

Republic of Cyprus



Ministry of Finance

June 2017

Public Debt Management Strategy

- The current Debt Management Strategy covers the period 2016-2020 focusing on longer-term, fixed-rate, euro denominated issuances to assume low new risk into portfolio. Progress to date is evident in all targets.
- Cyprus returned to international markets in 2014, just one year after EU-ECB-IMF Programme commencement. It has since then issued four benchmark international bonds between 5 and 10 year tenors.
- In 2015 Cyprus conducted an innovative liability management transaction being only the second Accelerated Switch in Europe from a sovereign and the third from an issuer in Europe.

Cornerstones in Public Debt Management Strategy 2016-20

Target	Progress
Smoothering of debt maturity profile and increase of marketable debt maturity	On course: Average maturity of securities and total debt extended
Maintaining liquid funds for at least the next 12-month period	Achieved for 2017
Risk mitigation via reduced exposure to foreign currency and interest rate risks	On course: new issuance completed in EUR, fixed rate format only
Building of international bond yield curve	On course: at least one benchmark issuance per annum achieved, four new points added in curve
Enhancement of investor relations and expansion of investor base	On course: Increased marketing activities including the US market over 2016/2017



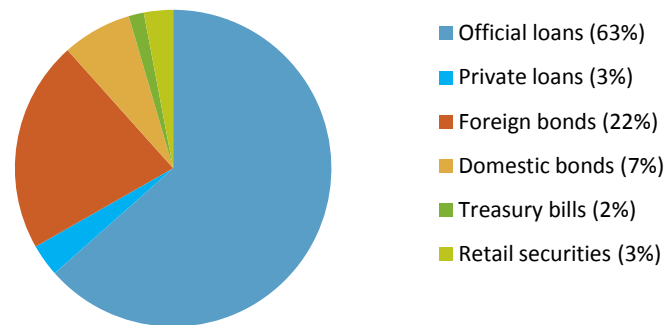
Public debt overview

Public debt structure, Q1-2017

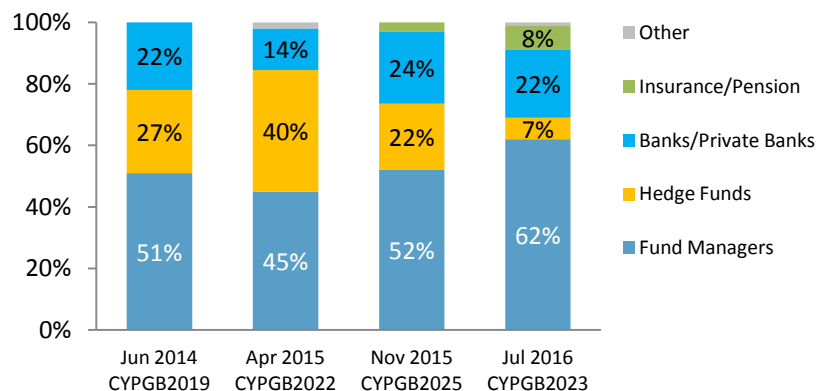
General Government Debt	€19,4 bn
General Government Debt/GDP	108%
Of which liquid assets	8%

• Short term debt	2%
• Resident holders (at issuance)	20%
• Domestic currency	95%
• Fixed interest rate	54%
• Private sector holdings (at issuance)	37%

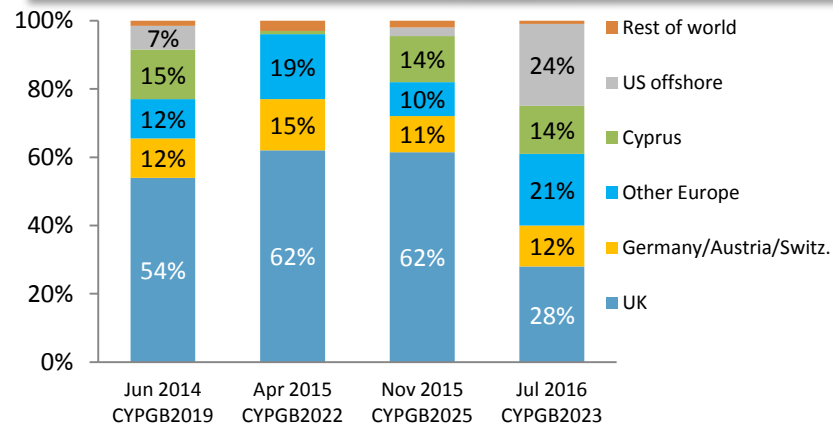
Public debt by instrument, Q1-2017



Evolution of investor base by type



Evolution of investor base by geography

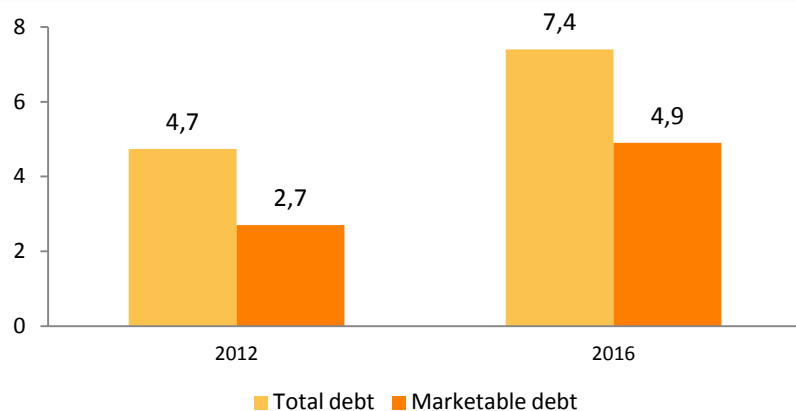


Source: Public Debt Management Office; Q1-2017 data is preliminary

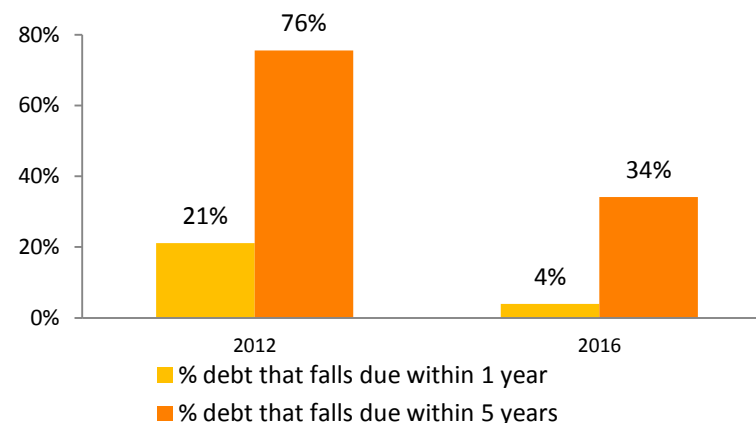


Debt portfolio risk indicators improving

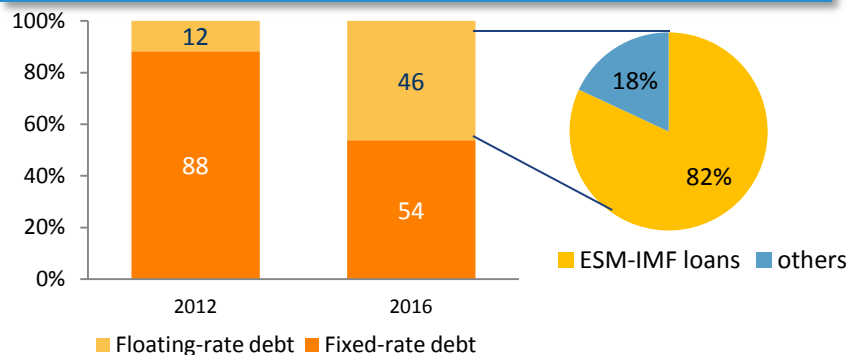
Weighted average maturity of debt, years



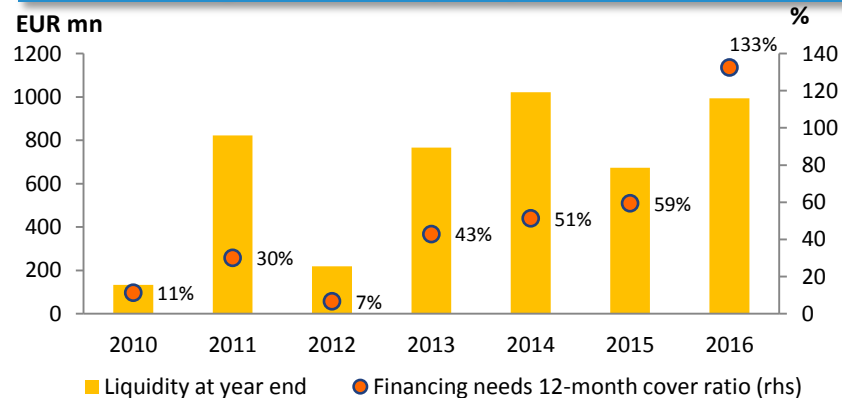
Share of debt that falls due within 1 and 5 Years, %



Interest rate distribution of debt, %



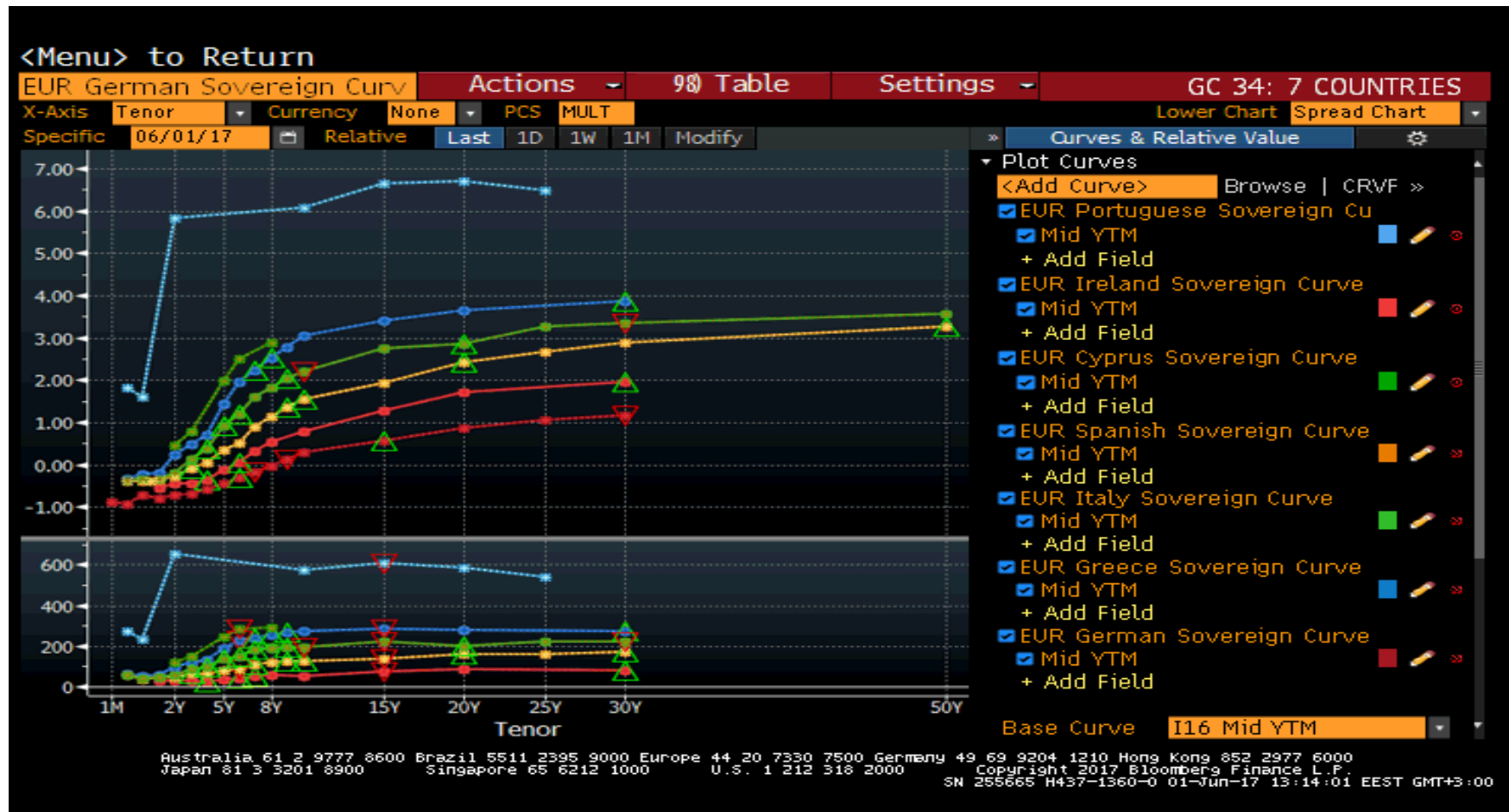
Evolution of government liquidity buffer



Source: Public Debt Management Office



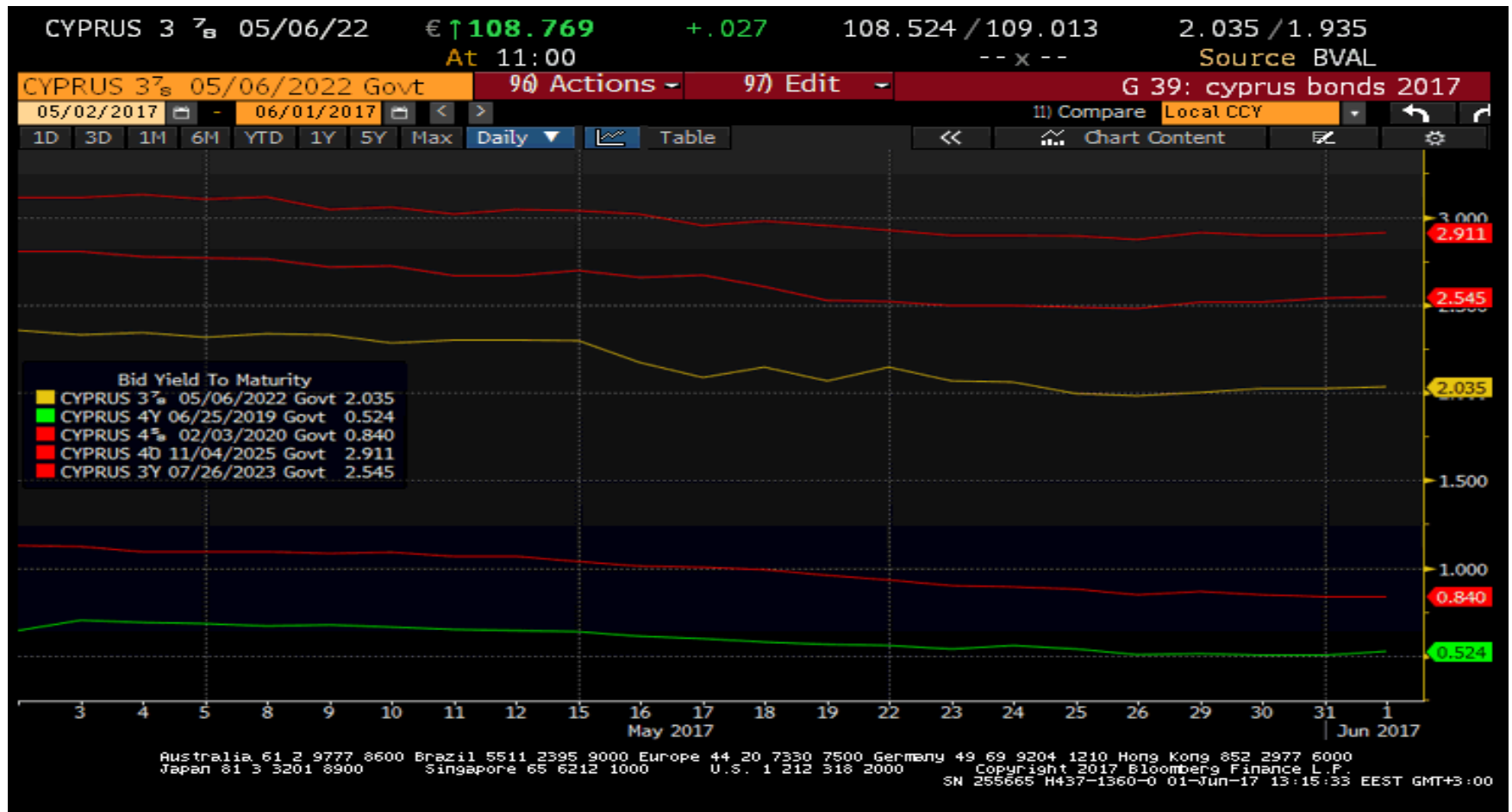
Secondary Market Yields (1)



Source: Public Debt Management Office



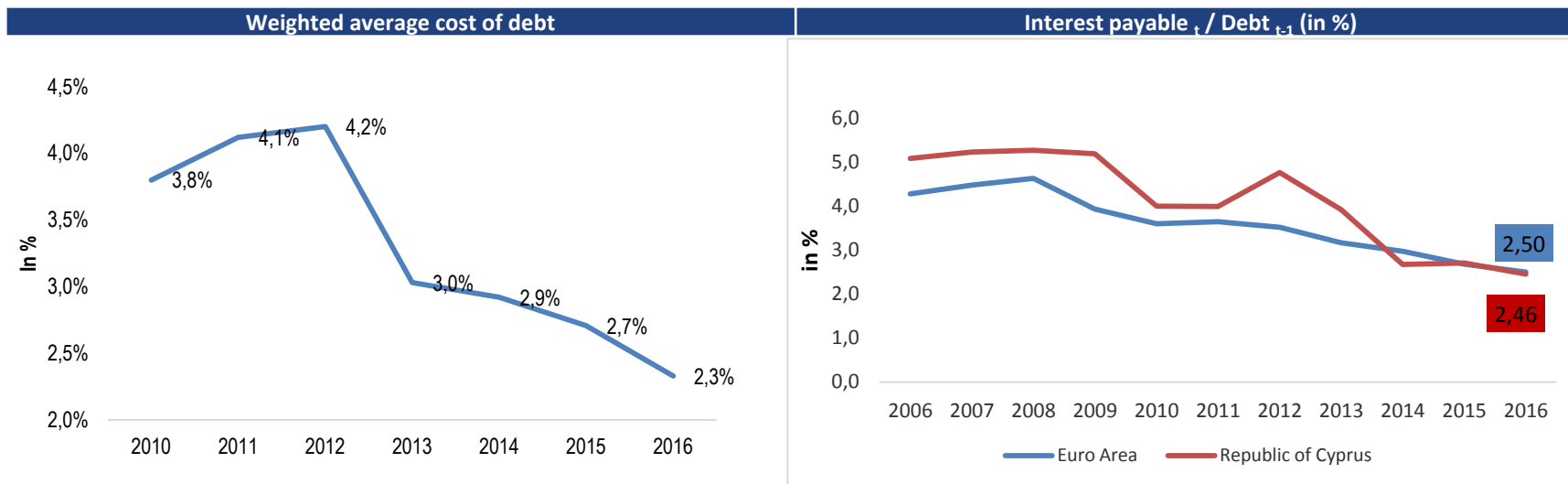
Secondary Market Yields (2)



Source: Public Debt Management Office



Debt Loan Portfolio Average Servicing Cost



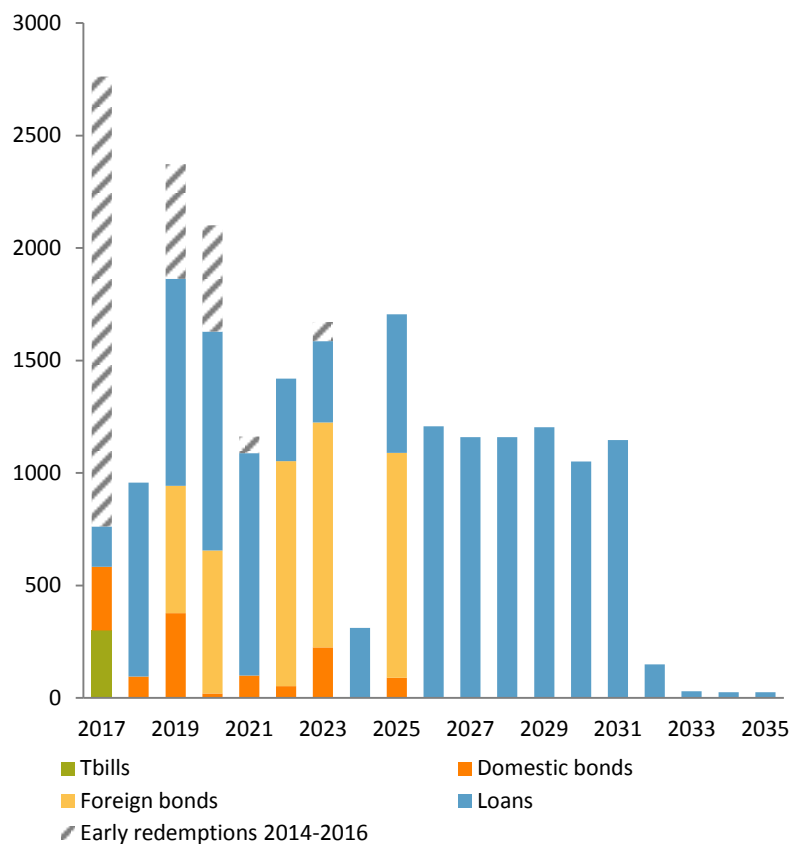
Source: Public Debt Management Office, Eurostat



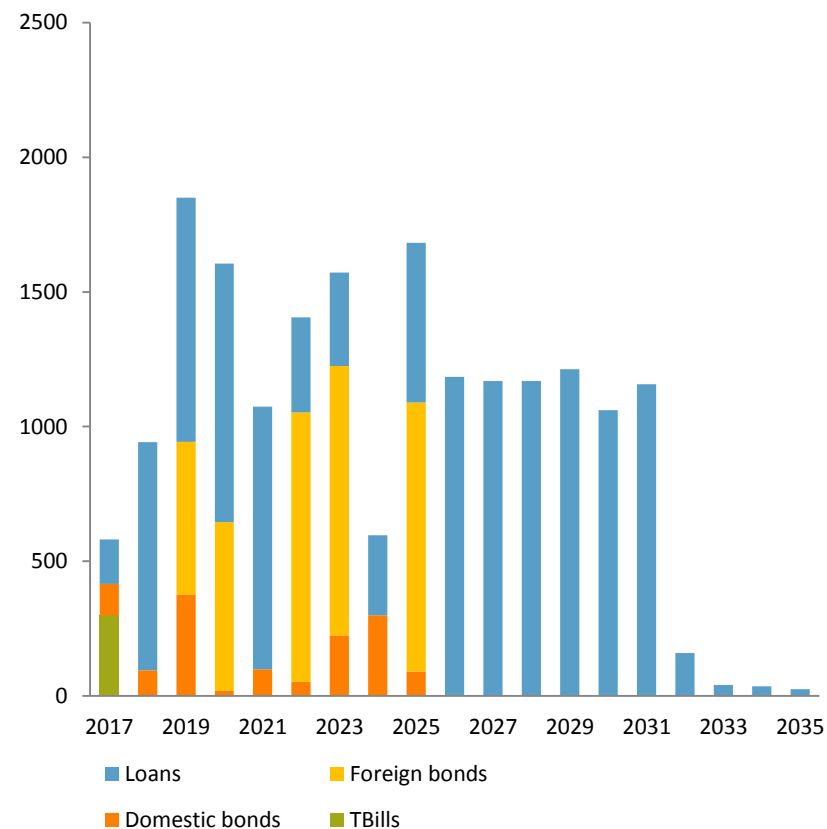
Public debt maturity structure

Debt profile active management resulted in smoothening out and trimming of peaks

Debt maturity profile (2016), EUR mn



Current debt maturity profile (Q1-2017), EUR mn



Source: Public Debt Management Office



Liquidity covers the budgeted financing needs up to Q2-2018

Annual Funding Plan 2017

EUR bn	2017
Financing needs	0,8
Short-term Treasury Bills	0,3
Long term bonds and loans	0,4
Fiscal needs (cash basis)	0,1
Planned financing sources	0,8
Treasury Bills rollover	0,3
Domestic bond	0,3
EIB loans	0,1
Retail bond	0,1

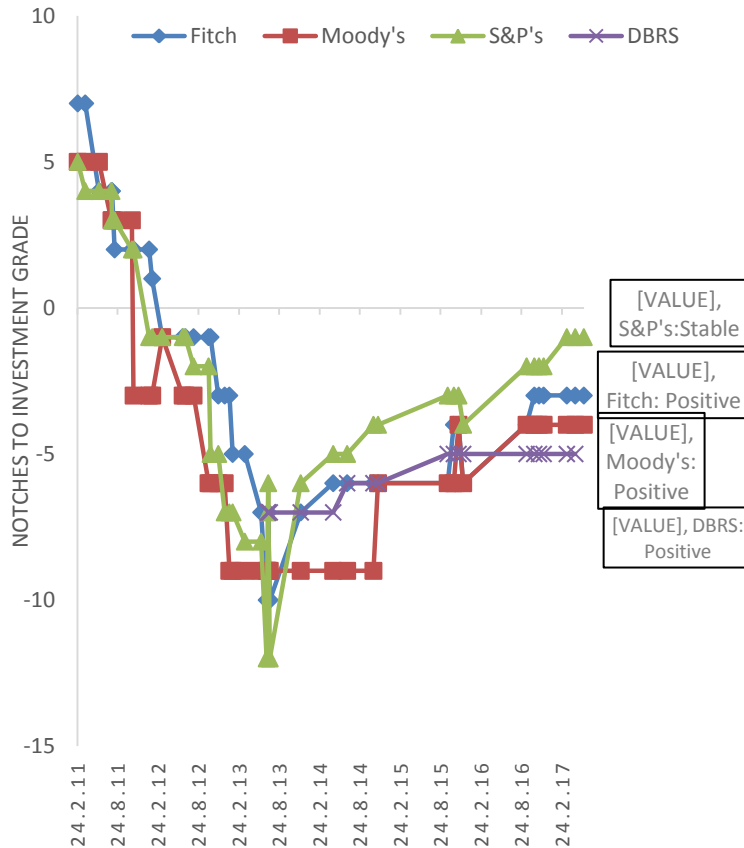
- The budgeted financing needs of 2017 are low and pre-funded; in order to maintain the liquidity buffer to pre-fund 2018 a mix of mainly domestic sources is to be used.
- The international bonds continue to be the main financing instrument to achieve strategic medium-term objectives such as the extension of international bond yield curve. The domestic market will continue to serve as a complimentary financing source.
- To further meet the needs of the domestic investor base a 7-year €300 million 3,25% local bond has been issued by private placement in January 2017. Yields continue to decline at the local Treasury Bills market reaching negative territory in January 2017.



Steady improvement of the sovereign credit rating

Since 2013 on an upgrading path of up to 6 notches

Credit rating history and outlook



Ratings' summary *

Rating strengths

- High income per capita, strong institutions and governance
- Low tax base allows space for fiscal policy
- Highly skilled labour force

Concerns

- High levels of public and private debt
- Banking sector asset weakness

Progress

- Continuous fiscal overperformance
- Faster than expected economic rebound
- Market access and financing buffer through cash position

* Non-exclusive list, as indicated in publicly available opinions of the Credit Rating Agencies reports. Please see full reports for more detail.



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Other sources of information

- Ministry of Finance www.mof.gov.cy
- Ministry of Foreign Affairs www.mfa.gov.cy
- Ministry of Energy, Commerce, Industry and Tourism www.mcit.gov.cy
- Central Bank of Cyprus www.centralbank.gov.cy
- Cyprus Statistical Service www.mof.gov.cy/cystat
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