

MINISTRY OF FINANCE OF THE REPUBLIC OF ARMENIA

2022 ANNUAL BORROWING PLAN



December 16, 2021

Contents

1	• General description
2	• Gross financing needs and state budget deficit financing sources
3	• Debt instruments for deficit financing
3.1	• Deficit financing by Treasury Bonds <i>(main principles of issuance, placement and buyback and 2022 auctions calendar)</i>
3.2	• Deficit financing from external sources <i>(disbursements plan)</i>
3.3	• Deficit financing from international capital markets <i>(Eurobonds issuance and redemption)</i>
4	• Government debt redemption and servicing
5	• Government debt at the end of 2022

1. General description

The annual borrowing plan includes the structure and volumes of 2022 State budget deficit financing, the description of Government debt redemption and servicing, as well as projection of Government debt as of the 2022 and its indicators.

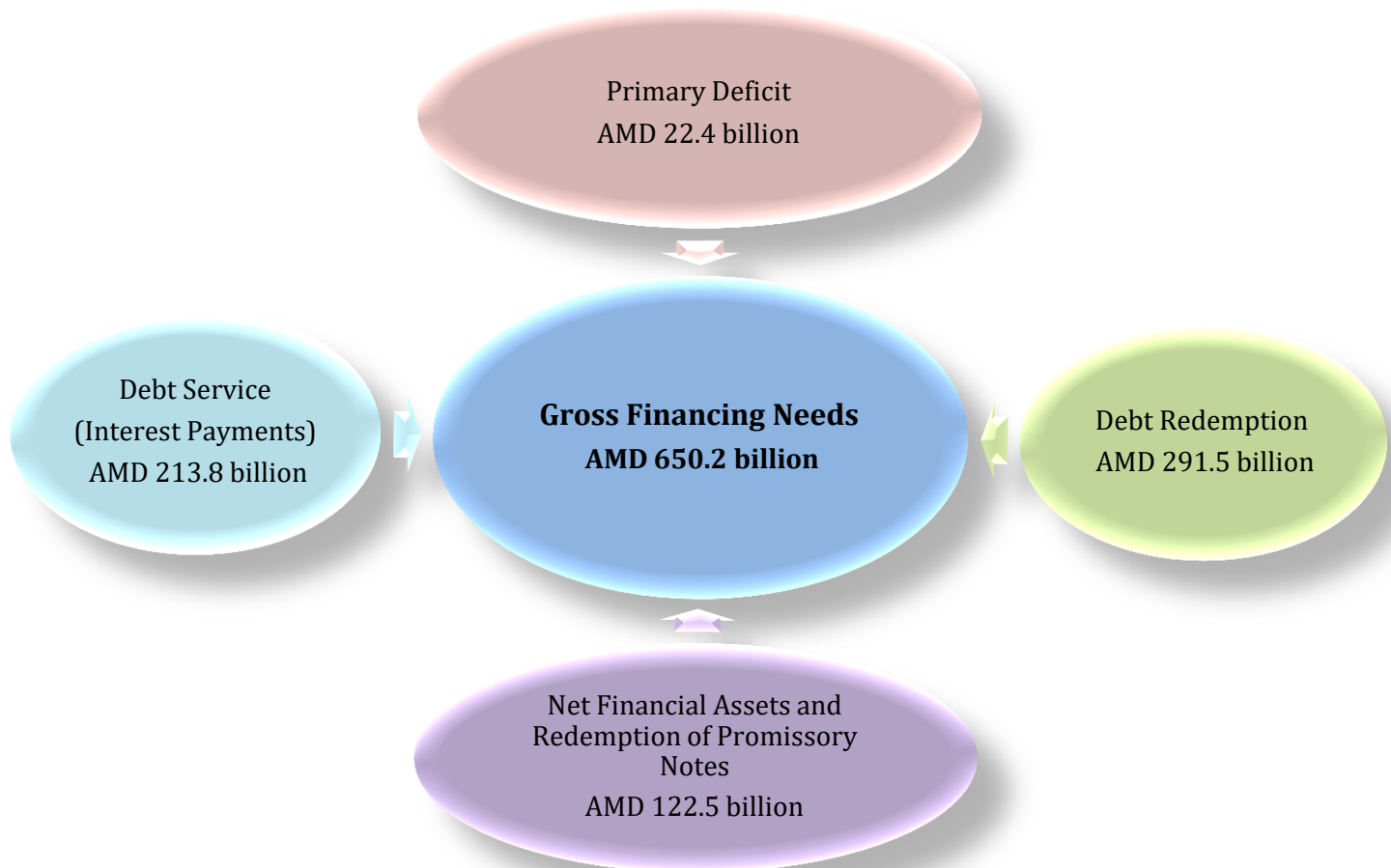
The 2022 annual borrowing plan has been developed in accordance with the targets and benchmark indicators of 2022-2024 Government Debt Management Strategy and 2022-2026 Government Debt Reduction Program, and is based on the macroeconomic and fiscal frameworks applied for the drafting of the 2022 State Budget.

The main indicators of 2022 State Budget of RA:

<i>Indicators</i>	<i>2022 (State Budget)</i>
GDP, AMD billion	7,869.4
Real growth, %	7.0
GDP deflator, %	4.6
State Budget revenues, AMD billion	1,947.8
<i>State Budget revenues/GDP, %</i>	<i>24.8</i>
State Budget expenditures, AMD billion	2,184.0
<i>State Budget expenditures/GDP, %</i>	<i>27.8</i>
State Budget deficit, AMD billion	(236.3)
<i>State Budget deficit/GDP, %</i>	<i>(3.0)</i>
USD / AMD exchange rate	477.45

2. Gross financing needs and deficit financing sources

According to general indicators of 2022 State Budget, the gross financing needs will be AMD 650.2 billion:



It is planned to finance 64.6% of gross financial needs through the domestic borrowings, and 35.4% through the external borrowings. The proceeds from Treasury Bonds placements are projected to AMD 420.2 billion, and the disbursements from external loans will be AMD 230.0 billion.

The deficit of the 2022 State Budget is projected to AMD 236.3 billion, and it is planned that AMD 272.2 billion will be financed from domestic sources, and AMD (36.0) billion from external sources.

2022 State Budget deficit financing sources are the following:

<i>Financing sources, AMD billion</i>	2022 (State Budget)
Total deficit	236.3
including:	
Domestic sources	272.2
of which:	
Net borrowings	250.2
Proceeds from allocation of treasury bonds	420.2
Treasury bonds redemption/buyback	(170.0)
Redemption of promissory notes	(0.02)
Net financial assets	22.0
Provision of loans and borrowings (net)	(38.5)
Free residue of 2022 State Budget at the beginning of the year	-
Use of the stabilization deposit account	60.5
Other	-
External sources	(36.0)
of which:	
Net borrowings	108.5
Receipt of loans and borrowings	230.0
project loans	134.5
budget support loans	95.5
Redemption of the received loans and borrowings	(121.5)
Proceeds from allocation of Eurobond	-
Eurobond redemption/buyback	-
Net financial assets	(144.5)
Provision of loans and borrowings (net)	(143.6)
Acquisition of stocks and other participation in equity	(0.9)

3. Debt instruments for deficit financing

In 2022, it is planned to finance the state budget deficit through net borrowings in amount of AMD 356.5 billion, of which AMD 250.2 billion through government treasury securities, AMD 106.3 billion through external loans (considering the difference between the disbursements and the principal repayments)¹. Deficit financing through Eurobonds is not planned.

¹ The difference between the deficit financing from external loans and the disbursements from external loans is caused by the residual cash available on the special accounts opened in frames of the corresponding loan programs.

3.1. Deficit financing by Treasury bonds (main principles of issuance, placement and buyback and 2022 auctions calendar)

The budget deficit financing by Treasury bonds will be done through the reopening of short-term (1 year), medium-term (3 and 5 years), long-term (10 and 30 years) bonds and saving bonds (6 months, 1, 2 and 3 years).

Auctions of T-Bills with tenor of 52, 39, 26 and 13 weeks will be organized at least once in every two months. For setting 6 month T-Bills as a benchmark the minimum volume of T-Bills with tenor of 52 and 39 weeks will be AMD 3 billion.

New Treasury Bonds with the maturity of 3, 5 and 30 years will be issued on 29 April 2022.

T-Bonds due to 29 October 2031 (issued on 29 October 2020) will be allocated during 2022 year.

As a rule, the minimum auction size of 3 and 5 years T-notes is AMD 20 billion, the minimum auction size of 10 year Bonds is AMD 40 billion, and the maximum auction size of 30 years Bonds is AMD 20 billion.

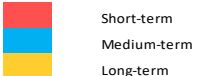
Treasury bonds auctions calendar

January 2022							
Week	MON	TUE	WED	THU	FRI	SAT	SUN
1						1	2
2	3	4	5	6	7	8	9
3	10	11	12	13	14	15	16
4	17	18	19	20	21	22	23
5	24	25	26	27	28	29	30
6	31						

February 2022							
Week	MON	TUE	WED	THU	FRI	SAT	SUN
6		1	2	3	4	5	6
7	7	8	9	10	11	12	13
8	14	15	16	17	18	19	20
9	21	22	23	24	25	26	27
10	28						

March 2022							
Week	MON	TUE	WED	THU	FRI	SAT	SUN
10		1	2	3	4	5	6
11	7	8	9	10	11	12	13
12	14	15	16	17	18	19	20
13	21	22	23	24	25	26	27
14	28	29	30	31			

April 2022							
Week	MON	TUE	WED	THU	FRI	SAT	SUN
14					1	2	3
15	4	5	6	7	8	9	10
16	11	12	13	14	15	16	17
17	18	19	20	21	22	23	24
18	25	26	27	28	29	30	
May 2022							
Week	MON	TUE	WED	THU	FRI	SAT	SUN
18							1
19	2	3	4	5	6	7	8
20	9	10	11	12	13	14	15
21	16	17	18	19	20	21	22
22	23	24	25	26	27	28	29
23	30	31					
June 2022							
Week	MON	TUE	WED	THU	FRI	SAT	SUN
23			1	2	3	4	5
24	6	7	8	9	10	11	12
25	13	14	15	16	17	18	19
26	20	21	22	23	24	25	26
27	27	28	29	30			
July 2022							
Week	MON	TUE	WED	THU	FRI	SAT	SUN
27					1	2	3
28	4	5	6	7	8	9	10
29	11	12	13	14	15	16	17
30	18	19	20	21	22	23	24
31	25	26	27	28	29	30	31
August 2022							
Week	MON	TUE	WED	THU	FRI	SAT	SUN
32	1	2	3	4	5	6	7
33	8	9	10	11	12	13	14
34	15	16	17	18	19	20	21
35	22	23	24	25	26	27	28
36	29	30	31				
September 2022							
Week	MON	TUE	WED	THU	FRI	SAT	SUN
36				1	2	3	4
37	5	6	7	8	9	10	11
38	12	13	14	15	16	17	18
39	19	20	21	22	23	24	25
40	26	27	28	29	30		
October 2022							
Week	MON	TUE	WED	THU	FRI	SAT	SUN
40						1	2
41	3	4	5	6	7	8	9
42	10	11	12	13	14	15	16
43	17	18	19	20	21	22	23
44	24	25	26	27	28	29	30
45	31						
November 2022							
Week	MON	TUE	WED	THU	FRI	SAT	SUN
45		1	2	3	4	5	6
46	7	8	9	10	11	12	13
47	14	15	16	17	18	19	20
48	21	22	23	24	25	26	27
49	28	29	30				
December 2022							
Week	MON	TUE	WED	THU	FRI	SAT	SUN
49				1	2	3	4
50	5	6	7	8	9	10	11
51	12	13	14	15	16	17	18
52	19	20	21	22	23	24	25
53	26	27	28	29	30	31	



Short-term
Medium-term
Long-term

The information about the indicative volumes of the auctions will be published quarterly, 10 days before each quarter. The information about the volume (range) and tenor of bonds subject to allocation will be published within the last ten days of previous month before the auction date, after the discussion with Primary Dealers.

Additional T-Bills issuances may be implemented, moreover, issuances with maturity period of up to 3 weeks can be done for cash flow management purposes, whereas issuances with maturity period of 3-12 months can be done in frames of coordination of the fiscal and monetary policies.

April 29 and October 29 are reserve auction dates (interest payments and redemption of coupon bonds are consolidated on these dates).

In exceptional cases, the Ministry of Finance may cancel or announce additional auction dates due to borrowing needs and market trends.

As needed, Treasury bonds buybacks will be implemented during 2022. In 2022, the 70-80% of the buybacks is planned for smoothening the redemption profile, and 20-30% - for enhancing the liquidity. As a rule, treasury bonds buybacks will be carried out on mid-term and long-term treasury bonds auction dates. During the placement period of each issue, the Ministry of Finance does not implement buyback of those bonds (on-the-run).

The list of benchmark bonds is published quarterly, 10 days before each quarter on the official website of the Ministry of Finance (www.minfin.am).

A meeting with Primary Dealers will be arranged on the penultimate Thursday of each month. A meeting with other institutional participants of Government bonds market will be arranged the penultimate Wednesday of each quarter.

Due to COVID 19 pandemic, the switch action system implementation was postponed to 2022.

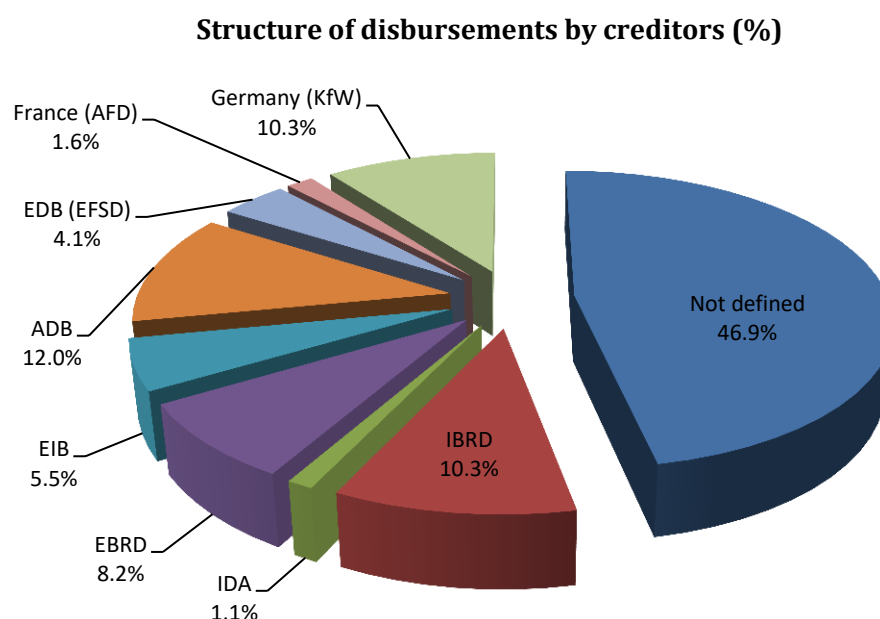
In 2022 it is planned to apply the price per 100 points instead of the annual yield of the bonds in the bids submitted by the auction participants.

3.2. Deficit financing by external loans (disbursements plan)

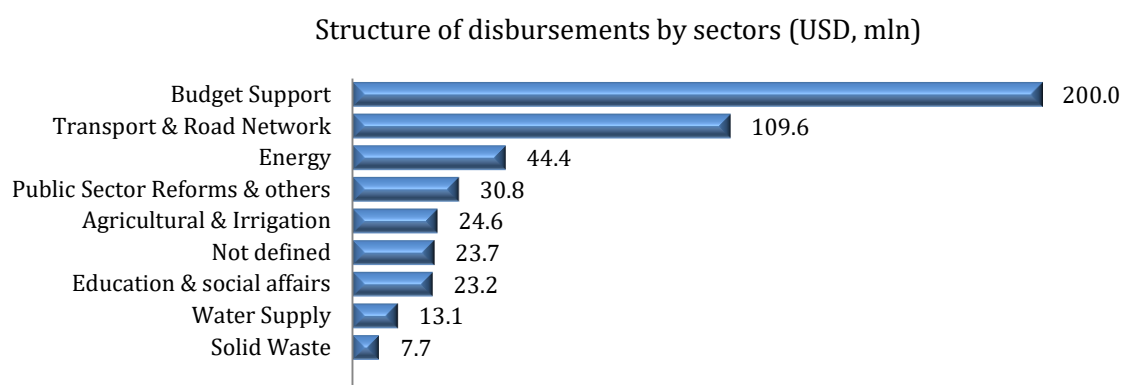
For financing the State budget deficit in 2022 it is planned to disburse AMD 227.8 billion (USD 477 million) from external loans². Moreover, disbursements from project loans will be AMD 132.3 billion (USD 277 million) and disbursements from budget support loans will amount to AMD 95.5 billion (USD 200.0 million).

The sources for 46.9% of 2022 disbursements are not defined (moreover, 41.9% of these disbursements should be from budget support loans), 12.0% from Asian Development Bank loans, 11.4% from World Bank (IBRD and IDA) and 10.3% from German KfW loans.

The structure of disbursements by lenders is as follows:

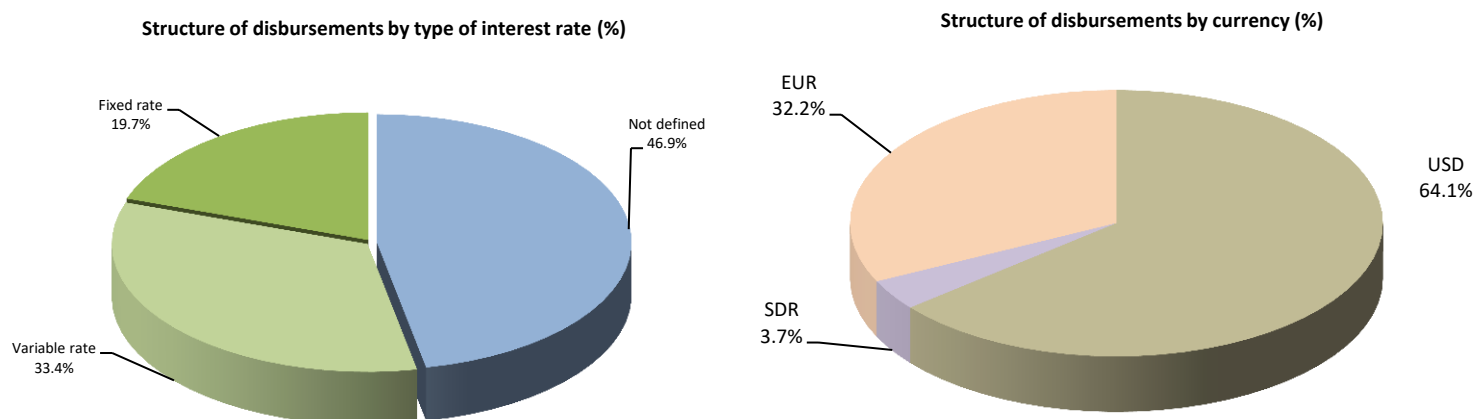


The structure of disbursements by sectors is as follows:



² The difference between the deficit financing from external loans and the disbursements from external loans is caused by the residual cash available on the special accounts opened in frames of the corresponding loan programs.

In 2022, the largest share of disbursements (64.1%) will be made from the loans provided in USD.



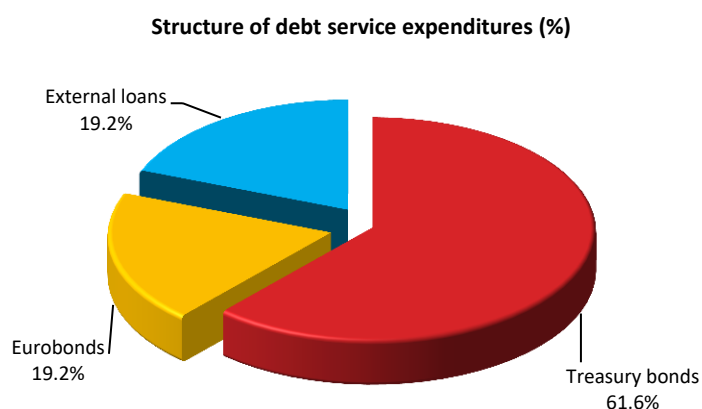
3.3 Deficit financing from international capital markets

The Government of Armenia is not planning new Eurobond issuance or buyback in 2022.

4. Redemption and servicing of Government debt

In 2022, AMD 505.3 billion is required for the redemption and servicing of the government debt, of which the debt redemptions will constitute AMD 291.5 billion, and the interest payments - AMD 213.8 billion.

AMD billion	Redemption	Interest payment	Total
Treasury bonds	170.0 ³	131.8	301.8
Eurobonds	-	41.0	41.0
External loans	121.5	41.1	162.5
Total	291.5	213.8	505.3



³ The index includes AMD 30 billion for the repurchase of government treasury bonds.

Interest and redemption expenditures for Government foreign currency denominated debt are calculated based on USD/AMD exchange rate as of November 1, 2021 (applying the appropriate adjustment coefficient, as the actual payments will be made at the exchange rates set by the Central Bank of Armenia as of the transaction date), and planned on the assumption that 6-month USD Libor rate will be in average 1.0%, 6-month Euribor will not exceed zero level and SDR will be 1.2%.

Weighted average interest rate of the Government debt in 2022 will be 5.1%. Government debt service (interest payments) will constitute 2.7% of GDP.

	2020	2021	2022
Government Debt Service (interest payments), AMD billion	164.7	181.5	213.8
<i>% to GDP</i>	2.7	2.6	2.7
Government Debt Weighted Average Interest Rate, %	4.3	4.7	5.1

AMD 170 billion is planned for the redemption of Government treasury bonds and AMD 30 billion from this amount is planned for the bond buybacks.

It is planned to pay AMD 162.5 billion (USD 340.5 million) for the redemption and servicing of external loans. The structure of the planned payments by lenders is as follows.

USD million	Interest payment	Redemption	Total
International Bank for Reconstruction and Development	18.1	16.5	34.7
International Development Association	9.1	74.6	83.8
European Bank for Reconstruction and Development	1.0	4.6	5.7
European Investment Bank	2.2	5.7	7.9
International Fund for Agricultural Development	0.6	4.0	4.6
OPEC Fund for International Development	1.8	5.1	6.9
Asian Development Bank	16.3	49.4	65.7
European Union	2.6	-	2.6
International Monetary Fund	5.3	5.6	10.9
Eurasian Development Bank	7.3	0.6	7.9
Germany (KfW)	6.1	26.2	32.4
Russian Federation	10.8	38.6	49.4
France	1.9	6.8	8.7
USA	0.2	1.8	2.0
Japan	1.7	10.2	11.9
Abu Dhabi Fund for Development	0.1	0.6	0.8
Export-Import Bank of China	0.4	1.7	2.1
KBC Bank (Belgium)	0.0	0.6	0.6
Raiffeisen Bank (Austria)	0.1	1.0	1.1
Erste Bank (Austria)	0.1	0.7	0.8
Subject to clarification	0.1	-	0.1
Total	86.1	254.4	340.5

The 2022 expenditures for Eurobond service will amount to USD 85.8 million, planned for outstanding bonds' coupon payments.

5. Government debt at the end of 2022

Due to 2022 state budget projections, the Government debt of Armenia will constitute AMD 4,741 billion or 60.2% of the GDP at the end of 2022, which will decrease by 0.6 pp. against 2021 Debt/GDP ratio. Debt/GDP projections differ from the figures of 2022-2024 Medium-Term Government Debt Management Strategy mainly due to the differences in macroeconomic and fiscal frameworks, exchange rate projections, as well as liability management operations executed by the Government.

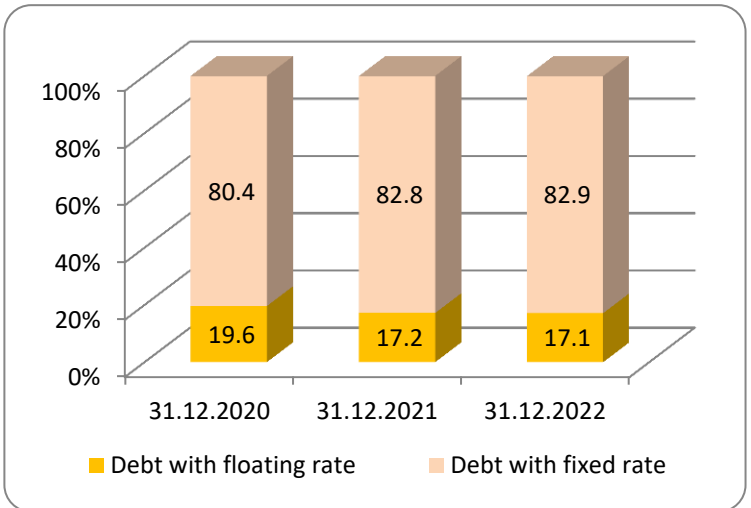
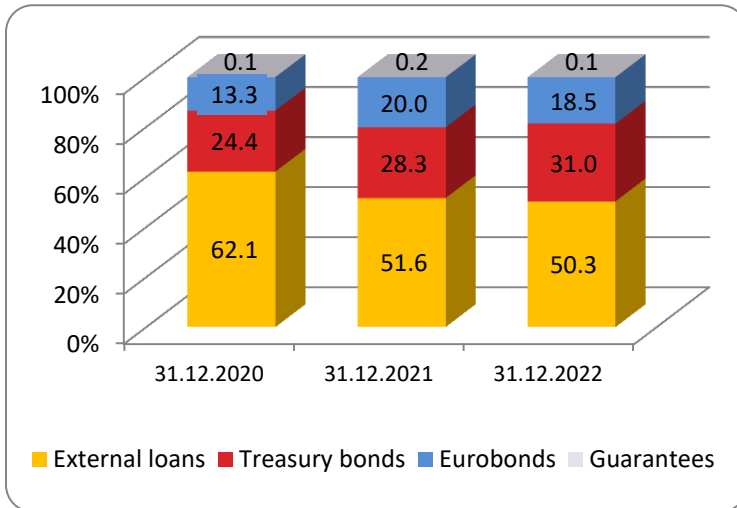
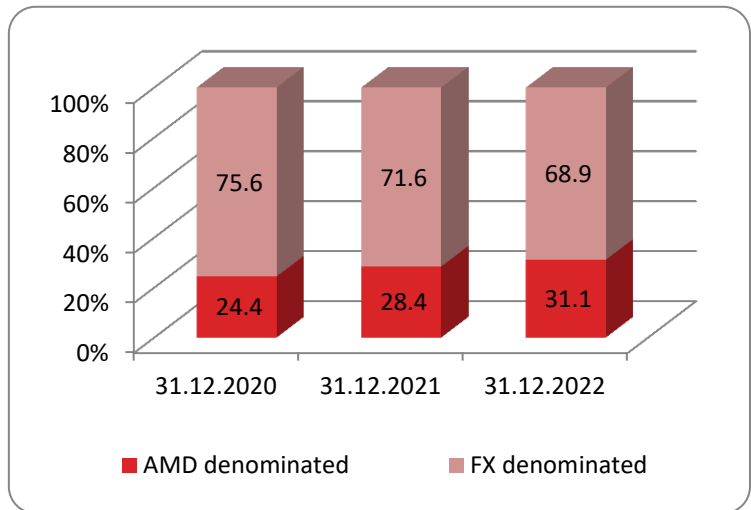
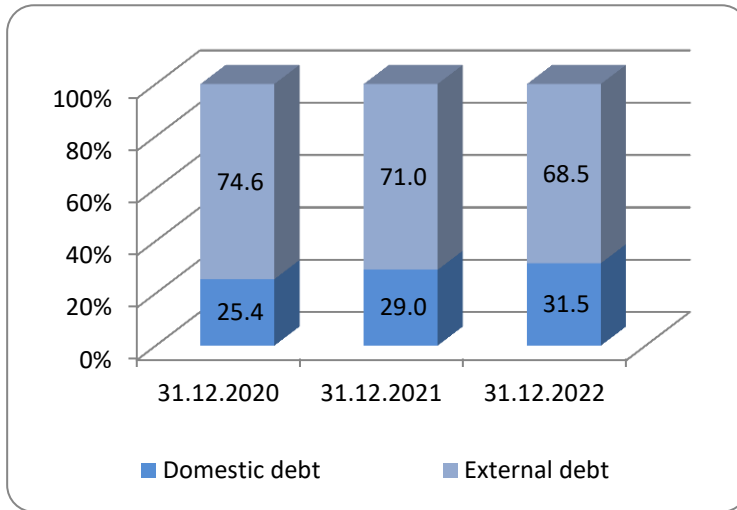
	As of 31.12.2020	As of 31.12.2021	As of 31.12.2022
Government debt, AMD billion	3,924	4,275	4,741
Government debt, % to GDP	63.5	60.8	60.2

It is planned to increase the share of AMD denominated Treasury bonds in the Government debt structure during 2021-2022, respectively by 3.8 u 2.8 percentage points.

The Government debt will have the following structure:

	As of 31.12.2020	As of 31.12.2021	As of 31.12.2022
Structure by residency, AMD billion *			
Domestic Debt	998	1,239	1,493
External Debt	2,926	3,036	3,248
Structure by type of instruments, AMD billion			
External loans and Credits	2,438	2,204	2,384
Treasury Bonds	959	1,209	1,472
Eurobonds	523	854	879
External Guarantees	4	4	4
Domestic Guarantees	-	5	3
Structure by currency, AMD billion			
AMD denominated	959	1,213	1,474
FX denominated	2,965	3,062	3,266
Structure by type of interest rate, AMD billion			
Floating	769	734	812
Fixed	3,155	3,541	3,929

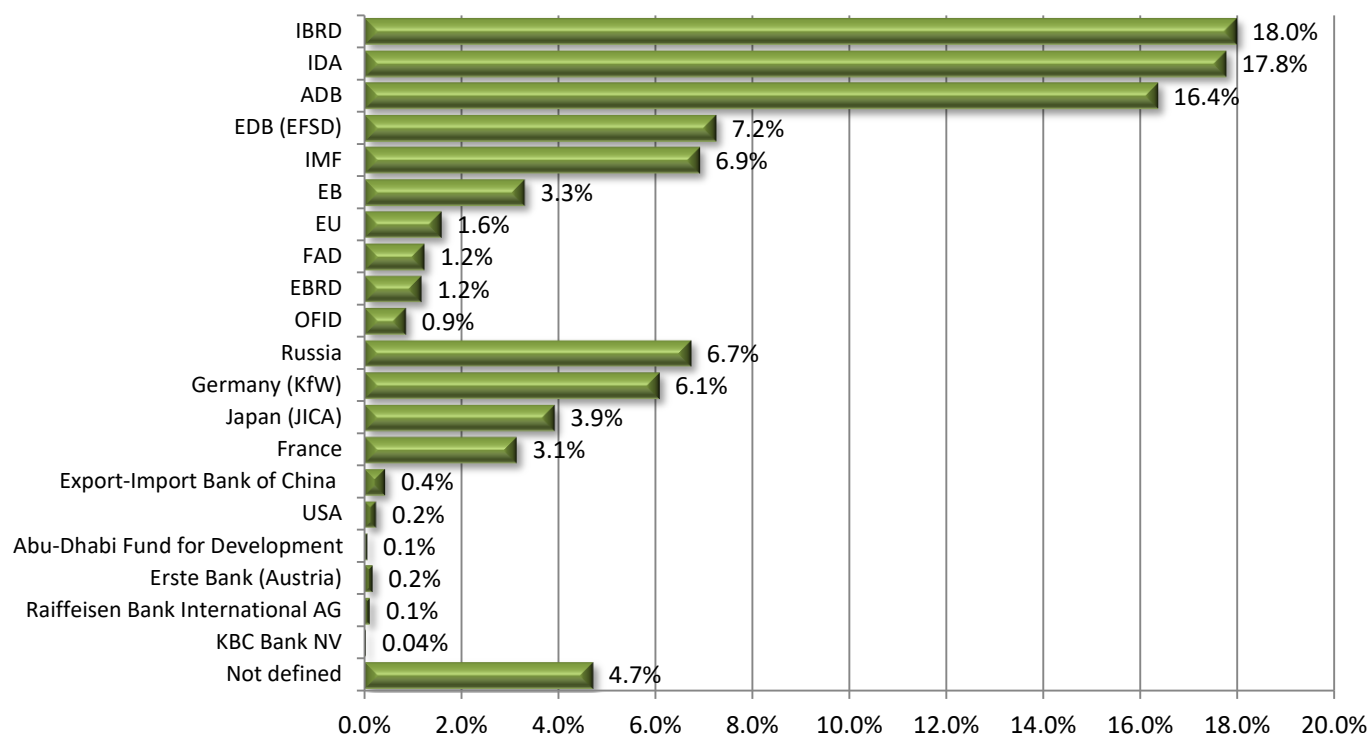
* 2021 u 2022 figures of Treasury Bonds and Eurobonds are based on actual shares by residency as of October 31, 2021.



Taking into account the forecasts and projected debt operations planned in 2022 State budget, the benchmark indicators set in 2022-2024 Medium-Term Government Debt Management Strategy will be the following.

	Benchmark	2022թ. (actual)	2022թ. (forecast)	2022թ. (forecast)
Refinancing risk				
Average time to maturity	8 – 11 years	8.8 տարի	8.5 տարի	8 տարի
The share of up to 1-year maturity bonds in the total GS (at the end of the year)	max 20%	11.5%	10.7%	10.3%
Interest rate risk				
The share of fixed rate debt in the total debt	min 80%	80.4%	82.8%	82.9%
Exchange rate risk				
The share of domestic debt in the total debt	min 25%	25.4%	29.0%	31.5%
The share of AMD denominated debt in the total debt	min 25%	24.4%	28.4%	31.1%

The World Bank's (IBRD and IDA) share in external loans of Government outstanding debt will be 35.8% at the end of 2022. Government external loans structure by lenders will be the following:



As of the end of 2022 the Government debt redemption profile will be scattered until 2054.

Government debt redemption profile as of end of 2022 (AMD billion)

