Annual Report
Public Debt Management

2015

Republic of Cyprus
Ministry of Finance
Public Debt Management Office

March 2016

PUBLIC DEBT MANAGEMENT ANNUAL REPORT 2015

Republic of Cyprus
Ministry of Finance
Public Debt Management Office
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Mission Statement

The core mission of the Public Debt Management Office is the design and implementation of the appropriate government policy in the field of debt management, depending on the domestic and international economic conditions and prospects.

The above mission is accomplished on the basis of two different but interrelated pillars: first, through the exercise of the medium-term debt management strategy, and second, through the implementation of the approved action plan for the further development and strengthening of the infrastructure for public debt management.

The implementation of the above actions constitutes a necessary condition for the achievement of the ultimate objective of debt management: i.e. to ensure the timely coverage of the financial needs of the State at the lowest possible medium-term cost, within an acceptable range of risk levels.

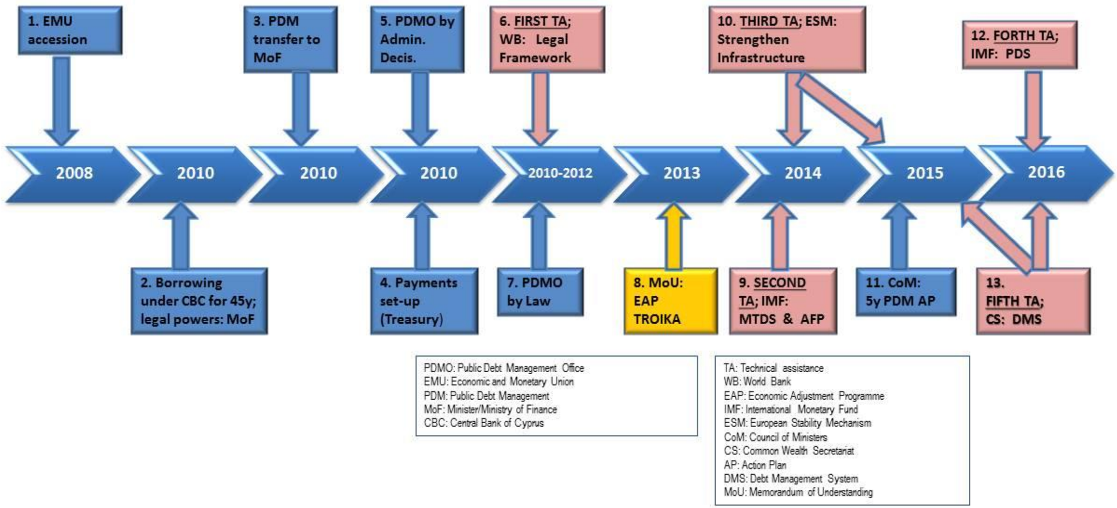
The developments relating to the above-mentioned two pillars of debt management for the last financial year are described in this report.

(Phaedon Kalozois), Director of Finance

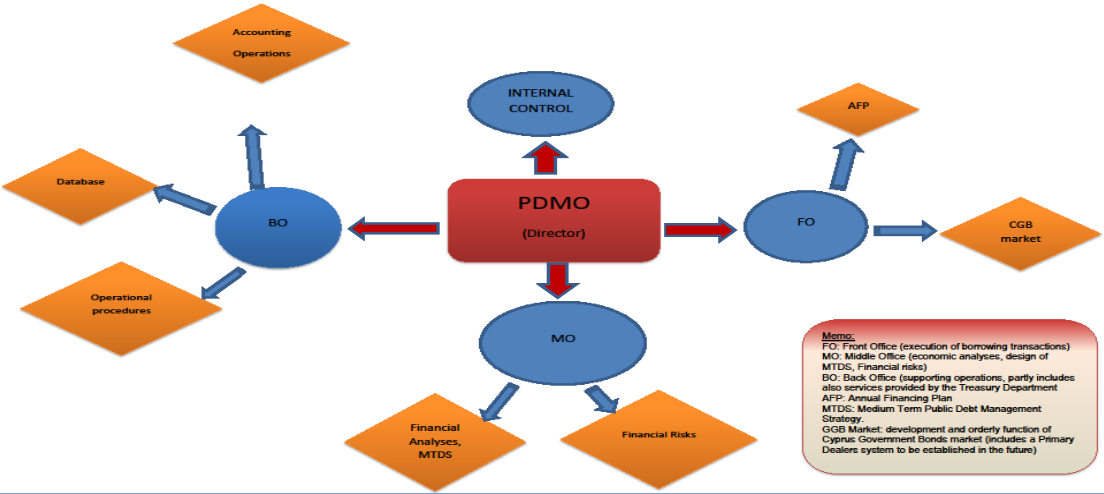
Head of PDMO

Ministry of Finance

The timeline of Public Debt Management in Cyprus



Organisation Structure of the PDMO



Note

- *The Minister of Finance has the exclusive power to borrow funds on behalf of the Republic of Cyprus.*
- *The PDMO of the Ministry of Finance is the responsible office for the above borrowing.*
- *PDMO actions are under the supervision of the Permanent Secretary of the Ministry of Finance.*

List of abbreviations

AFP	Annual Financing Programme
bn	Billion (one thousand million)
BoC	Bank of Cyprus
CBC	Central Bank of Cyprus
CoCB	Cooperative Central Bank
CEDB	Council of Europe Development Bank
CPB	Cyprus Popular Bank
CRA	Credit Rating Agencies
CYPGB	Cyprus Euro Medium Term Note
DMCs	Debt Management Committees
EAP	Economic Adjustment Programme
EC	European Commission
ECB	European Central Bank
ECP	Euro Commercial Paper
EFSF	European Financial Stability Facility
EIB	European Investment Bank
EMTN(s)	Euro Medium Term Note(s)
ESA	European System of Accounts
ESM	European Stability Mechanism
EUR	Euro
GDP	Gross Domestic Product
GG	Government Guarantees
GGD	General Government Debt
GGMO	Government Guarantees Management Office
LSE	London Stock Exchange
LM	Liability Management
IMF	International Monetary Fund
MFI	Monetary Financial Institution
MoU	Memorandum of Understanding
MTDS	Medium Term Public Debt Management Strategy
mn	Million
NPLs	Non-performing loans
PDML	Public Debt Management Law
PDMO	Public Debt Management Office
RoC	Republic of Cyprus
SDR	Special Drawing Rights
SSF	Social Security Fund
TBs	Treasury Bills
TSA	Treasury Single Account
WACD	Weighted Average Cost of Debt

List of Tables, Figure and Boxes

Executive Summary

According to Public Debt Management Law, the ultimate objective of the Public Debt Management Office is to ensure that the financing needs of the Republic of Cyprus are always met in time with the lowest possible borrowing cost in the medium term, within the framework of an acceptable level of risk.

Following the successful implementation of Medium Term Debt Management Strategy for the years 2015-2019 and the full achievement of all guidelines set under the said strategy, an updated MTDS for the years 2016-2020 but within the same strategic framework was compiled. The guidelines of the strategy were focused on four (4) pillars: (a) Smoothening of debt maturity profile and extension of maturity of marketable debt; (b) Risk mitigation; (c) Development of the government securities market and (d) Minimisation of the marketable debt borrowing cost in the medium term.

Cyprus Government Bonds secondary market yields dropped significantly and exhibited noticeable stability in 2015 mainly due to continuous outperformance of program targets and upgrades by Credit Rating Agencies.

Regarding the financing of the Central government, it is worth-noting that the net annual borrowing of the Republic in 2015 was mainly in the form of government securities with the vast volume of securities related to Euro Medium Term Note issuances.

The general government debt remained at a stable level during the last two years whilst the percentage change of debt as a ratio of Gross Domestic Product followed a downward trend. Cash reserves were maintained within the target set under the MTDS indicating the strong cash position of the RoC.

The main debt risk indicators of the Republic have improved significantly in 2015 highlighting the increasing importance of MTDS for achieving strategic debt targets.

During 2015, upgrades on the creditworthiness of the Republic were marked due to the country's economic and budgetary performance, enhancement of the financial stability and the strong commitment to the Economic Adjustment Programme.

The main key drivers for the upgrade of the Republic of Cyprus' government bonds rating in the future could result from continued fiscal discipline, more rapid reversal in the upward trend for non-performing loans, a reduction of government debt and the improvement of the growth rate of the economy.

Conclusively, it is worth-noting that the Public Debt Management Office will continue to have a strong commitment to the implementation of the its Action Plan within the remaining time-span of 2016-2019 in order to upgrade the internal infrastructure and further strengthen the administrative capacity of the Debt Management Office.

I. Introduction

Following the conclusion of the Memorandum of Understanding (MoU) in April 2013 with the European Commission (EC), the European Central Bank (ECB) and the International Monetary Fund (IMF), by the end of 2015 a number of significant reforms and actions on fiscal, banking and structural issues were implemented, in accordance with the agreed Economic Adjustment Programme (EAP).

Although in the said period the Republic of Cyprus (RoC) was under the EAP and drew official funding from ESM and IMF as the main source of funding its financing needs, in the same year, 2015, it continued to access international markets with new benchmark Eurobonds via syndication.

During the year 2015, the Public Debt Management Office (PDMO) has continued to receive technical assistance from the European Stability Mechanism (ESM) for the strengthening of its infrastructure and the investor relations functions as well as from the IMF and the EC for the development of the government bonds market.

Following the introductory chapter of this Report, the second chapter is focused on the objectives set out in the Medium Term Public Debt Management Strategy (MTDS) for the years 2015-2019 and their evaluation while in the third chapter, the sovereign debt markets developments are analysed both in the Eurozone as well as in the Republic of Cyprus.

Chapter 4 provides a summary overview of the financing of the Central Government in 2015 while the size and composition of government debt are discussed in chapter 5.

Some of the measures used by the PDMO to calculate the cost of the public debt and the discussion on a number of risks for the State, which has to be handled by the PDMO, are presented in chapter 6. The cash management and the evaluation of creditworthiness of the Republic of Cyprus are analysed in chapters 7 and 8 respectively. The final chapter (9) presents the actions implemented in 2015 of PDMO's Action Plan, which was approved by the Council of Ministers in September 2015.

II. Objectives and Evaluation

A. Mandate

The Minister of Finance borrows on behalf of the Republic of Cyprus funds by raising loans or by issuing securities both in the domestic and foreign markets in local or foreign currency. According to article 4 of the Public Debt Management Law (PDML), the PDMO is responsible among other functions for handling the debt management operations, the management of liquidity of the government and the borrowing transactions.

Any government borrowing aims mainly at: (i) covering the public deficit; (ii) maintaining the desired level of cash reserves; (iii) refinancing the outstanding public debt; and (iv) covering other government policy needs (such as for the urgent protection of the economy).

B. Legal Framework for public debt management

According to article 2 of the PDML, the debt management operations of the PDMO include the preparation of the MTDS and of the Annual Funding Programme (AFP) as well as the execution of the necessary borrowing transactions in order to facilitate the implementation of the AFP and to meet the objectives of the MTDS.

The Medium –term debt management strategy (MTDS) which is a 3-5 year strategy is submitted for final approval to the Council of Ministers by the Minister of Finance, after informing the Budget and Finance Committee of the Parliament. According to the Law, the AFP is designed by the PDMO, and approved by the Minister of Finance. Following the final approval of the AFP, the borrowing of the Republic of Cyprus and other debt management operations are subject to and are enforced on the basis of the AFP.

C. MTDS guidelines and objectives

The guidelines of the MTDS for the years 2015-2019 and the objectives under each of the said guideline related to the year 2015 were the following:

1. **Smoothening of debt maturity profile and extension of the maturity of marketable debt**

   - *Maintain average maturity of marketable debt, not less than 3 years;*
   - *Maintain short term debt equal or less than 5 percent of total debt stock; and*
   - *Maintain long term debt equal or more than 95 percent of total debt stock.*

2. **Risk mitigation**

   - *Maintain liquid funds to EUR 1 bn at end of 2015;*
   - *Maintain marketable debt foreign exchange exposure not more than 5 percent of the total debt stock;*
   - *Maintain total debt foreign exchange exposure not more than 10 percent of total debt stock;*
   - *Maintain marketable debt floating interest rate exposure not more than 5 percent of total debt stock; and*
   - *Maintain total debt floating interest rate exposure not more than 60 percent of total debt stock.*

3. **Development of the government securities market**

   - *Create a well-functioning Treasury Bills (TBs) market via auctions;*
   - *Build up a long-term secondary bond yield curve; and*
   - *Introduce domestic bonds.*

4. **Minimisation of marketable debt borrowing cost**

   - *Improved investor relations;*
   - *Expansion of the investor base; and*
   - *Regular provision of information to investors.*

The new MTDS for the years 2016-2020 envisages being an update of the previous strategy in the light of the new macroeconomic developments, the exit of the RoC from the EAP at the beginning of 2016 and debt management improvements, but still remaining within the same strategic framework. The guidelines of the said MTDS are the following:

1. Smoothening of maturity profile of public debt and extension of the maturity of marketable debt;
2. Risk mitigation;
3. Development of the government securities market; and
4. Minimisation of marketable debt borrowing costs in the medium term.

D. Evaluation of MTDS guidelines and objectives

Although it is premature to evaluate to what extent the overall MTDS objectives are being fulfilled especially given that some of the objectives are not quantitative, an attempt is made to evaluate both the quantitative and qualitative objectives of the MTDS.

Given the above objectives of the MTDS for the years 2015-2019 and the results in 2015 presented in this Annual Report, the overall MTDS guidelines have been fulfilled at a very satisfactory level following the projected trajectory.

In particular, regarding the first guideline of the MTDS, i.e. the average maturity of marketable debt, the short-term debt and the long-term debt were maintained within the thresholds of the strategy indicating the achievement of the said guideline.

The objectives of the second guideline related to total and marketable debt foreign exchange exposure, marketable debt floating interest rate exposure and total debt floating interest rate exposure have been fulfilled. Excluding the last month of 2015, the threshold of liquid funds was maintained at a level of more than EUR 1 bn during the year. Taking into consideration that the reduction of liquid funds in December 2015 reflects a transitional period which incorporates the impact of buybacks of existing debt and issuances of new bonds on a later time within the framework of liability management transactions as well as the fact that from January 2016 a rebound of liquid funds at levels above the threshold was achieved until the end of May 2016, we can conclude that the said objective has been fulfilled.

For the third guideline, related to the development of the government securities market, the PDMO followed a number of actions to achieve the objectives set out under the above guideline. It is noted that TBs auctions were restored in February 2015. The target of completing the re-establishment of an orderly functioning TBs market was fully achieved by the end of 2015 with frequent auctions at pre-set dates and with a published auction calendar. The objective of the re-introduction of domestic bonds was also achieved during the fourth quarter of 2015 with the issuance of two domestic bonds in the domestic bond market. In order to further build up the long-term bond yield curve as well as the remaining objectives of the AFP, two benchmark Eurobonds via syndication were executed in May and November 2015.

In order to minimise the marketable debt borrowing cost, a number of actions were executed by the PDMO by implementing the three objectives as mentioned above. During 2015 the PDMO has concentrated in specific actions in an effort to achieve the objective of improving investor relations, such as organization of roadshows and investors conference calls, production and distribution of bimonthly newsletters each two months and maintenance of an investors database.

For the objective of expanding the investor base, the distribution by geographical region has been expanded and deepened gradually in the last two benchmark Eurobonds in 2015 due to increased investor's participation from US Offshore companies, Nordic countries, Middle East/Asia and other countries. The distribution by type of investor for the Euro Medium Term Note (EMTN) issuances during 2015 has mainly remained within three types of investors, namely “Fund managers, Banks and Hedge Funds”. In the last 10 year benchmark Eurobond in November 2015, a small but encouraging participation by insurance and pensions was marked. Regarding the provision of regular information to investors, the PDMO has continued to produce and distribute newsletters, investor’s presentations, quarterly bulletins as well as annual publications over 2015 in an effort to enhance investor’s confidence as well as to empower the predictability and consistency of the PDMO actions and in general of the Government. Within this framework, the PDMO with the technical support of the Department of Information Technology proceeds with the design of a new website in line with market needs.

III. Sovereign Debt Market Developments

A. Eurozone sovereign debt market developments

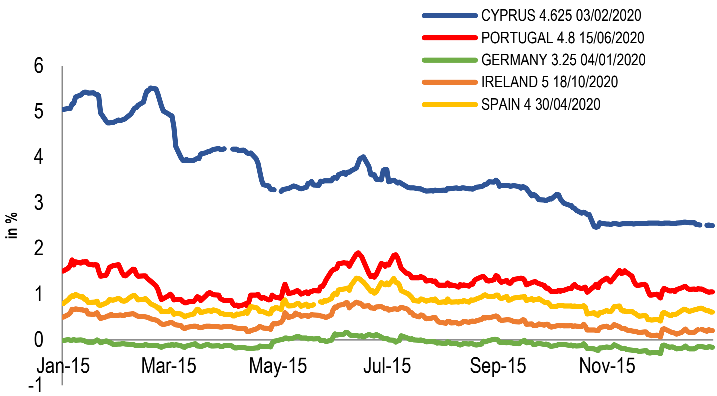
Sovereign bond yields across the Eurozone have continued their descenting trend during the first quarter of 2015 mainly due to the accommodative monetary policy of the European Central Bank (ECB). On 22 January 2015, the European Central Bank announced an expanded asset purchase programme, pushing sovereign bond yields to record low levels.

In the second quarter of 2015, long-term sovereign bond yields in advanced economies have followed the behavior of the German Bunds yields which exhibited sharp but brief increases with the yield of German government bonds peaking at just below 1 percent in June 2015, but it had eased back to around 80 basis points by the beginning of September 2015.

In September and October 2015, some of the euro area Member States had their sovereign credit ratings revised. By the end of September 2015, Cyprus' sovereign credit rating was raised by S&P's to BB- and by the end of October 2015 Cyprus' rating was raised by Fitch to B+, reflecting the improvement in the fiscal situation. In November 2015, Cyprus' sovereign credit rating was raised by Moody's to B1 and in December 2015 it was raised by DBRS to B, citing the improvement in the fiscal situation and strong commitment to the EAP, respectively.

Figure 1 below shows the secondary market yields level of Cyprus and selected Eurozone countries for governments bonds due in 2020.

Figure 1: Secondary market yield levels of Cyprus and selected Eurozone States (government bonds due in 2020)



(Source: Bloomberg)

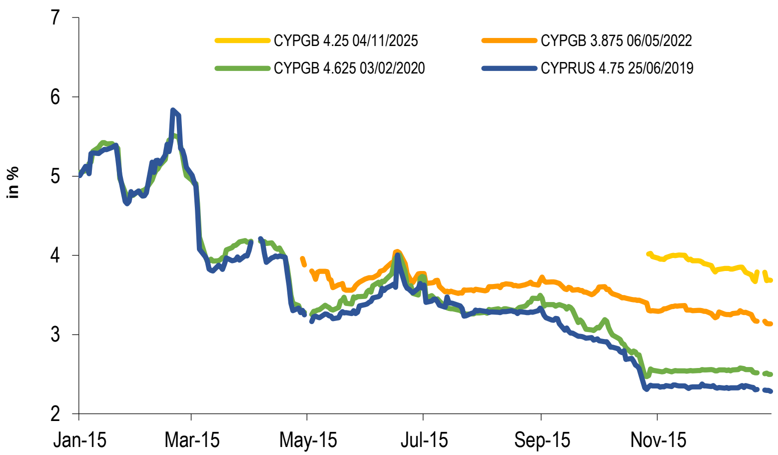
Figure 2 below, illustrates the secondary yield levels for Cyprus international bonds during 2015. The said bonds were issued under the EMTN programme, under English Law and listed at the London Stock Exchange (LSE). It should be noted that LSE provides many benefits to the Republic of Cyprus as sovereign bond issuer since it secures access and visibility to one of the world's deepest pools of investment capital and attracts a wide and diversified investor base.

Overall, as presented in Figure 2 below, Cyprus secondary market bond yields dropped significantly in 2015 and exhibited noticeable stability during the previous year. Despite the significant volatility in core and periphery yields in the period May–August 2015 attributed to Eurozone inflation/growth expectations and markets uncertainty, Cyprus bonds outperformed the market compared to other bonds for most of that period. Furthermore, despite the volatility in the international markets in September – November 2015, Cyprus bonds yields continued to exhibit a downward trend.

The main reasons for the reduction of Cyprus secondary market bond yields are the continuous outperformance of program targets, the stronger understanding by investors of the economic performance of Cyprus, the European Central Bank quantitative easing programme as well as the upgrades by Credit Rating Agencies (CRA) in September-October 2015.

Furthermore, the adoption of the MTDS, the transparency and the credibility in the implementation of the said strategy were an important factor in improving the confidence of Cyprus bonds market. Despite all these fundamental benefits, the sovereign ratings in non-investment grade in conjunction with the limited liquidity in the small debt market of Cyprus generally impacted the volatility and yield reaction of the said bonds as well as their issue price.

Figure 2: Secondary yield levels for Cyprus international bonds in 2015



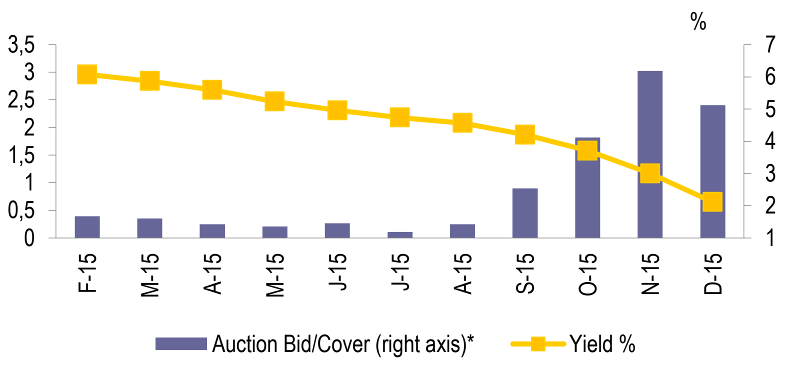
(Source: Bloomberg)

B. Cyprus Treasury Bills market

Short term Treasury Bills of 1 to 12 months were re-introduced in the domestic market through auctions in February 2015 and rolled-over throughout the entire year reaching to EUR 400 mn or about 13 percent of the total general government securities issuances in 2015. The weighted average yield in the 13-week TBs auctions marked a significant decline by 2.31 percentage points reaching 0.65 percent in December 2015 from 2.96 percent in February 2015.

The auction bid to cover ratio[1] marked a significant improvement throughout the year reaching sufficient levels, especially during the last quarter of 2015 indicating that auctions were successful with aggressive bids.

Figure 3: Treasury Bills yields and auction bid/cover ratio in 2015



(Source: PDMO)

[1] Derives as the total value of bids received to the total value of bids announced.

Regarding the retail bonds which were issued under Domestic Law, the coupon rates remained between 2.50 percent to 5.50 percent for the series 1-8, whilst for the series 9-12 the coupon rates changed and remained between 2.50 percent and 3.25 percent.

IV. Financing of the Central Government in 2015

A. Introduction

The ultimate objective of debt management strategy is to ensure that financing needs are always met in time and that the cost of borrowing is the lowest possible in the medium term[2], within the framework of an acceptable[3] level of risk[4].

Following the introduction, the second sub-chapter presents the financing of the borrowing needs in 2015 by source and by maturity. The next sub-chapter focuses on the debt redemptions during 2015.

B. Financing actions in 2015

As presented in table 1 below, the net annual borrowing of the Republic of Cyprus amounted to EUR 4177 mn of which EUR 3112 or about 75 percent of the total annual borrowing was in the form of government securities. An amount of EUR 1003 mn or about 24 percent of the total annual borrowing was related to loans by the ESM and IMF. The total amount of disbursements from the ESM was EUR 600 mn, which resulted from EUR 100 mn of the 7th tranche in July 2015 and EUR 500 mn of the 8th tranche in October 2015. The total amount of disbursements from the IMF was EUR 403 mn, which resulted from EUR 278 mn of the 6th, 7th and 8th tranches in June 2015 and EUR 125 mn of the 9th tranche in September 2015.

[2] Any decision-making based on the minimization of the borrowing cost of the transaction (in raising a loan or a bond offering) i.e. using as a sole criterion the interest rate, constitutes a dangerous practice that undermines the ultimate objective of the PDM. This is why the minimisation of the borrowing cost is related to the medium term horizon.

[3] Borrowing has to be within reasonably acceptable and manageable levels of risks.

[4] The main financial risks are: (a) refinancing risk; (b) Interest rate risk; (c) Foreign exchange risk and (d) Market risk.

In December 2015, an amount of EUR 62 mn was disbursed by the EIB for project financing of the Department of Public Works and for the University of Cyprus according to the loan agreement between the Cypriot Government and the EIB. The said loans carry fixed interest rate of 1.782 percent and 1.766 percent respectively and due in 2040.

Table 1: Net annual borrowing by financial instrument in 2015

		EUR mn		%
1	**Government Securities**		**2713**	**72**
	of which:			
	TBs and ECPs	400		
	Domestic bonds	108		
	Retail bonds	205		
	EMTNs	2000		
2	Loans by ESM and IMF		**1003**	**26**
3	Loans by the EIB		**62**	**2**
	Total annual borrowing[1/]		**3778**	**100**

1/ =Debt issued and redeemed within the year 2015 is not included.
(Source: PDMO)

Regarding the distribution of the government securities issued and not redeemed within 2015, as shown in Figure 4, the majority of the securities were related to EMTN issuances. Following two EMTN issuances of a total amount of EUR 0.85 bn in 2014, a year after the commencement of the EAP and the significant drop of the secondary market bond yields in 2015, the RoC proceeded with the issuance of two new EMTN benchmark bonds in the international market of EUR 1000 mn in May 2015 and of EUR 1000 mn in November 2015 or in total about 74 percent of the government securities issued and not redeemed within 2015.

The proceeds from the above issuances were used: (a) for the early repayment of a recapitalization bond held by the Bank of Cyprus; (b) for repurchase and exchange of bonds in order to smooth the maturity profile of public debt and (c) to maintain and enhance the cash buffer of the RoC.

Box 1 and Box 2 below, illustrate the highlights of the above EMTNs executions, the summary of the terms and conditions as well as the investor distribution by region and type.

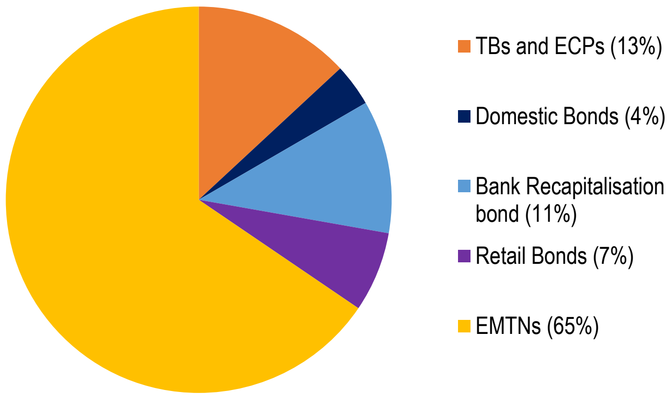
Short term TBs of 1 to 12 months were issued and rolled-over throughout the entire year reaching EUR 400 mn or about 13 percent of the total government securities issued and not redeemed within 2015. The total amount of TBs issued during 2015 was EUR 2175 mn of which EUR 1775 or about 82 percent of the total amount of TBs issued, matured within the same calendar year. Regarding the investors in TBs, these were banking institutions, pension funds, institutional investors and insurance companies. The RoC did not issue any ECP during 2015.

The Republic issued three (3) domestic bonds for a total amount of EUR 448 mn or about 15percent of the total government securities issued and not redeemed within 2015, of which an amount of EUR 340 mn was related to the Bank of Cyprus recapitalization bond which was repaid by the end of 2015. The other two bonds amounting to EUR 18 mn and EUR 90 mn respectively were issued in November and December 2015 and mature in 2021 and 2025 respectively.

Additionally, the Republic of Cyprus issued on a monthly basis, retail bonds[5] of the order of EUR 205mn or 7 percent of the total government securities issued and not redeemed within 2015.Investors of retail bonds were both foreign and domestic investors, but the majority of investors were foreign.

[5] Retail Bonds are designed to meet the characteristics of natural persons with a maturity of six (6) years but with the possibility of early repayment with 1 month notice without penalty and carry multiple step-up coupon rate.

Figure 4: Distribution of government securities issued during 2015



(Source: PDMO)

Box 1: EUR 1000 mn, 3.875% 7-year benchmark bond due 6 May 2022

The 7-year benchmark bond has a nominal amount of EUR 1000 mn and a coupon of 3.875% (yield 4,0%).The bond was the second international benchmark bond issuance of Cyprus via syndication since late 2010.

The PDMO has decided to approach the market on 27th April 2015 after monitoring the international market conditions and the domestic developments. A global investor call was arranged on 27th April enabling Cyprus to update investors on (i) the recent developments with regards to the implementation of the ESM/IMF programme, (ii) the general economic situation and fiscal performance over the recent months (iii) the financial situation of the banking sector and (iv) the expected funding programme and financing actions for 2015 and 2016.

Given very constructive feedback received from investors during the call, initial pricing thoughts (IPTs) were released on 27th April for a 7-year Euro benchmark at 4% area (yield).For reference, the secondary trading level of the Republic's existing note maturing respectively in June 2019 and February 2020 was 3.40% and 3.465% in yield terms.

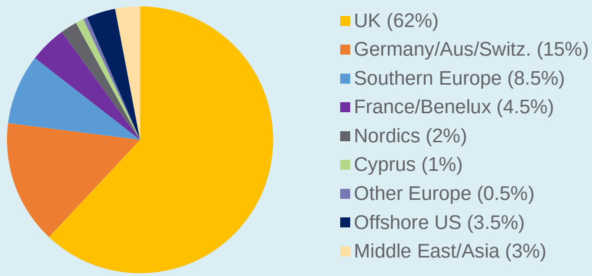
Following a very constructive IPT process with EUR 1.1 bn of demand, the orderbook officially opened on 28thJune with guidance at 4.125% area (yield).

The orderbook grew steadily and closed at 12:00 LDN with more than 140 investors taking part to the transaction and a total amount requested close to EUR 1.9 bn enabling to launch a EUR 1.0 bn transaction. The transaction priced at a reoffer yield for investors of 4.0% implying a spread of 367bps over the mid-swap reference of 0.33. The annual interest rate was 3.875% (coupon rate).

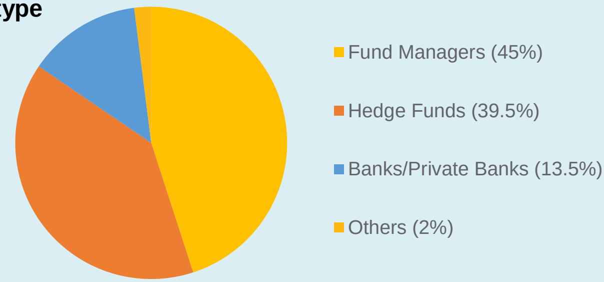
Summary of terms and conditions

Issuer	The RepublicofCyprus
Format	RegS Registered only, CACs
Settlement date	6th May 2015
Maturitydate	6th May 2022
Size	EUR 1000.000.000
Coupon	3.875%,annual, ACT/ACT
Re-offerprice	99,250 / 4,000% p.a
Re-offeryield	4.0%
Re-offerspread	MS +367bps
Denominations	1k+1k
Listing / Law	London Stock Exchange / English Law
ISIN	XS1227247191
Lead Managers	BARC/HSBC(B&D)/MS/SG CIB

Distribution by region



Distribution by type



Box 2: EUR 1000 mn, 4.25% 10-year benchmark bond due 4 November 2025

The 10-year benchmark bond has a nominal amount of EUR 1000 mn and a coupon of 4.25% (yield 4.25%).The bond was the second international benchmark bond issuance of Cyprus via syndication during 2015 and the third issuance since late 2010.

Taking into consideration the stable market conditions, the recent ratings upgrades by S&P and Fitch and given the feedback received from investors in London, Paris, Frankfurt and Munich during the road show, the PDMO launched a new 10-year benchmark transaction, in conjunction with a switch offer of the 4.75% June 2019, 4.625% February 2020 and 6.50% May 2020 bonds.

The mandate was announced to the market on 26th October with initial pricing thoughts (IPTs) of 4.50% reoffer yield. The orderbook officially opened on 27th October with a revised price guidance of 4.375% area (yield).

The orderbook continued to build over with strong interest from the international investor community, allowing for a final guidance range of 4.25% to 4.30%, and pricing at the tight end of the range with a coupon and a reoffer yield of 4.25%.

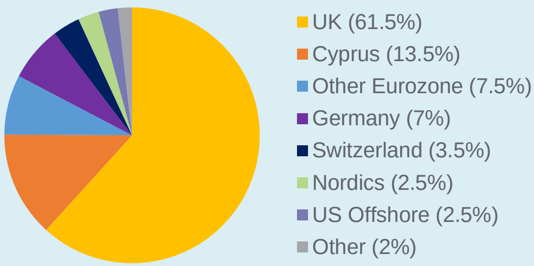
The settlement date was 4th November 2015 and the maturity date is 4th November 2025.

A combined orderbook of over EUR 3.35bn represents the largest orderbook generated for a Republic of Cyprus transaction since the sovereign's return to the international bond markets in June 2014.

Summary of terms and conditions

Issuer	The RepublicofCyprus
Issuer Ratings	B3/BB-/B+/BL(stab/pos/pos/stab) byMoody's, S&P, Fitch and DBRS
Format	RegS Registered only, CACs
Settlement date	4thNovember 2015 (T+6)
Maturity date	4thNovember 2025
Size	EUR 1000.000.000
Coupon	4.25%, annual, ACT/ACT (ICMA)
Re-offerspreadto MS	MS + 341.6bps
Re-offerspreadto B	+379.7bps
Denomination	1k+1k
Listing / Law	London Stock Exchange / English Law
ISIN	XS1314321941
Lead Managers	BARCLAYS/GOLDMAN SACHS INTERNATIONAL/HSBC/NOMURA

Distribution by region



Distribution by type

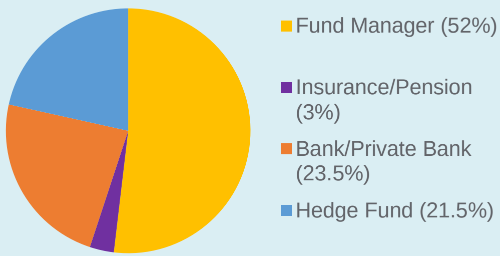


Table 2 shows the change of debt structure by financial instrument as at end 2015. The total net annual financing comprised mainly from loans by the ESM and IMF and EMTN issuances.

Table 2: Change of debt structure by financial instrument in 2015

		EUR mn	
1	**Government Securities**		**-789**
	of which:		
	TBs and ECPs	-336	
	Retail bonds	202	
	Domestic bonds	-1359	
	EMTNs	704	
2	Loans by ESM and IMF		**1003**
3	Other Loans		**-135**
	Total net annual financing		**79**

(Source: PDMO)

The structure of the total net annual borrowing by maturity is presented in table 3 below. The majority of net annual borrowing in 2015, amounting EUR 3360 mn, was long-term borrowing of which a total of EUR 2000 mn related to 7 year and 10 year EMTN issuances, another EUR 1000 mn was related to loans by ESM and IMF and the remaining amount related to one (1) domestic bond, two (2) loans by EIB and domestic retail bonds.

Regarding the medium-term borrowing, the largest component was the recapitilasation bond related to the Bank of Cyprus, whilst the remaining amount related to one (1) domestic bond.

Table 3: Distribution of total net annual borrowing by maturity in 2015

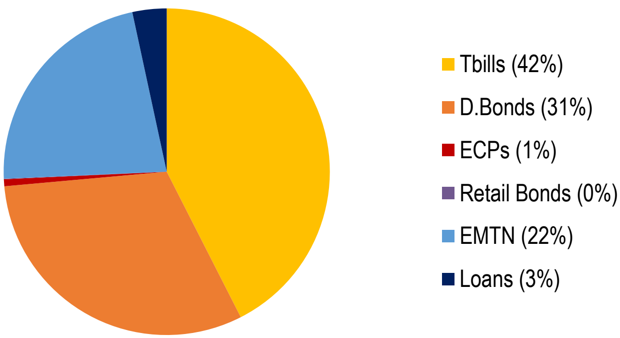
		EUR mn	%
1	Short-term borrowing (up to12 months)	400	10
2	Medium-term borrowing (between 13 months and 5 years)	358	9
3	Long term borrowing (more than 5 years)	3360	81
	Total net annual borrowing	**4118**	**100**

(Source: PDMO)

C. Debt redemption in 2015

The total value of debt redemptions during 2015 was EUR 5814 mn of which EUR 2471 or about 42 percent consisted of short term TBs issued and rolled-over throughout the entire year. An amount of EUR 1807 mn or 31 percent of the total debt redeemed in 2015 was related to domestic bonds. The main component of the said amount was the buyback of Bank recapitalisation bond of EUR 1090 mn (See Figure 5). The analysis of debt redemptions in 2015 is presented in Table 1 and 2 in statistical Appendix I.

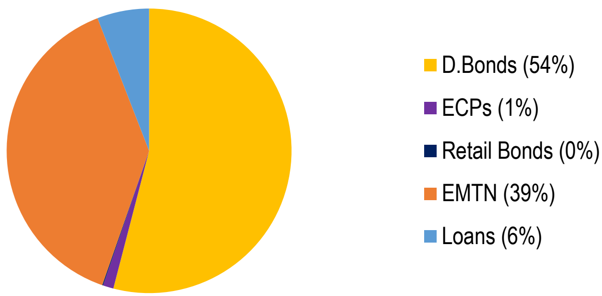
Figure 5: Distribution of gross debt redemptions in 2015



(Source: PDMO)

Excluding the short term TBs issued and rolled-over throughout the entire year, the net redemptions during 2015 are estimated at EUR 3343 mn. An amount of EUR 1296 mn or about 39 percent of medium to long term debt redeemed in 2015 related both to an EMTN redeemed in November 2015 as well as to the reduction of outstanding debt of three (3) EMTNs due to partial buyback of the said bonds. The remaining amount of EUR 198 mn or about 6 percent was mainly due to loan amortisations. The loan amortisations by creditor for the year 2015 are shown in table 3 in Appendix I.

Figure 6: Distribution of net debt redemptions in 2015



(Source: PDMO)

Table 4 below, shows the buyback transactions of domestic bonds, the repayment of the recapitilisation bond of the Bank of Cyprus as well as the buybacks of the three (3) EMTNs due in 2019 and 2020. According to the table below, an amount of EUR 1692 mn or about 51 percent of the net maturities consist of bonds buybacks implemented in 2015.

Table 4: Distribution of buyback bonds in 2015

		EUR mn	%
1	Domestic Bonds	167	10
2	Recapitilasation bond	1091	64
3	EMTNs	434	26
	Total net annual borrowing	**1692**	**100**

(Source: PDMO)

V. The Size and Composition of Government Debt

A. Introduction

Statistical methodology and valuation for public debt is based on concepts defined in the European System of Accounts (ESA2010). According to the consolidated version of the Treaty on the Functioning of the European Union (2012), the government debt is defined as “the total gross debt at nominal value outstanding at the end of the year and consolidated between and within the sectors of general government”. In the case of Cyprus, the relevant subsectors are the central government, the local authorities and the Social Security Fund (SSF).

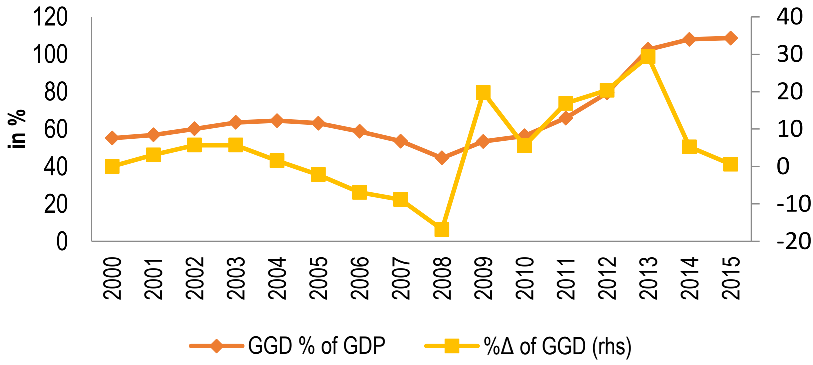
Following the introduction, the second sub-chapter which is organized in three sections, provides the statistical description of government debt. The first and second sections deal with the size, historical evolution and structure of the consolidated general government debt, whereas section 3 deals separately with the unconsolidated general government debt.

B. Statistical description

B.1: Size and evolution of General Government Debt

The general government debt remained at a stable level during the last two years reaching EUR 18.9 bn at end 2015, which is slightly higher than the relevant debt of EUR 18.8 bn at end 2014. The debt to Gross Domestic Product (GDP) ratio marked a minor increase over 2015 from 108 percent to 109 percent. Although debt to GDP ratio marked a minor increase, the percentage change of debt as a ratio of GDP followed a downward pattern from 29 percent in year 2013 to 0.63 percent in year 2015. Excluding accumulation of cash reserves, the net debt to GDP ratio at end 2015 was 105 percent compare to 101 percent which was at end 2014. The higher level of cash reserves was due to the possible risk outlook following the exit from the MoU.

Figure 7: Debt to GDP ratio evolution in 2000-2015



(Source: PDMO and Ministry of Finance)

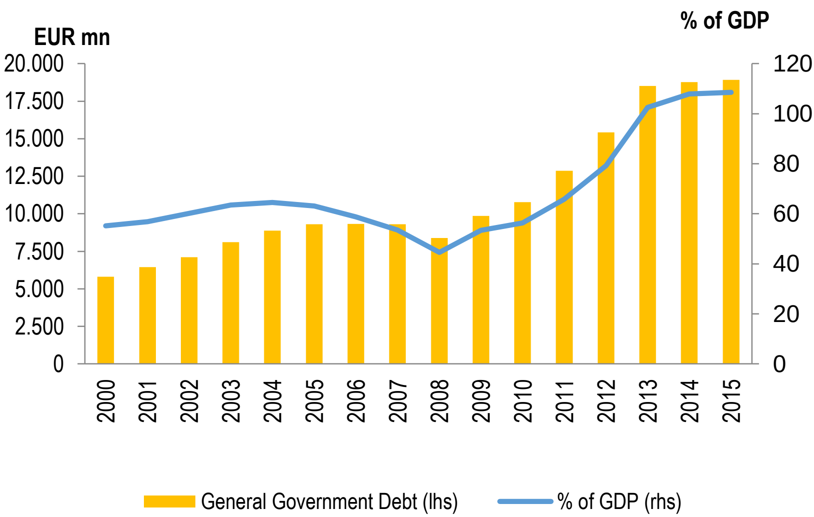
Figure 8 below, shows the debt evolution over the years 2000 and 2015. During the first four years of the said period, the general government debt followed an increasing path from 55 percent of GDP in 2000 to 64 percent of GDP in 2004. Following years of fiscal consolidation, and due to the use of available sinking funds, the debt-to-GDP ratio reached a low of 45 percent of GDP in 2008. Since then, fiscal slippage and low to negative growth rates and, most recently, capital injections into the banking sector, contributed to a considerable increase in the debt to GDP ratio.

During 2009-2011 the fiscal deterioration was the main contributor to the increase in the public debt. During 2012-2013 both the fiscal deficit and the negative growth rate contributed to the debt deterioration, but additionally the state capital support of the Cyprus Popular Bank (CPB) in 2012 and of the cooperative sector in 2013 increased the public debt by a total amount of EUR 3.4 bn.

The banking crisis resulted in state support to the domestic financial sector of currently EUR 3.6 bn or about 20 percent of the gross public debt by end 2014. These funds were related to the state recapitalisation of CPB and the cooperative sector via debt securities. In late 2015 the Government provided an injection of EUR 175 mn or about 1 percent of GDP of additional public funds into the cooperative sector.

It is important to highlight that despite the sharp increase in the public debt of the past few years, the strong fiscal outcome of 2014, the positive primary balances of 2014-2015 and the positive growth of 1.6% in 2015 indicate that debt is stabilising earlier and at lower levels than originally anticipated. The historical evolution of gross general government debt in values and as a percent of GDP is presented in table 1 in statistical appendix II.

Figure 8: Trend in the consolidated general government debt

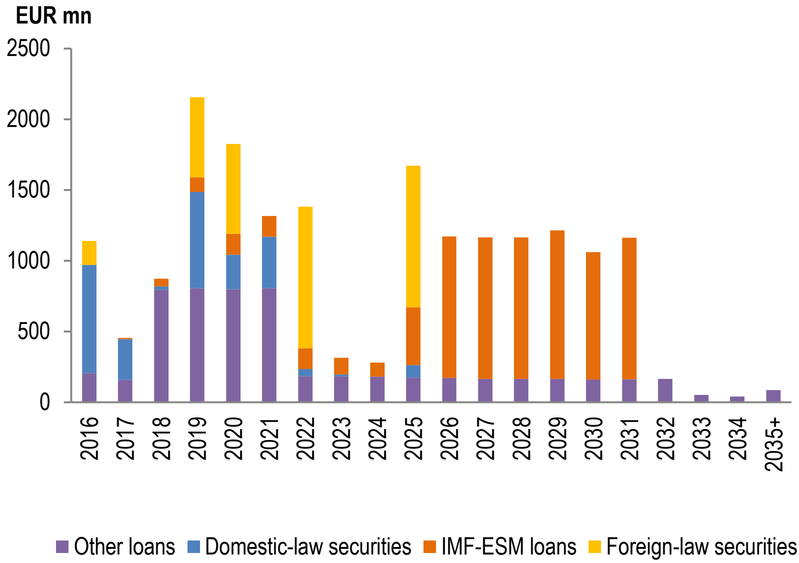


(Source: PDMO and the Ministry of Finance)

B.2: Composition of the General Government Debt

The maturity profile of the general government debt gives a clear picture of the shape of the distribution between different outstanding maturities. Figure 9 illustrates the size of the sums maturing in each individual year given the outstanding general government debt (excluding debt for EFSF loans) at the end of 2015. The said maturity profile shows moderate maturities sizes during the years 2016 to 2018 due to Liability Management (LM) transactions implemented in years 2014-2015. Although, the maturity concentration for the above 3-year period has been alleviated, the years 2019 – 2020 still have a high concentration of maturities amounting to EUR 4.0 bn or about 21 percent of the general government debt. An amount of EUR 2.5 bn or about 62 percent of the total debt due in years 2019-2020, matures between the second half of 2019 and first half of 2020. During the first half of 2019, an amount of EUR 0.9 bn or about 45 percent of the total debt due in 2019 consists mainly from the six-monthly installment vs the bilateral loan from the Russian Federation and a redemption of an EMTN.

Figure 9: General government debt redemption profile



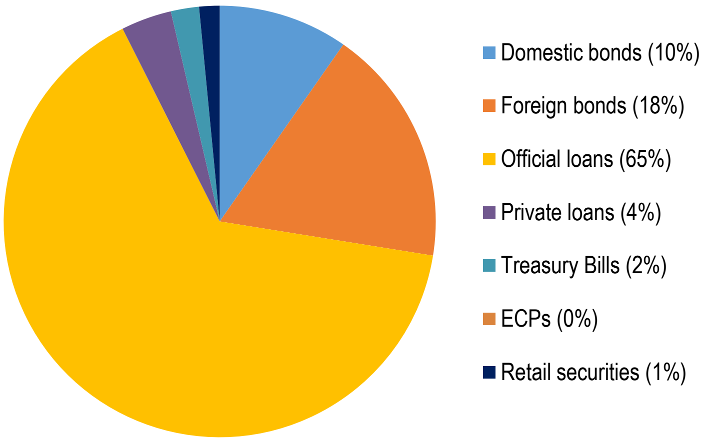
(Source: PDMO)

The share of the government debt by financial instrument, as at end December 2015, is presented in Figure 10 below. The vast majority of the government debt in 2015 concerned official loans disbursed to the RoC. An amount of EUR 7.2 bn or about 58 percent of the official debt related to loans disbursed by the ESM and IMF during the years 2013-2015, whilst the remaining 42 percent concerned other loans which were mainly disbursed by the Russian Federation, EIB and the Council of Europe Development Bank (CEDB).

The second largest category of the government debt concerned foreign-law securities of which an amount of EUR 2.0 bn or about 70 percent of the total outstanding value of the said securities concerns the issue of EMTN securities in the international markets during the year 2015.

Domestic bonds marked a reduction in 2015 of about 7 percentage points compared to the previous year reaching 10 percent of GGD. The outstanding central government debt as at end 2015 is presented in table 1 and 2 in statistical Appendix III.

Figure10: Share of general government debt by financing instrument in 2015

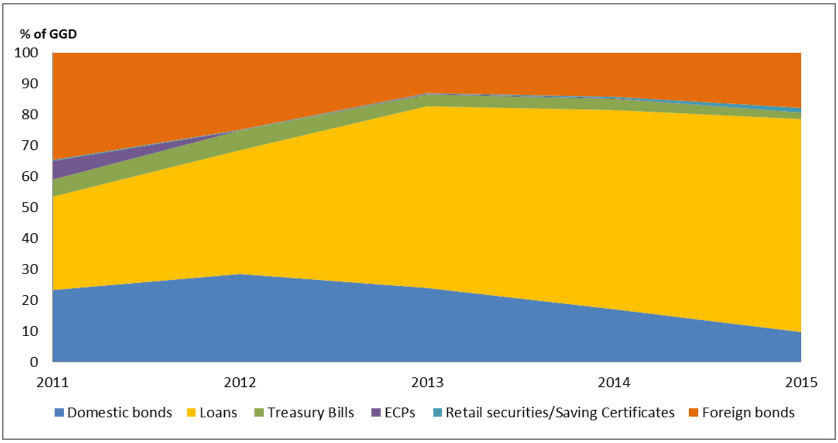


(Source: PDMO)

The historical breakdown of general government debt by financial instrument during the years 2011-2015 is presented in Figure 11 below.

During the said period, it is obvious that the vast majority of government debt concerned loans which have increased significantly in 2013 by 19 percentage points compared to 2012 and followed an upward trend until the end of 2015 mainly due to the official loans from ESM and IMF. Since 2013, the contribution of domestic bonds to the general government debt has marked a significant reduction of about 14 percentage points reaching 10 percent in 2015. On the other hand, the EMNT securities have increased since 2013 reflecting that the domestic debt market is diminishing both in size as well as in importance and a switch to the international capital markets is a fact.

Figure 11: Historical breakdown of GGD debt by financing instrument as at end 2015



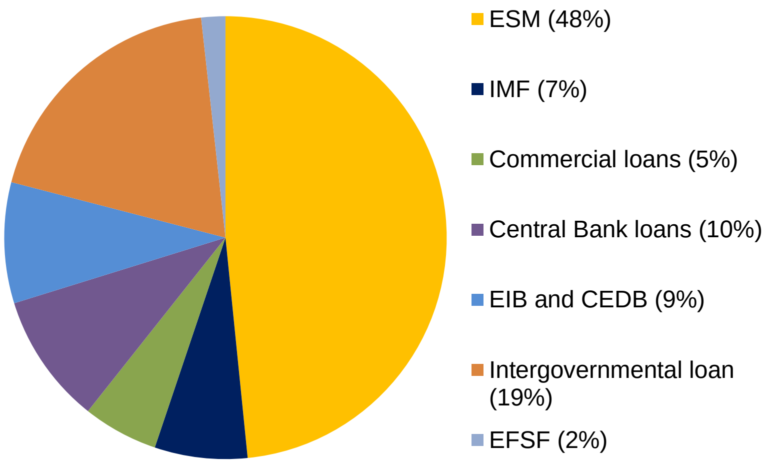
(Source: PDMO)

The distribution of outstanding loans as at end 2015 is presented in Figure 12 below. As mentioned above, the majority of the stock of outstanding loans as at end 2015 concerned the programme loans by ESM and IMF and the intergovernmental loan by the Russian Federation. The total value of Cyprus' loans from domestic sources is estimated at 15 percent of the outstanding stock of loans. About 65 percent of the total value of the said loans concerned credit facilities by the Central Bank of Cyprus accumulated until 2002. About 21 percent of the total value of the said loans concerned a loan disbursed by the CoCB in 2007 related to school committees.

Another important funding source was related to loans disbursed by the EIB and the CEDB for project financing. By the end of 2015, two new loans were disbursed by the EIB concerning projects for the Public Works Department and the University of Cyprus.

Finally, about 2 percent of the outstanding loans granted via the European Financial Stability Facility (EFSF) to Greece, Ireland and Portugal, as attributed to the creditor countries including Cyprus, are included in the debt statistics[6]. The government debt by instrument and lender as at end 2015 is presented in Table 3 in statistical Appendix III.

Figure 12: Distribution of loans by source as at end 2015



(Source: PDMO)

As mentioned before, in the case of the RoC, the three subsectors of the general government are the Central Government, the Local Authorities and the SSF. The Central Government includes all activities under the State Budget and some State-owned enterprises[7]. It is worth-noting, that the

[6]The creditor countries have an equal amount of assets, as loans granted, in their balance sheet corresponding to the share of liabilities, i.e. the accumulated debt by the EFSF. However, any assets which may offset debt are not included in the general government debt, as this is reported on a gross basis.

[7]The State owned enterprises categorized within the central government and which have an outstanding debt balance are the Cyprus Organisation for Storage and Management of Oil stocks and the Cyprus Sports Authority.

responsibilities of the PDMO are limited to the debt management and borrowing planning of the Central Government.

According to the Eurostat definition, as described above the public debt is reported in consolidated form and as a result, any obligations among the general government subsectors are not shown explicitly.

The vast majority of the consolidated General Government Debt, in gross terms, is made up of the central government debt. As at end 2015, the share of outstanding central government debt accounted for 99 percent of the general government debt on a consolidated basis which has historically been fairly constant.

Since 2011 the stock of local authorities' loans has been declining due to continuous amortisation and absence of new borrowing reaching EUR 125 mn at the end of 2014 from EUR 255 mn which was at the end of 2013.At the end of 2015, the stock of local authorities' loans has been increasing to EUR 190 mn. The borrowing of local authorities is correlated normally to infrastructure projects and typically the creditors are local credit and cooperative institutions. This debt is thus in the form of long term bank loans with a floating interest rate.

The third subsector of the general government, the SSF, does not have an outstanding debt balance. On the contrary, the Fund records an annual surplus which is invested with the central government, the total balance of which constitutes intra-governmental borrowing. This intra-governmental asset-liability relation is presented in section B:3 below.

B.3: Investments of the SSF and Administered Funds

Due to its historical annual surpluses the SSF has a very large stock of investments with the Central Government. Investments of the SSF in the form of deposits with the government or by ownership of government securities, at year end of 2015, amounted to EUR 7669 mn. The Funds, which are reported as a single account, in fact, comprise five different accounts:

1. The Social Security Fund;
2. The Unemployment Benefits Account;
3. The Central Holiday Fund;
4. The Termination of Employment Fund; and
5. The Insolvency Fund

Intra-governmental deposits

The majority of assets of the SSF are in the form of deposits with the Central Government. Annually, the surplus of the SSF is invested in the government. By the end of 2015, the balance of the SSF in the form of deposits stood at EUR 7669 mn marking a slight increase of almost 3 percent in relation to the previous year balance of EUR 7454 mn.

Intra-governmental investments in government securities

In addition, the SSF has invested in government EMTN bonds and domestic bonds. It is noted that, a 52-week Treasury Bill due in November 2015 for a yield of 3.75 percent and nominal amount of EUR 55 mn as well as a three year domestic bond for a yield of 6 percent and nominal amount of EUR 20 mn were repaid. The total amount of investments in government paper was EUR 341 mn and is presented in further detail in Table 1 in the Statistical Appendix IV.

It is noted that the SSF maintains also deposits with local credit institutions amounting to a total of EUR 62 mn at the end of 2015.

Intra-governmental investments of the Administered Funds

There are five (5) Administered Funds of the central government with an outstanding balance at year end 2015 of EUR 123 mn of which EUR 62 mn concerned investments of the Turkish Cypriot Properties Fund and EUR 57 mn of the Government Hourly Employees Provident Fund. The other three (3) administered Funds are:

1. The Human Resources Development Authority Fund;
2. The Agricultural Insurance Organisation Fund, and
3. The Hunting Fund.

The surpluses of these Funds are invested in 13-week Treasury Bills.

Finally, the only intragovernmental debt existing between the local authorities and the central government is a €10 million loan which was granted in 2011 by the Municipality of Nicosia to the central government at a variable interest rate extending to 2035, with a 5-year grace period.

VI. Cost and risks

A. Introduction

The trade-off between expected cost and risk was incorporated in the MTDS for the years 2016-2020. The cost-risk analysis was examined using the MTDS Analytical tool, which captures a shared analysis of various borrowing scenarios.

This chapter is organized into two sub-chapters. The first one provides the cost of the public debt in terms of interest payments and average interest rate. The second one discusses a number of risks of public debt.

B. Cost of the public debt

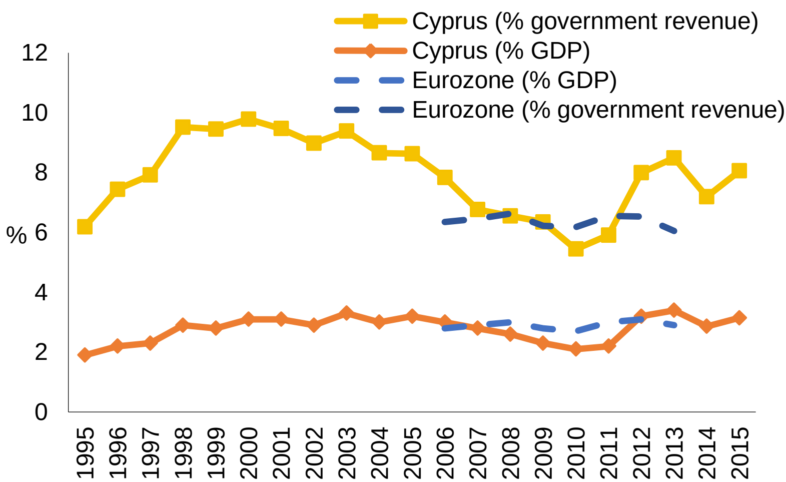
In this sub-chapter, the cost of the public debt is presented mainly on the basis of the interest payments to service the debt as well as by the weighted average cost of public debt.

Historically, during the years 1995-2006 the average share of government revenue which was spent on the servicing of the public debt was 9 percent, with the highest share reaching 10 percent in 2000. The decrease of the public debt by 10 percent in 2008 contributed to the reduction in interest payments towards 6 percent of the government revenue and remained constant line until the end of 2011. Then, and due to the sharp increase of public debt in the next years as well as the rise in the borrowing cost itself, the share of government revenue for interest payments has started to increase reaching 8.1 percent at the end of 2015, as presented in Figure 13 below. It is noted that the increase of interest expenditure was partially offset by the low base rates.

Additionally, the interest payments as a percentage of GDP were close to 3 percent during the years 2000-2008 and then remained stable at 2 percent until the end of 2012. In 2013-2014, the interest payments of Cyprus as a percentage of GDP were higher than the corresponding values of the Eurozone average, as presented in figure 13. It is important to highlight that despite the sharp increase of public debt during 2011-2013, the amount of interest payments was restricted by the considerable improvement in the borrowing cost due to official sources.

By the end of 2015, interest payments as a share of GDP were estimated at 3.15 percent compared to 2.86 percent of the previous year. This is explained by higher amounts of interest payments and the fact that GDP remained stable. The historical debt servicing in 2010-2015 is presented in table 1 in statistical Appendix V.

Figure 13: Distribution of interest payments on public debt during 1995-2015

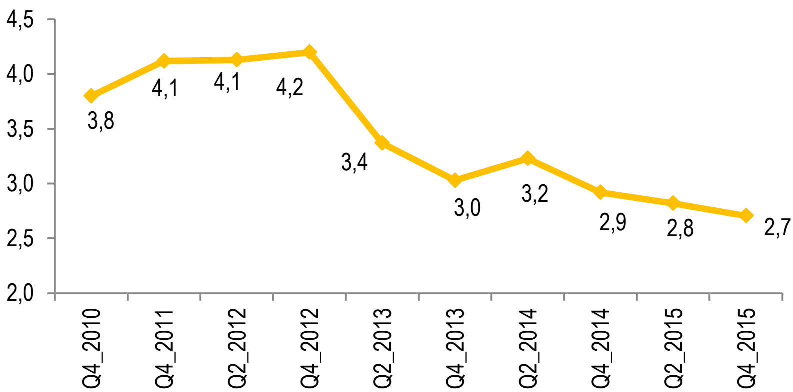


(Source: PDMO and Eurostat)

Another measure reflecting the overall rate being paid by the State on public debt financing is the weighted average cost of debt (WACD), although this alone does not indicate its burden on the public finances or the economy as a whole. This indicator provides to investors information concerning the creditworthiness or the riskiness of the State implying that riskier States generally have a higher WACD. Within this framework, this indicator is very important for the sustainability of the public debt.

During the years 2010-2012, the WACD followed an upward trend reaching to 4.2 percent at the end of 2012. One year later the WACD marked a significant reduction by 1.2 percent in relation to 2012 mainly due to the official funding by ESM and IMF at low interest rates. During 2013-2015 the WACD followed a downward trend reaching 2.7 percent as a result of the positive impact from the low cost ESM and IMF loansas well as from the LM transactions implemented by the PDMO. A necessary pre-condition to enhance the sustainability of public debt, is to achieve and maintain the WACD in the area below the level of the nominal growth rate of GDP.

Figure 14: Weighted Average Cost of Debt during 2010-2015



(Source: PDMO)

C. Risks

C.1: Introduction

Risk management has become an increasingly important tool for achieving strategic debt targets. Therefore, the risk management framework is an integral part of the MTDS for the years 2015-2019 in which a number of quantitative risk targets were set by the PDMO.

The process of establishing and executing a strategy for managing the public debt contains unavoidable both financial risks as well as not financial risks such as operational risks for the Government.

The most important categories of financial risks are the refinancing risk, the interest rate risk, the foreign exchange risk and the market risk. In general, the developments of 2015 on the debt portfolio risks were positive. The continuation of the official borrowing by the ESM and IMF as well as the LM transactions during 2015 has certainly led to an improvement in the debt maturity profile, thereby mitigating refinancing and liquidity risks. At the same time however floating rate debt recorded an increase due to the fact that ESM and IMF loans carry a floating interest rate implying a higher interest rate risk, but taking into consideration that these loans carry low interest rates and low base rates the risk is limited.

Furthermore, IMF loans have led to an increase of debt in foreign currency since these loans are denominated in foreign currency (SDR). Although, debt maturity profile marked an improvement, the high concentration of maturities in the years 2019-2020 poses refinancing risks. The said risks are mitigated through LM transactions and the maintaining of an adequate level of cash reserves.

It is important to highlight that risk management of public debt does not, in the ordinary application, cover the debt sustainability assessment since the latter is related mostly to fiscal and macroeconomic indicators, conventionally the GDP and the fiscal balance. Thus, the debt sustainability analysis focuses on macroeconomic factors and prospects and is not the subject of public debt management. However, the evolution of these parameters in conjunction with the WACD is closely monitored by the PDMO.

C.2: Financial and not financial risks

This section covers the analysis of the most important financial risks associated with the debt management operations as well as a discussion about the operational risks.

C.2.1 Financial risks

Refinancing risk

Refinancing risk for the Government is the probability (risk) that it will have when a share of debt reaching maturity can only be replaced with the issuance of new loans at very high cost or, in the extreme case, can not be refinanced at all.

In order to capture the refinancing risk of the Government, two indicators were used. The first one is the share of debt due within 1 year and the second one is the share of debt due within 5 years.

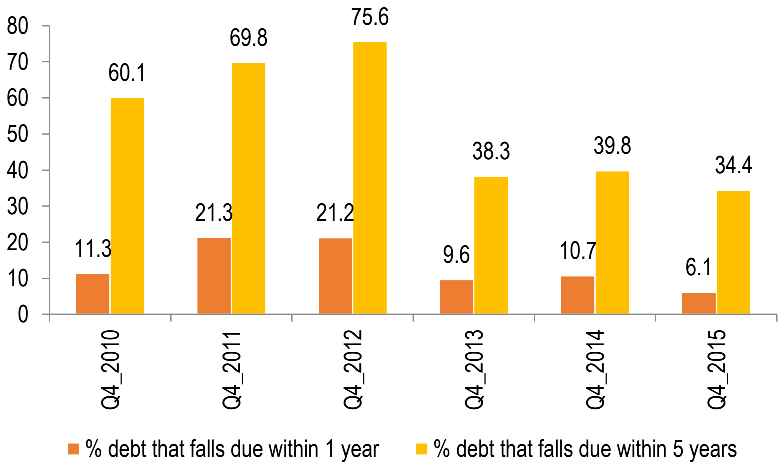
Historically, the share of debt due within 1 year followed an increasing path until the end of 2012 reaching the highest level of 21.2 percent and then a declining path, as presented in Figure 15 below. The share of debt due within 1 year marked a significant improvement of almost 5 percentage points reaching 6.1 percent at the end of 2015 compared to 10.7 percent in the previous year. This improvement is mainly attributed to the long term official loans with the average maturity of the ESM loans close to 15 years which used to refinance government redemptions and to a lesser extent to the LM transactions implemented during 2014-2015.

The debt redemptions due within 1 year at the end of the year 2014, which are the redemptions during 2015, were refinanced mainly by the issuance of two bonds issued in the international market under the EMTN Programme as well as by the ESM and IMF loans. Regarding the redemptions of short term debt, these were refinanced from the domestic market. Taking into consideration that the share of debt due within 1 year decreased significantly reaching comfortable levels and the short term debt was successfully rolled over in 2015, the refinancing risks exposure is at an acceptable level of risk. Maintaining the other parameters constant, the share of debt due within 12 months, is covered by the liquidity buffer stock.

Regarding the share of debt due within 5 years, there has been also an improvement since the said share was reduced by more than 40 percentage points in only 3 years reaching to 34.4 percent at the end of 2015 from 75.6 percent at the end of 2012 for the reasons analyzed above.

Although the share of debt due within 5 years exhibited a significant improvement, taking into consideration that the years 2019-2020 still present a high concentration of maturities of EUR 4 bn or about 20 percent of the GGD, the refinancing risk exposure was relatively high. In order to mitigate the refinancing risk exposure, the Republic of Cyprus has adopted the MTDS for the years 2016-2020 setting specific guidelines which allow the Republic to achieve through LM transactions further improvement of debt maturity profile.

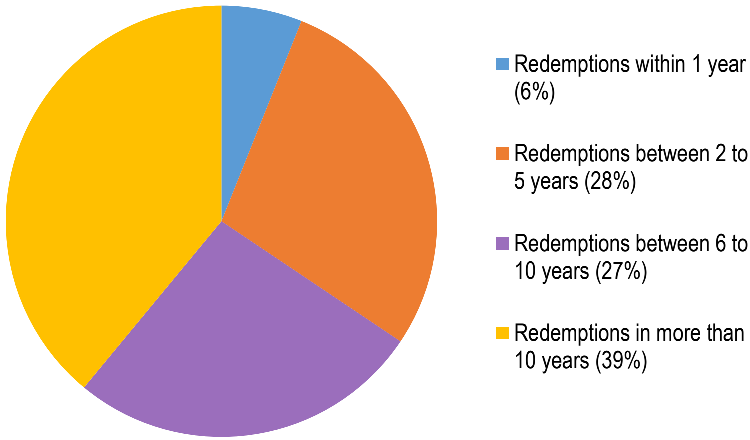
Figure 15: Share of debt refinancing due within 1 year and 5 years in 2010-2015, excluding EFS loans



(Source: PDMO)

Figure 16 below, shows the debt refinancing distribution of the total debt of the Republic of Cyprus in four categories as at the end of 2015. The vast majority of the debt redemptions fall due in the segment beyond the 10 year duration with an amount of EUR 7.3 bn or about 39 percent of the total debt. An amount of EUR 6.4 bn or about 34 percent of the total debt falls due between short to medium term indicating the need to take measures in order to mitigate the refinancing risk exposure.

Figure 16: Total Debt refinancing distribution as a percent of GGD at end 2015, excluding loans to EFSF

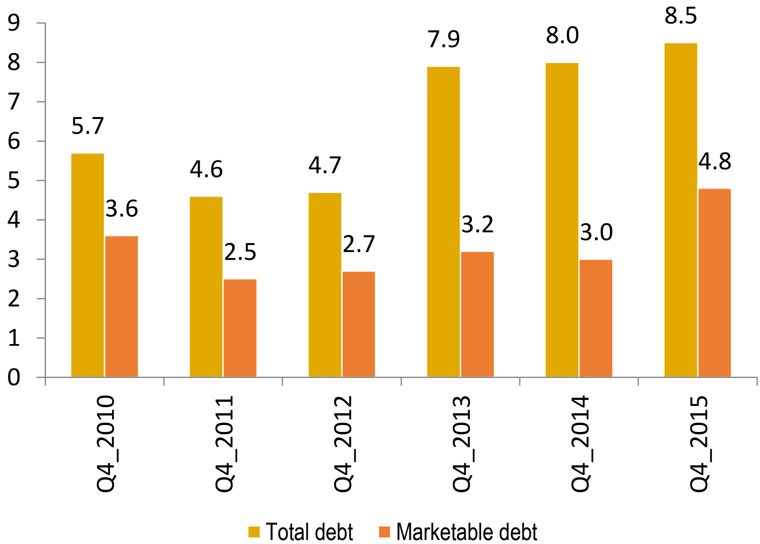


(Source: PDMO)

The following figure shows the weighted average maturity of debt until the loans become due for payment, which gives to investors a picture of the refinancing risk.At the end of 2015 the outstanding average maturity was 8.5 years for the total debt and 4.8 years for the marketable debt. Comparing these sizes with the corresponding sizes at the end of 2012, the picture has improved significantly showing the positive contribution of both long term official loans by ESM and IMF and other bilateral loans such as by EIB, CEDB and Russian loan as well as of LM transactions implemented by the PDMO. It is important to highlight that according to the risks metrics data submitted to the Economic and Financial sub-Committee on EU Sovereign debt markets, the Republic of Cyprus has the fourth better outstanding average maturity of debt among 19 European countries.

Thus, the outstanding loans were spread over a long maturity and this reduces the share of debt that has to be refinanced every year indicating a reduction of the refinancing risk.

Figure 17: Weighted Average Maturity of debt (in years) in 2010-2015 as at end 2015, excluding loans to EFSF



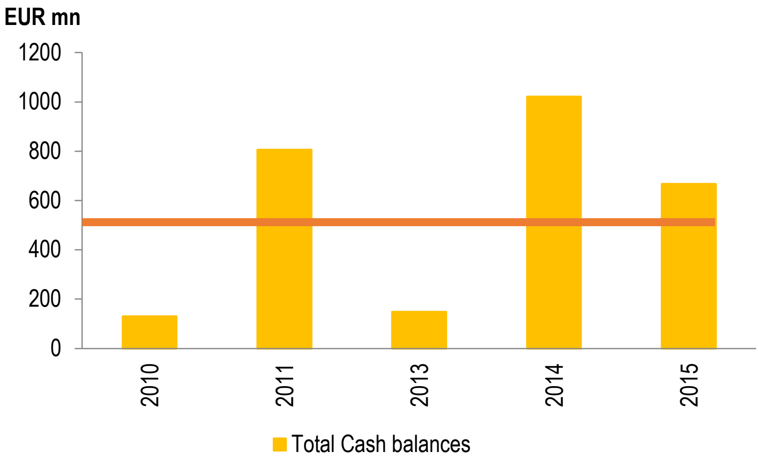
(Source: PDMO)

Liquidity risk

The annual cash balances in years 2010-2015 were maintained well above the liquidity buffer stock approved by the Council of Ministers with the exception of the years 2010 and 2013, as presented in figure 18 below. The liquidity levels of the Government were comfortable during the last two years due to the fiscal outcomes being better than expected as well as to the successful EMTN issuances allowing the enhancement of the cash reserves.

The horizontal line in Figure 18 represents the liquidity buffer stock of EUR 500 mn.

Figure 18: Cash liquidity levels in 2010-2015

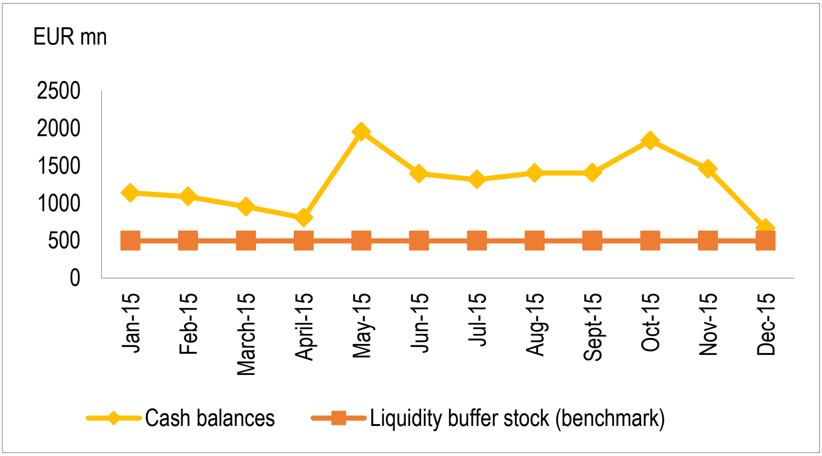


(Source: CBC)

The next figure, illustrates the liquidity levels of the Government on a monthly basis for the year 2015. These levels were maintained above the threshold of EUR 500 mn for the whole period reaching EUR 667 mn at the end of 2015 from EUR 1139 mn at the beginning of the previous year. The reduction of the cash reserves between November and December 2015 was mainly due to buybacks of outstanding bonds in domestic as well as in foreign market.

The maintenance of the cash reserves above the projected liquidity buffer stock during the previous year mitigated the liquidity risk.

Figure 19: Cash liquidity levels and liquidity buffer stock by month in 2015



(Source: CBC)

Interest rate risk

Interest rate risk for the Government refers to the risk it will have due either to the refixing of interest rates at the time of refinancing of outstanding debt or to the fluctuation of interest rates at the time of the payments for debt carrying floating rates.

Historically, the picture of interest rate distribution of debt was more or less the same during the years 2010-2012 as presented in the Figure 20 below. The floating rate debt was close to 13 percent on average during the said period.

Following the MoU in March 2013 on EAP, the interest rate distribution has changed significantly mainly due to the borrowing by the ESM and IMF[8] at floating interest rates. Actually, the loans from the ESM and IMF were used to refinance the Cyprus debt at fixed interest rate reducing therefore the fixed rate debt. Another reason for the above change on the interest rate

[8]Actually the IMF loans have a large predefined fixed component and a smaller floating rate component.

distribution was the borrowing by the EIB and CEB at floating interest rates with low margins over the Euribor. It should be noted that the extension of the weighted average maturity of marketable debt and the reduction of the short-term debt, restricted the interest rate risk.

As presented in Figure 20 below, the floating interest debt has increased by 4 percentage points at the end of 2015 reaching to EUR 8852 mn or about 47 percent of the general government debt compared to 43 percent at the end of 2014 and 12 percent at the end of 2012, prior to the loan agreement of EAP.

Although the proportion of debt at floating rate followed an upward path since 2012, the expected interest rate risk is limited. This is due to the fact that the vast majority of floating rate debt is indexed either at low base rates or at narrow margins over the Euribor rate, as presented in Figure 21 below. Specifically, loans by ESM and IMF[9] of EUR 7.1 mn or about 82 percent of total floating rate debt are indexed at low rates whilst an amount of EUR 1.3 mn or about 15 percent of the total floating rate debt by EIB and CED are indexed at low margins over the Euribor rate. Also, other loans with the Co-operative Central Bank (CoCB) relating to school committees, local authorities as well as to semi-governmental organizations carry floating rate interest.

Furthermore, it is important to highlight that the refinancing of the short term debt was achieved at gradually lower interest rates throughout the year 2015 reaching to 1.17 percent at the end of 2015 from 2.96 percent which was at the beginning of the said year.

In conclusion and taking into account that the vast majority of the floating interest rate debt is low-base rate and low-margin debt, the interest rate risk is limited.

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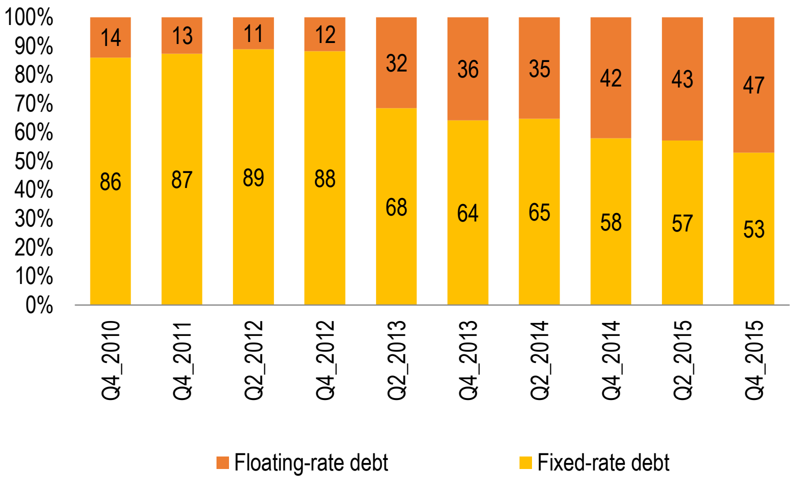
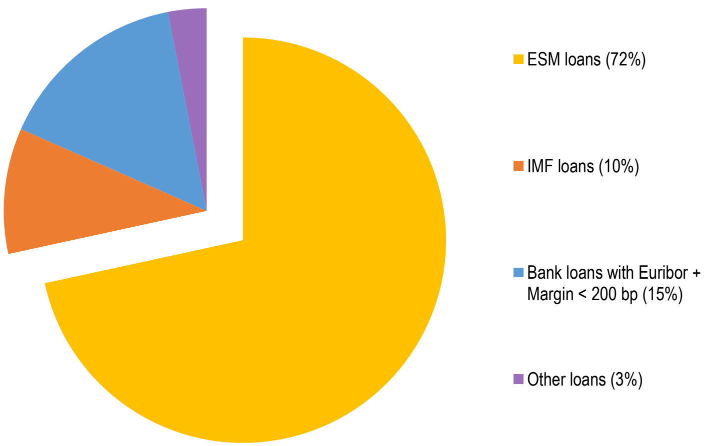
[9] IMF loan was estimated according to the exchange rate of Euro/SDR as at 31 December 2015.

Figure 20: Evolution of interest rate distribution of debt in 2010-2015



(Source: PDMO)

Figure 21: Interest rate composition of floating-rate debt as at end 2015



(Source: PDMO)

Foreign exchange risk

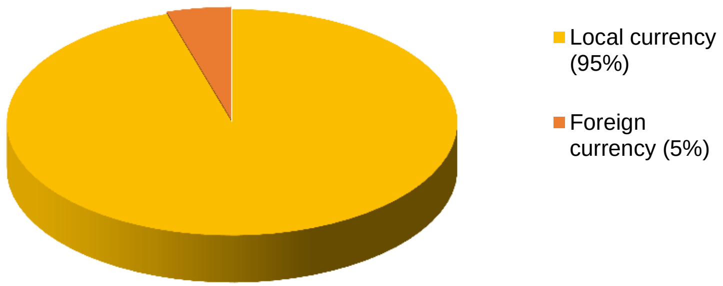
Although foreign currency debt has many benefits such as access to a large investor base and the geographical independence with possible interest rates benefits, foreign currency financing has many risks. Some of the risks are the increase of the country's external vulnerability to exchange rates in case of large-scale foreign issuance and the increase of debt servicing and debt burden in case of a significant depreciation of domestic currency.

Figure 22 shows the currency composition of debt as at end 2015. The majority of the public debt is denominated in domestic currency whilst only EUR 882 mn or about 5 percent of the outstanding general government debt is denominated in foreign currency. In essence, this percentage refers to the loans from the IMFwhich, are denominated in Special Drawing Rights[10] (SDR).

Taking into account that capital payments for the IMF loan will start by the end of 2017 and the fact that SDR includes also and euro, the foreign exchange risk is limited. The exchange rate of EUR/SDR increased by almost 7 percent reaching to EUR 1.27283 per SDR at the end of 2015 from EUR 1.19332 per SDR at the end of 2014 indicating an appreciation of foreign debt denominated in SDRs.

[10]The SDR is an international reserve asset, created by the IMF in 1969 and it was defined as a basket of currencies. The SDR basket consists of the U.S dollar, euro, Japanese yen, and pound sterling (Source: IMF).

Figure 22: Currency composition of debt as at end 2015



(Source: PDMO)

Credit risk

Credit risk or counterparty risk for the government is the risk relating to the government's credit exposure to individual counterparties through swap transactions and the investment of liquid assets.

During 2015, there were no outstanding derivative exposures for the Republic of Cyprus. Regarding the deposit levels in the money market, there was only an amount of EUR 4.8 mn at the end of 2015, which was deposited in Monetary Financial Institutions or about 0.7 percent of the total cash balances at the end of 2015.

In conclusion, the credit risk for the government in the examining period is negligible.

C.2.2: Non Financial risks

Operational risks

Operational risk arises mainly from the difficulties of implementing effective internal procedures, the lack of human resources, the internal control systems and the lack of appropriate software and computer systems. In order to enhance the above infrastructure, at the request of Cyprus, technical assistance was received by the ESM. This technical assistance provided by the ESM covering both an evaluation of international organisation and IT infrastructure of the PDMO as well as proposals for the creation of a pool of information and knowledge about the market and developing relationships with investors.

The roadmap for actions for the period 2015-2019 concerning the internal organization and IT infrastructure of the PDMO was approved by the Council of Ministers of the Republic in September 2015 and the implementation has already started.

The implementation of the roadmap for actions will enable the PDMO to further reduce the operational risks while undertaking public debt management operations and strengthen its capacity for effective market access, executing economic analyses, monitoring developments and designing an effective strategy.

C.3: Contingent liabilities

C.3.1: Introduction

Granting government guarantees (GG) to financial institutions are a common feature of government policy all over the world. GG are a policy tool for governments to, for example, enhance the infrastructure of certain sectors (e.g. transport and electricity) or to facilitate the activities of small businesses or to improve the standard of living of vulnerable groups by making housing more affordable or to overcome financial market inefficiencies. In some cases, the borrowing cost for certain borrowers is too high due to asymmetry of information and therefore, the provision of GG may help to overcome the said issue. GG enhance the scope of financial intermediation within the financial system.

On the other hand, GG legally and explicitly bind the government to make loan repayments on behalf of a borrower that defaults. Therefore, they constitute a contingent liability that might impose fiscal costs on the government, which adversely affect the public finances and the public debt sustainability.

C.3.2: Public Debt Management Laws relating to government guarantees

Under the PDML, the PDMO during the examining period was responsible to assess the financial risk of outstanding GG and newly proposed ones in order to help the fiscal authorities enhance the management of fiscal risks arising from GG which often increase substantially during periods of negative or low economic growth and financial instability.

It should be noted that, after an evaluation of the Services which are under the Minister of Finance, it was decided to transfer the work related to the assessment of the financial risk of the GG from PDMO to the Treasury of the Republic of Cyprus. For this purpose, an amendment of the PDML was done.

C.4: Statistical description of Government Guarantees

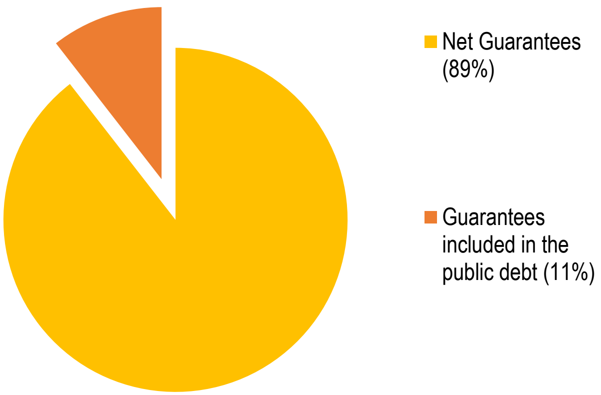
Taking into consideration the above amendment of the PDML, this section describes only the main developments[11] regarding the GG.

[11] Detail analysis of explicit contingent liabilities is presented in the website of the Treasury of the Republic (See link below)
http://www.treasury.gov.cy/treasury/treasurynew.nsf/index_en/index_en?OpenDocument

The Republic of Cyprus had outstanding government guarantees for loans as at end 2015 of EUR 3.02bn or about 18 percent of GDP, which is slightly lower than the relevant stock of EUR 3.17bn at the end of 2014. Excluding the government guarantees granted to entities of the general government since the outstanding amount of these guarantees are also included in the general government debt, the net value of outstanding government guarantees was EUR 2.68 mn or about 15 percent of GDP as at end 2015. It is noted that the government guarantees portfolio is denominated in euro. Analysis of the outstanding stock of government guarantees as at end 2015 is presented in table 1 in Appendix VI.

Figure 23 showing that an amount of EUR 338mn or about 11 percent of the total value of outstanding guarantees is also included in the public debt as at end 2015.

Figure 23: Outstanding GGs in percent as at end 2015

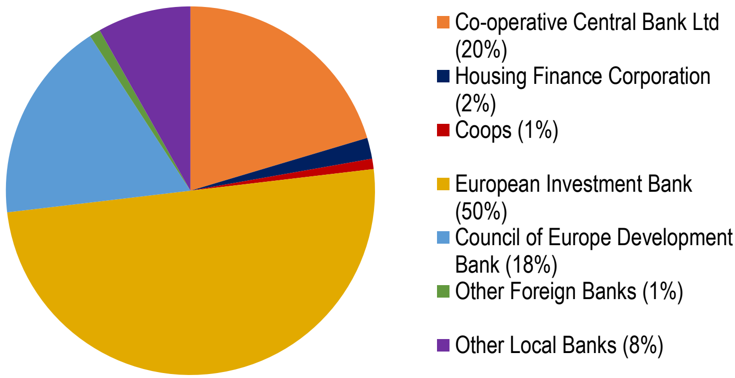


(Source: Treasury)

The stock of outstanding government guarantees by group of lenders, excluding the guarantees provided to the BoC and to the EFSF at at end 2015 is presented in Figure 24 below. The majority of the stock of outstanding guarantees for loans concerns the EIB comprises loans mainly granted to public corporate bodies and actually to the Electricity Authority of Cyprus and Sewerage Boards. The second largest category concerns guaranteed loans granted by the CoCB mainly to local authorities and natural persons.

The third largest group refers to guaranteed loans granted by the CEDB to public corporate bodies and actually to Sewerage Boards.

Figure 24: Stock of outstanding GG by group of lenders as at end 2015



(Source: Treasury)

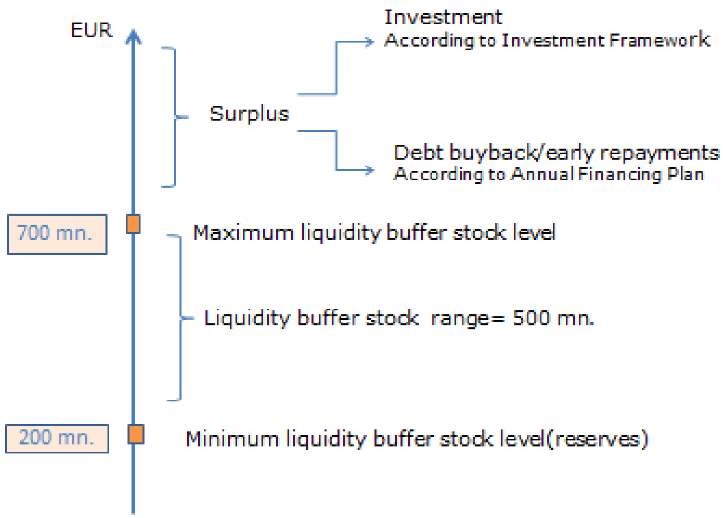
VII. Cash Management

An effective government cash management framework is very important for debt managers in order to ensure that the Government has the liquidity to execute its payments in a timely manner and at the same time to prevent the accumulation of idle cash balances. Ensuring an efficient cash management, debt management strategy can be benefited by reducing refinancing and market risk as well as enhance the bargaining power of the RoC in capital markets.

Under article 21 of the PDML, the PDMO has the responsibility to retain the liquidity buffer stock range by borrowing the necessary funds in time. The PDML authorizes the PDMO to operate an active cash management framework in order to ensure a satisfactory return on the liquid funds maintaining refinancing risk to a minimum level.

Figure 25 shows the minimum and maximum liquidity buffer stock levels that have been set, via a decision of the Council of Ministers following proposals made by the PDMO. The minimum liquidity buffer stock has been set at EUR 200 mn in the Reserve Account whilst the maximum liquidity buffer stock has been set at EUR 500 mn in the Government General Account. In the case where the liquidity exceeds the maximum level, the said liquidity can be invested according to an investment policy approved by the Minister of Finance or it can either be used to buyback outstanding securities of the Republic or use it for the early repayment of loans.

Figure 25: Institutional structure of the government cash management



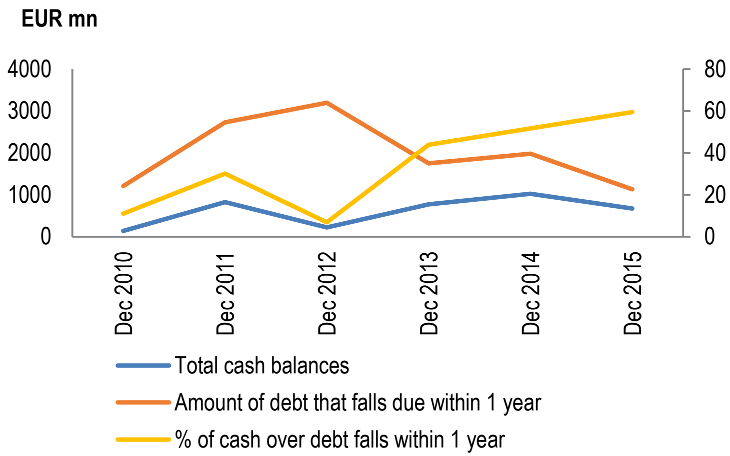
(Source: PDMO)

Figure 26 below, shows the historical distribution of total cash balances in relation to the amount of debt which falls due within one (1) year based on statistical information at the end of each year. The amount of debt that falls due within one (1) year followed an upward trend until the end of 2012 whilst the total cash balances followed a downward trend for the same period. The gap between the said variables has started to reduce after 2012 due to the implementation of an active cash management, on one hand, and liability management transactions in conjunction with the borrowing by the ESM and IMF, on the other hand.

Another indicator in the same figure is the share of debt that falls due within one (1) year covered by cash balances. By the end of 2012, the percentage of cash over the said debt was only 7 percent. As of this year, the share of said debt covered by cash balances has started to improve reaching 60 percent at the end of 2015 reducing the refinancing risk to a sufficient level.

The historical distribution of total cash balances held with the CBC and cash at monetary financial institutions (MFIs) is presented in Appendix VII.

Figure 26: Distribution of cash balances and amount of debt that falls due within one year



(Source: PDMO and CBC)
Note: The year 2011 includes the disbursement from the bilateral loan provided by the Russian Federation at the end of December 2011.

VIII. Evaluation of creditworthiness of the Republic of Cyprus

It is important to underline that the Credit Rating Agencies (CRAs) play a key role in financial markets by helping to reduce the information asymmetry between the lenders and investors, on one hand, and the sovereign issuers on the other hand regarding the creditworthiness of the country.

According to article 26 of the PDML, the PDMO is the Liaison between the Ministry of Finance and the International credit rating agencies and it can enter into contracts between the Republic and the CRAs.

It is noted that the Republic of Cyprus as a sovereign issuer, maintains a contractual relationship solicited with four CRAs, namely DBRS, Moody’s, Fitch and Standard and Poor’s.

Table 5, illustrates the solicited credit ratings of the Republic of Cyprus as at end December 2015 compared to the corresponding ratings as at end March 2013 when the Republic entered into an MoU with the EC, the ECB and the IMF on a EAP.

Since March 2013, the CRAs upgraded Cyprus’ government bond rating up to 5 notches indicating the successful path of the economy in the years 2013-2015.

As at end December 2015, Fitch and Standard & Poor’s upgraded Cyprus’ government bond by 2 notches to B+ and by 1 notch to BB- respectively compared to their previous rating, confirming the positive outlook of the Republic.

Moody’s and DBRS upgraded Cyprus’ government bond by 2 notches to B1 and by 1 notch to B respectively compared to their previous rating, confirming the stable outlook of the Republic.

Table 5: Solicited credit ratings as at end of December 2015[12]:

	Long-term debt					
	Rating as at 31/12/2015			**Rating as at 31/3/2013**		
Credit Rating Agency	**Rating**	**Outlook**	**Notches below investment grade**	Rating	Outlook	Notches below investment grade
DBRS	**B (Dec. 2015)**	**Stable**	**5**	CCC	Negative	7
Fitch	**B+ (Oct.2015)**	**Positive**	**4**	CCC	Negative	7
Moody's	**B1 (Nov.2015)**	**Stable**	**4**	Caa3	Negative	9
Standard & Poor's	**BB- (Sept.2015)**	**Positive**	**3**	CCC	Negative	8

Source: PDMO

Regarding the rationale of the rating and outlook developments, the upgrade of the Republic by Standard & Poor's was attributed to the country's economic and budgetary performance which exceeded their expectations as well as to the enhancement of the country's financial stability by removing capital controls.

The upgrade of the Republic by Fitch was due to the fact that Cyprus has established a track record of fiscal consolidation and over performance on its fiscal targets. The CRA made reference to significant risks to the creditworthiness posed by Cyprus' continued deep economic and financial adjustment.

DBRS made a reference to the strong commitment to the EAP by the Cypriot Authorities as well as to the better than expected economic and fiscal performance. Additionally, the rating underscores the depth of Cyprus challenges such as the high debt to GDP ratio, the NPLs, the high private

[12] More recent developments in the sovereign credit rating of the Republic of Cyprus are available at the website of the PDMO.

sector debt ratios and the need of additional external funding to meet its debt redemptions after the exit from the programme.

In the case of Moody's rating, the two key drivers for the upgrade of the Republic were the faster than expected economic recovery and the consistent outperformance on fiscal targets.The stable outlook of the Republic based on Moody's report (2015) was due to the large and fragile banking system with high NPLs as well as to the risk of contingent liabilities.

Further to solicited credit ratings, a number of unsolicited assessments have taken place by other agencies with which the Republic does not have any contractual relations.

According to CRAs, the key drivers for the upgrade of Cyprus' government bond rating in the near future could result from continued fiscal discipline after exiting the EAP, a more rapid reversal in the upward trend for NPLs, an improvement in asset quality of the financial institutions and a reduction of government debt. Historical credit ratings for the Republic of Cyprus are presented in Table 1 in Appendix VIII.

IX. PDMO action plan

During 2015, the PDMO implemented the following actions to upgrade and enhance its infrastructure:

i. Establishing an appropriate risk & control environment: Since 2015, the PDMO has started to implement stricter procedures to follow throughout the transactions. Audit checklists have been designed and adopted for almost all the related transactions as well as segregating duties were adopted in an effort to minimise the operational risks for each function;

ii. Establishment of the Debt Management Committee with a narrow and larger composition: In 2015, two DMCs with a narrow and larger composition were established to ensure that all stakeholders of the Ministry of Finance are appropriately involved and informed in order to better coordinate the implementation of the debt management strategy;

iii. Risk management –operational risk: During 2015, the PDMO has created a database of operational risk incidents other than the one related to execution of transactions. This is ongoing and it is updated and reviewed on a regular basis.

iv. IT Strategy: The PDMO has been authorized to promote the adoption of the CS-DRMS software which is specialized in public debt management. The action is in progress.

Furthermore, the PDMO has received technical assistance from the IMF at no cost on the possible implementation of a Primary Dealer programme for the Cyprus government bond markets. At this stage, the PDMO evaluates the recommendations received by the IMF.

Finally, an effort to upgrade and expand the legal documents to include appropriate provisions (144A disclosure) which will immediately make Cyprus Government bonds eligible for sale to US investors. This is expected to increase demand for Cyprus Government Bonds significantly.

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STATISTICAL APPENDICES

Appendix I

Table 1: Matured securities in the domestic market (1/1/2015 to 31/12/2015)

Treasury Bills

Issue date	Yield (%)	Maturity date	ISIN	Nominal amount in EUR mn
7/1/15	3,40	8/4/15	Not listed	6
7/1/15	3,40	8/4/15	CY0145490815	192
6/2/15	2,96	8/5/15	CY0145520819	130
6/3/15	2,84	5/6/15	CY0145620817	200
18/5/15	1,81	17/6/15	CY0145710816	50
8/4/15	2,68	8/7/15	Not listed	6
7/1/15	3,50	8/7/15	CY0145500811	26
8/4/15	2,68	8/7/15	CY0145640815	207
17/6/15	1,75	17/7/15	CY0145780819	50
8/5/15	2,47	7/8/15	CY0145700817	150
5/6/15	2,31	4/9/15	CY0145760811	185
10/6/15	2,30	9/9/15	Not listed	100
8/7/15	2,18	8/10/15	CY0145850810	144
14/9/15	1,31	14/10/15	CY0145960817	50
7/8/15	2,08	6/11/15	CY0145890816	100
14/10/15	1,23	13/11/15	CY0146010810.	29
4/9/15	1,87	4/12/15	CY0145950818	100
13/11/15	0,51	14/12/15	CY0146050816	50
				2175

Domestic Bonds

Issuedate	Yield (%)	Maturitydate	ISIN	Nominal amount in EUR mn
3/1/2005	6,00	3/1/2015	CY0049420819	7.1
4/1/2012	6,00	4/1/2015	CY0142270814	62.7
20/1/2005	6,00	20/1/2015	CY0049450816	12.8
28/2/2005	6,00	28/2/2015	CY0049510817	58.5
20/4/2005	6,00	20/4/2015	CY0049560812	28.6
9/6/2005	5,25	9/6/2015	CY0049620814	14.2
1/7/2014	0,00	1/7/2015	CY0144690811	1091.3
30/9/2005	4,75	30/9/2015	CY0049710813	17.6
2/12/2005	4,75	2/12/2015	CY0049770817	8.9
				1301.8

Table 2: Matured securities in the foreign market (1/1/2015 to 31/12/2015)

Euro Commercial Papers

Issuedate	Yield (%)	Maturitydate	ISIN	Nominal amount in EUR mn
6/10/2014	3,51	7/1/2015	XS1119993688	**40**

Euro Medium Term Notes

Issuedate	Yield (%)	Maturitydate	ISIN	Nominal amount in EUR mn
1/11/2010	3,75	1/11/2015	XS0554655505	**1000**

Table 3: Loan amortisations by creditor (1/1/2015 to 31/12/2015)

	Amount in EUR mn
European Investment Bank	25.4
Council of Europe Development Bank	18.0
Governmentof France	0.1
KA Finanz	52.3
Central Bank ofCyprus	55.4
Co-operative Central Bank	23.1
EFSF	23.0
	197.3

Appendix II

Table 1: Historical evolution of gross general government debt

	Consolidated gross general government debt (EURmn)	Consolidated gross general government debt (% of GDP)
1995	3589,5	46,8
1996	3896,2	48,9
1997	4478,1	53,7
1998	4981,6	55,2
1999	5416,8	56,0
2000	5813,6	55,1
2001	6452,7	56,9
2002	7096,3	60,1
2003	8108,5	63,5
2004	8882,6	64,5
2005	9299,8	63,1
2006	9330,9	58,8
2007	9307,3	53,6
2008	8388,1	44,6
2009	9864,5	53,4
2010	10769,7	56,3
2011	12869,3	65,8
2012	15430,9	79,3
2013	18518,8	102,5
2014	18764,2	107,9
2015	18910,2	108,6

Appendix III

Table1: Outstanding Central government[1/] debt as at end 2015

A. TREASURY BILLS

Issue date	Maturity	Weighted average yield (in %)	Maturity date	ISIN code	Discount value in EUR mn
8/7/15	26	2,40	8/1/16	CY0145860819	49,4
8/10/15	13	1,58	8/1/16	CY0145990814	99,6
14/12/15	30 days	0,25	13/1/16	CY0146100819	50,0
6/11/15	13	1,17	5/2/16	CY0146040817	99,7
4/12/15	13	0,65	4/3/16	CY0146080813	99,8
					398,5

B. DOMESTIC BONDS

Issue date	Maturity (years)	Coupon (in %)	Maturity date	ISIN code	Nominal amount in EUR mn
2/1/06	10	4,50	2/1/16	CY0049790815	102,6
30/3/06	10	4,50	30/3/16	CY0049880814	59,8
2/6/06	10	4,50	2/6/16	CY0049930817	14,0
9/6/11	5	5,00	9/6/16	CY0141980819	20,2
11/7/06	10	4,50	11/7/16	CY0049990811	102,5
9/10/06	10	4,50	9/10/16	CY0140090818	49,5
26/10/01	15	6,60	26/10/16	CY0047860818	6,9
4/1/07	10	4,50	4/1/17	CY0140160819	85,4
15/2/07	10	4,50	15/2/17	CY0140190816	82,0
2/4/07	10	4,50	2/4/17	CY0140330818	85,0
15/4/02	15	5,60	15/4/17	CY0048900811	13,3
28/9/07	10	4,50	28/9/17	CY0140500816	17,8
29/1/03	15	5,10	29/1/18	CY0048440818	13,7
23/4/03	15	4,60	23/4/18	CY0048610816	5,1
23/10/03	15	4,60	23/10/18	CY0048870816	0,8
26/2/04	15	4,60	26/2/19	CY0049070812	1,8
24/6/04	15	6,10	24/6/19	CY0049250810	7,2
1/7/13	6	4,50	1/7/19	CY0143820815	667,7
20/4/05	15	6,10	20/4/20	CY0049570811	85,4
9/6/05	15	5,35	9/6/20	CY0049630813	59,0
1/7/13	7	4,75	1/7/20	CY0143830814	39,1
9/6/11	10	6,00	9/6/21	CY0141990818	43,6

1/7/13	8	5,00	1/7/21	CY0143790810	75,0
25/8/11	10	6,50	25/8/21	CY0142120811	23,1
30/11/15	5	2,00	29/1/21	CY0146070814	17,9
1/7/13	9	5,25	1/7/22	CY0143800817	52,7
1/7/13	10	6,00	1/7/23	CY0143810816	13,4
18/12/15	10	4,00	18/12/25	CY0146120817	90,0
					1834,3

C. RETAIL SECURITIES

	Coupon %	Maturity date	Nominal amount in EUR mn
Saving Certificates	3,85	perpetual	25,36
Retail bonds	2,85	2020	59,44
Retail bonds	2,5	2021	204,47
			289

TOTAL DOMESTIC SECURITIES AS AT 31/12/2015 [EUR MN] ***2522,1***

D. EURO COMMERCIAL PAPERS

Issue date	Tenor (months)	Yield %	Maturity date	ISIN code	Discount value in EUR mn
					0,0

E. EURO MEDIUM TERM NOTES

Issue date	Maturity	Coupon %	Maturity date	ISIN code	Nominal amount in EUR mn
25/2/11	5	4,75	25/2/16	XS0596907104	170
25/6/14	5	4,750	25/6/19	XS1081101807	566
3/2/10	10	4,625	3/2/20	XS0483954144	556
2/5/14	6	6,5	2/5/20	XS1064662890	80
6/5/15	7	3,875	6/5/22	XS1227247191	1000
4/11/15	10	4,250	4/11/25	XS1314321941	1000
					3372

TOTAL FOREIGN SECURITIES AS AT 30/9/2015 [EUR MN]	***3372,0***

F. DOMESTIC LOANS

Creditor	Balance EUR mn
Central Bank of Cyprus	1241,0
Central Cooperative Bank	394,0
	1635,0

G. FOREIGN LOANS

Creditor	Balance EUR mn[2/]
European Stability Mechanism	6300,0
International Monetary Fund [(2)]	882,1
Government of the Russian Federation	2500,0
Council of Europe Development Bank	265,0
European Investment Bank	883,2
French Treasury	0,2
European Financial Stability Facility [/3]	229,0
Private banks	52,3
	11111,8

TOTAL LOANS AS AT 31/12/2015 [EUR MN]	***12746,8***
TOTAL DEBT OF CENTRAL GOVERNMENT DEBT (EUR MN)	**18640,9**

Notes:
1/ = Definition: Debt of the budgetary central government (BCG) excluding debt of state-owned entreprises categorised within the central government and the debt of local authorities. BCG is approximately 98% of the general government debt (Dec. 2015 data)

2/ = Value in EUR using the relevant exchange rate as at 31-12-2015

3/ = Debt issued by the EFSF for Greece, Ireland and Portugal

Table2: Outstanding Central government debt as at end 2015

	Foreign-law securities	Domestic-law securities	IMF - ESM loans	Other loans	Total
2016	170	764	0	205	1139
2017	0	288	8	157	453
2018	0	25	55	793	873
2019	566	682	102	805	2155
2020	636	243	147	799	1825
2021	0	364	147	805	1316
2022	1000	53	147	182	1381
2023	0	13	118	183	314
2024	0	0	100	179	279
2025	1000	90	408	173	1670
2026	0	0	1000	170	1170
2027	0	0	1000	164	1164
2028	0	0	1000	165	1165
2029	0	0	1050	165	1215
2030	0	0	900	157	1057
2031	0	0	1000	163	1163
2032	0	0	0	165	165
2033	0	0	0	51	51
2034	0	0	0	41	41
2035+	0	0	0	85	85
TOTAL	3372	2522	7182	5605	18681

Notes
1/ = Preliminary data
2/= Excluding debt for EFSF Loans
3/= Foreign currency debt valued according to exchange rate as ta 31/12/2015
4/ = Excluding debt to Social Security Fund
5/ = A flat redemption profile is assumed for loans granted to local authorities and central government entities.

Table 3: Government debt by instrument and lender (EURmn)

A. Domestic Debt			**4427**
I. Long-term debt		**4028**	
1. Domestic bonds	**1834**		
- Monetary Financial Institutions			
- Private Sector			
2. Retail securities	**289**		
3. Loans	**1905**		
- Central Bank of Cyprus	1241		
- Local Authorities	190		
- Loan for School Committees	394		
- Loans of state-owned entreprises	80		
II. Short-term debt		**399**	
1. Treasury Bills	**399**		
- Monetary Financial Institutions	310		
- Private Sector	89		
B. Foreign debt		**14483**	**14483**
I. Long-term debt			
1. Long term loans	**10882**		
-ESM and IMF	7182		
-Bilateral governments	2500		
-EIB and CEDB	1148		
-other	52		
2. Euro Medium Term Notes	**3372**		
3. EFSF loans	**229**		
II. Short-term debt		**0**	
Euro Commercial Papers	0		
C. Gross General Government Debt			**18910**

Note:
Consolidated figures, i.e. obligations among subsectors of the general government are omitted.

Appendix IV

Table 1: Investments[1/] of the Social Security Fund with the central government as at 31/12/2015

	EUR mn
Deposits with the Central Government	**7.668.663.060**
Social Insurance Fund	7.066.943.397
Unemployment Benefits Account	24.663.125
Termination of Employment Fund	338.832.520
Central Holiday Fund	59.484.522
Insolvency Fund	178.739.496
Investment in Cyprus EMTN bond 4.625% mat. 3/2/2020	204.100.100
Investment in Cyprus Domestic bond 6.000% mat. 9/6/2021	9.816.877
Total	**7.882.580.037**

Note
1/ = Investments in the form of deposits to financial institutions of EUR 61 mn are not included.

Appendix V

Table 1: Historical debt servicing in 2010-2015

	2010	**2011**	**2012**	**2013**	**2014**	**2015**
			EUR mn			
Interest payments	395	430	566	563	498	548
General Government Debt (GGD)	10770	12869	15431	18519	18764	18910
Taxrevenue (TR)	4606	4711	4623	4364	4366	4290
Total government revenue (TGR)	7186	7212	7039	6610	6596	6802
			%			
Interest payments to GDP	2,05	2,18	2,89	3,11	2,86	3,15
Interest payments to GGD	3,63	3,31	3,65	3,02	2,65	2,9
Interest payments to TR	8,5	9,04	12,17	12,83	11,49	12,77
Interest paymentsto TGR	5,45	5,91	7,99	8,49	7,19	8,06

Note:
1/ =Interest payments exclude intragovernmental interest payments to the Social Security Fund

Appendix VI

Table1: Stock of outstanding GGs as at end 2015

No	Principal debtors	Loan contracts	Stock of outstanding guarantees
		in number	EUR mn
1	Corporate	13	86.763.387
	Other Companies	2	4.041.932
	SMEs	6	2.186.150
	Banks and Other CreditInstitutions	5	80.535.306
2	Entities with Public Interest	84	1.185.354.292
	Other Entitieswith Public Interest	3	1.706.221
	Public Organizations[1/]	15	491.075.506
	Sewerage Boards	66	692.572.566
3	Local Authorities[/2]	188	320.774.877
	Municipalities	110	310.073.815
	Community Boards	78	10.701.062
4	Individuals / Retail	4141	169.319.639
	Agricultural	37	637.613
	Small Business	1198	44.832.473
	Housing	2886	122.796.378
	Individuals / retail	20	1.053.174
5	**Total outstanding GG forloansexcludingtheissueofdebtinstruments (1+2+3+4)**	**4426**	**1.762.212.195**
6	**Issuesofdebtinstruments**	**3**	**1.256.533.282**
	i.BankofCyprus	2	1.000.000.000
	ii.European Financial StabilityFasility	1	256.533.282
7	**Grand Total outstanding GG (5+6)**	**4429**	**3.018.745.477**

Source: Treasury
(PDMO calculations)
1/ = An amount of EUR 17 mn concerns loans granted to Cyprus Theatrical Organisation and Cyprus Sport Organisation which are included in the public debt
2/ = These entities are included in the General Government sector, and therefore their loans are part of the General Government Debt.

Appendix VII

Table 1: Central government liquid assets (EUR mn) and cash/debt ratios

Date	Cash at the CBC	Cash at MFIs	Total	Debt that falls due within 1 year	Cash/debt[1]
31.12.2012	148,8	69,5	218,3	3202,0	6,8
31.12.2013	760,9	6,5	767,4	1748,0	43,9
31.12.2014	1015,9	6,5	1022,4	1978,0	51,7
31.12.2015	666,8	6,5	673,3	1131,0	59,5

1/= % of cash over debt that falls due within one year

Appendix VIII

Table 1: Historical credit ratings[1/] 1989 - 2015

Fitch		Moody's		S&P		DBRS	
B+	23/10/2015	B1	13/11/2015	BB-	25/9/2015	B	4/12/2015
B-	25/4/2014	B3	14/11/2014	B+	24/10/2014	BL	27/6/2014
CCC	5/7/2013	Caa3	10/1/2013	B	25/4/2014	CCC	12/7/2013
RD	28/6/2013	B3	8/10/2012	B-	29/11/2013		
CCC	3/6/2013	Ba3	13/6/2012	CCC+	3/7/2013		
B	25/1/2013	Ba1	12/3/2012	SD	28/6/2013		
BB-	21/11/2012	Ba3	4/11/2011	CCC	21/3/2013		
BB+	25/6/2012	Baa1	27/7/2011	CCC+	20/12/2012		
BBB-	27/1/2012	A2	24/2/2011	B	17/10/2012		
BBB	10/8/2011	Aa3	3/1/2008	BB	1/8/2012		
A-	31/5/2011	A1	10/7/2007	BB+	13/1/2012		
AA-	12/7/2007	A2	19/7/1999	BBB	27/10/2011		
AA	4/2/2002			BBB+	29/7/2011		
				A-	30/3/2011		
				A	16/11/2010		
				A+	24/4/2008		
				A	1/12/2004		
				A+	12/8/2003		
				AA-	3/12/1999		
				AA	9/11/1998		
				AA+	16/7/1996		
Fitch		**Moody's**		**S&P**		**DBRS**	
B	26/3/2013	NP	12/3/2012	B	29/11/2013	R-4	12/4/2015
B	3/6/2013	P-3	4/11/2011	C	3/7/2013	R-5	7/12/2013
F3	10/8/2011	P-2	27/7/2011	SD	28/6/2013		
F1	31/5/2011	P-1	6/11/1989	C	20/12/2012		
F1+	12/7/2007			B	13/1/2012		
F1	1/2/2002			A-3	27/10/2011		
				A-2	30/3/2011		
				A-1	12/8/2003		
				A-1+	16/7/1996		

1/ = A credit upgrade/downgrade is indicated in green/red color.

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