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Debt and Financial Assets
Management Department

The Czech Republic

Government Debt Management

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Ministry of Finance

The Czech Republic Government Debt Management
Annual Report for 2020

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List of Abbreviations

APEI	Aggregate Performance Evaluation Index
bn	Billion
CaR	Cost-at-Risk
CCY	Currency
CDCP	Central Securities Depository Prague
CHF	Swiss franc currency code
CNB	Czech National Bank
CPI	Consumer price index
CZK	Czech koruna currency code
CZSO	Czech Statistical Office
DETS	Designated Electronic Trading System
EA19	Euro area (19 countries)
ESA 2010	European System of Accounts 2010
EU	European Union
EUR	Euro currency code
EURIBOR	Euro Interbank Offered Rate
FIX	Fixed-rate
FX	Foreign-exchange
GDP	Gross domestic product
ISIN	International Securities Identification Number
JPY	Japanese yen currency code
mil	Million
MoF	Ministry of Finance
MTS	Mercato Telematico Secondario
OECD	Organization for Economic Co-operation and Development
p.a.	Per annum
p.p.	Percentage point
PRIBOR	Prague Interbank Offered Rate
SEK	Swedish krona currency code
T-Bills	State treasury bills
T-Bonds	Medium-term and long-term government bonds
thous	Thousands
USD	United States dollar currency code
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

The Ministry of Finance (hereinafter the Ministry or MoF) presents to the public, in accordance with the calendar of published information, The Czech Republic Government Debt Management Annual Report for 2020 (hereinafter the Report), which contains a detailed summary of events in the area of state debt and treasury liquidity management, evaluation of the issuance activity of state in the context of the Czech Republic's financing and financial markets development, analysis of state debt dynamics and related state budget expenditures on state debt service, detailed evaluation of fulfilment of stipulated strategic targets and limits in the area of debt portfolio risk management and last but not least, annual evaluation of primary dealers of the Czech Republic government bonds. The Report, which deals primarily with events in 2020, also includes more detailed quantification of the prediction of interest expenditure on state debt service in 2021 and in the medium-term horizon through the application of the Cost-at-Risk methodology.

The pandemic of the new coronavirus SARS-CoV-2, the adopted anti-epidemic measures and their accompanying effects had an impact on the state budget performance and thus on the overall increase in the financing needs in 2020, when the state debt increased by CZK 409.5 billion from CZK 1,640.2 billion to CZK 2,049.7 billion. In relative terms to GDP, there has been an increase from 28.5% to 36.5%, i.e. by 8.0 p.p., while this value remains below the levels of 2012 and 2013, when the relative level of state debt peaked at almost 41%. Despite the high year-on-year increase in state debt, the Czech Republic is one of the least indebted countries in the European Union.

Despite the deep economic and health crisis, which has a significant impact on public budgets, all major agencies with international scope of activity affirmed their ratings during 2020, including maintaining stable outlooks. In their assessments, agencies regularly assess relatively low indebtedness, strong institutional framework, sound banking sector and highlight the readiness of the domestic economy to absorb the negative shocks caused by the current crisis. This also contributes to the great interest in investing in government bonds from both domestic and foreign investors.

The financing of gross borrowing requirement, the value of which amounted to CZK 646.3 billion in 2020, was carried out mainly through the sale of government bonds on the domestic bond market. The gross issue of CZK-denominated medium-term and long-term government bonds on the primary and secondary markets amounted to CZK 592.3 billion, with the average yield to maturity of 1.11% p.a. and the average time to maturity of 7.2 years. Despite the record issuance activity during the first wave of the SARS-CoV-2 pandemic, when interest was mainly in government bonds with a residual maturity up to 5 years, at the end of 2020 the average time to maturity of state debt was at 6.2 years, i.e. at the level of the strategic medium-term target. The average maturity of state debt excluding government bonds issued on foreign markets is 6.5 years, which corresponds to the average time to maturity of medium-term and long-term government bonds issued on the domestic market, which are currently the primary instrument to cover the Czech Republic's financing needs and represent almost 90% of state debt. It is thus above the level of the strategic medium-term target for the total state debt, historically the second highest value of this indicator.

Furthermore, the Ministry followed up the historically first issue of a government EUR-bond with a maturity in 2021 issued under domestic law issuing a government EUR-bond with a maturity in 2027 on the domestic market in total nominal value of EUR 300 million and the average yield to maturity of -0.015% p.a. gaining additional revenues amounting of EUR 311 thousand the state budget. The Ministry undertook this issue in order to obtain euro funds for refinancing operations related to the government bonds redemptions issued on foreign markets.

Another channel of long-term euro financing was the acceptance of a loan tranche from the Council of Europe Development Bank in the amount of EUR 200 million with a maturity of 10 years at an interest rate of 0.00% p.a., and conversions of two already received CZK tranches of loans received from the European Investment Bank into euros in total value of EUR 82 million with interest rate fixation for 5 and 9 years.

Foreign currency redemptions of state debt were also covered in the short term by deposit operations carried out on the euro money market or by euro repo operations, when the Ministry received euro funds against the provided CZK-denominated medium-term and long-term government bonds as collateral, and newly also by foreign exchange swaps. The Ministry took advantage of the situation on the euro money market and achieved negative interest rates when carrying out these operations. The total state budget revenue from these operations amounted to CZK 126.6 million.

The sale of CZK-denominated medium-term and long-term government bonds on the primary market in the total nominal value of CZK 477.1 billion was complemented by operations on the secondary market in the form of tap sales and exchange operations. The aim of these operations, among other things, is to manage refinancing risk, support the liquidity of Czech government bond issues and the efficient functioning of the secondary market. Through the electronic trading platform MTS Czech Republic, the Ministry sold government bonds in the total nominal value of CZK 25.8 billion in tap sales from its own asset account and exchanged government bonds, including the state treasury bill due in 2021 issued to strengthen the liquidity reserves of state treasury, in the total nominal value of CZK 91.2 billion.

The net issue of CZK-denominated medium-term and long-term government bonds amounted to CZK 403.7 billion when three regular redemptions of medium-term and long-term government bonds totalling CZK 140.5 billion have been carried out in 2020 and government bonds in a total nominal value of CZK 48.1 billion have been bought back within exchange operations. In March 2020, the regular redemptions of the 2nd issue of government bonds denominated in euros issued on foreign markets in 2005 in the total nominal value of EUR 1.0 billion was carried out, which was covered in short term by operations on the euro money market at a negative yield.

In 2020, the Ministry continued the successful project of direct sale government bonds to citizens relaunched on the occasion of the 100th anniversary of the founding of the Czechoslovak Republic. In subscription periods, citizens purchased so-called "Dluhopis Republiky" government bonds in the form of six-year reinvestment, inflation-linked and fixed government bonds. In the course of 2020 new issues of "Dluhopis Republiky" government bonds were sold in total nominal value of CZK 15.1 billion, which citizens could subscribe through electronic access to asset account management or at branches of contractual distributors. The yields to maturity of the "Dluhopis Republiky" bonds were set at the market level and thus do not burden state debt service more than the potential issue of medium-term and long-term government bonds with the same maturity. Government bonds could be subscribed on a daily basis in individual subscription periods, which were continuously linked to each other, with issues taking place quarterly at specified intervals.

The liquidity of the secondary government bond market has been further supported through lending facilities in the form of repo operations or in the form of collateralized loans of securities taking into account the interest of primary dealers and recognized dealers. Government bonds in a total nominal value of CZK 1.2 billion were provided from the Ministry's asset account through repo operations. Through the collateralized loans of securities, government bonds were lent from the Ministry's asset account in a total nominal value of CZK 58.4 billion.

The decline in government bond yields, the cuts in interest rates by the Czech National Bank and the high interest of investors in government bonds had a positive effect on state debt service expenditures. With a record gross issue of government bonds, net interest expenditure on state debt service reached CZK 40.0 billion in 2020, which represents year-on-year increase by only CZK 0.6 billion. Based on the relatively favorable situation on the domestic bond market, appropriate planning of issuance activities and non-fulfillment of the crisis deficit of the state budget in full, the Ministry was able to transfer CZK 6.8 billion to other budget chapters in the form of budgetary transfer, among other things to reduce the negative effects of anti-pandemic measures.

Net revenue from state treasury liquidity management operations totalled CZK 1.8 billion in 2020, which is CZK 1.9 billion less than in the previous year due to the Czech National Bank's cuts in interest rates. Investment operations within the liquidity management of the CZK state treasury have a dominant share in net revenue. The sum of state budget revenues from operations within the liquidity management of the state treasury, government bonds lending and from borrowing operations with a negative yield totaled CZK 1.9 billion in 2020.

1 – Macroeconomic Framework and Financial Markets

Economic Development

The COVID-19 pandemic significantly affected macroeconomic development of the world and domestic economy. The Czech Republic decline in real GDP in 2020 is estimated at 6.1%. From the expenditure point of view, there was a deep decline in all components of GDP, with the exception of government consumption (year on year growth of 2.1%), which had a stabilizing effect on real GDP. The decline in household consumption should amount to 5.1%, which corresponds to a sharp decline in wage growth compared to previous years.

Table 1: Main Macroeconomic Indicators of the Czech Republic

	2014	2015	2016	2017	2018	2019	2020F
Real GDP growth (%)	2.7	5.4	2.5	5.2	3.2	2.3	-6.1
Household consumption growth (%)[1]	1.8	3.9	3.8	4.0	3.5	3.0	-5.1
Government consumption growth (%)	1.1	1.8	2.5	1.8	3.8	2.2	2.1
Growth of gross fixed capital formation (%)	3.9	9.7	-3.0	4.9	10.0	2.3	-8.2
Contribution of foreign trade to GDP growth (p.p.)	-0.5	-0.2	1.4	1.2	-1.2	0.0	-0.6
Average inflation rate (%)	0.4	0.3	0.7	2.5	2.1	2.8	3.2[2]
Unemployment rate (%)[3]	6.1	5.1	4.0	2.9	2.2	2.0	2.6
Nominal wage and salary growth (%)	3.6	5.0	5.7	9.2	9.6	6.7	0.2
Current account balance on GDP (%)	0.2	0.4	1.8	1.5	0.4	-0.3	3.6
CZK/EUR exchange rate	27.5	27.3	27.0	26.3	25.6	25.7	26.4[2]
Real Eurozone GDP growth (%)[4]	1.4	1.9	1.8	2.7	1.9	1.3	-7.3

[1] Incl. non-profit institutions serving households.
[2] Officially published figure, not forecasted.
[3] Average unemployment rate based on the method of Labour Force Survey.
[4] EA19.
Source: MoF, CZSO

Consumer price index growth until the September 2020 was most of the time above the upper half of the tolerance band of the Czech national Bank´s inflation target, which is set at one percentage point in both directions around 2%. Since August, towards the end of the year inflation pressures began to ease when year on year growth in inflation reached 2.3% in December. The average year-on-year inflation rate reached 3.2% in 2020.

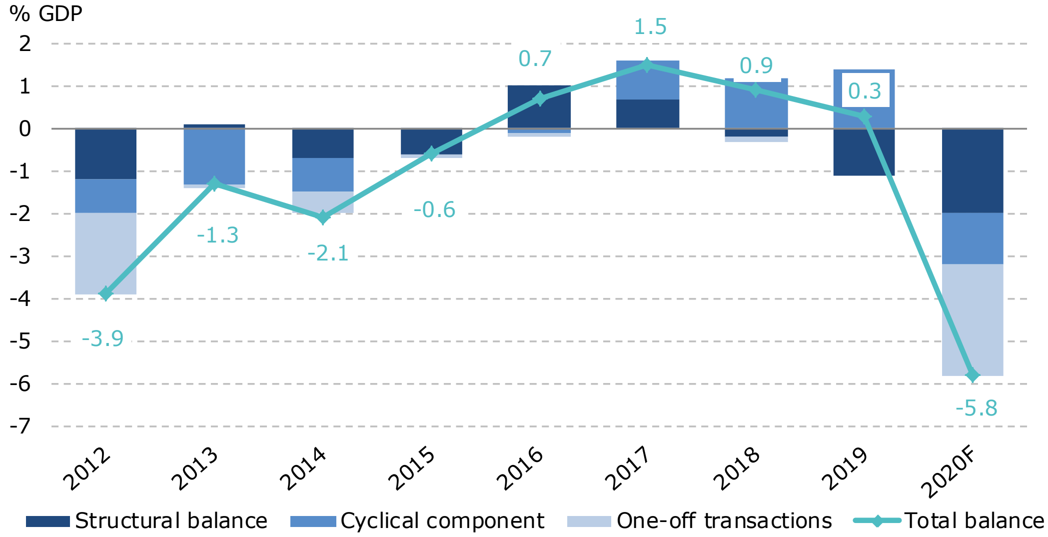
The Czech Republic still belongs to countries with the lowest unemployment rates within OECD countries, when its value in December 2020 was only 3.2% according to the Labour Force Survey methodology. The Czech Republic unemployment rate was so one of the lowest in European Union. Government labor market programs have significantly reduced the adverse impact of the COVID-19 pandemic on rising unemployment. There are still a sufficient number of vacancies in the domestic economy, which should have a positive effect on the labor market in the future as well.

The current account of the balance of payments has been in surplus, which was further increased by the COVID-19 pandemic. The positive balance of goods and services was accompanied by a lower outflow of primary income in the form of dividends and reinvested earnings due to reduced profitability of foreign-controlled enterprises. The current account surplus in 2020 reached 3.6% of GDP. A stable financial sector and a credible fiscal policy remain an important advantage of the Czech Republic. There is ample free liquidity in the banking system and banks' profitability also has a positive impact on capital adequacy.

General Government Sector Finances

During the years 2016-2019, the general government balance was in surplus. Prior to the outbreak of the coronavirus pandemic, government finances were well prepared to absorb an unexpected fiscal shock also due to relative debt-to GDP ratio. Public finances had to take over much of the costs associated with the coronavirus pandemic in order to minimize the adverse health, economic and social impacts. The Ministry estimates that the general government sector in 2020 ended with a general government deficit of 5.8% of GDP. The expected value of the structural balance of the general government sector in the context of fiscal expansion is around -2.0% of GDP. The estimation of the structural balance also takes into account one-off and other temporary transactions, which in 2020 reached almost 3% of GDP. In the vast majority of cases, it was a response to the effects of the coronavirus pandemic.

Figure 1: The Czech Republic Government Sector Balance



Note: The source of data is Macroeconomic Forecast of the Czech Republic – January 2021.
Source: MoF

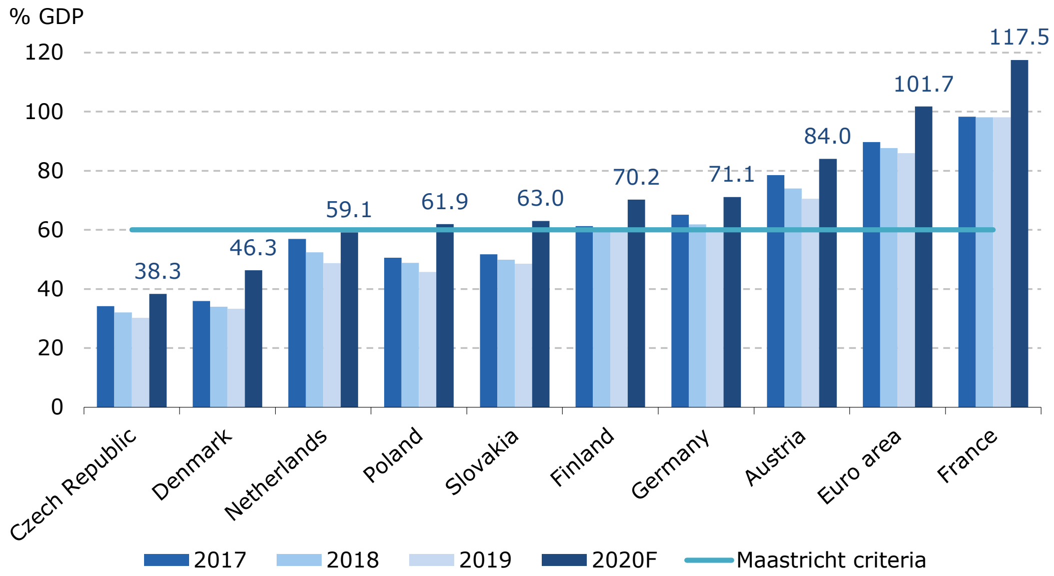
In 2020, the state budget in the national cash methodology resulted in a deficit of CZK 367.4 billion, which is CZK 132.6 billion better than CZK 500.0 budgeted deficit (amended the Stage Budget Act) Compared to the previous year, there was a deterioration of CZK 338.9 billion, when the overall economy was significantly affected by the fall in tax revenues, as well as an increase in expenditure on assistance to help households, self-employed persons, businesses and other parts of the public budgets.

Total revenues of the state budget in 2020 amounted to CZK 1,475.5 billion, which represented an decrease of CZK 47.7 billion, i.e. 3.1% compared to the previous year. Compared to the revenues stated in the approved budget, the actual revenues were higher by CZK 91.5 billion. Tax revenues (excluding social security contributions) decreased by CZK 46.5 billion, i.e. 6.1 % and contributed most significant to the overall drop in revenues. On the other side, total revenues was improved by funds obtained from the European Union and additional financial mechanism, which increased by CZK 10.4 billion, i.e. 8.3 %. Social security contribution decreased by CZK 11.3 billion, i.e. 2.0 % year on year.

Total expenditures of the state budget in 2020 amounted to CZK 1,842.9 billion, which represented an increase of CZK 291.2billion, i.e. 18.8% compared to the previous year. Compared to the expenditures stated in the approved budget after changes, the actual expenditures were lower by CZK 41.1 billion. Compensation paid to individuals, companies and municipalities as well the strengthening of the social and health care system and also the support of government priorities were behind the year-on-year growth of current expenditures of CZK 257.6 billion i.e. 18.2%, and capital expenditures of CZK 33.5, i.e. 24.1%,

According to the October notification, the general government consolidated gross debt in relation to GDP decreased by 1.8 p.p. in 2019 to 30.2%. In 2020, it is expected that the indebtedness will increase by 8.1 p.p. to 38.3% of GDP. In terms of meeting the Maastricht convergence criteria and the Stability and Growth Pact rules for debt, the indicator is thus safely below the 60% of GDP threshold, as well as below the national debt rule 55 % of GDP threshold, which entered into force in February 2017 (Act No. 23/2017 Coll., on Budgetary Responsibility Rules).

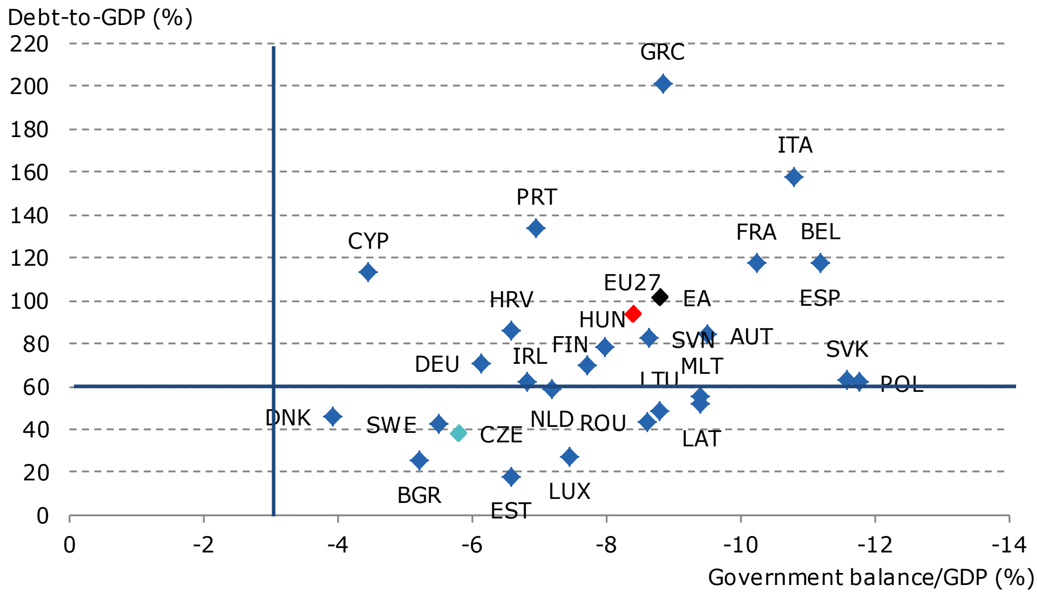
Figure 2: Government Sector Debt in Selected European Union Countries



Note: The Maastricht criterion is a part of the condition for EU members to join the single currency union. The value of the share of government sector debt to GDP should not exceed 60%. Eurozone is stated in conception comprising 19 countries. Data sources are Eurostat, Fiscal Outlook of the Czech Republic – January 2021 and Macroeconomic Forecast of the Czech Republic - January 2021.
Source: MoF, Eurostat

According to international comparison, the Czech Republic ranks among the best-performing EU countries. Based on the current forecast, the Czech Republic should report a general government balance of -5.8% of GDP in 2020. In the case of general government debt, the Czech Republic has the fourth lowest relative debt in the EU in 2019. Lower indebtedness can be seen only in Estonia, Luxembourg and Bulgaria. The Czech Republic, before the outbreak of the COVID-19 pandemic, built up a considerable room for fiscal expansion, with the significant general government debt to GDP ratio decline from 44.4% of GDP in 2013 to 30.2% of GDP in 2019. Despite the expected increase in government debt in the general government sector in 2020, the Czech Republic continues to be one of the least indebted economies in the European Union.

Figure 3: Government Sector Deficit and Debt in European Union Countries in 2020



Note: Data sources are Fiscal Outlook of the Czech Republic – January 2021, European Economic Forecast – Autumn 2020 and Macroeconomic Forecast of the Czech Republic - January 2021.
Source: MoF, European Commission

Financial Markets

The development of Czech government bond yields in 2020 reflected the situation on the global government bond market, as well as the monetary policy decisions of the Czech National Bank. Overall, monetary policy of the Czech National Bank and other central banks responded to the economic consequences of the COVID-19 pandemic by adopting further easing of monetary conditions. Prior to the pandemic outbreak, the Czech National Bank increased the 2W repo rate to 2.25% p.a. at the beginning of February, mainly due to persistent inflationary pressures in domestic economy. In the Czech Republic, there was thus sufficient space for lowering the basic monetary policy rate.

In response to the pandemic outbreak, the Czech National Bank quickly reduced 2W repo rate in two steps. At an extraordinary monetary policy meeting on 16th March 2020, it reduced the 2W repo rate by 50 basis points and at the end of March by a further 75 basis points to 1.00% p.a. Furthermore, Czech National Bank made the last reduction by 75 basis points at the beginning of May. Towards the end of the year, the 2W repo rate remained at 0.25% p.a.

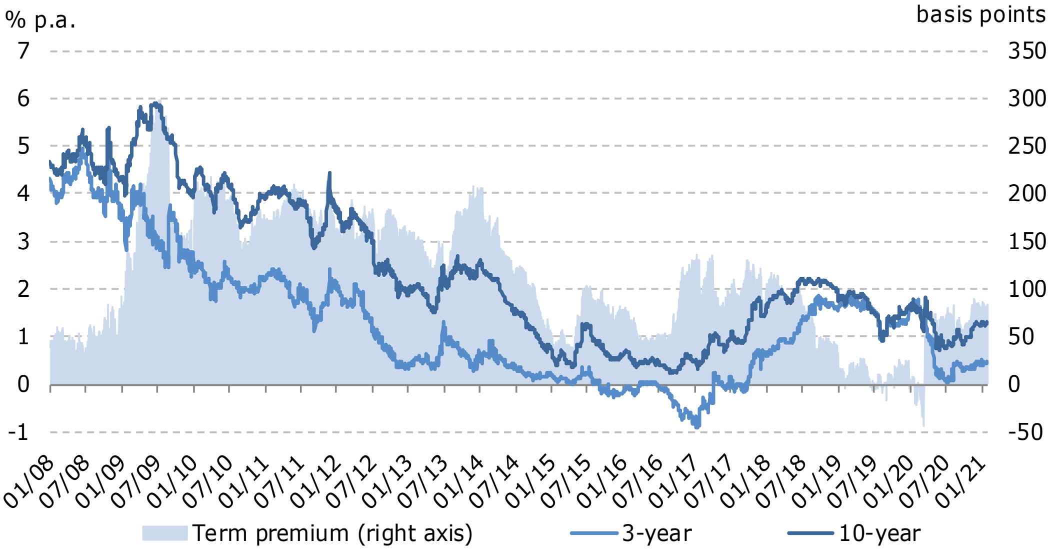
The risk aversion associated with the expansion of SARS-CoV-2 coronavirus in China has led to an increase in demand for safe-haven government bond assets. Since mid-January to the end of the month, yields fell sharply at the longer end of the yield curve, as the yield on a 10-year government bond fell by around 20 basis points. Next, deteriorating of health situation caused a further decline in Czech government bond yields, at the medium and long term part of the yield curve. At the beginning of March, the yield on 10-year government bond fell below 1.2% p.a. Government bond yields thus underperformed and developed in contrast to the February increase in the 2W repo rate. In March, the pandemic fully affected the Czech Republic and foreign investors responded by selling off Czech government bonds. The yield on the 10-year government bond rose to 1.84% p.a. However, the situation was stabilized fast, by the end of March demand from domestic investors increased significantly. The decline in the volatility of government bond yields and a significant reduction in the 2W repo rate led to lower yields at both the short and long ends of the yield curve. At the end of May, the yield on 3-year government bonds was already at 0.22% p.a. and the yield on 10-year government bond was 0.72% p.a. During the summer months, so until the end of August, medium and long-term government bond yields were relatively stable, with 10-year government bond yield below 1.0% p.a. Since October, Czech government bond yields have responded to the beginning of the second wave of the pandemic with gradual modest growth, with 10-year government bond yields at 1.26% p.a. at the end of November and still below 1.3% p.a. by the end of the year.

Figure 4: Development of Czech Government Bonds Yields and CNB 2W Repo Rate

Source: CNB, Refinitiv

The term premium from the end of January to the beginning of March 2020 was negative. After the reduction of the 2W repo rate, the short end of the yield curve reacted more strongly to the easing of monetary policy. the term premium was normalized and returned to the positive territory representing the upward sloping shape of the yield curve. The term premium was held below 100 basis points during the year. The positive interest rate differential compare to the euro area yields, together with the excess liquidity and the Czech Republic's high-quality credit rating on the financial markets, thus motivates domestic and foreign investors to buy Czech government domestic bonds.

Figure 5: Development of Czech Government Bonds Yields and Term Premium



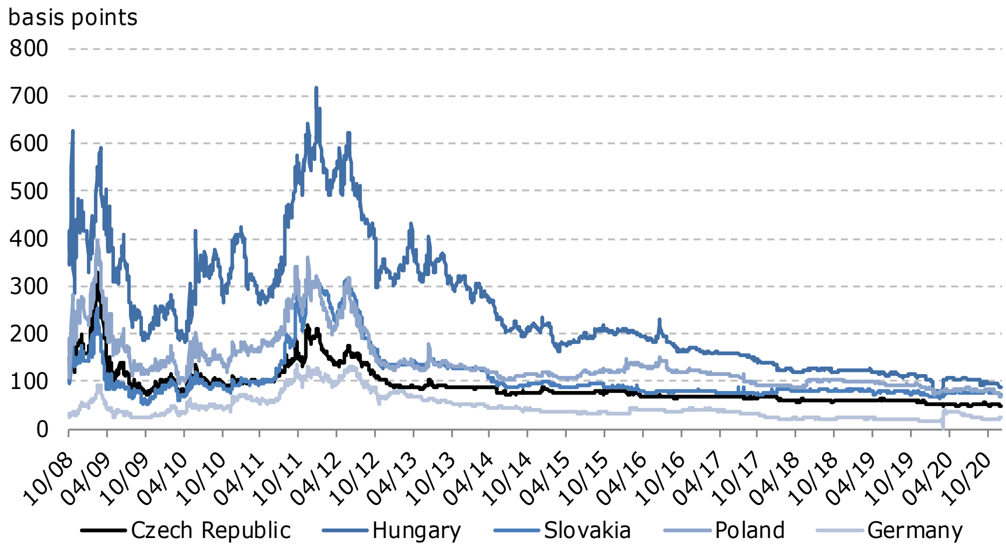
Source: Refinitiv

From a historical point of view yields of the Czech government bond still maintain a relatively low level, even in an international comparison with other member states of European Union, taking into account the different monetary policy phases of the relevant central banks. The reasons can be seen in the sound macroeconomic fundamentals of the Czech Republic, effective management of public finances and state treasury liquidity. The important long-term factor in the decrease of government bond yields is a credible fiscal policy of the government and a conservative approach to state debt management with a positive impact on investors' trust, which is reflected in a high demand for medium-term and long-term government bonds in auctions. The excellent reputation of the Czech Republic on the financial markets is also noted by rating agencies, which regularly affirm very high ratings of the government. The wide offer of debt instruments in individual segments of risk-free yield curve creates a sufficient range for investors to diversify the debt portfolio.

The perception of the Czech Republic on the international market as a credible issuer of government bonds is illustrated by the situation on the credit default swaps (CDS) markets, where market participants pay the lowest risk premium compared to Poland, Hungary and Slovakia.

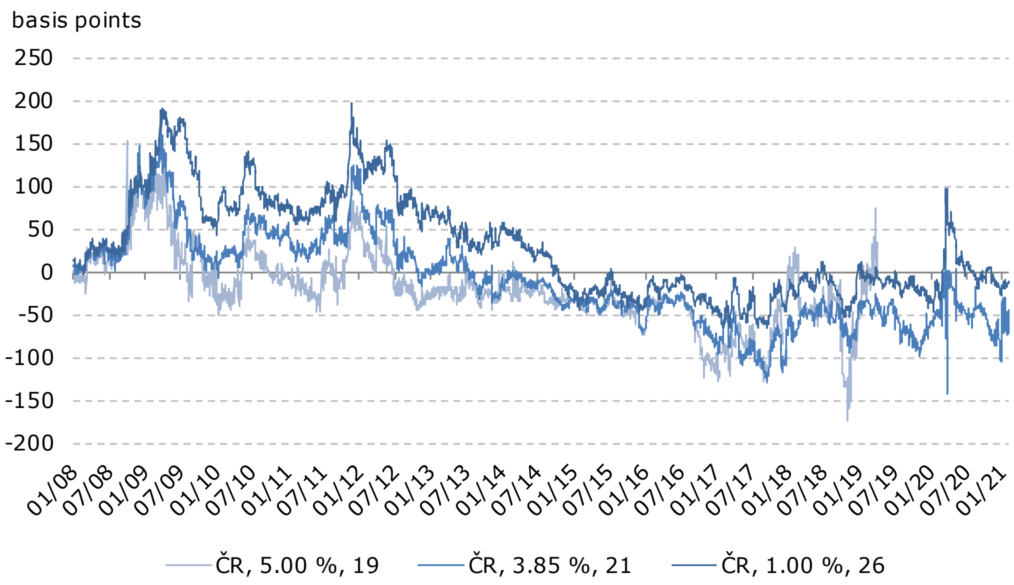
The development of the risk premium measured using the spread to comparable swap rates (asset swap spread) indicates low risk premiums on Czech government bonds.

Figure 6: Premiums on Credit Default Swaps in Selected Countries (10-year)



Source: Refinitiv

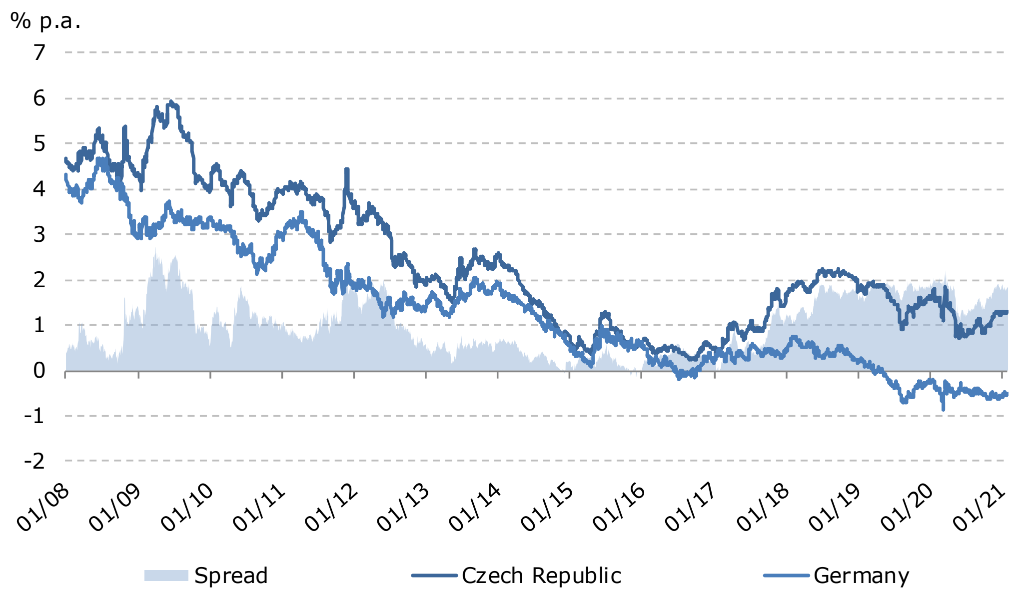
Figure 7: "Asset Swap Spread" Risk Premium on Czech Government Bonds



Source: Refinitiv

The gradual convergence of the 10-year Czech government bond yields and German "bunds", which has begun in 2012 and peaked in January 2017 when the Czech government bond yield fell below the German "bund" for a short period of time, was replaced by a widening of their spread. In 2020, the spread between the 10-year Czech government bond and the German "bund" was 1.6 p.p. on average. It is not entirely due to the size of the risk premium, but the monetary policies of the Czech National Bank and European Bank also play an important role, especially in terms of their impact on the long end of the yield curve. On 18th March 2020, the European Central Bank adopted a pandemic asset purchase program of EUR 750 billion, which was increased by EUR 600 billion in June and a further EUR 500 billion in December. The result is a widening of the long term interest rate differential, with German 10-year bond yields remaining deep in negative territory for most of the year. Even on 9th March, the 10-year German bond reached a historically lowest yield of -0.85% p.a.

Figure 8: Comparison of Yields of the Czech and German 10-year Government Bonds



Source: Refinitiv, CNB

In times of global surpluses of liquidity on the interbank markets, investors seek possibilities to valorise available liquidity or to avoid negative interest rates on the euro money market. Liquidity provided by the central banks on a long-term basis is reflected in the flattening out of the whole risk-free yield curve. Czech government bonds provide an investment alternative at zero or negative interbank interest rates. Although the relative share of non-resident investors decreased in 2020, mainly due to the fact that the increased supply of government bonds sold on the domestic market was absorbed mainly by domestic investors in 2020, in absolute terms the total nominal value of government bonds held by non-resident investors remained in compared to the end of 2019 almost unchanged. In the context of the expected appreciation of the Czech koruna, high credit rating of the Czech republic and persisting interest rate differential, foreign investor are not motivated to close their positons, on the contrary, they maintained their positions even after redemptions of government bonds held by them, which should be positively reflected in the demand for Czech government bonds and low refinancing costs of the debt portfolio.

Czech Republic’s Sovereign Credit Rating

The Czech Republic has the highest total rating of all the countries in Central and Eastern Europe and has had a higher rating than the Eurozone countries average for several years.

Despite negative impact of SARS-CoV-2 on the domestic economy and uncertainty about future development, all the major credit rating agencies in 2020 confirmed Czech republic´s high rating with a stable outlook. The agencies appreciated low indebtedness, including the favorable debt structure and the resilience of the domestic economy to absorb negative shocks caused by the current pandemic crisis. Fitch Ratings and ACRA Europe then reaffirmed their ratings in January 2021.

The Czech Republic belongs among the exceptionally reliable issuers and enjoys a considerable interest from domestic and foreign investors, as confirmed by its high credit rating with a stable outlook from all the major international credit rating agencies.

Table 2: Czech Republic’s Credit Rating

Rating Agency	Local currency long-term liabilities	Outlook	Foreign currency long-term liabilities	Outlook	Affirmed
Moody’s	Aa3	Stable	Aa3	Stable	27/5/2020
S&P Global Ratings	AA	Stable	AA-	Stable	30/10/2020
Fitch Ratings	AA-	Stable	AA-	Stable	22/1/2021
JCR	AA	Stable	AA-	Stable	5/11/2020
R&I	AA-	Stable	AA-	Stable	9/3/2020
Scope Ratings	AA	Stable	AA	Stable	2/10/2020
Dagong Global Credit Rating	A+	Stable	A+	Stable	16/10/2018
ACRA Europe	AA	Stable	AA	Stable	22/1/2021
ACRA	AA	Stable	AA	Stable	12/10/2020

Source: Moody’s, S&P Global Rating, Fitch Ratings, JCR, R&I, Scope Ratings, Dagong Global Credit Rating, ACRA Europe, ACRA

2 - Borrowing Requirement and Development of State Debt

The borrowing requirement represents a key quantity in the system of public finances of a national economy, which determines the amount of financial resources that the government needed to obtain over the course of the respective calendar year through borrowing operations primarily on financial markets, in order to ensure that the planned annual financing needs are covered as a necessary condition for a smooth realization of expenditures of the state budget and government economy policy.

In addition to these borrowing operations which are the main determinant of the changes in the value of the state debt, the financing needs may also be covered by the operations with state financial assets or by the management of other state assets in extra-budgetary balance sheet operations, or through the involvement of available state treasury cash resources through refinancing mechanisms.

Financing Needs and Sources

The financing needs are determined by standard components, which are needed to be cover by cash resources in the given year, i.e. particularly the state budget cash deficit and all redemptions, buy-backs and exchanges of state debt, including related derivatives. Financing operations on the side of state financial assets and within state treasury single account are then carried out on the side of the cash financial resources which may be involved in covering the financing needs in parallel with the state's borrowing operations on the financial markets.

Table 3: Financing Needs and Sources

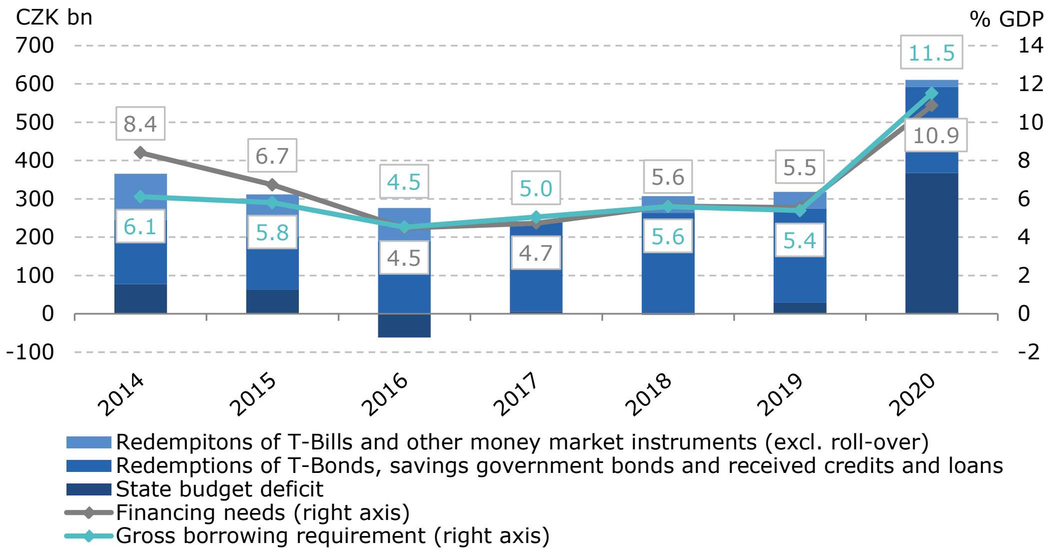
CZK bn	2014	2015	2016	2017	2018	2019	2020
Primary balance of state budget	29.3	17.5	-102.4	-33.6	-43.7	-11.0	327.3
Net expenditure on state debt[1]	48.5	45.3	40.7	39.8	40.7	39.6	40.1
T-Bonds redemptions[2]	143.7	123.9	157.8	209.4	238.9	238.5	215.8
Redemptions and early redemptions on savings government bonds	11.9	11.9	30.2	16.9	16.4	2.7	2.8
T-Bills and other money market instruments redemptions[3]	120.9	110.2	86.6	4.2	44.0	43.5	18.4
Repayments on credits and loans[4]	11.1	2.5	1.7	5.1	8.0	4.7	5.8
Total financing needs	**365.3**	**311.2**	**214.5**	**241.7**	**304.4**	**317.9**	**610.2**
Gross T-Bills issue and other money market instruments[3,5]	110.2	86.6	4.2	44.0	43.7	18.0	25.4
Received collateral in cash	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross issue of T-Bonds on domestic market[5]	153.3	180.4	211.6	213.1	259.2	280.9	600.3
Gross issue of T-Bonds on foreign markets[5]	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross issue of savings government bonds[6]	2.1	1.0	1.0	0.6	0.1	10.5	15.3
Received credits and loans[4]	0.0	0.0	0.0	0.0	0.0	0.0	5.3
Financial asset and liquidity management	99.7	43.2	-2.3	-16.1	1.3	8.5	-36.1
Total financing sources	**365.3**	**311.2**	**214.5**	**241.7**	**304.4**	**317.9**	**610.2**
Gross borrowing requirement	**265.6**	**268.1**	**216.9**	**257.7**	**303.1**	**309.4**	**646.3**

[1] Balance of the budgetary chapter 396 – State Debt.
[2] Incl. effect of buy-backs and exchange operations.
[3] Excl. T-Bills issued and redeemed within respective year, 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] Incl. the reinvestment of yields.
Source: MoF

The financing needs in 2020 reached the level of CZK 610.2 billion and were significantly affected by the crisis state budget performance, which mainly reflected a significant increase in expenditures to reduce the impact of the pandemic spread of COVID-19. The actual result of the state budget reached to a deficit of CZK 367.4 billion, compared to the planned deficit of CZK 500 billion, which also had a positive impact on the final amount of financing needs. The total financing need is adjusted in accordance with the recommended OECD international methodology for roll-over operations with treasury bills and for refinancing operations with other money market instruments, which take place within a calendar year and do not affect the net year-on-year change of these components relative to the end of individual years. Thus, only the stocks of these short-term instruments at the end of the previous year enter into the total annual financing needs in a given year.

The following figure shows the components of financing needs, including the state treasury bills and other money market instruments outstanding at the end of the previous period, which also need to be refinanced in the current year, and the share of financing needs and gross borrowing requirement in GDP.

Figure 9: Financing Needs



Note: GDP in the ESA 2010 methodology. The source of data for 2014 to 2019 is CZSO, for 2020 the Macroeconomic Forecast of the Czech Republic – January 2021. T-Bonds redemptions including effect of buy-backs and exchange operations. Credits and loans received from international financial institutions.
Source: MoF, CZSO

Financing of the Gross Borrowing Requirement

The gross borrowing requirement determines that part of the sources covering financing needs, which are ensured by the borrowing operations of the state, i.e. determines the total amount of financial resources the government must obtain mainly through the issuance and sale of government bonds and the through received loans and credits.

The resulting gross borrowing requirement may be lower than the annual financing needs if financial assets or liquidity management operations are actively involved as a source of funding and, conversely, may be higher if financial assets are accumulated through government borrowing operations.

Table 4: Financing of the Gross Borrowing Requirement

CZK bn	2014	2015	2016	2017	2018	2019	2020
Gross borrowing requirement	**265.6**	**268.1**	**216.9**	**257.7**	**303.1**	**309.4**	**646.3**
Gross T-Bills issue and other money market instruments[1,2]	110.2	86.6	4.2	44.0	43.7	18.0	25.4
Received collateral in cash	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross issue of T-Bonds on domestic market[2]	153.3	180.4	211.6	213.1	259.2	280.9	600.3
Gross issue of T-Bonds on domestic market up to 5 years[2,3]	37.3	100.0	119.6	84.2	45.0	48.1	268.2
Gross issue of T-Bonds on domestic market from 5 to 10 years[2,3]	50.0	23.3	48.4	70.9	94.9	71.7	178.9
Gross issue of T-Bonds on domestic market over 10 years[2,3]	65.9	57.1	43.7	58.0	119.3	161.1	153.1
Gross issue of T-Bonds on foreign markets[2]	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross issue of savings government bonds[4]	2.1	1.0	1.0	0.6	0.1	10.5	15.3
Received credits and loans[5]	0.0	0.0	0.0	0.0	0.0	0.0	5.3
Total financing of gross borrowing requirement	**265.6**	**268.1**	**216.9**	**257.7**	**303.1**	**309.4**	**646.3**

[1] Excl. T-Bills issued and redeemed within respective year, and roll-over of other money market instruments.
[2] Nominal value; premiums and discounts are included in net expenditure on state debt service, i.e. they are included in the net borrowing requirement.
[3] Remaining time to maturity at the transaction settlement date.
[4] Incl. reinvestment of yields.
[5] Credits and loans received from international financial institutions.
Source: MoF

Net Borrowing Requirement, Change and Structure of State Debt

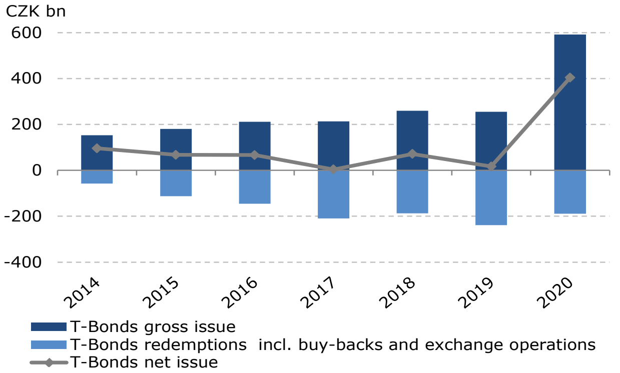
The net borrowing requirement is the major factor in the change in the nominal value of state debt and is determined by the difference between gross borrowing requirement and the total redemptions of state debt, including related derivatives. In the case of zero net change in state financial assets, the net borrowing requirement corresponds to the sum of state budget deficit and any potential extra-budgetary financing needs. The net borrowing requirement thus shows the amount of financial resources the government will have to borrow in addition to the already borrowed financial resources in previous years due in the current year.

Table 5: Net Borrowing Requirement

CZK bn	2014	2015	2016	2017	2018	2019	2020
Gross borrowing requirement	**265.6**	**268.1**	**216.9**	**257.7**	**303.1**	**309.4**	**646.3**
T-Bonds redemptions[1]	143.7	123.9	157.8	209.4	238.9	238.5	215.8
Redemptions and early redemptions on savings government bonds	11.9	11.9	30.2	16.9	16.4	2.7	2.8
T-Bills and other money market instrument redemptions[2]	120.9	110.2	86.6	4.2	44.0	43.5	18.4
Repayments on credits and loans[3]	11.1	2.5	1.7	5.1	8.0	4.7	5.8
Net borrowing requirement	**-21.9**	**19.6**	**-59.4**	**22.2**	**-4.2**	**20.0**	**403.5**

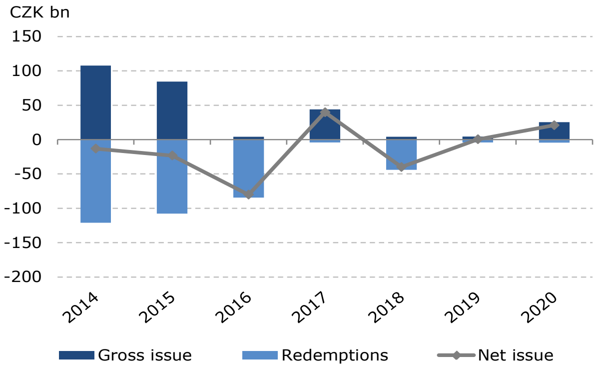
[1] Incl. effect of buy-backs and exchange operations.
[2] Excl. T-Bills issued and redeemed within respective year, and roll-over of other money market instruments.
[3] Credits and loans received from international financial institutions.
Source: MoF

Figure 10: Net Issue of Government Bonds Denominated in Local Currency



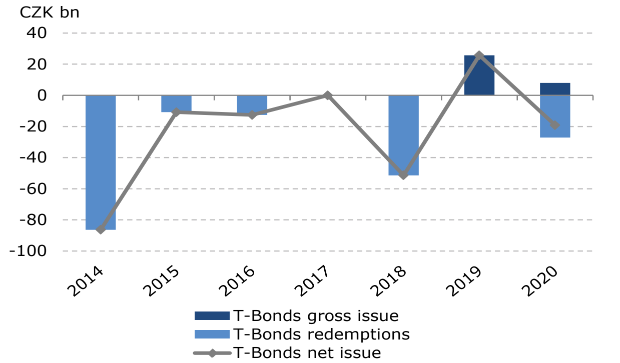
Source: MoF

Figure 12: Net Issue State Treasury Bills



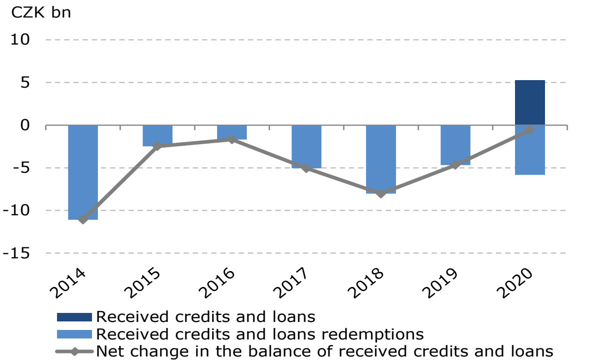
Source: MoF

Figure 11: Net Issue of Government Bonds Denominated in Foreign Currency



Source: MoF

Figure 13: Net Change in the Balance of Received Credits and Loans



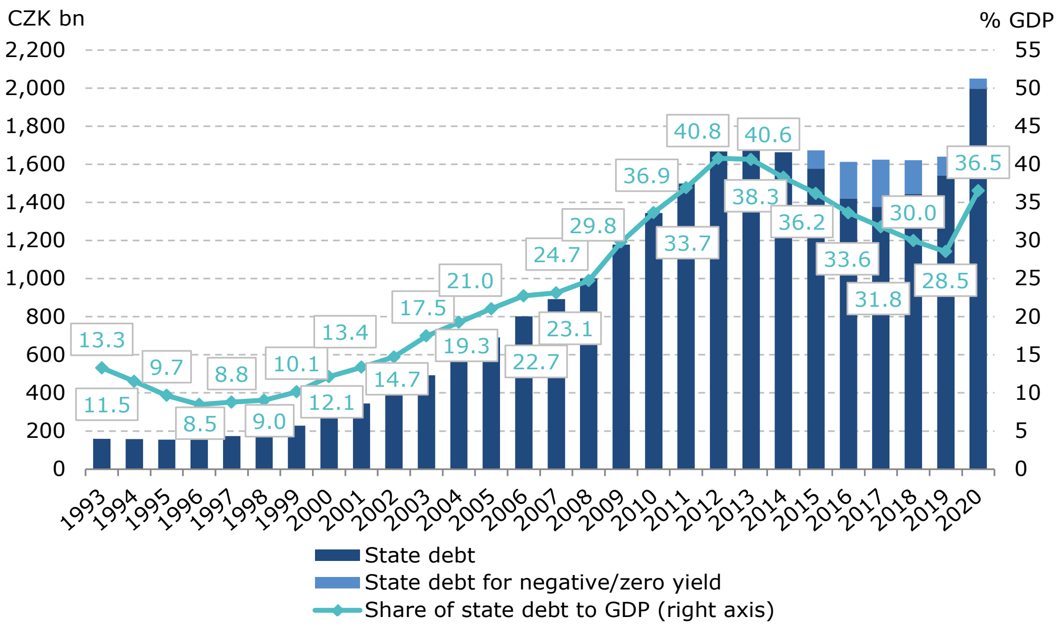
Note: Credits and loans received from international financial institutions.
Source: MoF

Table 6: Net Borrowing Requirement and Change in State Debt

CZK bn	2014	2015	2016	2017	2018	2019	2020
Gross state debt as at 1 January	**1,683.3**	**1,663.7**	**1,673.0**	**1,613.4**	**1,624.7**	**1,622.0**	**1,640.2**
Primary state budget balance	29.3	17.5	-102.4	-33.6	-43.7	-11.0	327.3
Net expenditure on state debt service[1]	48.5	45.3	40.7	39.8	40.7	39.6	40.1
Financial asset and liquidity management operations	-99.7	-43.2	2.3	16.1	-1.3	-8.5	36.1
Net borrowing requirement	**-21.9**	**19.6**	**-59.4**	**22.2**	**-4.2**	**20.0**	**403.5**
T-Bills net issue and net change in the balance of other money market instruments	-10.7	-23.5	-82.4	39.8	-0.3	-25.5	7.1
T-Bonds net issue on domestic market	96.0	67.4	66.4	3.8	71.7	42.4	411.7
T-Bonds net issue on foreign markets	-86.4	-10.8	-12.6	0.0	-51.4	0.0	-27.2
Savings government bonds net issue	-9.7	-10.9	-29.2	-16.3	-16.3	7.8	12.6
Net change in balance of received credits and loans[2]	-11.1	-2.5	-1.7	-5.1	-8.0	-4.7	-0.6
Financing of net borrowing requirement	**-21.9**	**19.6**	**-59.4**	**22.2**	**-4.2**	**20.0**	**403.5**
Revaluation of state debt[3]	2.3	-10.3	-0.2	-10.9	1.5	-1.8	6.0
Promissory notes net change	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross state debt change	**-19.7**	**9.3**	**-59.6**	**11.3**	**-2.7**	**18.2**	**409.5**
Gross state debt as at 31 December	**1,663.7**	**1,673.0**	**1,613.4**	**1,624.7**	**1,622.0**	**1,640.2**	**2,049.7**
Share of GDP (%)[4]	**38.3**	**36.2**	**33.6**	**31.8**	**30.0**	**28.5**	**36.5**

[1] Balance of budgetary chapter 396 – State debt.
[2] Credits and loans received from international financial institutions.
[3] Incl. the revaluation of foreign currency denominated debt due to exchange rate differences and the consolidation of state debt from bonds that were initially recorded on the asset account maintained by the Ministry in the relevant records for as long as they are registered in the account as well own bonds acquired by the state as their issuer prior to their maturity date, and financial resources received or repaid under the lending facilities provided from the nuclear portfolio.
[4] GDP in the ESA 2010 methodology. The source of data for 2014 to 2019 is CZSO, for 2020 the Macroeconomic Forecast of the Czech Republic – January 2021.
Source: MoF, CZSO

Figure 14: Czech Republic's State Debt Development



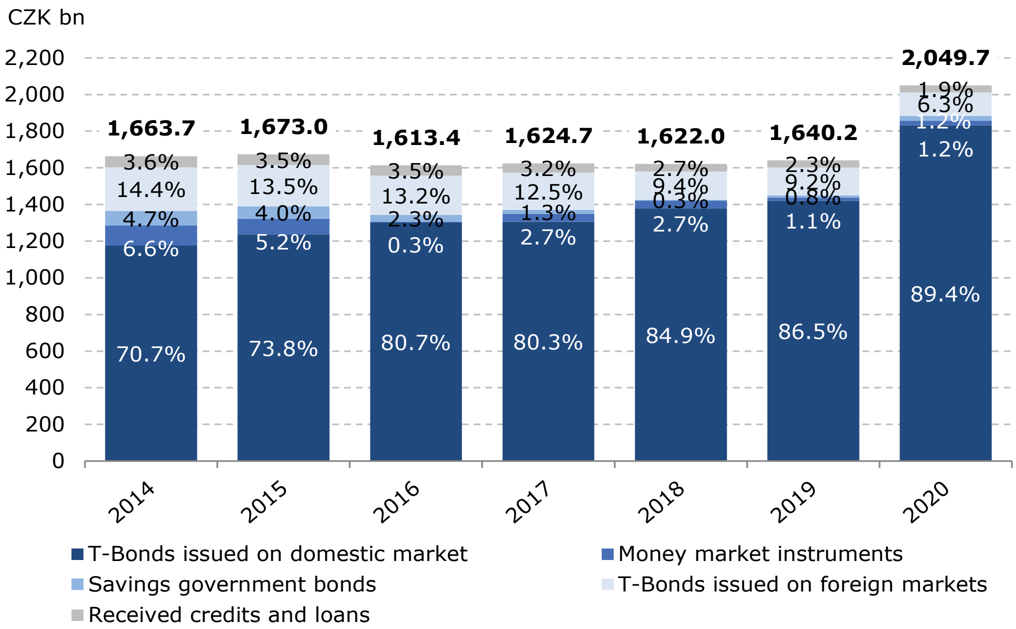
Note: GDP in the ESA 2010 methodology. The source of data for 1993 to 2019 is CZSO, for 2020 the Macroeconomic Forecast of the Czech Republic – January 2021.
Source: MoF, CZSO

Table 7: Balance and Structure of the Debt Portfolio

CZK bn	2014	2015	2016	2017	2018	2019	2020
Gross state debt	**1,663.7**	**1,673.0**	**1,613.4**	**1,624.7**	**1,622.0**	**1,640.2**	**2,049.7**
T-Bills and other money market instruments	110.2	87.3	4.2	44.0	43.6	18.0	25.4
Received collateral in cash	0.0	0.0	0.0	0.0	0.0	0.0	0.0
T-Bonds issued on domestic market	1,175.7	1,235.2	1,301.6	1,305.4	1,377.1	1,419.2	1,831.6
T-Bonds issued on foreign markets	239.6	225.6	213.5	202.6	152.9	151.5	129.2
Savings government bonds	77.8	66.9	37.8	21.5	5.2	13.0	25.6
Received credits and loans[1]	60.4	58.0	56.3	51.2	43.2	38.5	38.0
Promissory notes	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Liquid state financial assets	**67.8**	**77.1**	**62.2**	**60.5**	**61.9**	**83.6**	**81.7**
Nuclear portfolio	22.7	24.5	25.6	27.2	28.7	30.5	32.1
Pension portfolio	22.7	22.9	23.0	23.1	23.2	41.9	38.5
Special-purpose state financial assets accounts	10.9	11.1	10.7	10.1	9.8	11.1	11.1
On-lending over 1 year[2]	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash reserve[3]	11.5	18.6	2.9	0.2	0.2	0.0	0.0
State financial assets	**67.8**	**77.1**	**62.2**	**60.5**	**61.9**	**83.6**	**81.7**
Liquid state financial assets	67.8	77.1	62.2	60.5	61.9	83.6	81.7
On-lending[4]	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net debt portfolio	**1,595.8**	**1,595.9**	**1,551.2**	**1,564.2**	**1,560.1**	**1,556.6**	**1,968.1**

[1] Credits and loans received from international financial institutions.
[2] Extra-budgetary loans with original maturity of over 1 year and the estimated remaining time to maturity shorter than 12 months granted to other countries and domestic legal entities.
[3] Available cash resources created according to Section 35(4) of Act No. 218/2000 Coll. incl. the impact of exchange rate difference of the CZK value of the part of the cash reserve in foreign currencies.
[4] Extra-budgetary loans with original maturity of over 1 year and the estimated remaining time to maturity longer than 12 months granted to other countries and domestic legal entities.
Source: MoF

Figure 15: Structure of the Debt Portfolio by Instrument



Note: Credits and loans received from international financial institutions.
Source: MoF

State Treasury Liquidity Management

In the context of gradual growth in interest rates, the Ministry continued to rationalize the available liquidity of the state treasury in accordance with state-of-the-art government finance management principles. The funds of the central system of the single treasury account management fully replaced the cash reserve generated primarily by issuance.

The Ministry, in cooperation with the Czech National Bank, continued the project of term deposits in domestic currency in 2020. This project is intended for non-mandatory clients of the state treasury, who are newly allowed to keep funds in an account subordinated to the state treasury at an agreed amount and for a predetermined period of time, for which they will receive interest-replacing cash payments from the Ministry. Further development of the project took place in January 2021, when the Ministry extended the maturity offered for term deposits within the state treasury to 2, 3, 4 and 5 years. The move represents a significant development of this instrument supporting further stabilisation of state treasury funds, which can thus be used for the purpose of managing state debt and available state treasury liquidity over a period of more than one year, with the Ministry directly responding to demand from existing state treasury clients for opportunities for a longer-term appreciation of funds in accounts held under the state treasury.

Table 8: State and Structure of Resources and Investment Position of the State Treasury

CZK bn, EUR bn	2018		2019		2020	
	CZK	EUR	CZK	EUR	CZK	EUR
Liquid state financial assets	**61.7**	**0.0**	**83.6**	**0.0**	**81.7**	**0.0**
Mandatory clients of state treasury[1]	208.5	0.1	204.1	0.1	239.7	0.2
Optional clients of state treasury	57.5	0.0	83.9	0.0	126.8	0.0
Liabilities to the state treasury (-)	-72.6	-0.1	-106.0	0.0	-63.2	-0.2
Total liquidity position of the state treasury[2]	**255.1**	**0.0**	**265.5**	**0.1**	**385.0**	**0.0**
Reverse repo operations (T-Bills collateral)	0.0	0.0	0.0	0.0	0.0	0.0
Reverse repo operations (T-Bonds collateral)	0.0	0.0	0.0	0.0	0.0	0.0
Reverse repo operations (CNB bills collateral)	0.0	0.0	0.0	0.0	0.0	0.0
Reverse repo operations (foreign securities collateral)	0.0	0.0	0.0	0.0	0.0	0.0
Provided deposits and short-term borrowings and loans	9.0	0.0	18.2	0.1	12.0	0.0
On-lending[3]	0.0	0.0	0.0	0.0	0.0	0.0
Investment in securities	4.6	0.0	2.6	0.0	2.6	0.0
Provided collateral in cash	0.0	0.0	0.0	0.0	0.0	0.0
Cash resources in treasury single account	241.5	0.0	244.7	0.0	370.4	0.0
Ministry's cash resources in commercial banks accounts[4]	0.0	0.0	0.1	0.0	0.0	0.0
Total investment position of the state treasury	**255.1**	**0.0**	**265.5**	**0.1**	**385.0**	**0.0**

[1] Excl. quasi-clients of the state treasury (state debt and state financial assets).
[2] Available liquidity of the state treasury incl. investments outside state treasury liquidity management accounts.
[3] Extra-budgetary loans with maturity of over 1 year and the estimated remaining time to maturity shorter than 12 months granted to other countries and domestic legal entities.
[4] Incl. cash resources in transit.
Source: MoF

The cuts in basic interest rates by the Czech National Bank during this year was reflected in significantly lower yields from investment operations under the state treasury liquidity management compared to 2019. In 2020, the Ministry achieved revenues of CZK 1,909 million.

As part of koruna state treasury liquidity management and investment operations for the nuclear portfolio financial assets management, short-term investments using CNB bills or government bonds as collateral were made in 2020, with a total nominal value of CZK 10,367.4 billion. The average interest rate achieved when investing with the use of this collateral decreased compared to the previous year and fell to 0.50 % p.a. Short-term investments in the form of deposit operations with a total nominal value of CZK 3,870.9 billion were also carried out in this period. The average interest rate achieved when investing in the form of deposit operations fell to 0.47% p.a. In 2020, a total of CZK 1,777.5 million was transferred to the state budget from the proceeds of operations within the koruna liquidity management of the state treasury, including interest on current account opened in commercial banks for the purposes of liquidity management amounting to CZK 2.8 million.

As part of the euro state treasury liquidity management, short-term investments in the form of deposit operations with a total nominal value of EUR 50.0 million were made in the course of 2020. The average interest rate achieved by investing in the form of deposit operations was 0.00% p.a. In 2020, a total of CZK 0.2 million was transferred to the state budget from the proceeds of operations within the euro liquidity management of the state treasury, including interest on current account opened in commercial banks for the purposes of liquidity management amounting to of CZK 42.7 thousand. The situation on the euro deposit market is characterized by negative interest rates, mainly due to the monetary policy of the European Central Bank. The Ministry took advantage of this situation by further conducting short-term borrowing operations in foreign currency and issuing zero-coupon medium-term government bonds due in 2027. In 2020, the total revenue from these operations amounted to CZK 94.6 million. In the area of euro money market instruments, foreign exchange swaps in a total value of EUR 3,125.0 million and at average interest rate of -0.36% p.a. were also used to cover euro financing needs and contributed to the distribution of euro exposure along the entire money market yield curve. The total state budget revenue from these operations in 2020 amounted to CZK 32.0 million.

The Ministry achieves further savings of the state budget by conducting operations on foreign exchange market, which are intended for mediation of foreign currency payments from and to the state budget (e.g. chapters of the of Ministry of Foreign Affairs, General Treasury Management, etc.). The Ministry is able to achieve a more advantageous exchange rate than that offered by the Czech National Bank, which would mediate the operation on the basis of its current exchange rate list. In 2020, the Ministry saved CZK 56.5 million, mediating trades worth almost CZK 14.7 billion.

Table 9: Net Revenue from Operations within State Treasury Liquidity Management and Operations with Negative Yields

CZK mil	2018	2019	2020	2019/2018	2020/2019
CZK operations	2,069.6	3,674.4	1,777.5	1.8	0.5
EUR operations	0.1	0.1	0.2	0.8	4.9
Lending facilities	10.1	8.7	4.9	0.9	0.6
FX swaps	157.9	0.7	32.0	0.0	46.3
Issuance with negative yield[1]	1.6	113.6	8.4	68.9	0.1
Borrowing operations in foreign currency with a negative yield	49.9	82.9	86.3	1.7	1.0
Total	**2,289.2**	**3,880.3**	**1,909.4**	**1.7**	**0.5**

[1] Adjusted for future expenditure on coupon payments related to the bonds until their maturity, unless they were zero-coupon bonds.
Source: MoF

Table 10: FX Market Operations in 2020

Counterparty	EUR (thous)	USD (thous)	CHF (thous)	SEK (thous)	CZK (mil)	Savings (CZK)[1]	Share of savings (%)
Société Générale / Komerční banka, a.s.	39,132.7	56,237.6	3,065.0	100,946.0	2,641.3	12.3	21.7
Citibank Europe plc	53,375.6	37,454.5	0.0	0.0	2,244.7	11.1	19.6
PPF banka a.s.	70,494.0	3,759.0	6.4	0.0	1,900.2	9.2	16.2
KBC Bank NV / Československá obchodní banka, a. s.	95,980.7	5,834.0	0.0	0.0	2,708.3	7.1	12.6
UniCredit Bank Czech Republic and Slovakia, a.s. / UniCredit Bank AG, München	44,679.1	717.9	11,525.3	1,200.0	1,469.3	6.8	12.1
J.P. Morgan Securities plc	92,678.9	1,790.7	2,166.0	2,726.1	2,626.5	5.0	8.9
Erste Group Bank AG / Česká spořitelna, a.s.	36,250.0	0.0	0.0	0.0	986.4	4.6	8.1
Credit Agricole Corporate and Investment Bank	4.4	0.0	0.0	39,073.4	100.6	0.4	0.7
Total	**432,595.4**	**105,793.8**	**16,762.6**	**143,945.4**	**14,677.2**	**56.5**	**100.0**

[1] State budget savings made through the intermediation of foreign currency payments from and to the state budget given by the exchange rate announced by the CNB and the exchange rate on FX market
Source: MoF

3 - Funding Program and Issuance Activity

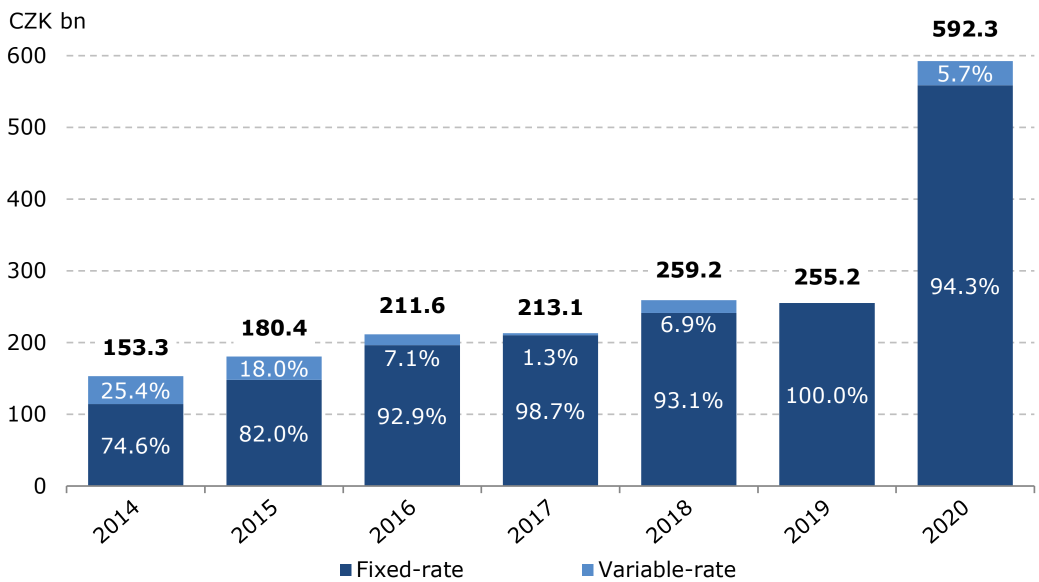
The funding program for the given year defines the scope for the execution of borrowing operations and quantifies the value of cash resources acquired from borrowing operations on the financial markets or from the international financial institutions. The structure of funding program consists of debt sources, which are used for financing of the gross borrowing requirement, i.e. the issuance and sale of government bonds on domestic and foreign markets and receiving of loans and credits from international financial institutions.

Regular quarterly evaluation of the actual debt portfolio structure in relation to the declared strategic targets and limits that constitute the key parameters of the publicly defined strategic benchmark portfolio communicated in particular through the The Czech Republic Funding and Debt Management Strategy and its possible revisions, and the quarterly update of gross borrowing requirement and funding program contained in the Debt Portfolio Management Quarterly Reports are the Ministry's main tools to support the credibility and transparency of the entire process of state debt and the related state financial assets management and the execution of borrowing operations on financial markets in accordance with best international practice and recommended standards.

CZK-denominated Medium-Term and Long-Term Government Bonds

For 2020, The Czech Republic Funding and Debt Management Strategy for 2020 (hereinafter Strategy) set out an issuance plan for medium-term and long-term government bonds denominated in the domestic currency in the amount of at least CZK 120 billion, which, however, did not cover the crisis deficit of the state budget. The updated issuance plan published as part of the The Czech Republic Funding and Debt Management Strategy for 2020 - Second Half Update (hereinafter Updated strategy), which already reflected the effects of the pandemic and the increase in the state budget deficit to CZK 500 billion, was increased to at least CZK 480 billion. The actual gross issue on the primary and secondary market amounted to CZK 592.3 billion. The Ministry thus complied with the framework issuance plan defined in the Updated strategy and successfully covered the crisis need for financing with unprecedented issuance activities. Despite the high issuance activity, the associated growth of government debt and uncertainty in the financial markets during the year, the Ministry did not have to revise or short-term modify and loosen the strategic goals and limits applicable for the medium term horizon. In 2020, a total of 65 primary auctions were held in 25 auction days, with up to three different government bonds being offered on one auction day. On the primary and secondary markets, the Ministry sold fixed-rate and variable-rate government bonds with maturities along the entire length of the yield curve so as to ensure sufficient funds to cover the crisis deficit of the state budget, satisfy demand from primary dealers and recognized dealers and, last but not least, did not deviate significantly from strategic objectives and limits.

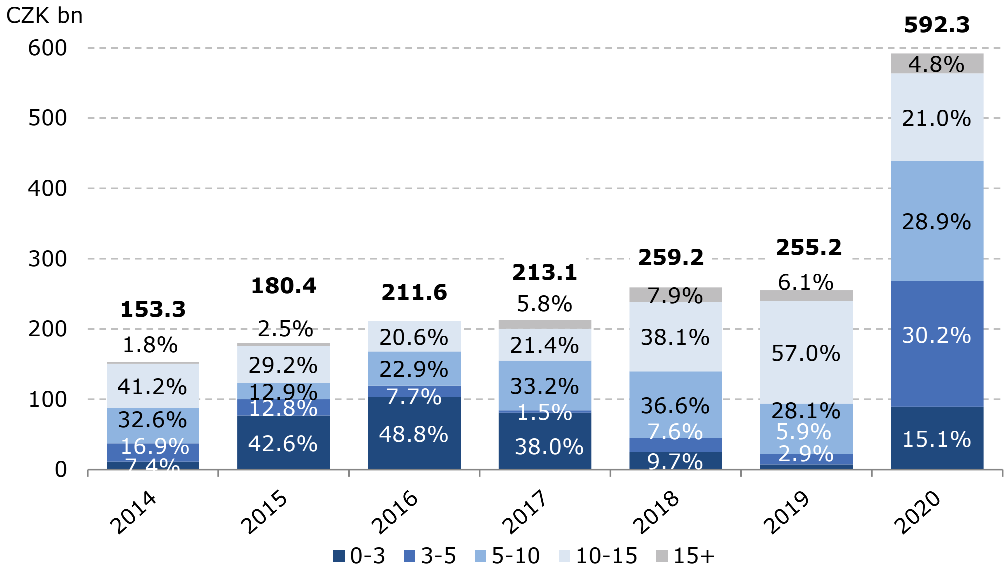
Figure 16: Interest Structure of Sold CZK-denominated Government Bonds



Source: MoF

In 2020, the Ministry re-opened fixed-rate and variable-rate issues, especially in the segments with a residual maturity of 3 to 15 years, where the Ministry sold over 80% of the total nominal value. Despite the acute need to secure funds for increased crisis expenditures of the state budget, the Ministry did not focus only on the issue of government bonds with shorter maturities, where it recorded unprecedented demand from primary dealers and recognized dealers, especially during the first wave of the pandemic, but issued government bonds bearing an interest along the entire length of the yield curve during the year, thus also taking advantage of the relatively favorable situation in the form of a partial decline in government bond yields at all maturities. In the segment with a residual maturity of up to 5 years, government bonds in a total nominal value of CZK 268.2 billion were sold, in the segment with a residual maturity of up to 5 years, government bonds in a total nominal value of CZK 170.9 billion were sold and the Ministry placed government bonds with maturity of over 10 years in a total nominal value of CZK 153.1 billion.

Figure 17: Maturity Structure of Sold CZK-denominated Government Bonds

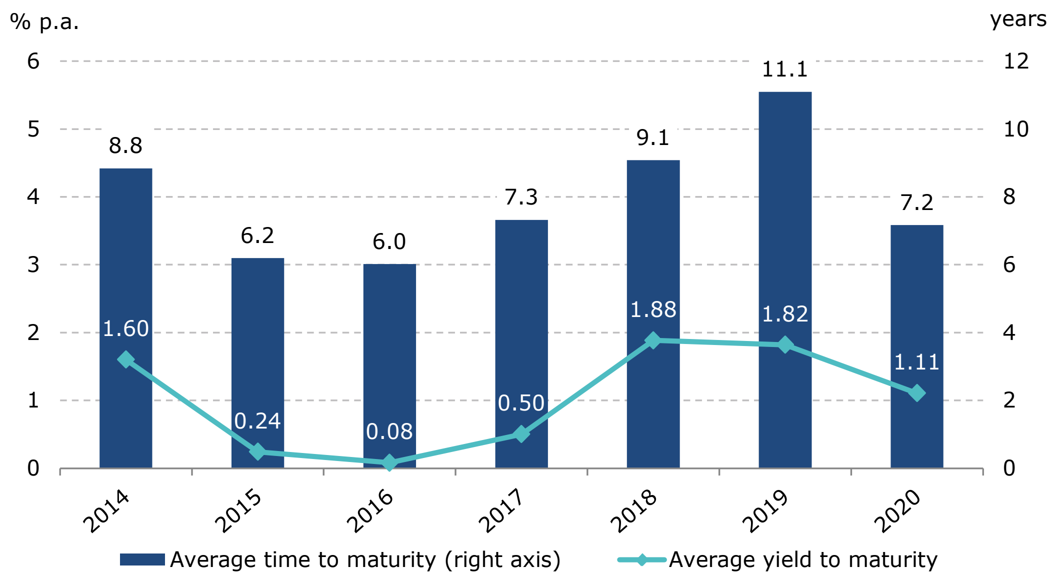


Note:Residual time to maturity related to the issue date.
Source: MoF

The average yield on CZK medium-term and long-term government bonds sold on the primary and secondary markets in 2020 was 1.11% p.p., which is 0.71 p.p. less than in the previous year. The decline in the average yield is due to significant interest from investors in holding government bonds, but also to the loose monetary policy of the Czech National Bank, which responded to the unfavorable economic situation with its monetary policy instruments and reduced the 2W repo rate to 0.25% p.a. in 2020, which had a positive effect on government bond yields.

The average time to maturity of sold CZK government bonds fell to 7.2 years, but is still higher than the medium-term strategic target set for average time to maturity of state debt at 6.0 years. The average time to maturity indicator was mainly influenced by issuance activities during the first wave of the coronavirus pandemic, when the Ministry issued CZK medium-term and long-term government bonds in a total nominal value of CZK 435.4 billion with an average time to maturity of 6.1 years. For the rest of the year, government bonds were issued with an average time to maturity of 10.2 years.

Figure 18: Average Yield and Time to Maturity of Sold CZK-denominated Government Bonds



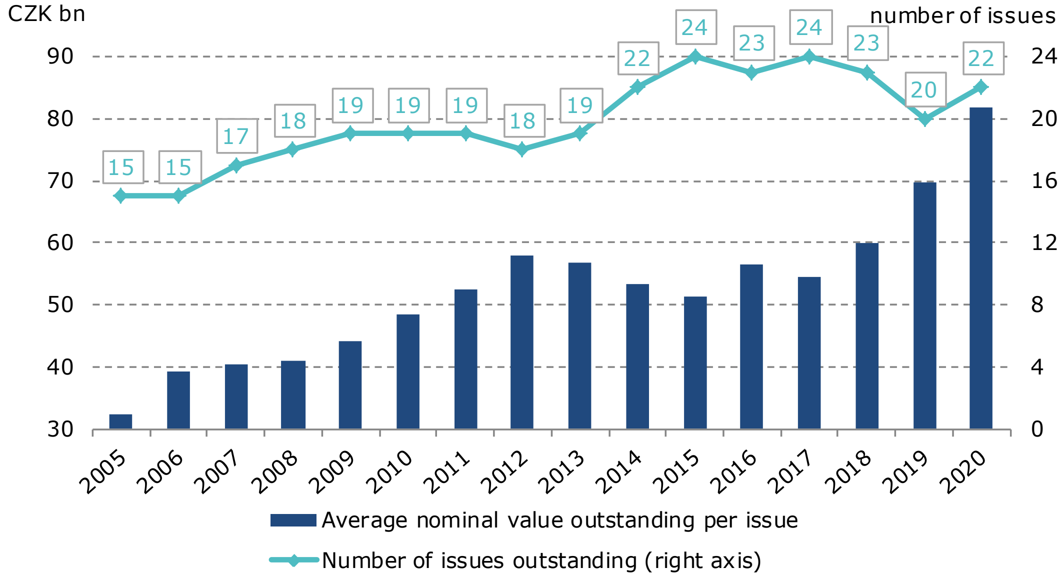
Note: Average residual time to maturity is related to the issue date.
Source: MoF

In 2020, CZK medium-term and long-term government bonds in a total nominal value of CZK 477.1 billion were placed on the primary market, which is CZK 252.3 billion more than in the previous year. This is the historically highest value, which was additionally supplemented by sales on the secondary market, where the Ministry was also highly active during the year. In the area of tap sales, government bonds in a total nominal value of CZK 25.8 billion with maturities along the entire length of the yield curve were sold, especially due in 2025, 2031 and 2033. However, the Ministry focused mainly on exchange operations and usually bought back medium-term and long-term government bonds with a relatively short residual maturity or a relatively high coupon rate and sold government bonds with a longer residual maturity or a relatively lower coupon rate, thereby reducing future repayments and thus refinancing risk. As a result of these operations, the average time to maturity of the debt portfolio is also being extended, and they may also have a positive effect on the state budget due to savings resulting from the non-realization of future coupon payments. The Ministry exchanged government bonds with maturities mainly in 2020 and 2021, while this year, in addition to medium-term and long-term government bonds, it also included state treasury bill issued to strengthen liquidity reserves in March 2020 into the exchanges operations. The Ministry sold government bonds with a maturity mainly in the years 2029 to 2033 in a total nominal value of CZK 89.3 billion and bought medium-term and long-term government bonds in a total nominal value of CZK 48.1 billion and reserve state treasury bills in a total nominal value of CZK 43.1 billion.

Thus, in 2020, the Ministry reacted flexibly to the unfavorable economic and health situation and secured additional funds for financing the exceptionally high gross borrowing needs and for the smooth implementation of the government's fiscal and budgetary policy through a wide range of operations on the primary and secondary market.

In 2020, there were three regular redemptions of medium-term and long-term government bonds. It was a Government Bond of the Czech Republic, 2017–2020, 0.00%, which was redeemed in February in the total nominal value of CZK 50.1 billion, Czech Republic Treasury Bond, 2005 - 2020, 3.75 %, which was redeemed in September in the total nominal value of CZK 65.6 billion and the Czech Republic Government Bond, 2014–2020, VAR% due in December in the total nominal value of CZK 24.9 billion. In total, medium-term and long-term government bonds in a total nominal value of CZK 188.6 billion were redeemed in 2020, including operations on the secondary market. No buy-backs of medium-term and long-term government bonds were made during the year. The total nominal value of the net issue of CZK medium-term and long-term government bonds was thus CZK 403.7 billion. As a result of the increase in gross borrowing needs during 2020, the Ministry had to abandon the plan announced in the Strategy for stabilizing the number of CZK issues of government bonds to twenty, when their number reached twenty-two by the end of the year.

Figure 19: Average Nominal Value of CZK-denominated Government Bonds per Issue



Source: MoF

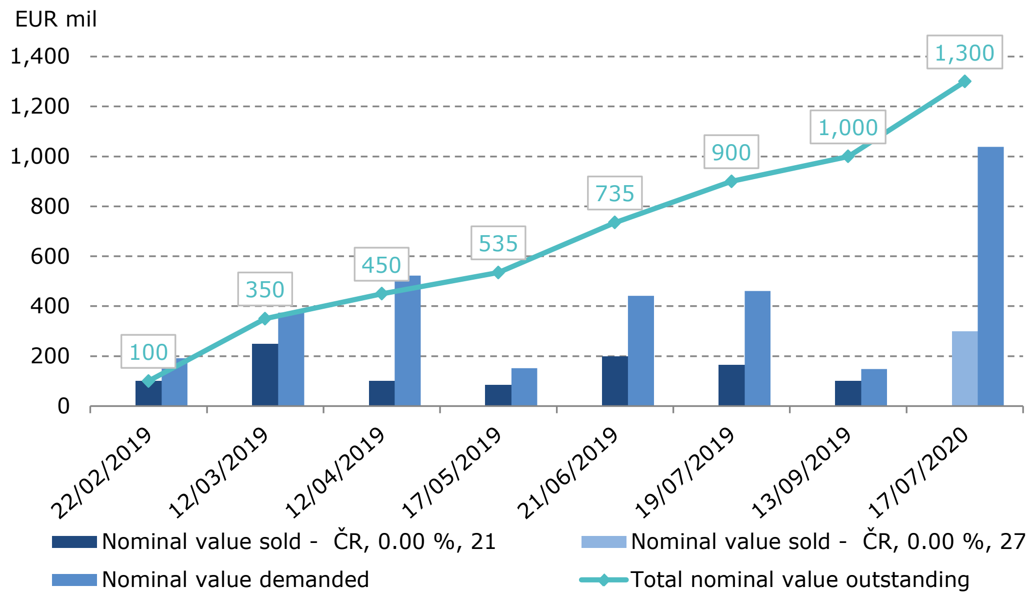
Refinancing of Foreign Currency State Debt

During 2020, the Ministry used a wide range of financial operations on the euro money and capital markets to refinance euro debts. It successfully followed up on the pilot issue of the government EUR-bond of the Czech Republic, 2019–2021, 0.00% denominated in euro issued under Czech law and registered by the Central Securities Depository Prague, when issuing another issue of this type of EUR-bond with maturity in July in 2027. In the first tranche, government EUR-bonds in a total nominal value of EUR 300 million were placed, with a bid-to-cover ratio of 3.5. The average yield of this issue was -0.015% p.a., which resulted in additional revenues to the state budget of EUR 311 thousand, as there are no interest expenses associated with the issue of the EUR-bond.

The Ministry prefers this type of financing to issuance on foreign markets under foreign law, which is usually associated with higher costs, especially in the area of administration and fees for lead managers. Lower administrative complexity allows the Ministry to respond more flexibly to the situation on the financial market and the current financing needs. During 2019 and 2020, the Ministry issued government EUR-bonds in a total nominal value of EUR 1.3 billion.

Based on the high interest from investors and positive responses from the financial market, the Ministry, as a new member of the User Committee of the Central Securities Depository Prague since 2019, initiated and reached an agreement with its members to make the depository, as an ancillary settlement system, a direct participant in the TARGET2 payment system, a clearing system operated by the central banks of the euro area countries. This was carried out in line with the project plan on 2 March 2020 and represents a significant step forward in the development of the domestic capital market and its closer interconnection with euro area bond market infrastructure. At the same time, it was a necessary step towards the planned achievement of the inclusion of government EUR-bonds of the Czech Republic issued under Czech law and registered in the domestic central depository among the eligible assets within Eurosystem credit operations.

Figure 20: Development of the Nominal Value of Government EUR-bond Outstanding



Source: MoF

During 2020, the Ministry did not carry out any borrowing operations on foreign bond markets, but in March it repaid the 2nd issue of government bonds denominated in euros issued on foreign markets in 2005 with a total nominal value of EUR 1.0 billion. The repayment was covered for a short term by deposit operations carried out on the euro money market, or by euro repo operations, where the Ministry obtained euro funds against CZK medium-term and long-term government bonds placed as collateral. In the area of euro money market instruments, FX swaps were also used to a greater extent, which contributed to the distribution of euro exposure along the entire money market yield curve. The Ministry also used the possibility of drawing new or converting already received loans from international financial institutions. In the case of regular revisions of interest rates on loans from the European Investment Bank, the Ministry has the option to convert a loan into euros if the offered revision of a CZK loan is not advantageous in comparison with the issue of CZK government bonds with similar maturities on the domestic market. This year, two tranches of loans totaling CZK 2.1 billion were converted into tranches totaling EUR 82 million with an interest rate of 0.0% p.a. In addition, a loan of EUR 200 million was provided by the Council of Europe Development Bank, whereas the credit facility allows for the drawing of an additional EUR 100 million. All the above operations are concluded by the Ministry for zero or negative interest, which generates additional revenues to the state budget.

Direct Sale of Government Bonds to Citizens

In 2020, the Ministry continued the project of the sale government bonds to citizens called the „Dluhopis Republiky", which was reintroduced at the end of 2018 on the occasion of the celebration of 100th anniversary of the foundation of the Czechoslovakia. The high interest in „Dluhopis Republiky" government bond over the last two years contributes to greater stability and diversification of the investor base with a positive impact on the refinancing and interest rate risk of state debt, as retail investors are usually conservative and not subject to short-term fluctuations in international bond markets. A side effect of the possibility of investing in government bonds intended for citizens is the increase in public interest in the management of the public institutions sector. The vast majority of them are domestic entities, so part of the interest expenditure on state debt service represents an additional income of domestic households, but the interest costs of the „Dluhopis Republiky" government bond do not burden the state budget more than a possible issue of medium-term and long-term government bonds with the same maturity.

Within the individual subscription periods, the Ministry offered up to three different types of six-year government bonds - reinvestment, inflation-linked and fixed. The reinvestment bond bears interest at a fixed, gradually increasing coupon rate, which increases the motivation to hold until the maturity, while the yield on the fixed bond is constant each year. The inflation-linked bond bears interest at a floating interest rate linked to the consumer price index published by the Czech Statistical Office and thus offers protection of invested funds against the devaluation of inflation.

In the course of 2020, a total of five consecutive subscription periods took place, when it was possible to purchase individual issues of the „Dluhopis Republiky" government bond. The Ministry thus offered households the option of subscribing on a daily basis, through an electronic access to asset account management or at selected branches of contracted distributors.

During 2020, the „Dluhopis Republiky" government bond in a nominal value of CZK 15.1 billion were issued in thirteen issues, while the fifth subscription period of the „Dluhopis Republiky" government bond took place in 2019 with the issue date on 2 January 2020 in a total nominal value of CZK 1.7 billion. The sixth subscription period began on 23 December 2019 with the issue date on 1 April 2020, when government bonds in a total nominal value of CZK 2.1 billion were sold within three issues, and in the seventh subscription period on 1 July 2020, again with three issues, in total nominal value of CZK 2.3 billion. In the eighth subscription period with the issue date of 1 October 2020 and two issues, total nominal value amounted to CZK 4.0 billion and in the ninth subscription again within two issues with and issue date on 31 December 2020 total nominal value amounted to CZK 5.0 billion as the second best result since the launch of the sale of government bonds to citizens in December 2018.

As in the previous year, the Ministry recorded the highest interest in inflation-linked bonds, which were subscribed in the total nominal value of CZK 14.7 billion, which represents a share of 96.5%. Protection against inflation, which in the Czech Republic has been above the inflation target set at 2.0% for several years, thus creates a stronger incentive than investing money in fixed-rate government bonds with a currently lower but certain yield.

As the Ministry's goal is, among other things, the gradual electronicization of the system of distribution and administration of government bonds for citizens in order to minimize the costs associated with the distribution of government bonds, new electronic access functionalities were launched in the course of 2020. Thus, its users now have the option, for example, to request a complaint about non-payment of yield or non-redemption of the nominal value with possibility to invest funds to actual offered "Dluhopis Republiky" government bonds. At the same time, it is also possible to fill in a solemn declaration directly in the electronic access environment or generate and print gift certificates or commemorative certificates of the issue. The Ministry is also trying to increase awareness of the possibility of using electronic sales as a more comfortable and economical alternative by allowing reinvestment of the nominal value or entire last yield of selected issues only through electronic access and not at the branches of contracted distributors.

The total nominal value of the gross issue of savings government bonds thus reached the level of CZK 15.3 billion, when CZK 0.2 billion consisted of tranches issued in the form of reinvestment of the yield of already issued government bonds. In June, a regular redemption was made of the Inflation-Linked Savings Government Bond of the Czech Republic, 2013–2020, CPI% in a total nominal value of CZK 0.4 billion. In December, two regular redemptions took place, namely of the Inflation-Linked Savings Government Bond of the Czech Republic, 2013–2020 II, CPI% and the Variable Savings Government Bond of the Czech Republic, 2014–2020, VAR%, together in a total nominal value of CZK 2.2 billion. Furthermore, the issuance terms and conditions of savings government bonds allow owners to request their redemption before a specified maturity date. However, the share of redemptions before the maturity date is not significant and the holders of savings government bonds request this service only exceptionally. In 2020, bonds in a total nominal value of CZK 128 million were requested to be redeemed within all submitting periods.

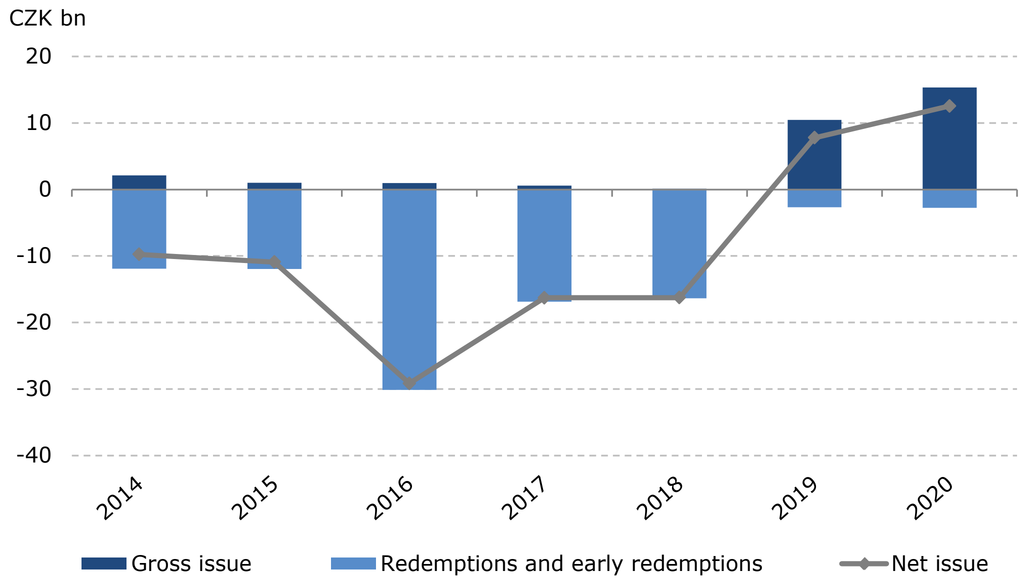
Table 11: Issues and Redemptions of Government Bonds for Citizens

CZK bn	2014	2015	2016	2017	2018	2019	2020
Total nominal value of issued government bonds	1.4	0.0	0.0	0.0	0.0	10.4	15.1
Reinvestment of yields	0.7	1.0	1.0	0.6	0.1	0.1	0.2
Early redemptions	0.3	0.4	0.1	0.1	0.0	0.0	0.1
Early redemptions (% outstanding as at the end of the previous year)	0.4	0.5	0.2	0.2	0.1	0.2	1.0
Regular redemptions	11.6	11.5	30.0	16.8	16.3	2.7	2.6
Total redemptions	11.9	11.9	30.2	16.9	16.4	2.7	2.8
Outstanding	77.8	66.9	37.8	21.5	5.2	13.0	25.6
Share of government bonds to state debt (%)	4.7	4.0	2.3	1.3	0.3	0.8	1.2

Source: MoF

The net issuance of savings government bonds reached a total nominal value of CZK 12.6 billion. In 2020, the new issues of the "Dluhopis Republiky" bonds covered the regular redemptions of previously issued savings government bonds and significantly contributed to the increase in the share of government bonds intended for citizens in total state debt from 0.8% at the end of 2019 to 1.2% at the end of 2020, amounting to outstanding value of CZK 25.6 billion. The share of savings government bonds in state debt thus increased despite the high growth of state debt due to the unprecedented issuance of medium-term and long-term government bonds.

Figure 21: Issues and Redemptions of Government Bonds for Citizens



Note: Incl. savings government bonds issued in 2011 to 2014 and reinvestment of yields.
Source: MoF

Money Market Instruments and Other Debt Instruments

In 2020, the total nominal value of the gross issue of state treasury bills without roll-over within the year was CZK 25.4 billion. In March, the Ministry issued an 1-year state treasury bill in a total nominal value of CZK 68.6 billion in order to strengthen the treasury's liquidity reserves, but began to buy-back the bill during the fourth quarter as part of exchange operations after having secured sufficient funds, especially through the issuance of medium-term and long-term government bonds. The Ministry carried out a total of 13 auctions in 13 auction days. The gross issue of state treasury bills including roll-over in the year amounted to CZK 137.4 billion with a total demand of CZK 379.1 billion and an average auction yield of 0.84% p.a. Even in 2020, primary dealers and recognized dealers in the Czech government securities continued to use lending facilities in the form of repo operations, when medium-term and long-term government bonds in a total nominal value of CZK 1.2 billion were provided from the Ministry's asset accounts, against CZK 1.3 billion in cash. The average interest rate achieved under lending facilities in the form of repo operations during 2020 was -0.22% p.a.

In the area of loans and credits from international financial institutions, the Ministry received a loan tranche from the Council of Europe Development Bank amounting EUR 200 million, and repayments of tranches of loans from European Investment Bank in the total amount of CZK 5.8 billion took place in 2020.

4 - Risk Management and Portfolio Strategy

The declaration of strategic goals and limits is the main tool for increasing the transparency of the Ministry's debt policy in line with the best international practice. The objectives are set up based on the requirements of a prudent approach to management of financial and credit risks while minimizing economic costs in the long run. The main risks to which the debt portfolio is exposed in the long term are refinancing, interest rate and currency risks. All the objectives defined below are applied to the portfolio of the state debt as a whole, including derivative operations. In connection with streamlining and modernizing state treasury liquidity management, refinancing and interest risk strategic targets and limits are announced in medium-term horizon, which allows the Ministry a flexible response to a short-term market conditions and investors' interest in instruments in a certain segment of time to maturity or re-fixing.

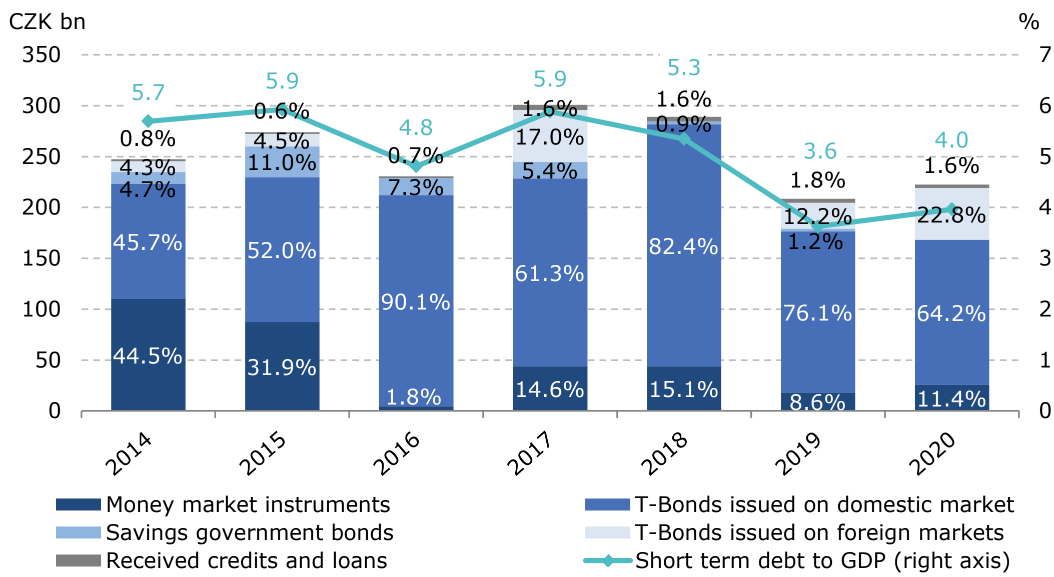
A short-term deviation from the set medium-term strategic limits and targets for the debt portfolio's risk parameters for refinancing and interest rate risk is possible but the medium-term issuance activity will be planned in such a way that the limits and targets defined in the Strategy are met in the medium-term horizon.

Refinancing Risk

Refinancing risk is managed by a system of three quantitative indicators: the share of short-term state debt, the share of medium-term state debt and the average time to maturity of the state debt, taking into account the structure of the maturity profile and the effort to achieve a balance of state debt redemptions in individual years of medium-term and long-term horizon. These indicators are to be considered as a comprehensive system, focusing only on one of them may pose a potential risk.

The share of short-term state debt (i.e. the share of debt due within one year in total state debt) is a key indicator of the refinancing risk in the short-term horizon. For the medium-term horizon, the limit for the short-term state debt is set at 20.0%. The share of short-term state debt at the end of 2020 was 10.9% of the total state debt, representing a decrease of 1.8 p.p. compared to the end of 2019, but still below the limit for the medium-term horizon.

Figure 22: Structure of Short-Term State Debt by Instrument



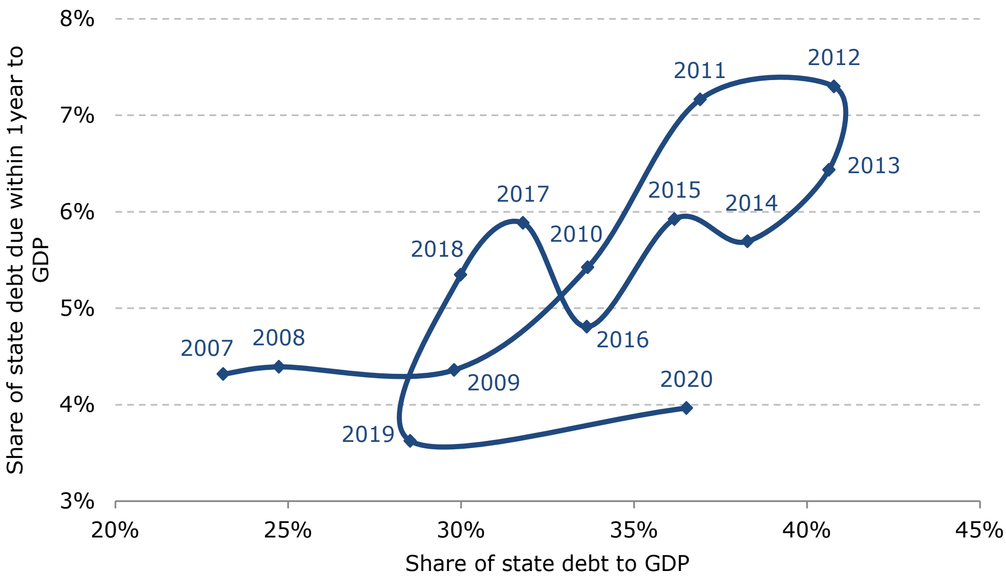
Note: As at the end of each year. The source for GDP for 2014 to 2019 is the CZSO, for 2020 the Macroeconomic Forecast of the Czech Republic – January 2021. Credits and loans received from international financial institutions.
Source: MoF, CZSO

During 2020, the absolute value of the short-term state debt increased by CZK 14.1 billion to CZK 222.6 billion. Compared to the end of 2019 there has been a change in currency structure of short-term state debt connected to the medium-term and long-term government bonds and other debt instruments. In case of medium-term and long-term government bonds issued on domestic market maturing within one year, there was a decrease by CZK 15.7 billion, i.e. by 11.9 p.p., in case of government bonds issued on foreign markets maturing within one year, the year-on-year increase was 10.6 p.p. since there will be regular redemption in 2021 of these bonds in total nominal value of EUR 2.0 billion. Lower repayments of loans received from international financial institutions by CZK 0.3 billion in 2021 compared to 2020 did not affect the share of received credits and loans in short-term state debt significantly.

Money market instruments outstanding at the end of 2020 increased by CZK 7.5 billion compared to the end of 2019, the share of money market instruments in total short-term state debt increased year-on-year by 2.8 p.p. The share of money market instruments in the total state debt at the end of 2020 was 1.2% and remains stable compared to the end of 2019. Even at the end of 2020, the medium-term and long-term government bonds issued on domestic and foreign markets including savings government bonds maturing within one year exceed the balance of money market instruments outstanding.

The share of short-term state debt in GDP slightly increased by 0.3 p.p. compared to end of 2019 to 4.0% at the end of 2020, but it is still at lower level than at the end of 2018. Since 2012, the share of short-term state debt in GDP decreased by 3.3 p.p.

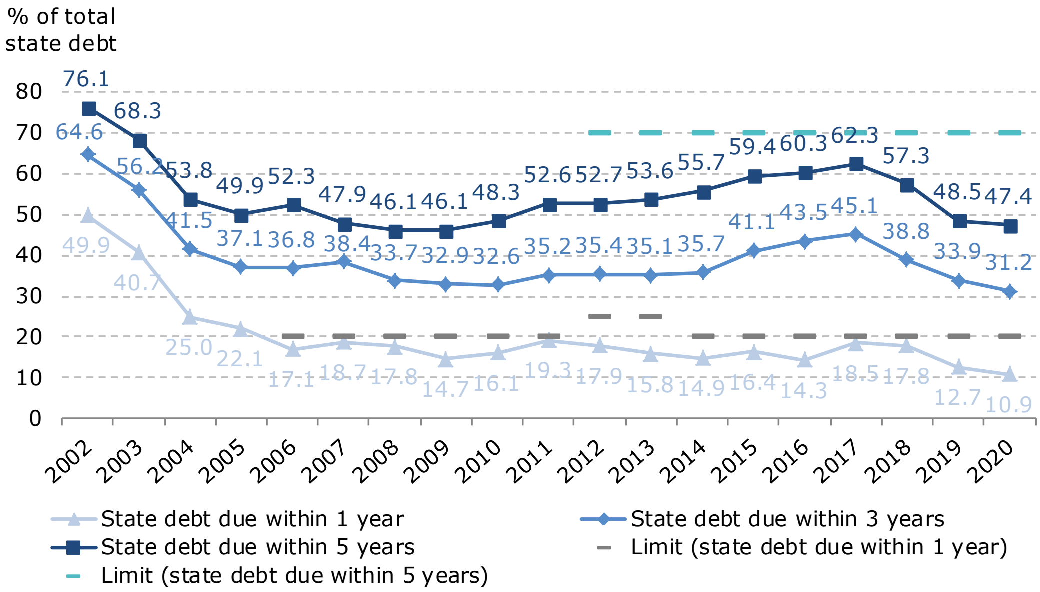
Figure 23: Short-Term State Debt and Total State Debt to GDP



Note: As at the end of each year. The source for GDP for 2007 to 2019 is the CZSO, for 2020 the Macroeconomic Forecast of the Czech Republic – January 2021.
Source: MoF, CZSO

In the area of medium-term refinancing risk, the Ministry monitors and manages the share of debt due within three and five years. The debt due within five years is managed by the share of the medium-term debt to the total state debt, for which the Ministry has set an explicit limit in the medium-term horizon of 70.0% of the total state debt. The value of the share of medium-term state debt in total state debt at the end of 2020 is 47.4%, and remains stable compared to the end of 2019, thus the indicator is still below the upper limit set for medium-term horizon. The share of state debt maturing within three years amounts to 31.2% at the end of 2020, representing a decrease of 2.6 p.p. compared to the end of 2019.

Figure 24: State Debt by Maturity Baskets

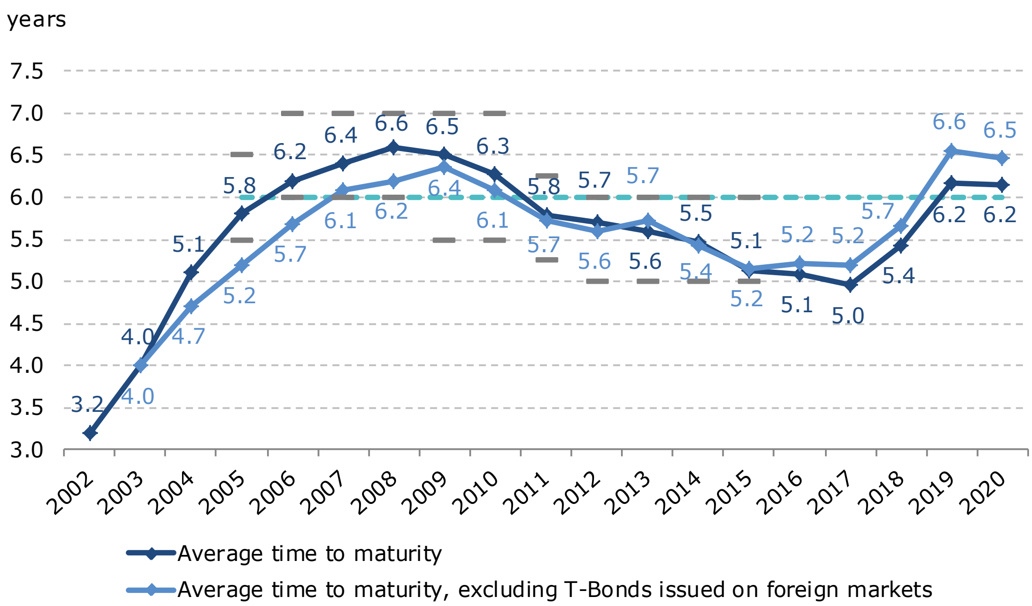


Note: As at the end of each year.
Source: MoF

Another indicator used in the management of refinancing risk is the average time to maturity of the state debt, for which the target value for the medium-term horizon is set at 6.0 years, with a possibility of deviation of 0.25 years. The average time to maturity as well as the structure of state debt portfolio maturity profile belongs among the fundamental indicators that determine the time and volume structure of government bond issues on domestic and foreign markets and the repayment schedules of loans received from international financial institutions.

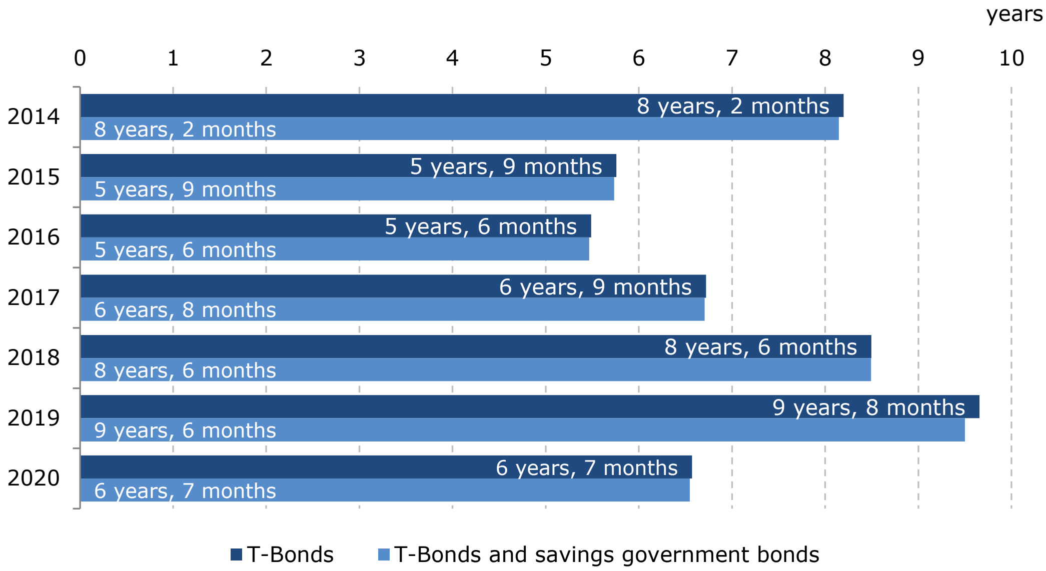
The average time to maturity of state debt at the end of 2020 is 6.2 years, and despite record issuance activity during the first wave of the coronavirus pandemic, when the demand was mainly in government bonds with a residual time to maturity up to 5 years, the value of this indicator was maintained at the same level as at the end of 2019, when the Ministry increased the activity on secondary market in the fourth quarter of the year and began exchanging short-term government bonds for long-term government bonds.

Figure 25: Average Maturity of State Debt and Declared Targets



Note: As at the end of each year.
Source: MoF

Figure 26: Average Residual Time to Maturity of Newly Sold Government Bonds at the End of the Year



Note: Residual time to maturity of government bonds issued on domestic market during the respective calendar year calculated relative to the end of the year.
Source: MoF

The Ministry monitors not only the average time to maturity of the total debt portfolio, but also the average time to maturity of its individual components. The average time to maturity of medium-term and long-term government bonds issued on domestic market at the end of 2020 remained stable compared to the end of 2019, while it decreased by 0.1 year to 6.5 years. Due to issuance activity along the entire yield curve, the average time to maturity of this indicator was maintained, thus the medium-term and long-term government bonds issued on domestic market accounted for almost 90% of total state debt at the end of 2020. The average time to maturity of foreign issues decreased at 1.6 years compared to the end of 2019 by 0.6 year. The average time to maturity of savings government bonds increased to 5.1 years compared to the end of 2019 due to continuation of the project of direct sale of government bonds intended for citizens. The average time to maturity of money market instruments increased by 0.1 years to 0.2 years in 2020 and the average time to maturity of received credit and loans from international financial institutions decreased by 0.1 years.

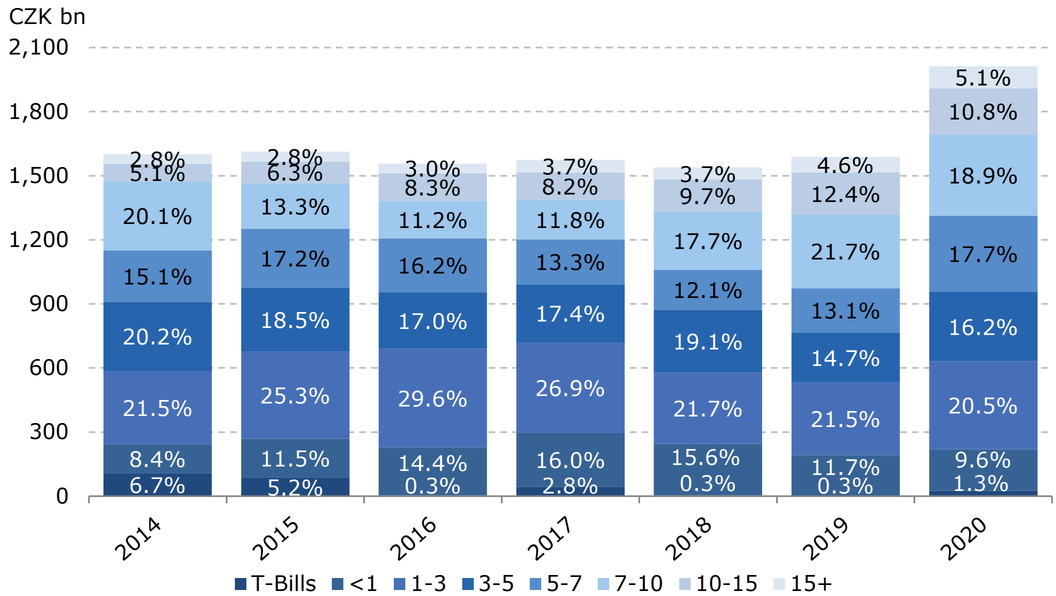
Table 12: Average Time to Maturity of Individual Components of the State Debt

years	2014	2015	2016	2017	2018	2019	2020
T-Bonds issued on domestic market	5.8	5.5	5.2	5.3	5.8	6.6	6.5
T-Bonds issued on foreign markets	5.8	5.0	4.3	3.2	3.2	2.2	1.6
Savings government bonds	2.5	1.7	1.5	1.1	1.1	4.5	5.1
Money market instruments	0.4	0.4	0.1	0.3	0.3	0.1	0.2
Received credits and loans, promissory notes	10.4	9.8	9.1	7.9	7.5	7.4	7.3

Note: Residual time to maturity as at the end of each year. Credits and loans received from international financial institutions.
Source: MoF

In 2020, the average time to maturity of government bonds slightly decreased by 0.1 year, due to record issuance activity along the entire yield curve, while there was an increase in total nominal value of government bonds outstanding in all segments of residual time to maturity. The most significant increase in the total nominal value of government bonds outstanding in the segment with a residual maturity of 5 to 7 years by CZK 147.2 billion. Its share in the total nominal value of all government bonds outstanding at the end of 2020 is 17.7% and increased by 4.6 p.p. compared to the end of 2019.

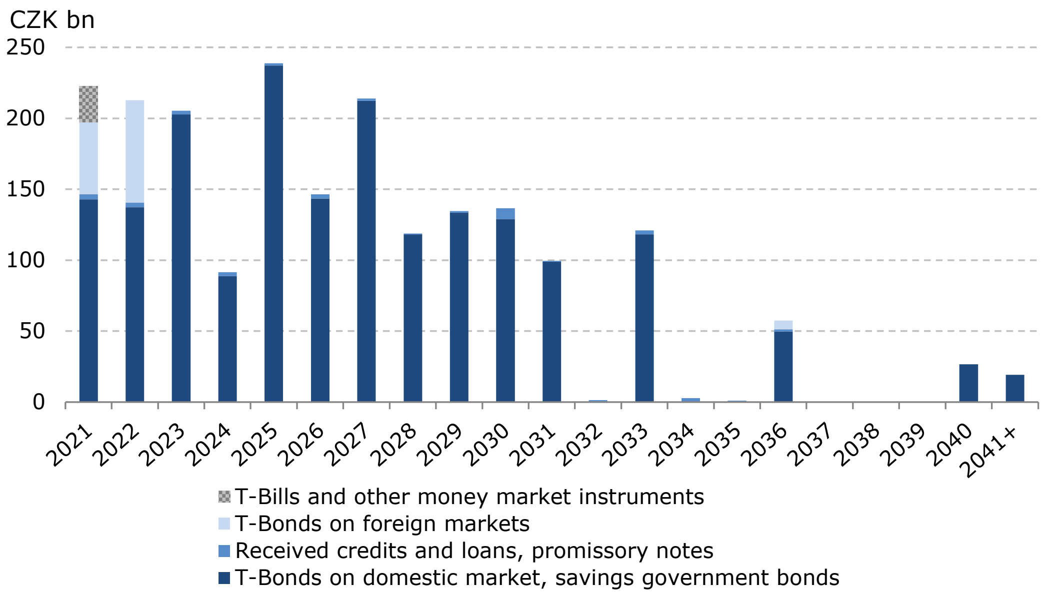
Figure 27: Structure of Government Bonds by Time to Maturity



Note: Residual time to maturity as at the end of each year. Includes T-Bonds issued on domestic and foreign markets, savings government bonds and T-Bills.
Source: MoF

The sales of government bonds on domestic primary and secondary markets, the possible issuance on foreign markets and the drawing of long-term loans from international financial institutions will continue to be managed in accordance with the fulfilment of another key objective in stabilizing and smoothing the state debt maturity profile over time. In the medium-term horizon, compared with 2021, a significant increase in financing needs is not expected, not taking into account the impact of planned buy-backs or exchange operations of medium-term and long-term government bonds before maturity and redemptions of money market instruments.

Figure 28: Maturity Profile of State Debt

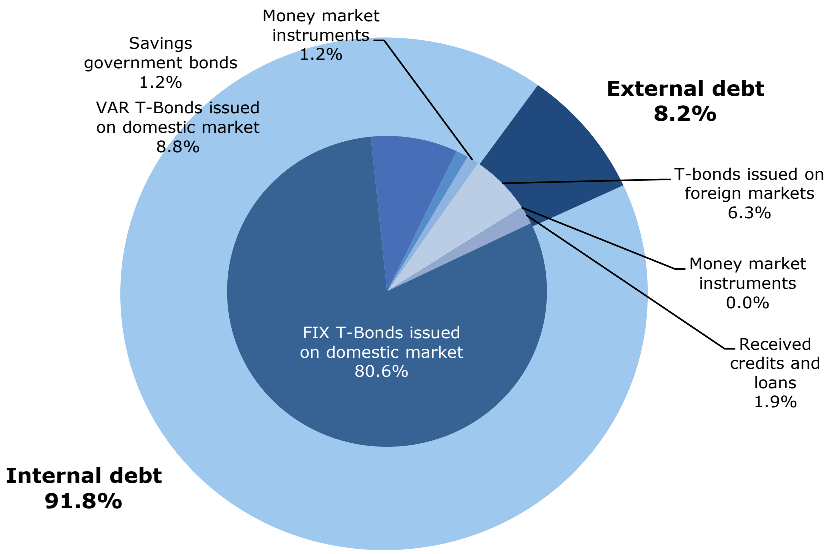


Note: As at the end of 2020. Credits and loans received from international financial institutions.
Source: MoF

With regard to refinancing risk, the Ministry monitors the debt portfolio structure by individual instruments. Fixed-rate medium-term and long-term government bonds issued on domestic market, cover the largest share in the long run, with a share of 80.6% of total state debt at the end of 2020, which represents an increase of 5.0 p.p. compared to the end of 2019. The share of variable-rate medium-term and long-term government bonds issued on domestic market in total state debt is 8.8% at the end of 2020, which represents a decrease of 2.2 p.p. compared to the end of 2019.

The share of the total nominal value of foreign issues in total state debt is 6.3% at the end of 2020, which represents a decrease of 2.9 p.p. compared to the end of 2019. The share of money market instruments in the total state debt reached 1.2% at the end of 2020, which represents an increase by 0.1 p.p. compared to the end of 2019. The share of savings government bonds in the total state debt at the end of 2020 is 1.2%, which represents an increase by 0.5 p.p. compared to the end of 2019. The share of loans received from international financial institutions in total state debt decreased by 0.5 p.p. to 1.9%.

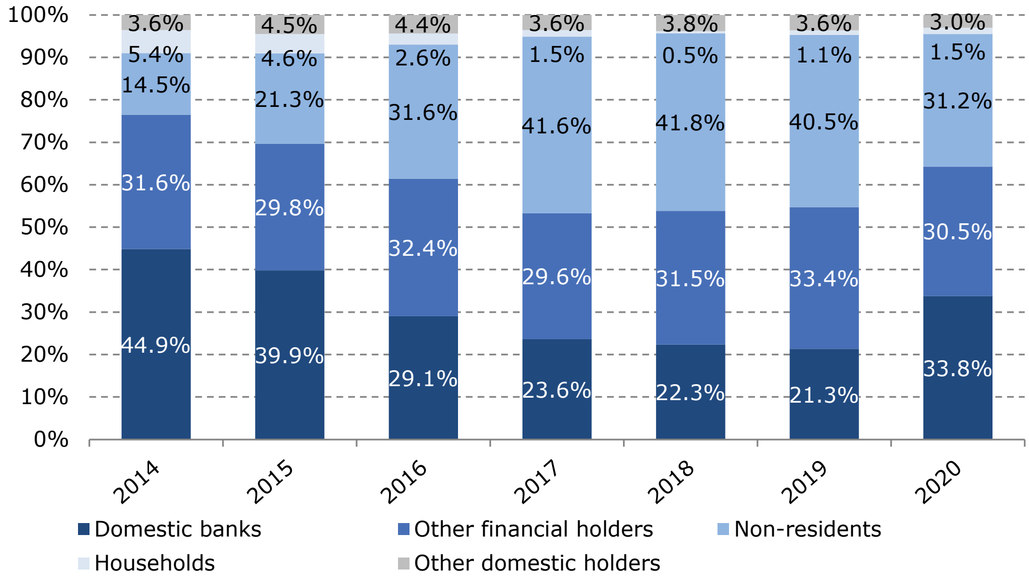
Figure 29: Structure of State Debt by Instrument



Note: As at the end of 2020. Credits and loans received from international financial institutions.
Source: MoF

The structure of holders of government bonds issued on domestic market changed compared to 2019, mainly due to higher issuance activity on primary and secondary markets, while the most of newly issued government bonds on domestic market purchased by domestic banks. The highest share of holdings of government bonds issued on the domestic market has the domestic bank sector, holding approximately 34% of government issued on domestic market at the end of 2020, which is 12.5 p.p. more than at the end of 2019. Due to increase of the domestic bank sector, the non-residents sector decreased to 31%, i.e. by 9.4 p.p., despite the fact that the total nominal value of government bonds issued on domestic market held by this sector remained almost unchanged. The sector of other financial holders is relatively stable over time, holding more than 30% of government bonds issued on the domestic market. The increase of the household sector to 1.5%, i.e. by 0.4 p.p. compared to the previous year, is mainly due to resumption of the project of direct sale of government bonds intended for citizens, while the citizens bought government bonds in total nominal value of CZK 15.1 billion in five consecutive subscription periods.

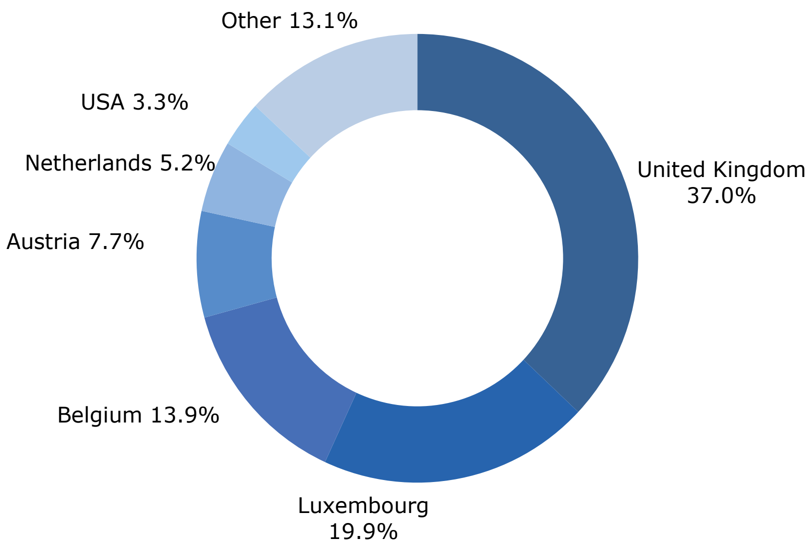
Figure 30: Structure of Government Bonds Sold on Domestic Market by Type of Holder



Note: As at the end of each year.
Source: MoF, CDCP, CNB

In terms of geographic structure of non-residents holding government bonds issued on domestic market, investors from the United Kingdom and Luxembourg continue to dominate, making up almost 57% of all non-resident holders at the end of 2020. Compared to the situation at the end of 2019, there was a decrease of approximately 1 p.p. After the withdrawal of the United Kingdom from the European Union comes more than 54% of non-resident holders from the EU Member State. To a lesser extent, government bonds are held by investors based in North America and Southeast Asia.

Figure 31: Structure of Non-Resident Holders of Government Bonds Sold on Domestic Market



Note: As at the end of 2020. Excluding T-Bills.
Source: MoF, CDCP

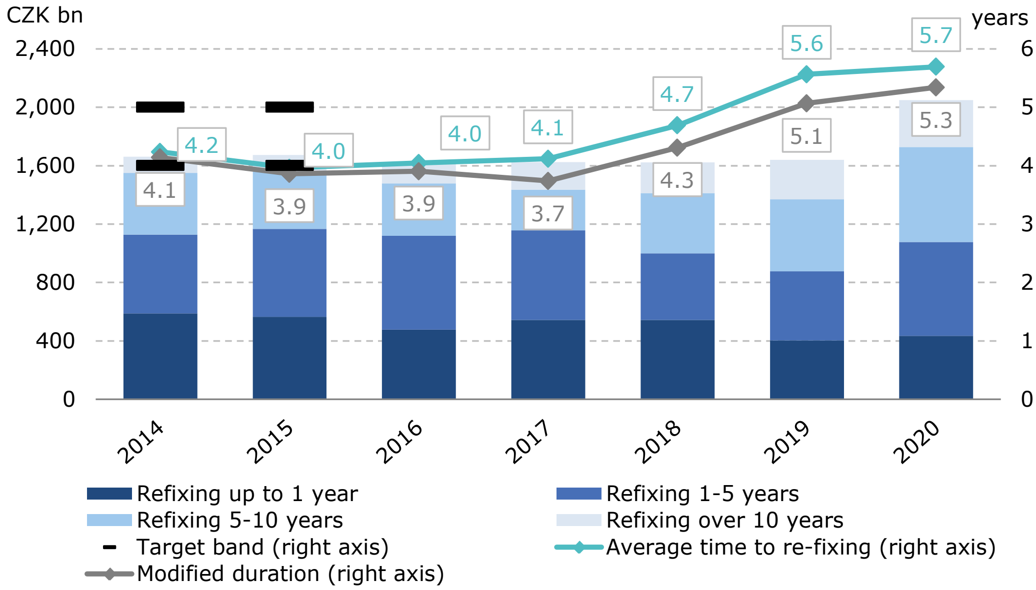
Interest Rate Risk

The most important market risk of state debt management remains interest rate risk, which the Ministry manages through the strategic indicator of average time to re-fixing of state debt, for which it sets a medium-term target value.

The average time to re-fixing of the state debt at the end of 2020 is 5.7 years and is thus above the target for the medium-term horizon set at the level of 5.0 years with the possibility of a deviation of 0.25 years. Compared to the end of 2019, this indicator remains stable, with slight increase of 0.1 year. Extending the average time to re-fixing of the state debt means that state debt interest expenditure is generated at the longer end of the yield curve on average, which may represent higher interest expenditure over the medium-term horizon, but reduces the risk of higher expenditure in the event of a short-term increase in interest rates and yields.

In the area of variable-rate instruments, medium-term and long-term government bonds in the total nominal value of CZK 33.7 billion were issued on primary and secondary market in 2020, which is 5.6% of the total gross issue of medium-term and long-term government bonds issued on domestic market in 2020. In the segment of instruments bearing an interest at the short end of the yield curve, fixed-rate medium-term and long-term government bonds maturing within three years were issued on primary and secondary markets in a total nominal value of CZK 88.4 billion, representing 14.7% of the total gross issue of medium-term and long-term government bonds on domestic market, whereby this share increased by 2.9 p.p. compared to 2019. The share of money market instruments in total state debt at the end of 2020 is 1.2% and this share remained stable, while it increased by 0.1 p.p. compared to the end of 2019.

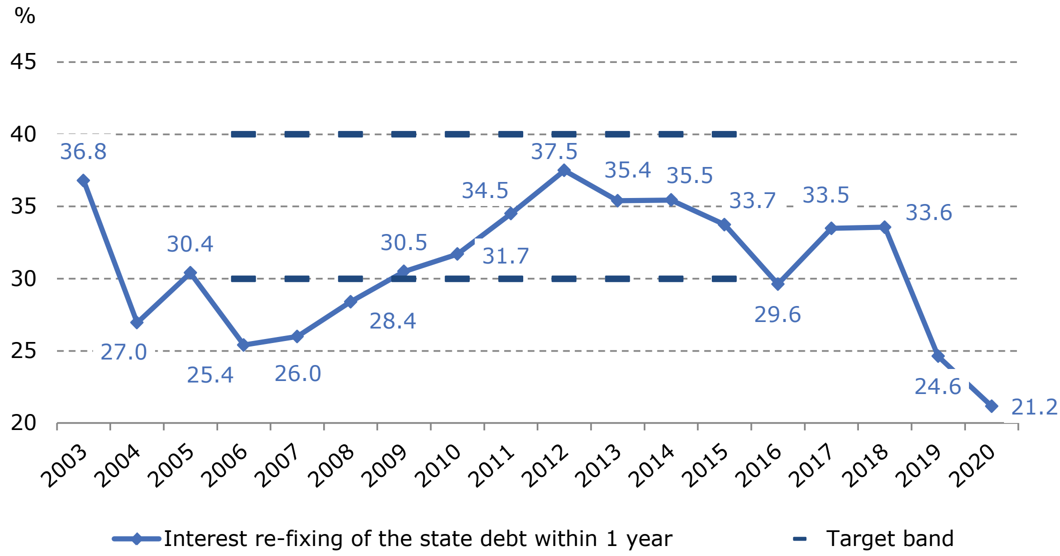
Figure 32: Interest Re-fixing of State Debt



Note: As at the end of each year.
Source: MoF

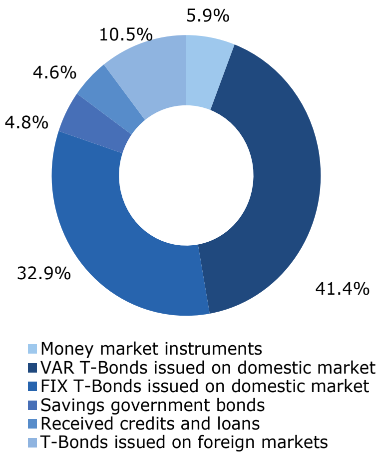
Another indicator monitored by the Ministry in relation to interest rate risk management and for which the Ministry sets a strategic goal is the interest rate re-fixing of the debt portfolio within one year, which is the proportion of state debt that is sensitive to fluctuations in financial market interest rates in the following year. For the medium-term horizon, the target limit was set at 40.0% of the total state debt. At the end of 2020, this indicator decreased by 3.5 p.p. compared to the end of 2019, and amounts to 21.2%. The structure of interest rate re-fixing within one year is important not only for expressing short-term interest rate risk, but also affects the longer-term interest rate risk expressed by the average time to re-fixing indicator. The debt portfolio, which is sensitive to interest rate fluctuations in the financial market in 2021, consists mainly of variable-rate medium-term and long-term government bonds (41.4%) and fixed-rate medium-term and long-term government bonds (32.9%) issued on domestic market. Government bonds issued on foreign markets including the effects of derivative transactions account for 10.5% of this portfolio, state treasury bills and other money market instruments account for 5.5%, savings government bonds account for 4.8% and credits and loans received from international financial institutions represent 4.6% of this portfolio.

Figure 33: Interest Re-fixing of State Debt within 1 Year



Note: As at the end of each year.
Source: MoF

Figure 34: Structure of Interest Re-fixing of State Debt within 1 Year

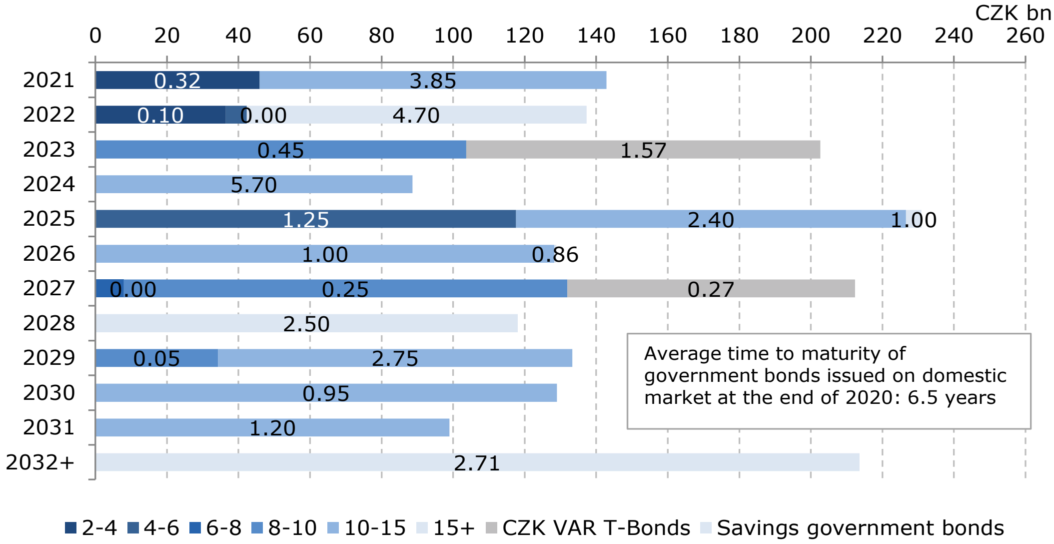


Note: As at the end of 2020. Credits and loans received from international financial institutions.
Source: MoF

The Ministry also monitors the structure of medium-term and long-term government bonds issued on domestic market according to current and original time to maturity and coupon rates. Such constructed government bond structure allows for a detailed breakdown of interest expenditure on state debt service generated by fixed-rate medium-term and long-term government bonds issued on domestic market. At the end of 2020, these bonds have an average coupon rate of 2.03% p.a.; bonds maturing in 2021 have an average coupon rate of 2.72% p.a. In the segment of 2 to 4 years of original time to maturity, these bonds have an average coupon rate of 0.22% p.a., in the segment of 4 to 6 years an average coupon rate is 1.19% p.a., in the segment of 6 to 8 years an average coupon rate is 0.00% p.a., in the segment of 8 to 10 an average coupon rate is 0.30% p.a., in the segment of 10 to 15 years an average coupon rate is 2.38% p.a., and in the segment of over 15 years of original time to maturity, these bonds have an average coupon rate is 3.09% p.a.

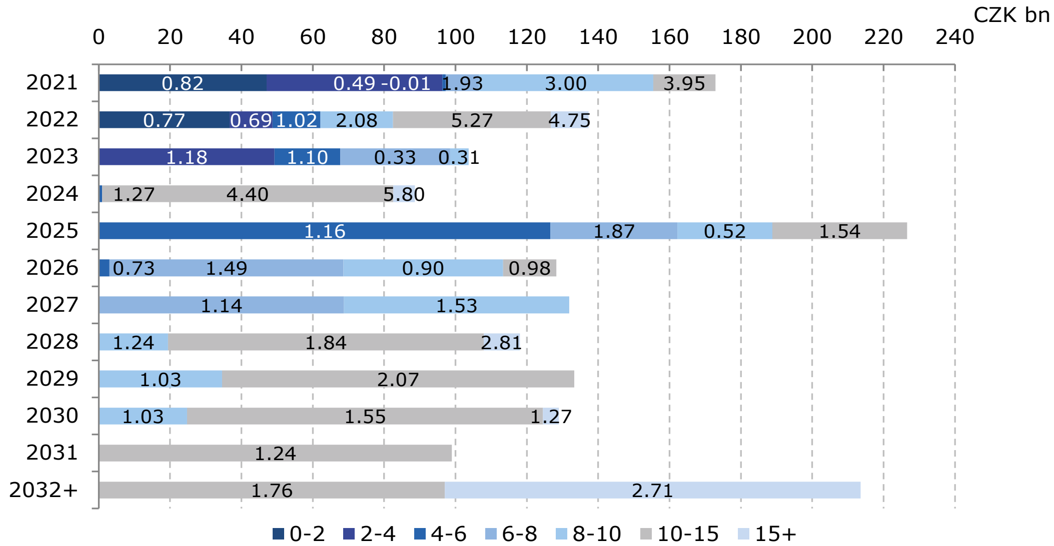
The Ministry also monitors the structure of fixed-rate medium-term and long-term government bonds issued on domestic market according to the current time to maturity, time to maturity at the moment of sale and yield to maturity at the moment of sale. Such constructed government bonds structure reflects the average annual cost of these bonds in individual segments of the current time to maturity and time to maturity at the moment of sale of the bonds. At the end of 2020, the average annual cost of fixed-rate medium-term and long-term government bonds issued on domestic market is 1.80% p.a. and decreased by 0.37 p.p. compared to the end of 2019. In 2021, bonds with an average annual cost of 1.71% p.a. are redeemed in the following structure: bonds sold as 0 to 2-year with an average annual cost of 0.82% p.a., bonds sold as 2- to 4-year with an average annual cost of 0.49% p.a., bonds sold as 4- to 6-year with an average annual cost of -0.01% p.a., bonds sold as 6- to 8-year with an average annual cost of 1.93% p.a., bonds sold as 10- to 15-year with an average annual cost of 3.95% p.a. and no bond sold over 15-year is included.

Figure 35: Maturity Profile of Government Bonds Sold on Domestic Market by Time to Maturity and Coupon Rate



Note: Maturity profile as at the end of 2020. Segments represent original maturity. Data in individual segments represents the average coupon rate in % p.a. Excl. inflation-linked savings government bonds and T-Bills.
Source: MoF

Figure 36: Maturity Profile of Government Bonds Sold on Domestic Market By Achieved Yield to Maturity



Note: As at the end 2020. Maturity profile of fixed-rate T-Bonds issued on domestic market by time to maturity at the moment of sale. Data in the individual segments represents the average yield to maturity at the moment of the sale of the T-Bonds in % p.a.
Source: MoF

Table 13: Average Coupon Rates and Costs of Government Bonds Sold on Domestic Market by Year of Maturity

% p.a.	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032+	Average
Average coupon rate[1]	2.72	3.28	0.45	5.70	1.80	1.00	0.24	2.50	2.06	0.95	1.20	2.71	2.03
Average costs[1]	1.71	2.74	0.87	4.46	1.26	1.20	1.32	1.83	1.80	1.44	1.24	2.28	1.80

[1] Incl. only fixed-rate medium-term and long-term government bonds.
Note: Balance as at the end of 2020.
Source: MoF

Currency Risk

In connection to currency risk, the Ministry monitors the development of the net foreign-currency exposure that measures the market risk to which state financial assets and liabilities are exposed in the context of state debt management and state treasury liquidity management in term of foreign-currency exchange rate movement, in the form of the impact on the level of total state debt expressed in koruna equivalent or increased koruna equivalent of cash resources needed to refinance debt in local currency in case of impossibility to do so in the original currency. Foreign-currency debt represents the total nominal value of the debt portfolio denominated in the foreign currency. The net foreign-currency exposure of the state debt is stated net of the foreign currency exposure of government financial assets and it is also affected by derivative operations, which hedge a part of the foreign-currency debt against the unfavourable development of currency exchange rates, and by refinancing from state treasury and foreign exchange swaps, which foreign-currency debt may be covered within the available liquidity of the state treasury management. The key indicators introduced in relation to currency risk management are the share of net foreign-currency exposure with an impact on state debt level and the share of net short-term foreign-currency exposure with the impact on the level of interest expenditure on state debt service. For both indicators, a strategic limit of 15% + 2 p.p. was set for 2020, while the long-term exceeding of the 15% limit is not possible; exceeding by 2 p.p. serves only for the short-term overcoming of unexpected deprecation of the local currency.

At the end of 2020, the share of net foreign-currency exposure with the impact on state debt amounts to 8.9% of total state debt and is thus below its limit. Compared to the end of 2019, the indicator decreased by 1.9 p.p. The share of net short-term foreign-currency exposure with an impact on the level of interest expenditure on state debt is 8.4% of total state debt at the end of 2020 and is below its limit. Compared to the end of 2019, there was a decrease by 1.1 p.p.

The sensitivity of interest expenditure on state debt service to the change of the koruna’s exchange rate is relatively low, even in comparison to the sensitivity of interest expenditure to the shift in the yield curve. At the end of 2020, the net short-term foreign currency exposure with an impact on the interest expenditure on state debt service is denominated almost exclusively in the euro. The share of the foreign currency state debt in the total state debt at the end of 2020 is 8.4%, when the indicator decreased by 3.2 p.p. compared to the end of 2019.

Benchmark Portfolio

In order to assess the structure of issuance calendars and the ability to profit on the development of government bond yields over the year and the shape of the yield curve, the Ministry has developed a so-called synthetic benchmark portfolio consisting only of fixed-rate government bonds issued on domestic market.

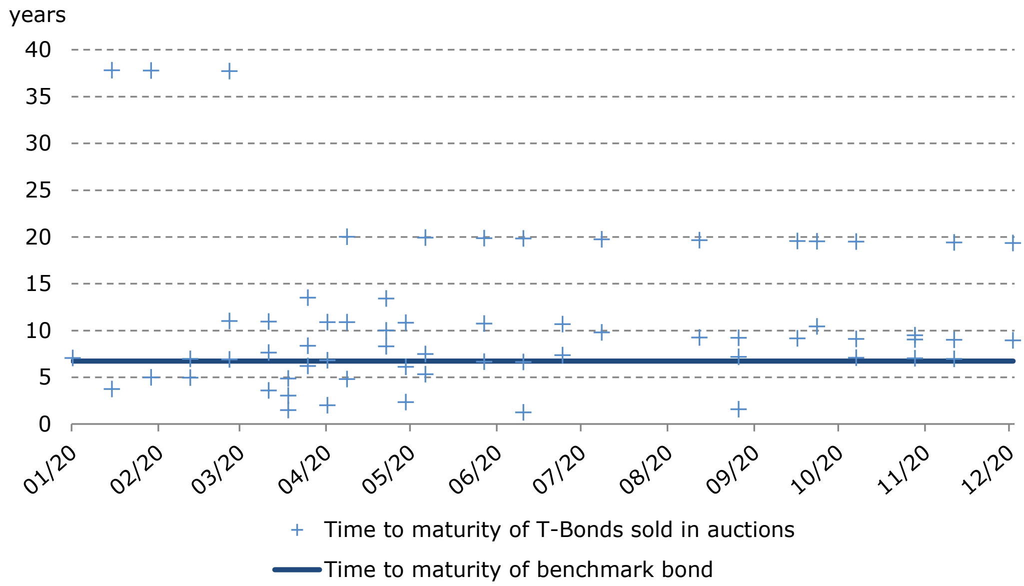
The bonds in the benchmark portfolio are issued on the auction day at the same nominal value as the bonds actually issued. All benchmark portfolio bonds are issued with the same residual time to maturity guaranteeing the same average time to maturity of the synthetic debt portfolio containing benchmark portfolio as the average time to maturity of the actual debt portfolio at the year-end. The average time to maturity of the state debt at the end of 2020 is 6.2 years. If the actual issues of medium-term and long-term government bonds issued on domestic market are replaced by fixed-rate bonds from benchmark portfolio with a time to maturity of 6.7 years at the time of the auction, the required average time maturity of the synthetic state debt portfolio will be 6.2 years at the end of 2020.

The weighted average yield of the portfolio of CZK-denominated medium-term and long-term government bonds sold in actual auctions on domestic market during 2020 using the average yield to maturity of the auction for fixed-rate bonds and the average spread over the reference interest rate at auction and the relevant PRIBOR forward rate for variable-rate bonds was 1.1% p.a. The weighted average yield of the benchmark portfolio bonds derived from the theoretical yield curve modelled using the Svensson model reached 1.1% p.a. in 2020, i.e. at the level of the weighted average yield of actual portfolio.

To assess the actual savings achieved in 2020, it is necessary to express the accrued interest cost of each bond issued in both the actual and benchmark portfolios and then compare these total accrued costs in the individual portfolios. The total annual cost in accrual terms of all CZK-denominated medium-term and long-term government bonds actually sold in auctions on domestic market during the year 2020 is CZK 5.2 billion. The total annual cost in accrual terms generated in the benchmark portfolio is also CZK 5.2 billion.

The above comparison shows that the actual adjustment of the issuance calendar after taking into account the development of the level and shape of the yield curve resulted in a comparable yield to maturity and accrual interest costs as in the synthetic benchmark portfolio, which is theoretical and cannot be achieved in practice due to the need to re-open previously issued government bond issues ideally along the entire yield curve to support their liquidity on secondary market.

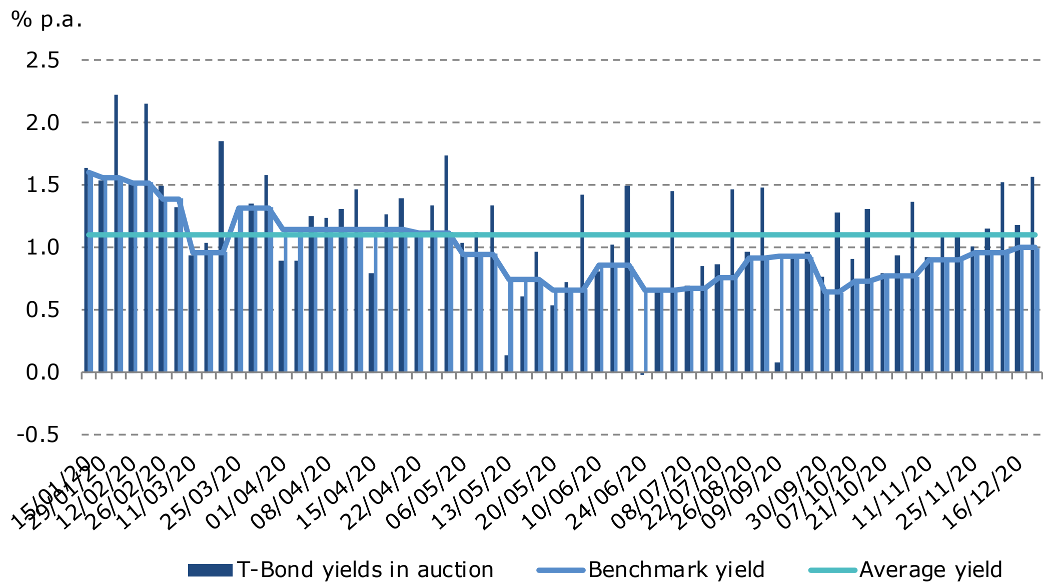
Figure 37: Time to Maturity of Government Bonds Sold in Auctions and Benchmark Bond



Note: Residual time to maturity. Incl. T-Bonds denominated in local currency.
Source: MoF

Over the course of 2020, 57 auctions of fixed-rate CZK-denominated medium-term and long-term government bonds in total nominal value of CZK 447.2 billion and 8 auctions of variable-rate CZK-denominated medium-term and long-term government bonds in a total nominal value of CZK 29.9 billion were carried out on primary market. The weighted average time to maturity of all CZK-denominated medium-term and long-term government bonds sold in auctions on primary domestic market during the year 2020 was 6.7 years and is the same as the maturity of the benchmark bond.

Figure 38: Yields of Government Bonds Sold in Auctions and Benchmark Bond



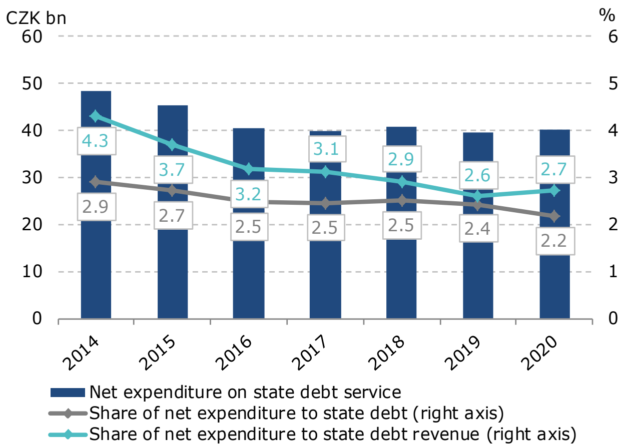
Note: Incl. T-Bonds denominated in local currency.
Source: MoF

5 – State Debt Service Expenditure

Cash and Accrued Expression

Net state debt service expenditure is the difference between gross state debt service expenditure and revenue, which are based on a cash principle as well as whole state budget, and is not accrued according to ESA 2010 methodology, which only takes place when preparing data for notification. The share of net state debt service expenditures in both state budget revenue and GDP has been on a downward trend since 2014, while the share of these expenditures in state debt has stabilized at the level of 2.4% to 2.5% in 2016 to 2019. In 2020, this indicator has decreased to 2.2% of state debt.

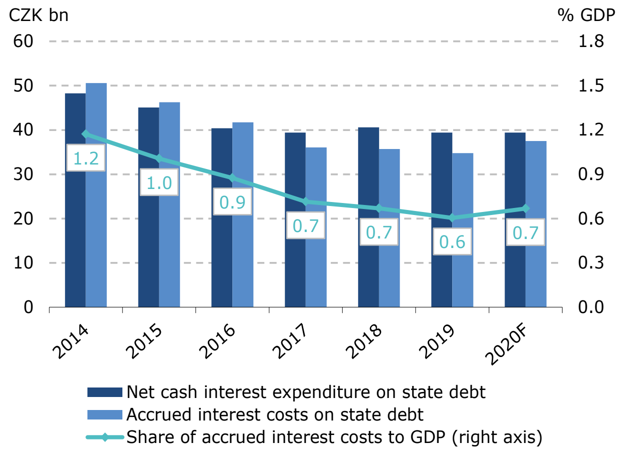
Figure 39: Net Expenditure on State Debt Service



Note: The revenue of state budget is adjusted of the revenue of chapter 396 – State Debt.
Source: MoF

Monitoring the development of revenue and expenditure as well as net expenditure on state debt service does not always have to provide accurate information on what economic costs are actually associated with state debt in a given period. For this purpose, accrual-based costs, which are based on a gradual accumulation of interest costs on a daily basis, are more appropriate. Thus, the development of accrued interest costs tends to show significantly less volatility than the development of interest costs on a cash basis, as it is not affected by the time discrepancies between the period in which the net interest expense arises and the date of realization of the related expense or revenue. Until 2012, accrual-based costs grew continuously and their share in GDP developed similarly. The decrease in accrued costs between 2013 and 2019 is due to the concurrent decline in state debt and the low level of government bond yields in the long run. In 2020, accrued costs increased by CZK 2.7 billion, which, with a gradual increase in state debt over the year by more than CZK 400 billion, i.e. by approx. 25%, represents a very slight increase. In contrast, net cash interest expenses on state debt service remained at approximately the same level as in the previous year, which is due to the above-mentioned disproportion, when sales of government bonds will be reflected on a cash basis to a greater extent in the following years.

Figure 40: Net Cash Expenditure and Accrued Costs on State Debt Service



Note: The source of GDP in the ESA 2010 methodology for 2014 to 2019 is the CZSO, for 2020 the Macroeconomic Forecast of the Czech Republic – January 2021.
Source: MoF, CZSO

Factors influencing the relationship between cash budget expenditures and accrued costs include the development of the balance of individual debt instruments. When the balance increases, the interest payments paid out at the end of the calculation period, i.e. mainly coupon payments of CZK and foreign currency denominated medium-term and long-term government bonds, interest payments on loans received from international financial institutions and swap interest payments, will initially show on accrual basis and, eventually, at the end of this period on cash basis. As the state debt increases, accrual costs predominate in this period. On the other hand, in the case of discounted debt instruments the interest is settled with the state budget at the date of issue, which means that the discounts are first fully reflected in cash expenditure and only gradually over the entire duration of the instrument on an accrual basis. The same principle applies to the received premiums of medium-term and long-term government bonds.

The development of interest rates also plays a key role in the ratio between cash expenditure and accrued costs. In case of the growth of interest rates, the accrued costs prevail over cash expenditure for payments made at the end of the calculation period, and cash expenditure for payments made at the beginning of the calculation period prevail over accrued costs. The same principles apply in the opposite sense in the case of interest rates decreasing.

Similarly, there may be a significant disproportion between cash expenditure and accrued costs in the calculation period, if the instrument with a high interest rate is due in that period, which is fully projected in cash expenditure but only partly in accrued interest, and is replaced with an instrument with a low interest rate, whose accrued cost starts being continually accounted for from the issue or acceptance date, while it may not be reflected in cash expenditure in the given period at all.

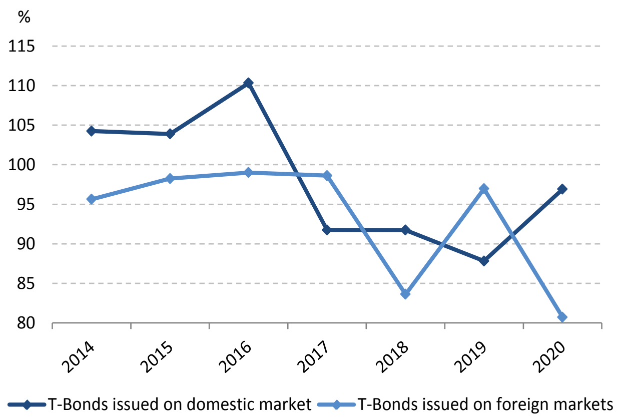
Table 14: Cash Premiums and Discounts and Difference Between Cash Expenditure and Accrued Costs

CZK bn	2014	2015	2016	2017	2018	2019	2020
Cash premiums	6.0	7.1	8.6	8.4	8.4	11.4	10.5
Cash discounts	1.3	0.6	0.0	3.0	8.0	10.3	9.0
Difference between cash discounts and premiums	-4.7	-6.5	-8.6	-5.4	-0.4	-1.1	-1.5
Difference between cash expenditure and accrued costs	-1.5	-1.3	-2.8	2.4	2.7	4.3	1.0

Note: T-Bonds issued on the domestic market.
Source: MoF

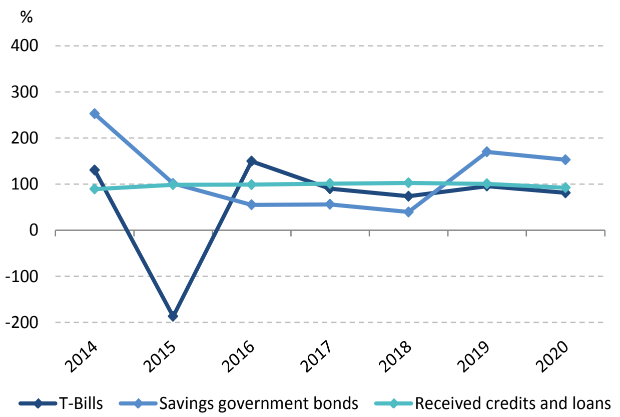
The underlying trends in cash expenditures and accrued costs are largely given by the development of these indicators for medium-term and long-term government bonds issued on the domestic market, which form the dominant part of state debt and account for nine tenths of the total accrued state debt costs in 2020. For medium-term and long-term government bonds issued on the domestic market, cash interest expenditure outweighs the accrual costs. For medium-term and long-term government bonds issued on foreign markets, which account for about one seventh of total accrued costs in 2020, cash interest expenditure also outweighs accrued costs. Given the short maturity of most received credits and loans in the form of lending facilities as well as state treasury bills, the differences between cash expenditure and accrued costs are not significant. The same applies to short-term borrowings and, in most cases, to loans received from the international financial institutions due to the generally short time to refixing. In the case of savings government bonds, accrued costs outweigh the cash interest expenses, which is mainly due to the calculation methodology, where in the case of savings government bonds with increasing, predetermined coupons in individual coupon periods, the average yield is used for accrualisation in accordance with the ESA 2010 methodology.

Figure 41: Share of Accrued Costs in Net Cash Interest Expenditure of Government Bonds



Source: MoF

Figure 42: Share of Accrued Costs in Net Cash Interest Expenditure of Other Components of State Debt



Note: Credits and loans received from international financial institutions.
Source: MoF

Budget for the Chapter – State Debt

The budget of Chapter 396 – State debt is compiled annually on the basis of a Cost-at-Risk analysis. The expected net expenditures amounted to CZK 43.5 billion, whereas the actual net expenditures of the chapter amounted to CZK 40.1 billion in 2020, i.e. roughly 0.7% of GDP and 2.7% of total state budget revenues excluding the revenues of Chapter 396 – State Debt. As part of the approved amendments to the State Budget Act during 2020 as a government response to mitigate the economic impact of the COVID-19 pandemic, the budget of Chapter 396 – State Debt was increased by CZK 8.0 billion to CZK 51.8 billion. The difference between actual net expenditures and the approved budget of CZK 51.8 billion is CZK 11.7 billion, which partially contributed to better-than-expected state budget performance in 2020.The difference between actual and budgeted net expenditures is due to lower expenditures compared to the approved budget while the actual revenue was zero as well as approved one. Compared to 2019, net expenditures increased by approx. 1.5%.

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

CZK mil	Actual 2019	Budget 2020		Actual 2020	% Execution	2020/2019 (%)
		Approved	After changes			
1. Total interest expenditure and revenue	**39,400** **-**	**51,461** **-**	**44,719** **-**	**39,971** **-**	**89.4** **-**	**101.4** **-**
Internal debt	32,142 -	43,912 -	37,170 -	33,091 -	89.0 -	103.0 -
Money market instruments	(-) 3,742 -	3,415 -	415 -	(-) 978 -	-235.5 -	26.1 -
Savings government bonds	166 -	349 -	349 -	334 -	95.9 -	202.0 -
T-Bonds on domestic market	35,719 -	40,148 -	36,406 -	33,735 -	92.7 -	94.4 -
External debt	7,261 -	7,544 -	7,544 -	6,881 -	91.2 -	94.8 -
T-Bonds on foreign markets	6,436 -	6,713 -	6,713 -	6,387 -	95.2 -	99.2 -
Received credits and loans[1]	825 -	832 -	832 -	494 -	59.4 -	59.8 -
Payment accounts	(-) 3 -	5 -	5 -	(-) 1 -	-24.9 -	49.6 -
2. Fees	**151** **-**	**350** **-**	**296** **-**	**174** **-**	**58.9** **-**	**115.3** **-**
Total chapter balance	**39,551**	**51,811**	**45,015**	**40,145**	**89.2**	**101.5**

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

Table 16: Overview of Budgetary Transfers from the State Debt Chapter Realized in 2020

Chapter number	Chapter	Amount (CZK)
312	Ministry of Finance	304,000,000
315	Ministry of the Environment	400,000,000
317	Ministry of Regional Development	200,000,000
322	Ministry of Industry and Trade	5,719,200,000
374	Administration of State Material Reserves	115,000,000
376	General Inspectorate of Security Forces	17,549,000
378	National Cyber and Information Security Agency	40,000,000
	Total	**6,795,749,000**

Note: Detailed overview of realized budgetary transfers from the chapter State debt is part of the Appendix II.
Source: MoF

In the course of 2020, a total of CZK 6.8 billion was transferred from the chapter's expenditure to other budget chapters through budgetary transfers. The resulting difference between actual net expenditures and the final budget after including the impact of budgetary transfers amounts to CZK 4.9 billion.

The difference between actual and budgeted expenditure is due to several factors. The most important factor in 2020 was the increase in approved expenditures for state debt service within the amendment to the Act on the State Budget. This increase was mainly due to the high degree of uncertainty regarding future developments in the financial markets shortly after the outbreak of the pandemic and a significant increase in the debt coverage of the crisis state budget by approximately CZK 440 billion.

The other factor is in particular the nature of the construction of the budgeted expenditure of the chapter. The budgeted expenditure represents the boundary of expenditure that is to be exceeded only with a certain probability. Due to higher budgeted expenditures than the expected expenditures, it is possible, among other things, to hold part of the state debt in the form of variable-rate instruments, which on average usually bear lower interest rates than fixed-rate government bonds, thereby achieving savings on state budget expenditures. The total savings of the state budget due to the sale of variable-rate bonds compared to the sale of fixed-rate bonds with the same time to maturity, i.e. while maintaining the same refinancing risk, amounted to more than CZK 29.9 billion between 2008 and 2020. However, in order to express the realized savings, it is necessary to know the amount of all coupon payments, i.e. the realized savings due to the issuance of a particular variable-rate bond can only be expressed after the last coupon rate has been fixed. The realized savings on state budget expenditures can be expressed only in connection with already redeemed bonds as compared to the situation if fixed-rate bonds with the same time to maturity were always sold instead of these bonds. The total savings associated with the issuance of variable-rate government bonds amounted to approx. CZK 14.7 billion.

In 2020, interest costs on state debt service amounted to CZK 37.5 billion on accrual basis, of which interest costs on state debt issued in 2020 amount to approximately CZK 4.9 billion. The total nominal value of state debt issued in 2020 amounts to CZK 752.8 billion, including state treasury bills issued and redeemed in the course of the year. The accrued costs related to state debt issued in 2018 and 2019 are approximately the same, their increase compared to the newly issued state debt in 2016 and 2017 is due to the extension of time to maturity of issued government bonds and gradual growth of government bond yields along the whole yield curve. In 2020, the accrued costs of state debt newly issued in the same year are higher than in previous years, by CZK 1.6 billion compared to 2019, which is mainly due to record issuance activity due to an increase in the CZK financing needs by amendments to the State Budget Act for 2020, due to which the gross issue of government bonds increased by CZK 454.7 billion year-on-year.

Table 17: Interest Expenditure and Accrued Costs of the Newly Issued State Debt

CZK bn	Nominal value	Net interest expenditure / accrued costs			
		2020F	2021F	2022F	2023F
Cash basis expression	752.8	0.3	7.9	6.2	5.8
Accrued basis expression	752.8	4.9	6.9	6.2	6.0
Gross issuance of T-Bonds	600.3	4.0	6.3	5.8	5.6
Gross issuance of T-Bills	137.4	0.8	0.2	-	-
Gross issuance of savings government bonds	15.1[1]	0.1	0.4	0.4	0.4

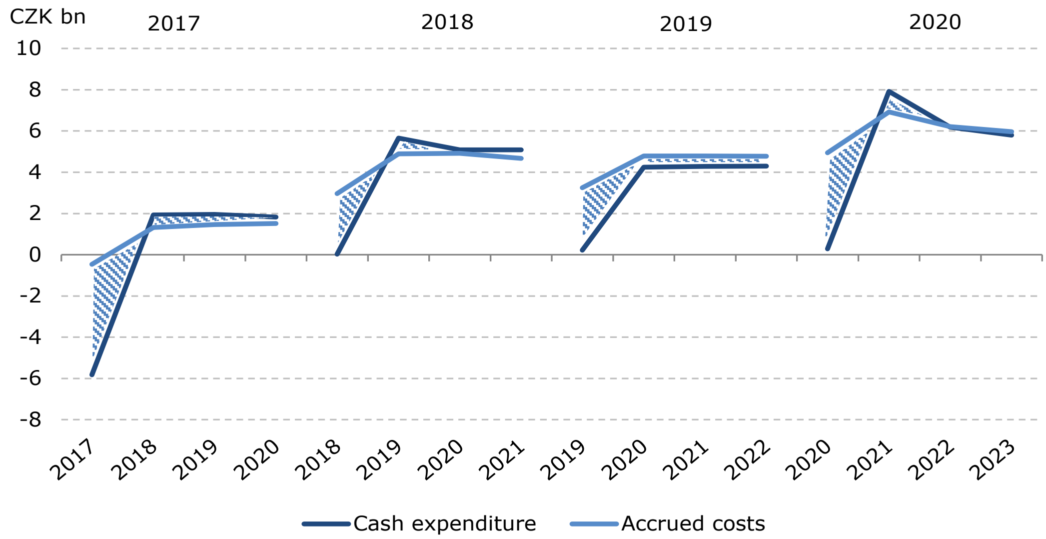
[1] Does not include the reinvestment of yields of already issued savings government bonds.
Source: MoF

A similar development is shown by net interest expenditure on the same debt on cash basis, when the amount of this expenditure in 2020 amounted to CZK 0.3 billion, i.e. only CZK 0.1 billion higher year-on-year, while in 2021 to 2023 net interest expenditure on new state debt are expected first at CZK 7.9 billion in 2021 and then they are expected to fall to CZK 6.2 billion in 2022 and CZK 5.8 billion in 2023, confirming that very low cash state budget expenditures of the newly issued state debt in 2020 are offset by higher cash expenditures in the following years.

The decrease in accrued costs and net expenditures of state debt on a cash basis in 2021 to 2023 is due to the issuance of government bonds with maturities in these years to cover the increased financing needs in 2020 and higher concentration of demand for these bonds, especially during the second quarter of 2020.

The total net cash interest expenditure and total accrued costs of the newly issued state debt will eventually equal each other in the course of the existence of the debt. Only if new bond issues with market coupon rates and coupons paid at the end of the year were issued each year, accrued costs and net cash interest expenditure would be the same in the year of issue. For this reason, the accrual expression of state debt costs is more accurate and more meaningful as it is not affected by the re-opening of issues with other than the market coupon rate, which cannot be avoided in the real world, because small volumes of bond issues render these bonds illiquid cause and may cause increased interest costs due to the illiquidity premium.

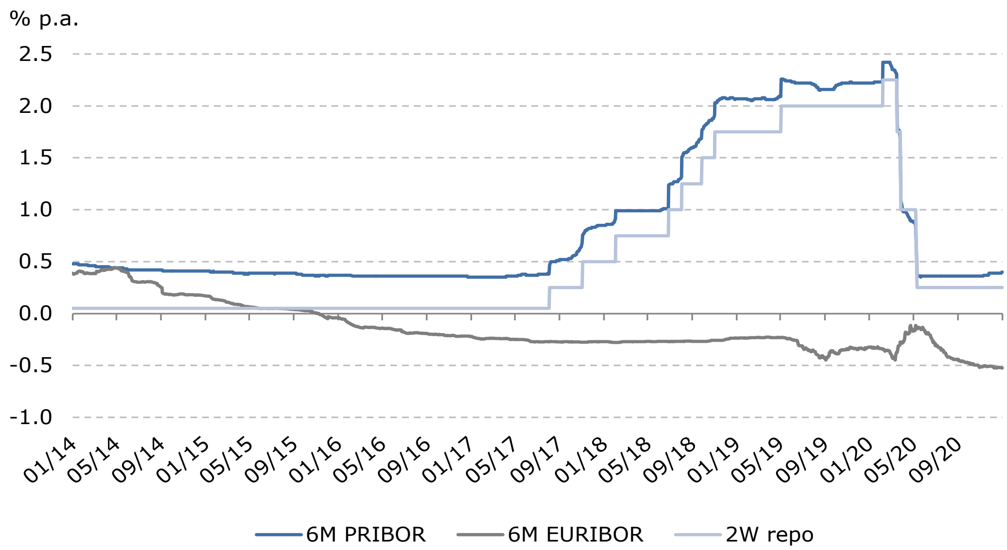
Figure 43: Net Cash Interest Expenditure and Accrued Interest Costs of Newly Issued Debt



Source: MoF

In 2020, the yield curves of the euro money market were relatively volatile compared to previous years. The six-month EURIBOR rate was relatively stable at the beginning of 2020, but due to market uncertainty associated with the economic impact of the COVID-19 pandemic, it rose sharply to about 10 basis points in the negative area. Following the announcement of ECB measures to combat the pandemic in the form of immediate liquidity support to the financial system through the TLTRO and TLTRO3 programs, the extension of existing asset purchase programs and the announcement of the Emergency Pandemic Asset Purchase Program (PEPP) and other measures, to a historic low of -0.5% p.a. On the other hand, the yield curves of the CZK money market initially copied another monetary policy decision of the Czech National Bank, which again raised the key interest rate (2W repo rate) by 0.25 pp to 2.25% p.a. in February. As well as this increase, the CZK money market rates reacted similarly to the gradual cutting of the 2W repo rate from 2.25% p.a. to 0.25% p.a.

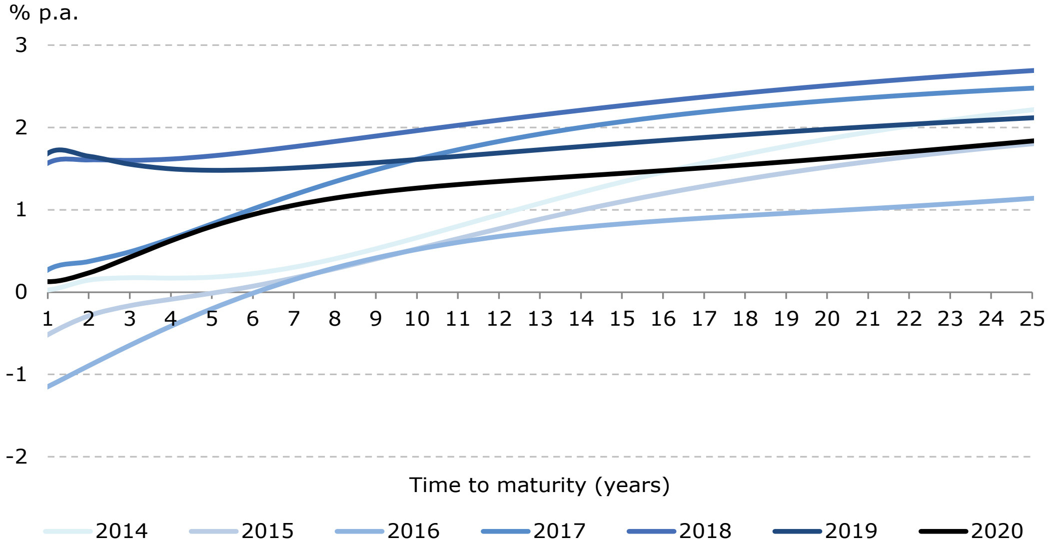
Figure 44: Development of Rates: 6M PRIBOR, 6M EURIBOR a 2W Repo



Source: CNB, MTS, Refinitiv

Compared to the end of 2019, government bond yields at the longer end of the yield curve fell by approx. 30 to 40 basis points. A different development can be observed in the up to 5 year maturity segment, where yields fell sharply, by up to approx. 140 basis points at the shorter end, mainly due to the reaction of bond markets to the Czech National Bank's monetary policy and inflation expectations over the medium term.

Figure 45: Yield Curve of Government Bonds

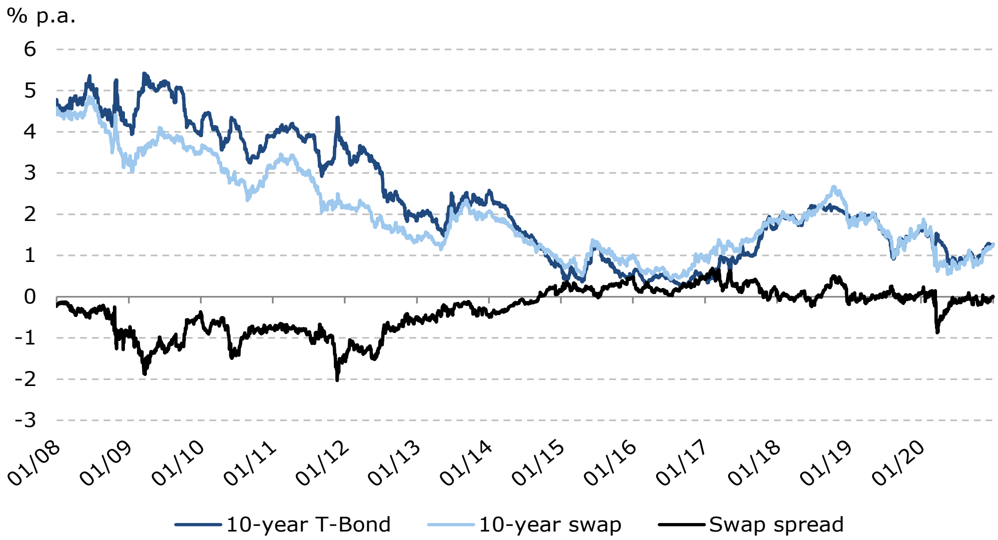


Note: "Par" yield curve of CZK-denominated fixed-rate government bonds is constructed on the basis the extended Nelson-Siegel model, called Svensson model.
Source: MoF, Bloomberg, MTS

The difference between the swap rate and the government bond yield, the so-called swap spread, remained at the zero level with a very low volatility at the beginning of 2020 in the case of a ten-year maturity. However, it fell to -75 basis points at the end of March, which was mainly due to high market uncertainty in the domestic market regarding the economic impact of government measures to prevent the spread of the COVID-19 pandemic and expected increased public spending. However, by the end of the second half of the year, swap spreads had returned to near zero levels, clearly confirming the stability of the domestic financial sector and the readiness of public finances to face crisis developments, mainly as a result of prudent policies from previous years.

The Czech Republic has thus confirmed its attractiveness as an issuer of government bonds among investors.

Figure 46: Swap Rate and T-Bond Yield to Maturity



Source: MoF, Refinitiv

Cost-at-Risk of State Debt

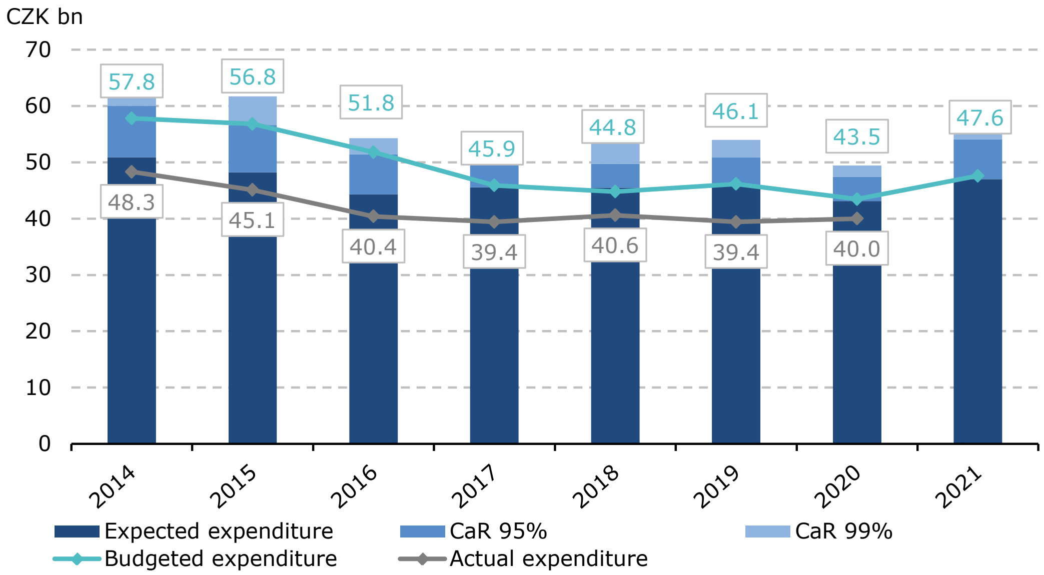
Since 2005, the Ministry has applied a model framework called Cost-at-Risk (CaR) based on the Value-at-Risk methodology, simulating future expected and maximum interest expenditure at a given degree of risk, which is derived from the volatility of the interest rate term structure. The stochastic element of the CaR model is the yield curve, the deterministic element is the dynamic structure of the state debt portfolio, which is based on the baseline scenario of the financing program respecting the stipulated strategic objectives of financial risk management.

The primary objective of the model is to determine the maximum interest expenditure on state debt, which with 95% or 99% probability will not be exceeded (CaR 95% and CaR 99%). The secondary objective of the model is to estimate the actual interest expenditure on state debt. The outcomes of the applied CaR analysis are not just the values of CaR 95% and CaR 99% percentiles, but also whole probabilistic distributions of interest expenditure in any moment of time, which makes this analysis a powerful tool for analysis of state budget expenditure in relation to the issuance and the financial market conditions.

The simulation framework operates separately with interest expenditure and interest revenue. The outcome of aggregation of interest expenditure and interest revenue is the net interest expenditure on state debt. Interest expenditure does not include fees related to state debt service, which are of a deterministic nature.

Over all the years in which the CaR methodology has been applied, the model has fulfilled the primary objective, since the predicted maximum interest expenditure was not exceeded in any of those years.

Figure 47: Net Interest Expenditure and Cost-at-Risk



Note: Original budgeted net interest expenditure.
Source: MoF

Table 18: Net Interest Expenditure and Cost-at-Risk

CZK bn	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Budgeted expenditure[1]	57.8	56.8	51.8	45.9	44.8	46.1	43.5	47.6	49.6	51.6
Actual expenditure	48.3	45.1	40.4	39.4	40.6	39.4	40.0	-	-	-
Expected expenditure	50.9	48.2	44.3	45.6	45.5	45.8	43.1	47.0	50.0	52.2
CaR 95%	60.0	56.6	51.4	49.6	49.7	50.9	47.4	54.1	62.1	65.9
CaR 99%	62.3	61.7	54.3	52.9	53.5	54.0	49.4	58.3	69.9	74.2

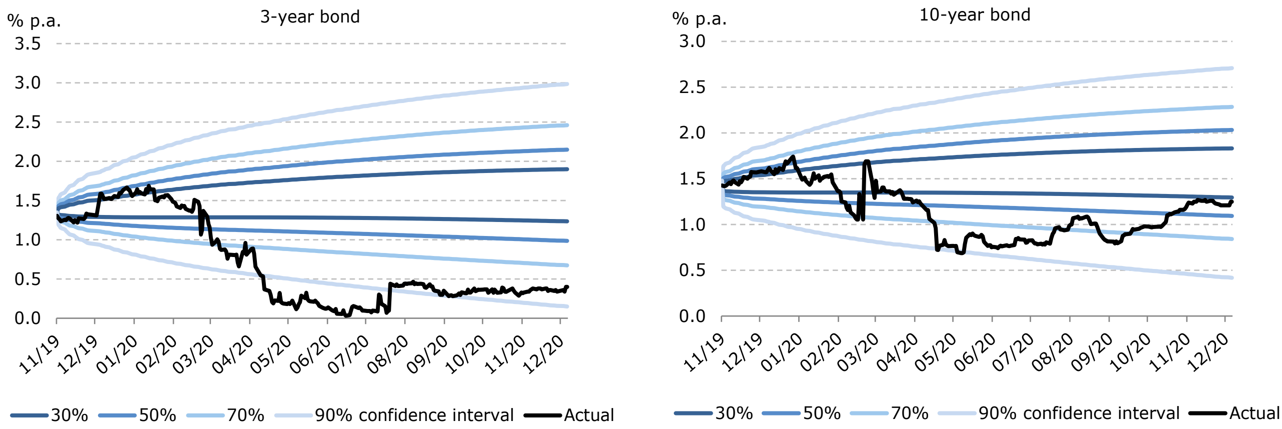
[1] In 2014 through 2021, the original budgeted net interest expenditure. In 2022 and 2023 medium-term outlook.
Source: MoF

Cost-at-Risk for 2020

The Cost-at-Risk of state debt for 2020 was published in The Czech Republic Government Debt Management Annual Report for 2019. Calculation of the CaR indicator is based on simulations of the time structure of interest rates as at 26 November 2019.

The following figures show a comparison of the actual development of interest rates on 3-year and 10-year bonds with their simulations for the period from 26 November 2019 to 31 December 2020. It is clear from them that the development of government bond yields, which could be observed after the reaction of financial markets and the Czech National Bank after the outbreak of the COVID-19 pandemic, could not be completely predicted by the model, because for example 3-year maturity yields were outside 90% confidence interval. In the case of a 10-year maturity, the deviation from the forecast was not so significant.

Figure 48: Actual vs. Simulated of CZK-denominated Government Bond Yields in 2020



Source: MoF, Refinitiv

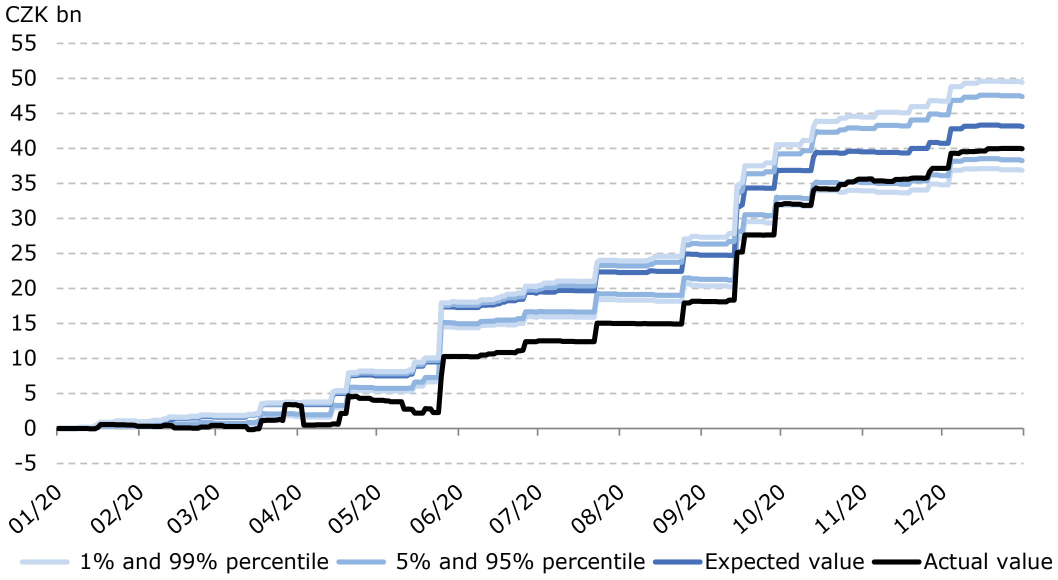
A comparison of the actual net interest expenditure on state debt service with the simulated values of expected expenditure (simulation average) and interest expenditure in CaR (95% and 99% percentile of simulations) in 2019 and 2020 is shown in the following table. In 2020 the net interest expenditure amounted to CZK 40.0 billion, the expected net interest expenditure in 2020 predicted by the model amounted to CZK 43.1 billion.

Table 19: Expected vs. Actual Net Interest Expenditure

CZK bn	2019	2020
Actual expenditure	39.4	40.0
Expected expenditure	45.8	43.1
CaR 95%	50.9	47.4
CaR 99%	54.0	49.4
Difference between expectation and actuality	6.4	3.1

Source: MoF

Figure 49: Actual vs. Simulated Net Interest Expenditure in 2020



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

The net interest expenditure in 2020 remained below the CaR 95% and CaR 99% level, which were estimated at CZK 47.4 billion and CZK 49.4 billion, respectively. The expected net interest expenditure predicted by the model is CZK 3.1 billion higher than the actual one.

The difference in expected net interest expenses is mainly due to lower yields on medium-term and long-term government bonds issued on the domestic market than expected by the model, to a greater extent in the segment of government bonds up to 5 years, but in the case of government bonds up to 10 years this deviation is also observable, especially in the second and third quarter of the year.

The Ministry reacted flexibly to this situation on the financial market in the second quarter and covered most of the increased financing needs due to amendments to the State Budget Act by issuing government bonds with maturities of up to 5 years, where the majority of investor demand was also concentrated. Gross issue in this maturity segment represented almost one half of the total gross issue of medium-term and long-term government bonds on the domestic market.

Cost-at-Risk for 2021 to 2023

Net interest expenditure expected by the model in 2021 amounts to CZK 47.0 billion. Net interest expenditure at risk, i.e. CaR 99% amounts to CZK 58.3 billion (CaR 95% amounts to CZK 54.1 billion). Thus, the actual net interest expenditure in 2021 will not be higher by about CZK 11.3 billion compared to the expected expenditure with 99% probability. The budgeted interest expenditure on state debt service in 2021 amounts to CZK 47.6 billion, i.e. by CZK 0.6 billion above expected net interest expenditure and by CZK 6.5 billion below the 95% percentile of the CaR indicator.

The following table shows in detail the development of cumulative net interest expenditure on state debt in 2021 predicted by the model always at the end of the month. It also contains the respective critical values of CaR 95% and CaR 99%.

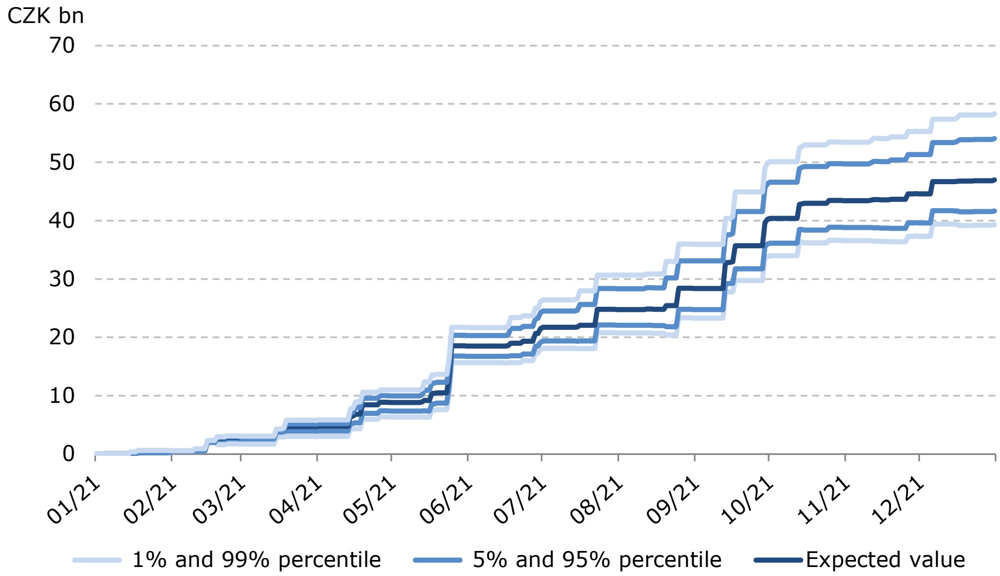
Table 20: Monthly Development of Cumulative Net Interest Expenditure in 2021

CZK bn	1	2	3	4	5	6	7	8	9	10	11	12
Expected expenditure	0.5	2.8	4.7	8.8	18.5	21.5	24.8	28.4	40.2	43.4	44.6	47.0
CaR 95%	0.5	3.0	5.1	10.0	20.3	24.2	28.3	33.1	46.4	49.7	51.3	54.1
CaR 99%	0.6	3.1	5.7	11.0	21.7	26.1	30.6	35.9	49.9	53.4	55.3	58.3

Source: MoF

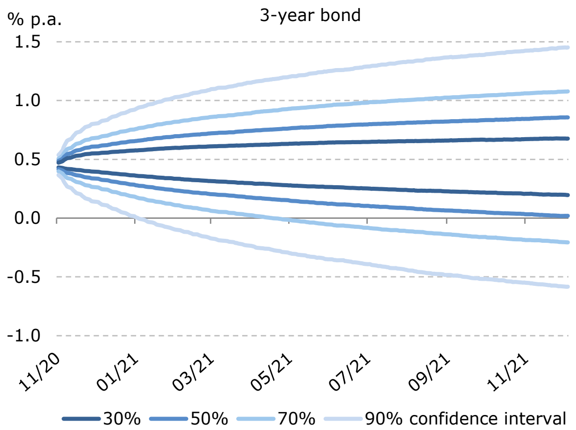
The graphic presentation of simulations of cumulative net interest expenditure on the state debt service in 2021 stipulated on a daily basis is shown in the following figure. The figure also shows the expected values of net expenditure and the respective 5% and 95%, 1% and 99% percentiles of simulated values.

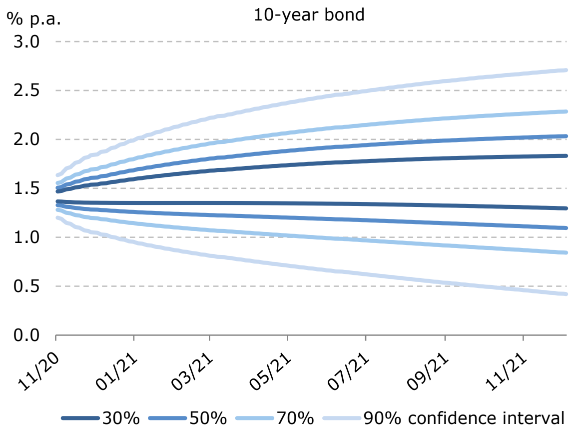
Figure 50: Simulation of Net Interest Expenditure of State Debt in 2021



Note: Development of net interest expenditure on a daily basis.
Source: MoF

Figure 51: Simulation of CZK-denominated Government Bond Yields in 2021





Source: MoF

The Ministry also deals with the problem of interest rates hikes, which could occur e.g. via a sharp increase in the Czech National Bank key interest rate, sudden deterioration of the economic situation in the euro area, a sharp increase of the risk premium of government bonds, etc. The Ministry strives to quantify the impact of these circumstances on net interest expenditure on the state debt service. Each economic event has an effect on a certain part of the yield curve, which is why it is important for the Ministry to observe the shift in the individual parts of the yield curves separately. The following table quantifies the consequences of a potential increase in interest rates at the short end of the yield curve, at the long end of the yield curve and along the entire curve evenly, all over the course of 2020. This analysis also enables the uneven shifting of the short and long end of the yield curve and arbitrary selection of the date of this shift.

Table 21: Development of Net Interest Expenditure in Case of Sudden Interest Rate Hikes

CZK bn	Current model	Shift of rates at the short end of the yield curve by 1 p.p.	Shift of rates at the long end of the yield curve by 1 p.p.	Shift of the whole yield curve by 1 p.p.
Expected expenditure	47.0	47.5	47.2	47.7
CaR 95%	54.1	54.6	54.4	54.9
CaR 99%	58.3	58.9	58.6	59.2

Note:The shock in the form of a one-time shift in the yield curve will occur at the beginning of 2021.
Source: MoF

Assuming the financing of the gross borrowing requirement with an unchanged issuance calendar, a 1 p.p. upward shift in the yield curve of CZK-denominated government bonds at its short end would lead to an increase in expected net interest expenditure of CZK 0.5 billion in 2021. In the case of a 1 p.p. increase in rates at the long end of the yield curve, the expected net interest expenditure would increase by CZK 0.2 billion. A shift of the whole yield curve of government bonds by 1 p.p. upwards would result in an increase in expected net interest expenditure by approximately CZK 0.7 billion.

The Ministry also quantifies the sensitivity of net interest expenditure on state debt service to changes in the koruna's exchange rate. This sensitivity is relatively low, even when compared to the sensitivity of interest expenditure to the shift in the yield curve. At the end of 2020, the net foreign currency short-term exposure with an impact on the interest expenditure is represented by more than 90% in euro.

Table 22: The Increase of Net Interest Expenditure in Case of EURCZK FX Rate Hike

CZK bn	EURCZK FX rate shift by 1%	EURCZK FX rate shift by 10%
Expected expenditure	0.051	0.513
CaR 95%	0.054	0.541
CaR 99%	0.055	0.546

Note: The shock in form of a one-off depreciation of CZK FX rate will occur at the beginning of 2021.
Source: MoF

If the EURCZK FX rate depreciated by 1% at the beginning of 2021 compared to the level as at the end of 2020, i.e. from 26.245 to 26.507 and remained unchanged during the whole 2021, then the expected net interest expenditure on state debt service would increase approx. by CZK 51 million.

The Ministry also quantifies the impacts of the unplanned increase in the state budget deficit on interest expenditure on state debt service. If the state budget deficit increased by CZK 10.0 billion in 2021 assuming its financing by a uniform increase in the nominal values of CZK-denominated medium-term and long-term government bonds issued in auctions according to the current issue calendar, this change would mean an increase in expected net interest expenditure on state debt service by CZK 0.1 billion. However, the impact on the state budget based on the cash basis is very sensitive to the selected way of financing the deficit increase. In the case of an issuance of bond with premium, i.e. price above par, the increased gross issue may not result in an increase in interest expenditure due to the cash principle of the state budget and will result in a reduction in net interest expenditure. In the case of an accrual approach, an increase in gross issue would take effect immediately.

Within the three-year simulation horizon, the Ministry also constructs CaR indicators for 2022 and 2023. Net interest expenditure is expected to reach CZK 50.0 billion in 2022 and CZK 52.2 billion in 2023.

In the medium-term outlook of the state budget for 2022 and 2023, the expenditure frameworks of Chapter 396 – State Debt lie below the expected expenditure. For 2022, the expenditure framework amounts to CZK 49.6 billion and is CZK 0.4 billion below the expected expenditure.

For 2023, the expenditure framework amounts to CZK 51.6 billion, which is CZK 0.6 billion below the expected expenditure. The rising trend in the medium-term outlook for both budgeted and simulated interest expenditure is mainly due to interest rate volatility, which increases with the simulation horizon increasing. Given that the state budget is always prepared only for the following year, the horizon of the simulation of interest expenditure when drawing up the budget for the following year will be shorter and assuming unchanged market conditions it can be expected that the value of CaR 95% and CaR 99% indicators will decrease due to the lower volatility of the interest rate prediction.

Efficient Frontier and Alternative Debt Portfolios

The primary focus of the Ministry is always a smooth financing of the gross borrowing requirement while minimizing the costs related to a specific level of risk. Given that the gross borrowing requirement financing consists predominantly of government bonds in the long term, it is important to issue bonds with parameters that meet investors' demand. Another important factor that the Ministry must monitor is the liquidity of the secondary government bond market. In order to maintain a certain level of liquidity in the secondary government bond market, it is necessary to ensure a relatively high total nominal value for each bond issue. According to portfolio theory, it may be that issuing bonds according to the issuance calendar so as to meet investors' requirements and guarantee the liquidity of the secondary government bond market will create some inefficiency in the management of the debt portfolio. Eliminating this inefficiency could theoretically be achieved by concluding swap operations, which, however, entails additional costs and the need for credit risk management. To compare the real financing strategy with other alternative strategies in terms of costs and risk, the Ministry has been performing an analysis based on CaR methodology since 2012 with the aim of constructing the so-called efficient frontier.

In classic portfolio management, the yields and risk of individual possible investments within a given portfolio are compared directly with each other. On the contrary, the main factor affecting the portfolio's structure in debt portfolio management is the time to maturity of individual instruments. Fluctuation of yield curves and the refinancing needs (refixing) then cause every refinancing (refixing) to carry the risk of increased costs. Portfolios with higher proportion of instruments bearing interest at the short end of the yield curve are exposed to the risk of higher costs than portfolios with a higher proportion of instruments bearing interest at the long end of the yield curve.

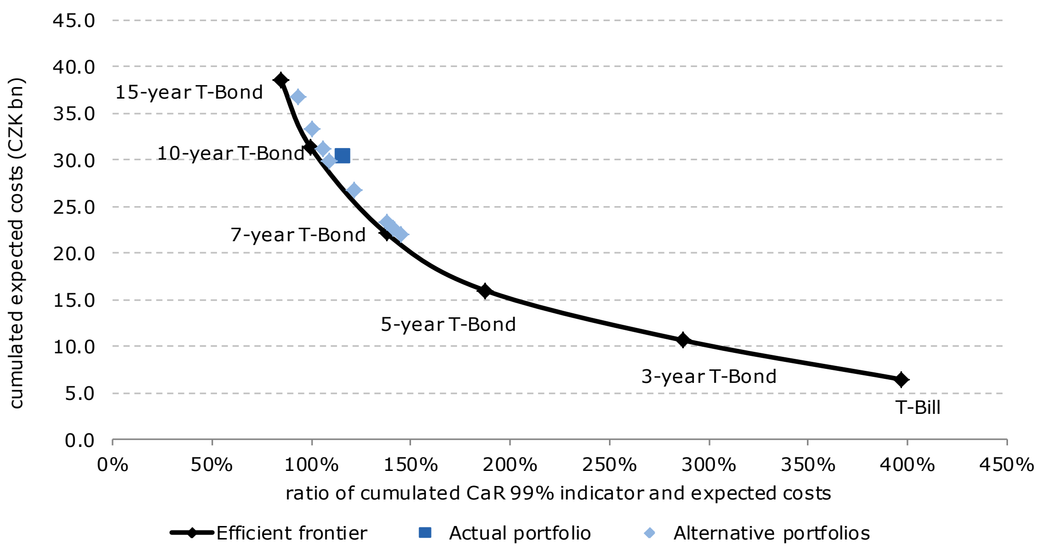
The efficient frontier shows a curve that combines the risk and expected cost of alternative debt portfolios, which contain only bonds with one specific constant time to maturity. Bonds in this portfolio are always issued with a constant time to maturity, i.e. no re-openings are considered, and on the maturity date, bonds with this constant time to maturity are replaced. In the case of a rising yield curve shape, the efficient frontier has a decreasing shape and represents a boundary of the combination of risk and expected costs that cannot be exceeded by any other alternative debt portfolio. Therefore, there is no debt portfolio that would allow the risk to be mitigated and reduce expected costs below risk and the expected costs of portfolios containing only fixed-term bonds. In the case of the inverse shape of the yield curve, the effective boundary in a particular segment, usually with short-term instruments, may have an increasing shape. By limiting short-term instruments, it is possible to reduce the risk and the expected costs at the same time.

For all alternative debt portfolios in the performed analysis, all financing of gross borrowing needs in the following years takes place on the days of actually planned auctions using only bonds as defined by the alternative portfolio (without considering the re-opening of issues). The efficient frontier is made up by six alternative debt portfolios containing only newly issued bonds with a constant maturity. These bonds are: state treasury bills and 3-year, 5-year, 7-year, 10-year and 15-year medium-term and long-term government bonds.

In addition to the six alternative portfolios at the efficient frontier, the Ministry analyzed eight other alternative portfolios with instruments that were more in line with real investor demand. These eight alternative portfolios are created analogously to those on the efficient frontier, a mix of government bonds with different maturities to finance the gross borrowing requirement in the coming years.

Two alternative portfolios consider zero net issuance of state treasury bills in all years, with government bonds with maturities of 3, 5, 7, 10 and 15 years being equally issued in the first portfolio. In the case of the second portfolio, bonds with different maturities are also issued, ensuring an average maturity of the debt portfolio of 6.5 years in the medium term. The third and fourth alternative portfolios finance the gross borrowing requirement with one tenth of state treasury bills and nine tenths of medium-term and long-term government bonds, those are 15-year government bonds and 10-year government bonds. In the case of the fifth and sixth alternative portfolios, one tenth issuance consists of state treasury bills and nine tenths of medium-term and long-term government bonds with a maturity of 10 or 15 years, whereas the chosen instruments are issued equally in case of the former alternative portfolio and the time to maturity of 9.5 year of the whole newly issued debt is maintained at the end of each year in the latter alternative portfolio. For the seventh and eighth alternative portfolios, 3-year, 5-year, 7-year, 10-year and 15-year government bonds and state treasury bills are issued, while for one strategy debt instruments are issued equally and while in the second case one tenth of the state treasury bills and nine tenths of medium-term and long-term government bonds are issued, with the maturity ratio within the groups being uniform. The expected costs of the individual debt portfolios represent the cumulated expected costs of the newly issued state debt service between 2021 and 2023. In all cases, the costs are expressed on an accrual basis, thus achieving a comparable position for the individual alternative portfolios. In the case of an actual portfolio, this is achieved by adjusting for the re-opening effect, which in the short simulation horizon leads to an overestimation of both risk and expected costs. The cumulative CaR 99% between 2021 and 2023 is used to determine the degree of risk for individual debt portfolios. Specifically a possible percentage increase in expected costs at which the cumulated CaR 99% will be achieved is shown on the horizontal axis.

Figure 52: Efficient Frontier of Cumulated Costs on Newly Issued Debt in 2021 to 2023



Source: MoF

The figure shows that no alternative or real debt portfolio, which contains a mix of government bonds with different times to maturity, lies at the efficient frontier. However, the actual debt portfolio, containing the current actual funding strategy for financing of gross borrowing needs, and alternative portfolios are very close to the efficient frontier. Accumulated expected accrued costs of newly issued debt according to actual issuance calendars amount to CZK 30.4 billion with a risk of approximately 116%. Therefore, there is only a 1% probability that the actual realized costs for the next three years will exceed the expected costs by moe than 116%, in absolute terms, by more than CZK 35.2 billion.

In the context of efficient frontier analysis, it should be noted that there is no optimal portfolio that can be obtained by quantitative optimization. In the real world where it is not possible to issue only new issues of government bonds in each auction and not take into account the needs of investors, only the portfolio approaching the efficient frontier can be chosen. The choice of the part of efficient frontier, where this approach occurs, primarily depends on the risk preference or aversion of management.

6 - Evaluation of Primary Dealers and Secondary Government Bond Market

Primary Dealers and Recognized Dealers in Czech Government Securities

The status of a primary dealer in Czech government securities was contractually formalized on 1 October 2011, when the Primary Dealer Agreement for Czech Government Securities (hereinafter the Agreement), became valid. According to best international practice, the Agreement specifies the rights and obligations of individual members of the group of primary dealers, and provides an institutional framework for cooperation between the Ministry and financial institutions in funding and state debt management.

A new two-stage institutional framework of cooperation was established starting from 1 January 2019, by adding the status of Recognized Dealer in Czech Government Securities. Thus, Ministry had responded flexibly to increasing regulatory costs and changes of market makers business strategies of foreign market makers in Czech government securities. During the period from 2013 to 2019 all privileges and rights of Primary Dealer had been terminated to The Royal Bank of Scotland plc (1 November 2013), Barclays Bank plc (1 January 2016), Deutsche Bank AG and Morgan Stanley & Co International PLC (1 January 2017), HSBC Bank plc and Goldman Sachs International (1 January 2019). On 1 January 2020, Raiffeisen Bank International AG was admitted to the group of primary dealers when it formally fulfilled all the conditions for achieving the status of primary dealer of Czech government bonds.

Recognized Dealer in Czech Government Securities has limited rights and obligation compared to Primary Dealer, clearly specified in Recognized Dealer Agreement for Czech Government Securities. Only Primary Dealer together with Recognized Dealer is granted access to primary auctions of government bonds according to valid Rules for the Primary Sale of Government Securities organized by the Czech National Bank. Recognized Dealer has right to be participant only in the competitive part of the primary auction of Czech government securities. Compared to Primary Dealer, there is no access to the non-competitive part of the primary auctions for Recognized Dealer.

Primary dealers and recognized dealers may participate in the Ministry's operations on the secondary market, such as buy-backs and exchange operations of government bonds, tap sales, lending facilities (in the form of repo operations and since December 2015 also in the form of collateralized loans of medium-term and long-term government bonds) or reverse repo operations. Primary dealers are also the Ministry's counterparts for foreign issues, private placements and other state's financial operations. Primary dealers also have an exclusive right to participate in regular meetings with the representatives of the Ministry, at least twice a year, and to be involved among others in the preparation of issuance calendars for government bonds as well as to propose alternative instruments for financing the borrowing requirement, including follow-up operations for risk management purposes. A primary dealer's obligation is to purchase at least 3% of the total nominal value of medium-term and long-term government bonds sold in the primary auctions (including non-competitive parts) during four consecutive quarters. Another important obligation is for the participant to fulfil the quoting obligations on a secondary market through the Designated Electronic Trading System (DETS) with the aim of achieving a highly liquid secondary market of government bonds. For 2020 and 2021, MTS Czech Republic was chosen as such platform once again based on the decision taken by the Primary Dealers Committee on 19 December 2019. The system of notifications sent in the case of failure to meet one of the two basic obligations has proven to be useful also during 2020 and the Ministry will continue to apply this practice.

Recognized dealer is not compulsory to fulfill quoting obligation on the secondary market and does not have the obligation to purchase not less than 3% of the total nominal amount of government bonds in primary auctions. The main obligation of recognized dealer is to be active market participant on the DETS, act in accordance with its market rules and contribute on best effort basis to liquidity of secondary market trading of the government bonds.

The group of primary dealers and recognized dealers in Czech government securities is confirmed by the Ministry for every calendar year. In 2020, the Czech Republic had a total of 9 primary dealers, and compared to the previous year, there had been one primary dealer more in the group of primary dealers. All privileges and obligations of Goldman Sachs International and HSBC Bank plc arising from the Agreement are not in force as of 1 January 2019. On the other side, Goldman Sachs International acquired status of Recognized Dealer as of 1 January 2019. In December 2020, J.P. Morgan Securities plc passed all rights and obligations arising from the Primary Dealer Agreement for Czech Government Securities to J.P. Morgan AG. Furthermore, from 1 January 2021, the primary dealer of ING Bank N. V. was replaced by ING Bank Śląski S.A. and the Goldman Sachs International changed its entity to Goldman Sachs Bank Europe SE. System of primary dealership ran smoothly in 2020 and Ministry did not receive any proposals to amend the current institutional arrangement of the market.

Table 23: List of Primary Dealers and Recognized Dealers in Czech Government Securities in 2020

Primary Dealers	
Citibank Europe plc	J.P. Morgan Securities plc / J.P. Morgan AG
Erste Group Bank AG / Česká spořitelna, a.s.	PPF banka, a.s.
KBC Bank NV / Československá obchodní banka, a. s.	Société Générale / Komerční banka, a.s.
ING Bank N. V.	UniCredit Bank Czech Republic and Slovakia, a.s.
Raiffeisen Bank International AG	
Recognized Dealers	
Goldman Sachs International	

Source: MoF

Evaluation Results of the Primary Dealers

The modification of evaluation of the primary dealers in force for 2020 maintains two primary evaluation criteria and their weights; one is focused on the primary market another on the secondary market. The importance of a functional and liquid secondary market is demonstrated by the allocation of high weight to the latter criterion, which allows the appraisal of active market-makers in relation to their performance in government bond auctions on the primary market. The maximum evaluation of each primary dealer is 100 points, calculated on a relative basis.

The method of evaluating primary dealers is described in more detail in the Appendix I to this document. The activity of the primary dealers is thus evaluated every quarter based on the APEI defined in Annex I to the Agreement, always for four consecutive evaluation periods. The evaluation period according to Article 1 of the Agreement is every calendar quarter. Quarterly evaluation is transparently released in Debt Portfolio Management Quarterly Report. Overall evaluation for the last year is released in The Czech Republic Government Debt Management Annual Report and on the Ministry's website.

Table 24: Overall Evaluation of Primary Dealers

Ranking	Primary Dealer	Points
1.	**KBC Bank NV / Československá obchodní banka, a. s.**	**76.6**
2.	PPF banka a.s	56.1
3.	Erste Group Bank AG / Česká spořitelna, a.s.	43.1
4.	Société Générale / Komerční banka, a.s.	41.4
5.	J.P. Morgan Securities plc / J.P. Morgan AG	31.9
	UniCredit Bank Czech Republic and Slovakia, a.s.	31.9

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

Table 25: Evaluation of Primary Dealers on Primary Market

Ranking	Primary Dealer	Points
1.	**KBC Bank NV / Československá obchodní banka, a. s.**	**39.3**
2.	PPF banka a.s.	26.0
3.	Erste Group Bank AG / Česká spořitelna, a.s.	24.2
4.	Société Générale / Komerční banka, a.s.	23.4
5.	UniCredit Bank Czech Republic and Slovakia, a.s.	12.6

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

Table 26: Evaluation of Primary Dealers on Secondary Market

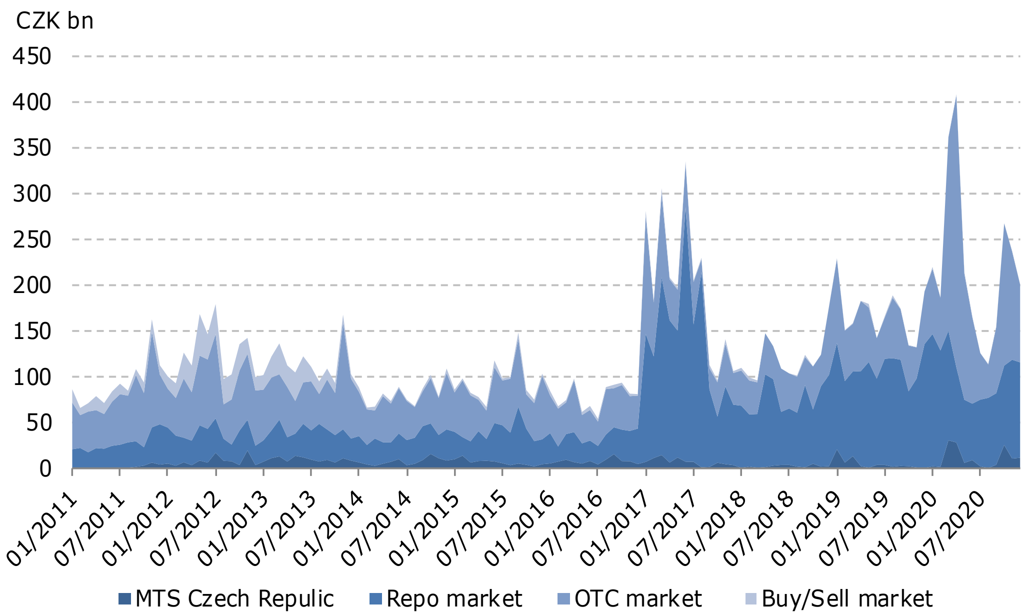
Ranking	Primary Dealer	Points
1.	**KBC Bank NV / Československá obchodní banka, a. s.**	**37.3**
2.	PPF banka a.s.	30.1
3.	J.P. Morgan Securities plc / J.P. Morgan AG	19.4
4.	UniCredit Bank Czech Republic and Slovakia, a.s.	19.3
5.	Erste Group Bank AG / Česká spořitelna, a.s.	18.9

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

MTS Czech Republic and Secondary Government Bond Market

One of the long-term objectives for state debt management is to support the maximum possible liquidity of issues of government bonds on the secondary market, which was fulfilled through the implementation of the MTS Czech Republic electronic trading platform for the secondary market. Pilot operation was launched on 11 July 2011, continuing with live operation after three months. To support the secondary market liquidity the Ministry may consider executing secondary market operations such as tap sales, exchange operations of illiquid short term bonds for benchmark bonds with longer time to maturity and buybacks of illiquid bonds with short time to maturity. The MTS Czech Republic electronic trading platform also enables monitoring of the behaviour of market participants and compliance with the set rules in real time as a basis for the subsequent evaluation of their performance and point awarding. Implementation of this platform also enabled expansion of the group of primary dealers by new foreign market-makers of the domestic market. The MTS Czech Republic electronic trading platform became an integrated part of the whole secondary market for government bonds. Market participants are provided with transparent information on price development of the Czech government bonds and with the continual access to the offer of Czech government bonds.

Figure 53: Nominal Value of Trades Carried out on Secondary Market



Note: Expressed in nominal value of traded government bonds in individual segments of secondary market; repo market and buy/sell market adjusted for double-counting of transactions. Including Ministry's operations on MTS Czech Republic,repo market and OTC market. Custody transactions are not included. OTC market consists of outright purchases out of MTS Czech Republic.
Source: MoF, CDCP, MTS

Since January to August 2017, high trading activity has been recorded on the secondary government bond market, which was even amounted to CZK 306.1 billion in March. The reason for such high trading activity on the secondary market was the expectation that the Czech National Bank would quit the exchange rate commitment. Total trading activity peaked in June, when government bonds were traded in nominal value of CZK 335.5 billion. During 2018, trading activity was normalized and the highest trading activity was reached in December, at CZK 176.5 billion. In 2019, the monthly average trading volume reached CZK 169.7 billion, which represents a year-on-year increase of CZK 49.8 billion. The year 2020 was exceptional in terms of trading activity on the government bond market and to a large extent corresponded to the issuing activities of the Ministry, when it was necessary to cover the historically highest financing needs on primary and secondary markets. In March 2020, trading activity amounted to CZK 362.1 billion and in April even CZK 408.7 billion. This was the historically highest traded nominal value. In the following period, there was a decrease in trading activity, with the exception of October, when transactions in the amount of CZK 267.9 billion were carried out. The total average traded nominal value in 2020 was CZK 221.8 billion, which was on average CZK 52.1 billion more than in the previous year.

An effective secondary market in terms of minimizing transaction costs and maintaining market depth and price stability is a necessary condition for the issuance activity and smooth and cost-effective funding over the long term. Liquid and deep secondary market also helps to absorb potential shocks on financial markets. In order to meet this task, the Ministry updated the list of benchmark issues from 1 January 2021, based on a previous discussion with primary dealers at the Primary Dealer Committee, as well as the MTS Czech Republic Committee (composed of the representatives of the Ministry and the primary dealers), by the government bonds whose nominal value outstanding was sufficient to allow the fulfilment of quoting obligations of the market maker. These benchmark issues with lower outstanding amount will be also reopened, which will have another positive impact on the liquidity of new benchmark bonds.

Compared to 2020, four new issues were included in the benchmark list for 2021, namely the Government Bond of the Czech Republic, 2020–2025, 1.25%, the Government Bond of the Czech Republic, 2020–2029, 0.05%, the Government Bond of the Czech Republic, 2020–2031, 1.20% and the Government Bond of the Czech Republic, 2020–2040, 1.50%. Another change in the benchmark list for 2021 resulted mainly from the natural shifts in maturities of the current bonds list. In accordance with the Agreement Czech Republic Treasury Bond, 2010–2021, 3.85% has been removed from the benchmark issues due to a residual maturity of less than 1.25 years since 1 January 2021. Due to relatively low outstanding amount, high ratio in portfolios holding to maturity and long term to maturity, the minimum nominal traded volume of Czech Republic Treasury Bond, 2006–2036, 4.20% and Government Bond of the Czech Republic, 2020–2040, 1.50% was retained to CZK 10 million. These government bonds enable the Ministry to estimate the long end of the benchmark curve more accurately.

As a result of the changes in benchmark issues, the total number of bonds in 2021 subjected to quoting obligation increased by 3 to 15 benchmark bonds.

Table 27: Benchmark Issues of Government Bonds as at 1 January 2021

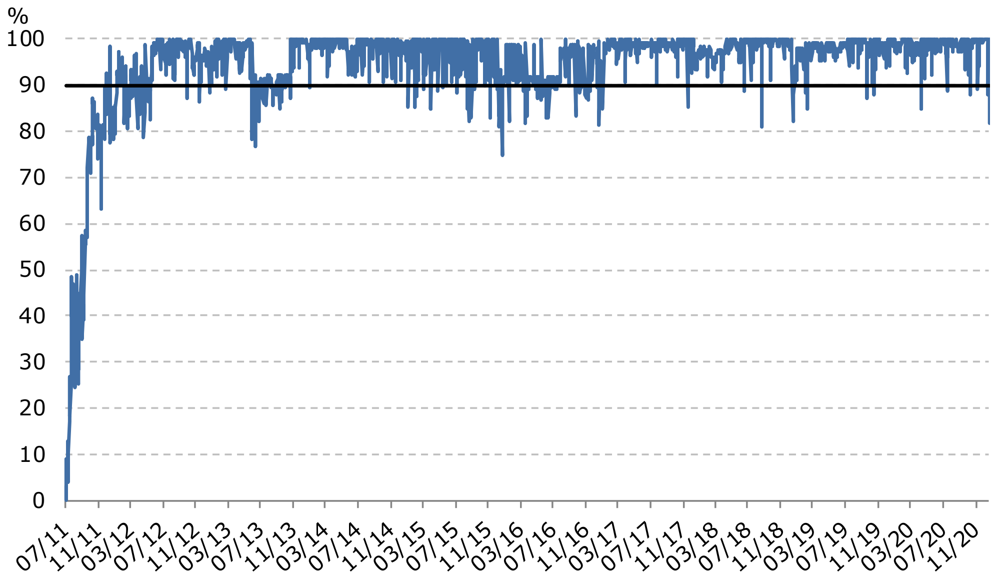
Issue no.	Issue	ISIN	Coupon	Maturity date	Maturity basket	Minimum quoted nominal value (CZK mil)
52	ČR, 4.70 %, 22	CZ0001001945	4.70%	12/9/2022	A	50
97	ČR, 0.45 %, 23	CZ0001004600	0.45%	25/10/2023	A	50
58	ČR, 5.70 %, 24	CZ0001002547	5.70%	25/5/2024	A	50
120	ČR, 1.25 %, 25	CZ0001005870	1.25%	14/02/2025	B	50
89	ČR, 2.40 %, 25	CZ0001004253	2.40%	17/9/2025	B	50
95	ČR, 1.00 %, 26	CZ0001004469	1.00%	26/6/2026	B	50
100	ČR, 0.25 %, 27	CZ0001005037	0.25%	10/2/2027	B	50
78	ČR, 2.50 %, 28	CZ0001003859	2.50%	25/8/2028	C	40
105	ČR, 2.75 %, 29	CZ0001005375	2.75%	23/7/2029	C	40
130	ČR, 0.05 %, 29	CZ0001006076	0.05%	29/11/2029	C	40
94	ČR, 0.95 %, 30	CZ0001004477	0.95%	15/5/2030	C	40
121	ČR, 1.20 %, 31	CZ0001005888	1.20%	13/03/2031	C	40
103	ČR, 2.00 %, 33	CZ0001005243	2.00%	13/10/2033	C	40
49	ČR, 4.20 %, 36	CZ0001001796	4.20%	4/12/2036	D	10[1]
125	ČR, 1.50 %, 40	CZ0001005920	1.50%	24/04/2020	D	10[1]

[1] Minimum traded volume of government bonds ČR, 4.20 %, 36 and ČR, 1.50 %, 40 were reduced at CZK 10 mil, based on agreement with primary dealers.
Source: MoF

The primary dealer who fulfils the role of market-maker on the secondary market quotes the bid and offer prices for all bonds subject to quoting obligations in the minimum quoted total nominal value, which varies depending on the time to maturity, and at least 5 hours during a single trading day.

However, the quoted prices must be within the competitive spread, which is set on a daily basis for each government bond subject to quoting obligations as the weighted average of the quoted spreads of all primary dealers multiplied by the coefficient of k = 1.5. This method and the quantitative criteria were set up following mutual discussion in the MTS Czech Republic Committee, and the respective calculations are available to all participants in the system. The Ministry monitors compliance with quoting obligation on a daily basis, the evaluation of the performance and activity of participants takes place on a monthly basis. In 2020, primary dealers successfully managed to fulfil their quoting obligations on average, especially because of flexible approach to competitive spread, which allows better adjustment to underlying financial conditions on the secondary market. During 2020, daily compliance ratio limit 90% was met on average with the exception of 6 days in year, with 2 days in the last week of December, when the quoting obligations of primary dealers are severely limited due to the end of the year.

Figure 54: Average Daily Primary Dealer Compliance Ratio on MTS Czech Republic

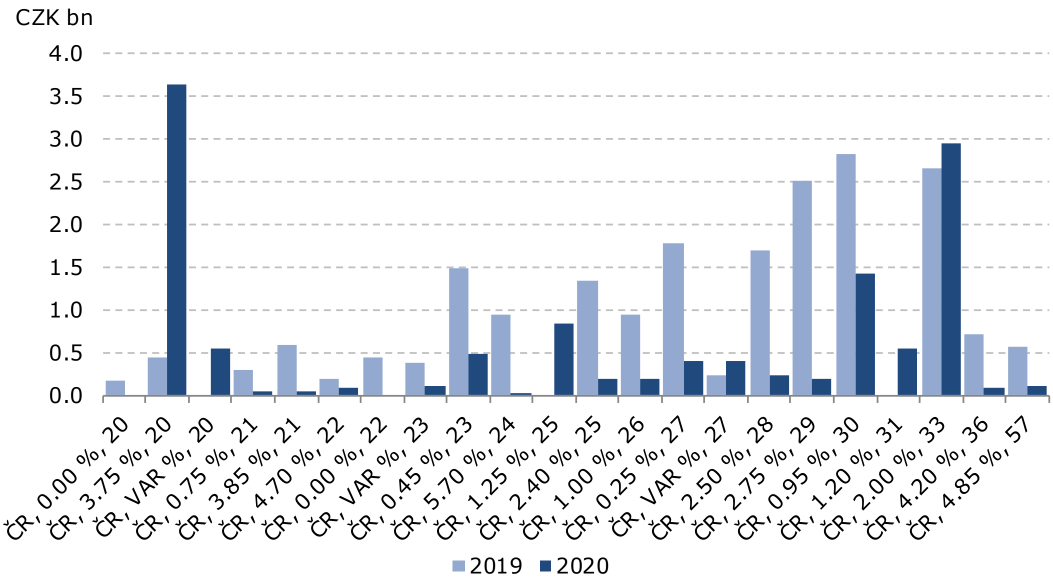


Source: MoF, MTS

In 2019, the monthly average traded nominal value on the MTS Czech Republic was only CZK 1.8 billion. It was the second lowest trading activity since the formation of the official inter-dealer market. The trading activity of primary dealers on the MTS Czech Republic continued in a similar trend in 2020, when the monthly average traded nominal value decreased further to CZK 1.1 billion. One of the factors is fewer primary dealers of the Ministry. Sufficient, permanent and diversified supply of Czech government bonds in the form of primary auctions and operations of the Ministry on the secondary market might create less incentives and needs for active trading from primary dealers and recognized dealers on the official secondary market.

Total trading activity was higher especially in the first half of 2020, but gradually decreased during the second half of the year, when the traded nominal value was recorded below CZK 1.0 billion from August to December. Higher trading activity was recorded mainly in May (CZK 2.0 billion), June (CZK 2.3 billion) and July (CZK 2.5 billion). According to particular issues of government bonds, the highest trade nominal value in 2020 was recorded: the Czech Republic Treasury Bond, 2005–2020, 3.75% in the total nominal value of CZK 3.6 billion, the Government Bond of the Czech Republic, 2017–2033, 2.00% in the total nominal value of CZK 3.0 billion and the Government Bond of the Czech Republic, 2015–2030, 0.95% in the total nominal value of CZK 1.4 billion. In line with the Ministry's issuance activity on the primary market, increased trading activity on the MTS platform was recorded mainly at the longer end of the yield curve.

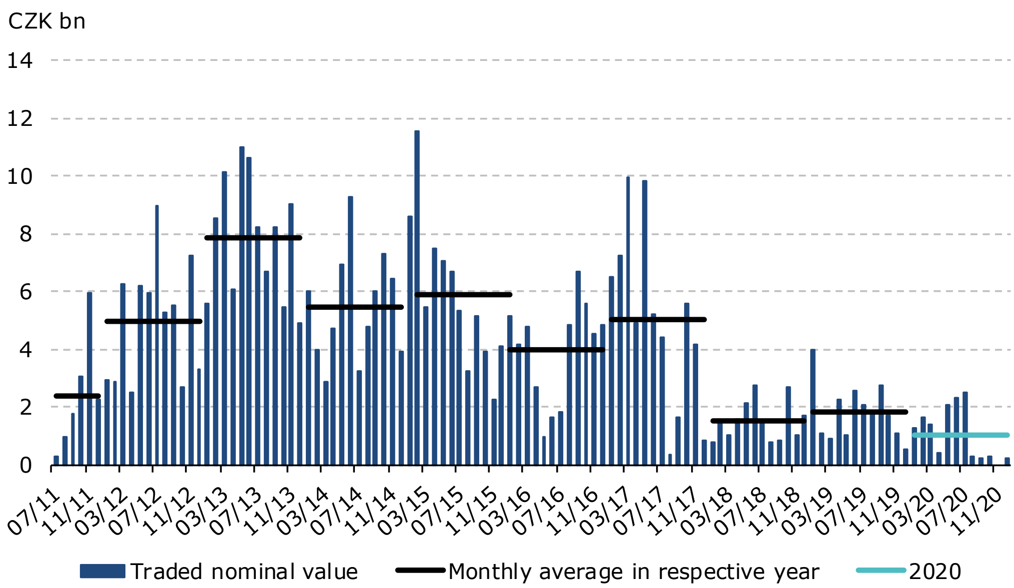
Figure 55: Traded Nominal Value on MTS Czech Republic by Government Bonds



Note: Excl. trades of the Ministry on the secondary market.
Source: MoF, MTS

One of the reasons for the entrance of Ministry to exchange operations and taps sales on the MTS Czech Republic was the active support of the liquidity of the Czech government bonds and the activity of primary dealers and recognized dealers. In 2020, traded nominal value including Ministry's operations on the MTS Czech Republic reached monthly average of CZK 11.1 billion and was higher by CZK 6.0 billion compared to last year.

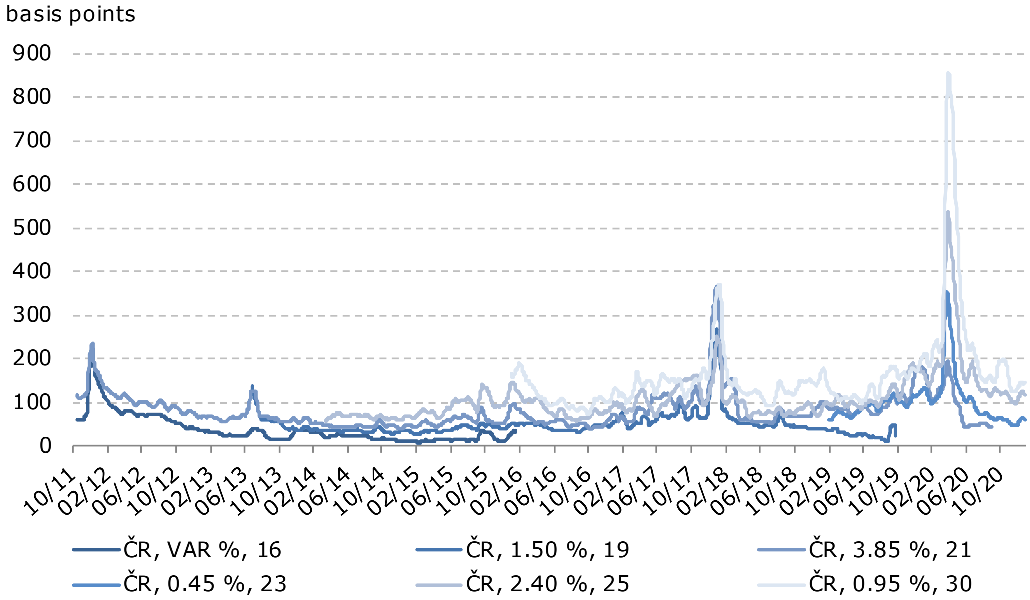
Figure 56: Traded Nominal Value on MTS Czech Republic



Note: Excl. trades of the Ministry on the secondary market.
Source: MoF, MTS

The uncertain situation on domestic financial market, especially during the first wave of the coronavirus pandemic, was also reflected in the considerable volatility of bid-offer spreads of government bonds. At the end of March, the bid-offer spreads reached historical values, reaching bid-offer spreads for selected government bonds of over 800 basis points. However, this fluctuation lasted only for a limited time at the turn of the first and second quarters, and during April bid-offer spreads began to return to normal. Since May, bid-offer spreads have been around pre-crisis levels, with the effects of the second wave of the autumn 2020 pandemic not having a dramatic impact on bid-offer spreads. Market stabilization and the long-term low levels of price spreads are also supported by the fact that the mandatory bid-offer spread is built on a relative basis compared to the market average of all primary dealers. This enables significant flexibility and adaptation to the continually changing and poorly predictable market environment as opposed to the fixed spreads.

Figure 57: Bid-Offer Spreads of Selected Government Bonds on MTS Czech Republic



Note: The bid-offer spreads are listed in 14-day moving averages.
Source: MoF, MTS

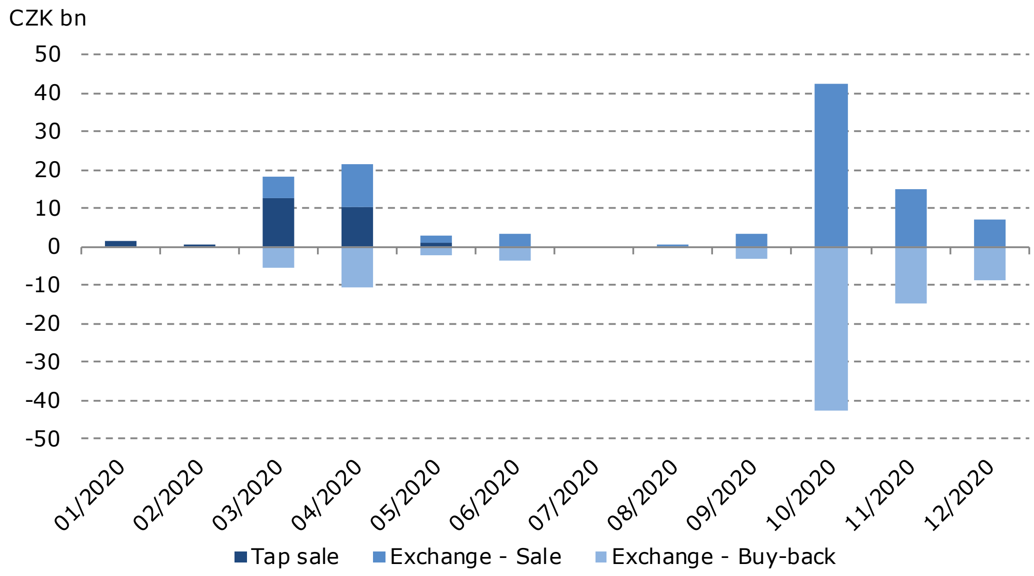
The strategy in relation to the development of the secondary market via MTS Czech Republic primarily focuses on the flexible use of all available electronic platform instruments; smooth running of the system and achievement of consistency with the valid regulatory and institutional framework. The Ministry evaluates very positively the development of the fulfilment of the quotation, particularly with regard to the significant volatility on the financial markets, regulatory impacts on the market-makers' balance sheets, decreasing number of primary dealers and due to the limited auction offer of government bonds subject to quoting. Lending facilities in the form of repo operations and now also in the form of collateralized loans will continue to be the tools actively used by the Ministry for its direct impact on the secondary market liquidity.

Operations on the Secondary Market

Since December 2011, the Ministry has been operating actively on the secondary market, primarily through the MTS Czech Republic electronic trading platform. In order to ensure maximum transparency, the Ministry informs all primary dealers and recognized dealers about the intention to conduct a buyback, exchange operations or a tap sale on the secondary market (type of transaction, government bond, the maximum nominal value of transactions, time limit, the conversion rate for exchange operations, settlement date, contact person) at least one business day prior to the date on which the transaction is to occur. The Ministry publishes the result of the transactions (total nominal value of the transactions carried out within one buyback, exchange operations or tap sale, number of transactions and weighted average price) regularly on its website on the settlement date of the transactions.

All operations on the secondary market are executed flexibly depending on the Ministry's needs and the situation on the financial markets. During 2020, the Ministry significantly increased the frequency of operations on the secondary market in order to cover the increased financing needs caused by the effects of the pandemic spread of SARS-CoV-2 on the state budget. Exchange operations of government bonds were executed to a greater extent, especially in March and April, and then in the fourth quarter of 2020. Tap sales of government bonds were executed only in the period between January and early May.

Figure 58: Nominal Value of Tap Sales and Exchange Operations



Source: MoF, MTS

In 2020, nominal value of exchange operations increased significantly, the Ministry exchanged government bonds with a historically highest total nominal value of CZK 89.3 billion, which corresponds to eleven times the traded nominal value of the previous year, for government bonds in a total nominal value of CZK 91.2 billion, including the bought-back annual state treasury bill issued in March in order to strengthen the state treasury's liquidity reserves. In exchange operations (buy-back leg) the Ministry focused primarily on the Czech Republic Treasury Bond, 2010–2021, 3.85% in the total nominal value of CZK 23.1 billion and the Czech Republic Treasury Bond, 2005–2020, 3.75% in the total nominal value of CZK 9.0 billion. Furthermore, during the fourth quarter, the Ministry bought-back a state treasury bill due in 2021 in the total nominal value of CZK 43.1 billion.

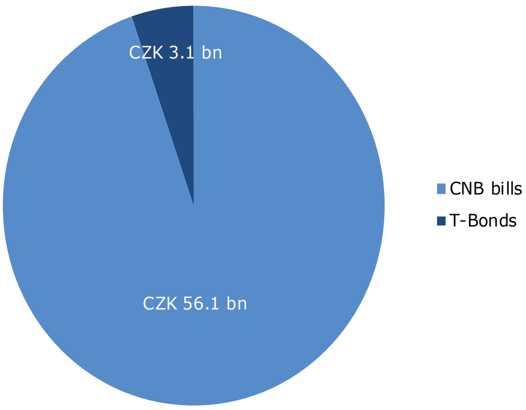
In 2020, the total nominal value of realized tap sales through the MTS Czech Republic reached its historically highest level of CZK 25.8 billion, which was by CZK 3.4 billion more than in the previous year.

The Ministry continued executing extensively the short-term lending facilities of medium-term and long-term government bonds for primary dealers and recognized dealers in the form of repo operations and also in the form of loans of securities. Demand for loan of securities by primary dealers and recognized dealers, is constantly growing, despite the decline in key interest rates of the Czech National Bank due to the pandemic spread of the SARS-CoV-2 coronavirus. In 2020, loans of securities became the main tool for supporting secondary market liquidity. Similar to repo operations a primary dealer and recognized dealer may borrow securities from Ministry's asset accounts for a fee for a period up to 90 days against the non-cash collateral in the form of state treasury bills, CNB bills or medium-term and long-term government bonds. The advantage of loans of securities is the bidirectional support of liquidity on the secondary market with no impact on the gross borrowing requirement of the Ministry and the debt portfolio's risk indicators.

Parallel market in the form of loans of securities has its importance when the repo market freezes or if some dysfunctions occurs, which could result in an increase in bid-offer spreads. Loans of securities are fully covered by the standard contractual documentation, i.e. the Master agreement for financial transactions and the international Global Master Securities Lending Agreement. Loans of securities also help primary dealers and recognized dealers to optimize their business portfolio irrespective of their liquidity position as well as significantly reduce their dependence on the repo market.

The total volume of lending facilities expressed as the the nominal value of the provided bond decreased from CZK 66.7 billion in 2019 to CZK 59.6 billion in 2020. Repo operation provided by Ministry accounted CZK 1.2 billion and loans of securities collateralized by non-cash collateral accounted CZK 58.4 billion. Demand for lending facilities in the form of repo operations and in the form of loans of securities has traditionally been significant mainly in the last quarter of 2020 due to the adjustment of the trading portfolios of primary dealers and recognized dealers, when the average monthly nominal value of lending facilities reached CZK 16.5 billion. In December 2020, the total nominal value of lending facilities provided increase to CZK 36.1 billion. Compared to the previous year, this is almost four times the value of averages in this period, due to the impact of the spread of SARS-CoV-2 coronavirus on capital markets and the strong demand from primary dealers, who accumulated a short position during 2020. The Ministry's lending facilities have allowed covering the short position of primary dealers through the end of the year and the smooth operating of the secondary market without any significant price distortions. At the same time the Ministry during 2020 accepted collateral in the nominal value of CZK 59.2 billion. Compared to the previous year, there was a change in the structure of received collateral, to the detriment of government bonds, whose share as collateral decreased from 26.0% to 5.3%. This is a year-on-year decrease of 20.7 p.p.

Figure 59: Received Collateral within Collateralized Loans of Securities in 2020



Note: Excl.T-Bonds issued on foreign markets.
Source: MoF

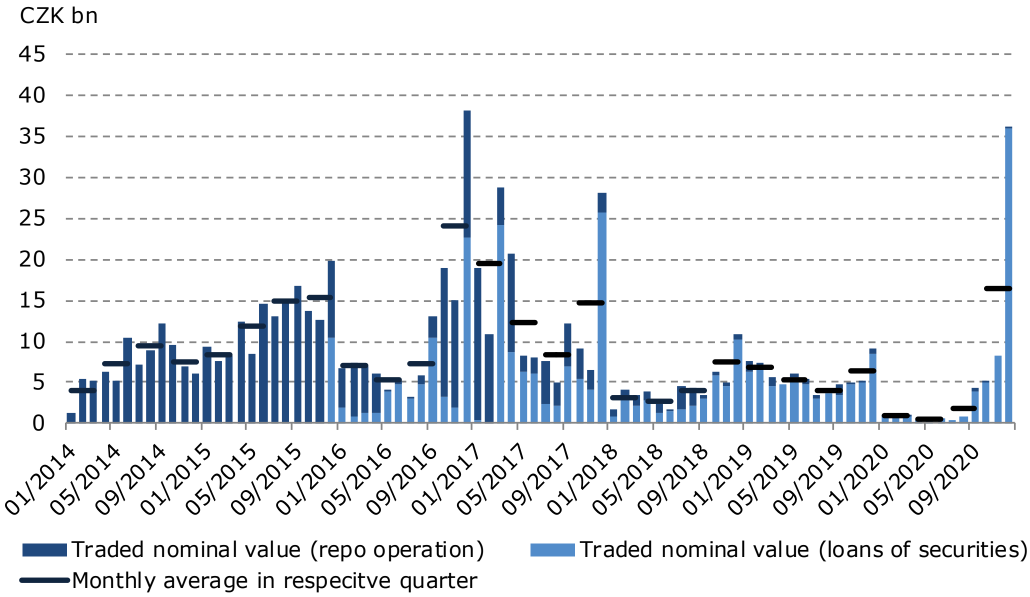
Despite the increased frequency of operations on secondary market, interest in short-term lending facilities in the form of repo operations by primary dealers remained low in 2020, mainly due to higher monetary policy rates of the Czech National Bank compared to revenues from repo operations, which resulted into higher costs of repo operations against loan of securities collateralized by non-cash collateral. Demand in repo operations did not increase significantly even after a fall in monetary policy rates at the turn of the first quarter of 2020 caused by the need to stimulate the economy to mitigate the effects of the spread of SARS-CoV-2 coronavirus. The total amount of received koruna cash resources from short-term lending facilities in 2020 was CZK 1.3 billion. Repo operations were used mainly by the primary dealers and recognized dealers without relevant loan of securities documentation. Overall in 2020, Ministry executed 20 transactions in the form of repo operations and 139 in the form of loans of securities.

From the primary dealers' point of view, the Ministry's short-term lending facilities enable to cover their short positions and thus contribute to the smooth fulfilment of quoting obligations, maintaining sufficient depth of market and liquidity of government bonds even at times of unusual fluctuations on financial markets. The difference between the nominal value of trades on the MTS Czech Republic electronic trading platform and demand of primary dealers for government bonds may be filled through short-term lending facilities. Lending facilities thus form an important alternative for obtaining government bonds in the case of worsened conditions on the secondary market and contribute significantly to the business activity of primary dealers. It enables stabilisation of the market spread of quoted bonds, which is directly reflected in the reduction of the illiquidity premium as well as the end-investors' demand for Czech government bonds.

Although the primary objective of these operations is to increase the liquidity of government bonds on secondary market, especially in case of the short-term excess of demand over the supply of the particular bond, income from lending facilities has a positive impact on revenue of the state budget. The cash resources obtained from the repo operations, unless they are cash-neutral, are further invested for higher return on the money market within the efficient state treasury liquidity management. This enables increase in the investment income of the Ministry. In 2020, the contribution of the lending facilities to the total revenue from the investment activity amounted CZK 4.9 million.

In connection with the lending facilities and secondary market operations, the Ministry actively manages the balance of government bonds in its asset accounts with respect to the demand of primary dealers and recognized dealers. In 2020, the largest part of lending facilities excluding repo operations, when the Ministry received euro cash resources as collateral, in terms of nominal value of the provided bond was comprised of the Czech Republic Treasury Bond, 2010–2021, 3.85% (CZK 13.8 billion), Government Bond of the Czech Republic, 2020–2040, 1.50% (CZK 11.2 billion), Government Bond of the Czech Republic, 2020–2029, 0.05% (CZK 10.3 billion) and Government Bond of the Czech Republic, 2015–2026, 1.00% (CZK 9.9 billion). For other bonds, the demand was evenly distributed along the entire yield curve.

Figure 60: Nominal Value of Carried out Lending Facilities



Note: The medium-term and long-term government bonds lending facilities are stated in the nominal value of collateral provided from the Ministry's asset account.
Source: MoF

Appendix I

Evaluation Methodology for Primary Dealers Valid for 2020

In order to support the participation of primary dealers in the sale of medium- and long-term government bonds denominated in foreign currency, the Ministry newly decided to define different weights for government bonds in domestic and foreign currency.

As part of criterion A. Primary market participation, the share of the particular primary dealer in the primary market of government bonds, meaning the share of accepted bids at auctions of government bonds for the evaluated period, is monitored. Using the ratio of the accepted bids to the total nominal value of the submitted bids, the Ministry monitors the willingness of investors to hold medium-term and long-term government bonds. The important aspects of evaluating participation on the primary market include the auction pricing strategy, in which the Ministry evaluates the willingness of primary dealers to pay the highest price weighted by the nominal value of a government bond auction. In another sub-criterion, a primary dealer is evaluated with more points if he is a regular participant at auctions, regardless of the evaluation period. The maximum number of points in the final sub-criterion is received by the primary dealer who subscribes the largest share of state treasury bills sold by the Ministry during the particular period.

Quantitative assessment under criterion B. Secondary market participation and market transactions, which is based primarily on the available statistical and monitoring tools of the MTS Czech Republic electronic trading platform, focuses on quotation activity, its quality, traded nominal values and operations carried out with the Ministry. The evaluation of the fulfilment of quoting obligations is further subject to the first sub-criterion. The quality of quotation activity means the evaluation of the average quoted spread weighted by time and total nominal value, which is further adjusted for the time to maturity of the given bond. Similarly, another sub-criterion that monitors the total traded nominal value is weighted by the time to maturity of the bond. In the following sub-criterion, the primary dealer is evaluated on the basis of the nominal value of the trades carried out by him within four groups of instrument types traded on the secondary market. The overall rating for the sub-criterion is then determined by the weighted average of these shares for the four groups identified. The fifth sub-criterion assesses the willingness of primary dealers to pay the highest price or receive the lowest price weighted by the total nominal value and the time to maturity of tap sales, buy-backs or exchanges of government bonds on the secondary market.

This methodology of primary dealers evaluation valid for 2020 remains unchanged for 2021.

Table 28: Criteria for Evaluation of Primary Dealers Valid for 2020

A. Primary Market Participation	55 points	B. Secondary Market Participation and Market Transactions	45 points
A.1. Primary Auctions Share – T-Bonds	30 points	B.1. Quoting Obligations Performance on DETS	10 points
A.2. Dependability	5 points	B.2. Qualitative Performance on DETS	10 points
A.3. Auction Pricing Strategy	5 points	B.3. Traded Volume on DETS	10 points
A.4. Auction Participation	5 points	B.4. Ministry of Finance Market Transactions	10 points
A.5. Primary Auctions Share – T-Bills	10 points	B.5. Tap Issuance, Buy-Backs and Exchanges Pricing Strategy	5 points

Source: MoF

Appendix II

Table 29: State Debt and State Financial Assets Portfolios Parameters

	31/12/ 2019	31/3/ 2020	30/6/ 2020	30/9/ 2020	31/12/ 2020
Total state debt (CZK bn)	**1,640.2**	**1,772.8**	**2,156.9**	**2,071.9**	**2,049.7**
Market value of state debt (CZK bn)	1,731.4	1,897.3	2,332.7	2,235.1	2,169.1
Short-term state debt (%)	12.7	13.8	15.6	17.3	10.9
Medium-term state debt (%)	48.5	49.8	51.7	53.2	47.4
T-Bills and other money market instruments (%)	1.1	6.1	7.7	5.2	1.2
Average time to maturity (years)	6.2	5.9	5.6	5.8	6.2
Interest re-fixing up to 1 year (%)	24.6	25.0	24.5	26.8	21.2
Average time to re-fixing (years)	5.6	5.4	5.2	5.3	5.7
Variable-rate state debt (%)	13.2	12.3	10.5	11.2	10.7
Modified duration (years)	5.1	5.2	5.1	5.2	5.3
Net foreign-currency exposure with the impact on the state debt level (%)	10.8	10.8	8.6	9.1	8.9
Net short-term foreign-currency exposure with the impact on the level of interest expenditure on state debt service (%)	9.5	9.4	7.5	8.6	8.4
Foreign currency state debt (%)	11.6	11.6	9.1	8.9	8.4
Share of EUR in state debt level net foreign currency exposure (%)	90.2	89.9	90.0	90.2	90.3
Share of EUR in interest expenditure on state debt net short-term foreign currency exposure (%)	92.9	92.6	92.6	93.3	93.3
Non-marketable state debt (%)[1]	3.1	4.4	3.2	2.2	1.9
Share of savings government bonds on state debt (%)	0.8	0.8	0.8	0.9	1.2
Marketable state debt (CZK bn)	**1,575.9**	**1,680.6**	**2,071.7**	**2,008.3**	**1,986.2**
Market value of marketable state debt (CZK bn)	1,667.5	1,804.5	2,246.7	2,171.0	2,105.4
Short-term marketable state debt (%)	12.0	11.9	14.4	17.3	11.0
Medium-term marketable state debt (%)	48.4	48.9	51.3	53.4	47.6
T-Bills and other money market instruments (%)	0.3	4.1	6.4	5.1	1.3
Average time to maturity (years)	6.2	6.1	5.7	5.8	6.1
Interest re-fixing up to 1 year (%)	22.5	21.9	22.2	25.6	19.8
Average time to re-fixing (years)	5.7	5.6	5.4	5.4	5.8
Variable-rate marketable state debt (%)	11.4	10.9	9.3	9.8	9.0
Modified duration (years)	5.2	5.4	5.2	5.3	5.4
Net foreign-currency exposure with the impact on the marketable state debt level (%)	9.7	8.2	6.5	7.3	7.2
Net short-term foreign-currency exposure with the impact on the level of interest expenditure on marketable state debt service (%)	8.4	6.8	5.5	7.2	7.1
Foreign-currency marketable state debt (%)	11.3	9.8	7.7	8.5	8.3
Share of EUR in marketable state debt level net foreign currency exposure (%)	95.9	95.0	95.1	95.5	95.7
Share of EUR in interest expenditure on marketable state debt net short-term foreign currency exposure (%)	100.0	100.0	100.0	100.0	100.0
Investment portfolios (CZK bn)[2]	**72.5**	**73.0**	**73.5**	**53.9**	**70.5**
Share of assets up to one year on total state debt (%)	4.4	4.1	3.4	2.6	3.4
Average yield (%)	1.9	2.0	0.6	0.3	0.3
Average time to maturity (years)	0.2	0.2	0.2	0.2	0.1
Modified duration (years)	0.1	0.1	0.1	0.2	0.1

[1] Excl. savings government bonds.
[2] Incl. nuclear and pension portfolio.
Source: MoF

Table 30: Overview of Medium-Term and Long-Term Government Bonds on Domestic Market as at 31/12/2020

Issue name	Issue no.	ISIN	Maturity date	Nominal value outstanding	Nominal value booked on MoF's asset accounts
ČR, 0.75 %, 21	104	CZ0001005367	23/2/2021	19,681,340,000	1,179,800,000
ČR, 3.85 %, 21	61	CZ0001002851	29/9/2021	96,931,920,000	7,583,850,000
ČR, 0.00 %, 22	102	CZ0001005029	24/2/2022	5,845,780,000	0
ČR, 0.10 %, 22	126	CZ0001005946	17/4/2022	36,432,600,000	63,567,400,000
ČR, 4.70 %, 22	52	CZ0001001945	12/9/2022	95,000,000,000	0
ČR, VAR %, 23	63	CZ0001003123	18/4/2023	99,000,000,000	1,000,000,000
ČR, 0.45 %, 23	97	CZ0001004600	25/10/2023	103,680,540,000	16,319,460,000
ČR, 5.70 %, 24	58	CZ0001002547	25/5/2024	88,600,000,000	1,400,000,000
ČR, 1.25 %, 25	120	CZ0001005870	14/2/2025	117,594,580,000	2,405,420,000
ČR, 2.40 %, 25	89	CZ0001004253	17/9/2025	109,000,000,000	1,000,000,000
ČR, 1.00 %, 26	95	CZ0001004469	26/6/2026	128,296,590,000	21,703,410,000
ČR, 0.25 %, 27	100	CZ0001005037	10/2/2027	124,000,000,000	1,000,000,000
ČR, VAR %, 27	90	CZ0001004105	19/11/2027	80,475,920,000	9,524,080,000
ČR, 2.50 %, 28	78	CZ0001003859	25/8/2028	118,074,990,000	16,925,010,000
ČR, 2.75 %, 29	105	CZ0001005375	23/7/2029	99,000,000,000	1,000,000,000
ČR, 0.05 %, 29	130	CZ0001006076	29/11/2029	34,285,220,000	4,149,530,000
ČR, 0.95 %, 30	94	CZ0001004477	15/5/2030	129,000,000,000	1,000,000,000
ČR, 1.20 %, 31	121	CZ0001005888	13/3/2031	99,000,000,000	1,000,000,000
ČR, 2.00 %, 33	103	CZ0001005243	13/10/2033	118,120,230,000	1,879,770,000
ČR, 4.20 %, 36	49	CZ0001001796	4/12/2036	49,700,000,000	300,000,000
ČR, 1.50 %, 40	125	CZ0001005920	24/4/2040	26,566,590,000	7,420,410,000
ČR, 4.85 %, 57	53	CZ0001002059	26/11/2057	19,178,120,000	821,880,000
		Total CZK		**1,797,464,420,000**	**161,180,020,000**
ČR, 0.00 %, 21	109	CZ0001005706	20/8/2021	1,000,000,000	0
ČR, 0.00 %, 27	129	CZ0001006043	27/7/2027	300,000,000	0
		Total EUR		**1,300,000,000**	**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 under lending facilities.
Source: MoF

Table 31: Overview of Medium-Term and Long-Term Government Bonds on Foreign Markets as at 31/12/2020

ISIN	Currency	Maturity date	Nominal value outstanding	Nominal value booked on MoF's asset accounts
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		**4,750,000,000**	**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 under lending facilities.
Source: MoF

Table 32: Overview of State Treasury Bills as at 31/12/2020

Issue no.	Maturity (weeks)	ISIN	Maturity date	Nominal value outstanding	Nominal value booked on MoF's asset accounts
813	52	CZ0001005938	26/3/2021	25,417,000,000	143,143,000,000
		Total		**25,417,000,000**	**143,143,000,000**

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 under lending facilities.
Source: MoF

Table 33: Oveview of Savings Government Bonds as at 31/12/2020

Issue name	Issue no.	ISIN	Maturity date	Nominal value outstanding	Nominal value booked on MoF's asset accounts
SD-R ČR, FIX %, 25	106	CZ0001005623	1/2/2025	2,913,786,412	0
SD-R ČR, FIX %, 25 II	107	CZ0001005631	1/4/2025	898,774,124	0
SD-R ČR, FIX %, 25 III	108	CZ0001005649	1/7/2025	380,337,718	0
SD-I ČR, CPI %, 25	110	CZ0001005714	1/7/2025	5,065,927,993	0
SD-R ČR, FIX %, 25 IV	111	CZ0001005730	1/10/2025	56,679,381	0
SD-I ČR, CPI %, 25 II	112	CZ0001005722	1/10/2025	1,144,079,004	0
SD-F ČR, 1.50 %, 25	113	CZ0001005748	1/10/2025	23,294,812	0
SD-R ČR, FIX %, 26	114	CZ0001005763	2/1/2026	51,894,075	0
SD-I ČR, CPI %, 26	115	CZ0001005771	2/1/2026	1,604,924,634	0
SD-F ČR, 1.25 %, 26	116	CZ0001005789	2/1/2026	16,416,515	0
SD-R ČR, FIX %, 26 II	117	CZ0001005813	1/4/2026	51,713,779	0
SD-I ČR, CPI %, 26 II	118	CZ0001005821	1/4/2026	2,027,279,368	100,000
SD-F ČR, 1.50 %, 26 II	119	CZ0001005805	1/4/2026	26,180,501	0
SD-R ČR, FIX %, 26 III	122	CZ0001005896	1/7/2026	158,330,144	0
SD-I ČR, CPI %, 26 III	123	CZ0001005904	1/7/2026	2,000,424,741	0
SD-F ČR, 1.30 %, 26 III	124	CZ0001005912	1/7/2026	113,013,001	0
SD-R ČR, FIX %, 26 IV	127	CZ0001006019	1/10/2026	60,603,502	0
SD-I ČR, CPI %, 26 IV	128	CZ0001006001	1/10/2026	3,962,210,980	0
SD-R ČR, FIX %, 26 V	131	CZ0001006092	31/12/2026	54,917,508	0
SD-I ČR, CPI %, 26 V	132	CZ0001006100	31/12/2026	4,952,287,495	0
		Total		**25,563,075,687**	**100,000**

Source: MoF

Table 34a: Medium-Term and Long-Term Government Bonds Issued in 2020

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, 0.45 %, 23	97	-	15/1/	17/1	25/10/2023	CZK	3,000,000,000	0
ČR, 0.25 %, 27	100	22	15/1/	17/1	10/2/2027	CZK	4,000,000,000	4,842,930,000
ČR, 0.45 %, 23	97	23	29/1	31/1	25/10/2023	CZK	4,000,000,000	4,629,650,000
ČR, 4.85 %, 57	53	9	29/1	31/1	26/11/2057	CZK	1,000,000,000	446,890,000
ČR, 1.25 %, 25	120	1	12/2	14/2	14/2/2025	CZK	5,000,000,000	5,533,930,000
ČR, 4.85 %, 57	53	10	12/2	14/2	26/11/2057	CZK	500,000,000	566,130,000
ČR, 1.25 %, 25	120	2	26/2	28/2	14/2/2025	CZK	5,000,000,000	5,457,230,000
ČR, 0.25 %, 27	100	23	26/2	28/2	10/2/2027	CZK	3,000,000,000	3,058,110,000
ČR, 0.25 %, 27	100	24	11/3	13/3	10/2/2027	CZK	2,000,000,000	2,500,000,000
ČR, 1.20 %, 31	121	1	11/3	13/3	13/3/2031	CZK	7,000,000,000	9,650,000,000
ČR, 4.85 %, 57	53	11	11/3	13/3	26/11/2057	CZK	500,000,000	500,000,000
ČR, 0.45 %, 23	97	24	25/3	27/3	25/10/2023	CZK	5,000,000,000	37,510,540,000
ČR, VAR %, 27	90	13	25/3	27/3	19/11/2027	CZK	4,000,000,000	3,032,300,000
ČR, 1.20 %, 31	121	2	25/3	27/3	13/3/2031	CZK	3,000,000,000	14,762,410,000
ČR, 3.85 %, 21	61	17	1/4	3/4	29/9/2021	CZK	5,000,000,000	41,091,530,000
ČR, VAR %, 23	63	22	1/4	3/4	18/4/2023	CZK	3,000,000,000	10,179,750,000
ČR, 1.25 %, 25	120	3	1/4	3/4	14/2/2025	CZK	4,000,000,000	38,204,680,000
ČR, 1.00 %, 26	95	23	8/4	14/4	26/6/2026	CZK	5,000,000,000	15,410,490,000
ČR, 2.50 %, 28	78	26	8/4	14/4	25/8/2028	CZK	5,000,000,000	9,983,000,000
ČR, 2.00 %, 33	103	27	8/4	14/4	13/10/2033	CZK	3,000,000,000	4,416,200,000
ČR, 0.10 %, 22	126	1	15/4	17/4	17/4/2022	CZK	5,000,000,000	32,973,730,000
ČR, 0.25 %, 27	100	25	15/4	17/4	10/2/2027	CZK	5,000,000,000	12,667,950,000
ČR, 1.20 %, 31	121	3	15/4	17/4	13/3/2031	CZK	4,000,000,000	11,785,160,000
ČR, 1.25 %, 25	120	4	22/4	24/4	14/2/2025	CZK	5,000,000,000	58,933,780,000
ČR, 1.20 %, 31	121	4	22/4	24/4	13/3/2031	CZK	5,000,000,000	14,044,420,000
ČR, 1.50 %, 40	125	1	22/4	24/4	24/4/2040	CZK	2,000,000,000	2,794,160,000
ČR, 2.50 %, 28	78	27	6/5	11/5	25/8/2028	CZK	4,000,000,000	4,591,990,000
ČR, 0.95 %, 30	94	21	6/5	11/5	15/5/2030	CZK	4,000,000,000	5,201,450,000
ČR, 2.00 %, 33	103	28	6/5	11/5	13/10/2033	CZK	4,000,000,000	5,230,030,000
ČR, 4.70 %, 22	52	17	13/5	15/5	12/9/2022	CZK	7,406,100,000	7,406,100,000
ČR, 1.00 %, 26	95	24	13/5	15/5	26/6/2026	CZK	6,000,000,000	7,008,100,000
ČR, 1.20 %, 31	121	5	13/5	15/5	13/3/2031	CZK	5,000,000,000	5,912,990,000
ČR, 2.40 %, 25	89	21	20/5	22/5	17/9/2025	CZK	4,000,000,000	4,523,930,000
ČR, VAR %, 27	90	14	20/5	22/5	19/11/2027	CZK	4,000,000,000	4,687,990,000
ČR, 1.50 %, 40	125	2	20/5	22/5	24/4/2040	CZK	2,000,000,000	1,992,210,000
ČR, 0.25 %, 27	100	26	10/6	12/6	10/2/2027	CZK	4,000,000,000	5,635,980,000
ČR, 1.20 %, 31	121	6	10/6	12/6	13/3/2031	CZK	3,000,000,000	3,438,560,000
ČR, 1.50 %, 40	125	3	10/6	12/6	24/4/2040	CZK	2,000,000,000	1,600,000,000
ČR, 3.85 %, 21	61	18	24/6	26/6	29/9/2021	CZK	1,273,470,000	1,273,470,000
ČR, 0.25 %, 27	100	27	24/6	26/6	10/2/2027	CZK	5,000,000,000	5,416,570,000
ČR, 1.50 %, 40	125	4	24/6	26/6	24/4/2040	CZK	2,000,000,000	2,114,000,000
ČR, VAR %, 27	90	15	8/7	10/7	19/11/2027	CZK	3,000,000,000	3,217,030,000
ČR, 1.20 %, 31	121	7	8/7	10/7	13/3/2031	CZK	2,000,000,000	2,242,950,000
ČR, 0.95 %, 30	94	22	22/7	24/7	15/5/2030	CZK	3,000,000,000	3,291,760,000

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, 1.50 %, 40	125	5	22/7	24/7	24/4/2040	CZK	2,000,000,000	2,113,000,000
ČR, 0.05 %, 29	130	1	26/8	28/8	29/11/2029	CZK	3,000,000,000	3,291,820,000
ČR, 1.50 %, 40	125	6	26/8	28/8	24/4/2040	CZK	2,000,000,000	2,118,660,000
ČR, 0.10 %, 22	126	2	9/9	11/9	17/4/2022	CZK	2,000,000,000	1,448,870,000
ČR, VAR %, 27	90	16	9/9	11/9	19/11/2027	CZK	2,000,000,000	2,346,520,000
ČR, 0.05 %, 29	130	2	9/9	11/9	29/11/2029	CZK	3,000,000,000	3,010,400,000
ČR, 0.05 %, 29	130	3	30/9	2/10	29/11/2029	CZK	3,000,000,000	3,381,880,000
ČR, 1.50 %, 40	125	7	30/9	2/10	24/4/2040	CZK	2,000,000,000	2,312,160,000
ČR, 1.20 %, 31	121	8	7/10	9/10	13/3/2031	CZK	3,000,000,000	3,000,000,000
ČR, 1.50 %, 40	125	8	7/10	9/10	24/4/2040	CZK	2,000,000,000	2,210,800,000
ČR, VAR %, 27	90	17	21/10	23/10	19/11/2027	CZK	2,000,000,000	2,000,000,000
ČR, 0.05 %, 29	130	4	21/10	23/10	29/11/2029	CZK	4,000,000,000	4,000,000,000
ČR, 1.50 %, 40	125	9	21/10	23/10	24/4/2040	CZK	2,000,000,000	1,996,000,000
ČR, VAR %, 27	90	18	11/11	13/11	19/11/2027	CZK	2,000,000,000	2,206,740,000
ČR, 0.05 %, 29	130	5	11/11	13/11	29/11/2029	CZK	5,000,000,000	2,963,000,000
ČR, 0.95 %, 30	94	23	11/11	13/11	15/5/2030	CZK	2,000,000,000	4,450,000,000
ČR, VAR %, 27	90	19	25/11	27/11	19/11/2027	CZK	2,000,000,000	2,218,940,000
ČR, 0.05 %, 29	130	6	25/11	27/11	29/11/2029	CZK	5,000,000,000	5,000,000,000
ČR, 1.50 %, 40	125	10	25/11	27/11	24/4/2040	CZK	2,000,000,000	1,991,000,000
ČR, 0.05 %, 29	130	7	16/12	18/12	29/11/2029	CZK	3,000,000,000	3,179,930,000
ČR, 1.50 %, 40	125	11	16/12	18/12	24/4/2040	CZK	2,000,000,000	2,103,000,000
				Total CZK				**477,102,800,000**
ČR, 0.00 %, 27	129	1	15/7	17/7	27/7/2027	EUR	300,000,000	300,000,000
				Total EUR				**300,000,000**

Source: MoF, CNB

Table 34b: Medium-Term and Long-Term Government Bonds Issued in 2020

Issue name	Issue / tranche no.		Coupon	Average net price	Average yield to maturity (% p.a.)[1]	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, 0.45 %, 23	97	-	0.45%	-	-	-	0.00	0.00
ČR, 0.25 %, 27	100	22	0.25%	90.754	1.647	1.96	121.07	0.00
ČR, 0.45 %, 23	97	23	0.45%	96.085	1.537	3.07	100.00	15.74
ČR, 4.85 %, 57	53	9	4.85%	166.575	2.227	5.05	43.17	1.52
ČR, 1.25 %, 25	120	1	1.25%	98.730	1.517	2.55	100.00	10.68
ČR, 4.85 %, 57	53	10	4.85%	168.994	2.160	5.39	100.00	13.23
ČR, 1.25 %, 25	120	2	1.25%	98.846	1.493	1.41	100.00	9.14
ČR, 0.25 %, 27	100	23	0.25%	92.939	1.320	3.54	100.00	1.94
ČR, 0.25 %, 27	100	24	0.25%	95.371	0.945	2.02	125.00	0.00
ČR, 1.20 %, 31	121	1	1.20%	101.646	1.041	1.22	137.86	0.00
ČR, 4.85 %, 57	53	11	4.85%	180.759	1.854	1.86	100.00	0.00
ČR, 0.45 %, 23	97	24	0.45%	97.636	1.127	1.04	721.12	29.09
ČR, VAR %, 27	90	13	VAR%	97.957	19.491	1.57	75.00	0.81
ČR, 1.20 %, 31	121	2	1.20%	96.218	1.578	1.30	478.20	13.88
ČR, 3.85 %, 21	61	17	3.85%	104.346	0.896	2.14	800.00	21.83
ČR, VAR %, 23	63	22	VAR%	101.268	24.574	3.11	333.33	5.99
ČR, 1.25 %, 25	120	3	1.25%	99.957	1.259	1.20	936.15	18.96
ČR, 1.00 %, 26	95	23	1.00%	98.552	1.244	2.51	292.90	15.31
ČR, 2.50 %, 28	78	26	2.50%	109.356	1.311	1.95	190.52	9.14
ČR, 2.00 %, 33	103	27	2.00%	106.504	1.465	2.11	145.54	1.67
ČR, 0.10 %, 22	126	1	0.10%	98.635	0.791	3.27	627.40	32.07
ČR, 0.25 %, 27	100	25	0.25%	93.413	1.265	2.48	241.87	11.49
ČR, 1.20 %, 31	121	3	1.20%	98.028	1.396	2.11	281.96	12.67
ČR, 1.25 %, 25	120	4	1.25%	100.720	1.095	1.77	1,147.13	31.55
ČR, 1.20 %, 31	121	4	1.20%	98.548	1.344	1.44	276.68	4.20
ČR, 1.50 %, 40	125	1	1.50%	95.929	1.743	1.76	137.00	2.71
ČR, 2.50 %, 28	78	27	2.50%	111.507	1.043	5.92	100.00	14.80
ČR, 0.95 %, 30	94	21	0.95%	98.302	1.130	4.98	115.38	14.66
ČR, 2.00 %, 33	103	28	2.00%	107.977	1.346	2.76	113.81	16.94
ČR, 4.70 %, 22	52	17	4.70%	110.568	0.143	3.71	100.00	0.00
ČR, 1.00 %, 26	95	24	1.00%	102.350	0.607	4.89	100.75	16.05
ČR, 1.20 %, 31	121	5	1.20%	102.434	0.962	6.93	100.00	18.26
ČR, 2.40 %, 25	89	21	2.40%	109.755	0.536	4.80	99.00	14.10
ČR, VAR %, 27	90	14	VAR%	99.100	2.018	8.95	100.00	17.20
ČR, 1.50 %, 40	125	2	1.50%	101.220	1.429	3.50	87.56	12.05
ČR, 0.25 %, 27	100	26	0.25%	96.351	0.815	2.60	124.88	16.02
ČR, 1.20 %, 31	121	6	1.20%	101.760	1.026	4.00	101.70	12.92
ČR, 1.50 %, 40	125	3	1.50%	99.998	1.500	2.90	77.50	2.50
ČR, 3.85 %, 21	61	18	3.85%	104.850	-0.004	12.02	100.00	0.00
ČR, 0.25 %, 27	100	27	0.25%	97.333	0.663	2.83	93.90	14.43
ČR, 1.50 %, 40	125	4	1.50%	100.787	1.454	2.46	100.00	5.70
ČR, VAR %, 27	90	15	VAR%	99.834	-7.703	5.16	96.17	11.07
ČR, 1.20 %, 31	121	7	1.20%	103.483	0.857	3.31	105.00	7.15
ČR, 0.95 %, 30	94	22	0.95%	100.783	0.866	4.55	100.00	9.73

Issue name	Issue / tranche no.		Coupon	Average net price	Average yield to maturity (% p.a.)[1]	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, 1.50 %, 40	125	5	1.50%	100.430	1.475	2.48	100.00	5.65
ČR, 0.05 %, 29	130	1	0.05%	91.934	0.965	4.86	100.00	9.73
ČR, 1.50 %, 40	125	6	1.50%	100.231	1.486	3.24	100.05	5.88
ČR, 0.10 %, 22	126	2	0.10%	100.033	0.079	6.36	65.00	7.44
ČR, VAR %, 27	90	16	VAR%	99.960	-9.420	7.65	100.00	17.33
ČR, 0.05 %, 29	130	2	0.05%	91.968	0.965	3.66	86.67	13.68
ČR, 0.05 %, 29	130	3	0.05%	93.684	0.767	2.27	101.67	11.06
ČR, 1.50 %, 40	125	7	1.50%	103.733	1.283	2.67	104.55	11.06
ČR, 1.20 %, 31	121	8	1.20%	102.873	0.910	2.41	100.00	0.00
ČR, 1.50 %, 40	125	8	1.50%	103.165	1.315	2.30	101.50	9.04
ČR, VAR %, 27	90	17	VAR%	100.132	-11.846	3.58	100.00	0.00
ČR, 0.05 %, 29	130	4	0.05%	92.330	0.933	3.28	100.00	0.00
ČR, 1.50 %, 40	125	9	1.50%	102.140	1.374	2.44	98.05	1.75
ČR, VAR %, 27	90	18	VAR%	99.971	-9.588	4.77	100.00	10.34
ČR, 0.05 %, 29	130	5	0.05%	91.151	1.082	3.01	57.70	1.56
ČR, 0.95 %, 30	94	23	0.95%	98.784	1.085	1.74	222.50	0.00
ČR, VAR %, 27	90	19	VAR%	100.049	-10.837	4.11	102.00	8.95
ČR, 0.05 %, 29	130	6	0.05%	90.551	1.161	1.47	100.00	0.00
ČR, 1.50 %, 40	125	10	1.50%	99.644	1.521	2.27	98.80	0.75
ČR, 0.05 %, 29	130	7	0.05%	90.482	1.177	3.98	100.00	6.00
ČR, 1.50 %, 40	125	11	1.50%	98.822	1.571	2.41	100.00	5.15
			Average CZK			**3.36**	**179.48**	**9.12**
ČR, 0.00 %, 27	129	1	0.00%	100.104	-0.015	3.46	100.00	-
			Average EUR			**3.46**	**100.00**	**-**

[1] *In case of variable-rate T-Bonds, average spread to PRIBOR in basis points (discount margin) is stated.*
Source: MoF, CNB

Table 35: State Treasury Bills Issued in 2020

Issue no.	Maturity (weeks)	Auction date	Issue date	Maturity date	Max. nominal value offered	Total nominal value sold	Yield to maturity (% p.a.)
812	11	2/1	3/1	20/3/2020	5,000,000,000	40,000,000	1.000
813	52	26/3	27/3	26/3/2021	10,000,000,000	68,560,000,000	1.250
814	12	9/4	14/4	10/7/2020	20,000,000,000	12,595,000,000	0.850
815	26	16/4	17/4	16/10/2020	20,000,000,000	20,792,000,000	0.600
816	13	14/5	15/5	14/8/2020	20,000,000,000	12,414,000,000	0.190
817	26	28/5	29/5	27/11/2020	20,000,000,000	2,412,000,000	0.190
818	13	4/6	5/6	4/9/2020	10,000,000,000	10,468,000,000	0.190
819	26	18/6	19/6	18/12/2020	10,000,000,000	5,605,000,000	0.190
820	13	16/7	17/7	16/10/2020	10,000,000,000	3,420,000,000	0.190
821	13	6/8	7/8	6/11/2020	10,000,000,000	0	-
822	13	20/8	21/8	20/11/2020	10,000,000,000	237,000,000	0.150
823	13	17/9	18/9	18/12/2020	10,000,000,000	778,000,000	0.150
824	7	22/10	23/10	11/12/2020	10,000,000,000	120,000,000	0.100
			Total			**137,441,000,000**	**0.841**[1]

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

Table 36: Savings Government Bonds Issued in 2020

Issue name	Issue no.	Settlement date	Maturity date	Original maturity (years)	Total nominal value sold
SD-R ČR, FIX %, 26	114	2/1	2/1/2026	6.0	51,894,075
SD-I ČR, CPI %, 26	115	2/1	2/1/2026	6.0	1,604,924,634
SD-F ČR, 1.25 %, 26	116	2/1	2/1/2026	6.0	16,416,515
SD-R ČR, FIX %, 25[1]	106	1/2	1/2/2025	6.0	12,331,472
SD-R ČR, FIX %, 26 II	117	1/4	1/4/2026	6.0	51,713,779
SD-I ČR, CPI %, 26 II	118	1/4	1/4/2026	6.0	2,027,379,368
SD-F ČR, 1.50 %, 26 II	119	1/4	1/4/2026	6.0	26,180,501
SD-R ČR, FIX %, 25 II[1]	107	1/4	1/4/2025	6.0	3,803,816
SSD-I ČR, CPI %, 20 II[1]	87	12/6	12/12/2020	7.0	40,843,748
SSD-V ČR, VAR %, 20[1]	93	12/6	12/12/2020	6.5	330,371
SD-R ČR, FIX %, 26 III	122	1/7	1/7/2026	6.0	158,330,144
SD-I ČR, CPI %, 26 III	123	1/7	1/7/2026	6.0	2,000,424,741
SD-F ČR, 1.30 %, 26 III	124	1/7	1/7/2026	6.0	113,013,001
SD-R ČR, FIX %, 25 III[1]	108	1/7	1/7/2025	6.0	1,611,518
SD-I ČR, CPI %, 25[1]	110	1/7	1/7/2025	6.0	152,845,842
SD-R ČR, FIX %, 26 IV	127	1/10	1/10/2026	6.0	60,603,502
SD-I ČR, CPI %, 26 IV	128	1/10	1/10/2026	6.0	3,962,210,980
SD-R ČR, FIX %, 25 IV[1]	111	1/10	1/10/2025	6.0	359,212
SD-I ČR, CPI %, 25 II[1]	112	1/10	1/10/2025	6.0	36,681,164
SD-F ČR, 1.50 %, 25[1]	113	1/10	1/10/2025	6.0	293,288
SD-R ČR, FIX %, 26 V	131	31/12	31/12/2026	6.0	54,917,508
SD-I ČR, CPI %, 26 V	132	31/12	31/12/2026	6.0	4,952,287,495
		Total			**15,329,396,674**

[1] Incl. tranches issued in the form of reinvestment of yields.
Source: MoF

Table 37a: Realized Lending Facilities of Government Bonds in the Form of Repo Operations in 2020

Issue name	ISIN	Collateral nominal value	Financial resources received	Financial resources paid[1]
ČR, 0.75 %, 21	CZ0001005367	580,000,000	578,815,888	578,776,737
ČR, 4.20 %, 36	CZ0001001796	260,000,000	376,588,333	376,529,169
ČR, 1.50 %, 40	CZ0001005920	388,000,000	394,461,534	394,448,702
Total CZK		**1,228,000,000**	**1,349,865,755**	**1,349,754,608**
ČR, 0.10 %, 22	CZ0001005946	9,467,000,000[2]	320,000,000	319,872,153
ČR, 0.45 %, 23	CZ0001004600	4,665,000,000[2]	150,000,000	149,895,000
ČR, 5.70 %, 24	CZ0001002547	977,000,000[2]	45,000,000	44,986,744
ČR, 1.00 %, 26	CZ0001004469	1,480,000,000[2]	55,000,000	54,983,798
ČR, 2.75 %, 29	CZ0001005375	705,000,000[2]	30,000,000	29,991,250
ČR, 1.20 %, 31	CZ0001005888	3,470,000,000[2]	120,000,000	119,900,000
ČR, 2.00 %, 33	CZ0001005243	1,486,000,000[2]	60,000,000	59,982,500
Total EUR		**22,250,000,000**[2]	**780,000,000**	**779,611,444**

[1] Incl. financial resources from lending facilities realized in 2020, which has not been paid during this period.
[2] Collateral nominal value is stated in local currency.
Note: The average interest rate achieved under lending facilities during 2020 amounted to -0.46% p.a
Source: MoF

Table 37b: Realized Lending Facilities of Government Bonds in the Form of Collateralized Loans of Securities in 2020

Issue name	ISIN	Nominal value	Revenue[1]
ČR, 0.75 %, 21	CZ0001005367	1,200,000,000	124,704
ČR, 3.85 %, 21	CZ0001002851	13,750,000,000	2,154,829
ČR, 4.70 %, 22	CZ0001001945	980,000,000	189,350
ČR, VAR %, 23	CZ0001003123	410,000,000	34,090
ČR, 0.45 %, 23	CZ0001004600	2,620,000,000	244,172
ČR, 5.70 %, 24[2]	CZ0001002547	175,000,000	37,881
ČR, 1.25 %, 25	CZ0001005870	100,000,000	11,566
ČR, 2.40 %, 25	CZ0001004253	2,184,000,000	210,114
ČR, 1.00 %, 26	CZ0001004469	9,869,000,000	1,080,854
ČR, VAR %, 27	CZ0001004105	1,405,000,000	285,102
ČR, 2.75 %, 29	CZ0001005375	166,000,000	26,516
ČR, 0.05 %, 29	CZ0001006076	10,310,000,000	1,162,317
ČR, 0.95 %, 30	CZ0001004477	150,000,000	11,961
ČR, 1.20 %, 31	CZ0001005888	1,880,000,000	388,008
ČR, 2.00 %, 33	CZ0001005243	1,059,000,000	237,223
ČR, 4.20 %, 36	CZ0001001796	1,350,000,000	319,607
ČR, 1.50 %, 40	CZ0001005920	10,774,000,000	1,531,078
ČR, 4.85 %, 57	CZ0001002059	25,000,000	3,284
Total		**58,407,000,000**	**8,052,656**

[1] Incl. financial resources from lending facilities realized in 2020, which has not been terminated during this period.
[2] Incl. lending facility in the form of collateralized loans of securities from nuclear portfolio.
Source: MoF

Table 38: Tap Sales of Government Bonds in 2020

Issue name	Issue no.	Settlement date	Maturity date	Average price	CCY	Nominal value
ČR, 0.95 %, 30	94	8/1/2020	15/5/2030	93.625	CZK	369,760,000
ČR, 1.00 %, 26	95	10/1/2020	26/6/2026	96.950	CZK	200,000,000
ČR, 0.45 %, 23	97	22/1/2020	25/10/2023	95.850	CZK	150,000,000
ČR, 0.45 %, 23	97	24/1/2020	25/10/2023	95.900	CZK	200,000,000
ČR, 2.00 %, 33	103	27/1/2020	13/10/2033	105.275	CZK	400,000,000
ČR, 0.25 %, 27	100	5/2/2020	10/2/2027	91.900	CZK	200,000,000
ČR, 2.00 %, 33	103	4/3/2020	13/10/2033	110.500	CZK	290,000,000
ČR, 4.20 %, 36	49	4/3/2020	4/12/2036	145.500	CZK	174,380,000
ČR, 0.45 %, 23	97	6/3/2020	25/10/2023	97.100	CZK	209,960,000
ČR, 0.25 %, 27	100	10/3/2020	10/2/2027	93.975	CZK	500,000,000
ČR, 0.00 %, 22	102	12/3/2020	24/2/2022	97.650	CZK	280,000,000
ČR, 0.75 %, 21	104	20/3/2020	23/2/2021	99.450	CZK	550,000,000
ČR, 0.45 %, 23	97	20/3/2020	25/10/2023	96.800	CZK	1,000,000,000
ČR, 3.85 %, 21	61	23/3/2020	29/9/2021	103.450	CZK	1,100,000,000
ČR, 1.25 %, 25	120	23/3/2020	14/2/2025	99.340	CZK	2,200,000,000
ČR, 1.00 %, 26	95	23/3/2020	26/6/2026	96.500	CZK	1,614,400,000
ČR, 4.70 %, 22	52	24/3/2020	12/9/2022	108.010	CZK	269,000,000
ČR, 1.25 %, 25	120	24/3/2020	14/2/2025	99.340	CZK	3,500,000,000
ČR, 0.25 %, 27	100	24/3/2020	10/2/2027	92.500	CZK	1,158,410,000
ČR, 2.50 %, 28	78	1/4/2020	25/8/2028	109.800	CZK	1,000,000,000
ČR, 1.20 %, 31	121	1/4/2020	13/3/2031	97.800	CZK	3,450,000,000
ČR, 2.00 %, 33	103	1/4/2020	13/10/2033	106.250	CZK	1,000,000,000
ČR, 0.45 %, 23	97	8/4/2020	25/10/2023	98.400	CZK	270,000,000
ČR, 1.20 %, 31	121	8/4/2020	13/3/2031	98.140	CZK	2,750,000,000
ČR, 2.00 %, 33	103	29/4/2020	13/10/2033	107.300	CZK	1,500,000,000
ČR, 1.50 %, 40	125	29/4/2020	24/4/2040	95.500	CZK	510,000,000
ČR, 2.00 %, 33	103	4/5/2020	13/10/2033	107.300	CZK	950,000,000
ČR, 1.50 %, 40	125	4/5/2020	24/4/2040	95.500	CZK	50,000,000
			Total			**25,845,910,000**

Source: MoF

Table 39: Realized Exchange Operations of Government Bonds in 2020

Settlement date	Tap-sale			Buy-back		
	Issue name	Nominal value	Average price	Issue name	Nominal value	Average price
25/3/2020	ČR, 1.25 %, 25	500,000,000	98.300	ČR, 3.75 %, 20	500,000,000	100.920
25/3/2020	ČR, 1.20 %, 31	400,000,000	94.500	ČR, 3.75 %, 20	400,000,000	100.920
25/3/2020	ČR, 2.00 %, 33	275,950,000	102.300	ČR, 3.75 %, 20	275,950,000	100.920
26/3/2020	ČR, 5.70 %, 24	1,000,000,000	117.850	ČR, 3.75 %, 20	1,000,000,000	101.065
26/3/2020	ČR, 1.25 %, 25	1,278,000,000	99.200	ČR, 3.75 %, 20	1,278,000,000	101.065
31/3/2020	ČR, 1.25 %, 25	400,000,000	99.500	ČR, 3.75 %, 20	400,000,000	101.250
31/3/2020	ČR, VAR %, 27	200,000,000	97.000	ČR, VAR %, 20	200,000,000	99.850
31/3/2020	ČR, 1.20 %, 31	250,000,000	96.890	ČR, 3.75 %, 20	250,000,000	101.250
1/4/2020	ČR, 1.25 %, 25	500,000,000	100.000	ČR, 3.75 %, 20	500,000,000	101.250
1/4/2020	ČR, 4.20 %, 36	200,000,000	137.750	ČR, 3.75 %, 20	200,000,000	101.250
2/4/2020	ČR, 0.45 %, 23	300,000,000	97.600	ČR, 3.75 %, 20	300,000,000	101.250
7/4/2020	ČR, VAR %, 23	271,000,000	101.150	ČR, VAR %, 20	271,000,000	99.820
7/4/2020	ČR, 1.20 %, 31	500,000,000	97.500	ČR, 3.75 %, 20	500,000,000	101.300
16/4/2020	ČR, VAR %, 23	152,000,000	101.150	ČR, VAR %, 20	152,000,000	99.850
16/4/2020	ČR, VAR %, 27	50,000,000	97.000	ČR, VAR %, 20	50,000,000	99.850
16/4/2020	ČR, 2.00 %, 33	480,000,000	105.800	ČR, 3.75 %, 20	480,000,000	101.300
21/4/2020	ČR, 2.50 %, 28	1,200,000,000	109.000	ČR, VAR %, 20	1,200,000,000	99.950
21/4/2020	ČR, 2.50 %, 28	400,000,000	109.000	ČR, 3.75 %, 20	400,000,000	101.300
21/4/2020	ČR, VAR %, 27	300,000,000	97.000	ČR, VAR %, 20	300,000,000	99.950
21/4/2020	ČR, 2.00 %, 33	764,000,000	106.020	ČR, 3.75 %, 20	764,000,000	101.300
22/4/2020	ČR, 0.10 %, 22	210,000,000	98.650	ČR, 3.75 %, 20	210,000,000	101.300
22/4/2020	ČR, 0.10 %, 22	1,000,000,000	98.650	ČR, VAR %, 20	1,000,000,000	99.800
22/4/2020	ČR, 0.45 %, 23	300,000,000	98.600	ČR, 3.75 %, 20	300,000,000	101.300
22/4/2020	ČR, 1.00 %, 26	700,000,000	98.700	ČR, 3.75 %, 20	700,000,000	101.300
22/4/2020	ČR, 1.00 %, 26	1,000,000,000	98.700	ČR, VAR %, 20	1,000,000,000	99.800
23/4/2020	ČR, 0.10 %, 22	100,000,000	98.700	ČR, 3.75 %, 20	100,000,000	101.210
23/4/2020	ČR, 0.10 %, 22	700,000,000	98.700	ČR, VAR %, 20	700,000,000	100.000
23/4/2020	ČR, 1.00 %, 26	148,000,000	98.700	ČR, 3.75 %, 20	148,000,000	101.210
23/4/2020	ČR, 1.00 %, 26	1,000,000,000	98.700	ČR, VAR %, 20	1,000,000,000	100.000
29/4/2020	ČR, 2.50 %, 28	900,000,000	109.800	ČR, VAR %, 20	900,000,000	100.000
29/4/2020	ČR, 1.20 %, 31	200,000,000	98.150	ČR, VAR %, 20	200,000,000	100.000
29/4/2020	ČR, 1.20 %, 31	40,000,000	98.150	ČR, 3.75 %, 20	40,000,000	101.210
4/5/2020	ČR, 1.20 %, 31	350,000,000	98.200	ČR, VAR %, 20	350,000,000	100.000
6/5/2020	ČR, 2.50 %, 28	1,000,000,000	110.750	ČR, VAR %, 20	1,000,000,000	100.000
6/5/2020	ČR, 1.20 %, 31	750,000,000	98.533	ČR, VAR %, 20	750,000,000	100.000
6/5/2020	ČR, 1.20 %, 31	250,000,000	98.200	ČR, 3.75 %, 20	250,000,000	101.262
9/6/2020	ČR, VAR %, 27	100,000,000	99.200	ČR, 0.75 %, 21	100,000,000	100.460
16/6/2020	ČR, VAR %, 23	750,000,000	102.550	ČR, 0.75 %, 21	750,000,000	100.450
16/6/2020	ČR, VAR %, 27	500,000,000	99.200	ČR, 0.75 %, 21	500,000,000	100.450
17/6/2020	ČR, VAR %, 27	200,000,000	99.340	ČR, 0.75 %, 21	200,000,000	100.470
18/6/2020	ČR, VAR %, 27	100,000,000	99.350	ČR, 0.75 %, 21	100,000,000	100.460
19/6/2020	ČR, VAR %, 23	449,870,000	102.610	ČR, 0.75 %, 21	449,870,000	100.460
22/6/2020	ČR, VAR %, 27	200,000,000	99.350	ČR, 0.75 %, 21	200,000,000	100.460
22/6/2020	ČR, 1.25 %, 25	200,000,000	102.800	ČR, 0.75 %, 21	200,000,000	100.460
22/6/2020	ČR, 0.45 %, 23	300,000,000	100.200	ČR, 0.75 %, 21	300,000,000	100.460
23/6/2020	ČR, 0.95 %, 30	650,000,000	100.400	ČR, 0.75 %, 21	650,000,000	100.460
7/8/2020	ČR, 2.00 %, 33	100,000,000	112.678	ČR, 0.75 %, 21	100,000,000	100.350

Settlement date	Tap-sale			Buy-back		
	Issue name	Nominal value	Average price	Issue name	Nominal value	Average price
11/8/2020	ČR, 2.00 %, 33	100,000,000	112.350	ČR, 0.75 %, 21	200,000,000	100.350
7/9/2020	ČR, 1.25 %, 25	250,000,000	102.680	ČR, 0.75 %, 21	250,000,000	100.250
7/9/2020	ČR, 0.25 %, 27	279,500,000	95.820	ČR, 0.75 %, 21	279,500,000	100.250
7/9/2020	ČR, 2.00 %, 33	280,000,000	109.950	ČR, 0.75 %, 21	280,000,000	100.250
9/9/2020	ČR, 0.95 %, 30	200,000,000	98.700	ČR, 0.75 %, 21	200,000,000	100.290
15/9/2020	ČR, 0.95 %, 30	200,000,000	99.200	ČR, 0.75 %, 21	200,000,000	100.270
21/9/2020	ČR, 1.00 %, 26	125,000,000	101.750	ČR, 0.75 %, 21	125,000,000	100.300
21/9/2020	ČR, 1.20 %, 31	135,000,000	102.200	ČR, 0.75 %, 21	135,000,000	100.300
24/9/2020	ČR, 1.00 %, 26	280,000,000	102.390	ČR, 0.75 %, 21	280,000,000	100.290
24/9/2020	ČR, 0.95 %, 30	100,000,000	101.200	ČR, 0.75 %, 21	100,000,000	100.290
1/10/2020	ČR, 1.00 %, 26	250,000,000	102.200	T-Bill 52W 27/03	250,000,000	99.878
1/10/2020	ČR, VAR %, 27	450,000,000	100.135	T-Bill 52W 27/03	450,000,000	99.878
1/10/2020	ČR, 0.95 %, 30	750,000,000	100.900	T-Bill 52W 27/03	750,000,000	99.878
5/10/2020	ČR, 2.00 %, 33	700,000,000	112.700	ČR, 3.85 %, 21	700,000,000	103.710
6/10/2020	ČR, 1.00 %, 26	850,000,000	102.200	T-Bill 52W 27/03	850,000,000	99.881
6/10/2020	ČR, 0.05 %, 29	500,000,000	93.200	T-Bill 52W 27/03	500,000,000	99.881
6/10/2020	ČR, 0.95 %, 30	650,000,000	100.900	T-Bill 52W 27/03	650,000,000	99.881
7/10/2020	ČR, 0.05 %, 29	250,000,000	93.200	T-Bill 52W 27/03	250,000,000	99.882
13/10/2020	ČR, 0.05 %, 29	1,000,000,000	92.200	T-Bill 52W 27/03	1,000,000,000	99.886
13/10/2020	ČR, 0.95 %, 30	1,150,000,000	99.750	T-Bill 52W 27/03	1,150,000,000	99.886
13/10/2020	ČR, 2.00 %, 33	1,150,000,000	111.600	T-Bill 52W 27/03	1,150,000,000	99.886
14/10/2020	ČR, 1.25 %, 25	200,000,000	102.950	ČR, 3.85 %, 21	200,000,000	103.630
14/10/2020	ČR, 0.05 %, 29	150,000,000	92.200	ČR, 3.85 %, 21	150,000,000	103.630
14/10/2020	ČR, 0.95 %, 30	650,000,000	99.800	ČR, 3.85 %, 21	650,000,000	103.630
14/10/2020	ČR, 1.20 %, 31	1,000,000,000	101.900	ČR, 3.85 %, 21	1,000,000,000	103.630
15/10/2020	ČR, 1.00 %, 26	500,000,000	101.400	T-Bill 52W 27/03	500,000,000	99.887
15/10/2020	ČR, 0.95 %, 30	2,850,000,000	99.500	T-Bill 52W 27/03	2,850,000,000	99.887
15/10/2020	ČR, 1.20 %, 31	2,200,000,000	101.650	T-Bill 52W 27/03	2,200,000,000	99.887
15/10/2020	ČR, 2.00 %, 33	550,000,000	111.350	T-Bill 52W 27/03	550,000,000	99.887
16/10/2020	ČR, 2.40 %, 25	1,200,000,000	109.026	ČR, 3.85 %, 21	1,200,000,000	103.619
16/10/2020	ČR, 0.95 %, 30	700,000,000	99.500	ČR, 3.85 %, 21	700,000,000	103.619
16/10/2020	ČR, 1.20 %, 31	1,500,000,000	101.650	ČR, 3.85 %, 21	1,500,000,000	103.619
16/10/2020	ČR, 1.50 %, 40	550,000,000	102.110	ČR, 3.85 %, 21	550,000,000	103.619
19/10/2020	ČR, 0.95 %, 30	2,100,000,000	99.500	T-Bill 52W 27/03	2,100,000,000	99.890
19/10/2020	ČR, 1.20 %, 31	2,900,000,000	101.650	T-Bill 52W 27/03	2,900,000,000	99.890
20/10/2020	ČR, 2.40 %, 25	100,000,000	109.066	ČR, 3.85 %, 21	100,000,000	103.577
20/10/2020	ČR, 0.95 %, 30	400,000,000	99.700	ČR, 3.85 %, 21	400,000,000	103.577
20/10/2020	ČR, 1.20 %, 31	250,000,000	101.850	ČR, 3.85 %, 21	250,000,000	103.577
20/10/2020	ČR, 2.00 %, 33	100,000,000	111.410	ČR, 3.85 %, 21	100,000,000	103.577
26/10/2020	ČR, 0.95 %, 30	150,000,000	99.250	T-Bill 52W 27/03	150,000,000	99.895
26/10/2020	ČR, 1.20 %, 31	2,850,000,000	101.300	T-Bill 52W 27/03	2,850,000,000	99.895
27/10/2020	ČR, 1.00 %, 26	200,000,000	101.400	ČR, 3.85 %, 21	200,000,000	103.503
27/10/2020	ČR, 0.95 %, 30	956,790,000	99.250	ČR, 3.85 %, 21	956,790,000	103.503
27/10/2020	ČR, 1.20 %, 31	1,490,000,000	101.250	ČR, 3.85 %, 21	1,490,000,000	103.503
27/10/2020	ČR, 2.00 %, 33	100,000,000	110.700	ČR, 3.85 %, 21	100,000,000	103.503
29/10/2020	ČR, 1.25 %, 25	436,960,000	102.770	ČR, 3.85 %, 21	436,960,000	103.482
29/10/2020	ČR, 0.05 %, 29	1,150,000,000	91.550	ČR, 3.85 %, 21	1,150,000,000	103.482

Settlement date	Tap-sale			Buy-back		
	Issue name	Nominal value	Average price	Issue name	Nominal value	Average price
29/10/2020	ČR, 1.20 %, 31	350,000,000	101.350	ČR, 3.85 %, 21	350,000,000	103.482
29/10/2020	ČR, 1.50 %, 40	200,000,000	101.400	ČR, 3.85 %, 21	200,000,000	103.482
30/10/2020	ČR, 0.05 %, 29	2,800,000,000	91.550	T-Bill 52W 27/03	2,800,000,000	99.898
30/10/2020	ČR, 1.20 %, 31	500,000,000	101.350	T-Bill 52W 27/03	500,000,000	99.898
30/10/2020	ČR, 1.50 %, 40	550,000,000	101.400	T-Bill 52W 27/03	550,000,000	99.898
2/11/2020	ČR, 1.20 %, 31	2,250,000,000	101.350	ČR, 3.85 %, 21	2,250,000,000	103.450
2/11/2020	ČR, 2.00 %, 33	500,000,000	110.700	ČR, 3.85 %, 21	500,000,000	103.450
2/11/2020	ČR, 1.50 %, 40	150,000,000	101.400	ČR, 3.85 %, 21	150,000,000	103.450
3/11/2020	ČR, 0.05 %, 29	1,257,000,000	91.750	T-Bill 52W 27/03	1,257,000,000	99.900
3/11/2020	ČR, 1.20 %, 31	2,500,000,000	101.350	T-Bill 52W 27/03	2,500,000,000	99.900
4/11/2020	ČR, 1.20 %, 31	127,000,000	101.350	ČR, 0.75 %, 21	127,000,000	100.212
4/11/2020	ČR, 1.50 %, 40	100,000,000	101.400	ČR, 3.85 %, 21	100,000,000	103.429
5/11/2020	ČR, 2.40 %, 25	3,144,000,000	108.550	T-Bill 52W 27/03	3,144,000,000	99.902
5/11/2020	ČR, 1.20 %, 31	1,500,000,000	101.300	T-Bill 52W 27/03	1,500,000,000	99.902
5/11/2020	ČR, 1.50 %, 40	75,000,000	101.300	T-Bill 52W 27/03	75,000,000	99.902
6/11/2020	ČR, 1.20 %, 31	1,450,000,000	101.300	ČR, 3.85 %, 21	1,450,000,000	103.407
6/11/2020	ČR, 1.50 %, 40	350,000,000	101.300	ČR, 3.85 %, 21	350,000,000	103.407
9/11/2020	ČR, 1.20 %, 31	2,150,000,000	101.300	T-Bill 52W 27/03	2,150,000,000	99.904
10/11/2020	ČR, 2.40 %, 25	100,480,000	108.550	ČR, 3.85 %, 21	100,480,000	103.365
10/11/2020	ČR, 1.00 %, 26	100,000,000	101.500	ČR, 0.75 %, 21	100,000,000	100.200
16/11/2020	ČR, 1.50 %, 40	200,000,000	100.385	ČR, 3.85 %, 21	200,000,000	103.302
19/11/2020	ČR, 0.95 %, 30	2,500,000,000	98.000	T-Bill 52W 27/03	2,500,000,000	99.911
20/11/2020	ČR, 0.95 %, 30	3,050,000,000	98.000	T-Bill 52W 27/03	3,050,000,000	99.912
3/12/2020	ČR, 0.05 %, 29	150,000,000	89.820	T-Bill 52W 27/03	150,000,000	99.921
3/12/2020	ČR, 1.20 %, 31	150,000,000	98.870	T-Bill 52W 27/03	150,000,000	99.921
4/12/2020	ČR, 0.05 %, 29	504,200,000	89.820	ČR, 3.85 %, 21	756,300,000	103.090
4/12/2020	ČR, 2.00 %, 33	100,000,000	107.040	ČR, 3.85 %, 21	150,000,000	103.090
7/12/2020	ČR, 1.20 %, 31	1,517,000,000	98.700	T-Bill 52W 27/03	1,517,000,000	99.924
7/12/2020	ČR, 2.00 %, 33	200,000,000	107.040	T-Bill 52W 27/03	200,000,000	99.924
8/12/2020	ČR, 1.00 %, 26	350,000,000	100.050	ČR, 3.85 %, 21	525,000,000	103.070
8/12/2020	ČR, 0.05 %, 29	1,300,000,000	89.570	ČR, 3.85 %, 21	1,950,000,000	103.070
8/12/2020	ČR, 2.00 %, 33	300,000,000	106.910	ČR, 3.85 %, 21	450,000,000	103.070
9/12/2020	ČR, 2.00 %, 33	600,000,000	106.700	ČR, 3.85 %, 21	900,000,000	103.059
9/12/2020	ČR, 1.50 %, 40	200,000,000	98.300	ČR, 3.85 %, 21	300,000,000	103.059
11/12/2020	ČR, 1.00 %, 26	250,000,000	100.050	ČR, 0.75 %, 21	250,000,000	100.141
11/12/2020	ČR, 0.05 %, 29	245,290,000	89.400	ČR, 0.75 %, 21	245,290,000	100.141
11/12/2020	ČR, 1.50 %, 40	30,800,000	98.300	ČR, 0.75 %, 21	30,800,000	100.141
11/12/2020	ČR, 1.50 %, 40	100,000,000	98.300	ČR, 3.85 %, 21	150,000,000	103.038
15/12/2020	ČR, 0.05 %, 29	151,700,000	89.700	ČR, 3.85 %, 21	227,550,000	102.996
17/12/2020	ČR, 1.20 %, 31	404,510,000	98.750	ČR, 0.75 %, 21	404,510,000	100.129
21/12/2020	ČR, 1.00 %, 26	125,000,000	100.250	ČR, 3.85 %, 21	125,000,000	102.932
30/12/2020	ČR, VAR %, 27	74,000,000	99.811	ČR, 0.75 %, 21	74,000,000	100.105
30/12/2020	ČR, 1.50 %, 40	105,800,000	98.350	ČR, 0.75 %, 21	105,800,000	100.105
30/12/2020	ČR, 1.50 %, 40	50,000,000	98.350	ČR, 3.85 %, 21	50,000,000	102.838
Total		**89,313,850,000**			**91,216,800,000**	

Source: MoF

Table 40: Detailed Overview of Budgetary Transfers from the State Debt Chapter Realized in 2020

Chapter number	Chapter	Funds allocation	Amount (CZK)
312	Ministry of Finance	IT system State Debt Management	54,000,000
312	Ministry of Finance	Ensuring the development and evaluation of the ADIS application	250,000,000
378	National Cyber and Information Security Agency	Reconstruction of the Gorky building	40,000,000
374	Administration of State Material Reserves	Liquidation of the consequences of the Heřmanův Městec accident, purchase of emergency supplies and purchase of trucks	115,000,000
376	The General Inspection of Security Forces	Additional increase in social benefits expenditure for 2020	17,549,000
315	Ministry of Environment	Increasing the contribution to the operation of national parks to deal with the consequences of the bark beetle calamity, compensation for damage to the difficulties of agricultural and forestry management, strengthening the care of the landscape, support for the restoration of natural landscape functions	400,000,000
317	Ministry of Regional Development	Strengthening the non-investment contribution for CzechTourism, increasing expenses for the operation of the newly developed information system MS 2021+	200,000,000
322	Ministry of Industry and Trade	Financing of the COVID - Rent program	3,000,000,000
322	Ministry of Industry and Trade	Financing of the COVID - Gastro program	1,719,200,000
322	Ministry of Industry and Trade	Financing of the COVID - Culture program	1,000,000,000
		Total	**6,795,749,000**

Source: MoF

Key Information 2020

- State debt at the level of CZK 2,049.7 bn, i.e. 36.5% GDP
- Share of the state debt, which is not connected to any net interest expenditure: 2.6%
- Financing needs: CZK 610.2 bn
- Gross borrowing requirement: CZK 643.3 bn
- Gross issue of T-Bonds on domestic market denominated in local currency: CZK 592.3 bn
- Gross issue of T-Bonds on domestic market denominated in euro: EUR 300 mil
- Gross issue of T-Bonds on foreign markets: CZK 0.0 bn
- Gross issue of savings government bonds: CZK 15.3 bn
- Redemptions of T-Bonds issued on domestic market denominated in local currency: CZK 188.6 bn
- Redemptions of T-Bonds issued on domestic market denominated in euro: EUR 0.0 bn
- Redemptions of T-Bonds issued on foreign markets: EUR 1.0 bn
- Redemptions of savings government bonds: CZK 2.8 bn
- Average weighted time to maturity of sold T-Bonds denominated in local currency: 7.2 years
- Average weighted time to maturity of sold T-Bonds denominated in euro: 7.0 years
- Average weighted yield to maturity of sold T-Bonds denominated in local currency: 1.11% p.a.
- Average weighted yield to maturity of sold T-Bonds denominated in euro: -0.02% p.a.
- Net revenue within liquidity management and borrowing operations with negative yield: CZK 1.9 bn
- Average time to maturity of state debt: 6.2 years
- Short-term state debt: 10.9%
- Average time to re-fixing of state debt: 5.7 years
- Interest re-fixing of the debt portfolio within 1 year: 21.2%

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