



Republic of Cyprus
Ministry of Finance
Public Debt Management Office

Annual Report

Public Debt Management

2024

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PUBLIC DEBT MANAGEMENT ANNUAL REPORT 2024

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Mission Statement

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

The above mission is accomplished on the basis of two different, however, interrelated pillars: first, through the exercise of the applicable medium-term debt management strategy of the Government, and second, through the implementation of specific continuous actions under the guidelines of PDMO's Action Plan.

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

The strong pace of economic growth in the Cypriot economy continued in 2024, with the Republic of Cyprus recording one of the highest growth rates among EU member states, significantly higher than the Eurozone/European Union (EU) average, despite geopolitical developments and the fragile external environment, effectively generating fiscal surpluses. The debt-to-GDP ratio continued to decrease significantly last year, creating the conditions for credit rating upgrades from rating agencies in the near future. Notably, in 2024, the Republic of Cyprus's creditworthiness returned to the upper medium grade "A" after 13 years.

The economic outlook for Cyprus remains favorable, with real GDP growth continuing on a positive trajectory, although at a slower pace compared to the years 2021-2022. This deceleration is attributed to economic uncertainty mainly stemming from the external environment, amidst the ongoing Russia-Ukraine war, military conflicts in the Middle East, and the new U.S. tariff policies, which have led to disruptions in supply chains and global trade.

Given the prevailing economic uncertainty in the international environment, the PDMO continuously ensures the maintenance of liquid reserves, as required by Articles 20 and 21 of the Public Debt Management Law.

The PDMO constitutes only a small but fundamentally important, part of the entire institutional framework for economic management of the country. In order to accomplish its mission, the PDMO continues to closely monitor developments in international capital markets and the government's financing needs to achieve the optimal possible outcome under the current volatile conditions.

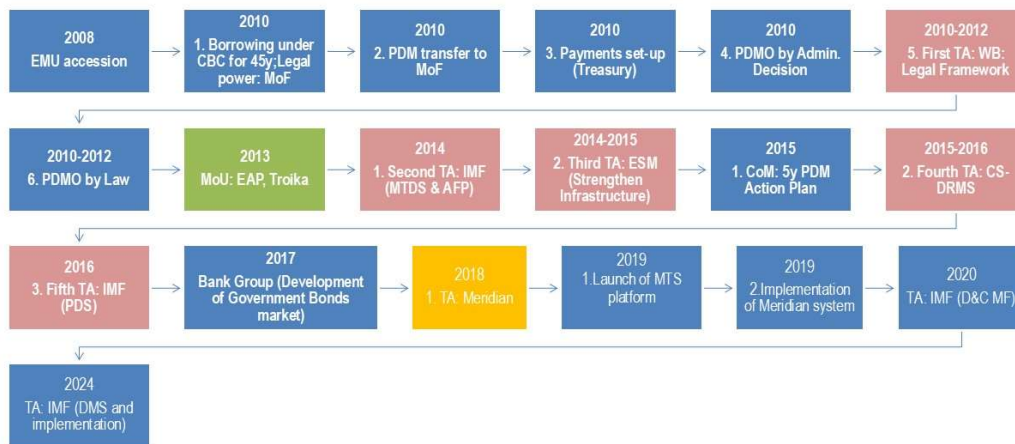
The majority of the cash reserves, which are maintained for precautionary purposes, are exclusively intended to cover the government's future financing needs over the next 12 months. These needs are characterized by uncertainty in the global economy due to geopolitical developments and economic uncertainty, in compliance with current legislation and the provisions of the Public Debt Management Strategy (Articles 9-10 of the aforementioned laws), which have been approved by the Council of Ministers.

Currently, the satisfactory stock of liquid reserves reduces gross borrowing requirements, thereby ensuring the continued containment of public debt.

The developments made on the public debt management policy for the financial year 2024, as per article 25 of the Public Debt Management Law, are presented in the following Report which has been drafted at the end of March 2025.

Public Debt Management Office
Ministry of Finance
Nicosia
Cyprus
March 2025

The timeline of Public Debt Management in Cyprus (2008-2024)



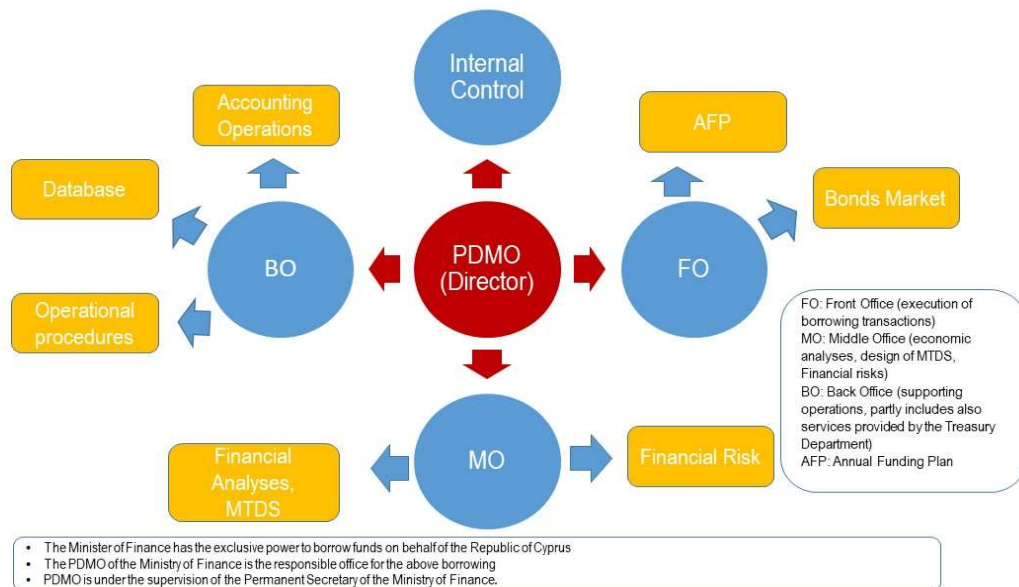
AFP: Annual Funding Plan
CBC: Central Bank of Cyprus
CoM: Council of Ministers
CS: Commonwealth Secretariat
DMS: Debt Management Strategy
DRMS: Debt recording management system

D&C MF: Debt & Cash management framework
EMU: Economic and Monetary Union
ESM: European Stability Mechanism
EAP: Economic Adjustment Programme
IMF: International Monetary Fund
Meridian: New debt management system of CS

MoF: Ministry of Finance
MoU: Memorandum of Understanding
MTDS: Medium Term Debt Strategy
MTS: Electronic fixed income trading platform
PDM: Public Debt Management
PDS: Primary Dealer System

PDMO: Public Debt Management Office
TA: Technical assistance
WB: World Bank

Organisational Structure of the Public Debt Management Office



List of abbreviations

AFP	Annual Financing Programme: “Annual Funding Plan”
bn	Billion (one thousand million)
CBC	Central Bank of Cyprus
CCB	Cyprus Cooperative Bank
CEB	Council of Europe Development Bank
CRA	Credit Rating Agencies
CS	Commonwealth Secretariat
CYPGB	Cyprus Euro Medium Term Note (EMTN)
EFC	Economic and Financial Committee of the EU
EFSF	European Financial Stability Facility
ECPs	Euro Commercial papers
EIB	European Investment Bank
EMTNs	Euro Medium Term Notes
ESDM	European Sovereign Debt Markets (EFC Sub-Committee)
ESM	European Stability Mechanism
EUR	Euro
GDP	Gross Domestic Product
GG	Government Guarantees
GGD	General Government Debt
IMF	International Monetary Fund
MFIs	Monetary Financial Institutions
MTDS	Medium Term Public Debt Management Strategy
mn	Million
NPEs	Non-performing exposures
PDML	Public Debt Management Law
PDMO	Public Debt Management Office
pp	Percentage points
RRF	Recovery and Resilience Facility
SDR	Special Drawing Rights
SSF	Social Security Fund
SURE	Support to mitigate unemployment risks in an emergency
TBs	Treasury Bills
WACD	Weighted Average Cost of Debt

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I. Introduction

In 2024, the Cypriot economy maintained a strong growth momentum despite a challenging external environment and the resulting uncertainty surrounding the global economy. Real GDP increased by 3.4 percent in 2024, compared to 2.6 percent in 2023 — a growth rate significantly higher than the Euro Area average of 0.9 percent. The fiscal balance also improved markedly, rising by 2.5 percentage points (pp) compared to the previous year to reach 4.5 percent of GDP.

Cyprus' diversified economy, particularly within the services sector — including tourism, shipping, and information and communication services — has proven resilient, mitigating the impact of geopolitical developments. Medium-term economic prospects remain favorable, with growth expected to remain on a positive trajectory, primarily supported by domestic demand — notably private consumption and investment in various projects — and, to a lesser extent, by net exports. Nevertheless, economic uncertainty persists, largely due to the fragile global environment and the effects of the new U.S. tariff policy on the global economy.

In early 2024, government bond yield curves in the Euro Area shifted upward, reflecting investor expectations regarding future interest rate paths. This upward movement continued between March and June 2024. However, from July through early December 2024, yield curves began to decline, although they remained elevated. During December, yields experienced minor fluctuations but ultimately increased slightly toward the end of the year.

Cyprus's primary source of financing in 2024 remained the international EMTN bond market, with only a small portion sourced from the domestic market, including both institutional and retail

investors. The international market is expected to remain the main funding avenue in the coming years, given its broader and more diversified investor base. In 2024, the share of foreign bond issuance remained in line with the previous year's levels. The distribution of funding sources aligns with the Government's Medium-Term Public Debt Management Strategy (MTDS).

Public debt as a percentage of GDP recorded a significant decline in 2024, primarily due to the sustained growth momentum and strong fiscal performance throughout the year. This allowed the use of a substantial portion of cash reserves to cover part of the gross financing needs of the government. Despite this, the Central Government's liquid financial assets remained at strong levels, both in absolute terms and as a percentage of public debt, slightly below the levels recorded in the previous year.

Most debt portfolio risk indicators remained broadly unchanged compared to the previous year. The average weighted maturity of marketable debt was maintained at satisfactory levels and was favorable relative to the Euro Area average. The average cost of debt servicing saw a marginal increase but remained at highly manageable levels.

In 2024, Cyprus's credit rating was upgraded by three Credit Rating Agencies (CRAs. Two of these CRAs upgraded the sovereign rating by one notch in two separate assessments each – amounting to a total of two notches per CRA within the investment category. The third CRA upgraded the rating by two notches in a single assessment within the investment category. As a result, the said assessments elevated Cyprus to the "A" upper-medium-grade category for the first time in 13 years. A fourth CRA, with which Cyprus maintains a contractual

agreement, affirmed the country's investment-grade rating and revised the outlook from "stable" to "positive", indicating the potential for an upgrade within the next 12 months if specific conditions are met. CRAs highlighted several factors that could further upgrades, including the government's ability to: (a) sustain the expectations of positive growth rates, (b) maintain sound fiscal policy, (c) achieve further reduction in the debt-to-GDP ratio, (d) reduce the stock of bank non-performing exposures and (e) continue private sector deleveraging (f) maintain increased economic resiliency to external shocks, (g) narrow the current account deficit and (h) absorb funds from the Recovery and Resilience Facility (RRF) enhancing further the economic growth of Cyprus.

Throughout the reporting period, the Public Debt Management Office (PDMO) continued monitoring and implementing internal restructuring actions, including the enhancement of its IT infrastructure.

The PDMO also actively participated in the Subcommittee of the EU Economic and Financial Committee on European Sovereign Debt Markets (ESDM), the International Monetary Fund's (IMF) Annual-Spring meetings, and activities of the European Stability Mechanism (ESM) activities, particularly those related to public debt management.

This introductory chapter is followed by Chapter 2, which focuses on the strategic objectives outlined in the MTDS for 2024–2026, the updated MTDS 2025–2027, the 2024 Annual Funding Programme, and the assessment of progress toward MTDS targets. Chapter 3 analyzes developments in the government bond and Treasury Bill markets. Chapter 4 presents an overview of central government financing and debt redemptions in 2024 (flow analysis), while Chapter

5 outlines the size, composition, and evolution of public debt (stock analysis).

Chapter 6 includes the cost indicators used by the PDMO and highlights several risks to public debt that require ongoing management. Chapter 7 is dedicated to the management of cash reserves, and Chapter 8 covers the credit rating assessments of the Republic. Finally, Chapter 9 presents the actions undertaken during 2024 to implement initiatives included in the PDMO's Action Plan, with a focus on those requiring continuous monitoring and follow-up.

II. Objectives and Evaluation

A. Mandate

On behalf of the Republic of Cyprus, the Minister of Finance has the exclusive power to borrow funds by signing contracts of loans or issuing securities both in the domestic and foreign markets, in local or foreign currency. Pursuant to article 4 of the Public Debt Management Law (PDML), the PDMO is responsible, among other functions, for executing all borrowing transactions, the management of liquidity of the government and handling all other debt management operations, including the drafting of the MTDS and the designing of the AFP.

Government borrowings aim mainly at: (i) covering any fiscal deficit (if there is); (ii) maintaining the desired level of cash reserves; (iii) refinancing the outstanding public debt; and (iv) covering other government policy needs.

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 term¹, within the framework of an acceptable² level of risk³.

¹ Any decision-making based exclusively only on the minimization of the borrowing cost of a transaction (in raising a loan or a bond offering) i.e. using as a sole criterion the interest rate, constitutes a sub-optimal action that might undermine the ultimate objective of the public debt management strategy. This is why the minimisation of the borrowing cost is related to the medium term horizon.

² Borrowing has to be within reasonably acceptable and manageable levels of financial risks.

³ In this context, the main financial risks are: (a) refinancing risk; (b) Interest rate risk; (c) Foreign exchange risk.

B. Legal Framework for public debt management

Pursuant to article 2 of the PDML, the debt management operations are concentrated on the preparation of the MTDS and the AFP as well as on the execution of the necessary borrowing transactions in order to facilitate the implementation of the AFP and meet the objectives of the MTDS.

The MTDS is a 3-5-year strategy which is revised at least once a year and 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. The execution of the necessary borrowing and other debt management transactions form the implementation of the financing plans in order to ultimately meet the guidelines of the Strategy. The previous Strategy, which was published at the end of November 2023, covers the period 2024-2026. The said strategy was updated through the MTDS 2025-2027.

The PDMO functions as an integral part of the Ministry of Finance, under the general supervision of the Permanent Secretary.

C. MTDS guidelines and targets

The guidelines of the MTDS and the actions / quantitative targets under each guideline related to the reference year 2024 are presented below.

1. **Smoothering of debt maturity profile and maintaining the maturity of marketable debt at satisfactory level**

- *Maintain average remaining maturity of marketable debt not less than 7 years;*
- *Maintain short term debt equal or less than 2 percent of total debt stock; and*

- *Maintain long term debt equal or more than 98 percent of total debt stock.*

2. Risk mitigation

- *Maintain total liquid funds to cover the financing needs of next 9 - 12 months, focusing on the maximum limit;*
- *Maintain annual gross financing needs up to 10 percent of the corresponding annual GDP;*
- *Maintain the interest rate- growth differential on government debt (i-g) at negative value.*
- *Maintain total debt foreign exchange exposure not to exceed 2 percent of total debt stock; and*
- *Maintain total debt floating interest rate exposure not to exceed 30 percent of total debt stock.*

3. Development of the government securities market

- *Improvement in the price discovery mechanism of the domestic market and increase accessibility to international investors;*
- *Introduce a suitable structure to enable a price discovery mechanism and liquidity/transparency provision in the foreign market; and*
- *Completion and extension of the long-term sovereign yield curve.*

4. Minimisation of marketable debt borrowing cost

- *Improvement of the investor relations and market intelligence;*
- *Expansion of the investor base in terms of geography, type and size.*

It is noted that in October 2024, the new MTDS 2025-2027 was approved by the Council of Ministers. The said strategy is a continuation of the existing debt management strategy 2024-2026, taking also into consideration the various risks which are related to internal and external environment such as geopolitical factors, possibility of resurgence of inflation, the continuation of the sanctions against Russia, the global climate change and the policy uncertainty in the global environment. The pillars of the new strategy remain the same, however a new pillar has been added related to the improvement of the credit rating. Specifically, the new strategy is focusing, among others, to the continuous improvement of credit rating through the implementation of two main objectives: (a) continuous communication with credit rating agencies to provide reliable and timely information on Cyprus economy and (b) improvement of the information exchange mechanism between the involved parties in regard to the credit rating agencies.

Furthermore, in 22nd of January 2025 the Council of Ministers approved the proposal of the PDMO to retain the coverage target of financing needs in the General Government Account at 9-12 months period and to be applied during the 1st quarter of 2025 due to the global uncertainty.

D. Annual Funding Programme 2024

Pursuant to article 10 of the PDML, the PDMO design and develop an AFP, which covers the projected accumulated borrowing needs of the Republic of Cyprus in one calendar year. The AFP is based on the MTDS and the annual cash flow forecast of the Republic of Cyprus. The AFP is approved by the Minister of Finance and is updated at least twice a year.

The objectives of the AFP 2024 were the following:

1. Maintain Cyprus' presence in the international capital markets in order to complete and extend the long-term sovereign yield curve;
2. Mitigate the refinancing risks by setting reserve on liquid funds to cover the financing needs of the next 9-12 months;
3. Restrain the floating interest rate and exchange rate exposure by giving priority to the issuance of debt in the form of fixed interest rate and in euros.
4. Maintain the average maturity of marketable debt not less than 7 years;
5. Containment of the annual refinancing needs up to 10 percent of the GDP;
6. Further development of the bonds market, and
7. Renewal of short-term debt and maintain the swift functioning of the Treasury Bills (TBs) market;

More details for the AFP 2024 are presented in chapter 4.

Taking into consideration the projected annual cash flows and the successful market access of Cyprus, the PDMO submitted an updated AFP to the Minister of Finance for the next year. The AFP 2025 was approved by the Minister of Finance at the end of November 2024.

E. Evaluation of MTDS guidelines and progress to date

The current strategy was implemented in 2024 amid significant challenges due to geopolitical developments, including the Russia-

Ukraine crisis and the military conflict between Israel and Hamas, as well as changes in monetary policy. Economic activity in Cyprus recorded a positive growth rate in 2024, amidst ongoing global economic uncertainty, approaching 3.4% of GDP on an annual basis, significantly surpassing the average growth rate of the EU. These developments did not negatively impact the quantitative and qualitative objectives of the strategy. Overall, despite the adverse effects of geopolitical events and economic uncertainty, the results from the implementation of the strategy in 2024, as presented in this Annual Report (2024), are considered satisfactory. The assessment of the progress of each of the guidelines is outlined below.

The assessment of the process of each guideline is presented below.

Smoothing of debt maturity profile and extension of the maturity of marketable debt

The share of outstanding short-term debt stood at around 0.3 percent of the total outstanding debt as at the end of 2024, which was in line with the target set (2 percent) in the strategy. It is noted that TBs issuances are necessary to maintain pricing points, enrich funding instruments and reach out to investors interested in this particular segment.

The outstanding annual maturities profile are at a satisfactory level and are extended up to the year 2051. The peak of the outstanding public debt which is in year 2028, was reduced in 2024 by EUR 150 mn after the early repayment of the 10-year EMTN due in 2028. For the following years, the PDMO's intention is to issue at least one benchmark EMTN per year between EUR 1.0-1.5 bn in order to cover the financing needs of the Government. In order to smooth out further

the debt maturity profile, the focus is drawn to longer-term debt issuances provided that the market conditions and new interest rate environment are favourable. The size of the issuance will depend on the performance of fiscal policy as well as of the progress of economic activity in the real economy.

The average remaining maturity of marketable debt exhibited a stabilisation during the last three years reaching 8 years as at the end of 2024. The value of the said indicator is above the relevant MTDS target i.e. to be not less than 7 years.

Risk mitigation

The size of the liquid funds throughout the year of 2024 was in line with the relevant target set in the strategy, to cover the financing needs of the next 9–12-month period at any time. Throughout the year 2024, the total liquid funds maintained well above the said threshold, covering the financing needs of more than the next 12-month period and providing the flexibility to the Government to decide the appropriate timing to access the market, to cope with any unexpected events as well as to proceed with investments of a significant amount of the cash buffer surplus. The strong cash position is expected to support the Government to cope with the global economic uncertainty and restrain any negative effects on the cost-risk indicators at moderate levels.

Moreover, the target for the total foreign exchange exposure has been achieved up to date. The approach, generally followed, is to go for euro denominated debt issuances only. Since April 2020 the total foreign exchange exposure equals to zero.

The debt metrics comply with the target set for floating-fixed interest rate composition. Securities are generally issued in fixed interest rate form only. There is no outstanding marketable debt in floating or index

type of interest. There is a sizeable share of outstanding debt in floating interest rates, mainly due to disbursements of ESM loan and to a lesser extent to a number of loans granted by European Investment Bank (EIB) and Council of Europe Development Bank (CEB). The total of the said debt with floating interest rates formed around 34 percent of the outstanding public debt at the end of 2024, however the interest rate risk stemming from the floating rate debt is limited due to the low interest rate of loans granted by ESM. The variable rate debt is anticipated to decline from 2025 onwards with the gradual redemption of the instalments payable to ESM.

Developments of the government securities market

With regards to the efforts for improving the price discovery mechanism of the domestic market and increase accessibility to international investors, limited progress has been marked.

A significant improvement has been marked in the development of a suitable market structure to improve the price discovery mechanism and liquidity provision in the foreign market. An extended market group with eight international investment banks has continued to work towards this goal during the year 2024. The initial mandate of banks is to post indicative prices of the Cypriot international bonds on a voluntary basis in a platform jointly decided by the issuer and the banks. The MTS platform became operational since 2020 and it is expected that MTS will help the PDMO to increase the liquidity of Cypriot bonds and optimise the cost of funding in the long term.

The target of the completion and extension of a sovereign yield curve, has been achieved at a very satisfactory level. One new point was added in the sovereign yield curve in 2024 through the new EMTN issuance. According to the existing debt maturity profile, the PDMO

aims at centralizing the funding efforts of at least one international bond issuance per year for the following years to serve also as benchmark bonds.

Minimisation of marketable debt borrowing cost

The outcome for the said guideline is envisaged to materialize gradually through the successful implementation of the other guidelines and the realisation of their targets. The contact list of investors has been expanded considerably throughout the years. Despite the volatility in the secondary yields of the Cypriot international bonds, as also recorded for the whole EU, and the global uncertainty in 2024, the impact on the weighted average cost of servicing the public debt has retained at moderate levels due to the implementation of a disciplined fiscal strategy and a rational public debt management strategy. The said outcome is also reflected on the improvement of the sovereign credit ratings in 2024 by the three CRAs which the Republic of Cyprus maintains a contractual relationship. The improvement of investor base with more quality investors has continued in 2024 through the issuance of the 7-year EMTN. The efforts are continuing to be in the analysis of investors in order to approach more investors with longer investment horizon profile. The marketing efforts are promoted to higher participation of this type of investors.

The target of the provision of information to investors has been achieved by the PDMO through the production and dissemination directly to investors of two regular newsletter publications, namely Cyprus economy newsletter (bi-monthly) and public debt quarterly bulletin. Furthermore, an investor presentation is updated at intervals and published at the PDMO website informing investors about the main developments of the Cypriot economy.

With regards to market intelligence, the PDMO continues to monitor and analyse the financial markets observing the new debt issue premiums and new debt issue performance of peers compared to the Republic of Cyprus. It is expected that more information on flows, volumes and investor statistics will be gathered by the newly established Bank group.

For the expansion of the investor base in terms of geography, type and size, the PDMO has focused on marketing activities which are conducted well ahead of any intended bond placements. In 2024, a number of virtual and physical meetings with investors were organised to provide update information about the Cypriot economy. The investor base has improved both in terms of geography and type in the 2024 EMTN issuance.

The results of the improvement of investor base both in terms of geography and type are evident through the investor distribution statistics by geography and type in the benchmark bond issuance in 2024 which are shown in Chapter 6.

III. Sovereign Debt Markets Developments

A. Eurozone sovereign debt market developments

According to the notes and the Annual report issued by the Directorate General for Financial Stability, Financial Services and Capital markets Union, the sovereign yield curves in euro area shifted upwards and steepened during the first two months of the year 2024 following investor's expectations about the future path of interest rates. From the beginning of March 2024, the benchmark yield curve in the euro area moved up moderately and steepened.

During the first half of the year, the ECB kept the interest rates on hold in the first two meetings in 2024 since the inflation in the euro area did not significantly decrease further whilst in the last meeting in June 2024, it decided to cut the interest rates by 25 basis points. The EU sovereign yield curve moved up across all tenors, except the 2-year during the period March to June 2024. Sovereign yields curves in euro area move down and steepened during the period July to early December 2024. During the last month of 2024, minor fluctuations were recorded with the sovereign yields followed a minor increase until the end of December 2024. With regards to the total euro-denominated bond issuances in 2024, an increase was recorded compared to the year 2023. The highest increase on the total gross long-term debt issuances was recorded in the period January – April 2024, with the total amount reaching EUR 1.5 trillion or about 8.6 percent higher compared to the same period one year ago.

As far as yield spreads, the euro 10-year government bond yield spreads over the Bund moved in different directions during 2024. In the period from January to February 2024, the government bond yield spreads over the Bund in the euro area have recorded a significant

decline. In the period March to June 2024, the government bond yield spreads over the Bund in the euro area have recorded a substantial increase driven by the biggest jump in the French spread. In the period July to December 2024, the euro-area 10-year government bond yield spreads over the Bund declined or were roughly unchanged for most Member States, except for France.

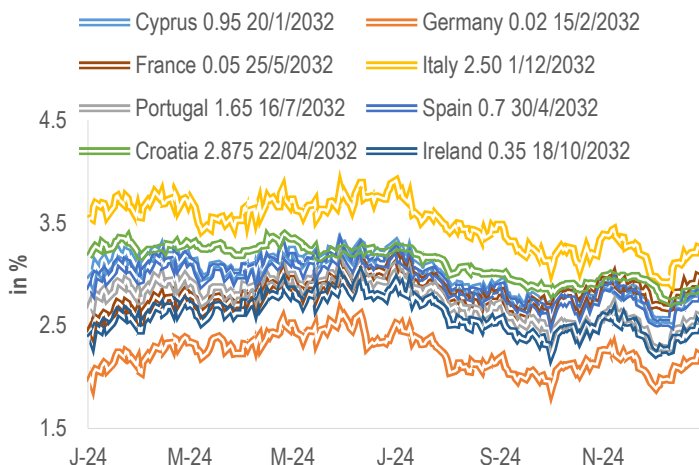
Among the highlights in 2024, were the significant sovereign vulnerabilities and fiscal challenges in several euro area countries, concerns about the potential for weaker than expected future growth and policy - geopolitical uncertainty. During the period January to June 2024, ECB announced one cut of the key interest rates for the euro area, setting, among others, the deposit facility rate from 4.0 percent in September 2023 to 3.75 percent in June 2024. In the period July to December 2024, ECB decided to cut the three key ECB interest rates by setting, among others, the deposit facility to 3 percent in the last meeting in December 2024. In terms of sovereign ratings, the euro area Member States were granted by 14 notches upgrade of credit ratings within the investment category, of which six notches upgrade associated with Cyprus.

The yield developments of 10-year bonds (where available) for selected Eurozone States throughout the year 2024 in the secondary market are illustrated in Figure 1. The 10-year Cyprus government bond yield recorded minor fluctuations in the period January to July 2024 whilst from the end of July 2024 the said yield followed a downward path. The 10-year bonds of selected EU countries followed similar path; however, the sovereign yield curve of Germany and France followed an upward path towards the end of the year compared to the beginning of the year. The minor fluctuations during the above period and the downward path of the selected 10-year government

bond yields of Cyprus over the remaining of the year 2024 reflecting, among other factors, possibly the improved economic resiliency and strong medium term growth prospects, the positive debt trend and solid debt affordability metrics as well as the improvement of the credit rating profile.

At the end of 2024, the 10-year Cyprus government bond yield reduced by 12 basis points compared to the beginning of the year reflecting, among other factors, the factors mentioned above. Reduced sovereign yields were recorded for the 10-year bonds of selected Eurozone states during the same period with the Croatian and Italian bond yield curve recording the first and second higher reduction of about 32 basis points and 30 basis points compared to the corresponding values at the beginning of the year. Similar paths were recorded, albeit at lower levels, for the Spanish bond (reduction of about 5 basis points) and Portuguese bond (reduction of about 8 basis points). On the other hand, increased sovereign yields were recorded during the same period for the Irish bond (increase of about 6 basis points), German Bund (increase of about 24 basis points) and French bond (increase of about 53 basis points).

Figure 1: Secondary market yield curve levels of Cyprus and selected Eurozone States (10-year government bonds) in 2024



(Source: Bloomberg)

Regarding the implementation of the AFP 2024, one new benchmark bond (EMTN) with a tenor of 7 year was issued in June 2024, adding one further point in the sovereign yield curve of Cyprus. The said issuance is expected to contribute positively to the implementation of the key strategic goal associated with the completion of the long-term sovereign yield curve.

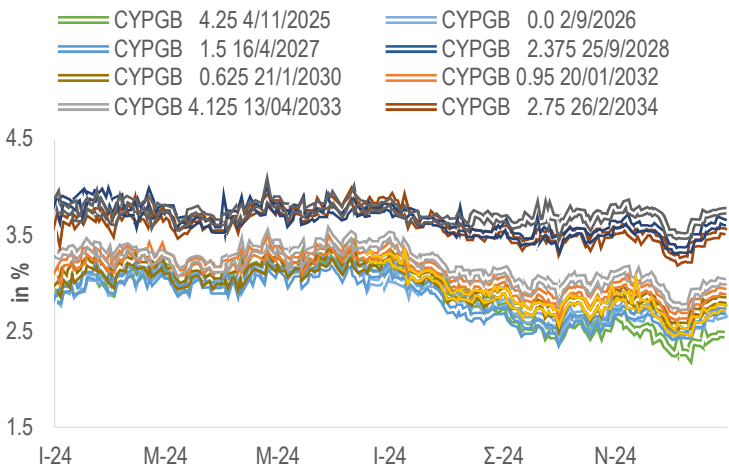
The market behaviour indicated a disaggregation of the twelve benchmark (EMTNs) bonds of the Republic of Cyprus into three main groups. The bonds maturing in 2025, 2026 and 2034 moved in a similar pattern, recording a reduction between 25 and 30 basis points by the end of the year 2024 since the corresponding values at the beginning of the year.

The second group of bonds maturing in 2027, 2028, 2030, 2032, 2033, 2040, 2049 and 2050 recorded a reduction in the range of 1 to 16 basis points by the end of the year 2024 since the corresponding values at the beginning of the year.

The third group of bonds incorporate only the new EMTN due in 2031 which moved in a similar pattern compared to the first group, however it recorded a higher reduction of about 54 basis points compared to the corresponding value since its launch in 2024.

Figure 2 below, illustrates the yield development of Cyprus’ benchmark bonds in 2024, launched under the EMTN Programme which are under English law and listed on the London Stock Exchange.

Figure 2: Secondary yield levels for Cyprus EMTN in 2024



(Source: Bloomberg)

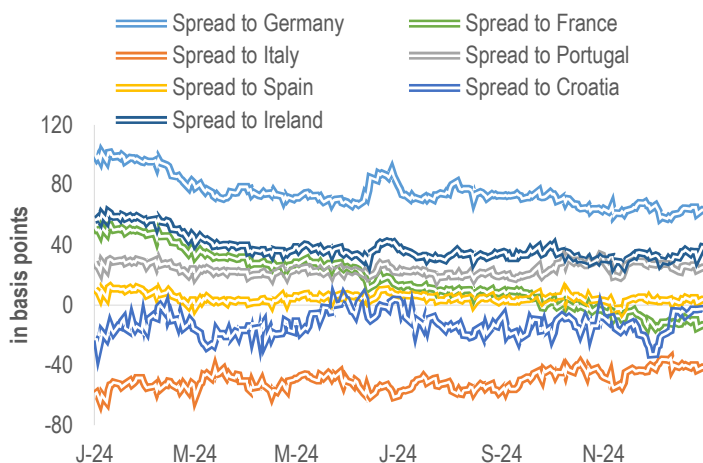
With regards to yield spreads developments, the Cyprus sovereign spreads of the 2032 bond over corresponding selected bonds of euro area countries have marked a significant decline since the beginning of the year until the mid of June 2024, despite the continuation of geopolitical developments. The yield spreads continued to narrow during the year, representing a minor volatility during the second mid of June 2024 and then from the beginning of July 2024 narrowed for the whole year and reached well below compared to those levels at the beginning of 2024 with the exception of Croatian and Italian bond, as presented in Figure 3 below.

The Cyprus sovereign yield spread of the 2032 bond (0.95 percent) over German Bund (0.02 percent) maturing on 20th of January 2032 marked an increase up to 10th of January 2024 reaching 102 basis points, and then followed a downward path. During the year, the lowest value of the spread reached 57 basis points whilst the highest value of the spread reached 102 basis points. By the end of the year, the yield spread reduced by 37 basis points compared to the beginning of the year. The spread to the Irish bond (0.35 percent) maturing on 18th of October 2032 moved in a similar pattern to the spread over German Bund, albeit at lower levels. The spread to the Irish bond followed an upward path up to 9th of January 2024 reaching 62 basis points, and then followed a downward path. The lowest point and maximum point reached 26 basis points and 62 basis points respectively, whilst towards the end of year the spread narrowed to 38 basis points compared to the beginning of the year recording a reduction of -18 basis points. Regarding the yield spread over Portuguese bond (1.65 percent) maturing on 16th of July 2032 and Spanish bond (0.7 percent) maturing on 30th of April 2032, they moved in a similar pattern and were close throughout the year, however at lower spread levels, and

towards the end of year reduced by 4 basis points and 7 basis points, respectively compared to the beginning of the year reaching 25 basis points and 4 basis points, respectively.

The spread to the Italian bond (2.50 percent) maturing in 1st of December 2032 moved in a different pattern compared to the other bonds described above since the spread was in a negative territory for the whole year. The minimum spread to the Italian bond was -35 basis points whilst the maximum spread was -64 basis points. By the end of the year, the spread to the Italian bond marked a reduction of 17 basis points (in the negative territory) compared to the beginning of the year 2024, and narrowed to -42 basis points. Similarly, the spread to the French bond (0.05 percent) maturing on 25th of May 2032 marked an increase up to 10th of January 2024 reaching 53 basis points, and then followed a downward path and moved to negative territory by the end of September until the end of December 2024. During the year, the lowest value of the spread reached -15 basis points whilst the highest value of the spread reached 53 basis points. By the end of the year, the yield spread reduced by 65 basis points compared to the beginning of the year and narrowed to -13 basis points (Cyprus bond performed better than French bond). The spread to the Croatian bond (2.875 percent) maturing on 22nd of April 2032 was in a negative territory for the whole year, excluding only few days by the end of June 2024. The minimum spread to the Croatian bond was 6 basis points whilst the maximum spread was -33 basis points. By the end of the year, the spread to the Croatian bond marked an increase of 20 basis points (in the negative territory) by the end of the year compared to the beginning of the year 2024, and narrowed to -3 basis points. (Cyprus bond performed better than Croatian bond).

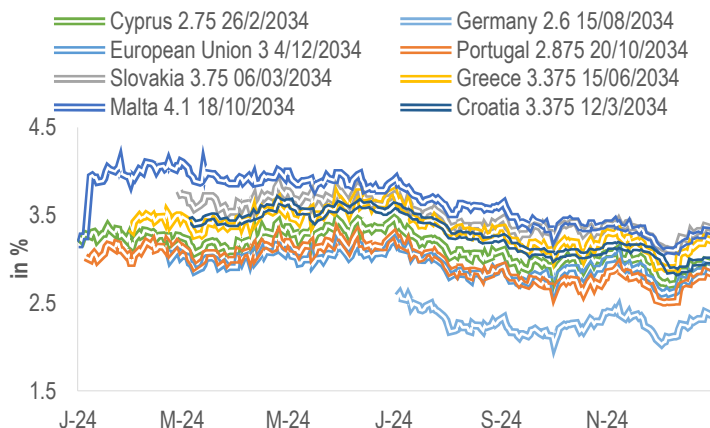
Figure 3: Cyprus sovereign yield spread to selected euro area countries in 2024
(bonds maturing 2032)



(Source: Bloomberg)

The sovereign yield of Cyprus bond and selected euro area bonds with similar credit rating due in 2034 over corresponding bonds of Germany and European Union due in 2034, are presented in Figure 4 below. The Cyprus sovereign bond yield moved in a similar pattern with European bond yield and very closed to Portuguese sovereign bond yields during the year 2024. The Cyprus bond yield curve performed better compared to euro area countries with similar credit ratings in 2024 such as Slovakia, Greece, Malta and Croatia.

Figure 4: Cyprus and Euro area countries secondary market yield bonds with similar credit rating over Germany and EU yield bonds in 2024 (bonds maturing 2034)



(Source: Bloomberg)

The secondary market activity and the downward trend of key ECB interest rates in 2024 in conjunction with the improvement of the credit rating profile of the Republic of Cyprus as a result of the continuous strong economic growth and fiscal surpluses, contributed positively to the reduction of the secondary market yields. The funding cost of the Government for 2025 is expected to be affected at a moderate level given the low gross financing needs, thanks to strong economic growth which is projected in the foreseeable future. However, the global uncertainty around the Russia-Ukraine war and the new Trump era, have to be taken into consideration for the future debt management decisions. An overview of the financing of the Central Government in 2024 is presented in the following chapter.

B. Cyprus sovereign debt market developments

The activity of the domestic government bond market has continued throughout the year 2024, albeit at lower level compared to the year 2022, however at similar level compared to the year 2023 with regular monthly 13-week TBs auctions. TBs issuances are euro-denominated and are conducted at regular intervals, according to the indicative auction calendar. The auction schedule for 2024 and the indicative auction schedule for TBs for the first half of the year 2025 are presented in the Appendix. The annual outstanding amount of TBs continue to retains within the target set under the MTDS. In 2024 the TBs programme has been shrunk thanks to increased interest rates which led to the termination of TBs issuances during the period January to February 2024.

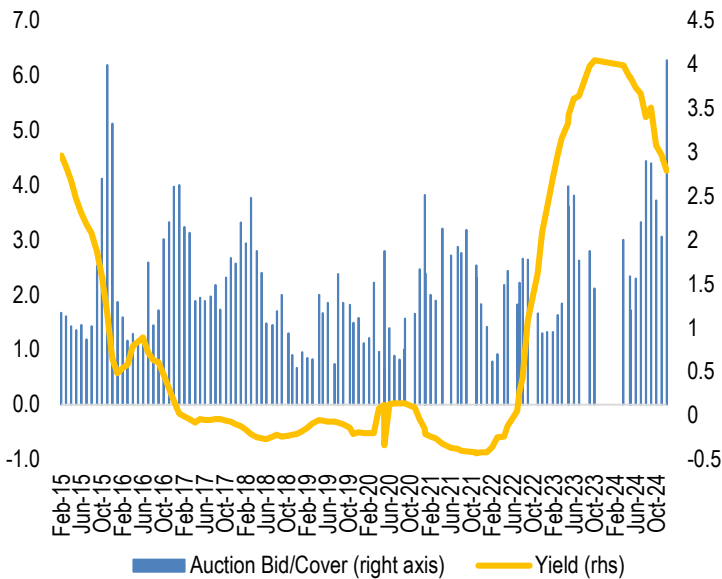
In 2024, the total cumulative amount of 13 weeks TBs auctions recorded a minor reduction reaching around EUR 237 mn compared to EUR 242 mn in 2023. The total net stock of TBs in nominal values at the end of the year has marked an increase of around EUR 55 mn reaching EUR 75 mn or 0.3 percent of the total public debt compared to EUR 20 mn at the beginning of the year.

Figure 4 below, illustrates the historical evolution of TBs yields and auction bid to cover ratios⁴ during the years 2015-2024. With regards to yields developments, the Cyprus TBs yields turned to positive territory since June 2022 following the ECB interest hikes in order to bring inflation under control, moved on an upward path until October 2023 and then followed a downward path. The weighted average yield in 2024 was 3.47 percent compared to 3.38 percent in the year 2023.

⁴ The total value of bids received to the issuance amount announced.

Regarding the bid to cover ratios, it seems that the auction participation followed an upward path after the reduction of the issuance amount announced (denominator effect). The PDMO continues its efforts to attract higher participation of investors for TBs issuances. The annual average auction bid to cover ratio in 2024 was 3.46 times the auctions amount compared to 2.64 times in 2023.

Figure 5: Treasury Bills yields and auction bid/cover ratio in 2015-2024



(Source: PDMO)

IV. Financing of the Central Government in 2024 (AFP 2024)

A. Introduction

The financing of the Central Government in 2024 was achieved through a number of financing instruments. The financing of the Central Government was mainly done through the issuance of a new benchmark EMTN indicating the continuation of the successful presence of the Republic of Cyprus in the international market.

Following the introduction of this Report, the second sub-chapter illustrates the financing of borrowing needs in 2024 by source and by maturity based on the AFP 2024. The next sub-chapter focuses on debt redemptions and liability management transactions executed in 2024. The chapter concludes with a review of the year's financing profile.

B. Financing actions in 2024

The Central Government annual borrowing plan implementation reached 88 percent of the approved revised plan in 2024, as you can see in Appendix. This is mainly attributed to the reduction of the short-term borrowing by the PDMO due to the increased interest rates and the reduced interest by individuals for retail bonds. Despite the geopolitical uncertainty, the Cypriot economy has proven resilient for another year which was reflected in the reduction of the total annual borrowing in 2024 compared to the previous years. The actual borrowing amount in 2024 reached EUR 1.2 bn, excluding debt issued and redeemed within the year, as illustrated in Table 1.

The main component of the annual financing was the issuance of one EMTN of the order of EUR 1 bn underpinned by strong and diversified

participation of international, high-quality investors, with the five biggest categories in proportion to bid volume, originating from UK, Cyprus, Iberian countries (Portugal, Spain), the country cluster of Germany/Austria/Switzerland and Greece. In total, about 93 percent of the annual funds borrowed originated by foreign investors mainly consisting of foreign bond and bilateral loans granted by EIB and CEB. The remaining share of about 7 percent originated by domestic investors with both legal entities, mainly Monetary Financial Institutions (MFIs) by investing in foreign bond and TBs issuances as well as natural persons by investing in retail bonds. An amount of EUR 157 mn or about 13 percent of the total annual financing was formed by foreign loans granted by EIB/CEB throughout the year for new and ongoing infrastructure projects.

Table 1: Annual borrowing by financing instrument in 2024

	EUR mn	%	%
1 Government Securities	1087,7		87.4
of which:			
TBs (13 weeks)	74,4	5.98	
Retail bonds	13,3	1.07	
Foreign bond (EMTN)	1000,0	80.35	
2 Loans	156,8		12.6
of which:			
EIB – CEB loans	156,8	12.60	
Total net annual borrowing^{1/}	1244,5	100.0	100.0

1/= Debt issued and redeemed within the year 2024 is not included.

(Source: PDMO)

Table 2 below, shows the distribution of total net annual borrowing by maturity in 2024. The maturity of the annual borrowing in 2024 ranged between 0.25 years to 10 years with the majority of the debt ranging in the spectrum 6 to 10 years at around 81 percent (an EMTN and retail

bonds maturing in 2031). The debt ranged in the spectrum of 0.25-1 year was only 6 percent and is composed by short-term TB issuances.

The weighted average maturity of new debt issued during 2024 recorded a reduction reaching 7.0 years compared to 10.4 years the respective debt during 2023, mainly due to the 7-year EMTN issuance.

Table 2: Distribution of total annual borrowing by maturity in 2024

		EUR mn	%
1	0.25 – 1 year	74,4	6.0
2	1 – 5 years	0,0	0.00
3	6 -10 years	1013,3	81.4
4	Over 10 years	156,8	12.6
Total net annual borrowing		1244,5	100.0

(Source: PDMO)

As presented in Table 3 below, in terms of the utilization of borrowed funds, about 87 percent of the annual funding was used by the Government to pay the scheduled debt redemptions. About 13 percent of the annual funding was used for the implementation of new and ongoing infrastructure projects.

Table 3: Summary of the use of the annual funding in cash terms in 2024

		EUR mn	%
1	Debt maturities ^{1/}	1087,7	87
2	Infrastructure projects	156,7	13
Total net annual borrowing		1244,5	100

(Source: PDMO)

1/= The remaining amount of debt maturities in 2024 has been paid through the use of cash buffer.

The overview of financing actions implemented during 2024 is presented in more details below. The main financing of 2024 took place in June 2024 through the issuance of the benchmark 7-year EMTN of the order of EUR 1000 mn.

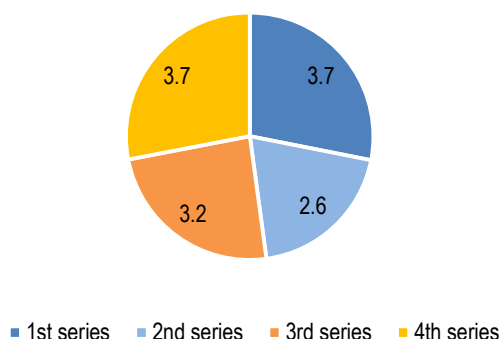
The 7-year benchmark bond was at a coupon rate of 3.25 percent and yield of 3.31 percent. The transaction was very successful attracting a high quality and diverse set of investors. The said bond was priced at spread of 55 basis points over the mid-swap rate. The orderbook was oversubscribed by around 9.3 times. More details are presented in Box 1 below.

In May and July, three loans of the total order of around EUR 93 mn were granted by CEB and EIB for the implementation of new and ongoing infrastructure projects. In September and October, two loans of the total order of EUR 39 mn were granted by EIB and CEB for the implementation of ongoing projects whilst in December 2024 an amount of EUR 25 mn was granted by EIB for the implementation of ongoing project.

In addition, domestic retail bonds amounting to around EUR 13 mn were issued throughout the year. The domestic retail bonds, designed

to meet the characteristics of natural persons as investors, have a 6 years' maturity and can be redeemed by the holder pursuant to the specific terms of issuance. The interest rate follows a step-up structure and has a positive correlation with the time of holding, motivating the investors to hold the bond until to its maturity. Figure 6 below, illustrates the series of retail bond sales in 2024.

Figure 6: Series of Retail bond sales in 2024 (in EUR mn)

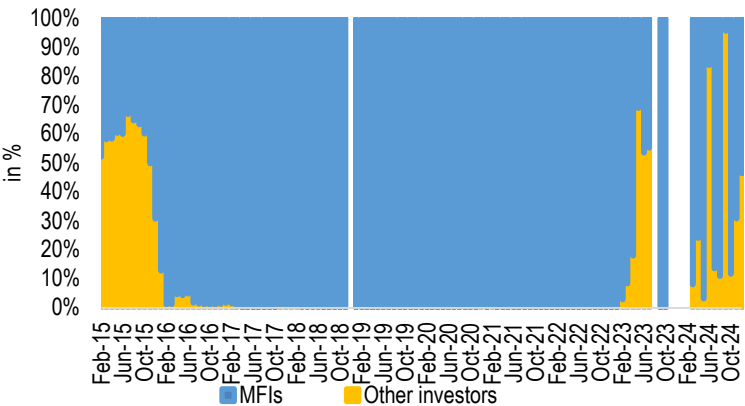


(Source: PDMO)

The annual funding in 2024 has been completed through auctions of quarterly TBs with the total order reaching around EUR 24 mn on average for the whole year, on a roll-over basis. As presented in Figure 7 below, domestic MFIs dominated the Treasury Bill investor base. The participation of non-MFIs such as pension funds and state-owned enterprises in the monthly TBs auctions, has decreased since January 2016 due to the low (negative) yields offered compared to alternative investments particularly bank deposits. Since 2023 a participation by non-MFIs in TB auctions has reached on average 23% whilst in 2024 the participation by non-MFIs in TB auctions recorded a significant

increase reaching 33% on average, indicating a sign for more possible demand in the near future.

Figure 7: Evolution of stock of TBs by investor distribution in 2015-2024



(Source: PDMO)

Box 1: Republic of Cyprus EUR 1000 mn, 3.250 7-year bond due 27 June 2031

In June 2024, the Republic of Cyprus decided to issue a new benchmark 7-year bond in the context of fulfilling its objectives of the MTDS.

The mandate to take on the role of bank contractor was given by PDMO office to Citi, Deutsche Bank, Goldman Sachs and HSBC. Initially in May 2024 a series of meetings with investors is organised and after a strong expression of interest and feedback from investors, the Republic of Cyprus officially announced its intention to come to market with a new 7-year benchmark transaction at 12:24 London time (LDN), on Tuesday, on 18th of June, 2024. The Republic of Cyprus concurrently announced a capped tender offer for its existing EUR 1.5 bn, 2.375% bond due in September 2028, with the tender offer will expiring on Tuesday 25th of June 2024. On 19th of June 2024, at 8:23 LDN, the orderbook was officially opened with an initial guidance price at the MS + 60 bps area. The transaction attracted strong investor's interest and at 9:44 LDN, the bids exceeded EUR 6.7 bn, allowing the issuer to revise guide price and set it at the area of MS + 55 bps, with the issue size to be finalized up to EUR 1 bn. At 11:00 LDN, with the bid book exceeding EUR 9.3 bn, the orderbook closed and shortly at 13:40 LDN, the new 7-year benchmark bond of the order of EUR 1 bn officially priced at MS + 55 bps, equivalent to a reoffer yield of 3.310% and a spread of +91.6 bps against the corresponding German bond DBR 2.40 percent (Nov. 2030).

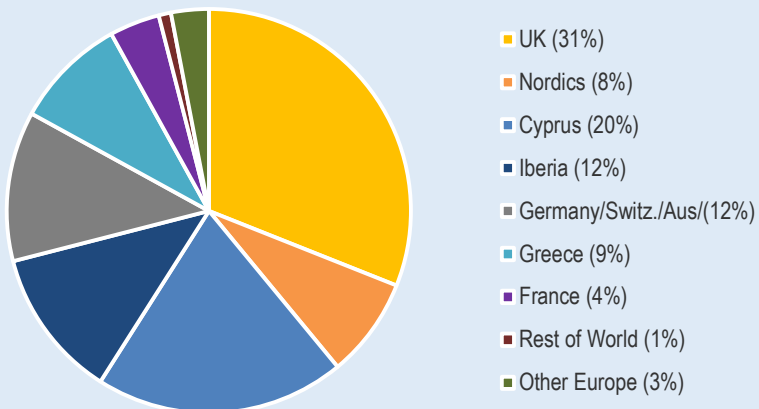
From a geographical origin, a wide distribution of investors was achieved, attracting a significant and diversified number of investors. The large number of offers came from UK investors who received the biggest part of the final allocation. Significant allocation was also given to Cyprus, Iberian countries (Portugal, Spain), the cluster of countries Germany/Austria/Switzerland, Greece and Nordic countries.

Regarding the type of investors, the largest group of investors in the allocation was Fund Managers with a participation share of 58 percent, followed by Banks / Private banks at 27 percent. Insurance organizations / Pension Funds and Central Banks / Official Institutions were limited to a participation share of 6 percent and 5 percent respectively. The participation of Hedge Funds was also limited to 2 percent.

More details on the distribution of investors by geographic region and by type of investor are presented in the graphs below.

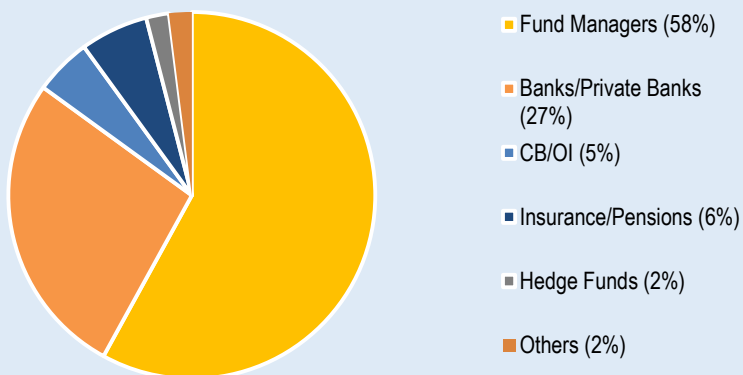
Distribution by region

7-Year EMTN due 2031



Distribution by type

7-Year EMTN due 2031



Summary of terms and conditions

Issuer	Republic of Cyprus (through the PDMO)
Issuer Ratings	BBB+/Baa2/BBB+/BBB(H) (positive/positive/positive/stable) by S&P's, Moody's, Fitch and DBRS
Format	Reg S, Registered only, CACs
Settlement Date	27 June 2024
Maturity Date	27 June 2031
Size	1,000,000,000 EUR
Coupon Rate	3.250%, Annual/ACT/ACT
Re offer price/yield	99.631 / 3.310% p.a.
Spread	+55 bps
Denominations	EUR 1K + 1K
Listing / Law	London Stock Exchange / English Law
ISIN	XS2849767202
Lead Managers	Citi, Deutsche Bank, Goldman Sachs and HSBC

C. Liability management transactions and Debt redemptions in 2024

One of the main strategic objectives of the MTDS 2024-2026 was the minimisation of marketable debt borrowing cost. In 2024 the main attention was given to the reduction of the weighted average cost of public debt without affecting significantly the successful extension of the bond yield curve, achieved through longer-term EMTN issuances in the previous years. Through the bond issuance in 2024, the PDMO achieved to retain the weighted average cost of public debt at more sustainable level, enhance the liquidity buffer and improve the investor base in terms of geography, type and size.

Given the global uncertainty due to the ongoing war crisis between Russia – Ukraine as well as in the Middle East (Israel – Palestine – Lebanon) during 2024, the PDMO continued to retain the cash buffer at satisfactory levels and in line with the target set under the MTDS 2024-2026. However, Cyprus' diversified economy has proven resilient to global uncertainty and as a result, a significant part of the financing needs was covered through the utilisation of the cash buffer due to fiscal surpluses.

The details of debt redemptions in the domestic/foreign market and loan amortisations by creditor in 2024 are shown in the Appendix.

Table 4 below illustrates all long-term debt redemptions and early prepayment transactions in 2024. The scheduled long-term redemptions of the year, excluding early repayments of the order of around EUR 414 mn, amounted to EUR 2071 mn and are mainly related to redemptions of EMTNs.

With regards to short term debt, an amount which was rolled over throughout the year, reached EUR 74 mn as outstanding debt up to the year end of 2024.

Table 4: Long term debt redemptions and early debt repayments in nominal terms in 2024

		in EUR mn	%
1	EMTN of which early prepayments: EUR 149.8 mn	1999,8	80.5
2	Loans of which early prepayments: EUR 254 mn	368,7	14.8
3	Retail Securities of which early prepayments: EUR 9.9 mn	116,2	4.7
4	Domestic bonds	0,0	0.0
Total		2484,6	100.0

(Source: PDMO)

D. Review of the annual financing plan 2024

This section illustrates how the annual financing plan changed the debt structure within the year 2024. The change of the debt structure was mainly attributed to the significant reduction of the EMTNs of the order of around EUR 1000 mn and to a lesser extent to the reduction of the loans and retail bonds of the order of around EUR 213 mn and EUR 103 mn, respectively. The roll-over debt marked an increase of the order of EUR 50 mn. It is noted that the reduction of the EMTN was also attributed to an early repayment of an EMTN due in September 2024 of the order of around EUR 150 mn.

Table 5: Change in the public debt structure in 2024

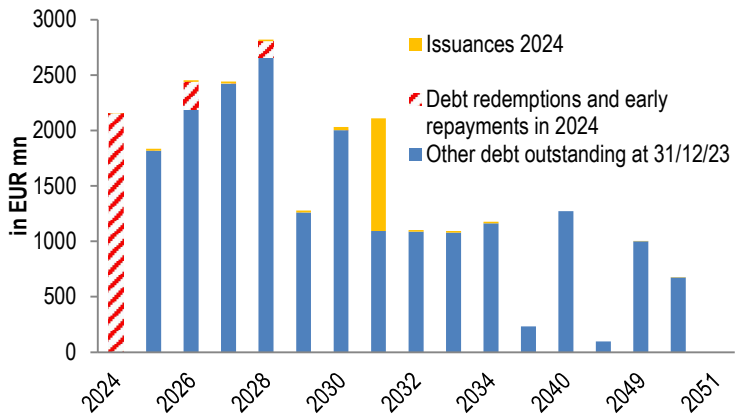
		in EUR mn
1	Domestic Bonds	0
2	EMTN	-999,8
3	Treasury Bills	55,0
4	Loans	-213,4
5	Retail securities	-102,8
Total		-1261,0

(Source: PDMO)

Figure 8 below, shows how the public debt maturity profile changed due to funding and liability management transactions in 2024. A total amount of new issuances of around EUR 1.2 bn was added to the public debt maturity profile. An amount of EUR 1000 mn of the new debt issuances is related to a foreign bond fall in the year 2031. The remaining amount concerns retail bonds matured in 2030 as well as

loans granted by supranational organisations for project financing with their repayments spread between 2024 to 2034.

Figure 8: Change of public debt maturity profile through 2024 actions



(Source: PDMO)

In general, the maturity profile at the end of 2024 remained within comfortable / manageable levels and within the targets set in the MTDS. The year 2028 which is the peak of the public debt is on a continuous monitoring, in order to avoid adding new debt either in this year or the year before and after. However, taking into consideration the strong economic prospects of the Cypriot economy and the significant improvement on the public finances, the Government will be in a position to refinance the said debt.

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 2010. 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 of this Report, 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 the third section deals separately with the unconsolidated general government debt.

B. Statistical description

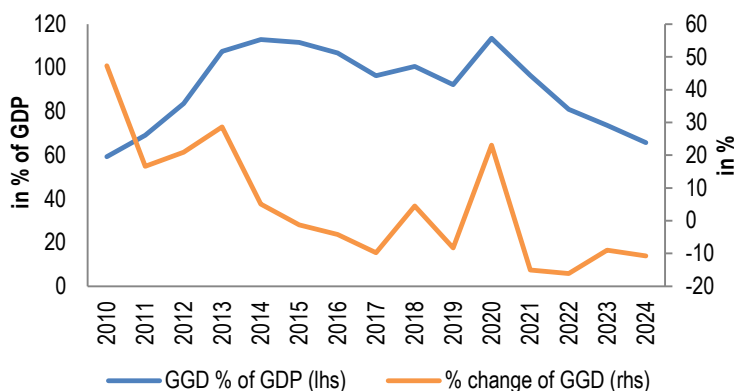
B.1 Size and evolution of General Government Debt

The General Government Debt (GGD) as a percent of GDP was on an upward path until the end of 2014 and thereafter, it was on a downward path until the end of 2017. During the period 2018- 2020 debt to GDP ratio marked fluctuations with the biggest change to be recorded in 2020 due to the coronavirus pandemic which affected many countries all over the world including Cyprus. Since 2021, debt to GDP ratio is on a downward path due to the strong nominal GDP growth and the

improved fiscal position of the General Government translated to a sharp decline in the government debt to GDP ratio.

Figure 9 also shows that the percentage change of debt as a ratio of GDP was on a downward pattern since 2014, excluding years 2018 and 2020. The net debt to GDP ratio, in which the accumulation of cash reserves of the order of EUR 2732 mn is excluded, was estimated at around 57 percent as at the end of 2024.

Figure 9: Debt to GDP ratio evolution in 2010-2024

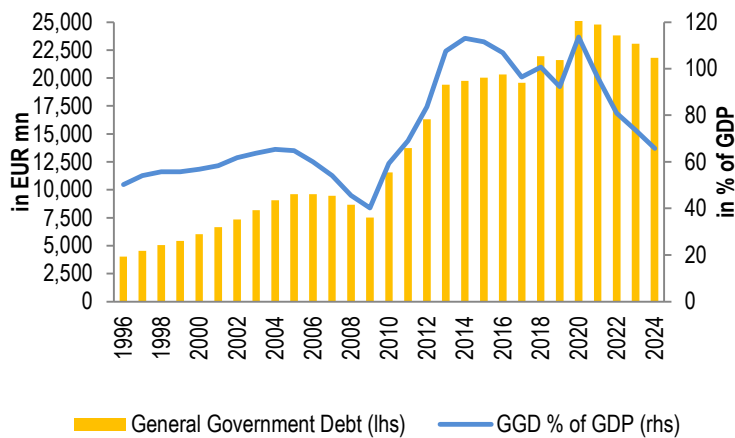


(Source: PDMO, Ministry of Finance and Eurostat)

The historical debt evolution over the years 1996 to 2024 is presented in Figure 10 below. During the period 1996-2006, the GGD followed an increasing path subsequently decreasing until 2009 when the debt to GDP ratio reached around 40 percent. Since then, fiscal slippage, low to negative growth rates, capital injections into the banking sector and measures under the Memorandum of Understanding and other emergency loans, contributed to a considerable increase to the ratio.

Despite the sharp increase in the public debt, the strong fiscal outcome allowed debt to stabilise earlier than expected and also at lower levels than originally anticipated. In 2020, the public debt recorded a huge increase due to the pandemic whilst during the period 2021-2024, the strong nominal GDP growth improved the fiscal position of the Government translating to a sharp decline in the government debt to GDP ratio below 70 percent in 2024. The historical evolution of gross general government debt in values and as a percent of GDP for the period 1995-2024 is presented in table 4 in Appendix.

Figure 10: Trend in the consolidated general government debt in 1996-2024



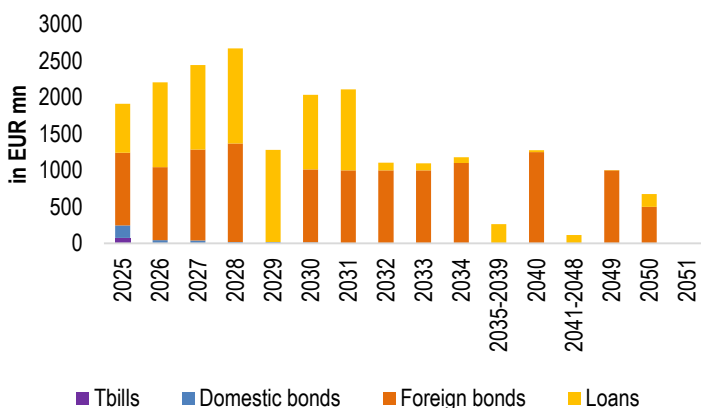
(Source: PDMO and Ministry of Finance)

B.2: Composition of the General Government Debt

This section presents the composition of the GGD at the end of 2024. The maturity structure of the GGD gives a clear picture of the distribution profile among different outstanding liabilities. Figure 11, illustrates the debt maturity profile, in other words the size of the debt sums maturing in each individual year given the outstanding GGD, excluding the outstanding amount of loans under the European Financial Stability Facility (EFSF) of the order of around EUR 260 mn and of the nominal value of euro coins in circulation as at the end of 2024. In general, the debt maturity profile is smooth and the annual debt maturities are comfortably manageable.

The outstanding amount of debt, as described above, due within the period 2025-2029 is estimated at EUR 10447 mn or about 48 percent of the total debt. During the above period, an amount of EUR 5563 mn or around 53 percent of the total debt due within this period, is associated with the repayments of loans and an amount of EUR 4600 mn or about 44 percent refers to the repayments of EMTNs during the same period. The remaining amount concerns domestic bonds and retail bonds. The year 2028, despite the early prepayment of an amount of EUR 150 mn from the EMTN due in this year, concentrates the highest annual maturities of EUR 2676 mn of which a half of that amount is related to the repayment of an EMTN and the other half is related to loans, mainly to the repayment of the fourth instalment of the ESM loan.

Figure 11: General government debt redemption profile as at the end of 2024



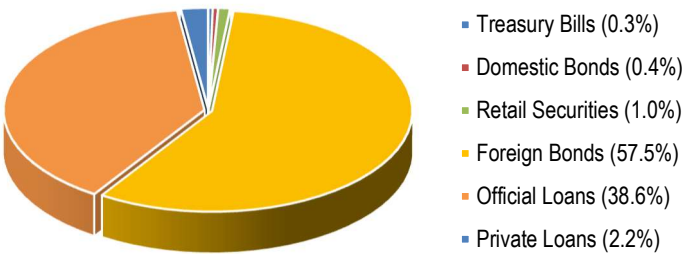
(Source: PDMO)

The share of the government debt by financing instrument, as at the end of December 2024, is illustrated in Figure 12 below. The two largest categories of the outstanding debt are the foreign bonds and the official loans. About 58 percent of the outstanding public debt in 2024 is related to EMTN issuances. About 41 percent of the outstanding loans' category comprised loans disbursed to the Republic of Cyprus of which the vast majority, about 71 percent of the official loans are associated to loans disbursed by the ESM during the period 2013-2016 whilst the remaining was comprised by other bilateral loans, disbursed mainly by EIB, EC and CEB.

The remaining share of the outstanding public debt (around 2 percent) is related to domestic securities issued in the domestic market which is expected to reduce the following years but it will continue to serve as a complimentary financing source. The outstanding Central

Government debt as at the end of 2024 is presented in Tables 5, 6 and 7 in Appendix.

Figure 12: Share of general government debt by financing instrument as at the end of 2024



(Source: PDMO)

Figure 13 below, illustrates the historical breakdown of GGD by financing instrument during the years 2010-2024. During the above period, it is obvious that the vast majority of government debt concerned loans which increased abruptly in 2013 by 19 pp compared to 2012 and followed an upward trend until the end of 2015 reaching 69 percent mainly due to the official loans provided by ESM and IMF. In the years 2016 and 2017 the level of loans recorded a small reduction and then followed a downward trend reaching 33 percent by the end of 2020 due to the early prepayments of the two bilateral loans, the first one which was granted by the Russian Federation in 2019 and the second one by the IMF in 2020. From 2019 onwards the investor base of Cypriot public debt has started to change significantly and has shifted from foreign official creditors to foreign bondholder's investors.

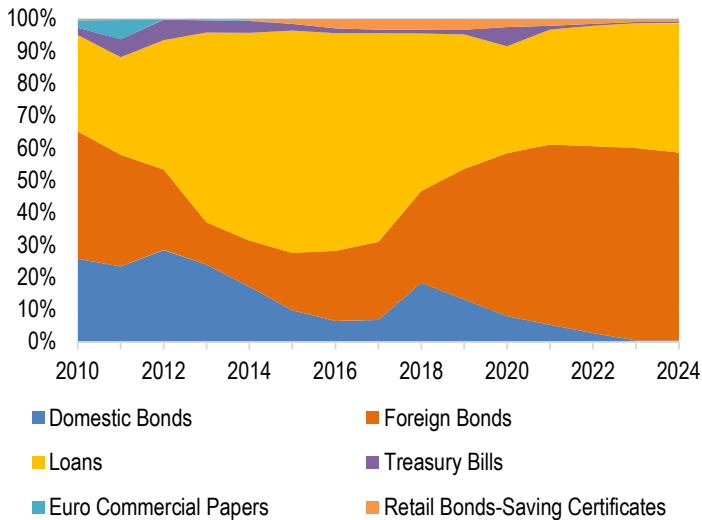
In 2022, the outstanding amount of loans marked an increase reaching around 37 percent, mainly due to the loans granted by the European Commission under the SURE instrument in order to mitigate unemployment risks, as a result of the Covid-19 pandemic and fund the social support measures taken by the Government. In 2023 and 2024, the outstanding amount of loans marked a small increase as a result of the new loans granted by supranational organisations for project financing.

While in the past, domestic bonds were one of the main financing instruments with an average contribution of around 25 percent in years 2010-2013, since 2014 the contribution of the said category to the GGD has marked a significant reduction reaching around 3 percent in 2022 compared to the highest point of 29 percent in 2012. Since 2023 the corresponding figure has stabilised at around 0.4 percent. It is noted that the significant increase in 2018 by 12 pp compared to the previous year was attributed to the domestic bond issuances of the order of EUR 3.19 bn to facilitate the sale of the ex-CCB. However, domestic debt market is expected to continue to serve as a complimentary financing source, due to its strategic importance as a factor of diversification.

On the other hand, EMTN securities have increased by 15 pp since 2013 reaching 28 percent as at the end of 2018 whilst one year later, in 2019, another increase of 12 pp has been recorded reflecting the intention of Cyprus to maintain its presence in international capital markets and build up a pertinent sovereign yield curve. By the end of 2020, the share of foreign bonds has exhibited a significant increase of about 10 pp reaching 50 percent in order to cope with the uncertainty surrounding the development of the Covid-19 pandemic. In the period

2022 to 2024, the share of foreign bonds reached 58 percent on average.

Figure 13: Historical breakdown of GGD by financing instrument in 2010-2024



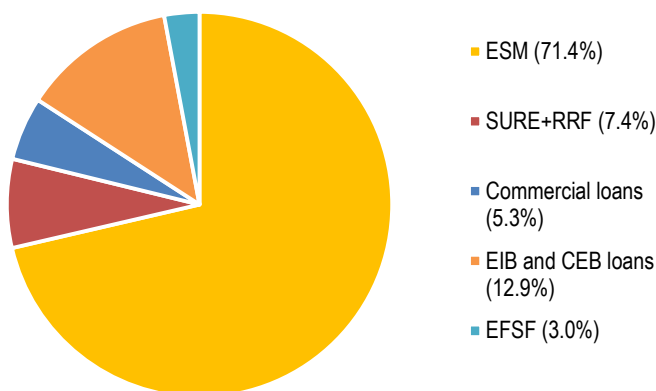
(Source: PDMO)

The distribution of outstanding loans by source as at the end of 2024 is presented in Figure 14 below. As mentioned above, the majority of the stock of outstanding loans as at the end of 2024 is associated with the programme loans provided by ESM. Another important funding source was the loans disbursed by EIB and CEB for the implementation of new and ongoing infrastructure projects as well as by EC under SURE Instrument. These loans constitute 20.3 percent of the total outstanding loans as at the end of 2024 of which around 13 percent are related to EIB and CEB loans. The total value of Cyprus'

loans from domestic sources reached at around 5 percent towards the end of the year 2024.

Finally, about 3 percent of the outstanding guaranteed loans granted via the EFSF to Greece, Ireland and Portugal, as attributed to the creditor countries of EU, including Cyprus, are included in the public debt statistics⁵. The government debt by instrument and lender as at the end of 2024 is presented in Table 7 in Appendix.

Figure 14: Distribution of loans by source as at the end of 2024



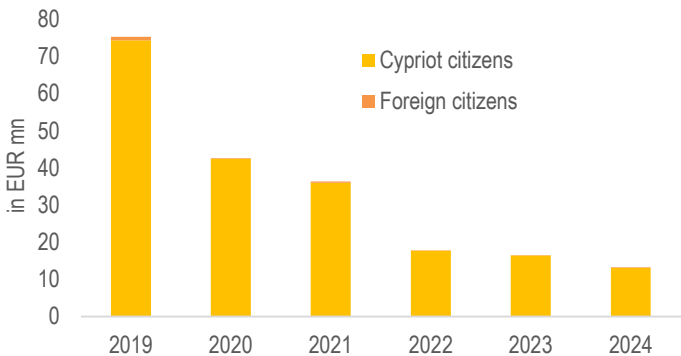
(Source: PDMO)

Figure 15 below, shows the outstanding amount of retail bond sales by citizenship during the years 2019-2024. The majority of the value of retail bonds during the said period was held by Cypriot investors. Considering data as at the end of 2024, about 99 percent of the total

⁵The creditor countries have an equal value 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.

outstanding amount of retail bonds were held by Cypriot citizens and about 1 percent by foreign citizens.

Figure 15: Distribution of retail bond sales by citizenship in 2019-2024



(Source: PDMO)

As mentioned earlier, in the case of the Republic of Cyprus, 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 one State-Owned Enterprise⁶. It is worth-noting, that the responsibilities of the PDMO in practice are currently limited to the debt management operations 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.

⁶The State-Owned Enterprise categorised within the Central Government and which has an outstanding debt balance is the Cyprus Sports Organisation.

The highest percentage of the consolidated GGD, in gross terms, is made up of the Central Government debt. As at the end of 2024, the share of outstanding Central Government debt, excluding debt to SSF, accounted for around 97 percent of the general government debt on a consolidated basis. This share has historically remained constant.

Regarding the local authorities' loans, they were calculated to be around EUR 448 mn at the end of 2024. The majority of these loans is related to the borrowing of sewerage boards and local authorities. This debt is thus in the form of long-term bank loans either on floating or fixed interest rates.

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 within 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 within the general account of the government or by ownership of government securities, at year end of 2024, amounted to EUR 11905 mn according to the Social Insurance Services. The Funds, which are reported as a single account, in fact, comprise of 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 within the Central Government. Annually, the surplus of the SSF is invested with the Government. By the end of 2024, the balance of the SSF in the form of deposits stood at EUR 11905 mn exhibiting an increase of around 12.2% in relation to the previous year balance of EUR 10609 mn.

Intra-governmental investments in government securities

In addition, the SSF in an effort to increase its revenue, has invested in Government EMTN bonds and Government domestic bonds. Since June 2021, the total outstanding amount of investments in government paper reduced to zero. It is noted that the SSF also maintains deposits

with local credit institutions amounting to a total of EUR 109 mn as at the end of 2024.

Intra-governmental investments by Administered Funds

In addition to the SSF, intragovernmental investments (debt) are done through other five Administered Funds. There are five Administered Funds of the Central Government with an outstanding balance at year end 2024 of EUR 123 mn of which EUR 62 mn concerned investments of the Turkish Cypriot Properties Fund, EUR 57 mn of the Government Hourly Employees Provident Fund and EUR 4 mn of the Hunting Fund. The other two administered Funds are:

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

It is noted that the outstanding balance of the above two Funds since the year 2018 was equal to zero. The surpluses of these Funds are invested in Government Promissory Notes.

Since 2024 and after the early prepayment of the outstanding amount of two loans which were granted in 2011⁷ by the Municipality of Nicosia to the Central Government at a variable interest rate, there is no any intragovernmental debt existing between the local authorities and the Central Government. It is worth noting that the intra-governmental relationship between government - SSF and other Administered Funds, as mentioned above, on a consolidated basis, is merely a statistical and accounting methodology.

⁷ That was before the enactment of the Public Debt Management Law (2012) and of the Fiscal Responsibility and Budgetary System Law (2014).

VI. Cost and risks

A. Introduction

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

The analysis of cost and risk was incorporated in the MTDS for the years 2024-2026. The cost-risk trade off was examined using the MTDS Analytical tool, which captures scenario analyses on various borrowing strategies.

B. Cost of the public debt

In this sub-chapter, the cost of the public debt is presented mainly by the perspective of the interest payments made 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 spent on the interest payments to service the public debt was 9 percent, with the highest share reaching around 10 percent in 2000. The decrease of the public debt as a percent of GDP by around 8 pp in 2008 compared to 2007, contributed to the reduction in interest payments towards 7 percent of the government revenue and remained on average at 6 percent in 2009-2011.

Due to the sharp increase of public debt in the next years as well as the rise in the borrowing cost itself, the ratio of government revenue for interest payments followed an upward path reaching 9 percent at the end of 2013. It then followed a downward direction reaching around 5 percent at the end of 2020, around 4 percent at the end of 2021 and around 3.5 percent at the end of 2022, as presented in Figure 16 below. It is noted that the improvement of the indicator in 2022 was

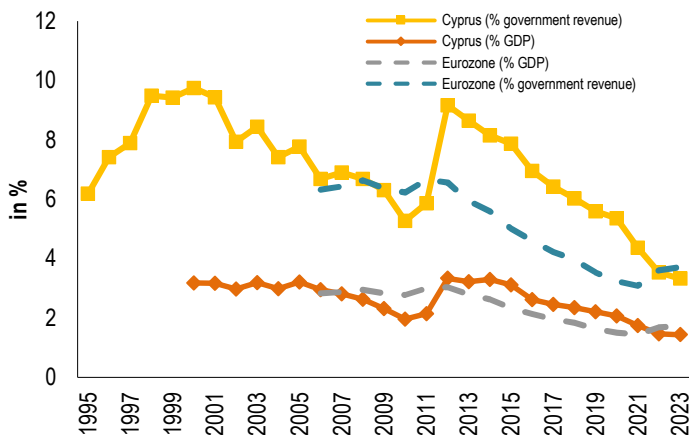
mainly attributed to the huge increase of government revenue and to a lesser extent to the reduction of interest payable.

Additionally, the interest payments as a percentage of GDP were close to 3 percent during the years 2000-2008 and then remained stable at around 2 percent until the end of 2011. Since 2012, the interest payments of Cyprus as a percentage of GDP exhibited an increase remaining above the corresponding values of the Eurozone average, as presented in Figure below. It is important to highlight that, despite the sharp increase of public debt during 2011-2013, the amount of interest payments was restrained by the considerable improvement in the borrowing cost from official sources.

By the end of 2018, interest payments to GDP ratio were estimated at 2.3 percent compared to 2.5 percent of the previous year, despite the increase of the public debt in 2018. This is attributed to: (a) the lower amounts of interest payments due to lower borrowing cost because of low interest rates environment in the Eurozone, (b) improvements in the sovereign credit ratings, (c) the recovery of the Cypriot economy and (d) the increased GDP. In addition, the first interest repayments for the increased debt of 2018 fell due during the next year 2019. In 2019 and 2020, the interest payments to GDP ratio reduced to 2.2 percent and 2.1 percent respectively whilst since 2021 interest payments has continued to retain below 2.0 percent reaching 1.4 percent of GDP by the end of 2023. As presented in the following Figure, the gap of interest payments as a share of GDP between the Republic of Cyprus and the Eurozone marked a reduction of 0.30 pp in 2021 whilst since 2022 the difference of interest payments as a share of GDP between Cyprus and the Eurozone has shifted to negative value territory meaning that the figure for eurozone was

higher than the corresponding figure of Cyprus. The historical debt servicing in 2012-2023 is presented in Table 9 in Appendix.

Figure 16: Distribution of interest payable on public debt during 1995-2023

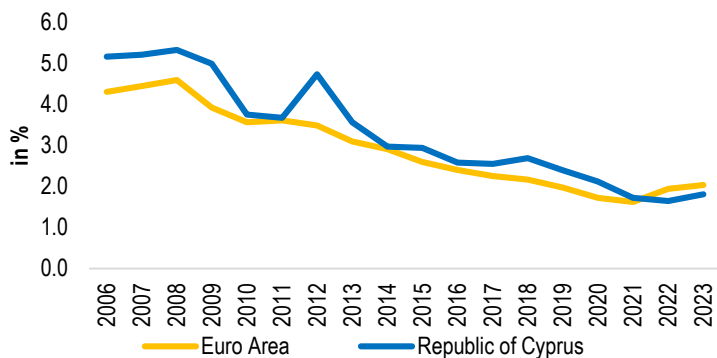


Source: PDMO and Eurostat)

Note: The interest payable as a percent of GDP in 2024 was estimated at 1.29 percent.

Figure 17 illustrates the distribution of interest payable over debt for the Republic of Cyprus compared to Euro area countries in 2006-2023. Since 2013, interest payable to debt ratio is on a downward path exhibiting minor fluctuations. Regarding the gap between the Republic and Euro area countries, it has already shrunk and there is a convergence. Since 2022, the difference turned to negative reaching -0.3pp meaning that the said indicator is better than the corresponding figure of the euro area for the first time since 2006.

Figure 17: Distribution of Interest payable_(t) to Debt_(t-1) in 2006-2023

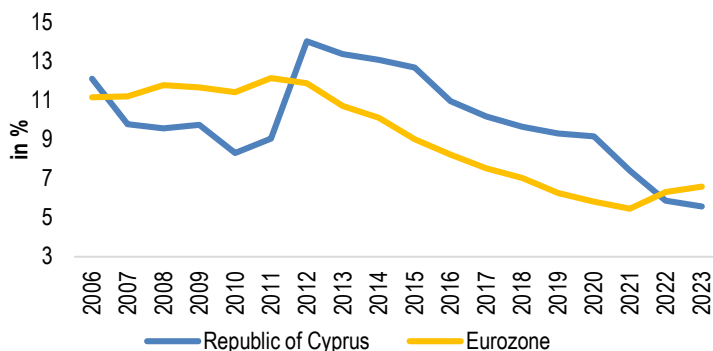


(Source: PDMO and Eurostat)

Note: The interest payable to Debt_(t-1) was estimated at 1.9 percent in 2024

Figure 18 illustrates the distribution of interest payable to tax revenue for the Republic of Cyprus compared to Euro area countries in the period 2006-2022. During the period 2013-2019 the gap was on average 2.9 pp whilst in 2021 the said figure marked a significant reduction reaching around 2.0 pp compared to around 3.3 percent in 2020. Since 2022, the said figure was negative reaching -1.0 pp indicating that the interest payable to tax revenue was lower than the eurozone.

Figure 18: Distribution of interest payable to tax revenue in 2006-2023



(Source: PDMO and Eurostat)

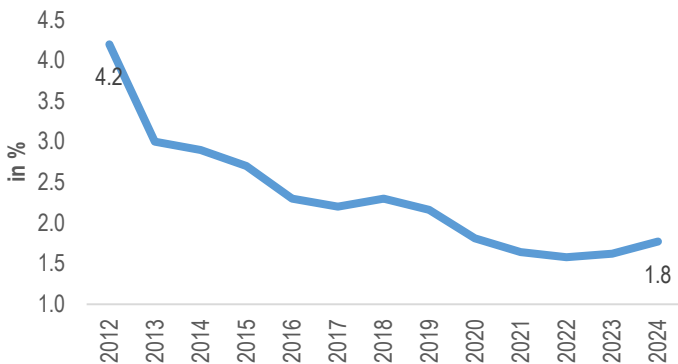
Another measure reflecting the overall rate being paid by the State on public debt financing is the weighted average cost of debt (WACD), although this alone does not indicate its burden on the economy as a whole. This indicator provides to investors information concerning the creditworthiness or the 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.

As presented in Figure 19 below, the peak of the WACD was in year 2012 when the said figure reached 4.2 percent. One year later the WACD marked a significant reduction by 1.2 pp mainly due to the official funding provided by ESM and IMF at low interest rates. During 2013-2020 the WACD followed a downward trend reaching 1.58 percent at year end of 2022. In general, the downward path of the weighted average cost of debt curve was attributed to: (a) EMTN issuances at lower interest rates due to the low interest rates environment in the European capital markets, (b) the positive impact

from the low-cost ESM loans and (c) the liability management transactions implemented by the PDMO. In 2023 the WACD exhibited an increase of 0.04 pp reaching 1.62 percent, mainly due to the recent changes in the monetary policy by ECB to bring high inflation under control. In 2024, the WACD reached at 1.77%.

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 19: Weighted average cost of debt in 2012-2024



(Source: PDMO)

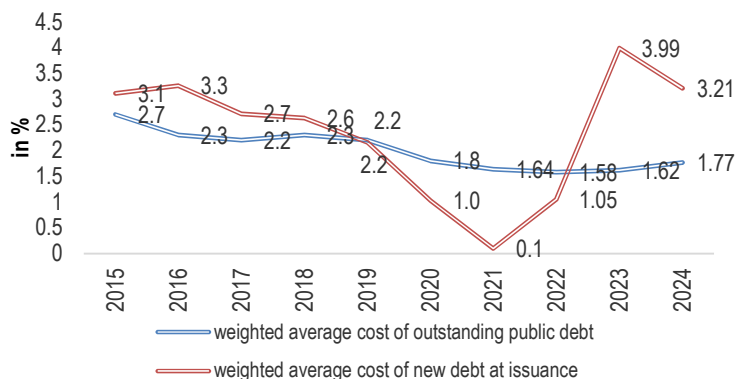
Figure 20 below, illustrates the historical evolution of the weighted average cost of the outstanding debt in comparison with the weighted average cost of new debt issued in each year for the period 2015-2024.

For the period 2015-2018, the weighted average cost of new debt moved above the weighted average cost of the outstanding public debt resulting in minor changes in the total index. It is noted that the reduction of the weighted average cost of outstanding public debt

during the reference period is attributed mainly to the implementation of the debt management strategy of the PDMO. Excluding the cost of programme fund provided in 2015 and in 2016, the weighted average cost of new debt at issuance in 2015 and 2016 were 3.8 percent and 3.4 percent indicating that the weighted average cost of new debt at issuance followed a downward trajectory. The gradual reduction of the weighted average cost of new debt at issuance was attributed to a number of factors, *inter alia*, the low-interest rate environment in the European capital markets, the improved credit rating profile of Cyprus and its return to the investment grade since September 2018, the successful exit from the Economic Adjustment Programme as well as its presence in the international capital markets.

In 2019, the weighted average cost of new debt at issuance reached the level of the weighted average cost of the outstanding debt whilst in 2020 the reduction of the weighted average cost of new debt at issuance by 1.2 pp has contributed further to the decrease of the total cost. The reduction of the weighted average cost of public debt continued its downward path until the end of 2022 whilst since 2023 the weighted average cost has recorded a small increase. The cost of new debt issuance has retained at historically low levels, around 0.1 percent. In 2023, the weighted average cost of new debt marked a significant increase of about 2.9 pp as a result of the consecutive hikes of interest rates by ECB leading also to the increase of the weighted average cost of outstanding public debt at the end of 2023 by 0.04 pp after 10 consecutive years of a downward path. The corresponding figure of the average cost in 2024 was 3.2%.

Figure 20: Weighted average cost of outstanding and issued debt (2015-2024)



(Source: PDMO)

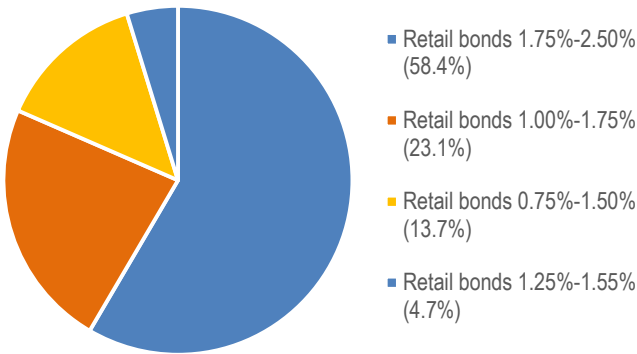
Furthermore, it is important to highlight that the refinancing of the short-term debt at negative interest rate was interrupted since June 2022 due to the changes in the monetary policy by ECB. In 2024, the refinancing of the short-term debt continued on a positive territory rate, reaching 2.79 percent at the last T.Bills issuance in December 2024 compared to 4.05 percent at the corresponding period of the year before. The weighted average yield of short-term debt in 2024 was 3.47 percent compared to 3.31 percent the year before.

Regarding the interest rates of retail bonds, it is noted that in 2024, the PDMO proceeded to one increase of the interest rates under the terms of issuance on six-year government bonds for natural persons. In the first issuance of retail bonds, interest rates were determined in a range of from 1.00 percent to 1.75 percent, if retained until the sixth year,

whilst for the following issuances, the corresponding interest rate were determined in a range from 1.25% to 1.55% (see in Appendix).

Figure 21 below, shows the distribution of the outstanding amount of retail bonds by interest rate structure at the end of December 2024. About 58.4 percent of the outstanding amount of retail bonds ranged in the spectrum between 1.75 percent to 2.5 percent. The second largest category (about 23 percent) concerned retail bonds with interest rates between 1.00 percent to 1.75 percent, followed by the retail bonds ranged in the spectrum between 0.75 percent to 1.50 percent (about 14 percent). The last three series of retail bonds in 2024 were issued in the spectrum between 1.25 percent to 1.55 percent (about 5 percent).

Figure 21: Distribution of retail bonds by interest rate structure in 2024



(Source: PDMO)

As mentioned in chapter 2, in order to minimise the marketable debt borrowing cost, the PDMO continued its efforts to further expand and

diversify the investor base for EMTN issuances. In the year 2019, there was a significant improvement in the quality of the order book in all EMO (EMTN) publications. This is mainly due to the improved credit rating profile, the positive outlook for the economy as well as the strong support of the Republic of Cyprus by the international investment community. In 2022 EMTN issuance, an increased participation was recorded by Fund Managers and Insurance/Pension Funds.

In 2023, marketing activities have been focused on sustainable borrowing under Green/Social/Sustainable instruments to complement the objectives of the Recovery and Resilience Plan. As a result, in April 2023 the Republic of Cyprus issued the first 10-year sustainability EMTN. In 2024, the PDMO issued a 7-year EMTN attracting a high quality of investors. The evolution of investor distributions by geography and type on selected EMTN issuances of the Republic of Cyprus are presented in the Figure 22 and 23, respectively.

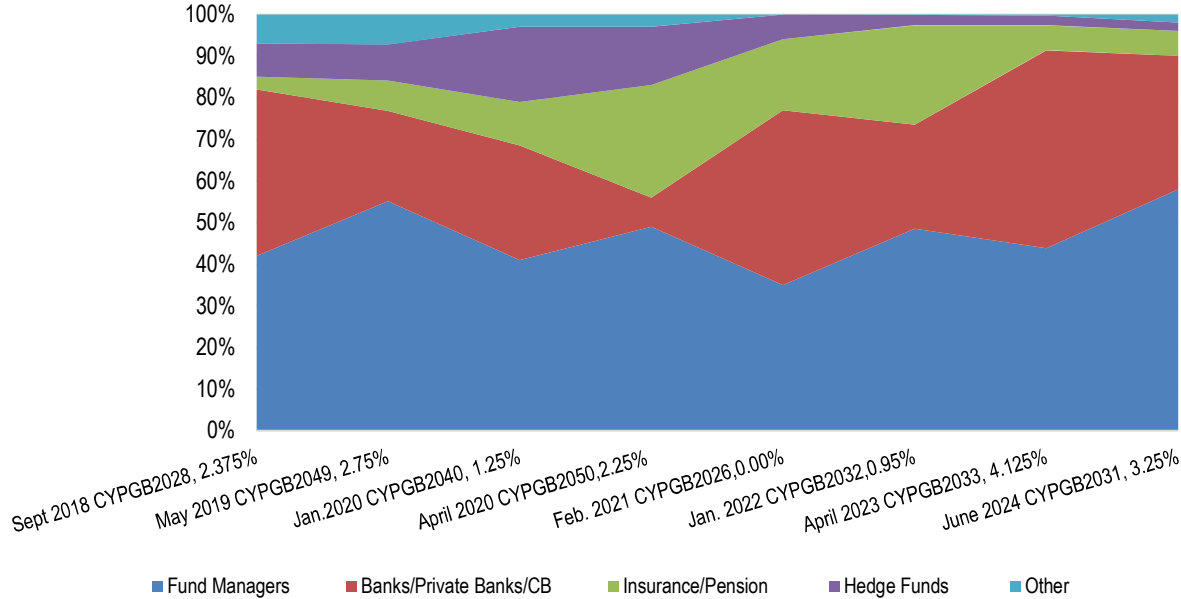
In all debt issuances included in the analysis presented in the Figure below, the largest category of investors was Fund Managers (at 47 percent on average) and then Banks/Central Banks (at 30 percent on average). The participation from Hedge Funds recorded a large decrease, approaching 8 percent on average. The participation from Insurance / Pension Funds was on average at 13 percent.

With regards to the EMTN issuances included in the mentioned analysis, it is worth-noting that the investors base by geography has improved significantly during the last years. UK investors continue to maintain a significant share on EMTN issuances with the average share on the final allocation reaching 27 percent for the selected EMTNs presented in the following figure. The corresponding weighted average participation of investors from the German regions (Germany,

Austria, Switzerland) was 16 percent whilst the corresponding weighted average participation from other Europe was 39 percent. The corresponding figure for Cypriot investors estimated at 14 percent on average.

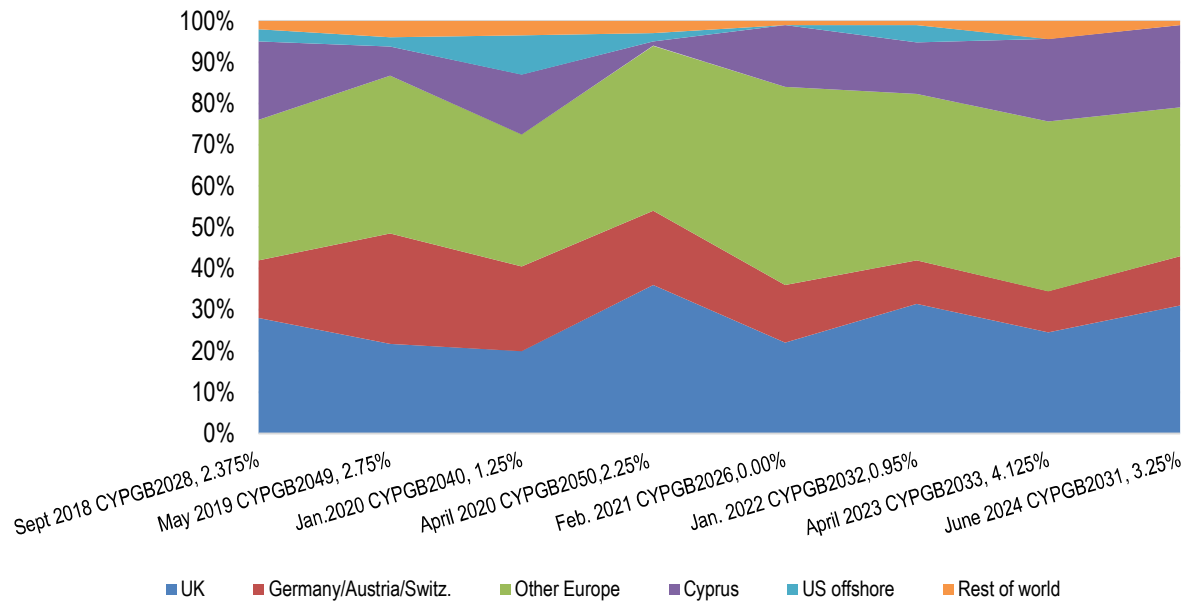
It is also important to note that in 2023 EMTN issuance, there was a significant participation of investors from Greece, Iberia and Nordic countries whilst the participation from UK, German/Austria/Switzerland regions remained in very high level.

Figure 22: Evolution of investor distribution for selected EMTNs by type during 2018-2024



(Source: PDMO)

Figure 23: Evolution of investor distribution for selected EMTNs by geography during 2018-2024



(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 2024-2026, 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 non-financial risks such as operational risks. All of these risks are added to existing fiscal risks for the Government.

The most important categories of financial risks are the refinancing risk, the interest rate risk and the foreign exchange risk. In general, the developments of 2024 on the debt portfolio risks and cost were positive with minor changes to the corresponding outcomes of the year 2023. The weighted average maturity of marketable debt retained at the same level compared to the previous year and, remained at a very satisfactory level and above the threshold determined in the MTDS 2024-2026. The share of debt due within one year exhibited a small decrease of about 0.5 pp whilst the share of debt due within five years recorded also a decrease of about 1.9 pp in 2024 compared to the year before. However, the refinancing risk is mitigated by strong cash buffer. With regards to the foreign exchange risk, since February 2020 and after the fully repayment of the IMF loan, there is no exposure to foreign exchange risk. The interest rate risk remains material since the floating rate debt has increased by 3.7 pp reaching around 34 percent in 2024. However, the interest rate risk is mitigated since the majority of the floating rated debt is associated with ESM loans which carry very low interest rates. It is noted that from 2025 the floating rate debt is

expected to record a decrease since the first repayment of the ESM loans is scheduled to be executed in 2025.

With regards to the weighted average cost of public debt, after 10 consecutive years of a downward path, the said indicator marked a minor increase by 0.04 pp in 2023 due to geopolitical developments and tightening monetary policy by ECB, however the said figure was retained at low level. In 2024 the said indicator recorded a further increase reaching 1.8 percent.

With regards to the refinancing risk, a further improvement recorded on the debt maturity profile, after an early prepayment of an amount of EUR 400 mn executed in 2024 as well as a significant decrease of the liquidity risk and the credit risk. Following active debt management and liability management transactions executed in the previous years, the debt maturity profile has smoothened out at very satisfactory level, therefore the maturity risk is sustained at low level.

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 which is not the primary 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 non-financial risks

This section has twofold objectives, of which the first one is to cover the analysis of the most important financial risks associated with the debt management operations whilst the second one is focusing on a discussion about the operational risks.

C.2.1: Financial risks

Refinancing risk

Refinancing risk is the probability (risk) for the Government to face a situation where a share of debt reaching maturity can only be replaced with the issuance of new loans either at very high cost or, in the extreme case, cannot 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 one year and the second one is the share of debt due within five years.

As presented in Figure 24 below, the share of debt due within one year followed a decreasing path since 2012. The large reduction of share of debt due within one year, was attributed to the long-term official funding granted by ESM and IMF to address short-term and medium-term financial, fiscal and structural challenges that Cyprus was facing, which replace short-term borrowing with long-term borrowing. In the following years, the said indicator has continued to improve underpinned mainly to the disbursements granted by ESM and IMF and the liability management transactions.

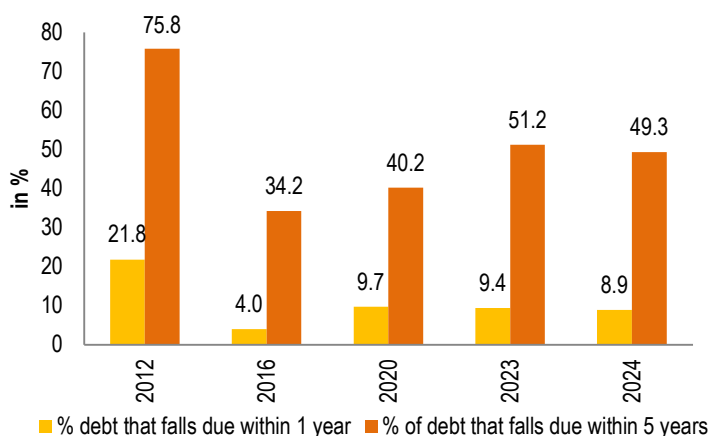
In addition, the debt redemptions due within one year was at 9 percent during the period 2018-2023, with the year 2018 recording the highest value reaching 11, reflecting the bond issued to CCB of the order of EUR 750 mn due in December 2019. In 2024 the said figure marked a

minor reduction of 0.1 pp. In conclusion, the refinancing risks exposure is at an acceptable level of risk which is also mitigated by the strong current cash buffer.

Regarding the share of debt due within the next five years, after a significant reduction by more than 40 pp during the period 2012-2017, in 2018 it marked an increase reaching 47 percent compared to 35 percent a year before mainly due to the government bonds issued to ex-CCB, which was paid in the period 2019-2022 as well as due to the outstanding EMTNs maturing in the said period. In the period 2019-2022, the share of debt due within the next five years was around 44 percent whilst in 2024 the said indicator exhibited an increase reaching around 49 percent. It is noted that the said indicator is expected at the best case to retain at similar levels or to increase in the following years, as more the ESM loan's repayments are integrated in the period (see Table 6b in the Appendix).

In order to mitigate the refinancing risk exposure and maintain the bond yield curve at a satisfactory level of completion, the PDMO is focusing on medium to long term issuances.

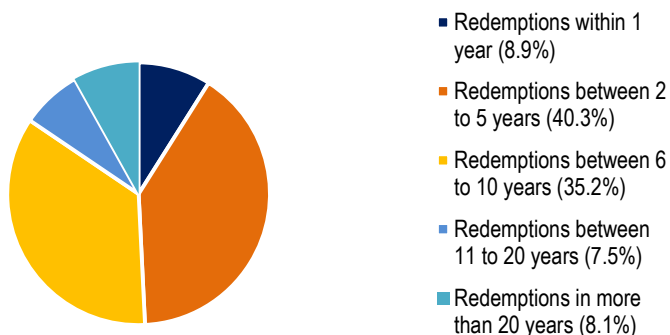
Figure 24: Share of debt refinancing due within 1 year and 5 years in 2012-2024



(Source: PDMO)

Figure 25 below, shows the debt refinancing distribution of the total debt of the Republic of Cyprus in five categories as at the end of 2024. The majority of the debt redemptions of the order of EUR 8.6 bn fall due in the segment between 2 to 5 years. The said amount is mainly attributed to loans provided by ESM (about 47 percent) and EMTNs due within the above period (about 42 percent). The second largest category of redemptions of the order of EUR 7.5 bn fall in the segment between 6 to 10 years. About 68 percent of the debt due in the said segment is attributed to EMTN redemptions and about 25 percent to loans provided by ESM.

Figure 25: Total debt^{1/} refinancing distribution as a percent of GGD at the end of 2024

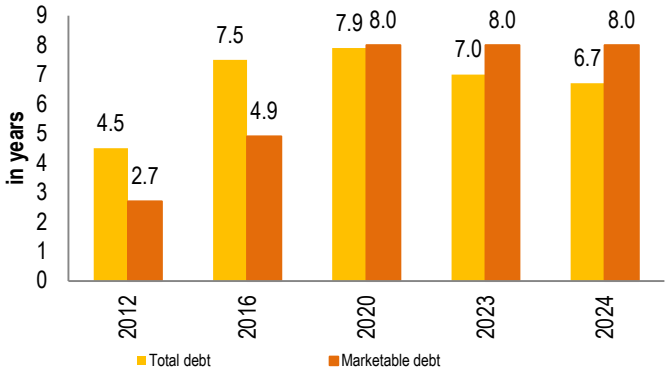


(Source: PDMO)

1/ = Loans to EFSF are excluded

Another risk indicator which captures the refinancing risk is the weighted average maturity of debt. As presented in Figure 26 below, the outstanding average maturity exhibited a significant improvement in the period 2012-2016. This was attributed to the positive contribution of both long-term official loans by ESM and IMF and other bilateral loans such as by EIB, CEB and Russian loan as well as of liability management transactions implemented by the PDMO. At the end of 2024 the weighted average maturity stood at 6.7 years for the total debt, slightly below the corresponding figure of 2023, whilst the weighted average maturity of marketable debt stood at 8 years and, retained at similar level compared to the previous year. However, the said figures perform very well compared to the corresponding average EU figures, thereby reducing the refinancing risk.

Figure 26: Weighted average maturity of debt (in years) in 2012-2024 as at the end of 2024



(Source: PDMO)

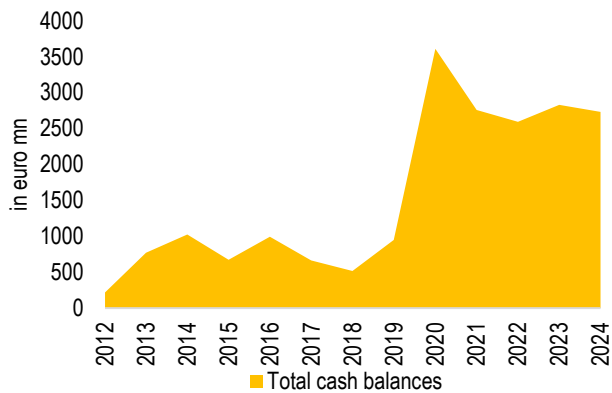
Liquidity risk

The cash balances at the end of each year (2012-2024) are presented in Figure 27 below. The liquidity levels of the Government were very comfortable since 2013 due to the fiscal outcomes being better than expected as well as to all the successful EMTN issuances, allowing the enhancement of the cash reserves. In 2020, the total cash balances have marked a significant increase mainly due to the uncertainty surrounding the development of the Covid-19 pandemic and its impact on the public finances and reached EUR 3616 mn at the end of 2020. Since 2021 the better-than-expected fiscal performance and the combination of a disciplined fiscal policy and a rational public debt management strategy, sustained the gross financing needs at comfortable levels and maintained the strong cash position of the

Government with the cash buffer reaching EUR 2732 mn at the end of 2024.

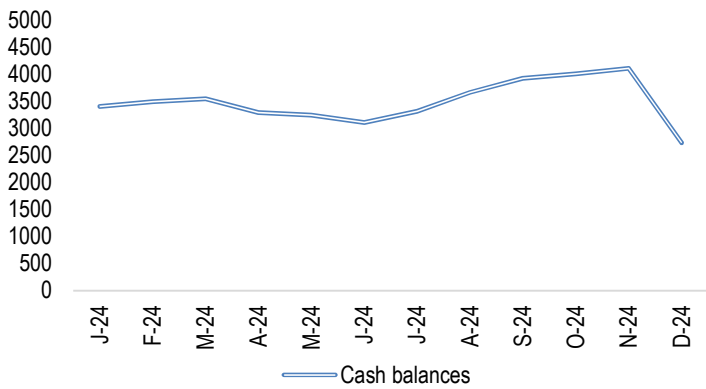
As presented in Figure 28 below, the total liquid funds stabilized during the first quarter of 2024, and it then followed a downward trend until the end of June of 2024, which was the month when the repayment of an EMTN of EUR 850 mn was executed, while at the same time a new EMTN issuance of the order of EUR 1000 mn took place. Since July 2024, total cash reserves followed an upward trend, driven by the fiscal surplus and the limited debt maturities during the July–November period. In December of the same year, cash reserves recorded a significant decline, primarily due to the repayment of the EMTN amounting to EUR 1 billion. It is noted that the level of cash reserves is sufficient to cover the financing needs of 2025, as well as part of the financing needs for 2026. The total amount of debt covered by cash reserves in 2024 is illustrated in Figure 34 in the chapter titled 'Cash Management'.

Figure 27: Cash liquidity levels in 2012-2024



(Source: CBC)

Figure 28: Cash liquidity levels on a monthly basis in 2024



(Source: CBC)

Interest rate risk

Interest rate risk refers to the risk Government is facing 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 interest payments for debt carrying floating rates.

The interest rate distribution of debt has changed dramatically since 2013. Following the Memorandum of Understanding in March 2013 on Economic Adjustment Program, the interest rate distribution has changed significantly mainly due to the borrowing given by the ESM and IMF⁸ at floating interest rates. In fact, the loans from the ESM and IMF were used to refinance the Cyprus debt which had fixed interest rate, thereby also reducing the share of the fixed rate debt. Another reason for the above change on the interest rate 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 restricted the interest rate risk.

Therefore, the floating interest debt was increased by 24 pp reaching 36 percent at the end of 2013 compared to 12 percent at the end of 2012, prior to the loan agreement of Economic Adjustment Program.

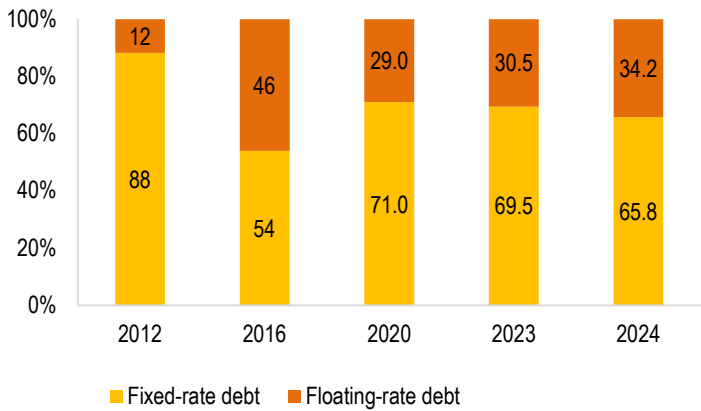
As the loan disbursements by ESM and IMF were released, the proportion of debt at floating rate followed an upward path reaching 46 percent at the end of 2016 which was the last year of the financial assistance programme. In the following years, debt with a floating interest rate followed a downward trend, reaching approximately 30 percent by the end of 2023. In 2024, this indicator increased by about

⁸The interest rate of IMF loan comprises of two components: Basic Lending rate plus 1 percent.

4 pp, reaching around 34%, as illustrated in Figure 29 below. This rise was mainly driven by a significant decrease in public debt (denominator effect).

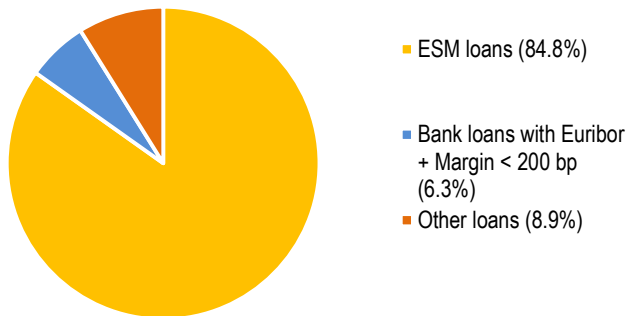
However, taking into consideration that the vast majority of floating rate debt is related to ESM loans which are indexed at low interest rates (about 85 percent or EUR 6.3 bn), as presented in Figure 30 below, the interest rate risk is mitigated. In fact, the weighted average cost of ESM loan recorded minor increases despite the changes in the market interest rates. It is expected that the floating rate debt in nominal terms is expected to follow a downward trend from 2025 onwards due to the gradual repayment of the ESM financial assistance.

Figure 29: Evolution of interest rate distribution of debt in 2012-2024



(Source: PDMO)

Figure 30: Composition of floating-rate debt as at the end of 2024



(Source: PDMO)

Foreign exchange risk

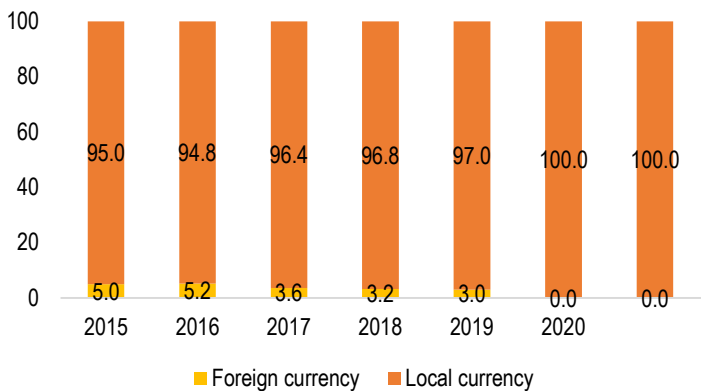
Although foreign currency debt has many benefits such as access to a large investor base and the geographical independence with possible interest rates benefits, foreign currency financing has substantial risks. Some of the risks are the increase of the country's external vulnerability to exchange rates in case of large-scale foreign issuance (new borrowing) which may lead to the increase of outstanding debt servicing and debt burden in case of a significant depreciation of the domestic currency. In case of hedging of the foreign exchange risk, additional debt management costs arise.

Figure 31 shows the historical currency composition of debt during the period 2015-2024. Through the said period, the majority of the public debt is denominated in domestic currency whilst only a small amount of the outstanding GGD is denominated in foreign currency. For a

specific period (2015-2019), the said amount was related to the loan from the IMF which, was denominated in SDR⁹.

Since February 2020 and after the early prepayment of the IMF loan reducing the outstanding amount of debt denominated in foreign currency to zero, the foreign exchange risk is zero.

Figure 31: Currency composition of debt during the period 2015-2024



(Source: PDMO)

⁹The 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, the euro, the Chinese yuan (Renmimbi), the Japanese yen, and the British pound sterling (Source: IMF).

Credit risk

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

During 2024, there were no outstanding derivative exposures for the Republic of Cyprus. A detailed presentation of money market deposits and cash reserve investments is provided in Chapter 7.

In conclusion, the credit risk for the government in the reference period could be ignored.

C.2.2: Non-Financial risks

Operational risks

Operational risk may arise mainly from the potential difficulties of implementing effective internal procedures, the lack of human resources, the internal control systems and the possible 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. The technical assistance provided by the ESM covered both an evaluation of internal organisation and IT infrastructure of the PDMO as well as proposals for the creation of a pool of information and knowledge about capital markets and further enhance relationships with investors. Appropriate technical assistance was also provided by the IMF for issues concerning MTDS as well as by the Commonwealth Secretariat (CS) for the appropriate software.

The five-year action plan for the internal organisation and the IT infrastructure of the PDMO as well as the establishment of a market

intelligence function, which was approved by the Council of Ministers of the Republic of Cyprus in September 2015, have already been completed successfully. However, a number of actions have to be monitored and updated on a continuous basis. More information is presented under the final chapter, namely “PDMO action plan”.

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 analysis, monitoring developments and designing an effective strategy.

C.3: Contingent liabilities

C.3.1: Introduction

Overall, contingent liabilities can be distinguished into (a) Direct (explicit) such as e.g. government guarantees and (b) Indirect, such as e.g. various risks arising from unforeseen developments, legal disputes, etc. A relevant report on contingent liabilities is submitted each year from the Treasury Department to the Minister of Finance.

Granting government guarantees (GG) to financial institutions is a common feature of government policy all over the world. In some cases, the 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: Government guarantees framework

Pursuant to a decision of the Council of Ministers in June 2015, the responsibility of management and coordination of procedures relating to guarantees was assigned to the Treasury of the Republic of Cyprus. For this purpose, an amendment of the PDML was enacted, in a way that the monitoring of the GG was removed from the PDMO's competencies.

C.3.3: Statistical description of Government Guarantees

Taking into consideration the above amendment of the PDML, this section describes only the main developments¹⁰ regarding GG.

The Republic of Cyprus had outstanding GG¹¹ for loans as at the end of 2024 of EUR 1.29 bn or about 3.9 percent of GDP, which is lower than the relevant stock of EUR 1.47 bn as at the end of 2023. Excluding the GG granted to entities of the general government (since the outstanding amount of these guarantees is also included in the general government debt), the net value of outstanding GG was EUR 0.7 bn or about 2.2 percent of GDP as at the end of 2024. It is noted that the GG portfolio is denominated fully in euro. Analysis of the outstanding stock

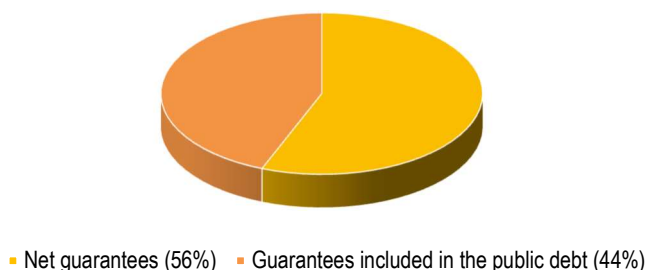
¹⁰ Detailed analysis of explicit contingent liabilities is presented in the website of the Treasury of the Republic.

¹¹ Called guarantees and guaranteed loans which have been given by the Cyprus Cooperative Bank to refugee cooperative companies for settle the deposits of the refugees and guarantees given to Hellenic Bank under the Asset Protection Scheme are excluded.

of government guarantees as at the end of 2024 is presented in table 10 in Appendix.

Figure 32 shows that an amount of EUR 568 mn or about 43 percent of the total value of outstanding guarantees is also included in the public debt as at end of 2024. It is noted that since 2023 the sewerage boards loans were included in the public debt of the General Government.

Figure 32: Outstanding GGs in percent as at the end of 2024



(Source: Treasury)

Regarding the called guarantees, an amount of EUR 47 mn or about 3.6 percent of the outstanding amount of government guarantees until the end of 2024 was called. The majority of the called guarantees concerned guaranteed loans granted to natural persons. More information is presented in the website of the Treasury of the Republic of Cyprus.

VII. Cash Management

Governments need to ensure an effective implementation of a cash management framework in order to meet with a high degree of certainty their financial obligations of debt servicing payments in a timely manner as well as to avoid the accumulation of idle cash balances which can increase the cost of holding cash. Furthermore, liquid financial assets can provide a high degree of flexibility in debt and cash management operations and enable governments to absorb shocks when occurred and reduce cost of borrowing when access in capital markets is costly. An efficient cash management framework enables debt managers to manage the trade-offs between expected cost and risk in the public debt portfolio.

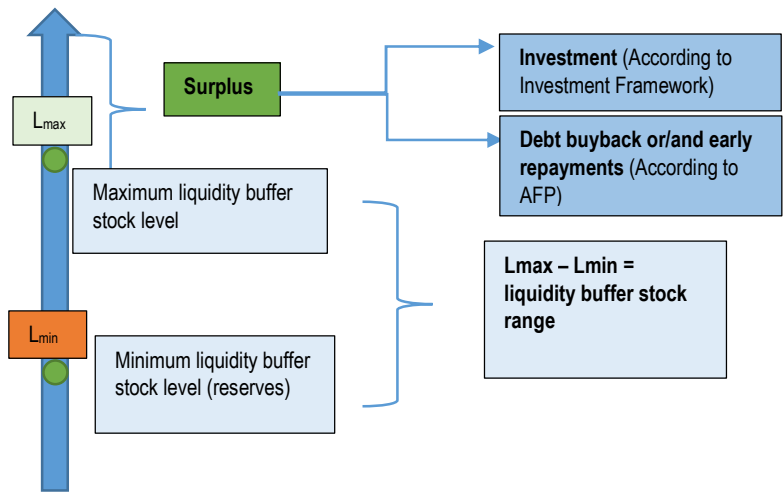
Pursuant to article 21 of the PDML, the PDMO has the responsibility to retain the liquidity buffer stock range by borrowing the necessary funds in time. The PDML authorizes the PDMO to operate an active cash management framework as was approved by the Minister of Finance in order to ensure a satisfactory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

The institutional structure of the government cash management pursuant to articles 20 and 21 of the PDML, that has been set, via a decision of the Council of Ministers {ΠΧ (restricted circulation) 84.568, 28/3/2018}} is presented in Figure 33. A maximum and a minimum liquidity buffer stock level are determined by the PDMO within the General Government Account considering, among others, the variability of the markets and the current credit facilities of the Republic of Cyprus.

When the cash amount exceeds the maximum buffer stock level, the said surplus can be invested by the PDMO according to the Investment

Policy Framework for cash management or it can be used either to buyback outstanding securities of the Republic or for the early repayment of loans according to the approved AFP.

Figure 33: Institutional structure of the government cash management



(Source: PDMO)

As a result of the positive growth rate in 2024 which was well above the EU average and taking into consideration strong fiscal surplus, the PDMO used a significant amount of cash buffer to cover the financing needs for this year, contributing to the reduction of public debt as a percent of GDP to lower levels. Table 11 in the Appendix, illustrates the historical distribution of total cash balances held by the CBC, cash reserves in the form of deposits in MFIs, and investments in Treasury Bills.

Figure 34 below, presents a comparative analysis between the historical distribution of total liquid assets and the amount of debt payable within the upcoming year, based on statistical information as

at the end of each current year. The payable debt amount showed an upward trend by the end of 2012, with the liquid assets-to-debt ratio for debt maturing within one year approaching 7%. Taking into account, on the one hand, the implementation of active management of liquid assets, and on the other hand, portfolio liability management transactions using liquid asset reserves—combined with long-term borrowing from the ESM and the IMF—since 2012, the PDMO has successfully reduced short-term financing needs and improved the ratio of debt maturing within the following year, with a significant portion being repaid from liquid asset reserves.

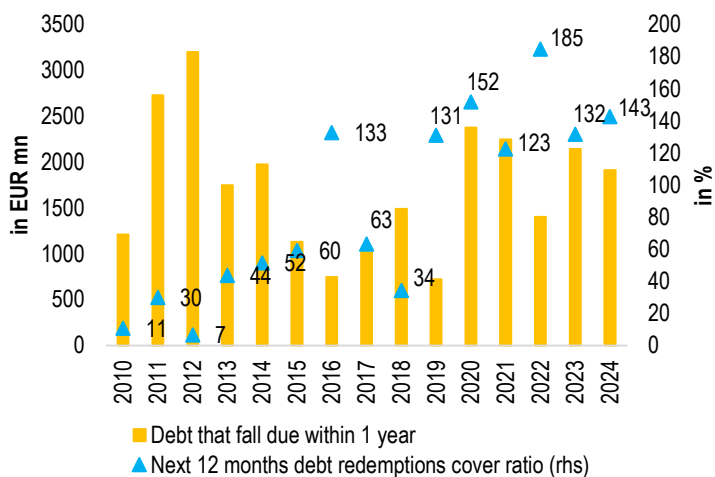
The strengthening of the Republic of Cyprus' liquidity position by the end of 2016 significantly reduced refinancing risk. However, with the aim of reducing the cost of holding idle cash reserves and considering the low interest rates for cash asset investments, along with improved access conditions for the Republic in the capital markets, the Council of Ministers decided to reduce the target for maintaining liquid assets, now covering financing needs for the next 9 months instead of 12 months, as initially set in the MTDS 2016-2020.

Although uncertainty surrounding the evolution of the pandemic continued into 2021, by the end of September, as conditions began to normalize, the target for maintaining liquid assets was revised to 6-9 months instead of 9-12 months for 2022. Despite the high uncertainty in the global economy, external shocks such as the Russia-Ukraine war and the Covid-19 pandemic, and the use of a significant portion of cash reserves to cover some of the gross financing needs in 2022, the government's cash position remained very strong. By the end of 2022, the reserve amounted to 185% of the financing needs for the following 12 months, and by the end of 2023, this figure had decreased to 132%, as shown in Figure 34 below. Equally important was the debt reduction

achieved in 2024, with a net debt repayment of approximately EUR 1 bn without refinancing, made possible by accumulated fiscal surpluses that kept liquid asset reserves at high levels.

Despite the strong cash position of the government resulting from the fiscal surplus in 2023 and the fact that the medium-term economic outlook remains stable, on January 17, 2024, the Council of Ministers approved the PDMO's proposal to reestablish the target for covering financing needs in the General Government Account at a period of 9-12 months for the first quarter of 2024. The rationale for this proposal was based on expected global economic uncertainty throughout 2024. For 2025, the target for covering financing needs is set at the next 12 months, as the global economy continues to face uncertainty, primarily due to geopolitical developments.

Figure 34: Distribution of cash balances and amount of debt that falls due within one year in 2010-2024



(Source: PDMO and CBC)

Notes:

- (1) The debt redemptions in December 2018 and December 2019 concern the 9-month period of the next year and not 12 month-period as were on the other years.
- (2) In periods of budget surpluses or balanced budgets, the cash available should cover only the net needs of refinancing, i.e. debt arrears minus the surplus. On the contrary, in periods of budget deficits, the cash available must cover all gross financial needs, i.e. both the cash deficit and the need for refinancing (debt maturities).

VIII. Sovereign Credit Ratings of the Republic of Cyprus

Credit Rating Agencies (CRAs) play an important role into financial markets by helping to reduce any information asymmetry between lenders and investors on the one hand, and different sovereign issuers on the other hand, regarding the creditworthiness and the prospects of individual economies.

Pursuant to article 26 of the PDML 2012-2016, the PDMO is the liaison with the international CRAs and it can enter into contracts on behalf of the Republic of Cyprus with the CRAs. The Republic of Cyprus as a sovereign issuer, maintains a contractual (solicited) relationship with four CRAs, namely DBRS, Fitch, Moody's and Standard and Poor's.

In 2024, Cyprus's economic growth recorded a positive sign of 3.4% compared to 2.6% in 2023. The said growth rate is attributed to a number of sectors such as "Hotels and Restaurants", "Construction", "Wholesale and Retail Trade, Repair of Motor Vehicles", "Information and communication" and "Transportation and Storage".

Specifically, during the first quarter of 2024 the economic growth rate in real terms exhibited an increase of 3.5 percent compared to the corresponding quarter of 2023 and in the second quarter of 2024 the economic growth rate in real terms marked also an increase of 3.6 percent compared to the corresponding quarter of 2023. A positive growth rate of about 3.9% in real terms was also recorded in the third quarter of 2024 compared to the corresponding period of 2023. The fourth quarter of 2024 recorded a positive growth rate of about 2.6% compared to the corresponding period of the year 2023.

The stock of NPEs has continued to decline in 2024, albeit at a slower pace reaching approximately EUR 1.6 bn or about 6.6 percent of the gross loans by the end of November 2024. The acquisition of a large part of the NPLs from the Credit Acquiring Companies resulted to the significant reduction of the NPLs in the banking sector. The fiscal balance of the General Government recorded positive sign in 2024 reaching 4.5 percent of GDP compared to a surplus of 2.0 percent of GDP the year before reflecting the continued strong economic growth in 2024. In summary, the general government gross debt to GDP ratio recorded a significant decrease of about 9.2 pp reaching 65.4 percent at the end of 2024. The said reduction is attributed to the substantial decrease of outstanding debt maturing within the year through the utilization of cash accumulated in the previous years (numerator effect) which was used to cover a part of the refinancing needs as well as of the increase of the GDP (denominator effect). The prudent debt management strategy has also resulted in a favourable debt profile reducing refinancing risks and improving the cost-risk indicators of the debt portfolio.

In 2024, CRAs repeatedly issued positive assessments of the Cypriot economy, culminating in a significant milestone: the country's return to the "A" rating category—upper medium grade—after 13 years. Throughout the year, the long-term sovereign credit rating of the Republic of Cyprus remained within investment-grade status across all major CRAs. Notably, three of the four agencies with which the Republic of Cyprus maintains a contractual relationship (S&P, Moody's, and Fitch) upgraded Cyprus' credit rating by one notch each in two separate evaluations (S&P and Fitch), resulting in a cumulative improvement of two notches compared to 2023, whilst Moody's went further, issuing a two-notch upgrade and adjusting the outlook to

stable. The fourth agency, DBRS Morningstar, maintained the rating at BBB (high) but revised the outlook from stable to positive, signaling a potential upgrade within the next 12 months.

In March 2024, DBRS Morningstar, reaffirmed Cyprus's long-term bond Issuer rating at "BBB (high)" with a stable outlook.; In its second report in September 2024, the agency maintained the same rating, but upgraded the outlook to positive, indicating a potential rating upgrade within a year, if certain conditions are met.

In May 2024, Moody's confirmed Cyprus's long-term Issuer Default Rating at "Baa2", upgrading the outlook from stable to positive. In November 2024, the said CRA upgraded the long-term credit rating of Cyprus by two (2) notches, from "Baa2" to "A3" and revised the outlook to stable.

In June 2024, Fitch upgraded the Cyprus's long-term sovereign credit rating by one notch, from "BBB" to "BBB+", maintaining a positive outlook. In its second review in December 2024, Fitch further upgraded the rating to "A-", and adjusted the outlook to stable. In addition, in June 2024, S&P's upgraded Cyprus's long-term sovereign credit rating by one notch, from "BBB" to "BBB+", retaining a positive outlook. In its second review in December 2024, S&P's further upgraded the rating to "A-", and adjusted the outlook to stable.

In summary, 2024 marked a remarkable year for Cyprus' credit profile, recording five upgrades totalling six notches from three rating agencies. Additionally, a positive outlook by the fourth agency suggests the possibility of another upgrade in 2025. Despite ongoing global geopolitical uncertainties, Cyprus has continued to deliver strong fiscal performance and demonstrated economic resilience over recent years. These developments, combined with the gradual

implementation of the Recovery and Resilience Plan, support expectations of sustained positive growth and potentially further upgrades in the near future. Table 6 below, illustrates where the Republic of Cyprus stood at the end of 2024 in terms of credit ratings.

Table 6: Solicited sovereign credit ratings developments in 2024¹²

Long-term debt						
CRAs	Latest rating			Previous rating		
	Rating	Outlook	Notches to investment	Rating	Outlook	Notches to investment
DBRS	BBB high (Sept. 2024)	Positive	+3	BBB high (Mar. 2024)	Stable	+3
Fitch	A- (Dec. 2024)	Stable	+4	BBB+ (June 2024)	Positive	+3
Moody's	A3 (Nov. 2024)	Stable	+4	Baa2 (May 2024)	Positive	+2
Standard & Poor's ^{1/}	A- (Dec. 2024)	Stable	+4	BBB+ (June 2024)	Positive	+3

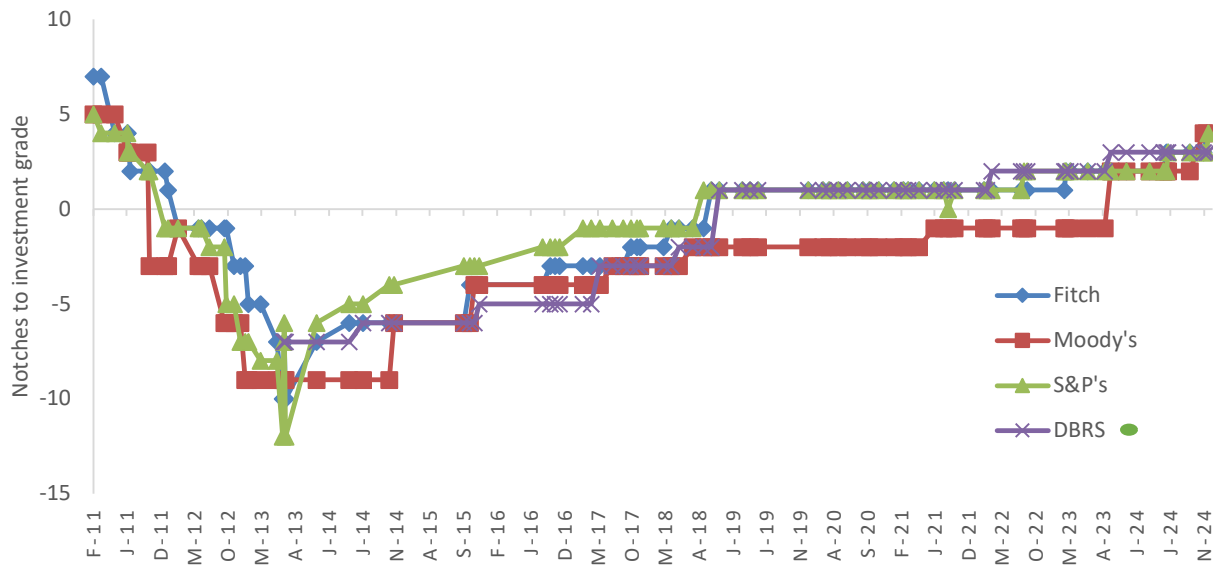
Source: PDMO

IG = Investment grade

The historical credit ratings of the long-term issuer rating of the Republic of Cyprus during the years 2013-2024 are illustrated in Figure 35 below. The Republic of Cyprus is on an upgrading path since 2013 which reflects the economy's turnaround. Since 2018 the restoration of investment grade status was achieved by three CRAs, and in 2023, as mentioned above, by all CRAs. In 2024, CRAs restored the Republic of Cyprus's credit rating to the upper medium grade category "A" after 13 years.

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

Figure 35: Historical evolution of credit ratings of the Republic of Cyprus in 2013-2024



(Source: PDMO)

Note: The green circles next to the names of the CRAs indicate the positive outlook.

The rationale of reaffirming the creditworthiness of the long-term bond Issuer rating of Cyprus at "BBB high" by DBRS¹³ Morningstar, with a positive outlook, based on this agency, was attributed to its expectations that public debt indicators are likely to continue improving, and that economic growth will remain supported by strong private consumption, increasing exports in the services sector, and investments in the construction industry over the coming years. The agency also notes that general government revenues have increased and that government accounts are expected to continue benefiting from favorable fiscal developments, including the generation of budget surpluses. According to the agency, risks to public finances may arise from potential global economic shocks, contingent liabilities in the banking sector due to high levels of private debt and non-performing loans, or from large intra-governmental debt.

Moody's¹⁴ rationale for affirming Cyprus's long-term bond rating and assigning a positive outlook reflects the potential for continued strong fiscal performance. The upgrade of Cyprus's long-term bond rating by two notches from "Baa2" to "A3" in November 2024, with the outlook revised from positive to stable, was attributed to significant improvements in public finances and debt management, which are expected to be sustained. It is worth highlighting that Cyprus has made substantial reductions in its public debt ratio since 2020, ranking among the EU countries with the most significant debt reduction.

Fitch's rating¹⁵ rationale for the the two upgrades to Cyprus's long-term credit rating includes, among other factors, reduced vulnerability to financial shocks, resilience to external disturbances, favorable medium-term fiscal trends, a marked reduction in public debt, strong fiscal surpluses, an improved banking

¹³ DBRS Morningstar Press Release on 22 March and 20 September 2024.

¹⁴ Moody's Rating Action Report on 24 May and 22 November 2024.

¹⁵ Fitch Report on 7 June and 6 December 2024.

sector credit profile, and the country's ability to attract foreign direct investments.

S&P's¹⁶ based its rationale for the two upgrades on Cyprus's strong fiscal surplus, significant reduction in public debt, balanced credit risks over the next 24 months, and reduced vulnerabilities in the balance of payments and public finances.

According to the 2024 credit rating reports, further upgrades in Cyprus's creditworthiness may be supported by the government's ability to: (a) sustain the expectations of positive growth rates, (b) maintain sound fiscal policy, (c) further reduce debt-to-GDP ratio, (d) reduce the stock of bank non-performing exposures, (e) continue deleveraging private sector debt, (f) enhance economic resilience to external shocks, (g) reduce the current account deficit, and (h) efficiently absorb funds from the RRF.

The historical progression of Cyprus's credit ratings from 2008 to 2024 is illustrated in Table 12, while the sovereign rating review calendar by CRAs for 2025 is presented in Figure 2a and 2b in the Appendix.

Table 7 below, illustrates where Cyprus stood in the long-term rating scale in domestic currency (euro) compared to the rating of selected Eurozone States at the end of 2024. The horizontal blue line illustrates the investment grade line, and the vertical columns under each CRAs display the range of long-term debt credit rating grades.

Notably, only five Eurozone countries received credit rating upgrades in 2024 (Cyprus, Croatia, Ireland, Spain, and Portugal). Cyprus's inclusion in this group reflects a significant improvement in its economic outlook, with further positive developments anticipated in the coming years. However, continued vigilance is necessary due to ongoing uncertainties in the global environment.

¹⁶ S&P's Rating Report on 14 June and 13 December 2024.

Table 7: Government Bond rating in long-term local currency of Eurozone States¹⁷ as at the end of 2024

Fitch	Moody's	S&P	DBRS
AAA DE, LU, NL	Aaa DE, LU, NL	AAA DE, LU, NL	AAA DE, LU, NL, AT
AA+ AT, FI	Aa1 AT, FI	AA+ AT, FI	AA high FI, FR
AA IE	Aa2	AA BE, IE	AA BE, IE
AA- BE, FR	Aa3 BE, IE, FR	AA- SI, FR	AA low EE
A+ MT, EE	A1 EE	A+ EE, SK	A high MT, SI, LT, ES
A SI, LT	A2 MT, LT	A LV, LT	A LV, SK, PT
A- ES, SK, PT, LV, CY, HR	A3 SK, LV, SI, PT, HR, CY	A- MT, PT, CY, HR, ES	A low
BBB+	Baa1 ES	BBB+	BBB high IT, CY
BBB IT	Baa2	BBB IT	BBB
BBB- EL	Baa3 IT	BBB- EL	BBB low EL
BB+	Ba1 EL	BB+	BB high
BB	Ba2	BB	BB
BB-	Ba3	BB-	BB low
B+	B1	B+	B high
B	B2	B	B
B-	B3	B-	B low
CCC	Caa1	CCC+	CCC high
CC	Caa2	CCC	CCC
C	Caa3	CCC-	CCC low
RD	Ca	CC	CC
D	C	SD/D	C
			D

(Source: Bloomberg)

¹⁷ The abbreviations in the Table are interpreted as following: CY=Cyprus, ES=Spain, EL=Greece, IE=Ireland, IT=Italy, MT=Malta, PT=Portugal and SI=Slovenia, DE=Germany, LU=Luxembourg, NL=Netherland, AT=Austria, FI=Finland, FR=France, BE=Belgium, EE=Estonia, SK=Slovakia, LV=Latvia, LT=Lithuania, HR=Kroatia. Green/black/red color for countries abbreviations indicates Positive/Stable/Negative outlook. It is noted that Kroatia is not rated by DBRS.

IX. Public Debt Management Office Action Plan

In September of 2015 a five-year action plan for the period from 2015 to 2019 was approved by the Council of Ministers. This action plan covers areas related to the internal organization and the IT infrastructure of the PDMO as well as the establishment of a market intelligence function. The main actions of the said plan have already been completed successfully. However, a number of actions, which are recurring, have to be monitored and updated on a continuous basis and therefore, the PDMO will continue to implement or update them and present the outcomes once a year on the Annual Report of the Public Debt Management.

The main actions implemented or updated during 2024 are the following:

- i. **Debt Management Committee:** The meetings held within the Committee primarily focused on the development and implementation process of the investment policy, aimed at optimising the use of surplus liquid assets and striving to maintain public debt servicing costs at lower levels.
- ii. **Cash Management Framework:** The necessity of having an effective, efficient, and appropriate framework for managing and, consequently, minimizing the cost of holding liquid assets is considered of paramount importance. During 2024, the PDMO implemented a revised Investment Policy Framework for Liquid Assets, which was approved by the Minister of Finance at the end of the previous year and subsequently communicated to the Council of Ministers. In 2024, the PDMO held a total of eight competitive deposit auctions, with the average accepted weighted yield ranging

between 2.77% and 3.61%. Furthermore, for the first time in the history of the Republic of Cyprus, an investment bank was appointed, and in August 2024, the first short-term investment in the European market was made, followed by other investments at later stages. This process will help the PDMO achieve a more rational and coordinated approach in implementing and effectively managing the liquid assets framework, ensuring the optimal combination of low risk and satisfactory returns, which is the primary goal of the Republic's Liquid Assets Investment Policy Framework.

- iii. **Maintaining a suitable & control working environment:** The implementation of stricter procedures for transactions and other activities within the PDMO is continuously carried out. Whenever there is a need for improvement or updates, the PDMO takes appropriate actions to better reflect the current circumstances within the office. Throughout 2024, the internal procedure manual was enhanced and updated, and the checklists for procedures were further improved. The process of evaluating proposals from the Audit Office of the Republic regarding the effectiveness of public debt management is ongoing.
- iv. **Risk management – operational risk:** The PDMO continues to record operational risk incidents. Any incidents that occurred in 2024 were documented and assessed accordingly, with the aim of minimizing the risk of recurrence. This process is continuous and reviewed regularly.
- v. **Contacts with the international investment bank market group:** The establishment of the group of international investment banks has significantly contributed to the Republic's ability to maintain access to international capital

markets, even under challenging conditions, as seen in previous years. Beyond the primary market, the bank group has also played a key role in enhancing the effectiveness of the secondary market in terms of information integration and investor behavior. The MTS Cyprus trading platform has been fully operational since early 2020 and has been contributing to the increased liquidity of the Republic's European bonds. Notably, the PDMO, in collaboration with the bank group, is exploring ways to further increase the liquidity of the Republic's European bonds and optimize long-term funding costs. In 2024, various video conferences were held between the PDMO and the bank group, discussing market developments and key challenges for the coming years.

- vi. **Investor' Relations Function:** The PDMO continued to regularly inform investors to ensure they receive the best possible updates on developments in the Republic of Cyprus. This communication took place the form of electronic distribution of informational materials and presentations via video conferences throughout the year.
- vii. **Information System Strategy:** The new software system of the Commonwealth Secretariat 'Meridian' which was formally adopted by the PDMO after its official release in July 2019, has been integrated into daily operations. The public debt database is regularly updated. Throughout 2024, a series of video conferences took place between the PDMO and the Commonwealth Secretariat on issues aimed at improving the operation of Meridian.

- viii. **Sustainability Bond Progress Evaluation Report:** The monitoring committee for evaluating the progress of projects funded by the sustainable bond issued in 2023 continued to gather data in collaboration with various government departments. The first annual report on the progress of these projects is expected to be published in 2025.

Further to the above actions, it is important to highlight that, during 2024, PDMO officers participated in various online seminars and meetings within the Economic and Financial Committee Sub-Committee on EU sovereign debt markets (ESDM) as well as other Working Groups related to public debt management. Detailed information about these participations can be found in Table 13 of the Appendix.

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Table 1a: Auction schedule for Treasury Bills in 2024

No	Auction day	Auction date	Value date	Tenor of TB	Maturity date
1*	Monday	22/01/2024	26/01/2024	13 weeks	26/04/2024
2*	Monday	19/02/2024	23/02/2024	13 weeks	31/05/2024
3	Friday	15/03/2024	22/03/2024	13 weeks	21/06/2024
4	Monday	22/04/2024	26/04/2024	13 weeks	26/07/2024
5	Monday	27/05/2024	31/05/2024	13 weeks	30/08/2024
6	Monday	17/06/2024	21/06/2024	13 weeks	20/09/2024
7	Monday	22/07/2024	26/07/2024	13 weeks	25/10/2024
8	Monday	26/08/2024	30/08/2024	13 weeks	29/11/2024
9	Monday	16/09/2024	20/09/2024	13 weeks	20/12/2024
10	Monday	21/10/2024	25/10/2024	13 weeks	24/01/2025
11	Monday	25/11/2024	29/11/2024	13 weeks	28/02/2025
12	Monday	16/12/2024	20/12/2024	13 weeks	21/03/2025

(Source: PDMO)

* Scheduled auctions for T-bills in January and February were cancelled

Table 1b: Indicative auction schedule for Treasury Bills in January – June 2025

No	Auction day	Auction date	Value date	Tenor of TB	Maturity date
1	Monday	20/01/2025	24/01/2025	13 weeks	25/04/2025
2	Monday	24/02/2025	28/02/2025	13 weeks	30/05/2025
3	Monday	17/03/2025	21/03/2025	13 weeks	20/06/2025
4	Wednesday	16/04/2025	25/04/2025	13 weeks	25/07/2025
5	Monday	26/05/2025	30/05/2025	13 weeks	29/08/2025
6	Monday	16/06/2025	20/06/2025	13 weeks	19/09/2025

(Source: PDMO)

Table 2a: Annual Financing Plan (AFP) 2024

Financing Instrument	Initial AFP_2024 (Nov. 2023) Upper borrowing limit (in EUR mn)	First revised AFP – 2024 (Nov.2024) Upper borrowing limit (in EUR mn)	Actual borrowing (as at the end of 2024) (in EUR mn)
Domestic 3-month Treasury Bills	120	120	74,4
Euro Medium Term Notes (EMTN)	1000	1000	1000
Domestic Retail Bonds	40	40	13.3
Loans from Supranational Institutions (EIB, EBRD, CEB)	140	160	156.8
Total approved maximum borrowing amount in Jan. - Dec. 2024	1300	1320	1163.4

(Source: PDMO)

Notes:

- (a) EIB = European Investment Bank, EBRD = European Bank for Reconstruction and Development, CEB = Council of Europe Development Bank.
- (b) The 3-months Treasury Bills are encounter in a 3-months roll-over base.
- (c) Any amounts that are expected to be received, as a grant, under RRF were not included in the above figures.

Table 2b: Liability management transactions: Early repayments of loans and securities details in 2024

Creditor	Interest rate	Maturity year	Principal payment amount	Interest payments
	in %			In EUR mn
Housing Finance Corporation	0.975	2026	250.0	1.79
Nicosia Municipality (EIB)	12mE+0.311	2035	3.0	0.13
Nicosia Municipality (CEB)	3mE +0.5	2026	1.5	0.02

Bond characteristics	Maturity Date	Buyback total price	Buyback Nominal Amount	Nominal Value paid	Interest paid
ISIN code	interest rate (in %)			in EUR mn	
XS1883942648	2.375	25/09/2028	147.38	149.77	2.69
				404.27	4.63

(Source: PDMO)

Table 2c: Indicative Cyprus Recovery and Resilience Plan payment profile

Details of payment request	Grant amount in €	Loans amount (net) in €	Total amount (net) in €	Disbursement year
13% pre-financing ^{1/}	130,772.986	26,041.600	156,814.586	2021
1st instalment	85,000.000		85,000.000	2022
20% RE-Power EU (pre-financing) ^{2/}	20,893.034		20,893.034	2024
2nd and 3rd instalment	115,021.493		115,021.493	2024
Remaining amount from 2nd and 3rd instalment ^{3/} , 4th and	234,436.138		234,436.138	2025
6th,7th and 8th instalment	294,226.184	121,553.800	415,779.984	2026
9th and 10th instalment	139,873.846	52,724.600	192,598.446	2027
Total	1,020,223.681	200,320.000	1,220,543.681	

Important note: The schedule of grant and loan disbursements is indicative and all above mentioned years for disbursements are estimated assumptions by PDMO.

1/ = This amount corresponds to the financial allocation after deduction of Cyprus' proportional share of the expenses of Article 6(2) of Regulation (EU) 2021/241, calculated in accordance with the methodology of Article 11 of that Regulation and corresponds to 0.02% of the allocation.

2/ = Re Power EU is the new scheme by the European Union that was recently launched, targeting to reduce EU dependence on Russian fossil fuels.

3/ = An amount of EUR 37 mn is associated with the completion of the 38th milestone of the 2nd and 3rd instalment.

Table 3a: Matured securities (1/1/2024 to 31/12/2024)

I. Domestic market

A. Treasury Bills

Issue Date	Maturity (in weeks)	Weighted average yield (in %)	Maturity Date	ISIN code	Nominal amount in EUR mn
27/10/2023	13	4.05	26/01/2024	CY0240730818	20.00
22/03/2024	13	3.99	21/06/2024	CY0240880811	25.00
26/04/2024	13	3.85	26/07/2024	CY0240910816	25.00
31/05/2024	13	3.85	30/08/2024	CY0240920815	16.00
21/06/2024	13	3.74	20/09/2024	CY0240930814	21.50
26/07/2024	13	3.67	25/10/2024	CY0240960811	25.00
30/08/2024	13	3.51	29/11/2024	CY0240970810	25.00
20/09/2024	13	3.40	20/12/2024	CY0240980819	25.00
					182.5

B. Domestic Bonds

Issue date	Maturity (in years)	Coupon rate (in %)	Maturity date	ISIN code	Nominal amount in EUR mn
					0.0

C. Repayments of Saving Certificates/Retail Bonds

	Nominal amount in EUR mn
Saving certificates	0.2
Retail bonds	116.1
	116.3

II. Foreign market
A. Euro Commercial Papers

					Nominal amount in EUR mn
					0

B. Euro Medium Term Notes

Issue date	Maturity (in years)	Coupon rate (in %)	Maturity date	ISIN CODE	Nominal amount in EUR mn
27/06/2017	7	2.750	27/06/2024	XS1637276848	850.0
03/05/2019	5	0.625	31/12/2024	XS1989405425	1000.0
					1850.0

Table 3b: Loan amortisations by creditor (1/1/2024 to 31/12/2024)

	Remaining amount in EUR mn	Principal payments in EUR mn
European Investment Bank	991.9	88.5
Council of Europe Development Bank	176.9	27.1
		115.6

Table 4: Historical evolution of gross general government debt^{1/} in 1995-2024

Year	Consolidated gross general government debt (in EUR mn)	Consolidated gross general government debt (% of GDP)
1995	3765.7	46.8
1996	4012.6	50.9
1997	4531.8	53.9
1998	5043.6	55.1
1999	5428.9	55.2
2000	5905.2	55.7
2001	6544.4	57.3
2002	7187.9	60.5
2003	8200.1	63.8
2004	8974.3	64.8
2005	7674.6	51.8
2006	7710.7	48.2
2007	7227.9	41.3
2008	5963.4	31.4
2009	7519.8	40.3
2010	11542.9	59.3
2011	13727.9	69.1
2012	16299.9	83.6
2013	19393.7	107.5
2014	19753.9	113.0
2015	20017.2	111.6
2016	20308.3	106.8
2017	19576.0	96.4
2018	21951.2	100.7
2019	21597.5	92.3
2020	25417.3	113.6
2021	24776.1	96.5
2022	23813.3	81.0
2023	23080.8	73.6
2024	21827.7	65.3

1/ = Since 2010 figures include also liabilities due to the issuance of euro coins

Box 1: Historical evolution of the public debt of Cyprus

During the period 1996-2004, the GGD followed an increasing path from 51 percent of GDP in 1996 to 65 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 minimum point of 31 percent of GDP in 2008. Since then, fiscal slippage and low to negative growth rates as well as repetitive capital injection into the banking sector in combination with measures under the Memorandum of Understanding and other emergency loans, contributed to a considerable increase in the debt to GDP ratio.

During 2009-2011 the resulting fiscal deterioration was the main contributor to the increase in the public debt. During 2012-2013, the fiscal deficit as well as the negative growth rate contributed to the debt deterioration. In addition, the state capital support of the Cyprus Popular Bank (ex Laiki Bank) in 2012 (EUR 1.9 bn) and of the cooperative sector in 2013 (EUR 1.5 bn) increased the public debt by a total amount of EUR 3.4 bn, excluding interest payments.

The banking crisis resulted in state support to the domestic financial sector of EUR 3.6 bn or about 17 percent of the gross public debt by end 2014, excluding interest payments. These funds were related to the state recapitalisation of Cyprus Popular Bank and the cooperative sector via debt securities. In late 2015, the Government provided an additional injection of EUR 175 mn or about 1 percent of GDP into the cooperative sector.

It is important to highlight that despite the sharp increase of the public debt over the past few years, the strong fiscal outcome and the fact that the budget outcome was close to balance in 2014-2015 and positive in 2016, as well as, the strong real GDP growth of 3.2 percent and 6.4 percent in 2015 and 2016 respectively, indicate that debt is stabilising earlier and at lower levels than originally anticipated. The years 2017 and 2018 were years of strong fiscal outcome with positive real GDP growth of 5.2 percent in each year whilst in 2019 the growth rate has slowed down towards 3.1 percent, albeit at above Eurozone levels. In 2020, the public debt recorded a material increase of around 21pp reaching 114 percent of GDP whereas the real GDP exhibited a reduction of 5.1 percent due to the impact of the pandemic on economic activity affecting both

revenue and expenditure of the Government. From 2020 onwards, the public debt to GDP followed a downward trend recording a significant reduction of about 48 pp and it reached at 65.3 percent by the end of 2024. The significant reduction throughout these years was attributed to the utilization of cash reserves to cover a significant amount of refinancing needs without the need of new borrowing and the strong increase of the nominal GDP (denominator effect).

Table 5: Outstanding Central Government^{1/} debt as at the end of 2024

A. TREASURY BILLS

Issue date	Maturity (in weeks)	Weighted average yield (in %)	Maturity date	ISIN code	Nominal value in EUR mn
25/10/2024	13	3.08	24/01/2025	CY0241040811	24.8
29/11/2024	13	2.97	28/02/2025	CY0241060819	24.8
20/12/2024	13	2.79	21/03/2025	CY0241100813	24.8
					74.4

B. DOMESTIC BONDS

Issue date	Maturity (in years)	Yield (in %)	Maturity date	ISIN code	Nominal value in EUR mn
18/12/2015	10	4.00	18/12/2025	CY0146120817	92.0
					92.0

C. RETAIL/SPECIAL RETAIL BONDS-SAVING CERTIFICATES

	Coupon rate (in %)	Maturity year	Nominal value in EUR mn
Retail bonds	1.75-2.50	2025	75.3
Special retail bonds	0.75	2025	1.0
Retail bonds	1.75-2.50	2026	42.7
Retail bonds	1.00-1.75	2027	36.4
Retail bonds	0.75-1.50	2028	17.8
Retail bonds	1.00-1.75	2029	16.4
Retail bonds	1.00-1.75	2030	13.3
Saving certificates	0	perpetual	2.3
			205.1

TOTAL DOMESTIC SECURITIES AS AT 31/12/2024 [EUR MN]
D. EURO COMMERCIAL PAPERS

371,6

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

E EURO MEDIUM TERM NOTES (EMTN)

Issue date	Maturity (in years)	Yield (in %)	Maturity date	ISIN code	Nominal value in EUR mn
04/11/2015	10	4.250	04/11/2025	XS1314321941	1000.0
09/02/2021	5	0.000	09/02/2026	XS2297209293	1000.0
16/04/2020	7	1.500	16/04/2027	XS2157184255	1250.0
25/09/2018	10	2.375	25/09/2028	XS1883942648	1350.2
21/01/2020	10	0.625	21/01/2030	XS2105095777	1000.0
27/06/2024	7	3.250	27/06/2031	XS2849767202	1000.0
20/01/2022	10	0.950	20/01/2032	XS2434393968	1000.0
13/04/2023	10	4.125	13/04/2033	XS2610236445	1000.0
26/02/2019	15	2.750	26/02/2034	XS1956050923	1100.0
21/01/2020	20	1.250	21/01/2040	XS2105097393	1250.0
03/05/2019	30	2.750	03/05/2049	XS1989383788	1000.0
16/04/2020	30	2.250	16/04/2050	XS2157183950	500.0
					12450.2

TOTAL FOREIGN SECURITIES AS AT 31/12/2024 [EUR MN]

12450.2

F. DOMESTIC LOANS

Issue year	Interest rate (in %) ^{1/2}	Maturity year	Remaining maturity (in years)	Balance (in EUR mn)
				0,0

G. FOREIGN LOANS

Creditor ⁽³⁾	Issue year ⁽⁷⁾	Interest rate (in %)	Maturity year	Remaining maturity (in years)	Balance (in EUR mn)
EIB	2004	1.0	2025	0.5	0.1
EC	2020	0	2025	0.8	150.0
CEB	2010	3mE+0.60	2025	0.9	4.8
ESM	2014	BLR +0.10	2025	1.0	350.0
ESM	2013	BLR +0.10	2026	1.4	1000.0
EIB	2004	1	2026	1.6	0.1
EIB	2014	3mE+0.704	2026	1.8	2.6
CEB	2006	3mE+0.15	2026	2.0	11.4
ESM	2013	BLR +0.10	2027	2.4	1000.0
CEB	2007	3mE+0.09	2027	2.5	3.3
EIB	2003	4.43	2027	3.0	5.1
EIB	2018	6mE+0.181	2028	3.2	4.3
EC	2021	0	2028	3.5	157.0
ESM	2013	BLR +0.10	2028	3.5	1000.0
CEB	2018	1.06	2028	4.0	11.6
CEB	2008	3.7	2028	4.0	11.7
EIB	2004	VSFR	2028	4.0	12.0
EIB	2004	VSFR	2028	4.0	5.0
EIB	2019	6mE+0.413	2029	4.2	7.7
EIB	2004	4.47	2029	4.5	7.4
EIB	2019	0.438	2029	4.5	20.0

EC	2021	0	2029	4.6	77.0
EIB	2017	6mE+0.217	2029	4.7	8.8
ESM	2013	BLR +0.10	2029	4.8	750.0
ESM	2015	BLR +0.10	2029	4.8	200.0
EIB	2019	0.269	2029	5.0	10.0
CEB	2009	3mE+0.48	2029	5.0	5.1
CEB	2009	3mE+0.48	2029	5.0	3.1
CEB	2014	1.46	2029	5.0	12.5
ESM	2013	BLR +0.10	2029	5.0	100.0
ESM	2014	BLR +0.10	2030	5.3	150.0
CEB	2010	3mE+0.55	2030	5.7	2.2
ESM	2013	BLR +0.10	2030	5.8	750.0
EIB	2006	VSFR	2030	6.0	18.5
EIB	2006	VSFR	2030	6.0	9.5
EIB	2006	VSFR	2030	6.0	7.7
ESM	2014	BLR +0.10	2031	6.6	600.0
EMΣ	2015	BLR +0.10	2031	6.6	100.0
EMΣ	2015	BLR +0.10	2031	6.8	300.0
EIB	2022	1.296	2032	7.4	32.0
CEB	2017	1.08	2032	7.5	8.5
EIB	2007	VSFR	2032	8.0	8.4
EIB	2007	6mE+0.018	2032	8.0	29.5
CEB	2023	3.47	2033	8.6	9.0
EIB	2023	3.449	2033	8.7	13.5
EIB	2023	3.449	2033	8.7	18.0
EIB	2008	VSFR	2033	9.0	36.9
EIB	2021	0.106	2033	9.0	26.2
CEB	2013	6mE+0.81	2033	9.0	4.8
CEB	2024	3.25	2034	9.5	32.8
EIB	2024	3.136	2034	9.5	29.3
EIB	2024	3.196	2034	9.5	29.3
CEB	2024	2.8	2034	9.8	4.0
EIB	2024	2.664	2034	9.8	35.0
EIB	2024	2.666	2034	10.0	25.0

CEB	2020	0.48	2035	10.1	5.5
EIB	2011	12mE+0.27	2035	10.3	22.0
CEB	2020	0.42	2035	10.4	10.0
CEB	2020	0.28	2035	10.5	5.5
EIB	2011	6mE+ 0.314	2035	11.0	18.3
EIB	2011	6mE + 0.25	2035	10.95	8.5
EIB	2011	6mE+0.314	2035	10.95	12.2
EIB	2011	12mE+0.305	2036	11.6	24.0
EIB	2022	1.95	2037	12.5	16.7
EIB	2017	1.514	2037	12.5	26.0
EIB	2017	1.634	2037	12.6	19.5
EIB	2012	12mE+1.517	2037	12.6	85.5
EIB	2017	1.563	2037	12.8	9.1
EC	2022	2.75	2037	13.0	29.0
EIB	2017	12mE+1.137	2037	13.0	51.3
EIB	2011	12mE+0.327	2038	13.6	37.3
EIB	2013	12mE+0.829	2038	14.0	11.9
EIB	2014	12mE+0.998	2039	15.0	11.8
EIB	2015	1.766	2040	16.0	32.0
EIB	2015	1.782	2040	16.0	17.7
EIB	2021	0.806	2041	17.0	34.0
EIB	2022	1.933	2042	17.5	35.0
CEB	2023	3.17	2043	18.2	31.1
EIB	2018	1.828	2043	18.5	27.8
EIB	2023	3.602	2043	18.5	42.8
EIB	2020	0.409	2045	21.0	16.8
EC	2021	0.75	2046	22.0	47.0
EC	2020	0.3	2050	25.9	100.0
EC	2021	0.3	2050	25.9	72.0
EC	2021	0	2051	26.8	26.0
EFSF ⁽⁴⁾	2011				261.0
					8357.8

TOTAL LOANS AS AT 31/12/2024 [EUR MN]

8357.8

**TOTAL DEBT OF CENTRAL GOVERNMENT AS AT
31/12/2024 [EUR MN]**

21179.6

TOTAL DEBT OF CENTRAL GOVERNMENT AS AT 31/12/2024 [EUR MN]

Notes:

(1) *Definition: Debt of the budgetary Central Government (BCG) excluding debt of Social Security Investments, state-owned enterprises categorised within the Central Government and the debt of local authorities. BCG is around 97% of the general government debt (as at 31/12/2024)*

(2) *E= Euribor rate; BLR=Basic Lending Rate; VSFR = other variable interest rate; m=months*

(3) *EIB=European Investment Bank, CEB= Council of Europe Development Bank, EFSF=European Financial Stability Facility, ESM=European Stability Mechanism, EC = European Commission*

(4) *Debt issued by the EFSF for Greece, Ireland and Portugal*

(5) *It refers to the first year of the disbursement*

(6) *Excluding liabilities due to the issuance of Euro coins*

(7) *Currency issue: in Euro*

(8) *Loans under EC due in years 2025,2028, 2029,2037,2047 and 2050 disbursed under SURE Instrument whilst the loan due in year 2051 disbursed under RRF*

(9) *There may be slight discrepancies between the totals shown and the sum of constituent items because of rounding.*

Table 6a: Outstanding Central Government debt as at the end of 2024

Year	Foreign law securities	Domestic law securities	ESM loans	Other loans	Total
2025	1000.00	243.20	350.00	341.55	1000.00
2026	1000.00	43.12	1000.00	162.71	1000.00
2027	1250.00	36.84	1000.00	156.26	1250.00
2028	1350.23	18.27	1000.00	306.66	1350.23
2029	0.00	16.89	1050.00	213.16	0.00
2030	1000.00	13.27	900.00	121.80	1000.00
2031	1000.00	0.00	1000.00	113.39	1000.00
2032	1000.00	0.00	0.00	107.36	1000.00
2033	1000.00	0.00	0.00	97.72	1000.00
2034	1100.00	0.00	0.00	82.17	1100.00
2035-2039	0.00	0.00	0.00	257.36	0.00
2040	1250.00	0.00	0.00	26.72	1250.00
2041-2048	0.00	0.00	0.00	110.93	0.00
2049	1000.00	0.00	0.00	1.30	1000.00
2050	500.00	0.00	0.00	173.30	500.00
2051	0.00	0.00	0.00	1.30	0.00
Total	12450.23	371.59	6300	2273.70	21395.51

Notes

1/ = Preliminary data

2/ = Excluding debt for EFSF Loans

3/ = Excluding liabilities due to the issuance of Euro coins

4/ = A flat redemption profile is assumed for loans granted to local authorities.

5/ = There may be slight discrepancies between the totals shown and the sum of constituent items because of rounding.

Table 6b: Disbursements of ESM financial assistance to Cyprus

Date of disbursement	Amount disbursed	Final maturity	Cumulative amount disbursed
13/05/2013	€1 bn	13/05/2026	€2 bn
	€1 bn	13/05/2027	
26/06/2013	€1 bn	26/06/2028	€3 bn
27/09/2013	€750 mn	27/09/2029	€4.5 bn
	€750 mn	27/09/2030	
19/12/2013	€100 mn	19/12/2029	€4.6 bn
04/04/2014	€150 mn	04/04/2030	€4.75 bn
09/07/2014	€600 mn	09/07/2031	€5.35 bn
15/12/2014	€350 mn	15/12/2025	€5.7 bn
15/07/2015	€100 mn	15/07/2031	€5.8 bn
08/10/2015	€200 mn	08/10/2029	€6.3 bn
	€300 mn	08/10/2031	

Table 7: Government debt^{1/} by instrument and lender at the end of 2024 (in EUR mn)

A. Domestic Debt		708.2
I. Long-term debt	633.8	
1. Domestic bonds	92.0	
- Monetary Financial Institutions	90.0	
- Private Sector	2.0	
2. Retail securities	205.1	
3. Loans	165.4	
- Local Authorities	165.4	
4. Liabilities to issuance of euro coins	165.6	
II. Short-term debt	74.4	
1. Treasury Bills	74.4	
- Monetary Financial Institutions	52.4	
- Private Sector	22.0	
B. Foreign debt		21119.4
I. Long-term debt	21119.4	
1. Long term loans	8408.2	
-ESM	6300.0	
-EIB and CEB	1097.7	
-SURE + RRF	658.0	
-Local Authorities	289.5	
-Semi-government organisations	21.9	
2. Euro Medium Term Notes	12450.2	
3. EFSF loans	261.0	
II. Short-term debt	0.0	
Euro Commercial Papers	0.0	
C. Gross General Government Debt		<u>21827.6</u>

Note:

1/ = Preliminary data

2/ = Debt is reported in consolidated form and therefore any obligations among subsectors of the general government are omitted.

3/ = There may be slight discrepancies between the totals shown and the sum of constituent items because of rounding.

Table 8: Investments^{1/} of the Social Security Fund with the Central Government as at the end of 2024

	Amount in EUR mn
Social Insurance Fund	10298.0
Unemployment Benefits Account	225.9
Termination of Employment Fund	905.8
Central Holiday Fund	120.9
Insolvency Fund	354.3
Total	11904.8

Note

1/ = Investments in the form of deposits in financial institutions of around EUR 109 mn are not included.

Table 9: Historical debt servicing in 2014-2023

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
in EUR mn										
Interest payments (IP)	579	562	500	503	512	509	456	435	387	407
General Government Debt (GGD)	19754	20017	20308	19576	21951	21597	25417	24776	23813	21828
Tax revenue (TR)	4489	4511	4641	5019	5383	5599	5096	5992	7027	7781
Total government revenue (TGR)	7579	7595	7621	8255	8916	9662	9031	10525	11938	13762
Interest payments to GDP	3.2	2.8	2.6	2.5	2.3	2.2	2.0	1.7	1.3	1.3
Interest payments to GGD	2.8	2.5	2.6	2.3	2.3	2.4	1.8	1.8	1.6	1.9
Interest payments to TR	12.5	10.8	10.0	9.5	9.5	9.1	8.9	7.3	5.5	5.2
Interest payments to TGR	7.4	6.6	6.1	5.7	5.7	5.3	5.0	4.1	3.2	3.0

Note:

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

Announcement 1



REPUBLIC OF CYPRUS
MINISTRY OF FINANCE
PUBLIC DEBT MANAGEMENT OFFICE

ANNOUNCEMENT

SIX-YEAR REGISTERED GOVERNMENT BONDS FOR NATURAL PERSONS

INTEREST RATE INCREASE AS FROM 2nd SERIES 2024

The Public Debt Management Office announces the increase of the interest rates on the six-year registered government bonds for natural persons (hereinafter "bonds"). The increase will take effect from the 2nd (July) series of 2024, for which applications will be received during June 2024.

In particular, the bonds that will be issued on 1st of July 2024 (the period for submitting the applications will be from 03/6/2024 to 20/6/2024), will yield increased interest rates as shown in the table below:

Holding period of the government bond	Annual nominal interest rate corresponding to the holding period of the bond (with effect as from the 1 st July 2024)
For the first 24 months	1.25%
For the period after the first 24 months and up to 48 months	1.35 %
For the period after the first 48 months and up to 60 months	1.45%
For the period after the first 60 months and up to 72 months	1.55%

The weighted average annual interest rate, if the bond is held until its maturity (6 years), is 1.367% (1,366667%).

For more information please contact:

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PUBLIC DEBT MANAGEMENT OFFICE

MINISTRY OF FINANCE

5 April 2024

Disclaimer:

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Table 10: Stock of outstanding government guarantees^{1/} as at the end of 2024

No	Principal debtors	Loan contracts	Stock of outstanding guarantees
		in number	EUR mn
1	Corporate	74	317,278.911
	Other Companies	1	12.698
	SMEs	20	5,553.801
	Banks and Other Credit Institutions	53	311,712.412
2	Entities with Public Interest	64	680,944.262
	Other Entities with Public Interest	8	190,360.398
	Public Organizations ^{2/}	9	118,826.809
	Sewerage Boards ^{3/}	47	371,757.055
3	Local Authorities^{4/}	85	173,069.826
	Municipalities	75	170,089.081
	Community Boards	10	2,980.745
4	Individuals / Retail	1697	61,384.719
	Agricultural	1	51.386
	Small Business	423	18,027.664
	Housing	1258	42,299.423
	Individuals / retail	15	1,006.246
5	Total outstanding GG for loans excluding the issue of debt instruments (1+2+3+4)	1920	1,232,677.718
6	Issues of debt instruments	3	61,081.478
	SURE loan	1	38,114.750
	EE-Support to Ukraine	1	5,502.098
	European Financial Stability Facility (EFSF)	1	17,464.630
7	Grand Total outstanding GG (5+6)	1923	1,293,759.196

Source: Treasury (PDMO calculations)

1/ = The guaranteed amount under the Asset Protection Scheme to Hellenic Bank is not included.

2/ = An amount of EUR 23.8 mn has already included in the public debt

3/ = These entities has already included in the Government debt as from 1st of September 2023.

4/ = These entities are included in the General Government sector and therefore their loans are part of the General Government Debt.

Table 11: Central Government liquid assets and cash/debt ratios in 2012-2024
(in EUR mn)

Date	Cash at the CBC	Deposits ^{1/} / Investments ^{3/} of cash reserves	Total	Debt that falls due within 1	Cash/debt ⁴
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
31.12.2016	564.2	430.0	994.2	748.0	132.9
31.12.2017	284.0	380.0	664.0	1048.0	63.4
31.12.2018	513.22	0.0	513.22	1491.0	34.4
31.12.2019	947.24	0.0	947.24	721.7	131.2
31.12.2020	3615.96	0.0	3615.96	2378.0	152.1
31.12.2021	2761.62	0.0	2761.62	1257.6	219.5
31.12.2022	2595.55	0.0	2595.55	1542.0	168.3
31.12.2023	2829.46	0.0	2829.46	2143.5	132.0
31.12.2024	1970.21	762.6	2732.81	1871.3	146.0

1/ = An amount of EUR 2.267,9 mn placed to CCB is not included in the above table since CCB now is not considered as MFI. The said deposit was transferred to the Cyprus Asset Management Company.

2/ = The amount of debt that falls due within next year based on the statistical information at the end of the reference year. The amount of debt at the end of 2018, 2019 and 2021 refer to the total amount of debt redemptions within the next 9-month period.

3/ = The amount of 400 million euros is deposited in domestic banking institutions in the form of short-term treasury bills, while the amount of 362.6 million euros is invested in bills in the international market in the form of short-term treasury bills with a short maturity horizon.

4/ = % of cash over debt that falls due within one year. The ratio at the end of 2018, 2019 and 2021 refer to the % of cash over debt that falls due within 9-month period due to the amendment of the target set in the MTDS 2016-2020 and MTDS 2022-2024.

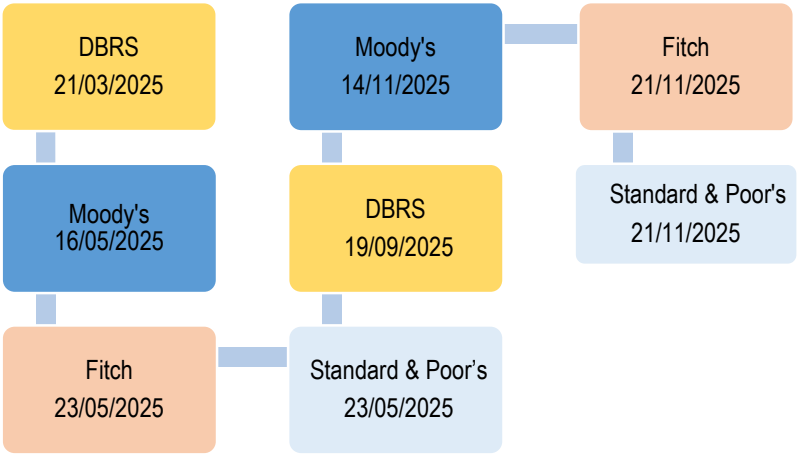
Table 12: Historical credit ratings^{1/} 2008 – 2024 (Long term-short term rating)

Long term Issuer Credit rating (ICR)							
DBRS		Fitch		Moody's		S&P's	
Date	ICR	Date	ICR	Date	ICR	Date	ICR
20/09/2024	BBB (high)	06/12/2024	A-	22/11/2024	A3	13/12/2024	A-
22/03/2024	BBB (high)	07/06/2024	BBB+	24/05/2024	Baa2	14/06/2024	BBB+
29/09/2023	BBB (high)	08/12/2023	BBB	29/09/2023	Baa2	01/09/2023	BBB
31/03/2023	BBB	16/06/2023	BBB	03/04/2023	Ba1	06/03/2023	BBB
07/10/2022	BBB	10/03/2023	BBB	19/08/2022	Ba1	02/09/2022	BBB
08/04/2022	BBB	16/09/2022	BBB-	23/07/2021	Ba1	04/03/2022	BBB-
22/10/2021	BBB (L)	18/03/2022	BBB-	-----	----	03/09/2021	BBB-
13/11/2020	BBB (L)	24/09/2021	BBB-	-----	----	04/09/2020	BBB-
15/05/2020	BBB (L)	02/10/2020	BBB-	20/09/2019	Ba2	06/03/2020	BBB-
15/11/2019	BBB (L)	03/04/2020	BBB-	27/07/2018	Ba2	06/09/2019	BBB-
17/05/2019	BBB (L)	11/10/2019	BBB-	28/07/2017	Ba3	08/03/2019	BBB-
23/11/2018	BBB (L)	12/04/2019	BBB-	11/11/2016	B1	14/09/2018	BBB-
25/05/2018	BB	19/10/2018	BBB-	13/11/2015	B1	16/03/2018	BB+
01/12/2017	BB(L)	20/04/2018	BB+	14/11/2014	B3	17/03/2017	BB+
02/06/2017	BB(L)	20/10/2017	BB	10/01/2013	Caa3	16/09/2016	BB
02/12/2016	B	24/04/2017	BB-	08/10/2012	B3	25/09/2015	BB-
04/12/2015	B	21/10/2016	BB-	13/06/2012	Ba3	24/10/2014	B+
27/06/2014	BL	23/10/2015	B+	12/03/2012	Ba1	25/04/2014	B
12/07/2013	CCC	25/04/2014	B-	04/11/2011	Ba3	29/11/2013	B-
		05/07/2013	CCC	27/07/2011	Baa1	03/07/2013	CCC+
		28/06/2013	RD	24/02/2011	A2	28/06/2013	SD
		03/06/2013	CCC	03/01/2008	Aa3	21/03/2013	CCC
		25/01/2013	B			20/12/2012	CCC+
		21/11/2012	BB-			17/10/2012	B
		25/06/2012	BB+			01/08/2012	BB
		27/01/2012	BBB-			13/01/2012	BB+
		10/08/2011	BBB			27/10/2011	BBB
		31/05/2011	A-			29/07/2011	BBB+
						30/03/2011	A-
						16/11/2010	A
						24/04/2008	A+

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

Short term Issuer Credit Rating (ICR)							
DBRS		Fitch		Moody's		S&P	
Date	ICR	Date	ICR	Date	ICR	Date	ICR
20/09/2024	R-1 (low)	06/12/2024	F1	23/11/2024	(P) P-2	13/12/2024	A-2
22/03/2024	R-1 (low)	07/06/2024	F1	24/05/2024	(P) P-2	14/06/2024	A-2
29/09/2023	R-1 (low)	08/12/2023	F2	29/09/2023	(P) P-2	01/09/2023	A-2
31/03/2023	R-2(H)	16/06/2023	F2	03/04/2023	NP	06/03/2023	A-3
07/10/2022	R-2(H)	10/03/2023	F2	19/08/2022	NP	02/09/2022	A-3
08/04/2022	R-2(H)	16/09/2022	F3			04/03/2022	A-3
22/10/2021	R-2M	18/03/2022	F3	23/07/2021	NP	03/09/2021	A-3
14/05/2021	R-2M	24/09/2021	F3	-----	---	05/03/2021	A-3
13/11/2020	R-2M	26/03/2021	F3	-----	---	04/09/2020	A-3
15/05/2020	R-2M	02/10/2020	F3	-----	---	06/03/2020	A-3
15/11/2019	R-2M	03/04/2020	F3	20/09/2019	NP	06/09/2019	A-3
17/05/2019	R-2M	11/10/2019	F3	27/07/2018	NP	08/03/2019	A-3
23/11/2018	R-2M	12/04/2019	F3	12/03/2012	NP	14/09/2018	A-3
25/05/2018	R-4	19/10/2018	F3	04/11/2011	P-3	14/09/2017	B
12/04/2015	R-4	25/04/2018	B	27/07/2011	P-2	29/11/2013	B
07/12/2013	R-5	26/03/2013	B			03/07/2013	C
		03/06/2013	B			28/06/2013	SD
		10/08/2011	F3			20/12/2012	C
		31/05/2011	F1			13/01/2012	B
						27/10/2011	A-3
						30/03/2011	A-2

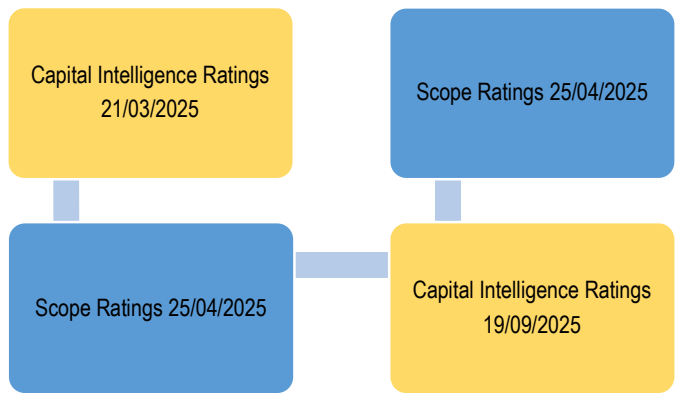
Figure 2a: Sovereign Rating Review Calendar for the Republic of Cyprus in 2025 from CRAs with which it has a contractual relationship



Note

1/= CRAs are able to announce other evaluation dates outside the above official planned evaluations if required by economic conditions. They have not the obligation to issue a credit assessment decision at all of the above evaluation dates.

Figure 2b: Sovereign Rating Review Calendar for the Republic of Cyprus in 2025 from CRAs with which it has no contractual relationship



Note

1/= CRAs are able to announce other evaluation dates outside the above official planned evaluations if required by economic conditions. They have not the obligation to issue a credit assessment decision at all of the above evaluation dates.

Table 13: Participation of PDMO officers to seminars, EU committees and other events during the year 2024

January - March	April - June	July - September	October - December
EFS Sub-Committee on EU sovereign debt markets	Capital Markets seminar by ESM, EC and EIB	Green Bond – Sub-committee ESDM	IMF-World Bank meetings
OMFIF- Official Monetary and Financial institutions Forum	IMF-World Bank meetings	Commonwealth Secretariat – Public Debt Management Workshop	EFS Sub-Committee on EU sovereign debt markets
	Investors roadshows		NGEU - Sub-committee ESDM
			ESM Shareholders' Day

Box 2: Participation of the Republic of Cyprus, to SURE instrument of the EU

The coronavirus outbreak (COVID-19) has had a significant negative economic impact worldwide, affecting the production chain and the demand, with unavoidable effects on the labor market. As a result, a number of measures have been launched at European level, in order to support the European economies. In this context, a European instrument for temporary Support to mitigate Unemployment Risks in an Emergency (SURE) and a Regulation laying down the conditions and procedures for the provision of this Union support to its Member States, have been put in place. The duration and scope of the new temporary support instrument are limited to tackling the effects of the coronavirus pandemic and are intended to protect jobs and employees affected. It will provide financial support in the form of loans granted by the European Commission ('the Commission') to its Member States totaling up to €100 bn, of which an amount of €98.4 bn has already been approved and €91.8 bn has already been disbursed to 19 Member States, as per 30 September 2022, to help them cover directly related costs by creating or extending national systems for part-time employees and similar measures they introduced for the self-employed to address the effects of the pandemic.

In order to finance its loans to Member States, the Commission has resorted to lending from the financial markets through the issuance of bonds. Member States benefit from the Commission's strong credit rating and its very low borrowing cost, as these loans are backed by a system of voluntary guarantees from the Member States, depending on each country's share of the Union's GDP, which amounted to € 38.1 mn in the case of Cyprus. These loans will be repaid upon maturity, and in the interim period only interest and related expenses will be paid. The total amount that Cyprus has received through the Loan Agreement is €632 mn or about 2.6% of GDP₂₀₂₁.

In October 2020, EU proceeded to the first bond issuances. At the issuance of 12 November 2020, Cyprus received €250 mn. In 2021, it received an additional amount of €229 mn on the 2nd of February 2021 and €124 mn on the 25th of May 2021. More specifically, in 2020 Cyprus received a 5-year bond of €150mn and a 30-year amount of € 100mn with an annual nominal interest rate of 0.0% and 0.3% respectively. In February 2021 it received a 7-year bond of €157 mn and a 30-year bond of €72 mn with an annual nominal interest rate of 0.0% and 0.3% respectively and in May 2021 an 8-year bond of €77 mn and a 25-year bond of €47 with an annual nominal interest rate of 0.0% and 0.75% respectively. In addition, based on the latest issuance of the EU in December 2022, Cyprus received a 15-year bond of €29 mn with an annual nominal interest rate of 2.75%.

Box 3: Participation of the Republic of Cyprus, to the Recovery and Resilience Facility of the EU

In 2020, the European Commission proceeded to the creation of “Next Generation EU” fund in order to repair the immediate economic and social damage brought about by the coronavirus pandemic. At its core is the Recovery and Resilience Facility which aims to mitigate the economic and social impact of the coronavirus pandemic and make European economies and societies more sustainable, more resilient and better prepared for the challenges and opportunities of the green and digital transitions.

The Recovery and Resilience Plan (RRP) of the Republic of Cyprus which was approved by the European Commission was €1206 mn, which will be financed through grants of €1006 mn (at current prices) and additional funding of about €200 mn in the form of loans during the period 2021-2026. The key strategic goal of the RRP of Cyprus is to strength the economy’s resilience and the country’s potential for economically, socially and environmentally sustainable long-term growth and welfare. Through the implementation of the RRP measures, the aim is to promote Cyprus as:

- A country with high levels of resilience, productivity and competitiveness;
- A country where the education system and workforce development are aligned with the skills needed for the future;
- A country with high performance in green and digital transition;
- A country with a resilient health system;
- A welfare state with a strong protection network;
- A state of law, transparency and accountability with strong anti-corruption mechanisms.

The economic impact assessment of the RRP carried out by the Economic Research of the University of Cyprus, is expected to have significant macroeconomic impact in the short, medium and long term on economic growth, employment and productivity. As per the payment profile, Cyprus has already received an amount of €157 mn on 9th of September 2021, being a 13% prepayment of the total grants and loan amounts as well as an amount of €85 mn in 2nd of December 2022. In 2024, Cyprus received an amount of EUR 135.9 mn, of which EUR 20.9 mn was disbursed as a prepayment from Re-Power EU. The remaining amounts are expected to be disbursed during the period 2025-2027, subject to the achievement of the milestones and targets agreed in the Cyprus RRP. More details are presented in Table 2c of the Appendix.

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