



Ministry of Finance

Debt and Financial Assets
Management Department

Debt Portfolio Management Quarterly Report

1st Half of 2018



20 July 2018

Ministry of Finance

Debt Portfolio Management Quarterly Report 1st Half of 2018

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List of Abbreviations

| | |
|----------|--|
| APEI | Aggregate Performance Evaluation Index |
| bn | Billion |
| CCY | Currency |
| CDCP | Central Securities Depository Prague |
| CNB | Czech National Bank |
| CZK | Czech koruna currency code |
| CZSO | Czech Statistical Office |
| ESA 2010 | European System of Accounts 2010 |
| EUR | Euro currency code |
| FIX | Fixed-rate |
| FX | Foreign exchange |
| GDP | Gross domestic product |
| ISIN | International Securities Identification Number |
| JPY | Japanese yen currency code |
| MoF | Ministry of Finance |
| mil. | Million |
| MTS | Mercato Telematico Secondario |
| p.a. | Per annum |
| p.p. | Percentage point |
| PRIBOR | Prague Interbank Offered Rate |
| T-Bills | State treasury bills |
| T-Bonds | Medium-term and long-term government bonds |
| VAR | Variable-rate |

Published aggregate data in the tables and in the text may not correspond in the last decimal place to the sum of respective indicators due to rounding in some cases.

Summary and Main Events

The Ministry of Finance (hereinafter the Ministry or MoF) presents, in accordance with the calendar of published information, the Debt Portfolio Management Quarterly Report, which contains in particular the evaluation of the announced strategic targets, the operational fulfilment of the funding programme and issuance activity plans specified in The Czech Republic Funding and Debt Management Strategy for 2018 published on 22 December 2017 (hereinafter the Strategy), and further includes a regular quarterly performance evaluation of primary dealers in Czech government securities for the period from the third quarter of 2017 to the second quarter of 2018.

During the second quarter of 2018, the Ministry continued to issue and sell primarily medium-term and long-term government bonds on the domestic market. The total gross issue of medium-term and long-term government bonds carried out on primary market through twenty-one auctions in seven auction days amounted to CZK 110.0 billion. These were re-opened, primarily fixed-interest rate issues of already issued medium-term and long-term government bonds. In the second quarter of 2018, the Ministry also continued in fulfilment of the medium-term targets in the average time to maturity of the state debt portfolio defined in the Strategy, when it sold medium-term and long-term government bonds with the average residual time to maturity of 9.0 years. For the first half of 2018, the Ministry sold the medium-term and long-term government bonds in the primary market in total nominal value of CZK 173.2 billion with the average yield of 1.79% p.a. and the average residual time to maturity of 9.1 years, 3.2 years more than in the same period last year.

The issuance of medium-term and long-term government bonds on primary market during the second quarter of 2018 was supplemented by tap sales of medium-term and long-term government bonds on secondary market from Ministry's asset account, when the Ministry sold medium-term and long-term government bonds in a total nominal value of CZK 1.3 billion. In addition, the Ministry sold medium-term and long-term government bonds in a total nominal value of CZK 0.4 billion in exchange operations. For the tap sales and exchange operations of government bonds, the Ministry acceded to the management of the average time to maturity of the state debt portfolio and also on the basis of recorded demand for these bonds from primary dealers. For the first half of 2018, the Ministry sold medium-term and long-term government bonds on secondary market in a total nominal value of CZK 2.4 billion with the average yield of 1.89% p.a. and the average

residual time to maturity of 11.7 years. During the second quarter, the Ministry did not realize any buy-backs of medium-term and long-term government bonds on secondary market, no regular redemption of medium-term and long-term government bonds on domestic market was carried out in this period, but in the framework of exchange operations, the Ministry exchanged Czech Republic Treasury Bond, 2009-2019, 5.00 % in total nominal value of CZK 0.4 billion. Additionally, there was a regular redemption of the medium-term and long-term government bonds denominated in euro in total nominal value of EUR 2.0 billion. The total nominal value of net issue of medium-term and long-term government bonds on domestic market was amounted to CZK 111.2 billion in the second quarter of 2018 and CZK 65.2 billion in the first half of the year. In the area of medium-term and long-term government bonds issuance on foreign markets no borrowing operation was carried out in the second quarter of 2018.

In the second quarter of 2018, eleven auctions of state treasury bills were carried out in which state treasury bills in a total nominal value of CZK 38.4 billion with the average yield to maturity of 0.54% p.a. were sold. In the first half of the year, the Ministry sold state treasury bills in total nominal value of CZK 174.5 billion with the average yield to maturity of 0.37% p.a. All these state treasury bills mature in this year. The Ministry sold state treasury bills for the purpose of taking advantage of low yields at the short end of the yield curve, while the financial resources obtained from the sale are not primarily involved in covering the financing needs, but were further invested in the money market at a higher yield than they were obtained for. The Ministry is still able to achieve additional state budget revenues resulting from the issuance of state treasury bills and the efficient investment of financial resources even after the end of using the foreign exchange rate as a monetary policy instrument in 2017 and the gradual increase of basic interest rates by the Czech National Bank since then. In the second quarter of 2018, the total nominal value of redemptions of state treasury bills excluding the roll-over amounted to CZK 144.4 billion, the total nominal value of net issue amounted to CZK -106.0 billion in this quarter, in the first half of the year it was CZK 30.1 billion.

In the second quarter of 2018, tranches of savings government bonds were issued in the form of the reinvestment of the yield in total nominal value of CZK 0.1 billion, the regular redemptions of the Coupon savings government bond of the Czech Republic, 2013-2018, FIX % in total nominal value of CZK 0.8 billion and the Reinvestment savings

government bond of the Czech Republic, 2013–2018, FIX % in total nominal value of CZK 6.1 billion were carried out. Additionally, the redemption before maturity date due to the holder's exercise of this option in total nominal value of CZK 17.3 million was carried out. The net issue of savings government bonds amounted to CZK -6.9 billion in the second

quarter. In the area of borrowing and lending from international financial institutions, no loan tranche from European Investment Bank was drawn in the second quarter, only planned repayments of loans amounting to CZK 0.2 billion were carried out.

Revenues from Investing Liquidity of State Treasury

Since the second half of 2017 as part of the liquidity management of the state treasury, the Ministry achieved significant revenues to the state budget resulting from the reverse repo operations, depo operations or foreign exchange swaps in the money market. When investing CZK-denominated liquidity, the Ministry achieved net revenues of CZK 670.9 million in the first half of 2018, which represents more than tenfold year-on-year increase. The Ministry also achieved a significant year-on-year increase in FX swap revenues reaching CZK 157.9 million, which is CZK 141.8 million more than in the previous year for the same period. Total net revenues from state treasury liquidity management operations including revenues from government bond lending

facilities for the first half of 2018 amounted to CZK 836.0 million, which represents a year-on-year increase of CZK 751.4 million.

During the first half of 2018, the Ministry benefited from favourable conditions on the money market, where government bond yields at the shortest end of the yield curve were lower than the stipulated basic monetary policy interest rate of the Czech National Bank and to a larger extent issued state treasury bills maturing in 2018. The funds received from these operations were further invested in repo and depo operations with a positive impact on the state budget. The additional net income from these operations amounted to CZK 109.4 million in accruals.

Savings on Government Debt Servicing Resulting from Efficiently Planned Issuance

During the second quarter of 2018, the Ministry pre-financed most of the August redemption of the Czech Republic Treasury Bond, 2003 - 2018, 4.60 % in total nominal value of CZK 74.4 billion. High coupon rate of this government bond burdened the state budget with the annual expenditure of CZK 3.4 billion. The Ministry's

effectively planned issuance of medium-term and long-term government bonds in the second quarter brought nearly 90% of the funds needed for this redemption, for the average yield of approximately 1.95% p.a. This interest rate differential represents an annual saving in the state budget starting in 2019, amounting to approximately CZK 2.2 billion.

Improving the Rating of the Czech Republic

The international rating agency Moody's has improved the rating of the Czech Republic on 20 April 2018, when it changed its outlook from stable to positive and affirmed local-currency and foreign-currency long-term liabilities at A1 level. The agency appreciated the healthy public finances in the form of a surplus on the general government sector, strong sustainable economic growth and low government indebtedness. The actual development of government debt exceeded expectations of

the agency, while current projections predict a further decline in debt in relative terms in the next years. Consistently low costs of government debt servicing which are expected at 2% to revenue also have positive impact on rating.

Moody's follows other international rating agencies such as Standard & Poor's, Fitch Ratings or Scope Ratings, which affirmed or improved their ratings in recent months.

1 – Borrowing Requirement and Development of State Debt

Table 1: Structure and Balance of the Debt Portfolio

| CZK bn | 2016 | 2017 | 30/6/2018 |
|---|----------------|----------------|----------------|
| Gross state debt | 1,613.4 | 1,624.7 | 1,713.5 |
| T-Bills | 4.2 | 44.0 | 74.1 |
| Other money market instruments | 0.0 | 0.0 | 51.1 |
| Received collateral in cash | 0.0 | 0.0 | 0.0 |
| T-Bonds issued on domestic market | 1,301.6 | 1,305.4 | 1,370.6 |
| T-Bonds issued on foreign markets | 213.5 | 202.6 | 154.2 |
| Savings government bonds | 37.8 | 21.5 | 14.6 |
| Received credits and loans ¹ | 56.3 | 51.2 | 48.9 |
| Promissory notes | 0.0 | 0.0 | 0.0 |
| Share of GDP (%)² | 33.8 | 32.2 | 33.1 |

¹ Credits and loans received from international financial institutions.

² GDP in the ESA 2010 methodology. The source of data for Q1 2016 – Q1 2018 is CZSO, for Q2 2018 the Macroeconomic Forecast of the Czech Republic – April 2018. Source: MoF, CZSO

Table 2: Financing Needs and Sources

| CZK bn | 2016 | 2017 | H1 2018 |
|--|--------------|--------------|--------------|
| Primary balance of state budget | -102.4 | -33.6 | -14.2 |
| Net expenditure on state debt ¹ | 40.7 | 39.8 | 20.1 |
| T-Bonds redemptions ² | 157.8 | 209.4 | 161.7 |
| Redemptions and early redemptions on savings government bonds | 30.2 | 16.9 | 7.0 |
| T-Bills redemptions ³ | 84.4 | 4.2 | 44.0 |
| Other money market instrument redemptions ³ | 2.2 | 0.0 | 0.0 |
| Repayments on credits and loans ⁴ | 1.7 | 5.1 | 2.3 |
| Total financing needs | 214.5 | 241.7 | 220.9 |
| Gross T-Bills issue ^{3, 5} | 4.2 | 44.0 | 74.1 |
| Other money market instrument ³ | 0.0 | 0.0 | 50.7 |
| Received collateral in cash | 0.0 | 0.0 | 0.0 |
| Gross issue of T-Bonds on the domestic market ⁵ | 211.6 | 213.1 | 175.6 |
| Gross issue of T-Bonds on the domestic market up to 5 years ^{5, 6} | 119.6 | 84.2 | 31.7 |
| Gross issue of T-Bonds on the domestic market from 5 to 10 years ^{5, 6} | 48.4 | 70.9 | 56.8 |
| Gross issue of T-Bonds on the domestic market over 10 years ^{5, 6} | 43.7 | 58.0 | 87.0 |
| Gross issue of T-Bonds on foreign markets ⁵ | 0.0 | 0.0 | 0.0 |
| Gross issue of savings government bonds ⁷ | 1.0 | 0.6 | 0.1 |
| Received credits and loans ⁴ | 0.0 | 0.0 | 0.0 |
| Financial asset and liquidity management | -2.3 | -16.1 | -79.5 |
| Total financing sources | 214.5 | 241.7 | 220.9 |
| Gross borrowing requirement | 216.9 | 257.7 | 300.4 |

¹ Balance of the budgetary chapter 396 – State Debt.

² Incl. the effect of buy-backs and exchanges.

³ Excl. T-Bills issued and redeemed within respective period and roll-over of other money market instruments.

⁴ Credits and loans received from international financial institutions.

⁵ Nominal value; premiums and discounts included in the net expenditure on state debt, i.e. they are included in the net borrowing requirement.

⁶ Residual time to maturity at the transaction settlement date.

⁷ Incl. the reinvestment of yields.

Source: MoF

Table 3: Net Borrowing Requirement and Change in State Debt

| CZK bn | 2016 | 2017 | H1 2018 |
|--|----------------|----------------|----------------|
| Gross state debt as at 1 January | 1,673.0 | 1,613.4 | 1,624.7 |
| Primary state budget balance | -102.4 | -33.6 | -14.2 |
| Net expenditure on state debt service ¹ | 40.7 | 39.8 | 20.1 |
| Financial asset and liquidity management operations | 2.3 | 16.1 | 79.5 |
| Net borrowing requirement | -59.4 | 22.2 | 85.4 |
| T-Bills net issue | -80.2 | 39.8 | 30.1 |
| Net change in the balance of other money market instruments | -2.2 | 0.0 | 50.7 |
| T-Bonds net issue on domestic market | 66.4 | 3.8 | 65.2 |
| T-Bonds net issue on foreign markets | -12.6 | 0.0 | -51.4 |
| Savings government bonds net issue | -29.2 | -16.3 | -6.9 |
| Net change in balance of received credits and loans ² | -1.7 | -5.1 | -2.3 |
| Financing of net borrowing requirement | -59.4 | 22.2 | 85.4 |
| Revaluation of state debt ³ | -0.2 | -10.9 | 3.4 |
| Promissory notes net change | 0.0 | 0.0 | 0.0 |
| Gross state debt change | -59.6 | 11.3 | 88.8 |
| Gross state debt as at the end of period | 1,613.4 | 1,624.7 | 1,713.5 |

¹ Balance of budgetary chapter 396 – State debt.

² Credits and loans received from international financial institutions.

³ Incl. the revaluation of the debt denominated in foreign currencies based on the exchange rate difference and the consolidation of state debt from the bonds, which were at the moment of issuance registered on the asset account maintained by the Ministry in the respective record, for the period they were registered on such account, as well as the bonds acquired by the state as the issuer before their maturity date, and the cash resources received or repaid within the lending facilities provided from the nuclear portfolio.

Source: MoF

2 – Primary Market of Government Bonds

Table 4a: Medium-Term and Long-Term Government Bonds Issued in H1 2018

| Issue name | Issue/ tranche no. | Auction date | Settlement date | Maturity date | CCY | Max. nominal value offered in the competitive part of auction | Total nominal value sold |
|----------------|--------------------------|-----------------|--------------------|------------------|-----|--|-----------------------------|
| ČR, 2.40 %, 25 | 89 15 | 3/1 | 5/1 | 17/9/2025 | CZK | 2,000,000,000 | 2,050,000,000 |
| ČR, 0.25 %, 27 | 100 8 | 3/1 | 5/1 | 10/2/2027 | CZK | 4,000,000,000 | 3,660,800,000 |
| ČR, 4.20 %, 36 | 49 12 | 3/1 | 5/1 | 4/12/2036 | CZK | 1,000,000,000 | 20,000,000 |
| ČR, 0.45 %, 23 | 97 16 | 17/1 | 19/1 | 25/10/2023 | CZK | 4,000,000,000 | 1,490,000,000 |
| ČR, 2.50 %, 28 | 78 23 | 17/1 | 19/1 | 25/8/2028 | CZK | 4,000,000,000 | 4,000,000,000 |
| ČR, 2.00 %, 33 | 103 4 | 17/1 | 19/1 | 13/10/2033 | CZK | 4,000,000,000 | 1,700,000,000 |
| ČR, 4.70 %, 22 | 52 13 | 7/2 | 9/2 | 12/9/2022 | CZK | 2,000,000,000 | 2,276,450,000 |
| ČR, 0.25 %, 27 | 100 9 | 7/2 | 9/2 | 10/2/2027 | CZK | 4,000,000,000 | 4,543,730,000 |
| ČR, 0.95 %, 30 | 94 14 | 7/2 | 9/2 | 15/5/2030 | CZK | 4,000,000,000 | 5,827,390,000 |
| ČR, 0.75 %, 21 | 104 1 | 21/2 | 23/2 | 23/2/2021 | CZK | 4,000,000,000 | 1,978,200,000 |
| ČR, 1.00 %, 26 | 95 13 | 21/2 | 23/2 | 26/6/2026 | CZK | 4,000,000,000 | 4,366,310,000 |
| ČR, 2.75 %, 29 | 105 1 | 21/2 | 23/2 | 23/7/2029 | CZK | 4,000,000,000 | 4,276,540,000 |
| ČR, 0.45 %, 23 | 97 17 | 7/3 | 9/3 | 25/10/2023 | CZK | 4,000,000,000 | 4,035,000,000 |
| ČR, 2.50 %, 28 | 78 24 | 7/3 | 9/3 | 25/8/2028 | CZK | 4,000,000,000 | 4,535,000,000 |
| ČR, 2.00 %, 33 | 103 5 | 7/3 | 9/3 | 13/10/2033 | CZK | 4,000,000,000 | 4,130,000,000 |
| ČR, 0.75 %, 21 | 104 2 | 21/3 | 23/3 | 23/2/2021 | CZK | 4,000,000,000 | 5,012,760,000 |
| ČR, 2.40 %, 25 | 89 16 | 21/3 | 23/3 | 17/9/2025 | CZK | 4,000,000,000 | 3,357,670,000 |
| ČR, 2.75 %, 29 | 105 2 | 21/3 | 23/3 | 23/7/2029 | CZK | 4,000,000,000 | 6,002,470,000 |
| ČR, 4.70 %, 22 | 52 14 | 11/4 | 13/4 | 12/9/2022 | CZK | 4,000,000,000 | 4,433,830,000 |
| ČR, 0.25 %, 27 | 100 10 | 11/4 | 13/4 | 10/2/2027 | CZK | 5,000,000,000 | 6,431,980,000 |
| ČR, 0.95 %, 30 | 94 15 | 11/4 | 13/4 | 15/5/2030 | CZK | 5,000,000,000 | 6,981,450,000 |
| ČR, 0.75 %, 21 | 104 3 | 25/4 | 27/4 | 23/2/2021 | CZK | 6,000,000,000 | 5,292,990,000 |
| ČR, 2.75 %, 29 | 105 3 | 25/4 | 27/4 | 23/7/2029 | CZK | 6,000,000,000 | 8,184,850,000 |
| ČR, 2.00 %, 33 | 103 6 | 25/4 | 27/4 | 13/10/2033 | CZK | 5,000,000,000 | 4,463,880,000 |
| ČR, 0.45 %, 23 | 97 18 | 9/5 | 11/5 | 25/10/2023 | CZK | 6,000,000,000 | 1,835,000,000 |
| ČR, 0.25 %, 27 | 100 11 | 9/5 | 11/5 | 10/2/2027 | CZK | 6,000,000,000 | 5,030,000,000 |
| ČR, 4.20 %, 36 | 49 13 | 9/5 | 11/5 | 4/12/2036 | CZK | 3,000,000,000 | 1,073,000,000 |
| ČR, 4.70 %, 22 | 52 15 | 23/5 | 25/5 | 12/9/2022 | CZK | 4,000,000,000 | 1,424,560,000 |
| ČR, 1.00 %, 26 | 95 14 | 23/5 | 25/5 | 26/6/2026 | CZK | 6,000,000,000 | 5,776,000,000 |
| ČR, 0.95 %, 30 | 94 16 | 23/5 | 25/5 | 15/5/2030 | CZK | 6,000,000,000 | 6,580,530,000 |
| ČR, 0.75 %, 21 | 104 4 | 6/6 | 8/6 | 23/2/2021 | CZK | 5,000,000,000 | 5,293,000,000 |
| ČR, 2.40 %, 25 | 89 17 | 6/6 | 8/6 | 17/9/2025 | CZK | 5,000,000,000 | 5,000,000,000 |
| ČR, 2.75 %, 29 | 105 4 | 6/6 | 8/6 | 23/7/2029 | CZK | 7,000,000,000 | 8,217,000,000 |
| ČR, 2.40 %, 25 | 89 18 | 13/6 | 15/6 | 17/9/2025 | CZK | 5,000,000,000 | 4,411,000,000 |
| ČR, VAR %, 27 | 90 10 | 13/6 | 15/6 | 19/11/2027 | CZK | 5,000,000,000 | 4,859,000,000 |
| ČR, 2.75 %, 29 | 105 5 | 13/6 | 15/6 | 23/7/2029 | CZK | 7,000,000,000 | 5,502,000,000 |
| ČR, 0.75 %, 21 | 104 5 | 20/6 | 22/6 | 23/2/2021 | CZK | 5,000,000,000 | 5,041,160,000 |
| ČR, 2.50 %, 28 | 78 25 | 20/6 | 22/6 | 25/8/2028 | CZK | 7,000,000,000 | 8,243,260,000 |
| ČR, 2.75 %, 29 | 105 6 | 20/6 | 22/6 | 23/7/2029 | CZK | 7,000,000,000 | 5,884,230,000 |
| Total | | | | | | | 173,221,040,000 |

Source: MoF, CNB

Table 4b: Medium-Term and Long-Term Government Bonds Issued in H1 2018

| Issue name | Issue/ tranche no. | Coupon | Average net price | Average yield to maturity (% p.a.) | Bid- to- cover ratio | Sold in the competitive part of the auction/Max. nominal value offered (%) | Sold in the non- competitive part of the auction/ Max. nominal value offered (%) |
|----------------|--------------------------|--------|----------------------|---|-------------------------------|--|--|
| ČR, 2.40 %, 25 | 89 15 | 2.40% | 107.362 | 1.385 | 1.64 | 100.00 | 2.50 |
| ČR, 0.25 %, 27 | 100 8 | 0.25% | 88.545 | 1.614 | 1.20 | 82.50 | 9.02 |
| ČR, 4.20 %, 36 | 49 12 | 4.20% | 128.000 | 2.349 | 3.00 | 2.00 | 0.00 |
| ČR, 0.45 %, 23 | 97 16 | 0.45% | 95.530 | 1.259 | 1.49 | 37.25 | 0.00 |
| ČR, 2.50 %, 28 | 78 23 | 2.50% | 105.622 | 1.909 | 1.54 | 100.00 | 0.00 |
| ČR, 2.00 %, 33 | 103 4 | 2.00% | 95.106 | 2.376 | 1.15 | 41.25 | 1.25 |
| ČR, 4.70 %, 22 | 52 13 | 4.70% | 116.307 | 1.043 | 2.49 | 100.00 | 13.82 |
| ČR, 0.25 %, 27 | 100 9 | 0.25% | 87.462 | 1.769 | 1.58 | 100.00 | 13.59 |
| ČR, 0.95 %, 30 | 94 14 | 0.95% | 87.096 | 2.159 | 1.79 | 125.85 | 19.83 |
| ČR, 0.75 %, 21 | 104 1 | 0.75% | 99.546 | 0.904 | 1.18 | 43.25 | 6.21 |
| ČR, 1.00 %, 26 | 95 13 | 1.00% | 94.700 | 1.687 | 1.55 | 100.00 | 9.16 |
| ČR, 2.75 %, 29 | 105 1 | 2.75% | 107.244 | 2.033 | 1.55 | 100.00 | 6.91 |
| ČR, 0.45 %, 23 | 97 17 | 0.45% | 95.646 | 1.256 | 1.30 | 100.00 | 0.88 |
| ČR, 2.50 %, 28 | 78 24 | 2.50% | 105.443 | 1.920 | 1.95 | 113.38 | 0.00 |
| ČR, 2.00 %, 33 | 103 5 | 2.00% | 94.511 | 2.426 | 1.17 | 100.00 | 3.25 |
| ČR, 0.75 %, 21 | 104 2 | 0.75% | 99.544 | 0.909 | 1.75 | 115.13 | 10.19 |
| ČR, 2.40 %, 25 | 89 16 | 2.40% | 105.313 | 1.639 | 1.20 | 75.28 | 8.67 |
| ČR, 2.75 %, 29 | 105 2 | 2.75% | 106.346 | 2.113 | 1.62 | 135.13 | 14.94 |
| ČR, 4.70 %, 22 | 52 14 | 4.70% | 116.234 | 0.928 | 1.76 | 100.00 | 10.85 |
| ČR, 0.25 %, 27 | 100 10 | 0.25% | 89.144 | 1.577 | 1.83 | 110.14 | 18.50 |
| ČR, 0.95 %, 30 | 94 15 | 0.95% | 89.103 | 1.972 | 1.66 | 119.90 | 19.73 |
| ČR, 0.75 %, 21 | 104 3 | 0.75% | 99.679 | 0.865 | 1.23 | 79.00 | 9.22 |
| ČR, 2.75 %, 29 | 105 3 | 2.75% | 108.529 | 1.898 | 1.42 | 121.42 | 15.00 |
| ČR, 2.00 %, 33 | 103 6 | 2.00% | 97.086 | 2.224 | 1.18 | 79.50 | 9.78 |
| ČR, 0.45 %, 23 | 97 18 | 0.45% | 95.947 | 1.222 | 1.20 | 30.58 | 0.00 |
| ČR, 0.25 %, 27 | 100 11 | 0.25% | 88.468 | 1.677 | 1.14 | 83.83 | 0.00 |
| ČR, 4.20 %, 36 | 49 13 | 4.20% | 125.813 | 2.452 | 1.16 | 35.77 | 0.00 |
| ČR, 4.70 %, 22 | 52 15 | 4.70% | 114.545 | 1.205 | 1.47 | 33.50 | 2.11 |
| ČR, 1.00 %, 26 | 95 14 | 1.00% | 93.622 | 1.856 | 1.10 | 93.88 | 2.38 |
| ČR, 0.95 %, 30 | 94 16 | 0.95% | 86.515 | 2.247 | 1.34 | 100.00 | 9.68 |
| ČR, 0.75 %, 21 | 104 4 | 0.75% | 99.050 | 1.107 | 1.22 | 104.40 | 1.46 |
| ČR, 2.40 %, 25 | 89 17 | 2.40% | 104.406 | 1.749 | 1.14 | 100.00 | 0.00 |
| ČR, 2.75 %, 29 | 105 4 | 2.75% | 105.336 | 2.202 | 1.15 | 117.39 | 0.00 |
| ČR, 2.40 %, 25 | 89 18 | 2.40% | 103.550 | 1.872 | 1.12 | 88.22 | 0.00 |
| ČR, VAR %, 27 | 90 10 | VAR% | 100.833 | -19.167 ¹ | 1.80 | 97.18 | 0.00 |
| ČR, 2.75 %, 29 | 105 5 | 2.75% | 104.202 | 2.314 | 1.05 | 78.60 | 0.00 |
| ČR, 0.75 %, 21 | 104 5 | 0.75% | 98.702 | 1.246 | 1.09 | 95.90 | 4.92 |
| ČR, 2.50 %, 28 | 78 25 | 2.50% | 102.918 | 2.177 | 1.27 | 100.54 | 17.22 |
| ČR, 2.75 %, 29 | 105 6 | 2.75% | 103.870 | 2.347 | 1.14 | 79.46 | 4.60 |
| Average | | | | | 1.45 | 87.70 | 6.30 |

¹ Average spread to PRIBOR in basis points (discount margin).
Source: MoF, CNB

Table 5: State Treasury Bills Issued in H1 2018

| Issue no. | Maturity (weeks) | Auction date | Issue date | Maturity date | Max. offered nominal amount | Total placed nominal amount | Yield to maturity (% p.a.) |
|--------------|------------------|--------------|------------|---------------|-----------------------------|-----------------------------|----------------------------|
| 776 | 13 | 4/1 | 5/1 | 6/4/2018 | 5,000,000,000 | 12,650,000,000 | 0.175 |
| 777 | 13 | 11/1 | 12/1 | 13/4/2018 | 5,000,000,000 | 22,358,000,000 | 0.050 |
| 778 | 13 | 18/1 | 19/1 | 20/4/2018 | 5,000,000,000 | 4,928,000,000 | 0.050 |
| 779 | 13 | 25/1 | 26/1 | 27/4/2018 | 5,000,000,000 | 10,850,000,000 | 0.200 |
| 780 | 13 | 1/2 | 2/2 | 4/5/2018 | 5,000,000,000 | 1,610,000,000 | 0.300 |
| 781 | 13 | 8/2 | 9/2 | 11/5/2018 | 5,000,000,000 | 7,650,000,000 | 0.400 |
| 782 | 13 | 15/2 | 16/2 | 18/5/2018 | 5,000,000,000 | 30,843,000,000 | 0.400 |
| 783 | 13 | 22/2 | 23/2 | 25/5/2018 | 5,000,000,000 | 9,488,000,000 | 0.400 |
| 784 | 26 | 1/3 | 2/3 | 31/8/2018 | 5,000,000,000 | 16,260,000,000 | 0.520 |
| 785 | 26 | 8/3 | 9/3 | 7/9/2018 | 5,000,000,000 | 17,288,000,000 | 0.540 |
| 786 | 39 | 15/3 | 16/3 | 14/12/2018 | 5,000,000,000 | 2,078,000,000 | 0.500 |
| 787 | 39 | 22/3 | 23/3 | 21/12/2018 | 5,000,000,000 | 126,000,000 | 0.500 |
| 788 | 26 | 5/4 | 6/4 | 5/10/2018 | 5,000,000,000 | 5,927,000,000 | 0.500 |
| 789 | 13 | 12/4 | 13/4 | 13/7/2018 | 5,000,000,000 | 3,324,000,000 | 0.500 |
| 790 | 26 | 19/4 | 20/4 | 19/10/2018 | 5,000,000,000 | 1,309,000,000 | 0.500 |
| 791 | 26 | 26/4 | 27/4 | 26/10/2018 | 5,000,000,000 | 2,263,000,000 | 0.500 |
| 792 | 26 | 3/5 | 4/5 | 2/11/2018 | 5,000,000,000 | 1,955,000,000 | 0.500 |
| 793 | 26 | 10/5 | 11/5 | 9/11/2018 | 5,000,000,000 | 3,185,000,000 | 0.500 |
| 794 | 26 | 17/5 | 18/5 | 16/11/2018 | 5,000,000,000 | 2,503,000,000 | 0.550 |
| 795 | 26 | 24/5 | 25/5 | 23/11/2018 | 5,000,000,000 | 2,051,000,000 | 0.570 |
| 796 | 26 | 31/5 | 1/6 | 30/11/2018 | 5,000,000,000 | 14,990,000,000 | 0.590 |
| 797 | 26 | 7/6 | 8/6 | 7/12/2018 | 5,000,000,000 | 844,000,000 | 0.550 |
| 798 | 26 | 14/6 | 15/6 | 14/12/2018 | 5,000,000,000 | 19,000,000 | 0.550 |
| Total | | | | | | 174,499,000,000 | 0.373¹ |

¹ Average weighted yield to maturity.
Source: MoF, CNB

Table 6: Medium-Term and Long-Term Government Bonds Issued on Domestic Market as at 30/6/2018

| Issue name | Issue no. | ISIN | Maturity date | Nominal value outstanding | Nominal value booked on MoF's asset accounts |
|----------------|-----------|--------------|---------------|---------------------------|--|
| ČR, 4.60 %, 18 | 41 | CZ0001000822 | 18/8/2018 | 74,400,000,000 | 0 |
| ČR, 5.00 %, 19 | 56 | CZ0001002471 | 11/4/2019 | 85,759,000,000 | 1,980,000,000 |
| ČR, 0.00 %, 19 | 98 | CZ0001004717 | 17/7/2019 | 70,000,000,000 | 0 |
| ČR, 1.50 %, 19 | 76 | CZ0001003834 | 29/10/2019 | 85,153,200,000 | 0 |
| ČR, 0.00 %, 20 | 101 | CZ0001005011 | 10/2/2020 | 42,513,880,000 | 7,540,000,000 |
| ČR, 3.75 %, 20 | 46 | CZ0001001317 | 12/9/2020 | 75,000,000,000 | 0 |
| ČR, VAR %, 20 | 91 | CZ0001004113 | 9/12/2020 | 33,923,370,000 | 2,050,000,000 |
| ČR, 0.75 %, 21 | 104 | CZ0001005367 | 23/2/2021 | 22,618,110,000 | 1,000,000,000 |
| ČR, 3.85 %, 21 | 61 | CZ0001002851 | 29/9/2021 | 76,535,000,000 | 1,100,000,000 |
| ČR, 0.00 %, 22 | 102 | CZ0001005029 | 24/2/2022 | 1,245,780,000 | 4,600,000,000 |
| ČR, 4.70 %, 22 | 52 | CZ0001001945 | 12/9/2022 | 84,412,580,000 | 1,689,000,000 |
| ČR, VAR %, 23 | 63 | CZ0001003123 | 18/4/2023 | 81,207,870,000 | 5,792,130,000 |
| ČR, 0.45 %, 23 | 97 | CZ0001004600 | 25/10/2023 | 47,289,100,000 | 2,000,000,000 |
| ČR, 5.70 %, 24 | 58 | CZ0001002547 | 25/5/2024 | 87,600,000,000 | 2,400,000,000 |
| ČR, 2.40 %, 25 | 89 | CZ0001004253 | 17/9/2025 | 79,623,810,000 | 1,000,000,000 |
| ČR, 1.00 %, 26 | 95 | CZ0001004469 | 26/6/2026 | 59,683,990,000 | 2,633,000,000 |
| ČR, 0.25 %, 27 | 100 | CZ0001005037 | 10/2/2027 | 44,400,460,000 | 2,500,000,000 |
| ČR, VAR %, 27 | 90 | CZ0001004105 | 19/11/2027 | 51,601,420,000 | 1,000,000,000 |
| ČR, 2.50 %, 28 | 78 | CZ0001003859 | 25/8/2028 | 98,644,410,000 | 1,355,590,000 |
| ČR, 2.75 %, 29 | 105 | CZ0001005375 | 23/7/2029 | 38,067,090,000 | 1,000,000,000 |
| ČR, 0.95 %, 30 | 94 | CZ0001004477 | 15/5/2030 | 67,102,460,000 | 1,831,000,000 |
| ČR, 2.00 %, 33 | 103 | CZ0001005243 | 13/10/2033 | 15,691,860,000 | 2,000,000,000 |
| ČR, 4.20 %, 36 | 49 | CZ0001001796 | 4/12/2036 | 36,821,370,000 | 730,000,000 |
| ČR, 4.85 %, 57 | 53 | CZ0001002059 | 26/11/2057 | 11,330,000,000 | 6,670,000,000 |
| Total | | | | 1,370,624,760,000 | 50,870,720,000 |

Note: Excl. nominal values of government bonds provided and/or received by the Ministry as collateral when realizing repo operations under treasury single accounts liquidity management and/or within lending facilities.
Source: MoF

Table 7: Medium-Term and Long-Term Government Bonds Issued on Foreign Markets as at 30/6/2018

| ISIN | CCY | Maturity date | Nominal value outstanding | Nominal value booked on MoF's asset accounts |
|------------------|-----|---------------|---------------------------|--|
| XS0215153296 | EUR | 18/3/2020 | 1,000,000,000 | 0 |
| XS0541140793 | EUR | 14/4/2021 | 2,000,000,000 | 0 |
| XS0750894577 | EUR | 24/5/2022 | 2,750,000,000 | 0 |
| XS0240954361 | JPY | 16/1/2036 | 30,000,000,000 | 0 |
| Total EUR | | | 5,750,000,000 | 0 |
| Total JPY | | | 30,000,000,000 | 0 |

Note: Excl. nominal values of government bonds provided and/or received by the Ministry as collateral when realizing repo operations under treasury single accounts liquidity management and/or within lending facilities.
Source: MoF

Table 8: Issued State Treasury Bills as at 30/6/2018

| Issue no. | Maturity (weeks) | ISIN | Maturity date | Nominal value outstanding | Nominal value booked on MoF's asset accounts |
|--------------|------------------|--------------|---------------|---------------------------|--|
| 789 | 13 | CZ0001005474 | 13/7/2018 | 3,324,000,000 | 0 |
| 784 | 26 | CZ0001005425 | 31/8/2018 | 16,260,000,000 | 0 |
| 785 | 26 | CZ0001005433 | 7/9/2018 | 17,288,000,000 | 0 |
| 788 | 26 | CZ0001005466 | 5/10/2018 | 5,927,000,000 | 0 |
| 790 | 26 | CZ0001005482 | 19/10/2018 | 1,309,000,000 | 0 |
| 791 | 26 | CZ0001005490 | 26/10/2018 | 2,263,000,000 | 0 |
| 792 | 26 | CZ0001005508 | 2/11/2018 | 1,955,000,000 | 0 |
| 793 | 26 | CZ0001005516 | 9/11/2018 | 3,185,000,000 | 0 |
| 794 | 26 | CZ0001005524 | 16/11/2018 | 2,503,000,000 | 0 |
| 795 | 26 | CZ0001005532 | 23/11/2018 | 2,051,000,000 | 0 |
| 796 | 26 | CZ0001005540 | 30/11/2018 | 14,990,000,000 | 0 |
| 797 | 26 | CZ0001005557 | 7/12/2018 | 844,000,000 | 0 |
| 786 | 39 | CZ0001005441 | 14/12/2018 | 2,078,000,000 | 0 |
| 798 | 26 | CZ0001005565 | 14/12/2018 | 19,000,000 | 0 |
| 787 | 39 | CZ0001005458 | 21/12/2018 | 126,000,000 | 0 |
| Total | | | | 74,122,000,000 | 0 |

Note: Excl. nominal values of government bonds provided and/or received by the Ministry as collateral when realizing repo operations under treasury single accounts liquidity management and/or within lending facilities.
Source: MoF

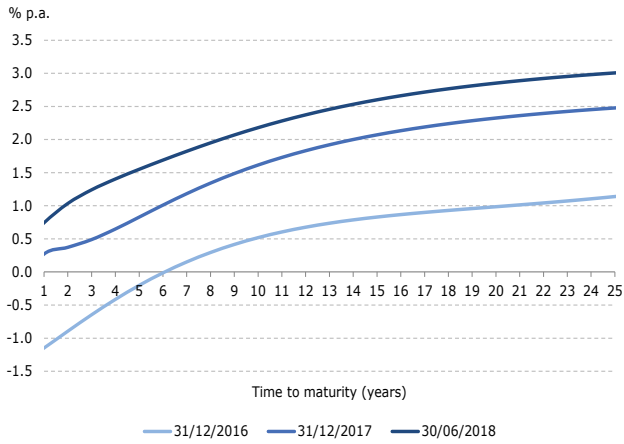
Table 9: Issued Savings Government Bonds as at 30/6/2018

| Bond | Issue no. | ISIN | Maturity date | Nominal value outstanding | Nominal value booked on MoF's asset accounts |
|--|-----------|--------------|---------------|---------------------------|--|
| Coupon savings government bond | 85 | CZ0001004188 | 12/12/2018 | 1,355,351,518 | 0 |
| Reinvestment savings government bond | 86 | CZ0001004196 | 12/12/2018 | 8,047,669,308 | 0 |
| Inflation-linked savings government bond | 70 | CZ0001003586 | 12/6/2019 | 1,911,735,401 | 0 |
| Reinvestment savings government bond | 92 | CZ0001004303 | 12/6/2019 | 745,436,333 | 0 |
| Inflation-linked savings government bond | 83 | CZ0001003990 | 12/6/2020 | 388,126,314 | 0 |
| Inflation-linked savings government bond | 87 | CZ0001004204 | 12/12/2020 | 2,092,194,697 | 0 |
| Variable-rate savings government bond | 93 | CZ0001004311 | 12/12/2020 | 30,581,090 | 0 |
| Total | | | | 14,571,094,661 | 0 |

Source: MoF

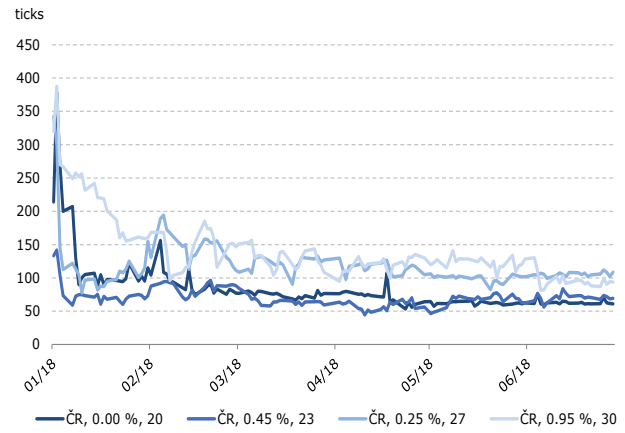
3 – Secondary Market of Government Bonds

Figure 1: Yield Curve of CZK-Denominated Government Bonds



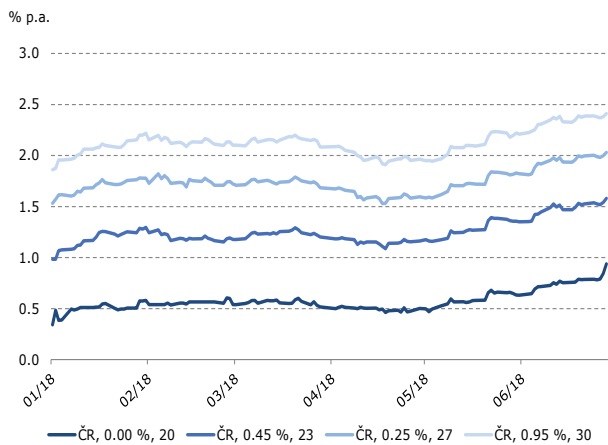
Note: "Par" yield curve of CZK-denominated fixed-rate government bonds is constructed on the basis the extended Nelson-Siegel model, called Svensson model.
Source: MoF, MTS

Figure 2: Bid-Offer Spreads of Selected Government Bonds



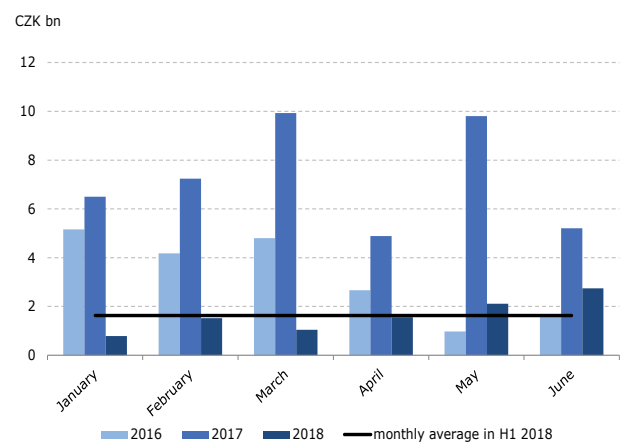
Source: MoF, MTS

Figure 3: Yields of Selected Government Bonds



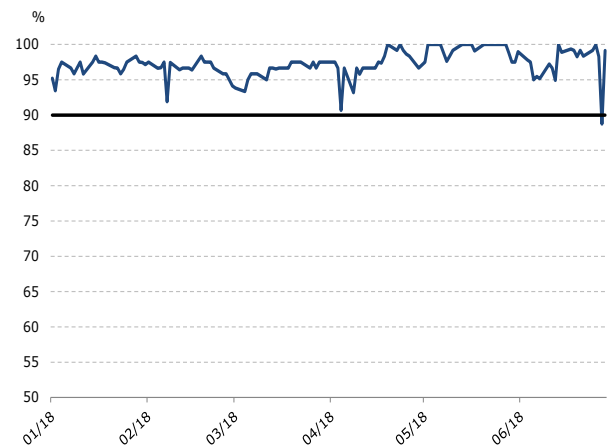
Source: MoF, MTS

Figure 4: Traded Nominal Value on MTS Czech Republic



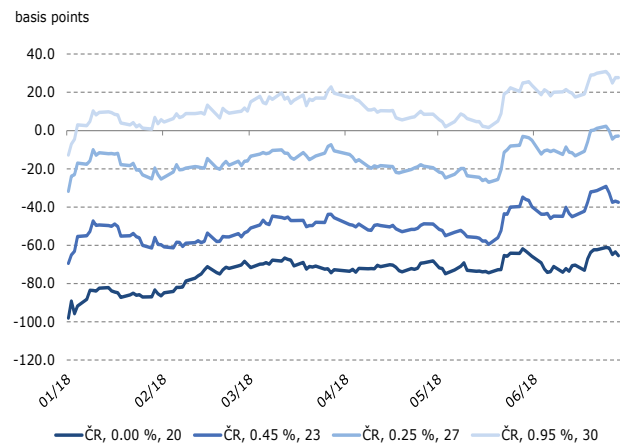
Source: MoF, MTS

Figure 5: Average Daily Compliance Ratio of Primary Dealers on MTS Czech Republic



Source MoF, MTS

Figure 6: "Asset Swap Spread" Risk Premium of Selected Government Bonds



Source: Bloomberg

Table 10a: Realized Lending Facilities of Government Bonds in the Form of Repo Operations in H1 2018

| Issue name | ISIN | Collateral nominal amount | Financial resources received | Financial resources paid ¹ |
|----------------|--------------|---------------------------|------------------------------|---------------------------------------|
| ČR, 0.00 %, 20 | CZ0001005011 | 2,160,000,000 | 2,131,090,800.00 | 2,131,051,076.01 |
| ČR, 3.85 %, 21 | CZ0001002851 | 310,000,000 | 346,510,875.00 | 346,504,121.60 |
| ČR, 0.00 %, 22 | CZ0001005029 | 50,000,000 | 47,621,000.00 | 47,620,074.04 |
| ČR, 0.45 %, 23 | CZ0001004600 | 175,000,000 | 167,092,133.56 | 167,090,509.05 |
| ČR, 1.00 %, 26 | CZ0001004469 | 550,000,000 | 524,081,602.74 | 524,078,095.08 |
| ČR, 0.25 %, 27 | CZ0001005037 | 811,000,000 | 711,627,782.32 | 711,616,365.07 |
| ČR, VAR %, 27 | CZ0001004105 | 138,000,000 | 140,887,788.89 | 140,884,664.49 |
| ČR, 2.50 %, 28 | CZ0001003859 | 630,000,000 | 684,991,963.89 | 684,978,320.36 |
| ČR, 2.75 %, 29 | CZ0001005375 | 250,000,000 | 266,270,547.95 | 266,267,959.21 |
| ČR, 0.95 %, 30 | CZ0001004477 | 100,000,000 | 88,065,410.96 | 88,063,698.58 |
| Total | | 5,174,000,000 | 5,108,239,905.31 | 5,108,154,883.49 |

¹ Incl. financial resources from this lending facilities realized in H1 2018, which has not been paid during this period.

Note: The average interest rate achieved under this lending facilities during H1 2018 amounted to -0.07% p.a.

Source: MoF

Table 10b: Realized Lending Facilities of Government Bonds in the Form of Collateralized Loans of Securities in H1 2018

| Issue name | ISIN | Nominal value | Revenue ¹ |
|----------------|--------------|-----------------------|----------------------|
| ČR, 0.00 %, 20 | CZ0001005011 | 240,000,000 | 18,441.17 |
| ČR, VAR %, 20 | CZ0001004113 | 121,000,000 | 19,673.97 |
| ČR, 3.85 %, 21 | CZ0001002851 | 833,000,000 | 313,947.16 |
| ČR, 4.70 %, 22 | CZ0001001945 | 1,247,000,000 | 264,112.99 |
| ČR, 0.45 %, 23 | CZ0001004600 | 101,000,000 | 8,428.12 |
| ČR, 5.70 %, 24 | CZ0001002547 | 777,000,000 | 334,594.50 |
| ČR, 1.00 %, 26 | CZ0001004469 | 466,000,000 | 45,561.87 |
| ČR, 0.25 %, 27 | CZ0001005037 | 5,100,000,000 | 1,113,237.78 |
| ČR, VAR %, 27 | CZ0001004105 | 1,553,000,000 | 246,755.73 |
| ČR, 2.50 %, 28 | CZ0001003859 | 683,000,000 | 108,515.88 |
| ČR, 2.75 %, 29 | CZ0001005375 | 50,000,000 | 4,556.74 |
| ČR, 0.95 %, 30 | CZ0001004477 | 612,000,000 | 189,566.62 |
| ČR, 4.20 %, 36 | CZ0001001796 | 180,000,000 | 32,207.54 |
| ČR, 4.85 %, 57 | CZ0001002059 | 46,000,000 | 23,037.48 |
| Total | | 12,009,000,000 | 2,722,637.55 |

¹ Incl. financial revenue from this lending facilities realized in H1 2018, which has not been terminated during this period.

Source: MoF

Table 11: Realized Exchange Operations of Government Bonds in H1 2018

| Settlement date | Issue name | Tap sale | | Issue name | Buy-back | |
|-----------------|----------------|--------------------|---------------|--------------------|---------------|---------------|
| | | Nominal value | Average price | | Nominal value | Average price |
| 1/6/2018 | ČR, 0.95 %, 30 | 150,000,000 | 86.500 | ČR, 5.00 %, 19 | 150,000,000 | 103.632 |
| 4/6/2018 | ČR, 0.95 %, 30 | 200,000,000 | 86.500 | ČR, 5.00 %, 19 | 200,000,000 | 103.597 |
| Total | | 350,000,000 | | 350,000,000 | | |

Source: MoF

Table 12: Realized Tap Sales of Government Bonds in H1 2018

| Issue name | Issue no. | Settlement date | Maturity date | Average price | Nominal value |
|----------------|-----------|-----------------|---------------|---------------|----------------------|
| ČR, 4.85 %, 57 | 53 | 20/2/2018 | 26/11/2057 | 146.800 | 90,000,000 |
| ČR, 0.95 %, 30 | 94 | 27/2/2018 | 15/5/2030 | 87.700 | 200,000,000 |
| ČR, 4.20 %, 36 | 49 | 27/2/2018 | 4/12/2036 | 127.500 | 115,000,000 |
| ČR, 4.85 %, 57 | 53 | 27/2/2018 | 26/11/2057 | 146.800 | 50,000,000 |
| ČR, 0.95 %, 30 | 94 | 28/2/2018 | 15/5/2030 | 87.850 | 300,000,000 |
| ČR, 4.20 %, 36 | 49 | 29/5/2018 | 4/12/2036 | 123.952 | 50,000,000 |
| ČR, 4.85 %, 57 | 53 | 29/5/2018 | 26/11/2057 | 141.498 | 20,000,000 |
| ČR, 4.70 %, 22 | 52 | 31/5/2018 | 12/9/2022 | 114.724 | 11,000,000 |
| ČR, 4.20 %, 36 | 49 | 31/5/2018 | 4/12/2036 | 124.417 | 100,000,000 |
| ČR, 4.20 %, 36 | 49 | 1/6/2018 | 4/12/2036 | 124.486 | 50,000,000 |
| ČR, 4.70 %, 22 | 52 | 1/6/2018 | 12/9/2022 | 114.754 | 100,000,000 |
| ČR, 4.20 %, 36 | 49 | 5/6/2018 | 4/12/2036 | 124.486 | 70,000,000 |
| ČR, 4.70 %, 22 | 52 | 20/6/2018 | 12/9/2022 | 113.826 | 400,000,000 |
| ČR, 4.70 %, 22 | 52 | 27/6/2018 | 12/9/2022 | 113.600 | 200,000,000 |
| ČR, VAR %, 20 | 91 | 28/6/2018 | 9/12/2020 | 100.625 | 150,000,000 |
| ČR, 4.70 %, 22 | 52 | 29/6/2018 | 12/9/2022 | 113.600 | 100,000,000 |
| Total | | | | | 2,006,000,000 |

Source: MoF

4 – Risk Management and Portfolio Strategy

Table 13: Targets, Limits and Risk Parameters of the Debt Portfolio

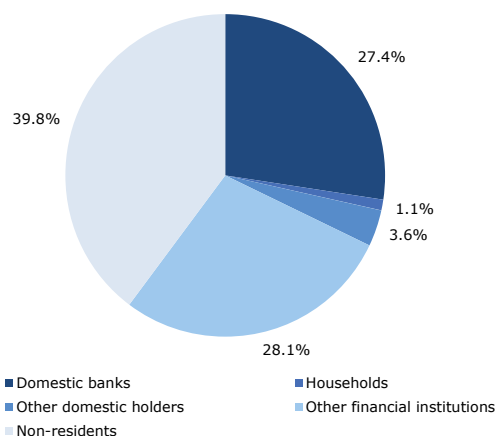
| INDICATOR | Announced target for medium-term horizon | As at 30/6/2018 |
|--|--|-----------------|
| Short-term state debt | 20.0% and less | 17.5% |
| Medium-term state debt | 70.0% and less | 60.7% |
| Average time to maturity | 6.0 years ¹ | 5.2 years |
| Interest re-fixing up to 1 year | 30.0 to 40.0% | 32.1% |
| Average time to re-fixing | 4.0 years | 4.5 years |
| Net foreign-currency exposure of state debt with the impact on state debt level | 15.0% and less ² | 10.5% |
| Net foreign-currency exposure with the impact of the level of interest expenditure on state debt service | 15.0% and less ² | 10.6% |

¹ With a possibility of deviation of 0.25 years.

² Possible short-term excess by 2 p.p. in case of an unexpected depreciation of domestic currency. The limit stipulated by the Ministry is valid for each year of medium-term horizon without the possibility to exceed it. However, its value is subjected to the condition that there will be no more pronounced depreciation of Czech koruna exchange rate.

Source: MoF

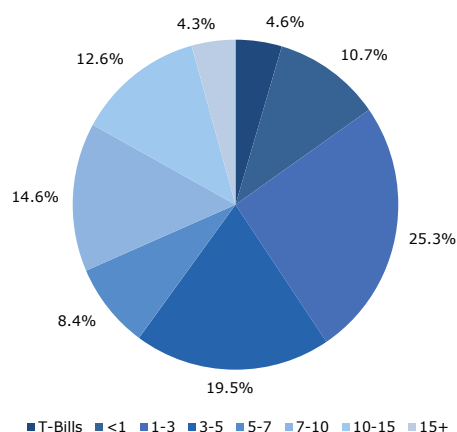
Figure 7: Structure of CZK-Denominated Government Bonds by Type of Holder



Note: Involves T-Bonds issued on domestic market, savings government bonds and T-Bills. As at 30/6/2018.

Source: MoF, CDCP, CNB

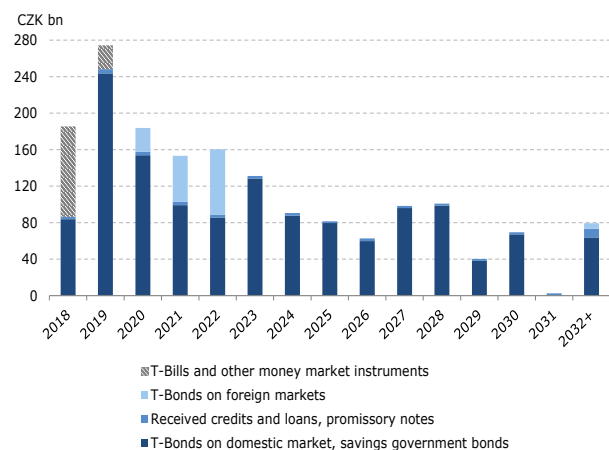
Figure 8: Structure of Government Bonds by Residual Time to Maturity



Note: Involves T-Bonds issued on domestic and foreign markets, savings government bonds and T-Bills. As at 30/6/2018.

Source: MoF

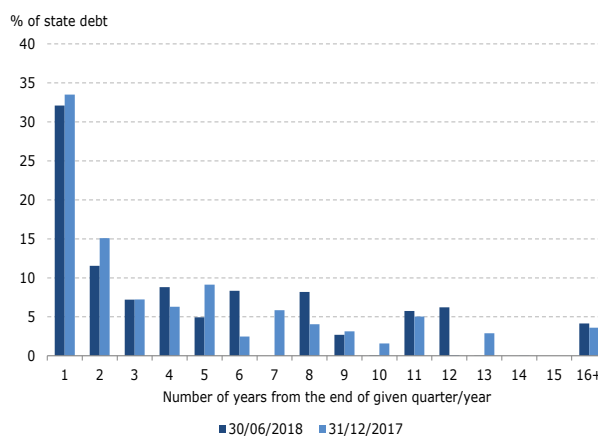
Figure 9: Maturity Profile of State Debt



Note: Received credits and loans include credits and loans received from international financial institutions. As at 30/6/2018.

Source: MoF

Figure 10: Re-fixing Profile of State Debt



Source: MoF

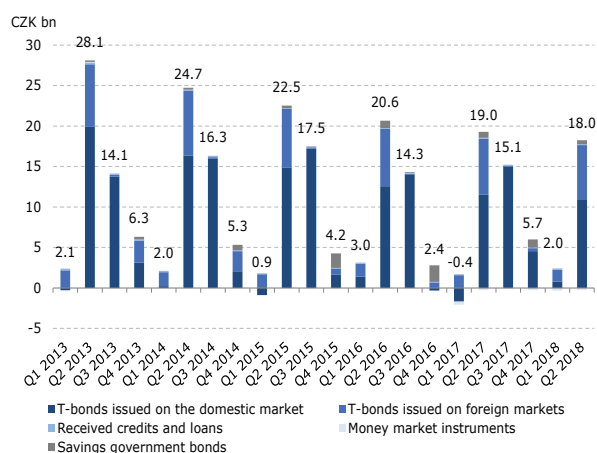
Table 14: State Debt Parameters

| | 30/6/2017 | 30/9/2017 | 31/12/2017 | 31/3/2018 | 30/6/2018 |
|---|----------------|----------------|----------------|----------------|----------------|
| Total state debt (CZK bn) | 1,788.8 | 1,610.1 | 1,624.7 | 1,712.1 | 1,713.5 |
| Market value of state debt (CZK bn) | 1,969.2 | 1,767.7 | 1,751.0 | 1,829.6 | 1,797.3 |
| Short-term state debt (%) | 25.0 | 20.4 | 18.5 | 19.0 | 17.5 |
| Medium-term state debt (%) | 65.5 | 65.5 | 62.3 | 61.1 | 60.7 |
| State treasury bills (%) | 8.3 | 0.0 | 2.7 | 10.5 | 4.3 |
| Other money market instruments (%) | 0.0 | 0.2 | 0.0 | 0.0 | 3.0 |
| Average time to maturity (years) | 4.6 | 4.9 | 5.0 | 4.8 | 5.2 |
| Interest re-fixing up to 1 year (%) | 38.7 | 35.5 | 33.5 | 33.3 | 32.1 |
| Average time to re-fixing (years) | 3.7 | 4.0 | 4.1 | 4.1 | 4.5 |
| Variable-rate state debt (%) | 14.3 | 12.8 | 12.7 | 11.9 | 12.2 |
| Modified duration (years) | 3.5 | 3.7 | 3.7 | 3.7 | 4.0 |
| State debt level net foreign currency exposure (%) | 10.2 | 11.2 | 10.9 | 10.4 | 10.5 |
| Interest expenditure on state debt net foreign currency exposure (%) | 10.2 | 11.3 | 11.0 | 10.4 | 10.6 |
| Foreign currency state debt (%) | 11.7 | 12.9 | 12.5 | 11.9 | 12.1 |
| Share of € in state debt level net foreign currency exposure (%) | 96.6 | 96.8 | 96.8 | 96.7 | 90.5 |
| Share of € in interest expenditure on state debt net foreign currency exposure (%) | 100.0 | 100.0 | 100.0 | 100.0 | 93.8 |
| Non-marketable state debt (%) ¹ | 3.1 | 3.2 | 3.2 | 2.9 | 5.8 |
| Share of savings government bonds on state debt (%) | 1.7 | 1.9 | 1.3 | 1.3 | 0.9 |
| Marketable state debt (CZK bn) | 1,702.6 | 1,527.7 | 1,552.0 | 1,641.6 | 1,598.9 |
| Market value of marketable state debt (CZK bn) | 1,881.2 | 1,683.8 | 1,677.8 | 1,758.5 | 1,682.9 |
| Short-term marketable state debt (%) | 25.1 | 20.2 | 18.0 | 18.6 | 14.7 |
| Medium-term marketable state debt (%) | 65.8 | 65.7 | 62.6 | 61.3 | 59.7 |
| State treasury bills (%) | 8.7 | 0.0 | 2.8 | 11.0 | 4.6 |
| Other money market instruments (%) | 0.0 | 0.2 | 0.0 | 0.0 | 0.0 |
| Average time to maturity (years) | 4.5 | 4.9 | 4.9 | 4.8 | 5.3 |
| Interest re-fixing up to 1 year (%) | 36.9 | 33.4 | 31.1 | 31.2 | 27.9 |
| Average time to re-fixing (years) | 3.8 | 4.1 | 4.2 | 4.2 | 4.7 |
| Variable-rate marketable state debt (%) | 12.2 | 10.6 | 10.4 | 9.9 | 10.4 |
| Modified duration (years) | 3.6 | 3.8 | 3.8 | 3.8 | 4.2 |
| Marketable state debt level net foreign currency exposure (%) | 10.7 | 11.8 | 11.5 | 10.8 | 8.1 |
| Interest expenditure on marketable state debt net foreign currency exposure (%) | 10.7 | 11.9 | 11.5 | 10.8 | 8.1 |
| Foreign-currency marketable state debt (%) | 12.3 | 13.6 | 13.1 | 12.4 | 9.7 |
| Share of € in marketable state debt level net foreign currency exposure (%) | 96.6 | 96.8 | 96.8 | 96.7 | 95.3 |
| Share of € in interest expenditure on marketable state debt net foreign currency exposure (%) | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

¹ Excl. savings government bonds.
Source: MoF

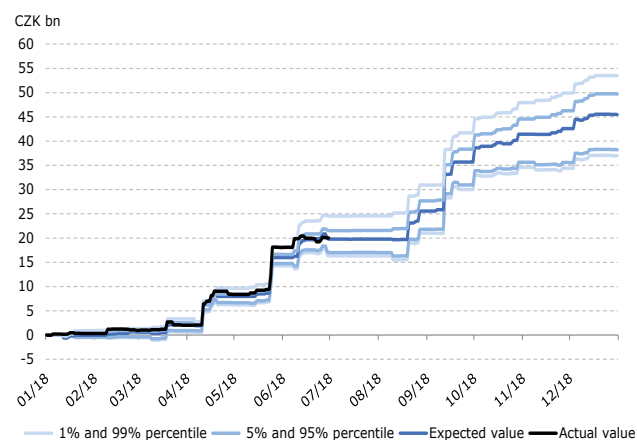
5 – State Debt Service Expenditure and Cost-at-Risk

Figure 11: Net Interest Expenditure on State Debt



Note: Received credits and loans include credits and loans received from international financial institutions.
Source: MoF

Figure 12: Actual vs. Simulated Net Interest Expenditure on State Debt



Note: Interest expenditure are calculated using the cash principle according to the current state budget methodology.
Source: MoF

Table 15: Budget Expenditure and Revenue of the Chapter State Debt in 2018

| CZK mil. | Actual H1 2017 | Budget 2018 | | Actual H1 2018 | % Execution | 2018/2017 (%) |
|--|----------------|---------------|---------------|----------------|-------------|---------------|
| | | Approved | After changes | | | |
| 1. Total interest expenditure and revenue | 19,007 | 44,843 | 44,543 | 20,043 | 45.0 | 105.5 |
| | (-) 384 | - | - | 0 | - | 0.0 |
| Internal debt | 11,973 | 34,611 | 34,311 | 11,547 | 33.7 | 96.4 |
| | (-) 2,051 | - | - | - | - | - |
| Money market instruments | (-) 267 | (-) 135 | (-) 435 | (-) 573 | 131.7 | 214.7 |
| | (-) 377 | - | - | - | - | - |
| Savings government bonds | 734 | 1,211 | 1,211 | 478 | 39.5 | 65.1 |
| | 17 | - | - | - | - | - |
| T-Bonds on domestic market | 11,505 | 33,535 | 33,535 | 11,641 | 34.7 | 101.2 |
| | (-) 1,690 | - | - | - | - | - |
| External debt | 7,034 | 10,226 | 10,226 | 8,496 | 83.1 | 120.8 |
| | 1,667 | - | - | - | - | - |
| T-Bonds on foreign markets | 6,957 | 9,625 | 9,625 | 8,267 | 85.9 | 118.8 |
| | 1,590 | - | - | - | - | - |
| Received credits and loans ¹ | 77 | 601 | 601 | 230 | 38.2 | 298.9 |
| | 77 | - | - | - | - | - |
| Payment accounts | 0 | 5 | 5 | 0 | -0.5 | 228.8 |
| | 0 | - | - | 0 | - | 483.1 |
| 2. Fees | 119 | 400 | 400 | 69 | 17.3 | 58.2 |
| | 0 | - | - | 0 | - | 23.6 |
| Total chapter balance | 18,741 | 45,243 | 44,943 | 20,112 | - | 107.3 |

¹ Credits and loans received from international financial institutions.
Note: (-) means revenue (gains).
Source: MoF

Table 16: Overview of Budgetary Transfers from the Chapter State Debt Realized in H1 2018

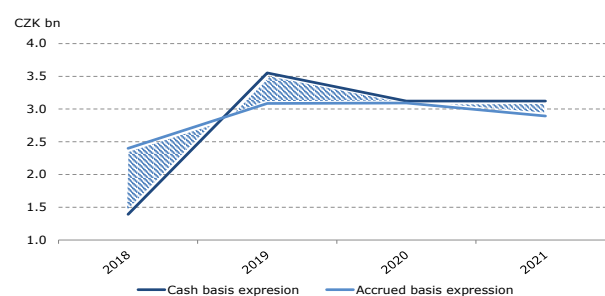
| Chapter number | Chapter | Funds allocation | Amount (CZK) |
|----------------|-------------------------|--|--------------------|
| 329 | Ministry of Agriculture | Mitigating of damage caused by drought on agricultural crops in 2017 | 300,000,000 |
| Total | | | 300,000,000 |

Source: MoF

Table 17: Expected vs. Actual Net Interest Expenditure

| CZK bn | H1 2017 | H1 2018 |
|---|---------|---------|
| Actual expenditure | 18.6 | 20.0 |
| Expected expenditure | 24.9 | 19.8 |
| Cost-at-Risk 95% | 26.7 | 21.5 |
| Cost-at-Risk 99% | 28.3 | 24.5 |
| Difference between expectation and reality | 6.3 | -0.3 |

Source: MoF

Figure 13: Net Cash Interest Expenditure and Accrued Interest Costs of Newly Issued Debt


Source: MoF

Table 18: Interest Expenditure and Accrued Costs of the Newly Issued State Debt

| CZK bn | Nominal value | Net interest expenditure/accrued costs | | | |
|----------------------------------|---------------|--|-------|-------|-------|
| | | 2018F | 2019F | 2020F | 2021F |
| Cash basis expression | 350.1 | 1.4 | 3.6 | 3.1 | 3.1 |
| Accrued basis expression | 350.1 | 2.4 | 3.1 | 3.1 | 2.9 |
| Gross issuance of T-Bonds | 175.6 | 2.1 | 3.1 | 3.1 | 2.9 |
| Gross issuance of T-Bills | 174.5 | 0.3 | - | - | - |

Source: MoF

Table 19: FX Operations on the Spot Market in H1 2018

| Counterparty | Nominal value (EUR) | Nominal value (CZK) | Savings (CZK) ¹ | Share of savings (%) |
|--|---------------------|----------------------|----------------------------|----------------------|
| Credit Agricole Corporate and Investment Bank | 260,683,386 | 6,690,364,164 | 23,832,900 | 66.6 |
| PPF banka a.s. | 59,212,640 | 1,507,068,622 | 6,968,818 | 19.5 |
| Société Générale / Komerční banka, a.s. | 33,666,664 | 859,849,099 | 3,784,001 | 10.6 |
| UniCredit Bank Czech Republic and Slovakia, a.s. | 3,467,957 | 89,438,609 | 378,007 | 1.1 |
| J.P. Morgan Securities plc | 2,631,237 | 67,662,255 | 326,273 | 0.9 |
| Citibank Europe plc | 2,625,991 | 66,763,195 | 322,997 | 0.9 |
| KBC Bank NV / Československá obchodní banka, a. s. | 1,253,161 | 31,723,773 | 190,480 | 0.5 |
| Total | 363,541,035 | 9,312,869,718 | 35,803,477 | 100.0 |

¹ State budget savings made through the intermediation of foreign currency payments from the state budget given by the exchange rate announced by the CNB and the exchange rate on the spot market.

Source: MoF

6 – Evaluation of the Primary Dealers in Q3 2017 to Q2 2018

The methodology for primary dealer evaluation is based only on quantitative criteria for performance on primary and secondary market of government bonds.

The maximum evaluation that can be achieved by any primary dealer is 100 points, whereas this score is counted on a relative basis. The activity of primary dealers is thus evaluated every quarter

based on the Aggregate Performance Evaluation Index (APEI) defined in Annex I to the Primary Dealer Agreement for Czech Government Securities, always for four consecutive evaluation periods. According to Article 1, every calendar quarter is the evaluation period.

All 10 primary dealers were evaluated.

Table 20: Overall Evaluation of Primary Dealers in Q3 2017 to Q2 2018

| Ranking | Primary Dealer | Points |
|-----------------|--|--------|
| 1 st | PPF banka a.s. | 75.2 |
| 2 nd | KBC Bank NV / Československá obchodní banka, a. s. | 70.8 |
| 3 rd | Société Générale / Komerční banka, a.s. | 51.6 |
| 4 th | Erste Group Bank AG / Česká spořitelna, a.s. | 50.8 |
| 5 th | Citibank Europe plc | 47.0 |
| 6 th | J.P. Morgan Securities plc | 37.0 |
| 7 th | HSBC Bank plc | 30.7 |

Note: Maximum possible number of points in overall evaluation is 100.
Source: MoF

Table 21: Primary Market in Q3 2017 to Q2 2018

| Ranking | Primary Dealer | Points |
|-----------------|--|--------|
| 1 st | PPF banka a.s. | 47.2 |
| 2 nd | KBC Bank NV / Československá obchodní banka, a. s. | 35.6 |
| 3 rd | Société Générale / Komerční banka, a.s. | 34.5 |
| 4 th | Erste Group Bank AG / Česká spořitelna, a.s. | 30.4 |
| 5 th | Citibank Europe plc | 18.5 |
| 6 th | J.P. Morgan Securities plc | 16.2 |
| 7 th | HSBC Bank plc | 16.1 |

Note: Maximum possible number of points in this criterion is 55.
Source: MoF

Table 22: Secondary Market in Q3 2017 to Q2 2018

| Ranking | Primary Dealer | Points |
|-----------------|--|--------|
| 1 st | KBC Bank NV / Československá obchodní banka, a. s. | 35.2 |
| 2 nd | Citibank Europe plc | 28.4 |
| 3 rd | PPF banka a.s. | 28.0 |
| 4 th | J.P. Morgan Securities plc | 20.8 |
| 5 th | Erste Group Bank AG / Česká spořitelna, a.s. | 20.4 |
| 6 th | Société Générale / Komerční banka, a.s. | 17.0 |
| 7 th | Goldman Sachs International | 15.4 |

Note: Maximum possible number of points in this criterion is 45.
Source: MoF

This publication was prepared based on the information available on 20 July 2018
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www.mfcr.cz/statedebt

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