-Term Expenditure Framework
TSA	Treasury Single Account
MoF of RA	Ministry of Finance of the Republic of Armenia
CBA	Central Bank of Armenia
OPEC	OPEC Fund for International Development
AMD	Armenian drams
USD	U.S. dollars

Macroeconomic Environment

The economic growth slowed down in 2016 compared to the previous year. During the first quarter there was a rapid growth rate, however it significantly slowed down by the end of the year and amounted at 0.2% for the annual indicator. The latter was a consequence of: the unfavorable economic developments of the main partner countries, the decreases in international prices of the metals, the declines in the remittances from Russian Federation, consequently, the decline in the disposable income, to which the government reacted by carrying out countercyclical fiscal policy. The implementation of the countercyclical policy by the RA Government was also emanated from the need to attract additional funds from the domestic debt market in order to manage the cash flows, which was a consequence of the underperformance of the tax revenues program started from the second quarter of the year.

In order to stimulate the aggregate demand and to mitigate the results of the private investment weak activities, in 2016 expansionary fiscal policy was adopted. As a result, the deficit of the state budget was 5.5% of the GDP.

Economic Growth – In 2016 within the framework of the unfavorable economic developments in the global, there was recorded 0.2% GDP growth, which was less by 2.8% than the same indicator in the previous year. Moreover, the industry and service sectors had a positive impact on GDP growth, but the agriculture and construction had a negative impact.

External Sector – The trade balance improvement was due to the exceeding growth rate of the export compared to the import growth rate (correspondingly 11.6% and 3.4%). In comparison to the previous year, in 2016 the remittance inflows decreased by 8.6% continuing the declining trend of the previous two years. Aggregating the impacts, the deficit of the current account amounted at 2.7% of the GDP and retained the level of the previous year.

Exchange rate – In 2016 the average exchange rate amounted at 480.5 AMD against USD and depreciated by 0.5% compared to the previous year (477.9 AMD). To compare, in 2015 the average exchange rate depreciation was 13%.

Inflation – The deflationary tendency nascent in the middle of the previous year was retained during 2016. In 2016 the average deflation was 1.4%, which was mostly impacted by the weak domestic demand, by the low prices of some products formulated in the international markets, as well as by the food industry price declines due to the development of the agricultural sector.

Public Budget – Although the activity of the domestic economy weakened during the 2016, the share of the state budget taxes and duties in GDP slightly improved. According to 2016 data, the total revenue of the state budget as a share of GDP was 23.1% against 23.2% in 2015, and the taxes and duties as a share of GDP amounted at 21.3% against 21.2% in 2015. In 2016 the share of the state budget expenses in GDP increased mostly due to the current expenses and amounted at 28.5%, which was by 0.6% more than the same indicator in the previous year.

RA Public Debt

As of December 31, 2016 the RA public debt amounted at AMD 2,875.6 billion or USD 5,942.1 million. In comparison to the previous year the public debt increased by AMD 419.3 billion or USD 864.4 million, including the Central Bank debt which increased by AMD 13.8 billion or USD 28.3 million.

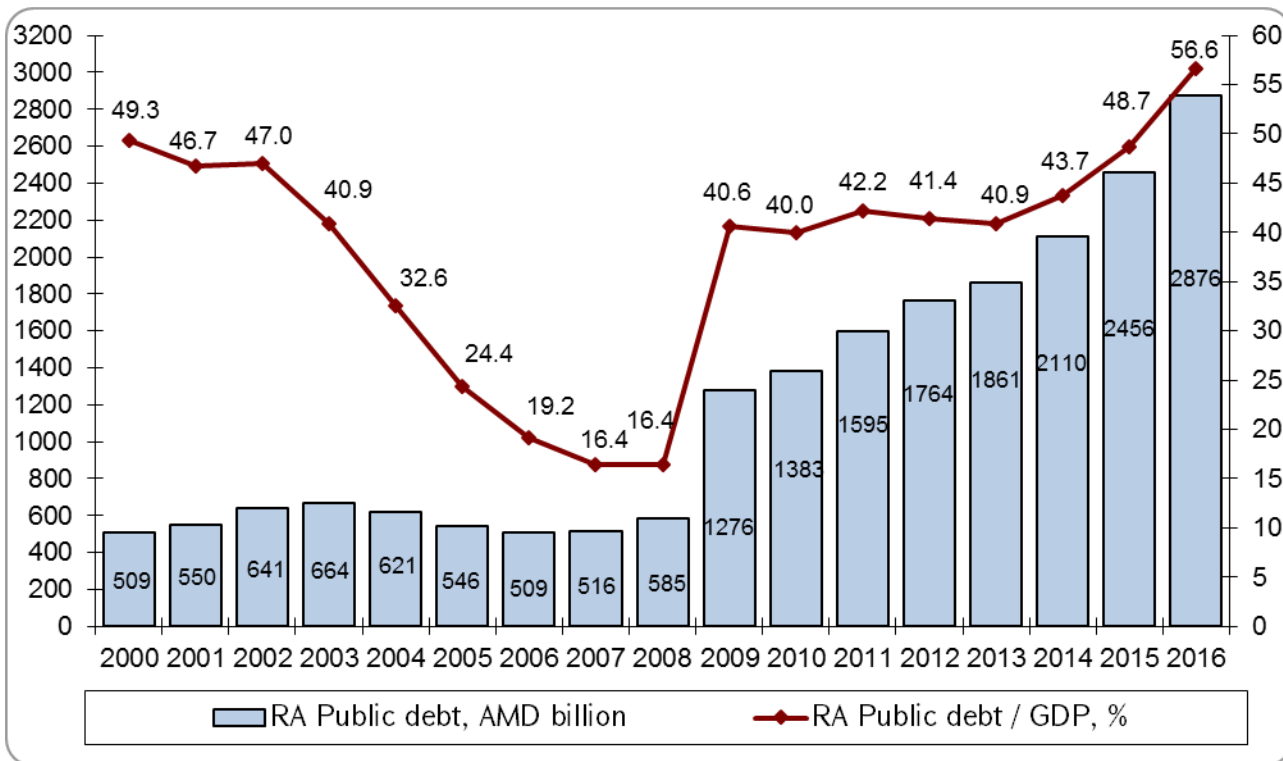
Table 1. Public Debt of the Republic of Armenia

	31.12.2015		31.12.2016	
	% of GDP	AMD billion	% of GDP	AMD billion
Public Debt of RA	48.7	2,456.3	56.6	2,875.6
of which				
Debt of the Government of RA*	44.1	2,225.9	51.8	2,631.4
of which				
<i>External Debt</i>	<i>36.8</i>	<i>1,857.5</i>	<i>41.0</i>	<i>2,081.4</i>
of which				
Credits and Loans		1,420.4		1,635.7
Government Treasury Bonds purchased by non-residents		0.7		8.0
Foreign Currency Denominated Bonds purchased by non-residents		436.4		437.7
External guarantees**				
<i>Domestic Debt</i>	<i>7.3</i>	<i>368.4</i>	<i>10.8</i>	<i>550.0</i>
of which				
Credits and Loans		-		-
Government Treasury Bonds purchased by residents		320.0		500.3
Foreign Currency Denominated Bonds purchased by residents		47.4		46.3
Domestic guarantees		1.0		3.4
External Debt of the Central Bank of RA	4.6	230.4	4.8	244.2
of which				
Loans provided with the Guarantee of the RA Government		68.1		70.8

* External and domestic government debts are distinguished by residency according to the 5th and 6th points of the second article of "The Law on Public Debt".

** All Government external guarantees were provided to the Central Bank of RA, and in order to avoid double counting they were included in the external debt of the Central Bank of RA.

Chart 1. Dynamics of the RA public debt and Public Debt/GDP ratios



The public debt over GDP share amounted to 56.6% on the December 31, 2016 which is 7.9% higher than the same indicator of the previous year. The increase of the share was mostly caused by the increase of the public debt and by the moderately low growth of nominal GDP (correspondingly 17.1% and 0.7%). During 2016 the external debt of RA increased by USD 489.4 million (AMD 237.6 billion) or by 11.3%, moreover, the surge was recorded mainly in account of Government external debt: USD 461 million or 12%.

2017-2019 Government Debt Management Strategy¹ estimated that the Government debt at the end of 2016 would not exceed the AMD 2,408 billion or the 44.3% of GDP. However, the Government debt over GDP exceeded the planned level and amounted at 51.8% exceeding the planned indicator by 7.5%. The main contributing factors were the lower level of the actual GDP against planned one, as well as the increment of GS allocations in order to smooth the state budget cash flows and to decrease the budget execution risks raised within lower performance of tax inflows starting from the second quarter of 2016.

¹ 2017-2019 Government Debt Management Strategy defines the planned Government debt indicators for 2016 and the forecasted Government debt indicators for 2017-2019.

In 2016 the Public budget deficit financing through domestic net funding (without promissory notes) comprised AMD 171.0 billion and in respect to the external net funding totaled AMD 238.4 billion.

Table 2. Public budget deficit financing in expense of the net borrowings (without promissory notes)

<i>(AMD billion)</i>	2015 actual	2016 program	2016 adjusted program	2016 actual
Domestic sources	13.9	42.0	53.8	171.0
External sources	302.9	141.1	183.8	238.4

The indicators of the public budget deficit financing in expense of the net borrowings (without promissory notes) that were envisaged in 2017-2019 Government Debt Management Strategy and were approved by the 2016 public budget were adjusted during the year.

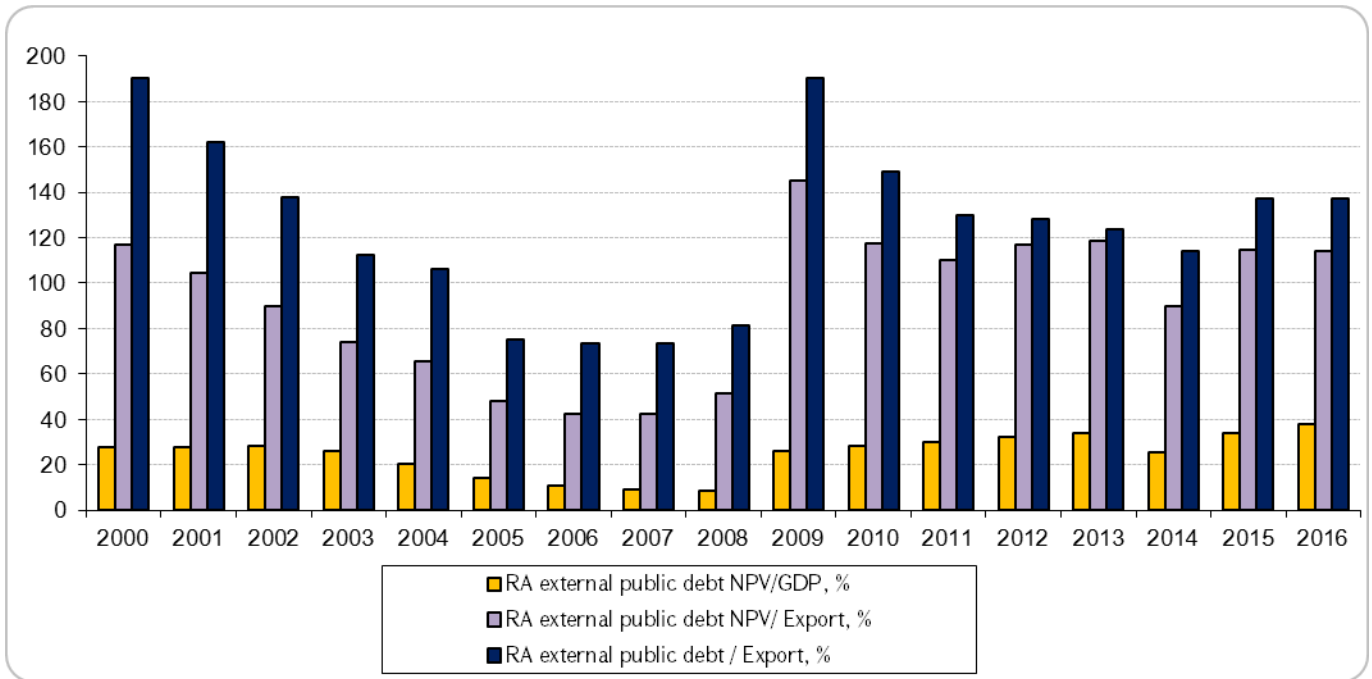
The difference between the adjusted program and the actual performance indicators of the deficit financing from the domestic sources was due to the supplementary allocations of GS in the existence of the excessive demand for GS in the domestic debt market during the year. The supplementary allocations of GS were executed in order to smooth financial flows and to manage the risks that followed lower performance of state budget's revenues and high performance of expenditures.

The deviation between the adjusted program and the actual performance indicators of the deficit in expense of external sources was due to the:

- Disbursements of 5 loan programs, that were not envisaged in the adjusted program and totaled AMD 1.64 billion (USD 3.43 million) or comprised 0.6% of the total actual disbursements of loan programs.
- Disbursements of 29 loan programs, that were envisaged with lower amounts in the adjusted program,
- Deviations of the 2016 planned exchange rate and the actual exchange rate formed during the disbursements processes of the project loans. Thus, during the 2016 the planned exchange rate was 473.4 Armenian drams per one U.S. dollar, however, the average exchange rate for 2016 was 480.49 Armenian drams per one U.S. dollar.

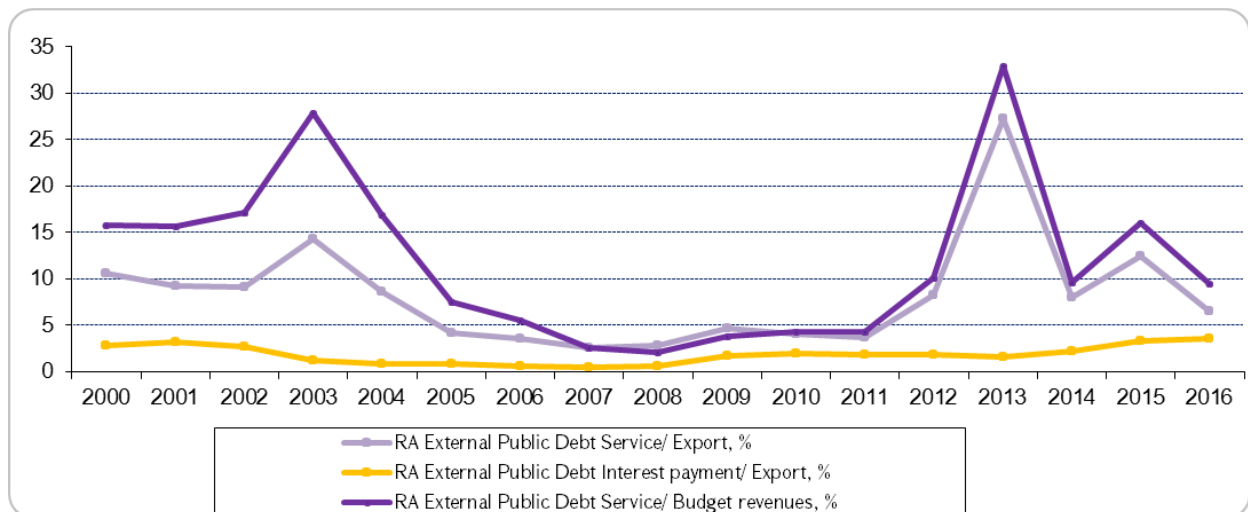
The indicators, characterizing the burden of 2016 RA external public debt, are depicted below.

Chart 2. The indicators characterizing RA external public debt



In comparison to the previous year the external public debt NPV over GDP ratio has increased by 3.7 percentage points, meanwhile the external public debt NPV over exports and the external public debt over exports ratios decreased correspondingly by 0.5 and 0.2 percentage points. These changes can be explained with the following: the external public debt denominated in US dollar increased by 11.3%, and nominal GDP increased only by 0.7%, as well as the export increased by 11.5%.

Chart 3. The indicators characterizing the service of RA external public debt



The indicators of RA external public debt service (redemption and interest payment) over the export and RA external public debt service over the budget revenues decreased in comparison to the previous year, correspondingly 5.9 and 6.6 percentage points, meanwhile the RA external public debt interest payments over export indicator increased by 0.3 percentage points. The changes in above mentioned indicators are explained by the following: RA external debt redemptions decreased by 63.6% in comparison to the previous year, and RA external debt interest payments increased by 21%, as well as the export increased and the budget revenues denominated in USD decreased by 1.6%.

RA Government Debt Service

In 2016 the Government of Armenia completely and timely fulfilled its responsibilities on interest payments.

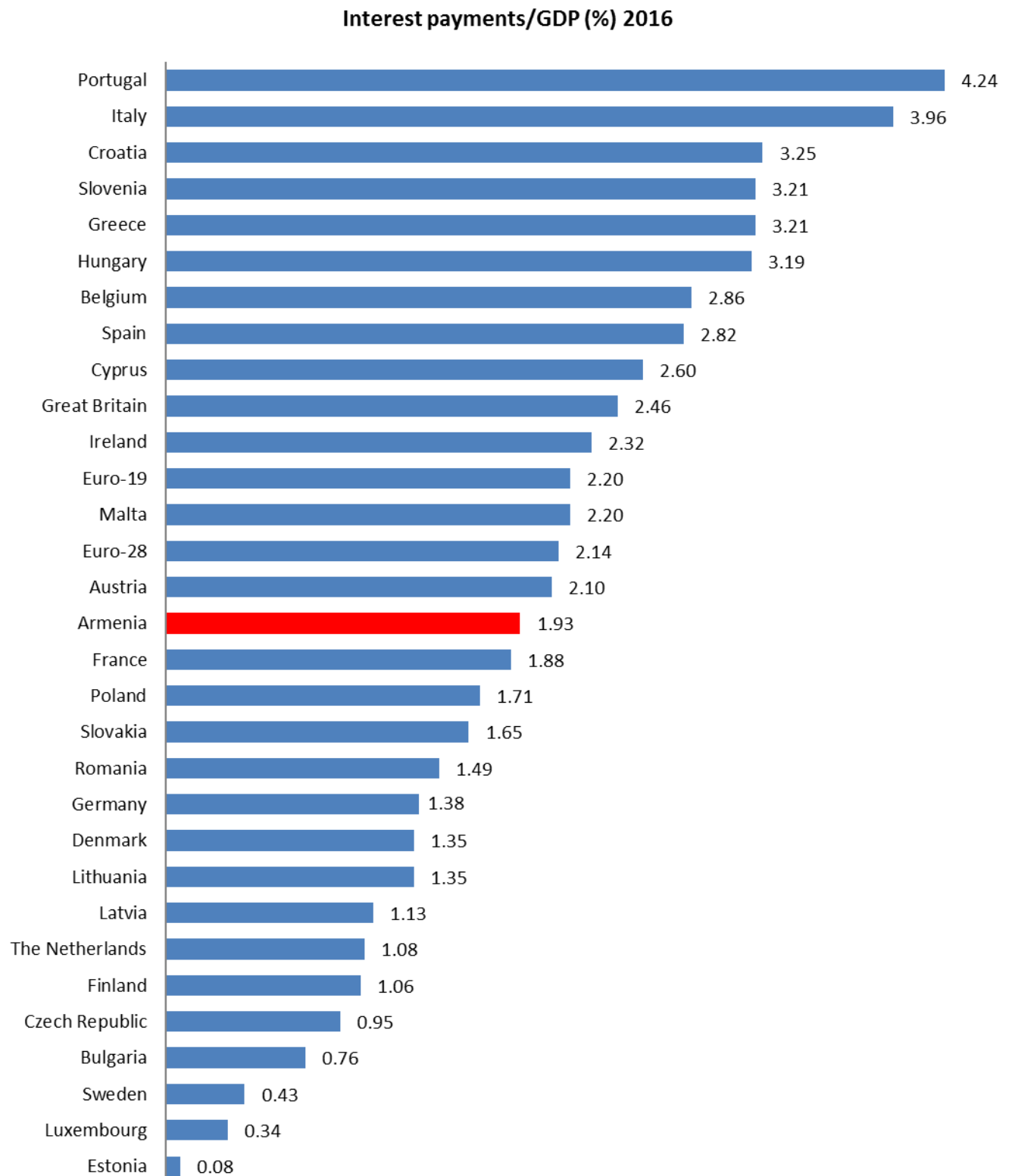
Table 3. RA Government Debt Interest Payments

<i>(AMD billion)</i>	2015 actual	2016 program	2016 adjusted program	2016 actual
Interest payments	74.08	100.62	98.70	98.27
of which				
<i>Domestic debt</i>	32.1	38.20	42.20	42.03
<i>External debt</i>	41.90	62.42	56.50	56.24

RA Government interest payments amounted at AMD 98.27 billion in 2016, which are AMD 24.2 billion or 32.7% more than the previous year. As a result, the share of service expenses in the state budget expenditures has increased by 1.5 percentage points and amounted at 6.8% in 2016, and the share of service expenses in GDP increased by 0.47 percentage points amounting at 1.93%. Service expenses increased for all debt instruments, but there were not recorded any significant changes in the structure of service expenses.

When comparing the share of RA Government debt service expenses in GDP within European Union countries, the interests over GDP ratio in Armenia is in the medium level.

Chart 4. Interest payments as share of GDP in different countries as of 2016



The increase in public debt service expenses in 2016 is mostly determined by the increase of the Government debt by 18.2%. The increase was due to:

- ✓ In 2016, the shift in the debt structure was driven by the increase in the share of GS which rose by 4.9 percentage points as of the end of 2016 and had higher interest rates compared to the external debt.
- ✓ The change in the applicable exchange rates for the foreign currency payments (particularly, the USD exchange rate increased from 411.21 to 473.4, namely 15.1%)

In addition, the weighted average nominal interest rate increased by 0.4 percentage points and amounted at 4.9% at the end of 2016.

The RA Government external debt interest rate payment program implied by the 2018-2020 RA Government Debt Management Strategy was adjusted during the year and was decreased by AMD 5.92 billion. This was according to the following factors:

- The difference between 6 month USD LIBOR, 6 month EURIBOR forecasts and the actual measures in 2016. Furthermore, the USD LIBOR was assumed to be 1.7%, however the actual average interest rate was 1.1% in 2016. In the case of EURIBOR the forecast indicator was 0.5%, and the actual average indicator was negative 0.2%.
- The unequal distribution of the external loans by months and their concentration on the fourth quarter of the year (December absorbed the 57.1% of all inflows of the year).
- The planned disbursements of some external loan programs were not fully received.
- The difference between the forecasted exchange rate of USD and SDR and the formulated actual exchange rate.

The domestic debt interest payments program envisaged by the 2017-2019 Government Debt Management Strategy was also adjusted increasing by AMD 4.0 billion. The aim was to secure those GS interest payments that were issued and refinanced for the state budget cash flow purposes during the second half of the year. As a result, not only the program of the state budget deficit financing (without promissory notes) via domestic sources was increased, but also the actual performance considerably exceeded the adjusted indicator for the year. Moreover, the historical low levels of LIBOR and EURIBOR rates restrained the service expenses of the loans borrowed almost in marketable terms.

Government Treasury Securities

The state budget deficit was planned to be financed by AMD 42 billion through government treasury securities in 2016. For that purpose, it was planned to allocate AMD 136.0 billion with the GS and redeem AMD 81.2 billion, and continue the policy of monthly repurchases.

However, starting from the second quarter of the year, new risks came up concerning to the state budget performance as a consequence of the under fulfilment of tax revenue program. As a result, additional GS were allocated within the favorable domestic debt market framework:

1. To smooth the cash flows of the state budget.
2. To create a “fiscal buffer”; which amounted at AMD 24 billion. The whole amount was deposited in CBA and was redeemed on 30th of December.
3. To support the monetary policy within the framework of monetary and debt management policies coordination. AMD 36 billion T-bills were issued and deposited in CBA that envisaged to be matured during 2017.

Compared to the planned indicator, the state budget deficit financing in expense of GS was actually financed more by AMD 129.0 billion.

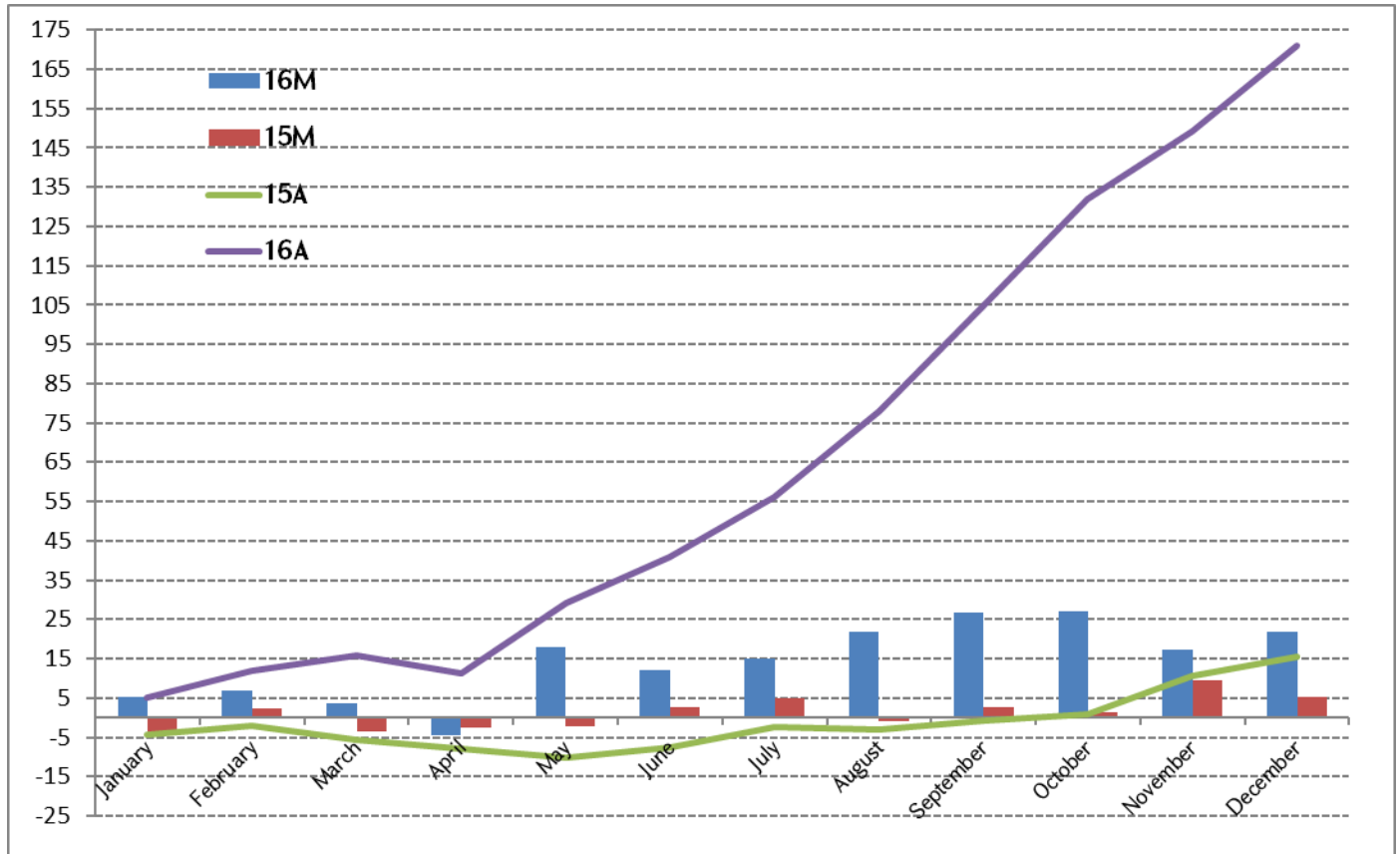
During the year the monthly and accumulative indicators of the deficit financing through GS is depicted in the Table 4.

Table 4. Monthly and accumulative data of the budget deficit financing through GS (AMD million)

	Monthly		Accumulative (increasing)	
	2015	2016	2015	2016
January	(4,450)	5,183	(4,450)	5,183
February	2,411	6,815	(2,039)	11,998
March	(3,544)	3,688	(5,583)	15,686
April	(2,407)	(4,531)	(7,990)	11,155
May	(2,191)	17,911	(10,181)	29,066
June	2,721	11,967	(7,460)	41,033
July	5,044	15,093	(2,416)	56,126
August	(774)	21,861	(3,190)	77,987
September	2,541	26,809	(649)	104,796

October	1,487	27,108	838	131,904
November	9,630	17,220	10,468	149,124
December	5,097	21,882	15,565	171,006

Chart 5. Monthly and accumulative financing of RA State budget deficit (AMD billion)



The accumulative financing of RA 2016 state budget deficit, being positive at the beginning of the year, had stably increased recording positive indices throughout the year.

As of December 31, 2016 the volume of outstanding GS amounted at AMD 508.33 billion, which was more by AMD 187.6 billion or by 58.5% in comparison to the same indicator of the previous year. The structure of the GS was as follows:

Table 5. The structure of the outstanding GS

	2015		2016	
	(billion AMD)	(Share)	(billion AMD)	(Share)
T-bills	21.50	6.7%	78.84	15.5%
MTCN	153.89	48.0%	212.69	41.8%
LTCB	144.35	45.0%	214.65	42.2%
SCB	1.03	0.3%	2.15	0.5%
Total GS	320.77	100%	508.33	100%

As of December 31, 2016 the structure of GS by days to maturity was as follows:

Table 6. The structure of GS by days to maturity as of December 31, 2016

	Program	Actual
Up to 1 year	15.0%	22.9%
1-5 years	55.0%	44.0%
5 and more years	30.0%	33.1%

The table 6 shows that the GS actual structure according to the days to maturity deviated from the programmed structure. Short-term and long-term GS increased their share in the structure; meanwhile, the medium-term GS decreased their share.

The appendix 2 includes information on outstanding GS.

The weighted average maturity of GS amounted at 2208 days as of December 30, 2016 against 2065 days as of December 30, 2015 and the weighted average yield was 13.15% against 13.99% at the end of 2015. As a result, the weighted average maturity was managed to be prolonged by 143 days. The weighted average yield of GS decreased by 0.84 percentage points, which was mainly caused by the decline of the GS primary allocations' weighted average yield by 3.5 percentage points in 2016 compared to the previous year (it decreased from 14.61% to 11.07%). In addition, the decrease in the average yield of the primary allocations was due to the gradually reduction of the refinancing rate by the CBA, and due to the existence of excessive liquidity in the market.

Chart 6. Dynamics of GS interest rates and maturity in 2016

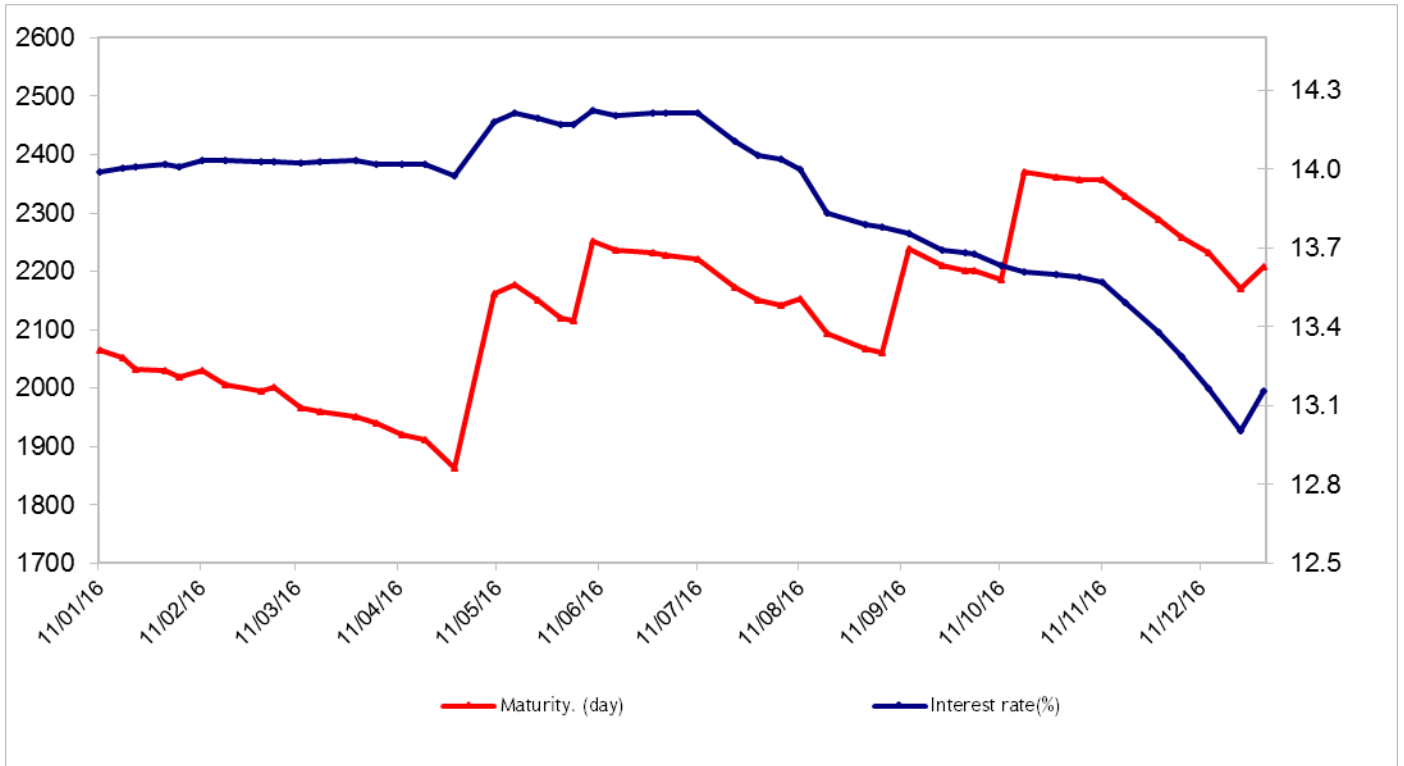
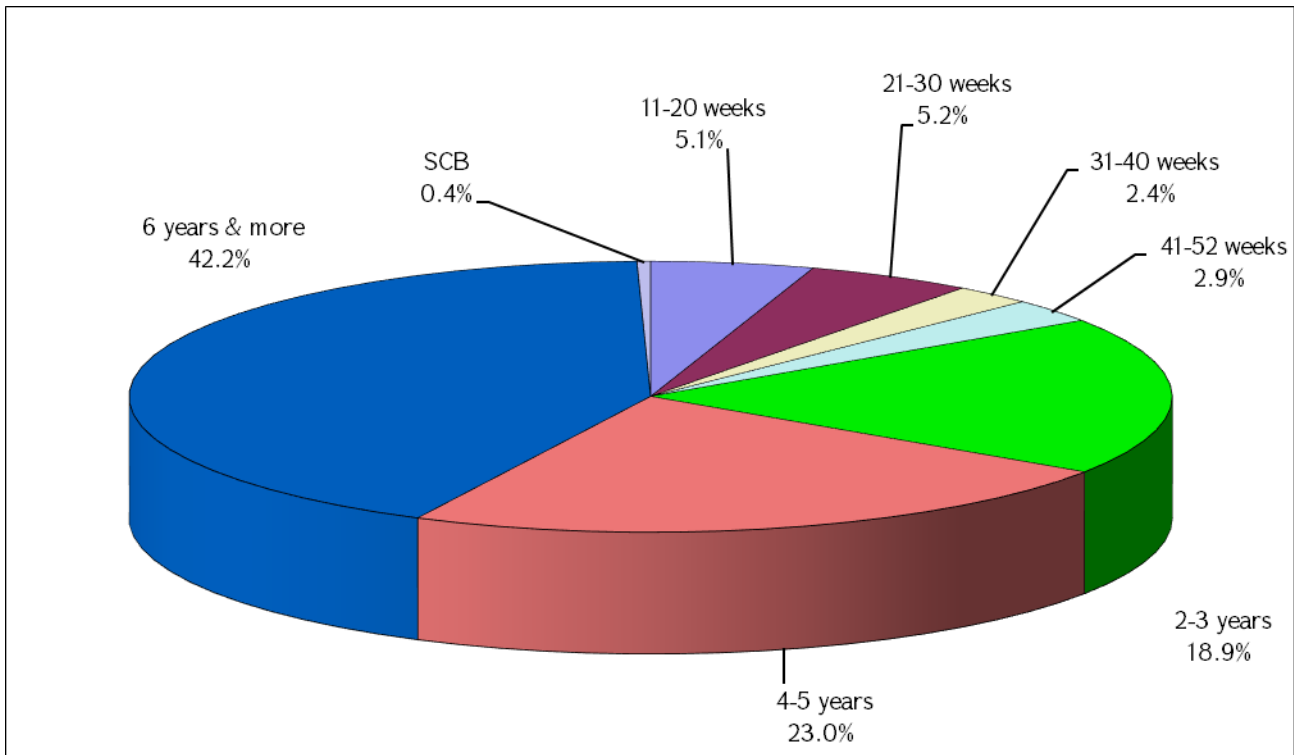


Chart 7. The structure of GS by issuing maturity as of December 31, 2016



The volume of SCB (allocated through the TD system of MoF of RA and outstanding as of December 31, 2016) increased by 107.7% amounting at AMD 2,145.3 million. The detailed information on the GS retail market transactions is listed in Appendix 3.

Along with the increase of outstanding GS, the redemption and service costs increase as well.

Table 7. The distribution of GS redemption and interest costs during the year (AMD million)

	Redemption		Interest costs	
	2015	2016	2015	2016
January	4,499	2,425	249	102
February	13,583	3,003	6,059	7,447
March	16,121	5,736	655	331
April	20,122	35,909	8,056	9,645
May	8,288	4,314	340	243
June	3,524	5,712	176	10
July	3,471	3,281	119	231
August	9,021	2,701	6,925	7,210
September	4,422	11,372	271	245
October	17,259	13,749	8,453	15,817
November	6,467	15,356	375	272
December	4,767	25,775	453	475
Total	111,543	129,334	32,129	42,030

The higher payment in April of 2016 was the redemption of benchmark GS. Furthermore, the significant redemption increase in November and December was due to the issued and refinanced T-bills within the coordination framework of the monetary and debt policies. Comparably high volumes of service expenses in February, April, August and October were due to the benchmark bond services.

Following the international best practice of debt management and targeting to increase the liquidity of GSs, as well as taking into consideration the fact that the state budget revenues are

relatively high in April and October, the RA Ministry of Finance continues to focus its main repayments and service payments on two dates of the year; On April 29 and October 29. As a result, medium-term bond repayments are made in the first half of the year, while long-term bonds are in the second half of the year.

The detailed information on the transactions of the GS is in the Appendix 1.

The Secondary Market of the Government Securities

In comparison to the previous year, the number of transactions of the GS in the secondary market increased by 66%, the volume of the transactions increased by 82% which were results of the increase of the outstanding GS. The number of transactions in the over-the-counter increased by 10.36% in the total number of transactions. In 2016 the weighted average yield decreased by 1.92% which was due to the overall decrease of the interest rates in the Armenian financial market. The main characteristics of the secondary market transactions are presented below.

Table 8. The general description of the government securities transactions implemented in the secondary market

	2015	2016
The number of transactions	1425	2366
The total amount of transactions (AMD billion), of which	183.3	333.6
<i>Interbank market</i>	168.6	272.3
<i>NASDAQ-OMX Armenia</i>	13.7	54.3
<i>CBA transactions</i>	1.0	7.0
Secondary market indicators		
Weighted average interest rate of all transactions (%)	14.46	12.54
Weighted average time to maturity (days)	2873	3609
Weighted daily average amount (AMD million)	776.7	1,329.2
Daily average number of transactions	6	9

Government Foreign Exchange Securities

According to the 2016-2018 RA Government debt management strategy that was approved by the RA government, decree N 755 on 8th of July 2015 new issuance of Eurobonds was not planned. However, it was stated by the above mentioned strategy that the issuance of the new Eurobonds can be considered in the case of emerged fiscal policy implementation risks arose by the possible negative impacts from the external economy. As there were not any essential risks concerning the fiscal policy implementation during 2016, and the existing risks were managed via the existing domestic and external debt instruments, the RA government did not undertake new issuance of Eurobonds.

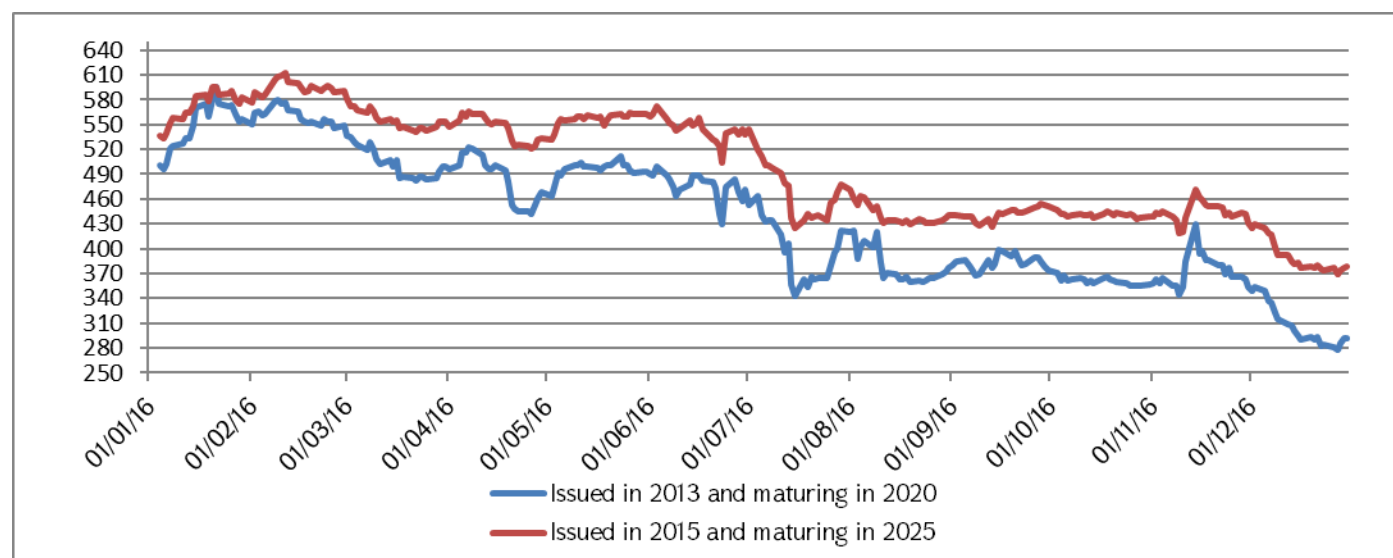
As of December 31, 2016 the volume of the outstanding foreign currency GS didn't change and amounted at USD 1,000.07 million, of which

- USD 500.07 million maturing in 2020 with a coupon rate of 6%,
- USD 500.00 million maturing in 2025 with a coupon rate of 7.15%.

As of December 31, 2016 the 9.6% (AMD 95.6 million) of foreign currency bonds were owned by residents. This indicator almost did not change in comparison to the previous year (it decreased only by 0.2%).

The price spread of 2013 and 2015 Eurobonds issued by RA Government and outstanding during 2016 is computed with respect to the same maturity US benchmark notes.

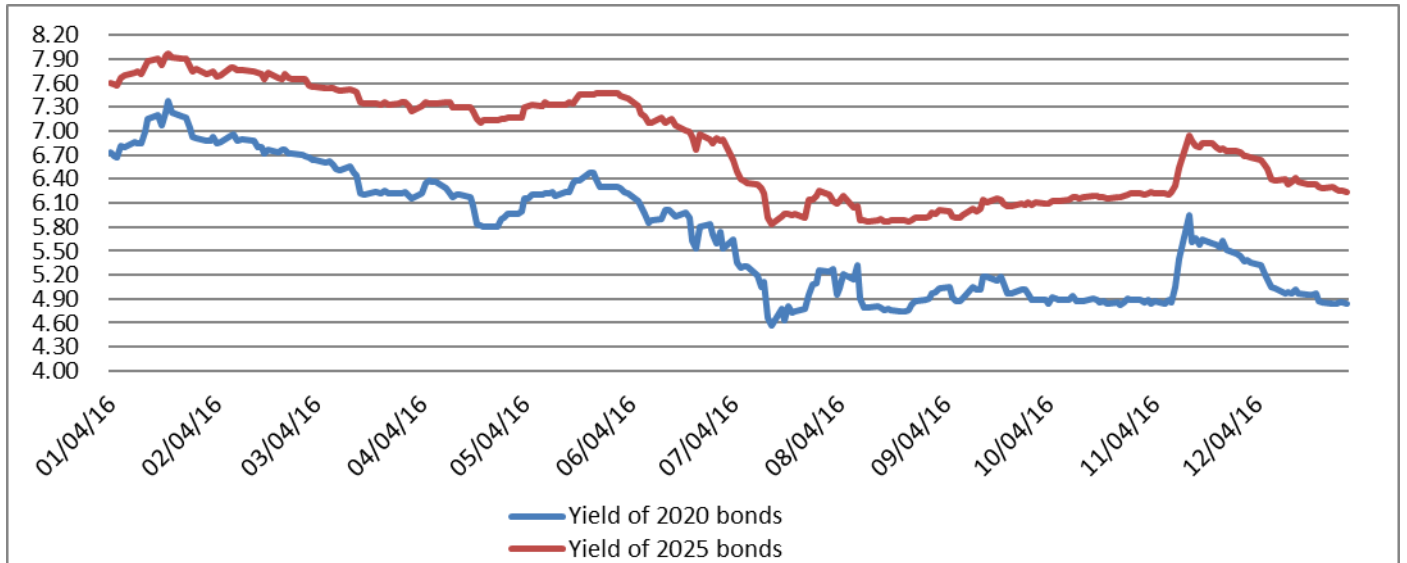
Chart 8. The price spread of RA Government Eurobonds towards USA benchmark securities during 2016 (basis points)



Source: Bloomberg

The quotation dynamics for the reporting year is depicted in the Chart 9.

Chart 9. The quotation dynamic of Eurobonds issued by RA Government in 2016 (%)

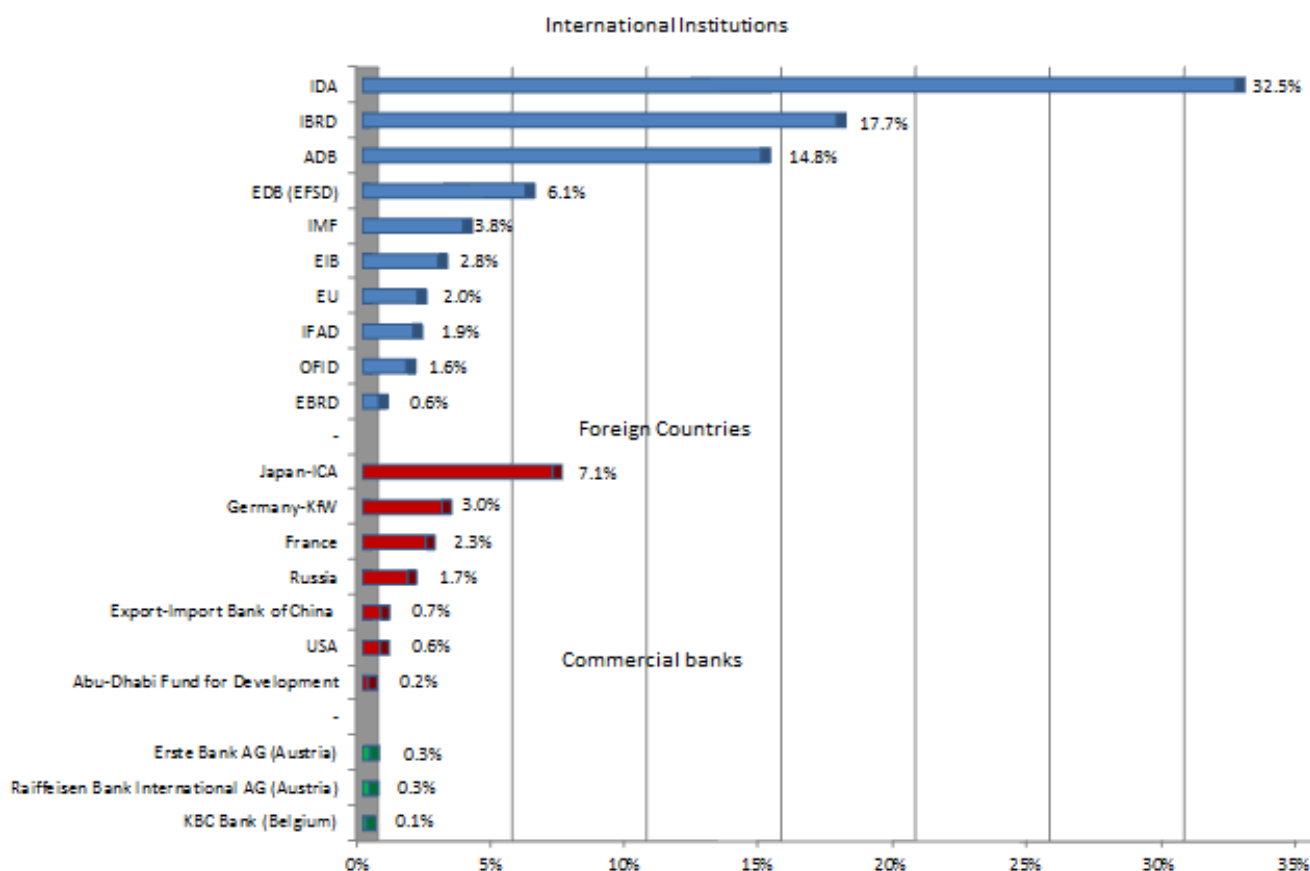


Source: Bloomberg

RA Government Loans and Borrowings

During 2016 ten new loan agreements were signed (more detailed information is available on the official website of the RA Ministry of Finance in the “Public Debt” sub-section). Compared to the previous year, the volume of the government loans and borrowings increased by 15.1% or by USD 3,380 million.

Chart 10. The structure of RA Government Loans and Borrowings by Donors as of December 31, 2016

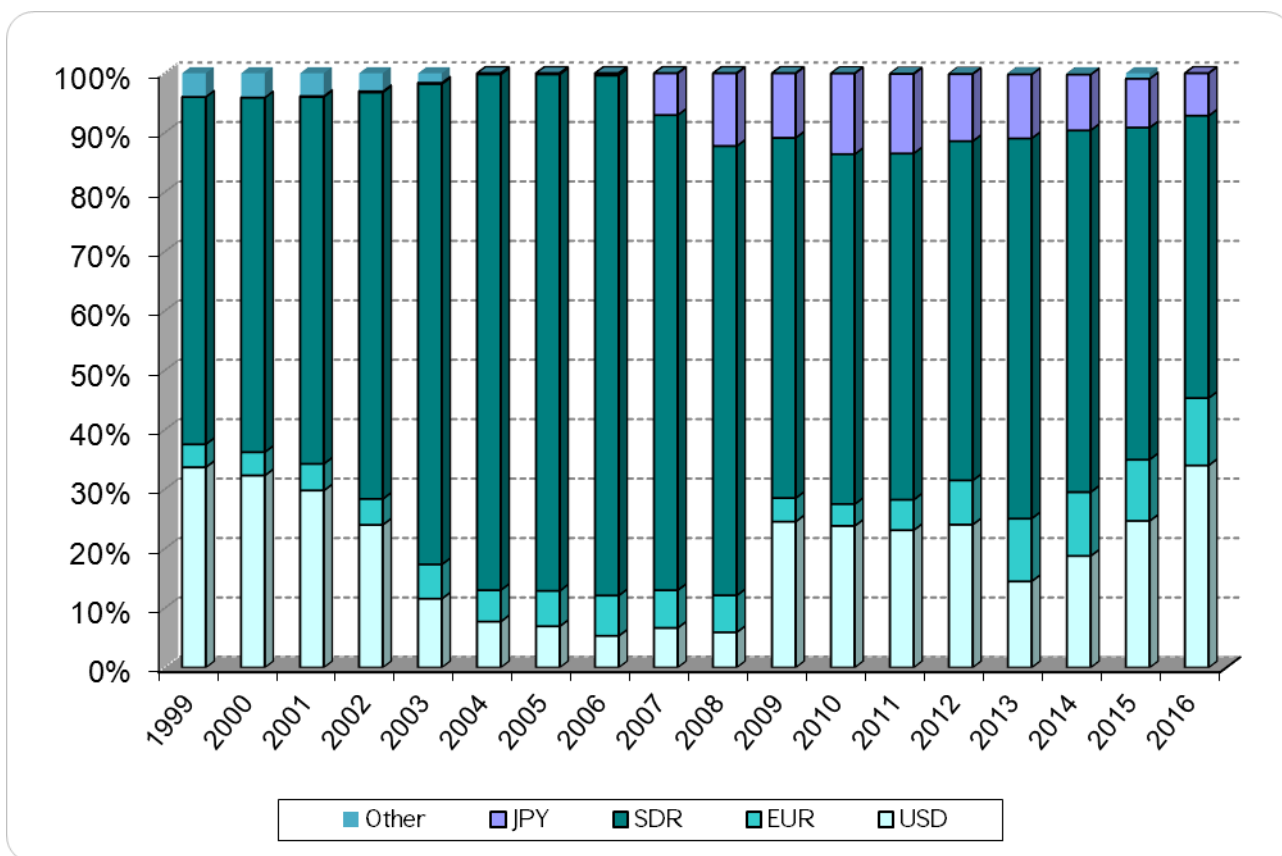


The share of the international financial institutions in the structure of the RA government loans and borrowings by donors has decreased by 1%. Particularly, the share of the International Development Association (IDA) has decreased by 6.3% and the share of the International Monetary Fund (IMF) has diminished by 1%; both declines are mostly explained by decrease of the exchange rate. At the same time, some of the international institutions have recorded increase of their shares. Hereby, the shares of the Eurasian Development Bank (EDB), European Bank for Reconstruction and

Development (EBRD), Asian Development Bank (ADB) and European Investment Bank (EIB) have increased correspondingly by 2.7%, 1.9%, 1.6% and 0.6%.

The share of the foreign countries has increased by 1.2%. The latter was due to the transactions of the loans from France and Russian Federation; their shares increased by 1.6% and 1.4%, respectively. Due to the repayments during the year, the shares of Japan and Germany decreased by 1.1% and 0.6%, accordingly.

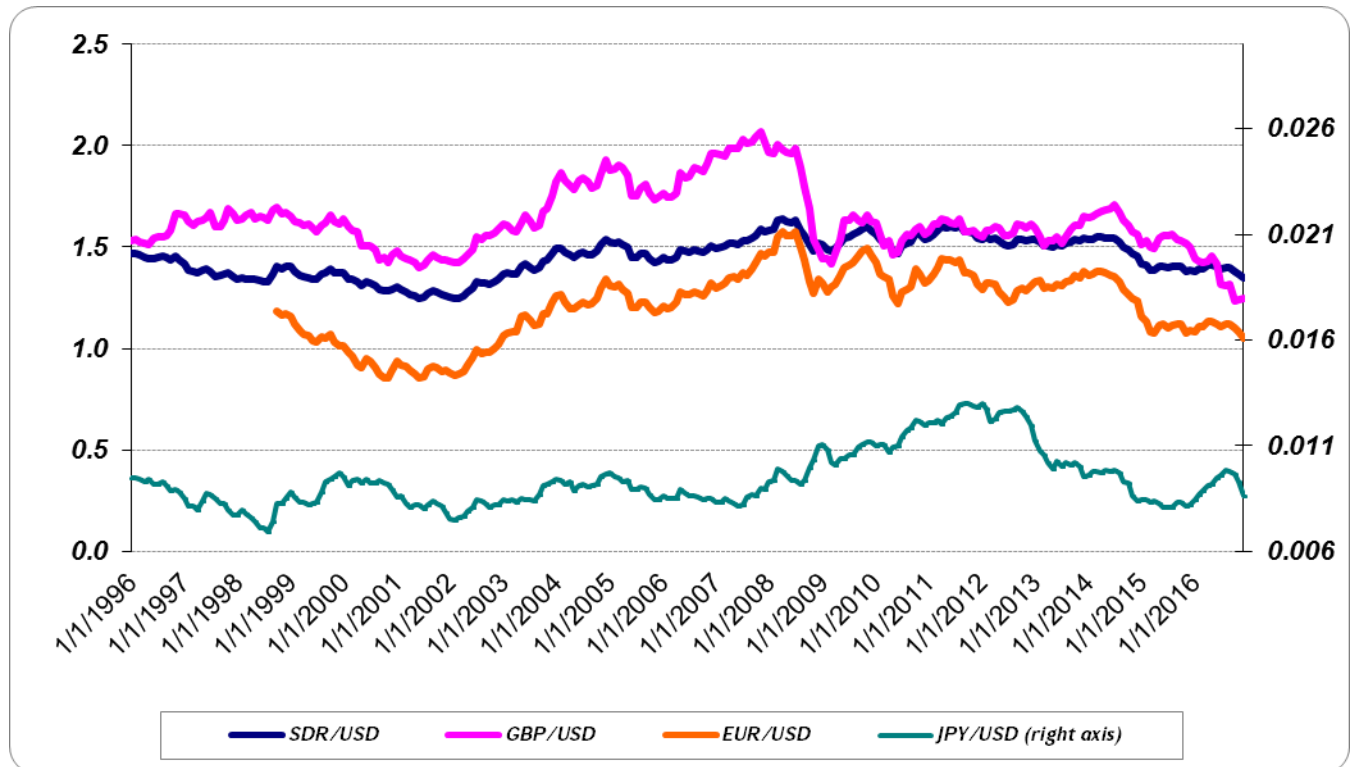
Chart 11. The currency structure of RA Government Loans and Borrowings for 1999-2016²



The increase of the USD and EUR shares in the debt currency structure by 9.0% and 0.9% correspondingly is explained by the fact that in 2016 the disbursements were mainly fulfilled with the loans that had been provided with above mentioned currencies. At the same time, the share of loans provided by SDR and Japanese Yen decreased by 8.8% and 1.1%, respectively.

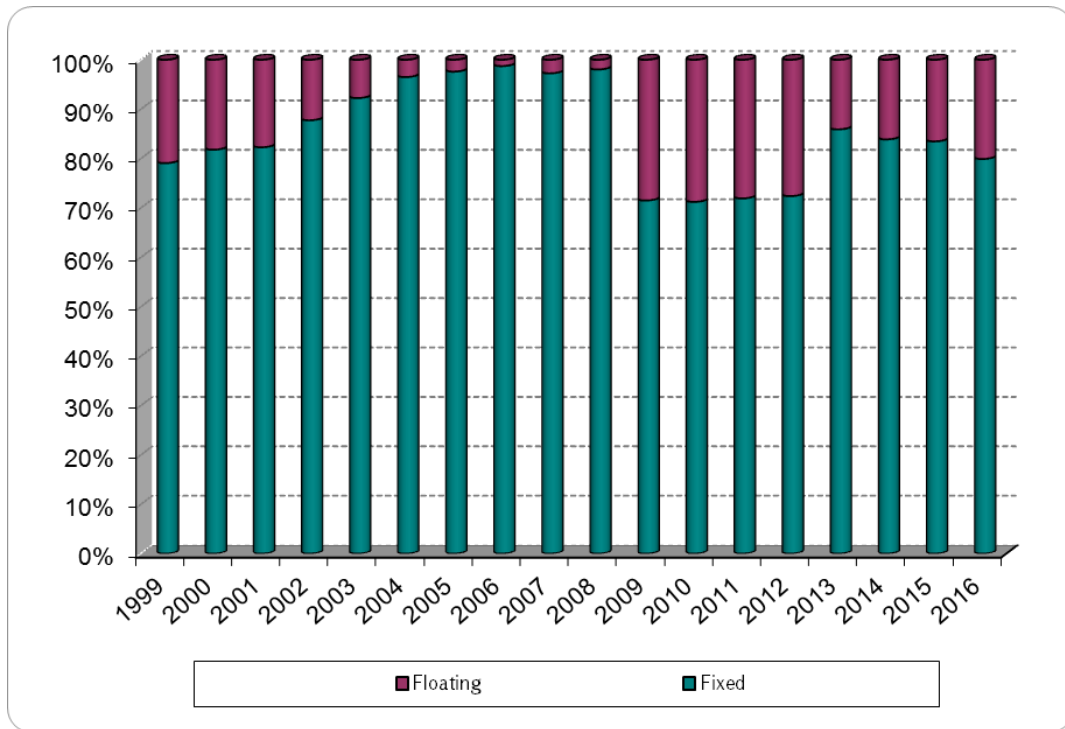
² Exchange rates as of 31.12.2015: 1 SDR = 1.386 USD, 1 EUR = 1.093 USD, 1 JPY = 0.0083 USD
Exchange rates as of 31.12.2016: 1 SDR = 1.344 USD, 1 EUR = 1.058 USD, 1 JPY = 0.0086 USD

Chart 12. Dynamics of the average monthly exchange rates of SDR, GBP, EUR and JPY against USD



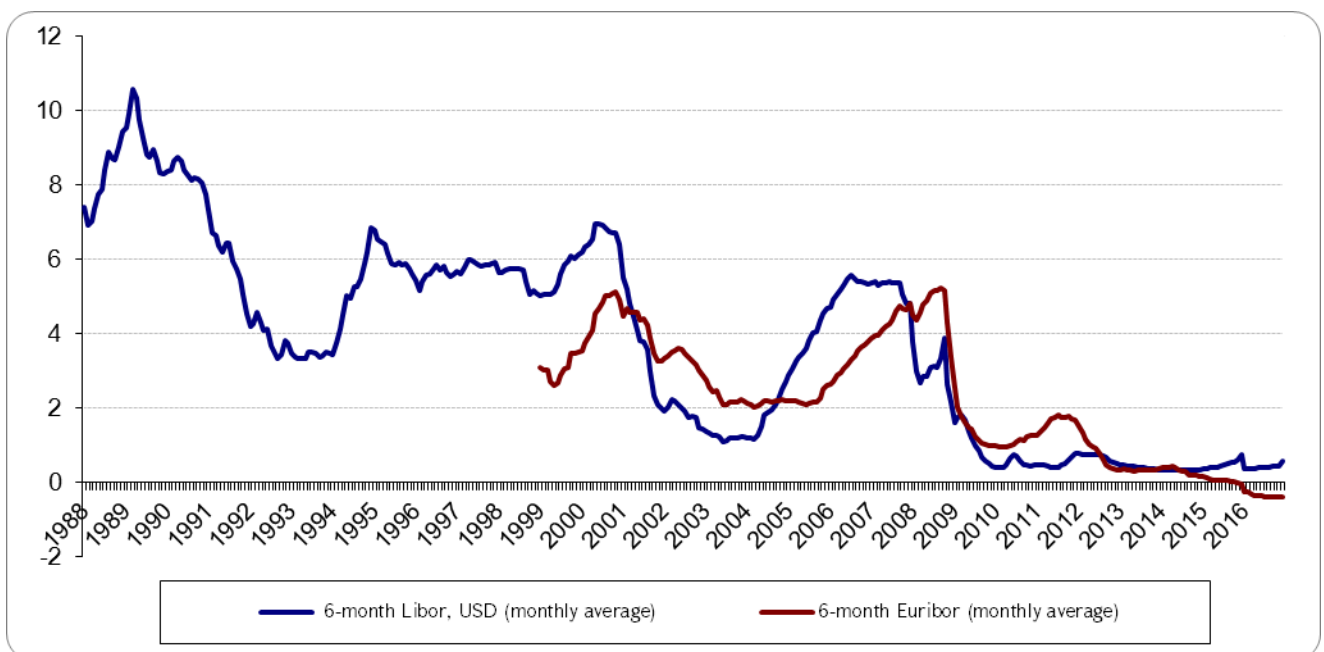
In 2016, the structure of the loan disbursements by the RA government was as follows: 35.1% were with floating interest rate and 64.9% were with fixed interest rate. During the 2016, the disbursement of the floating interest rate loans increased by 18.9% against the previous year. This surge was due to the increase of the loans with commercial and close to the commercial terms lent by the external creditors during recent years (such kind of loans are being mainly provided with floating interest rate), as well as due to the increase of loan disbursements absolute volume by 39.3%. In 2016, the share of the floating interest rate loans in the structure of the RA government loans and borrowings amounted to 20.1%, increasing by 3.6% against the previous year.

Chart 13. The structure of RA Government Loans and Borrowings by interest rates for 1999-2016



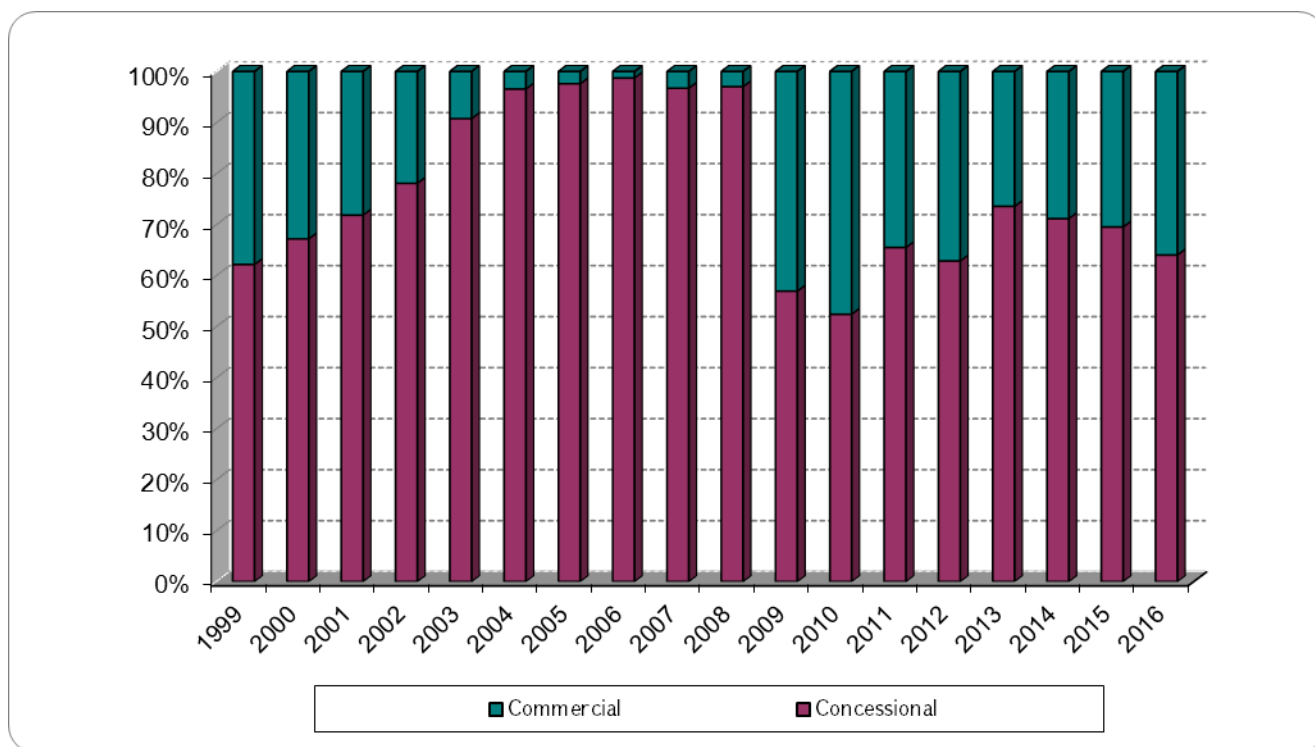
The calculation of the floating interest rate loans is based on the Libor and Euribor interest rates, the behavior of which depends on the current situation in the international financial market and it is extremely volatile (see chart 14).

Chart 14. Dynamics of the average monthly interest-rates for 6-months USD Libor and Euribor



As of December 31, 2016 the share of commercial loans increased in comparison to the previous year; from 30.5% in 2015 to 36% in 2016 (see chart 15).

Chart 15. The concessionality dynamics of RA Government Loans and Borrowings for 1999-2016



Detailed information on the transactions implemented with the loans is presented in Appendix 4.

External Debt of the Central Bank of RA

As of December 31, 2016 the external debt of the Central Bank of RA amounted at USD 504.7 million (AMD 244.2 billion) or 4.8% of GDP. Compared to the previous year, the external debt of the Central Bank denominated in USD increased by 6%, and it increased against GDP by 0.2 percentage points.

The share of RA government guarantees in the structure of RA Central Bank external debt decreased in comparison to the previous year, comprising 29.6% in 2016 against 29.0%³ in the previous year. The International Monetary Fund Loans have the largest share in the debt structure, though the share of those loans decreased by 0.9% in comparison to the previous year.

Table 9. The Structure of the External Debt of the Central Bank of RA

	As of 31.12.2015		As of 31.12.2016	
	USD million	%	USD million	%
External Debt of the Central Bank of RA	476.3	100.0	504.7	100.0
of which				
by Creditors				
<i>International organizations, of which</i>	<i>390.6</i>	<i>82.0</i>	<i>404.4</i>	<i>80.1</i>
International Monetary Fund	273.3	57.4	285.2	56.5
International Bank for Reconstruction and Development	48.0	10.1	46.5	9.2
Asian Development Bank	7.0	1.5	10.4	2.0
European Investment Bank	62.3	13.1	62.3	12.4
<i>Foreign States</i>	<i>85.7</i>	<i>18.0</i>	<i>100.3</i>	<i>19.9</i>
Germany (KfW)	85.7	18.0	100.3	19.9
by type of interest rate				
with fixed interest rate	206.7	43.4	219.0	43.4
with floating interest rate	269.6	56.6	285.7	56.6
by currency				
SDR	280.6	58.9	295.3	58.5
USD	110.0	23.1	109.0	21.6
EUR	85.7	18.0	100.4	19.9

During the 2016, the Central Bank of RA borrowed USD 74.4 million loans from the external sources. Meanwhile, the external debt payments were 40.2% of which interest payments comprised USD 6.8 million and principal payments amounted at USD 33.4 million.

³ According to the Article 23, paragraph 8 of the RA Law on “Public Debt” government guarantees are recorded in the RA central bank debt

Cash Flow Management

As of December 31, 2016 the total funds of the Treasury Single Account (TSA) (TSA and term deposits) amounted at AMD 170.5 billion against AMD 119.5 billion as of December 31, 2015. During 2016 the daily average residual of TSA comprised AMD 71.0 billion, of which the daily average residual of term deposits in the Central Bank made up AMD 56.8 billion.

During 2016, the cash flow management was accompanied by several challenges. The implementation of programmed economic growth was accompanied by several risks, and during the year it wasn't succeeded to implement the quarterly approved programs of the government revenue by 100%, except for the first quarter, mostly because of the external signals.

Meanwhile, the RA Ministry of Finance fulfilled additional issuances of the government securities in order to provide the financing of quarterly approved expenditure programs approved by the RA government without any delays and shocks.

**Chart 16. Dynamics of the TSA daily residual (without deposits) and total funds in 2016
(AMD million)**

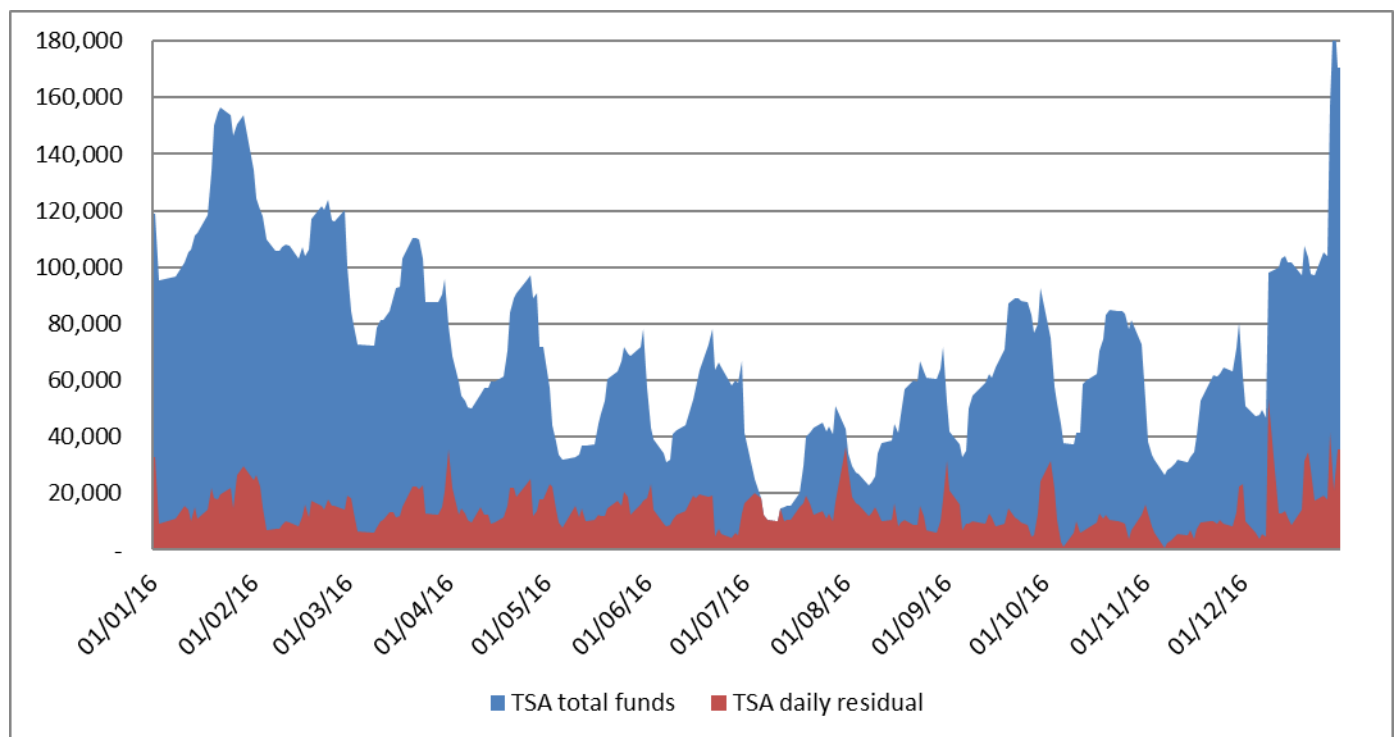


Chart 17. The average residuals of TSA (without deposits) and time deposits (AMD million)

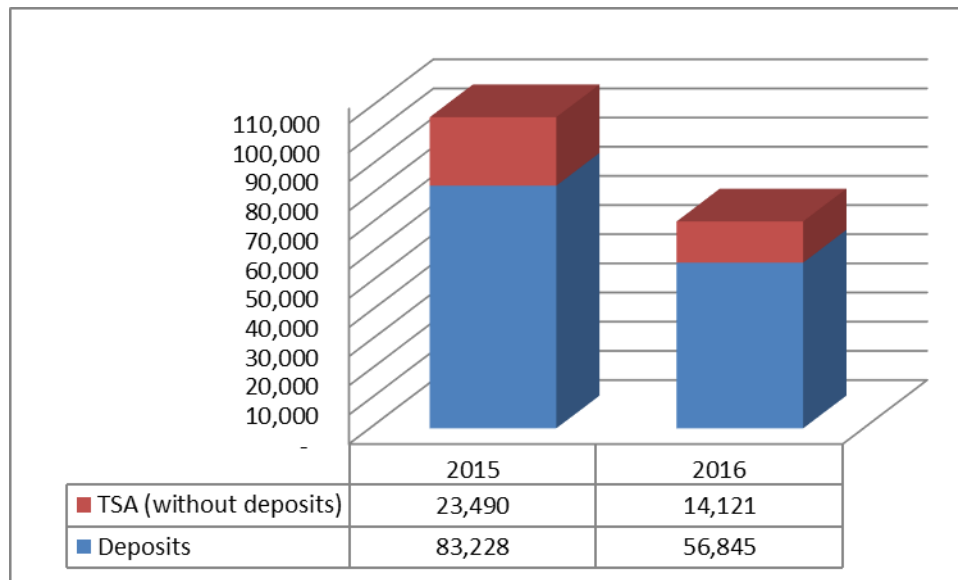


Chart 17 shows that the residual of TSA (without deposits) was diminished in 2016 compared to 2015, which means that TSA total funds were essentially better managed, and thus relatively less amounts were held in TSA, as no interest is being calculated for TSA residual. On the other hand, the outstanding amount of term deposits decreased in 2016 compared to 2015. This could be explained by the fact that in 2015 the main source of deposits was USD 300 million credited to the state budget as a result of transactions implemented with Eurobonds by RA in March, 2015.

Table 10. TSA indicators (AMD billion)

	2015	2016
TSA balance as of December 31	118.7	170.5
Daily average residual of the time deposits at the CBA	83.2	56.8
Income earned from the time deposits invested in the CBA	9.7	4.7

In 2015 the weighted average interest rate of term deposits made up 7.65% against 11.44% in the previous year. Such decline was due to the mitigation of the monetary policy terms by Central Bank of RA during the year, especially due to the decline in refinancing rate. If the refinancing rate was 8.75% at the end of 2015, then it comprised 6.25% at the end of 2016. As the term deposit interest rates are calculated taking into account the yield curve of the government bonds, and the latter is

closely related to the refinancing rate, therefore the term deposits interest rates essentially declined in 2016.

The state budget income from the term deposits diminished to AMD 4.7 billion in 2016 according to the decline in interest rate of term deposits and the funds of TSA.

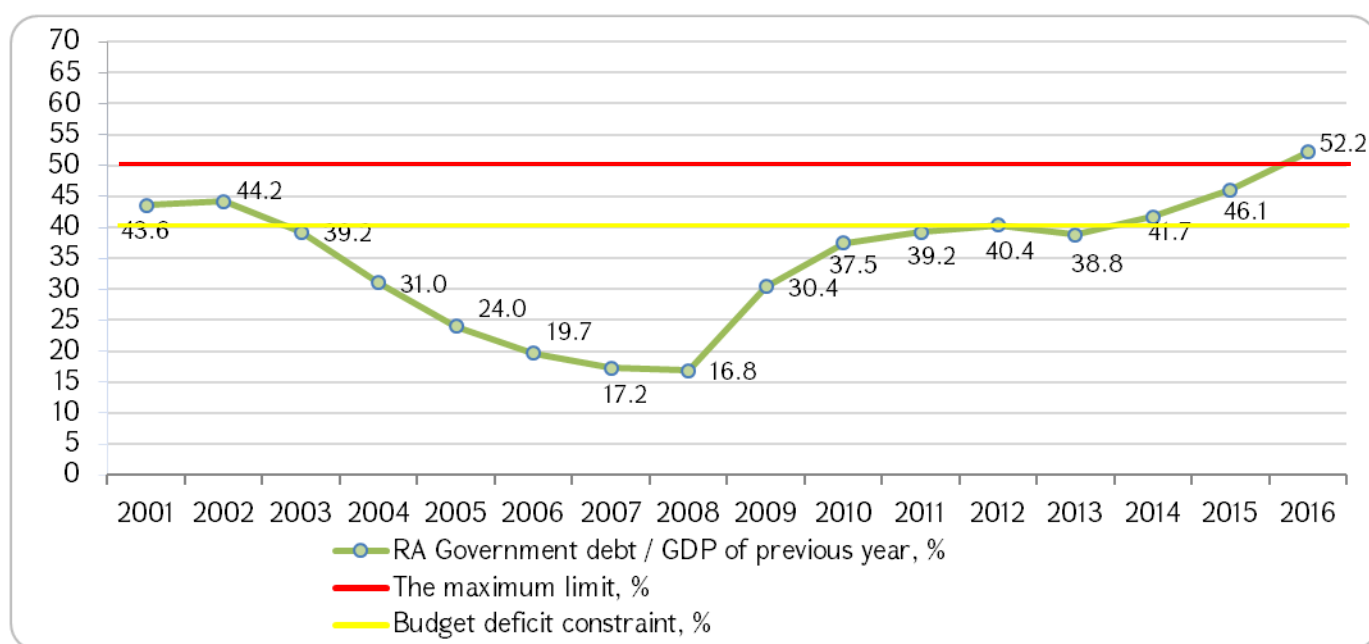
Risks Analysis

Main risks concerning to the public debt are considered in this part of the report. The main risks include market (interest rate, exchange rate, liquidity and refinancing) and operational risks.

As in previous years, in 2016, the RA Ministry of Finance also took measures to manage and reduce the risks associated with the government debt management; thus, government debt remained within the controllable scope.

According to the “The Law on Public Debt” as of December 31, the government debt of the reporting year must not exceed 60% of GDP of the previous year. As well, if the government debt of the reporting year exceeds 50% of GDP of the previous year as of December 31, the state budget deficit for the next year cannot exceed the 3% of the average GDPs of the previous three years. At the end of 2016, the government debt over GDP of the previous year ratio exceeded 50% and amounted at 52.2%, thus the 2017 budget deficit was planned considering the above mentioned fiscal constraint. The deterioration of the debt to previous year GDP ratio was mostly caused by the higher surge of the nominal debt level over the low increase of GDP. From 2009-2016 the average growth of government nominal debt was 24.9%, meanwhile the average growth of GDP was 3.9%.

Chart 18. Dynamics of RA Government debt/GDP in previous year indicator



According to the RA government Decree N755-N of July 8, 2015, the debt strategy of 2016-2018 defined “Average Time to Maturity (ATM)” and “Deficit Financing by Domestic Net Borrowings (without promissory notes)” as benchmark indicators.

Table 11. Government debt management benchmark indicators in 2016

	Benchmark	Actual
Average time to maturity (year)	8 – 11	9.3
Deficit financing by domestic net borrowings (without promissory notes), (%)	≥ 25	41.8

In 2016 the government debt management was able to maintain the actual indicators in comparison to the benchmarks of “Average Time to Maturity (ATM)” and “Deficit Financing by Domestic Net Borrowings (without promissory notes)”.

The RA government approved the “2017-2019 Medium Term Expenditure Framework” (MTEF) by the Decree N 723-N on July 7, 2016, which also involved 2017-2019 Government debt management Strategy document.

The number of benchmark indicators have been expanded in the 2017-2019 RA government debt management strategy, and for 2017-2019 benchmark indicators were defined for all market risks:

Table 12. Government debt management benchmark indicators in 2017-2019

	Benchmark	2016 Actual
Refinancing risk		
Average time to maturity	8-11 years	9.3
The share of up to 1 year maturity bonds in the total GS (at the end of the year)	At most 20%	22.9
Interest rate risk		
The share of the fixed rate debt in the total debt	At least 80%	87.5
Exchange rate risk		
The share of domestic debt in the total debt	At least 20%	20.9

Table 12 shows that even the benchmark indicators were defined for 2017-2019 years, however the actual indicators for 2016 were also in the desired range.

Interest Rate Risk

The table 13 shows the RA government debt interest payments/GDP actual indicators in comparison to the RA state budget approved indicators and RA government debt management 2017-2019 strategy defined indicators.

Table 13. RA Government debt interest payments

	2015	2016	2016
	actual	program	actual
Interest payments/GDP (%)	1.47	1.85	1.93

The RA government strategy 2017-2019 programmed interest payments and actual interest payments increased over GDP, as the interest payments growth rate exceeded the nominal GDP growth rate in 2016. The growth of the actual interest payments increased by 32.7% compared to the previous year, which was mainly due to the increase of the debt volume. Moreover, the interest payments increased for all debt tools.

Table 14. GS primary allocation interest rates

	2015	2016
	actual	actual
Weighted average interest rate of GS allocated in the current year (%)	14.61	11.07

The weighted average interest rates of the government securities allocated during 2016 decreased significantly compared to the previous year. This was contributed due to essentially softening of the monetary policy in 2016, including the decrease of the refinancing rate, as well as due to the high demand of the government securities.

The restriction of the increase of the floating interest rate debt volumes is important from the point of view of the interest rate risk management.

Table 15. The shares of RA Government floating and fixed debt

	2015	2016	2016
Interest rate	actual	program	actual
Fixed	89.5	85.5	87.5
Floating	10.5	14.5	12.5

The Government defined in the 2017-2019 RA Government Debt Management Strategy the target shares of the floating and fixed interest rates of the existing government debt for the end of 2016 as 14.5% and 85.5% respectively. According to the management of the government debt it was succeeded to increase the share of the fixed interest rate debt, which was also contributed by the increase of the share of the domestic borrowings (government securities with fixed interest rates) in the structure of the RA budget deficit financing sources.

Table 16. RA Government debt's interest rate risk indicators in 2016

	2016	2016
	program	actual
Average time to refixing of the RA Government debt (year)	7.4	7.8
Average time to refixing of the external debt (year)	7.7	8.2
Average time to refixing of the domestic debt (year)	6.1	6.0
The share of the RA Government debt refixing during a year (%)	18.9	18.5
The share of the external debt refixing during a year (%)	19.8	17.8
The share of the domestic debt refixing during a year (%)	14.8	21.1

Actually, the interest rate indicators defined by the 2017-2019 RA government debt management strategy were improved; the actual Average time to refixing of the RA government debt increased and at the meantime the actual share of the RA government debt refixing during a year decreased in comparison to their programmed indicators.

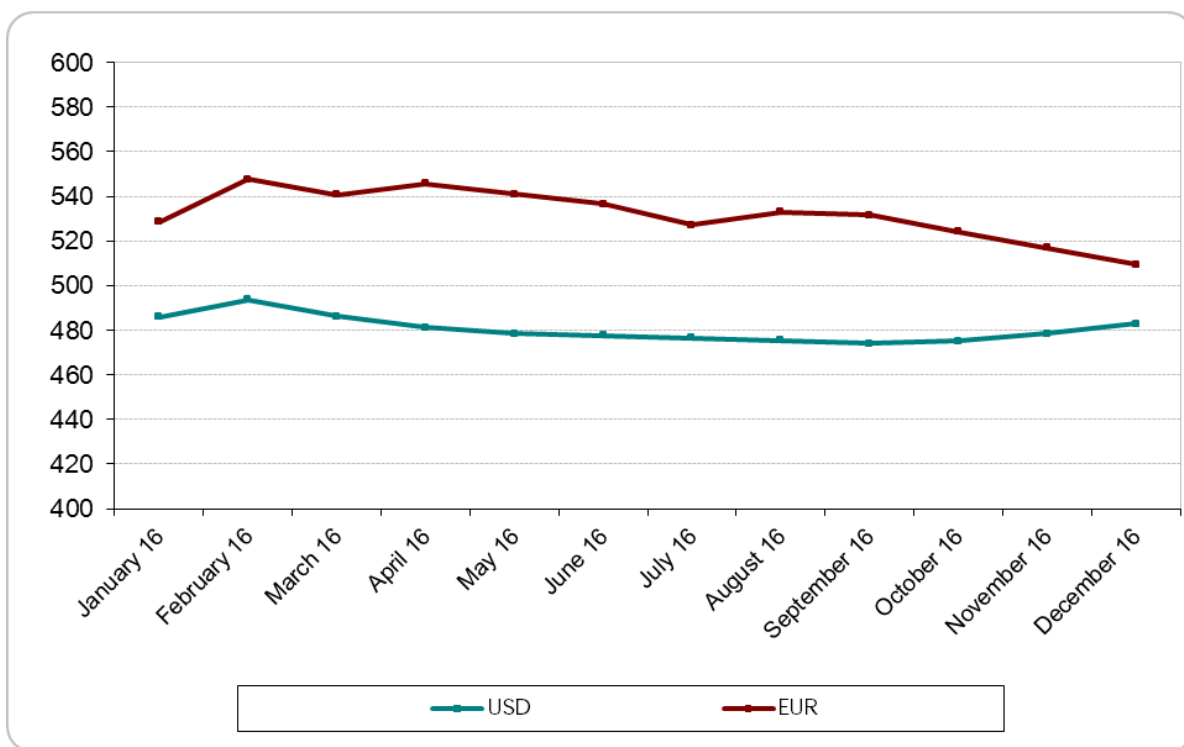
Exchange rate risk

To reduce the interest rate risk, the MoF of RA signed an agreement with the CBA in 2007, according to which during the budgeting year all foreign currency inflow and outflow transactions of public debt payments should be converted based on the exchange rates that are applied for the calculation of the current RA Government public budget law indicators (if it is not in force, then of the draft) and are introduced in the RA government budget message.

The agreement allowed the Government to fix the exchange rates of the external debt payments making them more manageable.

The monthly average exchange rates of US dollars and euros in 2016 are depicted in chart 19.

Chart 19. AMD exchange rate against USD and EUR in 2016



During the 2016 USD/AMD exchange rate did not fluctuate much. 80.7% share of foreign currency debt was exposed to exchange rate risk (if AMD devaluates) and it could negatively affect the government debt indicators, particularly on the debt level denominated in national currency.

Table 17. RA Government external debt

	2015	2016
RA Government external debt (AMD billion)	1,857.5	2,081.4
RA Government external debt (USD million)	3,839.9	4,300.9
USD exchange rate at the end of the year	483.75	483.94

As of December 31, 2016 the RA government debt increased both in USD denomination and in AMD denomination.

Table 18. RA Government debt currency structure

	2015	2016
Interest rate	actual	actual
Currency structure	100.0	100.0
of which		
Debt denominated in AMD	14.4	19.3
Debt denominated in foreign currency	85.6	80.7
of which		
USD	37.5	39.5
SDR	35.7	29.3
EUR	6.6	7.0
JPY	5.2	4.4
AED	0.1	0.1
CNY	0.4	0.4

Compared to the previous year the share of attracted AMD debt significantly increased, which positively affected on the exchange rate risk. Considering the favorable conditions in the RA financial market, and the risks of the state budget execution in 2016, the RA government managed to increase the national currency debt share by 5 basis points. Significant change in the structure of the debt denominated in foreign currency was recorded with the share of SDR denominated debt, which decreased by 6.4%. This was due to the reductions of SDR denominated loans, and increase of government securities in AMD and loans denominated in USD. The latter increased by 2 basis points during 2016.

Refinancing risk

Refinancing risk is being assessed by the smoothness of the repayment schedule of the outstanding debt (which means that there aren't any heavy periods in meeting debt redemption obligations), by the Average Time to Maturity (ATM), the share of short-term debt in overall debt portfolio and some other similar indicators.

April and December could be considered as “heavy” months for the RA government debt payments in 2016. The payments on 29th of April comprised 86% of the total payments in April. This concentration emanates from the domestic debt management policy: according to the best international practice, in order to increase the liquidity of government bonds, redemptions are concentrated on the specific days. Meanwhile, the 58% of redemptions on 29th of April, 2016 was refinanced by the funds from the allocation of new securities at the same day.

The payments on 30th of December made up 76% of the payments in December. As there were risks concerning to the state budget execution, and there was a favorable situation in the domestic debt market, the Ministry of Finance of RA allocated additional securities and created a fiscal buffer during the year, which was deposited in the Central bank of Armenia and redeemed on 30th of December.

Chart 20. Government debt maturity schedule in 2016 (AMD billion)

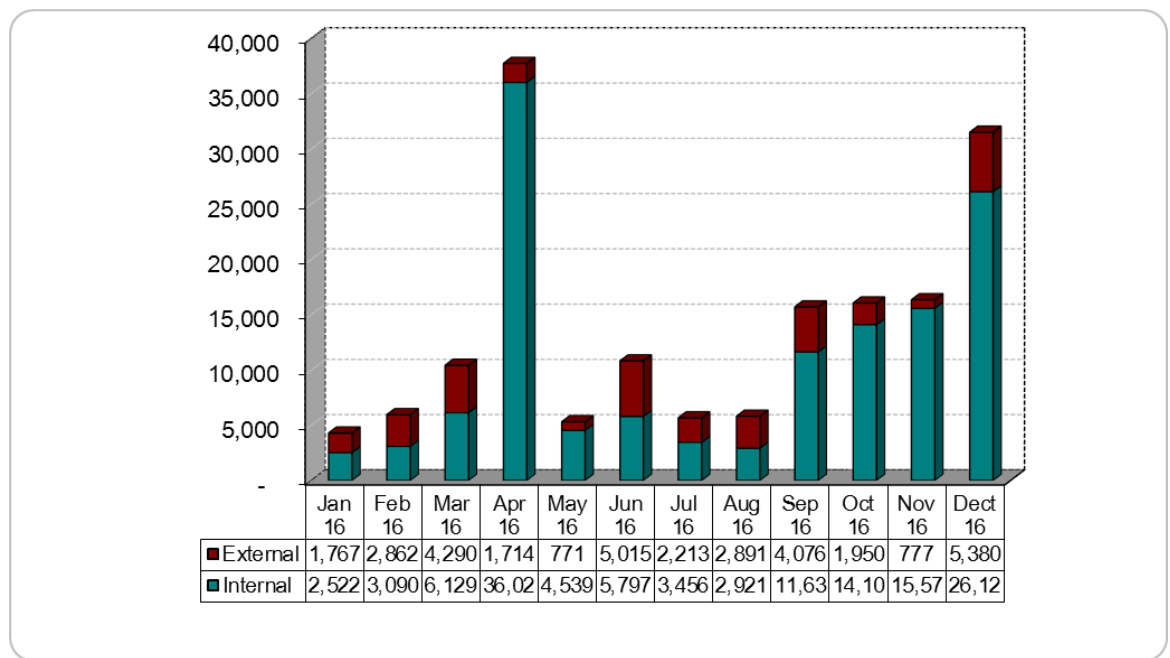


Table 19. RA Government debt structure by weighted average time to maturity

	2015	2016
Interest rate	actual	actual
The structure by weighted average time to maturity, %	100.0	100.0
of which		
Short-term (up to 1 year)	2.5	4.4
Medium-term (1-5 years)	21.8	21.6
Long-term (more than 5 years)	75.7	74.0

The table 19 shows that the short-term debt share has increased in the RA government debt structure compared to the previous year. In the framework of monetary and fiscal policy coordination, in order to support the monetary policy AMD 36 billion of short-term securities were issued (which are to mature in 2017). If we exclude this amount, the share of short term debt would decrease from 4.4% to 3.0%, which means that the refinancing risk did not increase significantly in 2016. Moreover, the volume of the domestic debt increased in 2016, and the medium term and long term components of the domestic debt had higher growth rate compared to the short term debt.

Below are the GS main indicators in comparison to the previous year.

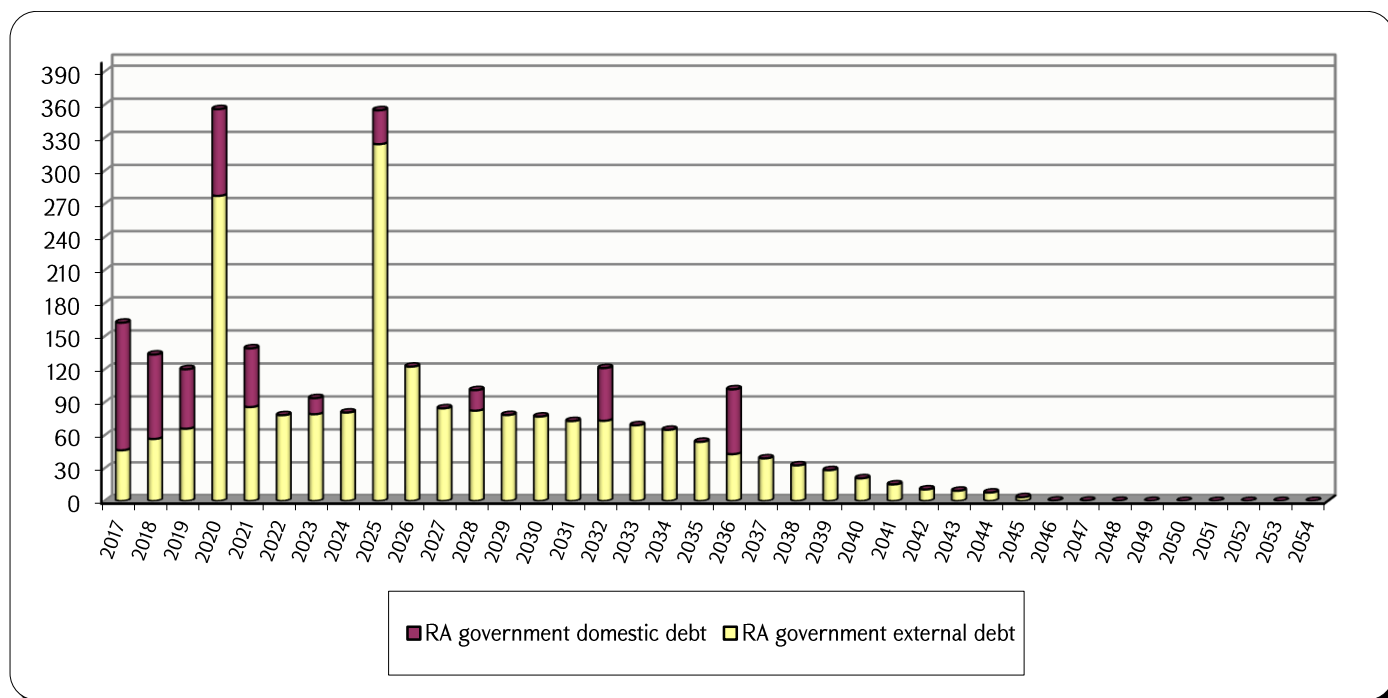
Table 20. The Indicators of Outstanding GS

	2015	2016
Interest Rate (%)	13.99	13.15
Average time to maturity (year)	5.7	6.0
The share of GS maturing in the forthcoming year in the total GS (%)	17.1	22.9
Domestic debt duration (year)	3.0	3.4

Almost all the indicators of the outstanding GS improved in comparison to the previous year. The only exception is the share of GS maturing in the forthcoming year in the total GS, which was due to the short-term GS issuance within the framework of monetary policy support.

At the end of 2016, the government external debt maturity is spread until 2054 and domestic debt is spread until 2036.

Chart 21. Government debt maturity profile as of December 31, 2016 (AMD billion)



68.0% of the government debt redemption in 2020 consists of the redemption of 7-year maturity Eurobonds issued in 2013, and 68.2% of the government debt redemption in 2025 consists of the redemption of 10-year maturity Eurobonds issued in 2015.

RA Government defined the following refinancing risk targeted indicators in the 2017-2019 RA Government Strategy Program:

Table 21. RA Government debt refinancing risk indicators in 2016

	2016 program	2016 actual
RA Government debt average time to maturity (year)	9.3	9.3
External debt ATM (year)	10.0	10.1
Domestic debt ATM (year)	6.1	6.0
RA Government debt maturing within one year (%)	4.6	6.2
Share of RA Government external debt maturing within one year (%)	2.3	2.2
Share of RA Government domestic debt maturing within one year (%)	14.8	21.1

In the perspective of the refinancing risk management, RA Government succeeded to maintain the “RA Government debt average time to maturity” indicator defined by the 2017-2019 RA Government Debt Management Strategy. However, the “RA Government debt maturing within one year” indicator increased due to the surge of the share of the RA government short term domestic debt.

All above mentioned indicators evidence factually that the refinancing risk was within the manageable scope in 2016.

Operational risk

Ministry of Finance of RA makes efforts to reveal, assess, manage and reduce RA government debt management operational risks. Information on the implemented activities will be periodically presented in the debt reports.

Appendix 1. Government Treasury Securities Transactions in 2016

In 2016 Government issued new up to 1 year T-bills, 3 and 5-years maturity MTCN, 20-years maturity LTCB, 140 billion, 50 billion, 50 billion and 80 billion, respectively.

Table 1.1. Marketable GS transactions in 2016

	T-bills	MTCN	LTCB	Total
Number of auctions	68	23	10	101
Issue amount (AMD billion)	140.0	102.5	80.5	323
Allocated amount (AMD billion)	136.3	100.5	80.5	317
The weight in the allocation amount	43.0%	31.7%	25.3%	100%
The average amount of an issue (AMD billion)	2.06	4.46	8.05	3.20

- The demand for the GS was 770 billion AMD and it exceeded the issued amount by 2.38 times,
- The weighted average maturity of the allocations amounted to 2076 days,
- The weighted average yield of the allocations comprised 11.07%,
- The maximum allocation maturity was 20 years,
- The minimum allocation maturity was 5 weeks.

In 2016 the MoF of RA carried out monthly buybacks of GS with the total amount of AMD 19.27 billion.

During the reporting period 44 SCB were issued amounting AMD 3.16 billion, of which AMD 2.17 billion was allocated.

Table 1.2. The data of GS auctions took place in 2016 (AMD million)

Issue date	GS	Issue volume	Demand	Allocation amount	Minimum yield	Cut of yield	The weighted average yield	Maturity day
12-JAN-2016	MTCN60	3,000	3,568	3,000	15.2989	15.8934	15.6211	29-APR-2020
18-JAN-2016	T-BILLS52	1,000	1,918	1,000	11.7800	11.9459	11.8716	16-APR-2017
19-JAN-2016	MTCN36	4,000	7,370	4,000	14.0000	14.6300	14.3356	29-APR-2018
25-JAN-2016	T-BILLS26	500	1,000	500	10.8000	10.8000	10.8000	25-JUL-2016
Total January		8,500	13,856	8,500			14.2914	
1-FEB-2016	T-BILLS52	1,500	2,667	1,500	11.7500	11.9303	11.8677	30-JAN-2017
8-FEB-2016	T-BILLS39	500	911	500	11.2997	11.4329	11.3394	7-NOV-2016
11-FEB-2016	LTCB10	3,000	3,780	3,000	16.2000	16.4800	16.3271	29-OCT-2025
15-FEB-2016	T-BILLS26	500	1,506	500	10.6997	10.8107	10.7631	15-AUG-2016
16-FEB-2016	MTCN36	4,000	7,659	4,000	14.1900	14.5000	14.3833	29-APR-2018
18-FEB-2016	T-BILLS52	1,000	3,380	1,000	11.6000	11.7441	11.6645	16-FEB-2017
22-FEB-2016	T-BILLS13	500	2,000	500	9.7777	9.8383	9.7950	23-MAY-2016
Total February		11,000	21,903	11,000			13.8118	
10-MAR-2016	MTCN36	5,000	14,336	5,000	13.3800	14.1900	13.8786	29-APR-2018
14-MAR-2016	T-BILLS52	1,500	2,667	1,500	11.3233	11.5900	11.4124	13-MAR-2017
15-MAR-2016	MTCN60	3,000	13,920	3,000	10.3500	14.9800	14.8582	29-APR-2020
21-MAR-2016	T-BILLS26	500	1,220	500	10.3497	10.4044	10.3876	19-SEP-2016
Total March		10,000	32,144	10,000			13.6280	
Total I quarter		29,500	67,902	29,500				
4-APR-2016	T-BILLS52	1,500	2,520	1,500	11.1997	11.3000	11.2317	3-APR-2017
11-APR-2016	T-BILLS39	1,500	2,879	1,500	10.5000	10.9000	10.7874	9-JAN-2017
12-APR-2016	MTCN60	5,000	11,132	5,000	14.4800	14.7600	14.6299	29-APR-2020
19-APR-2016	MTCN36	2,000	5,724	2,000	13.3300	13.5490	13.4836	29-APR-2018
25-APR-2016	T-BILLS13	500	1,800	500	9.5445	9.5719	9.5566	25-JUL-2016
28-APR-2016	T-BILLS39	3,000	6,998	3,000	10.3000	10.5163	10.4724	26-JUL-2017
29-APR-2016	MTCN60	5,000	12,956	5,000	14.3900	14.9470	14.7170	29-APR-2021
29-APR-2016	MTCN36	6,000	12,957	6,000	13.3900	14.0900	13.8877	29-APR-2019
29-APR-2016	LTCB20	7,000	16,469	7,000	15.2705	16.8800	16.5159	29-OCT-2036
29-APR-2016	LTCB10	5,000	7,082	5,000	15.2495	16.4400	16.1017	29-OCT-2025
Total April		36,500	80,516	36,500			14.3116	
12-MAY-2016	LTCB10	5,000	9,108	5,000	16.0000	16.3877	16.2718	29-OCT-2025

16-MAY-2016	T-BILLS52	1,500	3,992	1,500	10.4989	10.4989	10.4989	15-MAY-2017
17-MAY-2016	MTCN36	6,000	16,856	6,000	13.1000	13.6400	13.5300	29-APR-2019
23-MAY-2016	T-BILLS39	1,500	3,071	1,500	9.6710	9.8550	9.7572	20-FEB-2017
24-MAY-2016	MTCN36	6,000	16,112	6,000	13.0515	13.3400	13.2631	29-APR-2019
25-MAY-2016	MTCN60	5,000	15,471	5,000	13.9200	14.2400	14.0241	29-APR-2021
30-MAY-2016	T-BILLS26	500	1,313	500	9.2700	9.3100	9.2983	28-NOV-2016
Total May		25,500	65,923	25,500			13.6185	
6-JUN-2016	T-BILLS52	1,500	3,088	1,500	10.1000	10.4037	10.2930	5-JUN-2017
9-JUN-2016	LTCB20	12,000	32,186	12,000	15.3505	16.6800	16.4361	29-OCT-2036
13-JUN-2016	T-BILLS39	1,500	2,611	1,500	9.3400	9.7937	9.6402	13-MAR-2017
21-J-2016	MTCN60	5,000	28,207	5,000	13.0512	13.6000	13.4777	29-APR-2021
27-JUN-2016	T-BILLS13	500	1,901	500	8.2997	8.4537	8.3767	26-SEP-2016
Total June		20,500	67,993	20,500			14.5712	
Total II quarter		82,500	214,431	82,500				
Total I Semi-annual		112,000	282,333	112,000				
11-JUL-2016	T-BILLS52	1,000	3,288	1,000	9.5000	9.8800	9.6726	10-JUL-2017
12-JUL-2016	MTCN60	6,000	35,260	6,000	12.7700	12.8500	12.8403	29-APR-2021
18-JUL-2016	T-BILLS39	1,000	3,528	1,000	8.9997	9.0987	9.0712	17-APR-2017
19-JUL-2016	MTCN36	4,000	20,057	4,000	10.9000	11.1000	11.0161	29-APR-2019
22-JUL-2016	T-BILLS09	3,000	9,007	3,000	7.7400	7.9327	7.7725	23-SEP-2016
25-JUL-2016	T-BILLS26	1,000	3,802	1,000	7.9800	8.2000	8.0131	23-JAN-2017
29-JUL-2016	T-BILLS09	3,000	5,154	3,000	7.6279	7.8400	7.7232	30-SEP-2016
Total July		19,000	80,096	19,000			10.2290	
1-AUG-2016	T-BILLS52	1,500	3,342	1,500	8.6000	9.0000	8.8950	31-JUL-2017
8-AUG-2016	T-BILLS39	1,500	1,415	1,415	8.2484	8.8000	8.6617	8-MAY-2017
11-AUG-2016	LTCB10	6,000	16,058	6,000	12.4800	12.4800	12.4800	29-OCT-2025
12-AUG-2016	T-BILLS09	4,000	5,700	4,000	7.6400	7.7490	7.6499	14-OCT-2016
15-AUG-2016	T-BILLS26	1,500	1,253	1,253	7.7700	8.1000	7.9323	13-FEB-2017
16-AUG-2016	MTCN36	6,000	5,108	4,848	9.1111	10.8000	10.2105	29-APR-2019
19-AUG-2016	T-BILLS09	3,000	8,820	3,000	7.4300	7.5800	7.5063	21-OCT-2016
26-AUG-2016	T-BILLS09	3,000	5,100	3,000	7.4100	7.4800	7.4460	28-OCT-2016
Total August		26,500	46,795	25,015			9.4090	
5-SEP-2016	T-BILLS52	1,000	1,050	1,000	8.4900	8.9400	8.6205	4-SEP-2017
8-SEP-2016	LTCB20	18,000	42,245	18,000	14.0000	15.1900	14.7237	29-OCT-2036
9-SEP-2016	T-BILLS08	4,000	3,700	3,700	7.2882	7.9800	7.3756	4-NOV-2016
13-SEP-2016	T-BILLS39	1,000	972	972	8.2500	8.6700	8.6238	13-JUN-2017

16-SEP-2016	T-BILLS08	4,000	1,749	1,749	7.7400	8.3500	7.9031	11-NOV-2016
19-SEP-2016	T-BILLS26	1,000	2,098	1,000	7.9000	8.8800	8.3274	20-MAR-2017
20-SEP-2016	MTCN60	5,000	15,082	5,000	10.9499	11.0599	10.9923	29-APR-2021
23-SEP-2016	T-BILLS08	4,000	4,900	4,000	7.8400	7.9400	7.8983	18-NOV-2016
30-SEP-2016	T-BILLS08	4,000	7,100	4,000	7.1900	7.5900	7.3524	15-NOV-2016
Total September		42,000	78,896	39,421			11.3501	
Total III quarter		87,500	205,787	83,437				
3-OCT-2016	T-BILLS52	500	1,420	500	8.2997	8.4317	8.3799	2-OCT-2017
10-OCT-2016	T-BILLS39	500	1,100	500	7.9950	8.1937	8.1435	10-JUL-2017
11-OCT-2016	MTCN60	5,000	6,178	5,000	9.8000	10.9000	10.4130	29-APR-2021
13-OCT-2016	LTCB20	20,000	32,425	20,000	13.5500	14.1500	13.9819	29-OCT-2036
14-OCT-2016	T-BILLS11	4,000	15,656	4,000	6.9900	6.9900	6.9900	30-DEC-2016
17-OCT-2016	T-BILLS26	500	2,210	500	7.0000	7.4900	7.1087	17-APR-2017
18-OCT-2016	MTCN36	5,000	4,219	4,169	9.4955	10.5800	9.9972	29-APR-2019
21-OCT-2016	T-BILLS10	3,000	8,626	3,000	6.7898	6.9400	6.8709	30-DEC-2016
28-OCT-2016	T-BILLS09	3,000	6,100	3,000	6.7497	6.9300	6.8576	30-DEC-2016
Total October		41,500	77,934	40,669			11.1717	
4-NOV-2016	T-BILLS08	4,000	18,054	4,000	6.2100	6.2500	6.2250	30-DEC-2016
7-NOV-2016	T-BILLS52	500	1,311	500	7.4997	7.6757	7.5836	6-NOV-2017
10-NOV-2016	LTCB10	2,500	9,032	2,500	11.3700	11.9330	11.5685	29-OCT-2025
11-NOV-2016	T-BILLS07	2,000	9,250	2,000	5.7500	5.7500	5.7500	30-DEC-2016
14-NOV-2016	T-BILLS39	500	1,600	500	7.0000	7.0000	7.0000	14-AUG-2017
15-NOV-2016	MTCN36	2,500	4,080	2,500	9.5000	10.2500	9.9043	29-APR-2019
18-NOV-2016	T-BILLS26	3,000	9,150	3,000	6.4300	6.6860	6.5279	19-MAY-2017
18-NOV-2016	T-BILLS06	4,000	10,796	4,000	5.4000	5.9900	5.9466	30-DEC-2016
21-NOV-2016	T-BILLS26	500	1,500	500	6.4900	6.4900	6.4900	22-MAY-2017
22-NOV-2016	T-BILLS13	3,000	12,700	3,000	6.1800	6.2400	6.2328	21-FEB-2017
25-NOV-2016	T-BILLS05	4,000	10,700	4,000	5.7500	5.7500	5.7500	30-DEC-2016
25-NOV-2016	T-BILLS26	3,000	9,000	3,000	6.4600	6.4700	6.4695	26-MAY-2017
28-NOV-2016	T-BILLS13	500	1,480	500	6.0900	6.1620	6.1234	27-FEB-2017
29-NOV-2016	T-BILLS13	3,000	9,200	3,000	5.9800	5.9800	5.9800	28-FEB-2017
Total November		33,000	107,853	33,000			6.8514	
2-DEC-2016	T-BILLS26	3,000	7,000	3,000	6.3997	6.6300	6.5048	2-JUN-2017
5-DEC-2016	T-BILLS52	500	650	500	7.5997	7.8800	7.7288	4-DEC-2017
6-DEC-2016	T-BILLS13	3,000	5,600	3,000	6.3997	6.4800	6.4678	7-MAR-2017

8-DEC-2016	LTCB20	2,000	10,051	2,000	12.8995	12.9699	12.9584	29-OCT-2036
9-DEC-2016	T-BILLS26	3,000	5,850	3,000	6.4900	6.7500	6.7380	9-JUN-2017
12-DEC-2016	T-BILLS39	500	900	500	6.9900	7.2900	7.1698	11-SEP-2017
13-DEC-2016	T-BILLS13	3,000	5,200	3,000	6.4700	6.4700	6.4700	14-MAR-2017
16-DEC-2016	T-BILLS26	3,000	3,256	3,000	6.7000	7.0400	6.9380	16-JUN-2017
20-DEC-2016	MTCN60	2,000	7,282	2,000	10.2400	10.2400	10.2400	29-APR-2021
20-DEC-2016	T-BILLS13	3,000	6,520	3,000	6.6400	6.8400	6.7275	21-MAR-2017
23-DEC-2016	MTCN60	4,000	7,630	4,000	10.1000	10.3400	10.2557	29-APR-2021
23-DEC-2016	MTCN36	4,000	10,590	4,000	9.4100	9.9339	9.8798	29-APR-2019
23-DEC-2016	T-BILLS26	3,000	3,760	3,000	7.0000	7.4800	7.2559	23-JUN-2017
26-DEC-2016	T-BILLS08	4,000	6,200	4,000	6.5997	7.1200	7.0544	20-FEB-2017
26-DEC-2016	T-BILLS26	4,000	6,614	4,000	7.2400	7.2400	7.2400	26-JUN-2017
26-DEC-2016	T-BILLS13	4,000	3,200	3,200	6.6997	7.4800	7.2717	27-MAR-2017
29-DEC-2016	T-BILLS13	3,000	5,300	3,000	7.0290	7.0290	7.0290	30-MAR-2017
Total December		49,000	95,603	48,200			7.8263	
Total IV quarter		123,500	281,390	121,869				
Total II semi-annual		211,000	487,177	205,306				
Total year		323,000	769,510	317,306			11.0709	

Appendix 2. Outstanding Government Treasury Securities as of December 31, 2016 (AMD million)

T-bills			MTCN and LTCB			Benchmark Bonds				
							Coupon rate		Maturity day	
1	1,500.0	09/01/2017	1	17,327.5	11.0%	29/04/2017	1	40,000.0	9.0%	29/04/2018
2	1,000.0	16/01/2017	2	18,500.0	8.0%	29/04/2017	2	37,516.5	9.0%	29/04/2019
3	1,000.0	23/01/2017	3	560.9	10.0%	19/09/2017	3	37,000.0	10.0%	29/04/2021
4	3,000.0	26/01/2017	4	21.0	10.0%	20/09/2017	4	27,988.0	11.0%	29/10/2025
5	1,500.0	30/01/2017	5	12,391.1	10.0%	07/02/2018	5	48,000.0	13.0%	17/02/2032
6	1,253.0	13/02/2017	6	12,340.1	12.0%	17/02/2018	6	59,000.0	13.0%	29/10/2036
7	1,000.0	16/02/2017	7	11,728.5	10.0%	29/04/2018				
8	1,500.0	20/02/2017	8	15,690.0	8.0%	29/04/2019				
9	4,000.0	20/02/2017	9	34,930.0	10.0%	29/04/2020				
10	3,000.0	21/02/2017	10	1,090.0	10.0%	13/12/2020				
11	500.0	27/02/2017	11	184.2	10.0%	19/12/2020				
12	3,000.0	28/02/2017	12	19,757.0	12.0%	17/02/2021				
13	3,000.0	07/03/2017	13	8.3	10.0%	21/03/2021				
14	1,500.0	13/03/2017	14	14,625.0	10.0%	29/10/2023				
15	1,500.0	13/03/2017	15	18,690.1	11.0%	07/02/2028				
16	3,000.0	14/03/2017								
17	1,000.0	20/03/2017								
18	3,000.0	21/03/2017								
19	3,200.0	27/03/2017								
20	3,000.0	30/03/2017								
21	1,500.0	03/04/2017								
22	500.0	17/04/2017								
23	1,000.0	17/04/2017								
24	1,414.8	08/05/2017								
25	1,500.0	15/05/2017								
26	3,000.0	19/05/2017								
27	500.0	22/05/2017								
28	3,000.0	26/05/2017								
29	3,000.0	02/06/2017								
30	1,500.0	05/06/2017								
31	3,000.0	09/06/2017								
32	972.0	13/06/2017								
33	3,000.0	16/06/2017	39	500.0		14/08/2017				
34	3,000.0	23/06/2017	40	1,000.0		04/09/2017				
35	4,000.0	26/06/2017	41	500.0		11/06/2017				
36	500.0	10/07/2017	42	500.0		02/10/2017				
37	1,000.0	10/07/2017	43	500.0		06/11/2017				
38	1,500.0	31/07/2017	44	500.0		04/12/2017				

Saving Coupon Bonds

	Issue number	Outstanding amount (AMD thousand)	Coupon rate	Maturity day
1	AMGS02174174	137,624	12.5%	17.04.17
2	AMGS02243177	69,910	13.0%	24.03.17
3	AMGS02252178	51,200	13.0%	25.02.17
4	AMGS02285178	46,150	12.0%	28.05.17
5	AMGS0401B174	45,900	13.0%	01.11.17
6	AMGS04025176	6,750	14.0%	02.05.17
7	AMGS04026174	42,600	14.0%	02.06.17
8	AMGS0402C171	52,350	12.5%	02.12.17
9	AMGS04077177	49,700	14.0%	07.07.17
10	AMGS04141171	33,050	14.0%	14.01.17
11	AMGS04207170	27,190	13.5%	20.07.17
12	AMGS04222179	43,590	14.0%	22.02.17
13	AMGS04258173	60,200	13.5%	25.08.17
14	AMGS04279179	53,525	13.5%	27.09.17
15	AMGS04293170	28,336	14.0%	29.03.17
16	AMGS08025180	39,908	14.5%	02.05.18
17	AMGS08026188	41,700	14.5%	02.06.18
18	AMGS08038175	5,003	14.0%	03.08.17
19	AMGS0805B176	13,055	14.5%	05.11.17
20	AMGS08074170	2,300	13.5%	07.04.17
21	AMGS08077181	49,200	14.5%	07.07.18
22	AMGS0807C172	15,550	14.5%	07.12.17
23	AMGS08132176	7,400	13.5%	13.02.17
24	AMGS08149188	33,694	14.0%	14.09.18
25	AMGS0817A182	26,630	13.5%	17.10.18
26	AMGS08181181	17,800	14.5%	18.01.18
27	AMGS08207184	54,300	14.0%	20.07.18
28	AMGS08215179	800.0	13.5%	21.05.17
29	AMGS08222183	11,500	14.5%	22.02.18
30	AMGS08229170	16,500	14.0%	22.09.17
31	AMGS08256173	20,950	14.0%	25.06.17
32	AMGS08258187	70,000	14.0%	25.08.18
33	AMGS0828B187	41,870	13.0%	28.11.18
34	AMGS08293184	18,900	14.5%	29.03.18
35	AMGS12016183	38,807	14.0%	01.06.18
36	AMGS1201C198	99,450	13.5%	01.12.19
37	AMGS1203B172	44,530	12.0%	03.11.17
38	AMGS12049176	6,100	12.0%	04.09.17
39	AMGS1205B188	44,305	15.0%	05.11.18
40	AMGS12067194	50,000	15.0%	06.07.19
41	AMGS1207C184	5,950	15.0%	07.12.18
42	AMGS12097183	10,840	14.5%	09.07.18

43	AMGS12118187	12,040	14.5%	11.08.18
44	AMGS12132188	6,350	14.0%	13.02.18
45	AMGS12181193	10,140	15.0%	18.01.19
46	AMGS12193180	5,250	14.0%	19.03.18
47	AMGS12207196	61,680	14.5%	20.07.19
48	AMGS12222195	36,100	15.0%	22.02.19
49	AMGS12229182	29,000	14.5%	22.09.18
50	AMGS12249198	56,520	14.5%	24.09.19
51	AMGS12254198	15,800	15.0%	25.04.19
52	AMGS12258199	69,681	14.5%	25.08.19
53	AMGS1225C174	34,200	12.0%	25.12.17
54	AMGS12265194	24,350	15.0%	26.05.19
55	AMGS1227A192	99,816	14.0%	27.10.19
56	AMGS12293196	47,250	15.0%	29.03.19
57	AMGS12294178	4,000	12.0%	29.04.17
58	AMGS12297171	8,500	12.0%	29.07.17
59	AMGS1229C196	89,550	13.5%	29.12.19

Appendix 3. Government Treasury Securities Retail Market in 2016

The retail market of GS has been organizing through the Treasury Direct that is a system of directly selling, accounting and servicing of GS by the authorized body of the RA Government.

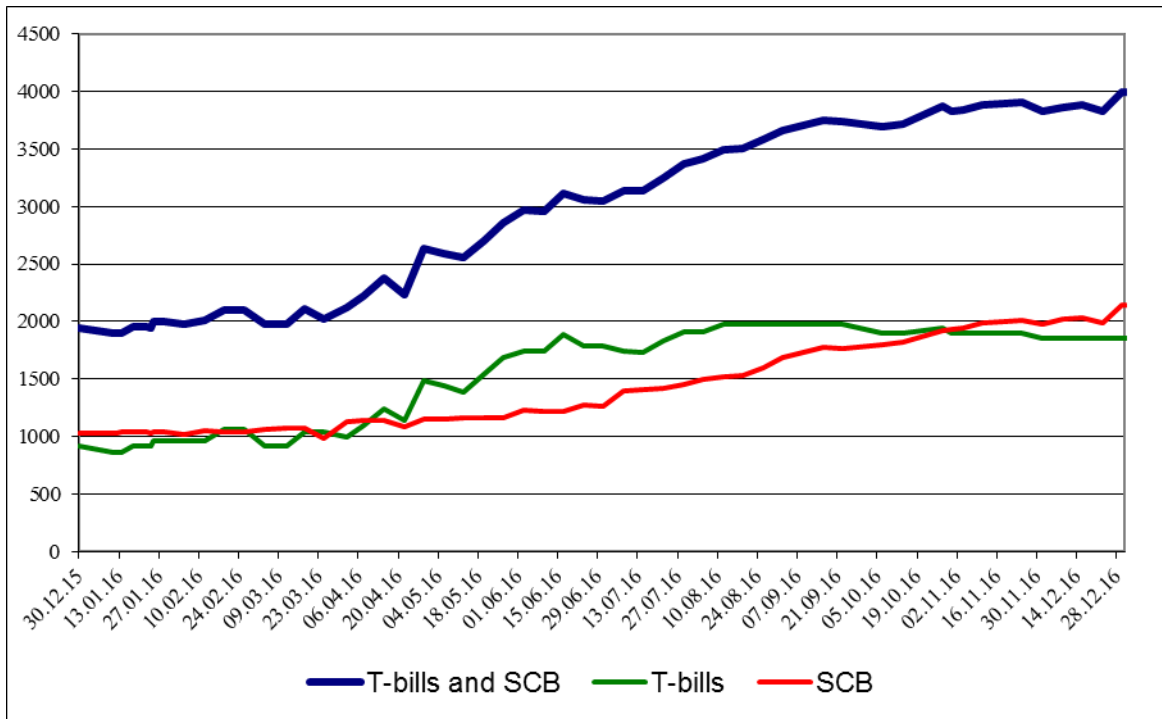
In 2016 SCB and T-bills were sold through the retail system. The sale of GS is being implemented by 5 service centers that are located in the different parts of Yerevan city.

In 2016 the transactions implemented in the retail market were as follows:

- The TD allocated all the 44 issuance of SCBs and participated in allocations of 21 T-bills out of 68.
- The investment amount made up AMD 4,266.6 million, of which AMD 2,098.8 million T-bills and AMD 2,167.8 million SCB,
- The redeemed amount of GS made up AMD 1,936.2 million, of which AMD 1,1162.0 million T-bills and AMD 774.2 million SCB
- The buy-back amount of SCB comprised AMD 281.1 million,
- As of December 31, 2016 the outstanding GS made up AMD 3,994.1 million, of which AMD 1,848.8 million T-bills and AMD 2,145.3 million SCB,
- The number of depository accounts made up 1205,
- 1.5% of the allocated GS were bought through the Treasury Direct,
- The average investment amount per investor made up AMD 15.6 million (for T-bills it made up AMD 2,098.8 million and for SCB - AMD 7.9 million),
- Average investment amount in the bids made up AMD 8.7 million (for T-bills it made up AMD 99.9 million and for SCB it comprised AMD 4.4 million),
- In average 8.6 bids were presented in one issuance of bonds, including 1.0 bid for T-bills, and 12.8 bids for SCB,
- The refinancing amount of matured GS was increased by 8.0% compared to the previous period and made up AMD 812.4 million.

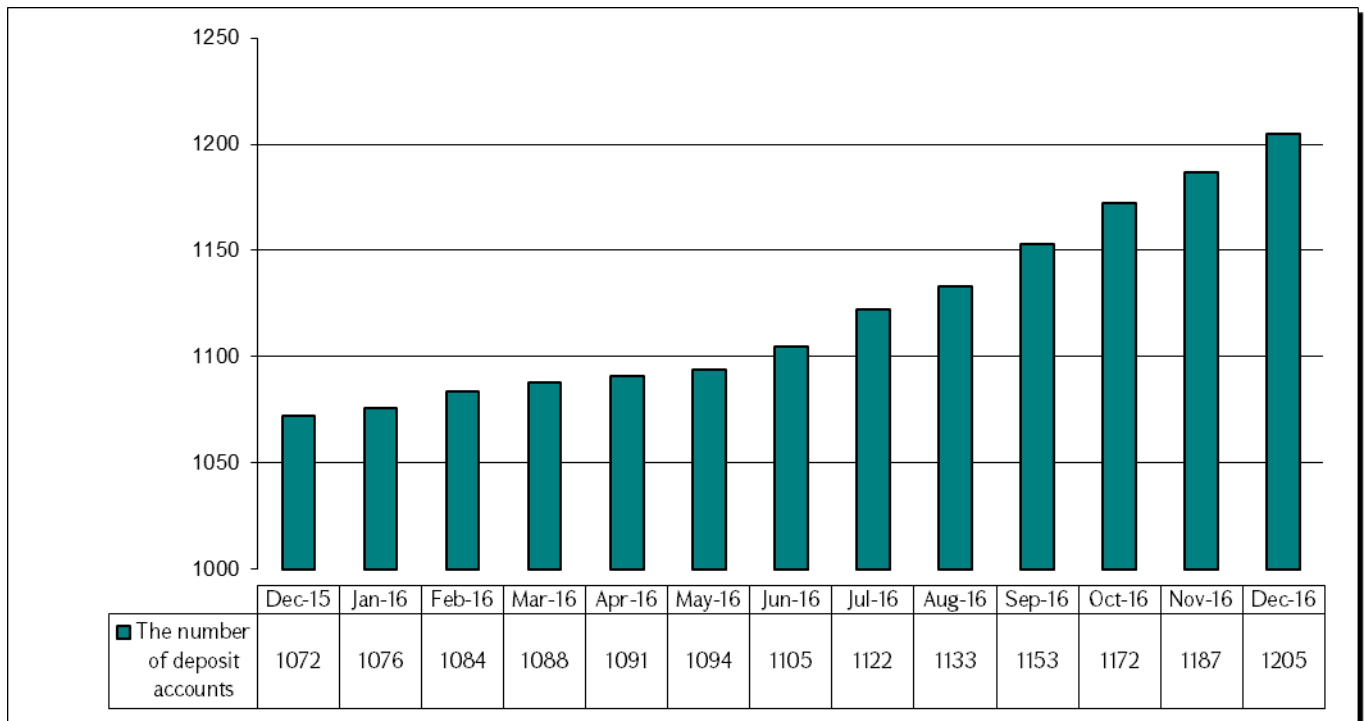
In 2016 the investment volume of SCB was increased by 136.3% over the previous year. As of December 31, 2016 the outstanding volume of SCB increased by 107.7% compared to the previous year (see chart 3.1).

Chart 3.1. The Amount of Outstanding SCB as of December 31, 2016 (AMD million)



As of December 31, 2016 the number of depositary accounts amounted to 1,205, which was 133 more than the same indicator in the previous year (see chart 3.2):

Chart 3.2. The dynamics of depositary accounts in 2016



SCB coupon yield is determined based on the interest rate in the financial market and the average yields of the deposits attracted from individuals by the RA trade banks.

Appendix 4. The Transactions of the Loans Borrowed by RA Government during 2016

		Disbursements		Principal payments		Interest payments	
		USD million	AMD billion	USD million	AMD billion	AMD billion	AMD billion
Total RA Government loans		570.90	272.10	71.06	33.71	53.03	25.12
<i>International Organizations</i>		<i>449.04</i>	<i>213.82</i>	<i>51.97</i>	<i>24.67</i>	<i>45.08</i>	<i>21.35</i>
1	International Bank for Reconstruction and Development (IBRD)	135.01	64.27	1.18	0.56	7.74	3.67
2	International Development Association (IDA)	17.88	8.56	26.96	12.76	23.06	10.91
3	European Bank for Reconstruction and Development (EBRD)	4.22	2.03	2.10	0.99	0.49	0.23
4	European Investment Bank (EIB)	33.11	15.79	0.40	0.19	1.52	0.72
5	International Fund for Agricultural Development (IFAD)	6.07	2.93	1.73	0.82	0.48	0.23
6	OPEC Fund for International Development (OFID)	17.86	8.54	3.27	1.55	1.78	0.84
7	Asian Development Bank (ADB)	129.89	61.99	5.98	2.83	5.49	2.61
8	International Monetary Fund (IMF)	-	-	10.34	4.96	-	-
9	European Union (EU)	-	-	-	-	2.40	1.14
10	Eurasian Development Bank (Manager of Eurasian Fund of Stabilization and Development)	105.00	49.72	-	-	2.13	1.01
<i>Foreign States</i>		<i>121.07</i>	<i>57.91</i>	<i>18.33</i>	<i>8.68</i>	<i>7.71</i>	<i>3.65</i>
1	Germany (KfW)	5.49	2.62	6.50	3.08	3.12	1.48
2	France	62.70	29.77	0.13	0.06	1.24	0.59
3	USA	-	-	1.73	0.82	0.45	0.21
4	Japan (JICA)	-	-	9.30	4.40	2.08	0.99
5	Abu-Dhabi Fund for Development	0.88	0.43	0.67	0.32	0.23	0.11
6	China Export-Import Bank	3.35	1.61	-	-	0.41	0.20
7	Russian Federation	48.65	23.47	-	-	0.18	0.09
<i>Commercial banks</i>		<i>0.78</i>	<i>0.37</i>	<i>0.76</i>	<i>0.36</i>	<i>0.23</i>	<i>0.11</i>
1	KBC BANK NV (Belgium)	-	-	0.54	0.25	0.04	0.02
2	Raiffeisen Bank International (Austria)	-	-	-	-	0.09	0.04
3	Erste Bank (Austria)	0.78	0.37	0.22	0.10	0.11	0.05

Appendix 5. The Transactions of the Loans Borrowed by the Central Bank of RA during 2016

		Disbursements	Principal payments	Interest payments
		USD million	USD million	USD million
Total CBA loans		74.39	33.42	6.84
International Organizations		46.67	23.89	4.87
1	International Monetary Fund (IMF)	43.22	22.45	2.42
2	International Bank for Reconstruction and Development (IBRD)	-	1.44	0.40
3	Asian Development Bank (ADB)	3.45	-	0.09
4	European Investment Bank (EIB)	-	-	1.97
Foreign States		27.72	9.53	1.97
1	Germany (KfW)	27.72	9.53	1.97

Appendix 6. Guaranties Provided by the RA Government and Outstanding as of December 31, 2016

Borrower	The Date and the number of Guarantee	Donor bank	The duration of the loan agreement	Guarantee agreement	Guarantee amount (USD)
"Agarak copper-molybdenum combine" CJSC	25.02.2016 N 1(01)2016	"Ardshinbank" CJSC	24.05.2021	1(01)EP/2016	7,000,000
Total					7,000,000

Appendix 7. Government Treasury Securities Primary Market Agents

ARARATBANK CJSC

19 Pushkin str., Yerevan 0010, Armenia
Tel: (374 10) 54 79 35

Armswissbank CJSC

10 Vazgen Sargsyan str, Yerevan 0010, Armenia
Tel: (374 10) 52 95 97

HSBC Bank Armenia CJSC

66 Teryan str, Yerevan 0009, Armenia
Tel: (37460) 65 50 32

Ardshinbank CJSC

13 Grigor Lusavorchi str., Yerevan 0015, Armenia
Tel. (374 10) 56 18 95

Converse Bank CJSC

26/1 Vazgen Sargsyan str., Yerevan 0010, Armenia
Tel: (374 10) 51 12 06

VTB Bank Armenia CJSC

46 Nalbandyan str., Yerevan 0010, Armenia
Tel: (374 10) 54 72 49

Ameriabank CJSC

0010, Yerevan, 9 G. Lusavorich str.
Tel: (374 10) 51 31 73

Ministry of Finance of the Republic of Armenia

1, Melik-Adamyanyan str.,
Yerevan 0010, Armenia
Tel. (+374 11) 910-405,
Web page: www.minfin.am