



Ministry of Finance

Debt and Financial Assets
Management Department

THE CZECH REPUBLIC

GOVERNMENT DEBT MANAGEMENT

ANNUAL REPORT

2021



28 February 2022

Ministry of Finance

**The Czech Republic Government Debt Management
Annual Report for 2021**

The Czech Republic Government Debt Management Annual Report for 2021

28 February 2022

Ministry of Finance
Letenská 15, 118 10 Prague 1
Czech Republic
Tel.: +420 257 041 111
E-mail: middleoffice@mfcz.cz

ISSN 2336-5862 (Print)
ISSN 2336-5870 (On-line)

Issued once a year, free distribution

Electronic archive
www.mfcz.cz/statedebt

Table of Contents

Summary	9
1 – Macroeconomic Framework and Financial Markets	11
Economic Development.....	11
General Government Sector Finances	12
Financial Markets.....	14
Czech Republic’s Sovereign Credit Rating	17
2 - Borrowing Requirement and Development of State Debt	18
Financing Needs and Sources.....	18
Financing of the Gross Borrowing Requirement	19
Net Borrowing Requirement, Change and Structure of State Debt	20
State Treasury Liquidity Management.....	23
3 - Funding Program and Issuance Activity	25
CZK-denominated Medium-Term and Long-Term Government Bonds.....	25
Refinancing of Foreign Currency State Debt	28
Direct Sale of Government Bonds to Citizens	29
Money Market Instruments and Other Debt Instruments.....	30
4 - Risk Management and Portfolio Strategy	31
Refinancing Risk	31
Interest Rate Risk	38
Currency Risk.....	41
Benchmark Portfolio	41
5 – State Debt Service Expenditure	43
Cash and Accrued Expression	43
Budget for the Chapter – State Debt	45
Cost-at-Risk of State Debt	49
6 - Evaluation of Primary Dealers and Secondary Government Bond Market	52
Primary Dealers and Recognized Dealers in Czech Government Securities	52
Evaluation Results of the Primary Dealers	53
MTS Czech Republic and Secondary Government Bond Market.....	54
Operations on the Secondary Market	57
Appendix I	60
Appendix II	61
Key Information 2021	75
Contacts	75

List of Tables

Table 1: Main Macroeconomic Indicators of the Czech Republic.	11
Table 2: Czech Republic's Credit Rating.	17
Table 3: Financing Needs and Sources.	18
Table 4: Financing of the Gross Borrowing Requirement.	19
Table 5: Net Borrowing Requirement.	20
Table 6: Net Borrowing Requirement and Change in State Debt	21
Table 7: Balance and Structure of the Debt Portfolio.	22
Table 8: State and Structure of Resources and Investment Position of the State Treasury.	23
Table 9: Net Revenue from Operations within State Treasury Liquidity Management and Operations with Negative Yields.	24
Table 10: Issues and Redemptions of Government Bonds for Citizens.	29
Table 11: Average Time to Maturity of Individual Components of the State Debt.	34
Table 12: Average Coupon Rates and Costs of Government Bonds Sold on Domestic Market by Year of Maturity.	40
Table 13: Cash Premiums and Discounts and Difference Between Cash Expenditure and Accrued Costs.	44
Table 14: Budget Expenditure and Revenue of the State Debt Chapter.	45
Table 15: Interest Expenditure and Accrued Costs of the Newly Issued State Debt.	46
Table 16: Net Interest Expenditure and Cost-at-Risk.	49
Table 17: Expected vs. Actual Net Interest Expenditure.	50
Table 18: List of Primary Dealers and Recognized Dealers in Czech Government Securities in 2021.	53
Table 19a: Overall Evaluation of Primary Dealers.	53
Table 19b: Evaluation of Primary Dealers on Primary Market.	53
Table 19c: Evaluation of Primary Dealers on Secondary Market.	53
Table 20: Benchmark Issues of Government Bonds as at 1 February 2022.	55
Table 21: Criteria for Evaluation of Primary Dealers Valid for 2021.	60
Table 22: State Debt and State Financial Assets Portfolios Parameters.	61
Table 23: Overview of Medium-Term and Long-Term Government Bonds on Domestic Market as at 31/12/2021.	62
Table 24: Overview of Medium-Term and Long-Term Government Bonds on Foreign Markets as at 31/12/2021.	62
Table 25: Overview of State Treasury Bills as at 31/12/2021.	63
Table 26: Overview of Savings Government Bonds as at 31/12/2021.	63
Table 27a: Medium-Term and Long-Term Government Bonds Issued in 2021.	64
Table 27b: Medium-Term and Long-Term Government Bonds Issued in 2021.	66
Table 28: State Treasury Bills Issued in 2021.	68
Table 29: Savings Government Bonds Issued in 2021.	68
Table 30a: Realized Lending Facilities of Government Bonds in the Form of Repo Operations in 2021.	69
Table 30b: Realized Lending Facilities of Government Bonds in the Form of Collateralized Loans of Securities in 2021.	69
Table 31: Tap Sales of Government Bonds in 2021.	70
Table 32: Realized Exchange Operations of Government Bonds in 2021.	72
Table 33: Buy-Backs of Government Bonds in 2021.	74
Table 34: Detailed Overview of Budgetary Transfers from the State Debt Chapter Realized in 2021.	74
Table 35: FX Market Operations in 2021.	74

List of Figures

Figure 1: The Czech Republic Government Sector Balance.....	12
Figure 2: Government Sector Debt in Selected European Union Countries	13
Figure 3: Government Sector Deficit and Debt in European Union Countries in 2021	13
Figure 4: Development of Czech Government Bonds Yields and CNB 2W Repo Rate	14
Figure 5: Development of Czech Government Bonds Yields and Term Premium	15
Figure 6: Premiums on Credit Default Swaps in Selected Countries (10-year)	15
Figure 7: Comparison of Yields of the Czech and German 10-year Government Bonds.....	16
Figure 8: Financing Needs	19
Figure 9: Net Issue of Government Bonds Denominated in Local Currency.....	20
Figure 10: Net Issue of Government Bonds Denominated in Foreign Currency.....	20
Figure 11: Net Issue State Treasury Bills	20
Figure 12: Net Change in the Balance of Received Credits and Loans	20
Figure 13: Czech Republic's State Debt Development	21
Figure 14: Structure of the Debt Portfolio by Instrument.....	22
Figure 15: Interest Structure of Sold CZK-denominated Government Bonds.....	25
Figure 16: Maturity Structure of Sold CZK-denominated Government Bonds	26
Figure 17: Average Yield and Time to Maturity of Sold CZK-denominated Government Bonds.....	27
Figure 18: Average Nominal Value of CZK-denominated Government Bonds per Issue.....	28
Figure 19: Issues and Redemptions of Government Bonds for Citizens	30
Figure 20: Structure of Short-Term State Debt by Instrument.....	31
Figure 21: Short-Term State Debt and Total State Debt to GDP	32
Figure 22: State Debt by Maturity Baskets	33
Figure 23: Average Maturity of State Debt and Declared Targets	33
Figure 24: Average Residual Time to Maturity of Newly Sold Government Bonds at the End of the Year	34
Figure 25: Structure of Government Bonds by Time to Maturity	35
Figure 26: Maturity Profile of State Debt.....	35
Figure 27: Structure of State Debt by Instrument	36
Figure 28: Structure of Government Bonds Sold on Domestic Market by Type of Holder	37
Figure 29: Structure of Non-Resident Holders of Government Bonds Sold on Domestic Market	37
Figure 30: Interest Re-fixing of State Debt	38
Figure 31: Interest Re-fixing of State Debt within 1 Year.....	39
Figure 32: Structure of Interest Re-fixing of State Debt within 1 Year	39
Figure 33: Maturity Profile of Government Bonds Sold on Domestic Market by Time to Maturity and Coupon Rate	40
Figure 34: Maturity Profile of Government Bonds Sold on Domestic Market By Achieved Yield to Maturity	40
Figure 35: Time to Maturity of Government Bonds Sold in Auctions and Benchmark Bond.....	42
Figure 36: Yields of Government Bonds Sold in Auctions and Benchmark Bond.....	42
Figure 37: Net Expenditure on State Debt Service.....	43
Figure 38: Net Cash Expenditure and Accrued Costs on State Debt Service	43
Figure 39: Share of Accrued Costs in Net Cash Interest Expenditure of Government Bonds.....	44
Figure 40: Share of Accrued Costs in Net Cash Interest Expenditure of Other Components of State Debt	44
Figure 41: Net Cash Interest Expenditure and Accrued Interest Costs of Newly Issued Debt	47
Figure 42: Development of Rates: 6M PRIBOR, 6M EURIBOR a 2W Repo	47
Figure 43: Yield Curve of Government Bonds.....	48
Figure 44: Swap Rate and T-Bond Yield to Maturity	48
Figure 45: Net Interest Expenditure and Cost-at-Risk	49
Figure 46: Actual vs. Simulated of CZK-denominated Government Bond Yields in 2021	50
Figure 47: Actual vs. Simulated Net Interest Expenditure in 2021	51
Figure 48: Nominal Value of Trades Carried out on Secondary Market	54
Figure 49: Average Daily Primary Dealer Compliance Ratio on MTS Czech Republic.....	55
Figure 50: Traded Nominal Value on MTS Czech Republic by Government Bonds.....	56
Figure 51: Traded Nominal Value on MTS Czech Republic	56
Figure 52: Bid-Offer Spreads of Selected Government Bonds on MTS Czech Republic.....	57
Figure 53: Nominal Value of Tap Sales, Exchange Operations and Buy-Backs	58
Figure 54: Received Collateral within Collateralized Loans of Securities in 2021	59
Figure 55: Nominal Value of Carried out Lending Facilities.....	59

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

Ministry of Finance (hereinafter Ministry or MoF) presents to the public, in accordance with the calendar of published information for the first half of 2022 planned within the Czech Republic Funding and Debt Management Strategy for 2022 published on 6 January 2022, the Czech Republic Government Debt Management Annual Report for 2021 (hereinafter the Report), which contains a detailed evaluation of the dynamics and structure of state debt, issuance activity of state and the secondary government bond market, the development of state budget interest expenditures, monitoring of debt portfolio risk management and the annual evaluation of primary dealers of Czech government bonds.

The total financing needs in 2021, or the net borrowing requirement, was significantly affected by the development of the state budget performance, which had a direct impact on the increase in the state debt. Due to increased issuance activity during 2021, state debt increased by CZK 416.0 billion year-on-year from CZK 2,049.7 billion to CZK 2,465.7 billion. In relative terms to GDP, there has been an increase from 36.0% to 40.4%, i.e. by 4.4 p.p.

Despite the increased growth of state debt, especially in the previous two years, and the economic and health crisis, all major rating agencies with the international scope of activity maintained their high ratings in 2021, including stable outlooks. The stable outlook for the rating thus reflects the agencies' expectations that the current negative effects of the pandemic will be only temporary. The high rating stems from the relatively low level of debt, strong institutional framework, and economic growth predicted for 2022.

The financing of gross borrowing requirement, the value of which amounted to CZK 696.0 billion in 2021, was carried out mainly through the sale of CZK-denominated medium-term and long-term government bonds on the domestic bond market, which currently represents the primary instrument to cover the financing needs of the Czech Republic and accounts for almost 90% of the total state debt. The gross issue of CZK-denominated medium-term and long-term government bonds on the primary and secondary markets amounted to CZK 572.7 billion, with an average yield to maturity of 1.61% p.a. and an average time to maturity of 8.8 years. The higher average time to maturity of newly issued government bonds thus also contributed to an increase in the average time to maturity of the total state debt to the level of 6.4 years and thus exceeded the medium-term horizon of 6.0 years. Excluding medium-term and long-term government

bonds issued on the foreign markets, the average time to maturity of state debt is 6.6 years. Increasing maturity has a positive impact on refinancing risk and shows the confidence of investors in Czech government bonds, who demand government bonds in all available maturity segments.

In order to cover the euro financing needs, the Ministry issued a second tranche of a government EUR-bond on the domestic market with maturity in 2027 in total nominal value of EUR 200 million and the average yield of -0.178% p.a. The total nominal value of government EUR-bonds outstanding reached EUR 500 million at the end of 2021. Another channel of long-term euro financing was to receive credits and loans from international institutions. Under instrument for temporary Support to mitigate Unemployment Risks in an Emergency (SURE) were drawn loans from the European Commission in a total nominal value of EUR 2.0 billion. In addition, a second loan tranche was drawn from the Council of Europe Development Bank in the amount of EUR 100 million. As part of the conversion of already received CZK tranches of loans received from the European Investment Bank into the euro, the Ministry received euro funds in the amount of EUR 39.4 million. Foreign currency redemptions of state debt were also covered in the short term by deposit operations and foreign exchange swaps carried out on the euro money market at a negative yield.

The sales of CZK-denominated medium-term and long-term government bonds on the primary market in the total nominal value of CZK 395.4 billion was supplemented to a greater extent 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 128.1 billion in tap sales from its own asset account and government bonds in the total nominal value of CZK 49.2 billion in exchange operations.

The net issue of CZK-denominated medium-term and long-term government bonds after taking into account the currency hedging of foreign currency redemptions of medium-term and long-term government bonds amounted to CZK 385.4 billion, when in 2021 two regular redemptions of CZK-denominated medium-term and long-term government bonds in a total nominal value of CZK 103.5 billion have been carried out and government bonds in a total nominal value of CZK 59.3 billion

have been bought back. In April 2021, the 5th issue of government bonds denominated in euros issued on foreign markets in 2010 in the total nominal value of EUR 2.0 billion was carried out, of which EUR 1.0 billion was hedged. In August, a pilot issue of a government EUR-bond issued in 2019 in a total nominal value of EUR 1.0 billion was carried out.

In 2021, as part of the project of direct sale government bonds to citizens, new issues of "Dluhopis Republiky" government bonds were sold in total nominal value of CZK 13.0 billion, which citizens could subscribe through electronic access to asset account management or at branches of contractual distributors. In the form of reinvestment of the yield, government bonds in a total nominal value of CZK 0.8 billion were issued.

For the purpose of short-term financing, state treasury bills were issued in a total nominal value of CZK 33.3 billion, excluding revolving within the year. In the course of 2021, the Ministry opened a new financing channel in the form of stabilization repo operations, mainly for the purpose of preventive strengthening of the state treasury's liquidity reserves, when the Ministry

obtains funds against the provided collateral.

Net expenditures on state debt service reached CZK 42.2 billion in 2021, which represents to a year-on-year increase of 5.2%, i.e. CZK 2.1 billion. The nominal value of state debt, which has increased significantly in the last two years, and the sharp rise in the key interest rates of Czech National Bank affecting the level of government bond yields, which have been reflected in higher expenditures on state debt service. Due to lower actual expenditures on state debt service than approved under the State Budget Act, the Ministry transferred CZK 9.5 billion to other budget chapters in the form of budgetary transfer.

Net revenue from state treasury liquidity management operations totalled CZK 2.8 billion in 2021, which is CZK 1.0 billion more than in the previous year, when the increase in money market rates had a positive effect. 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 totalled CZK 3.2 billion in 2021.

1 – Macroeconomic Framework and Financial Markets

Economic Development

In 2021, the real GDP growth of the Czech economy is estimated at 2.9%. Economic growth was driven by all components of domestic demand, most notably household consumption, changes in inventories and fixed capital formation. While problems in global

supply chains have had a significant negative impact on exports, growing investment in fixed capital and inventories has in turn supported imports. The foreign trade balance has slowed economic growth sharply.

Table 1: Main Macroeconomic Indicators of the Czech Republic

	2015	2016	2017	2018	2019	2020	2021F
Real GDP growth (%)	5.4	2.5	5.2	3.2	3.0	-5.8	2.9
Household consumption growth (%)¹	3.9	3.8	4.0	3.5	2.7	-6.8	4.8
Government consumption growth (%)	1.8	2.5	1.8	3.8	2.5	3.4	1.9
Growth of gross fixed capital formation (%)	9.7	-3.0	4.9	10.0	5.9	-7.5	0.8
Contribution of foreign trade to GDP growth (p.p.)	-0.2	1.4	1.2	-1.2	0.0	-0.5	-3.0
Average inflation rate (%)	0.3	0.7	2.5	2.1	2.8	3.2	3.8 ²
Unemployment rate (%)³	5.1	4.0	2.9	2.2	2.0	2.6	2.8
Nominal wage and salary growth (%)	5.0	5.7	9.2	9.6	7.8	0.2	5.7
Current account balance on GDP (%)	0.4	1.8	1.5	0.4	0.3	3.6	-1.0
CZK/EUR exchange rate⁴	27.3	27.0	26.3	25.6	25.7	26.4	25.6 ²
Real Eurozone GDP growth (%)⁵	1.9	1.8	2.7	1.9	1.6	-6.5	5.1

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 Average annual exchange rate.

⁵ EA19.

Source: MoF, CZSO

High inflation is becoming a major macroeconomic problem. While in the first half of 2021 the year-on-year increase in consumer prices was mostly below the upper limit of the tolerance band of the Czech National Bank's inflation target, which is set at one percentage point in both directions at around 2%, in the second half of 2021 the growth rate of consumer prices accelerated and the year-on-year rate inflation was above the upper limit of the tolerance band of the Czech National Bank's inflation target. The average year-on-year inflation rate reached 3.8% in 2021, which was the highest since 2008. The increase in prices reflected strong and widespread inflationary pressures from both the domestic and foreign economies in the form of strong cost growth, which traders and service providers reflected in their prices, and which have also been caused by a shortage of components and materials in the world as a result of failures in global production and supply chains. In the second half of the year, a significant increase in energy prices on commodity exchanges also added to the increase in prices.

On the other hand, the strengthening of the Czech koruna against the euro began to have a partial anti-inflationary effect, which was mainly due to an increase in key interest rates by the Czech National Bank, which caused a divergence in domestic monetary policy, especially in comparison with the euro area. In 2021, the average exchange rate of the koruna against the

euro was 25.6 CZK/EUR, which means a year-on-year strengthening of approximately 3.1%. The development of the exchange rate of the Czech koruna against the euro developed differently during the first quarter than in the remaining three quarters, when the koruna weakened to 26.4 CZK/EUR during March. After the representatives of the Czech National Bank began to talk about raising key interest rates, the koruna strengthened against the euro to the level of 25.5 CZK/EUR, where the exchange rate fluctuated with slight volatility until almost the end of the year. At the end of the year, the koruna began to strengthen significantly below 25.0 CZK/EUR due to the growing positive interest rate differential between the Czech Republic and the euro area.

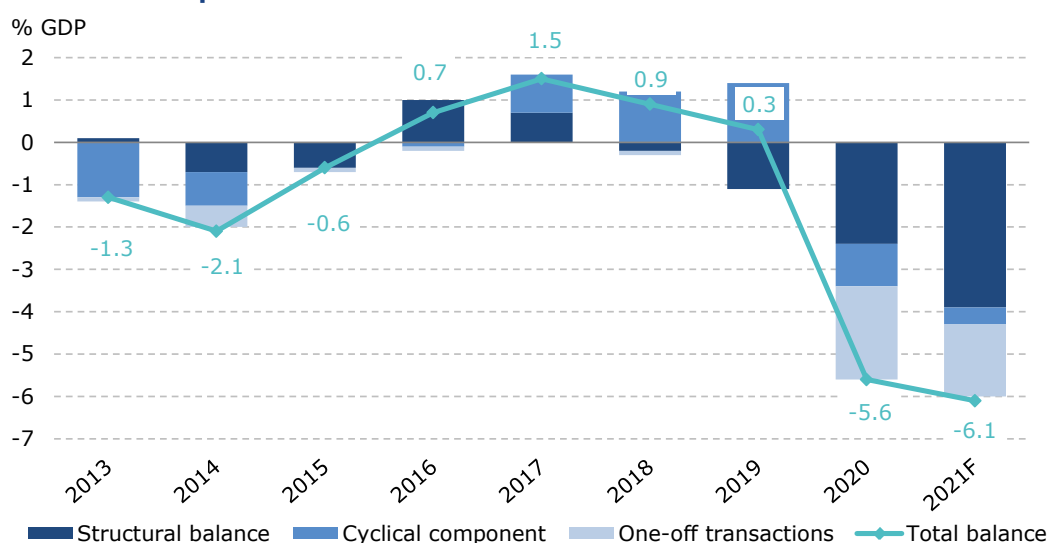
After the end of a significant part of the support programs, the labour market returned to a state of labour shortages at a low unemployment rate, which had been gradually declining in the last months of 2021 in connection with economic growth and the resumption of labour demand. The seasonally adjusted unemployment rate fell to 2.2% in December 2021, the lowest level since April 2020. The average unemployment rate in 2021 reached 2.8%. The current account of the balance of payments in 2021 was in deficit of 1.0% of GDP. Shortages in the supply chain and forced shutdowns in industrial production and strong import dynamics contributed to the deterioration of the current account balance.

General Government Sector Finances

The performance of the general government sector in 2021 was largely affected by the COVID-19 pandemic, its economic consequences, and measures are taken in the area of health care and loose fiscal policy. Due to the expansionary fiscal policy, the general government deficit reached 6.1% of GDP and the general government debt increased to 42.0% of GDP. The expected value of the general government structural balance widened further to -3.9% of GDP in the context of the ongoing expansionary fiscal

policy. General government consumption increased by 1.9% in 2021, while the main drivers of growth were the increase in purchases due to the epidemic as well as the growth of employment in the public sector, especially in education and the armed forces. The dynamics were also supported by the growth of expenditures on the purchase of goods and services, with the contribution of current subsidies from EU funds.

Figure 1: The Czech Republic Government Sector Balance



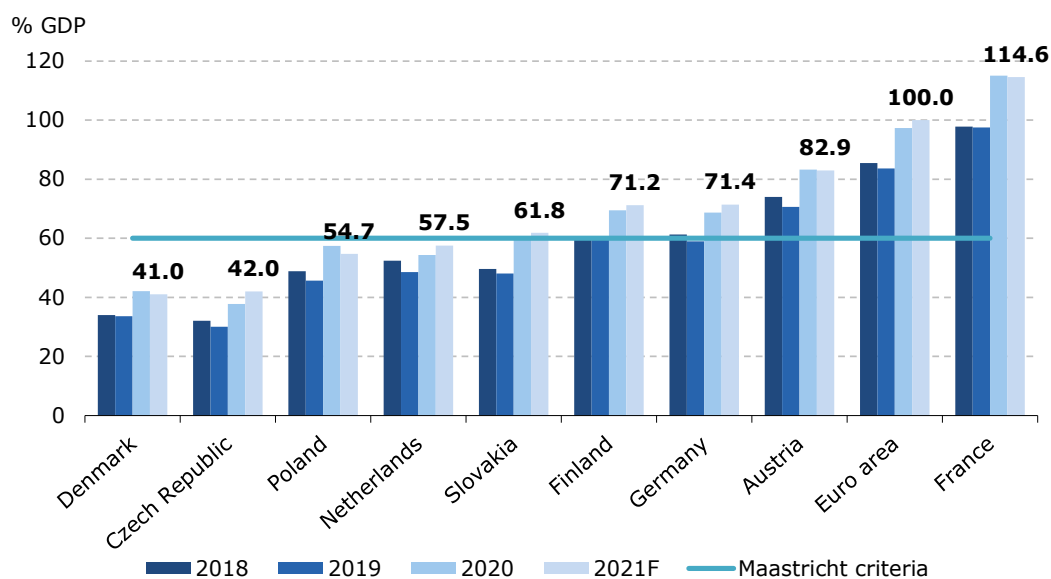
Note: The source of data is Macroeconomic Forecast of the Czech Republic – January 2022.
Source: MoF

In 2021, the state budget in the national cash methodology resulted in a deficit of CZK 419.7 billion. The state budget deficit increased by CZK 52.2 billion year-on-year. For the second year in a row, the consequences of the COVID-19 epidemic in the form of lower economic performance and supportive or stimulating measures affected by the economic sector, the health care system, and households have affected the result. In contrast to the amendment to the State Budget Act of the Czech Republic for 2021, with a planned deficit of CZK 500 billion, tax revenues, including social security contributions, contributed to better performance. Total revenues of the state budget in 2021 amounted to CZK 1,487.2 billion, which represented a year-on-year increase of CZK 11.8 billion, i.e. 0.8% more than in the previous year. The collection of social security contributions contributed the most to this result. Its selection, even with the contribution of the programs for maintaining employment, increased by 10.2% year-on-year, i.e. by CZK 55.0 billion. On the other hand, tax revenues fell by 2.7%, i.e. by CZK 19.5 billion, as they were fundamentally affected by legislative changes. The modification of the budget allocation of taxes in favour of municipalities and regions also had a negative impact, which reduced the collection of the state budget by CZK 27.4 billion for the whole of 2021.

Total expenditures of the state budget in 2021 amounted to CZK 1,906.9 billion, which represented a year-on-year increase of CZK 64.0 billion, i.e. 3.5% more than in the previous year. The growth rate of total expenditures was mainly determined by the development of current expenditures, which increased by 3.5%, i.e. by CZK 59.2 billion. Capital expenditures increased by 2.8% year-on-year, i.e. by CZK 4.8 billion. Current expenditures were increased by anti-crisis measures and the implementation of the previous government's priorities, while mandatory expenditures, according to initial estimates, reached almost CZK 989 billion, which was 5.2% more year-on-year, respectively 51.8% of total expenditures.

According to the October notification, the general government consolidated gross debt in relation to GDP increased by 7.7 p.p. to 37.7% of GDP in 2020. In 2021, the debt ratio increased by 4.3 p.p. to 42.0% of GDP. In terms of meeting the Maastricht convergence criteria and the Stability and Growth Pact rules for debt, the indicator is thus 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

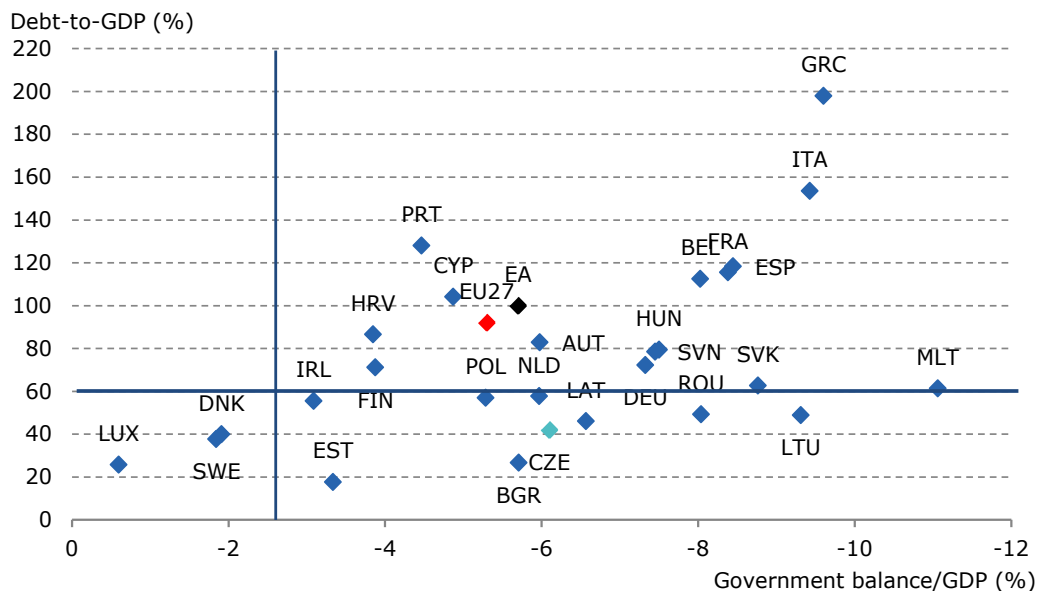


Note: The Maastricht criterion is a part of the condition for EU members to join the single currency union. The value of the share of government sector debt to GDP should not exceed 60%. Eurozone is stated in conception comprising 19 countries. Data sources are Eurostat, European Economic Forecast – Autumn 2021 and Macroeconomic Forecast of the Czech Republic - January 2022.
Source: MoF, Eurostat, European Commission

In the case of general government debt, the Czech Republic has the sixth lowest relative debt in the EU in 2021. Lower indebtedness can be seen in Estonia, Luxembourg, Bulgaria, Sweden and

Denmark. Despite the expected increase in general government debt in 2021, the Czech Republic remains one of the least indebted countries in the European Union.

Figure 3: Government Sector Deficit and Debt in European Union Countries in 2021



Note: Data sources are Fiscal Outlook of the Czech Republic – November 2021, European Economic Forecast – Autumn 2021 and Macroeconomic Forecast of the Czech Republic - January 2022.
Source: MoF, European Commission

Financial Markets

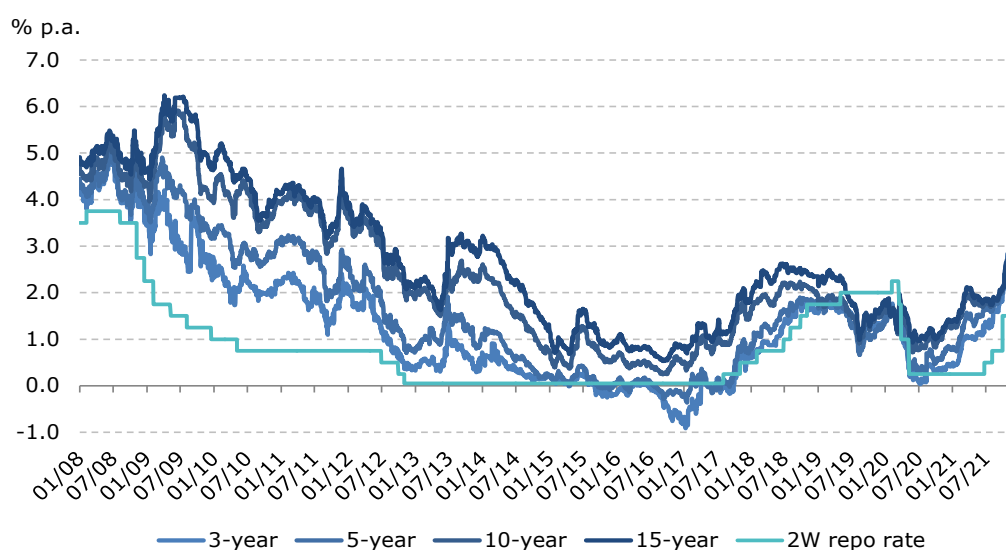
The development of Czech government bond yields in 2021 reflected the situation on the global government bond market and the Czech National Bank's monetary policy decisions. In 2021, the Czech National Bank was one of the first central banks in developed countries to start a cycle of interest rate increases, with the 2W repo rate increasing by 0.25 percentage points to 0.50% p.a. in June and again by a quarter percentage point to 0.75% p.a. in August. At the beginning of October, the rate of increase accelerated to 0.75 percentage points, with the 2W repo rate reaching 1.5%. In November the 2W repo rate was raised by 1.25 percentage points to 2.75%, the most significant rate hike since 1997. In December the 2W repo rate was raised by 1.0 percentage points to 3.75%. The key interest rate thus reached the highest value since 2008, which led to a fundamental divergence in domestic monetary policy, especially compared to the euro area. The reason for the increase in rates is rising inflation and the related efforts by the central bank to dampen inflation expectations.

The unprecedented pace of growth in key interest rates by the Czech National Bank, which was repeatedly surprising even to market participants and the professional public, together with the media statements by representatives of the Czech National Bank regarding the further development of rates, had a negative effect on government bond prices during 2021. The sharp rise in key interest rates resulted in a gradual flattening of the yield curve as shorter-maturity government bond yields reacted more sensitively to rate hikes, while longer-term government bond yields grew at a slower pace.

At the beginning of 2021, the yield on 3-year, 5-year, and 10-year government bonds was 0.4% p.a., 0.8% p.a. and 1.3% p.a. At the end of the first quarter, the yield on 10-year government bonds was just below 2.0% p.a., as government bond prices reacted to the global yield growth trend in February, but their development was significantly influenced by domestic factors in the form of media appearances by Czech National Bank representatives, where they informed the public about the upcoming tightening of monetary policy. The Czech National Bank was practically the first among the developed countries to make these statements, at a time when many central banks were continuing their expansionary monetary policy, not only by cutting interest rates but also by using other monetary instruments such as quantitative easing.

Although the cycle of rising interest rates did not begin until June, government bond yields, mainly at the shorter end of the yield curve, had responded to this development earlier. The result was a gradual reduction in the term premium, when at the end of the first half of the year, which is after the first increase in the 2W repo rate, the yield on the 3-year government bond reached 1.3% p.a., while the yield on the 10-year bond was 1.8% p.a. In the second half of the year, bond yields then gradually rose in response to the rising key interest rate of the Czech National Bank, and in early October the yield curve flattened, with the yields on the 3-year, 5-year, and 10-year government bonds standing at 2.1% p.a. at a 2W repo rate of 1.5% p.a. In the fourth quarter, the yield curve of government bonds took an inverted shape, with yields on government bonds with shorter maturities reaching higher values than yields on bonds with longer maturities.

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

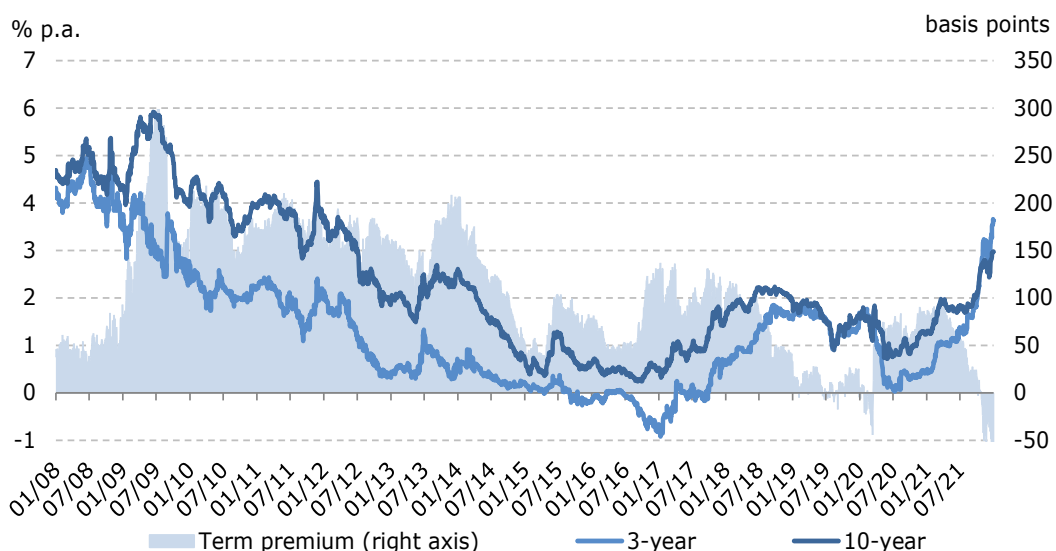


Source: CNB, Refinitiv

Domestic factors in particular had an impact on the development of the term premium. It gradually declined during 2021 as rates at the shorter end of the yield curve, which is more sensitive to restrictive monetary policy than the longer end, rose in response to the Czech National

Bank's monetary policy. Towards the end of the year, it then turned negative, with the yield on the 3-year government bond reaching a higher yield than that on the 10-year government bond, and the government bond yield curve thus reached an inverted shape.

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

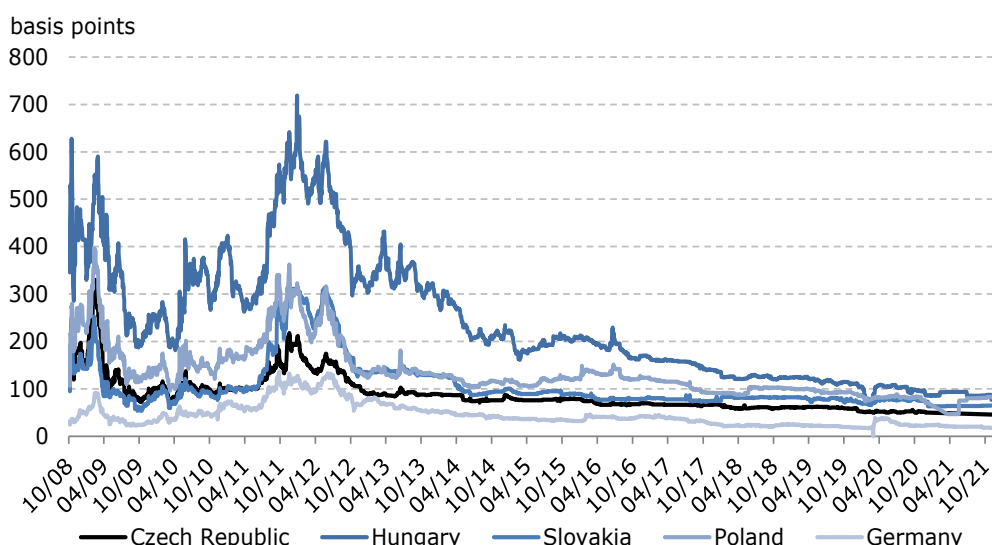


Source: Refinitiv

Czech 10-year bond yields in 2021 responded mainly to external factors in the form of global uncertainty on the financial markets and the central bank's significantly restrictive monetary policy. However, taking into account the different monetary policy cycles, it remains relatively low in international comparison with the other Member States of the European Union. The reasons can also be seen in the sound macroeconomic fundamentals of the Czech Republic, effective management of public finances, and liquidity of the state treasury. The Czech

government's fiscal policy and conservative approach to state debt management, with a positive impact on investor confidence, also remain an important long-term factor in the dynamics of government bond yields. The Czech Republic continues to maintain an excellent reputation in the financial markets, which is reflected in the high demand for medium-term and long-term government bonds at auctions. The wide range of debt instruments in each segment of the risk-free yield curve creates a sufficient range for investors to diversify their debt portfolios.

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

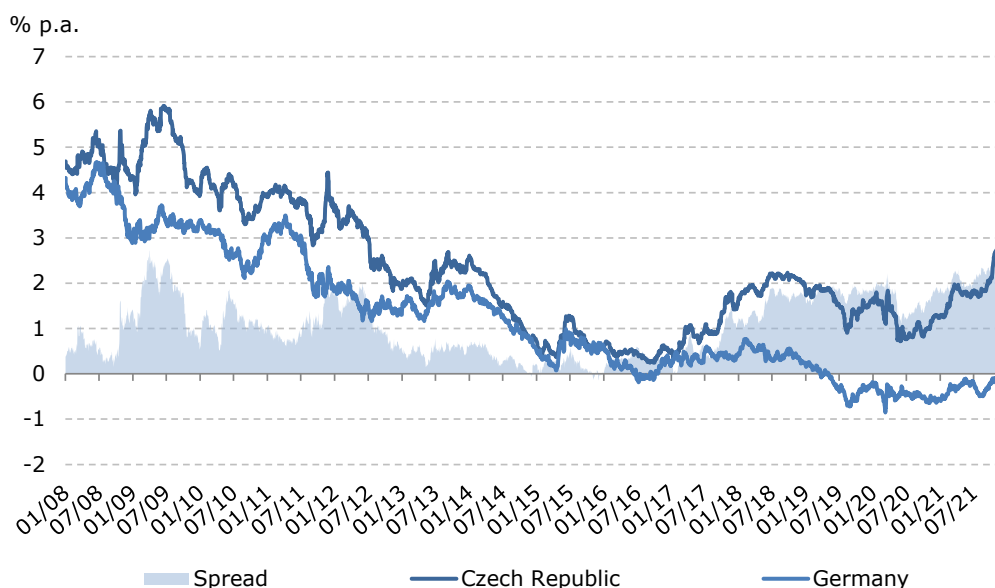


Source: Refinitiv

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 2021, the spread between the 10-year Czech government bond and the German “bund” averaged 2.3 percentage points, widening significantly in the second half of the year. However, the widening of the spread is not the result of the rising risk premium of Czech government bonds, but of the different phases of the monetary policy cycles of the Czech

National Bank and the European Central Bank. While the European Central Bank kept its deposit rate negative for a long time and entered the financial market through asset purchase programs, the total number and scope of which expanded in response to the coronavirus pandemic in the last two years, the Czech National Bank launched a restrictive monetary phase policy in 2021 through a sharp rise in key interest rates. While the yield on the German 10-year bond has remained negative since 2019, the yield on the 10-year Czech government bond was rising, resulting in a wider interest rate differential than in previous years.

Figure 7: 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 valorize 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. The higher interest rate differential thus maintains a high interest in Czech government bonds on the part of foreign investors. Although their share of government bonds issued on

the domestic market fell by almost five percentage points year-on-year by the end of 2021, the absolute amount of holdings remains 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 investors are not motivated to close their positions, 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 overall credit rating of all Central and Eastern European countries and has been above the average rating of euro area member countries for several years. Despite the negative effects of the current SARS-CoV-2 coronavirus pandemic on the domestic economy and uncertainty about future developments, all major international agencies have affirmed their ratings in 2021, including maintaining a stable

outlook. The stable outlook reflects the agencies' expectation that the negative impact of the coronavirus pandemic on the domestic economy and public budgets will be only temporary. The Czech Republic belongs among the exceptionally reliable issuers and enjoys 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	23/2/2022
S&P Global Ratings	AA	Stable	AA-	Stable	29/10/2021
Fitch Ratings	AA-	Stable	AA-	Stable	10/12/2021
JCR	AA	Stable	AA-	Stable	5/11/2020
R&I	AA-	Stable	AA-	Stable	2/8/2021
Scope Ratings	AA	Stable	AA	Stable	21/1/2022
ACRA	AA	Stable	AA	Stable	20/9/2021

Source: Moody's, S&P Global Rating, Fitch Ratings, JCR, R&I, Scope Ratings, 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 economic 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 covered 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 conducted 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	2015	2016	2017	2018	2019	2020	2021
Primary balance of state budget	17.5	-102.4	-33.6	-43.7	-11.0	327.3	377.5
Net expenditure on state debt ¹	45.3	40.7	39.8	40.7	39.6	40.1	42.2
T-Bonds redemptions ²	123.9	157.8	209.4	238.9	238.5	215.8	238.8
Redemptions and early redemptions on savings government bonds	11.9	30.2	16.9	16.4	2.7	2.8	0.5
T-Bills and other money market instruments redemptions ³	110.2	86.6	4.2	44.0	43.5	18.4	25.4
Repayments on credits and loans ⁴	2.5	1.7	5.1	8.0	4.7	5.8	6.0
Total financing needs	311.2	214.5	241.7	304.4	317.9	610.2	690.4
Gross T-Bills issue and other money market instruments ^{3,5}	86.6	4.2	44.0	43.7	18.0	25.4	49.6
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	180.4	211.6	213.1	259.2	280.9	600.3	577.8
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	1.0	1.0	0.6	0.1	10.5	15.3	13.8
Received credits and loans ⁴	0.0	0.0	0.0	0.0	0.0	5.3	54.9
Financial asset and liquidity management	43.2	-2.3	-16.1	1.3	8.5	-36.1	-5.6
Total financing sources	311.2	214.5	241.7	304.4	317.9	610.2	690.4
Gross borrowing requirement	268.1	216.9	257.7	303.1	309.4	646.3	696.0

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 and European Commission.

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

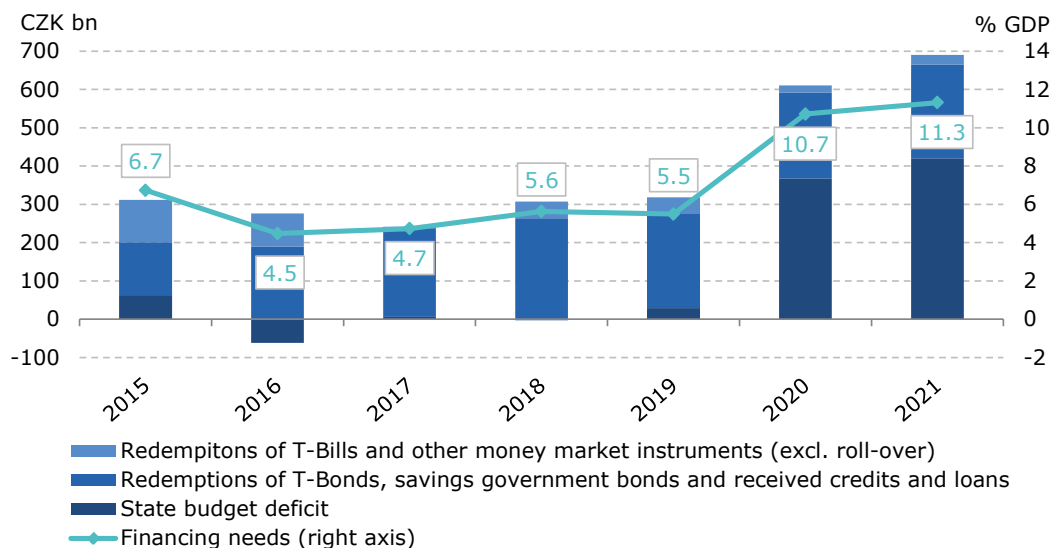
The financing needs in 2021 reached the level of CZK 690.4 billion and its amount was very significantly affected by the state budget deficit of CZK 419.7 billion. Although the actual result of the state budget reached a lower value compared to the planned amount of CZK 500 billion, which also had

a positive effect on the final value of the financial needs, it nevertheless increased by more than CZK 80 billion year-on-year. 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 8: Financing Needs



Note: GDP in the ESA 2010 methodology. The source of data for 2015 to 2020 is CZSO, for 2021 the Macroeconomic Forecast of the Czech Republic – January 2022. T-Bonds redemptions including effect of buy-backs and exchange operations. Credits and loans received from international financial institutions and European Commission. 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	2015	2016	2017	2018	2019	2020	2021
Gross borrowing requirement	268.1	216.9	257.7	303.1	309.4	646.3	696.0
Gross T-Bills issue and other money market instruments ^{1,2}	86.6	4.2	44.0	43.7	18.0	25.4	49.6
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	180.4	211.6	213.1	259.2	280.9	600.3	577.8
Gross issue of T-Bonds on domestic market up to 5 years ^{2,3}	100.0	119.6	84.2	45.0	48.1	268.2	113.6
Gross issue of T-Bonds on domestic market from 5 to 10 years ^{2,3}	23.3	48.4	70.9	94.9	71.7	178.9	239.8
Gross issue of T-Bonds on domestic market over 10 years ^{2,3}	57.1	43.7	58.0	119.3	161.1	153.1	224.4
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	1.0	1.0	0.6	0.1	10.5	15.3	13.8
Received credits and loans ⁵	0.0	0.0	0.0	0.0	0.0	5.3	54.9
Total financing of gross borrowing requirement	268.1	216.9	257.7	303.1	309.4	646.3	696.0

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 and European Commission.

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	2015	2016	2017	2018	2019	2020	2021
Gross borrowing requirement	268.1	216.9	257.7	303.1	309.4	646.3	696.0
T-Bonds redemptions ¹	123.9	157.8	209.4	238.9	238.5	215.8	238.8
Redemptions and early redemptions on savings government bonds	11.9	30.2	16.9	16.4	2.7	2.8	0.5
T-Bills and other money market instrument redemptions ²	110.2	86.6	4.2	44.0	43.5	18.4	25.4
Repayments on credits and loans ³	2.5	1.7	5.1	8.0	4.7	5.8	6.0
Net borrowing requirement	19.6	-59.4	22.2	-4.2	20.0	403.5	425.3

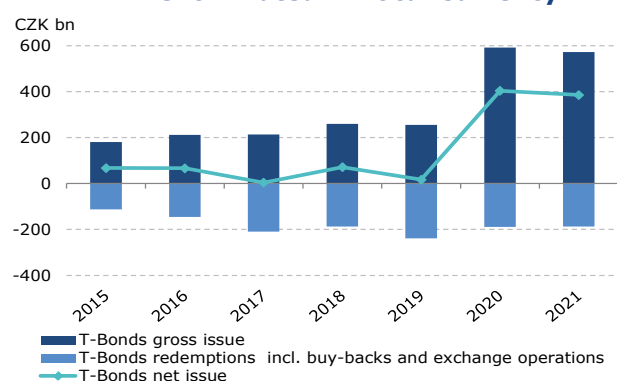
¹ Incl. effect of buy-backs and exchange operations.

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 and European Commission.

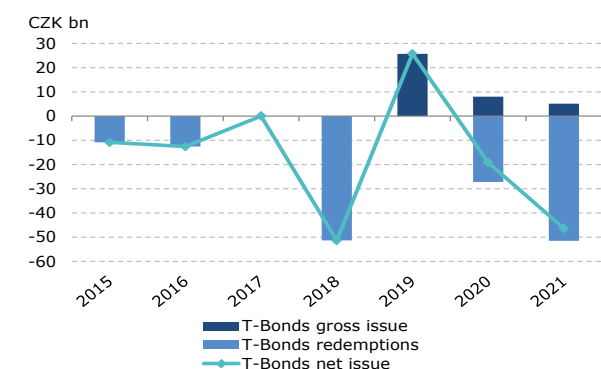
Source: MoF

Figure 9: Net Issue of Government Bonds Denominated in Local Currency



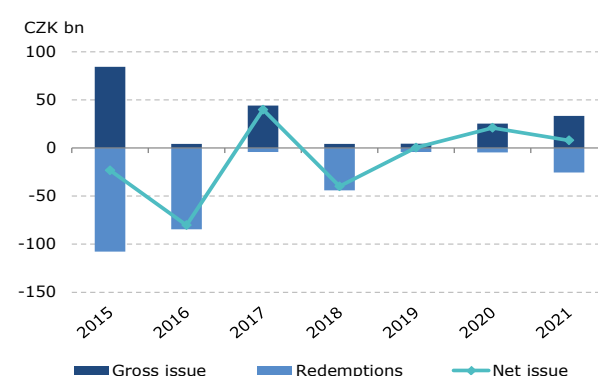
Source: MoF

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



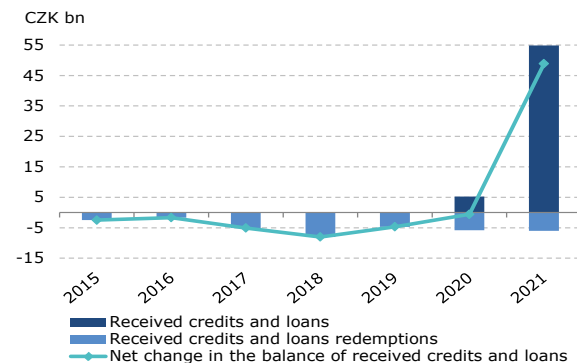
Source: MoF

Figure 11: Net Issue State Treasury Bills



Source: MoF

Figure 12: Net Change in the Balance of Received Credits and Loans



Note: Credits and loans received from international financial institutions and European Commission.

Source: MoF

Table 6: Net Borrowing Requirement and Change in State Debt

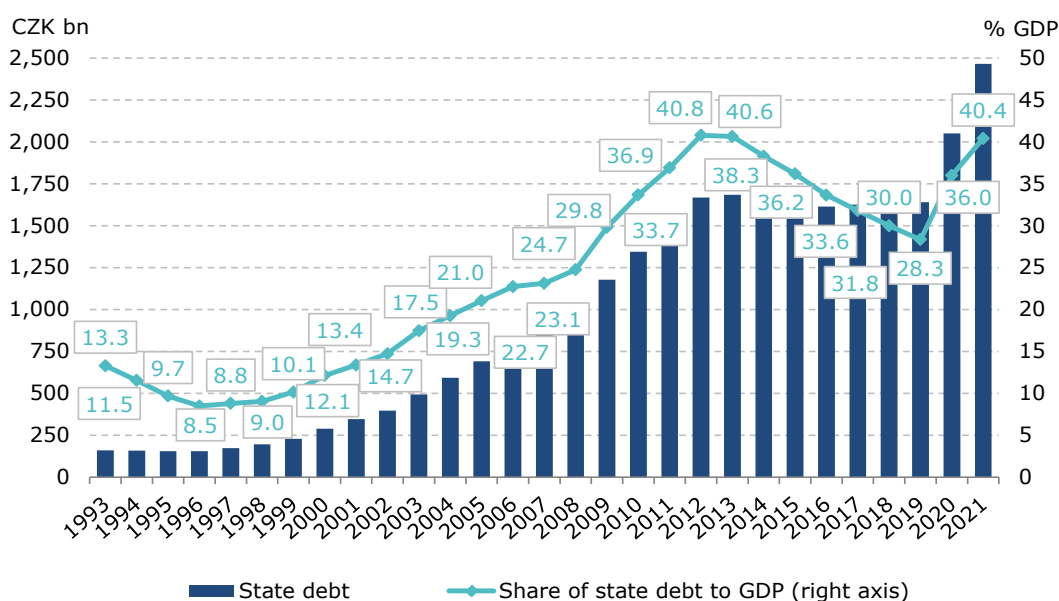
CZK bn	2015	2016	2017	2018	2019	2020	2021
Gross state debt as at 1 January	1,663.7	1,673.0	1,613.4	1,624.7	1,622.0	1,640.2	2,049.7
Primary state budget balance	17.5	-102.4	-33.6	-43.7	-11.0	327.3	377.5
Net expenditure on state debt service ¹	45.3	40.7	39.8	40.7	39.6	40.1	42.2
Financial asset and liquidity management operations	-43.2	2.3	16.1	-1.3	-8.5	36.1	5.6
Net borrowing requirement	19.6	-59.4	22.2	-4.2	20.0	403.5	425.3
T-Bills net issue and net change in the balance of other money market instruments	-23.5	-82.4	39.8	-0.3	-25.5	7.1	24.2
T-Bonds net issue on domestic market	67.4	66.4	3.8	71.7	42.4	411.7	389.5
T-Bonds net issue on foreign markets	-10.8	-12.6	0.0	-51.4	0.0	-27.2	-50.5
Savings government bonds net issue	-10.9	-29.2	-16.3	-16.3	7.8	12.6	13.3
Net change in balance of received credits and loans ²	-2.5	-1.7	-5.1	-8.0	-4.7	-0.6	48.8
Financing of net borrowing requirement	19.6	-59.4	22.2	-4.2	20.0	403.5	425.3
Revaluation of state debt ³	-10.3	-0.2	-10.9	1.5	-1.8	6.0	-9.3
Promissory notes net change	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross state debt change	9.3	-59.6	11.3	-2.7	18.2	409.5	416.0
Gross state debt as at 31 December	1,673.0	1,613.4	1,624.7	1,622.0	1,640.2	2,049.7	2,465.7
Share of GDP (%)⁴	36.2	33.6	31.8	30.0	28.3	36.0	40.4

¹ Balance of budgetary chapter 396 – State debt.

² Credits and loans received from international financial institutions and European Commission.

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 2015 to 2020 is CZSO, for 2021 the Macroeconomic Forecast of the Czech Republic – January 2022. Source: MoF, CZSO

Figure 13: Czech Republic's State Debt Development

Note: GDP in the ESA 2010 methodology. The source of data for 1993 to 2020 is CZSO, for 2021 the Macroeconomic Forecast of the Czech Republic – January 2022. Source: MoF, CZSO

Table 7: Balance and Structure of the Debt Portfolio

CZK bn	2015	2016	2017	2018	2019	2020	2021
Gross state debt	1,673.0	1,613.4	1,624.7	1,622.0	1,640.2	2,049.7	2,465.7
T-Bills and other money market instruments	87.3	4.2	44.0	43.6	18.0	25.4	49.2
Received collateral in cash	0.0	0.0	0.0	0.0	0.0	0.0	0.0
T-Bonds issued on domestic market	1,235.2	1,301.6	1,305.4	1,377.1	1,419.2	1,831.6	2,219.8
T-Bonds issued on foreign markets	225.6	213.5	202.6	152.9	151.5	129.2	74.1
Savings government bonds	66.9	37.8	21.5	5.2	13.0	25.6	38.9
Received credits and loans ¹	58.0	56.3	51.2	43.2	38.5	38.0	83.7
Promissory notes	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Liquid state financial assets	77.1	62.2	60.5	61.9	83.6	81.7	63.1
Nuclear portfolio	24.5	25.6	27.2	28.7	30.5	32.1	33.6
Pension portfolio	22.9	23.0	23.1	23.2	41.9	38.5	18.6
Special-purpose state financial assets accounts	11.1	10.7	10.1	9.8	11.1	11.1	10.9
On-lending over 1 year ²	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash reserve ³	18.6	2.9	0.2	0.2	0.0	0.0	0.0
State financial assets	77.1	62.2	60.5	61.9	83.6	81.7	63.1
Liquid state financial assets	77.1	62.2	60.5	61.9	83.6	81.7	63.1
On-lending ⁴	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net debt portfolio	1,595.9	1,551.2	1,564.2	1,560.1	1,556.6	1,968.1	2,402.6

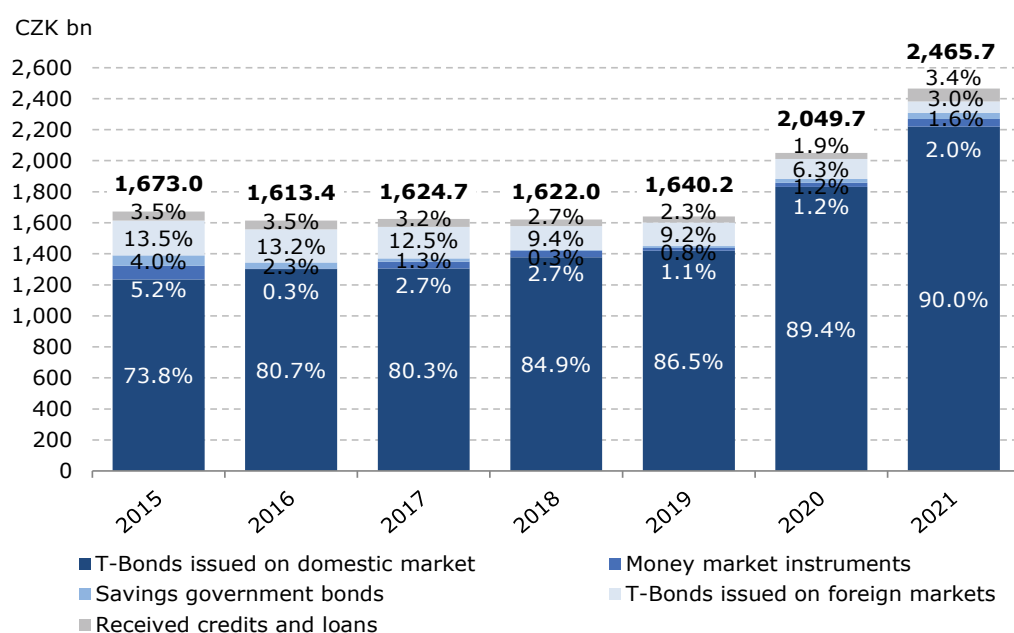
¹ Credits and loans received from international financial institutions and European Commission.

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 14: Structure of the Debt Portfolio by Instrument

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

State Treasury Liquidity Management

In the context of rising koruna interest rates in the second half of 2021 and negative euro interest rates, the Ministry continued to rationalize the free liquidity of the state treasury in accordance with state-of-the-art government finance management principles.

The Ministry, in cooperation with the Czech National Bank, continued the project of term deposits in domestic currency in 2021. In January 2021, the Ministry extended the maturities offered to maturities of more than one year, more precisely to 2, 3, 4, and 5 years. In April 2021, the term deposits offered were extended to include deposits in the European single currency with maturities of 3, 6, 9, and 12 months. This project is intended for non-mandatory clients of the state treasury and for clients under Article 3(h) (17) and (18) of Act No 218/2000 Coll., on Budget

Rules and on Amendments to Certain Related Acts (Budgetary Rules), as in effect until 31 December 2021, for whom it allows them to keep funds in an account subordinated to the state treasury in an agreed amount and for a predetermined period of time, for which they will receive an interest-replacing cash payment from the Ministry.

These moves represent a significant development of this instrument supporting further stabilization of the state treasury funds, which can thus be used for the purpose of treasury and available liquidity management over a period of more than one year, or in the case of the single European currency for the purpose of state debt management and available liquidity in euro for up to one year.

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

CZK bn, EUR bn	2019		2020		2021	
	CZK	EUR	CZK	EUR	CZK	EUR
Liquid state financial assets	83.6	0.0	81.7	0.0	63.1	0.0
Mandatory clients of state treasury ¹	204.1	0.1	239.7	0.2	291.4	0.4
Optional clients of state treasury	83.9	0.0	126.8	0.0	168.8	0.0
Liabilities to the state treasury (-)	-106.0	0.0	-63.2	-0.2	-33.7	-0.4
Total liquidity position of the state treasury²	265.5	0.1	385.0	0.0	489.6	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	18.2	0.1	12.0	0.0	6.0	0.0
On-lending ³	0.0	0.0	0.0	0.0	0.0	0.0
Investment in securities	2.6	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	244.7	0.0	370.4	0.0	481.0	0.0
Ministry's cash resources in commercial banks accounts ⁴	0.1	0.0	0.0	0.0	0.0	0.0
Total investment position of the state treasury	265.5	0.1	385.0	0.0	489.6	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

In 2021, the Ministry's income from treasury liquidity management and negative yield operations amounted to CZK 3,175.3 million. This was mainly due to a sharp increase in key interest rates by the Czech National Bank in the second half of the year, when the 2W repo rate of the Czech National Bank increased from the original 0.25% p.a. to 3.75% p.a., which was reflected more significantly in the increase in income from investment operations within the liquidity management of the koruna state treasury compared to 2020.

As part of the 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 2021, in a total nominal value of CZK 13,025.7 billion. The average interest rate achieved when investing with the use of this collateral increased compared to the previous year, rising to 0.8% p.a. At the same time, borrowing operations were conducted to strengthen the liquidity

of the koruna state treasury using collateral in the form of Czech National Bank bills and primarily government bonds in a total nominal value of CZK 877.3 billion. Within these operations, an average interest rate of 0.6% p.a. was achieved.

Short-term investments in the form of deposit operations in a total nominal value of CZK 1,246.5 billion were also made in this period as part of the liquidity management of the koruna state treasury. The average interest rate achieved by investing in the form of deposit operations amounted to 0.1% p.a. Short-term investments in the form of deposit operations were made only until the second quarter of 2021.

As part of the liquidity management of the koruna state treasury, two loans were granted to account holders under Section 3(h) of the Budgetary Rules. One in the amount of CZK 21 million and the second one in the indicative amount of CZK 8,000 million. The repayments of these loans amounted to CZK 21 million at an interest rate of 1.0% p.a. and to an indicative amount of CZK 10,000 million at an average interest rate of 1.6% p.a. The total income from these loans amounted to CZK 22.6 million. The interest-replacing cash payments amounted to CZK 117.7 million. At the same time, interest on current bank account balances generated an income of CZK 0.2 million.

A total of CZK 2,381.9 million was transferred to the state budget in 2021 from the proceeds of the koruna state treasury liquidity management.

The euro money and bond market continued to achieve negative yields due to the European Central Bank's monetary policy settings. The Ministry took advantage of this situation by further conducting short-term foreign currency borrowing operations and by issuing a 2nd tranche of a government EUR-bond maturing in 2027. In 2021, the total income from these operations amounted to EUR 69.9 million. In addition, foreign exchange swaps were also used to cover the euro funding needs and spread the euro exposure along the entire money market yield curve. Total state budget revenue from these operations amounted to CZK 75.1 million.

The Ministry achieves further savings of the state budget by conducting operations on the foreign exchange market, which are intended for mediation of foreign currency payments from and to the state budget (e.g. the chapter of the Ministry of Transport, the Ministry of Defense, the Ministry of Education, Youth and Sports, the Ministry of Environment, the Ministry of Foreign Affairs and the General Treasury Management) and also mediation of foreign currency revenues to the state budget for the General Financial Directorate. 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 ticket. In 2021, the Ministry thus saved CZK 83.9 million, mediating trades worth almost CZK 19.6 billion.

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

CZK mil	2019	2020	2021	2020/2019	2021/2020
CZK operations	3,674.4	1,775.8	2,381.9	0.5	1.3
EUR operations	0.1	0.2	0.0	4.9	0.0
Lending facilities	8.7	4.9	10.9	0.6	2.2
FX swaps	0.7	32.0	75.1	46.3	2.3
Issuance with negative yield ¹	113.6	8.4	54.3	0.1	6.5
Borrowing operations in foreign currency with a negative yield	82.9	86.3	653.0	1.0	7.6
Total	3,880.3	1,907.7	3,175.3	0.5	1.7

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

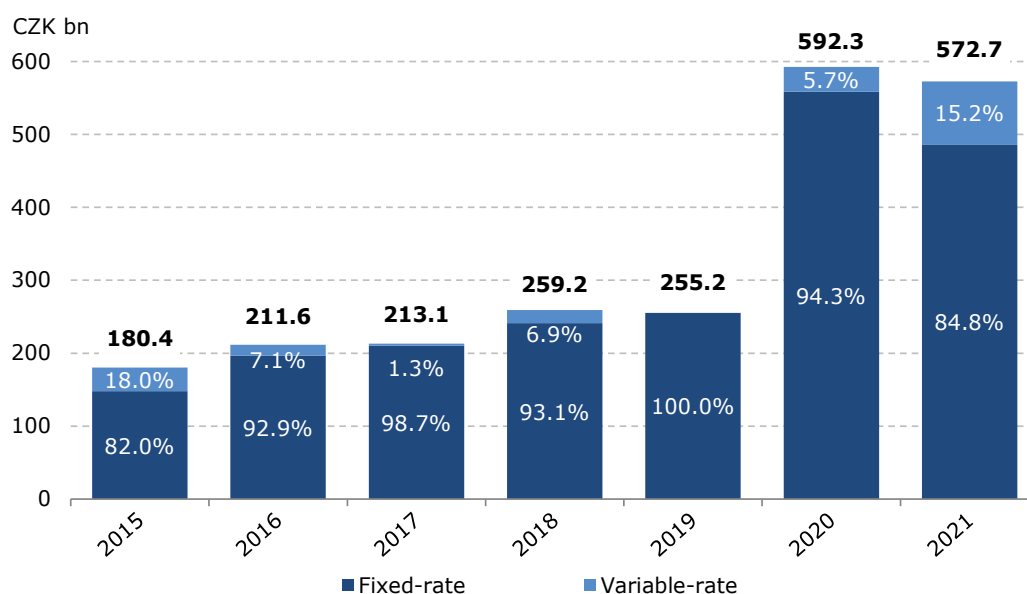
targets and limits that constitute the key parameters of the publicly defined strategic benchmark portfolio communicated in particular through the The Czech Republic Funding and Debt Management Strategy and its possible revisions, and the quarterly update of gross borrowing requirement and funding program 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 2021, The Czech Republic Funding and Debt Management Strategy for 2021 (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 400 billion to cover the korona financing needs including the state budget deficit of CZK 320 billion. In connection with the approval of amended State Budget Act, which came into effect on 1 March 2021, the Ministry published an exceptional update of the Strategy in the Quarterly Report on State Debt Management for the first quarter of 2021, where the issuance plan was increased to CZK 580 billion. The latest adjustment to the issuance financing plan was made in the Czech Republic's Financing and Debt Management Strategy for 2021 - 2nd Half Update (hereinafter referred to as the Strategy Update), where the amount of the issuance plan was reduced

to a minimum level of CZK 500 billion due to a higher involvement of money market instruments in covering the financing needs. Actual gross issuance on the primary and secondary markets amounted to CZK 572.7 billion. The Ministry thus complied with the framework issuance plan defined in the Strategy Update and successfully covered the crisis need for financing with increased 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 2021, a total of 75 primary auctions were held in 26 auction days, which were further supplemented by secondary market sales. Up to three different fixed-rate or variable-rate government bonds were offered per auction day.

Figure 15: Interest Structure of Sold CZK-denominated Government Bonds

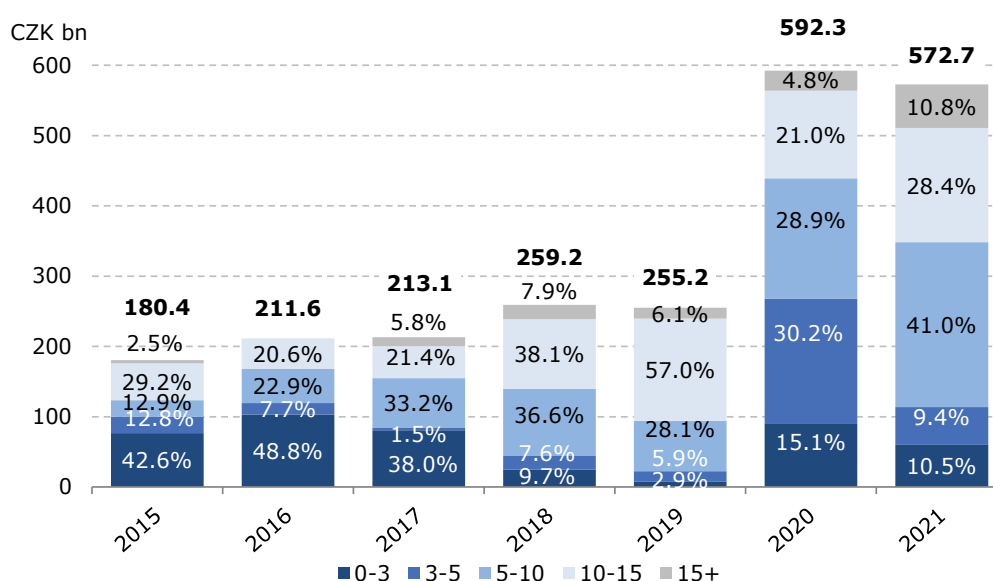


Source: MoF

In 2021, the Ministry reopened fixed and variable-rate issues, especially in the segments with a residual maturity of 5 to 15 years, where the Ministry sold almost 70% of the total nominal value. The shape of the yield curve also contributed to the issuance of government bonds with interest rates mainly at the middle and longer end of the yield curve, with the shorter end of the yield curve responding to the sharp increase in key interest rates by the Czech National Bank in the second half of 2021, while yields on bonds with longer maturities rose at a slower pace. The result is an inverted shape

of the yield curve, where government bonds with shorter maturities carry a higher interest yield than government bonds with longer maturities. In the segment with a residual maturity of up to 5 years, government bonds in a total nominal value of CZK 113.6 billion were sold, in the segment with a residual maturity of 5 to 10 years, government bonds in a total nominal value of CZK 234.6 billion were sold and the Ministry placed government bonds with maturity of over 10 years in a total nominal value of CZK 224.4 billion.

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



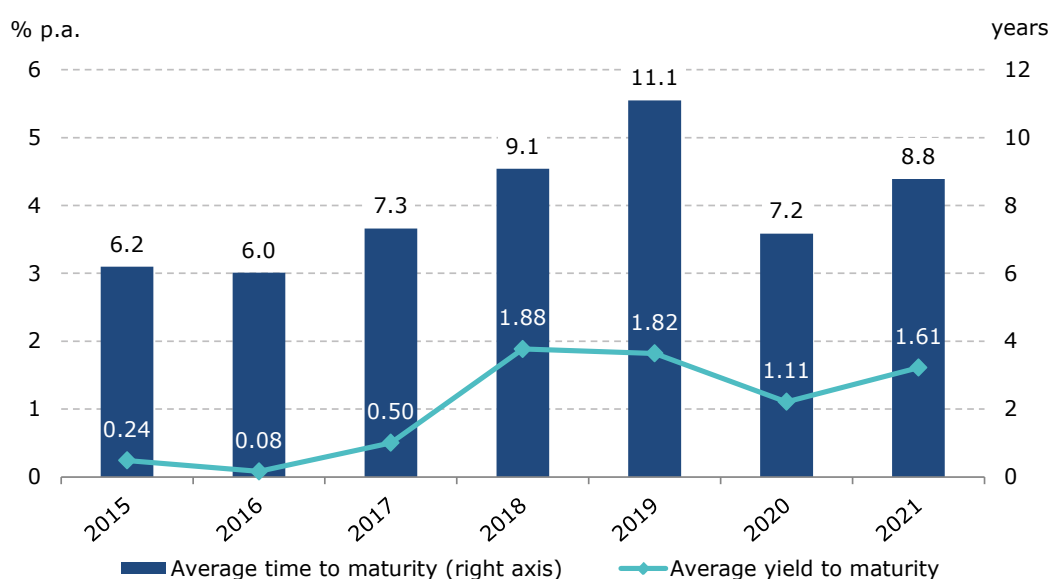
Note: Residual time to maturity related to the issue date.
Source: MoF

The average yield on CZK-denominated medium-term and long-term government bonds sold on the primary and secondary markets in 2021 was 1.61% p.a. The rise in government bond yields was mainly due to the Czech National Bank's monetary policy decisions regarding a sharp increase in key interest rates, with the 2W repo rate rising from 0.25% p.a. in June to 3.75% p.a. in the second half of 2021. In the first half of the year, the Ministry took advantage of the relatively advantageous situation in financial markets in the form of still low yields to pre-finance the CZK-denominated state debt redemptions in 2021 during the first quarter. Two thirds of the total issue of CZK-denominated medium-term and long-

term government bonds was thus sold before the start of the interest rate increase cycle, which will also have a positive effect on state debt service costs.

The average time to maturity of the sold CZK-denominated government bonds increased to 8.8 years, which is by 1.6 years more compared to 2020. The average time to maturity of newly sold government bonds was above the medium-term strategic target set for the average maturity of state debt at 6.0 years, which has a positive impact on the refinancing risk of the state debt portfolio.

Figure 17: 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

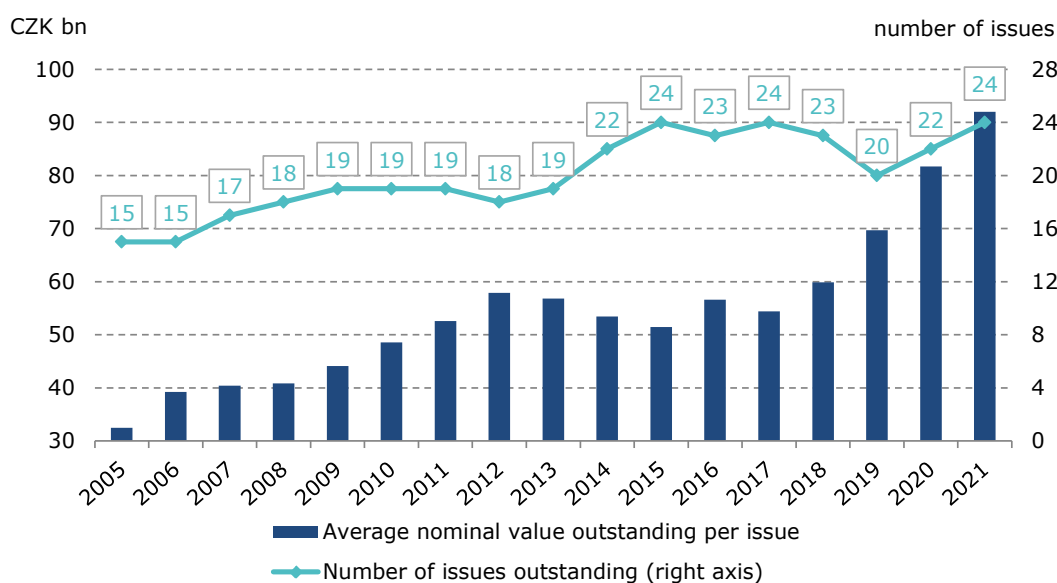
In 2021, CZK-denominated medium-term and long-term government bonds with a total nominal value of CZK 395.4 billion were placed on the primary market, which is the second highest value in history. The Ministry was exceptionally active on the secondary market, selling or exchanging CZK-denominated medium-term and long-term government bonds in a record total nominal value of CZK 177.3 billion. In the area of tap sales, government bonds in a total nominal value of CZK 128.1 billion were sold with maturities along the entire length of the yield curve, especially in 2022, 2023 and 2028. In exchange operations, where the Ministry usually repurchases medium-term and long-term government bonds with a relatively short residual maturity or a relatively high coupon rate and sells government bonds with a longer residual maturity or a relatively lower coupon rate, thereby reducing future redemptions and thus also refinancing risk. These operations have the effect of extending the average maturity of the debt portfolio and may also have a positive effect on the government budget due to savings from not making higher future coupon payments. The Ministry exchanged government bonds maturing in 2021, 2022 and 2023 mainly for government bonds maturing in 2026. As part of the exchange operations, the Ministry sold government bonds with a total nominal value of CZK 49.2 billion and bought medium-term and long-term government bonds

with a total nominal value of CZK 50.5 billion.

Thus, in 2021, 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 2021, there were two regular redemptions of medium-term and long-term government bonds. These were the Government Bond of the Czech Republic, 2018-2021, 0.75%, which was repaid in February with a total nominal value of CZK 19.7 billion, and the Czech Republic Treasury Bond, 2010-2021, 3.85%, which was repaid in September with a total nominal value of CZK 83.8 billion. In addition, as part of the buybacks, the Ministry bought back government bonds with a total nominal value of CZK 8.8 billion maturing in 2022. Thus, medium-term and long-term government bonds with a total nominal value of CZK 187.3 billion were redeemed in 2021, including a part of the EUR 1.0 billion euro redemptions of the foreign issue, which was currency-hedged at CZK 24.55 per euro. The total nominal value of the net issue of CZK-denominated medium-term and long-term government bonds was therefore CZK 385.4 billion.

Figure 18: Average Nominal Value of CZK-denominated Government Bonds per Issue



Source: MoF

Refinancing of Foreign Currency State Debt

The Ministry used a wide range of financial operations on the euro money and capital markets to refinance euro-denominated debt during 2021. It continued to sell a government EUR-bond maturing in 2027, issuing a second tranche in August in a total nominal value of EUR 200 million at a negative yield of -0.178% p.a., with demand exceeding EUR 500 million. The additional state budget revenue in the form of a premium thus amounted to EUR 2.1 million.

The Ministry prefers this type of financing over issuing activities on foreign markets under foreign law, which are usually associated with higher costs, especially in the area of administration and fees for senior issuers. The lower administrative burden allows the Ministry to respond more flexibly to the financial market situation and the current financing needs. As a result, the Ministry has issued a total nominal value of EUR 1.5 billion of government EUR-bonds on the domestic market since 2019.

During 2021, the Ministry did not conduct any borrowing operations on foreign bond markets, but in April it duly redeemed the fifth euro-denominated government bond issue issued on foreign markets in 2010 in a total nominal value of EUR 2.0 billion, of which EUR 1.0 billion was currency-hedged at

CZK 24.55 per euro. Due to the appropriately implemented currency hedging of part of the euro instalment of the foreign issue, this instalment in koruna terms was lower by CZK 1.4 billion compared to its settlement through the acquisition of euros at the current market rate. In addition, the pilot issue of the Czech Republic's State Eurobond, 2019-2021, 0.00%, in a total nominal value of EUR 1.0 billion, was repaid in August. These redemptions were covered by loans received from the European Commission under the SURE in total amount of EUR 2.0 billion maturing in 2026 and 2036, and a second loan tranche from the Council of Europe Development Bank in a total nominal amount of EUR 100 million. During 2021, the euro funding needs were also covered by money market instruments, namely deposit operations or foreign exchange swaps. The Ministry again used the possibility of converting to the euro currency in the framework of the regular interest rate reviews of loans from the European Investment Bank, if the offered revision of the koruna loan is not favourable compared to the issuance of CZK-denominated government bonds of similar maturity on the domestic market. Thus, this year, a tranche of the loan amounting to CZK 1.0 billion was converted into a tranche amounting to EUR 39 million at an interest rate of 0.0% p.a.

Direct Sale of Government Bonds to Citizens

In 2021, the Ministry continued the project of direct sale of government bonds to citizens, when it was possible to purchase government bonds in four consecutive subscription periods during the year. The Ministry has offered households the opportunity to subscribe on a daily basis, through electronic access to asset account management or at selected branches of the contracted distributors. In total, the "Dluhopis Republiky" government bonds were issued with a nominal value of CZK 13.0 billion in six issues with a date of issue of 1 April, 1 July and 1 October. The tenth subscription period started on 23 December 2020 and ended on 19 March 2021, when citizens subscribed to government bonds in a total nominal value of CZK 3.2 billion; in the eleventh subscription period from 22 March to 18 June bonds in a total nominal value of CZK 4.4 billion were subscribed; and in the twelfth subscription period from 21 June to 17 September bonds in a total nominal value of CZK 5.5 billion were subscribed. The thirteenth subscription period then took place from 20 September to 23 December with an issue date of 3 January 2022, when government bonds in a record total nominal value of CZK 41.1 billion were sold.

The Ministry has traditionally recorded the highest interest in inflation-linked bonds, which were issued in 2021 in a total nominal value of CZK 12.8 billion, corresponding to a share of 98.5%. Protection against inflation, which in the Czech Republic was above the Czech National Bank's inflation target of 2.0% for several years and rose sharply, especially in the last months of 2021, thus creates a stronger incentive than investing funds in fixed-rate government bonds with a currently lower, but certain yield.

The total nominal value of the gross issue of government bonds intended for citizens thus reached CZK 13.8 billion, while CZK 0.8 billion consisted of tranches issued in the form of reinvestment of the proceeds of already issued government bonds. In 2021, no regular redemptions of government bonds was made, but the issuance conditions of these government bonds allow citizens to request their redemptions before the set maturity date. In 2021, bonds in a total nominal value of CZK 498 million were requested to be redeemed within all submitting periods.

Table 10: Issues and Redemptions of Government Bonds for Citizens

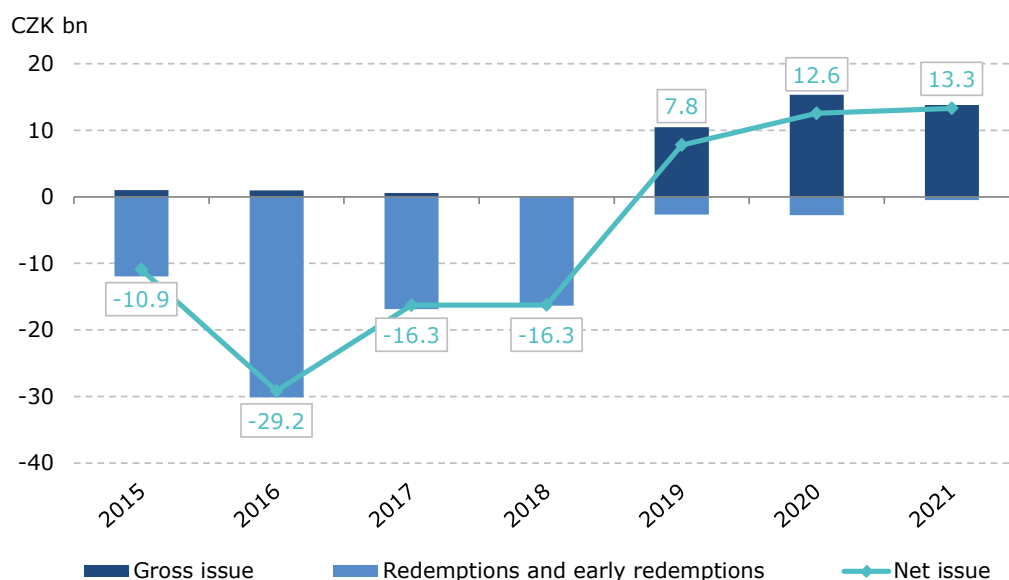
CZK bn	2015	2016	2017	2018	2019	2020	2021
Total nominal value of issued government bonds	0.0	0.0	0.0	0.0	10.4	15.1	13.0
Reinvestment of yields	1.0	1.0	0.6	0.1	0.1	0.2	0.8
Early redemptions	0.4	0.1	0.1	0.0	0.0	0.1	0.5
Early redemptions (% outstanding as at the end of the previous year)	0.5	0.2	0.2	0.1	0.2	1.0	1.9
Regular redemptions	11.5	30.0	16.8	16.3	2.7	2.6	0.0
Total redemptions	11.9	30.2	16.9	16.4	2.7	2.8	0.5
Outstanding	66.9	37.8	21.5	5.2	13.0	25.6	38.9
Share of government bonds to state debt (%)	4.0	2.3	1.3	0.3	0.8	1.2	1.6

Source: MoF

The net issuance of government bonds for citizens reached a total nominal value of CZK 13.3 billion and thus contributed to an increase in the share of government bonds intended for citizens in state debt from 1.2% at the end of 2020 to 1.6% at the end of 2021. The total nominal value in circulation

thus amounted to CZK 38.9 billion. The share of government bonds for citizens in state debt increased despite the high increase in government debt due to increased issuance activity by the Ministry.

Figure 19: 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 2021, the total nominal value of the gross issue of state treasury bills without roll-over within the year was CZK 33.3 billion. The Ministry carried out a total of 13 auctions in 13 auction days. The gross issue of state treasury bills including rollover in the year amounted to CZK 85.8 billion with a total demand of CZK 235.7 billion and an average auction yield of 1.52% p.a. The net issue of state treasury bills without revolving in 2021 was CZK 7.9 billion, when state treasury bills with a total nominal value of CZK 25.4 billion were redeemed.

During 2021, the Ministry opened a new financing channel in the form of stabilisation repo operations

to preemptively strengthen the state treasury's liquidity reserves and cover short-term financing needs. As part of these operations, the Ministry raises funds against provided collateral, with maturities ranging from two weeks to three months. In the area of loans and credits from international financial institutions, the Ministry has received loans from the European Commission under the SURE Facility in a total nominal value of EUR 2.0 billion and from the Council of Europe Development Bank in a total nominal value of EUR 100 million. In addition, tranches of loans from the European Investment Bank amounting to CZK 6.0 billion were repaid in 2021.

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 the 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 the medium-term horizon, which allows the Ministry a flexible response to short-term market conditions and investors' interest in instruments in a certain segment of time to maturity or re-fixing.

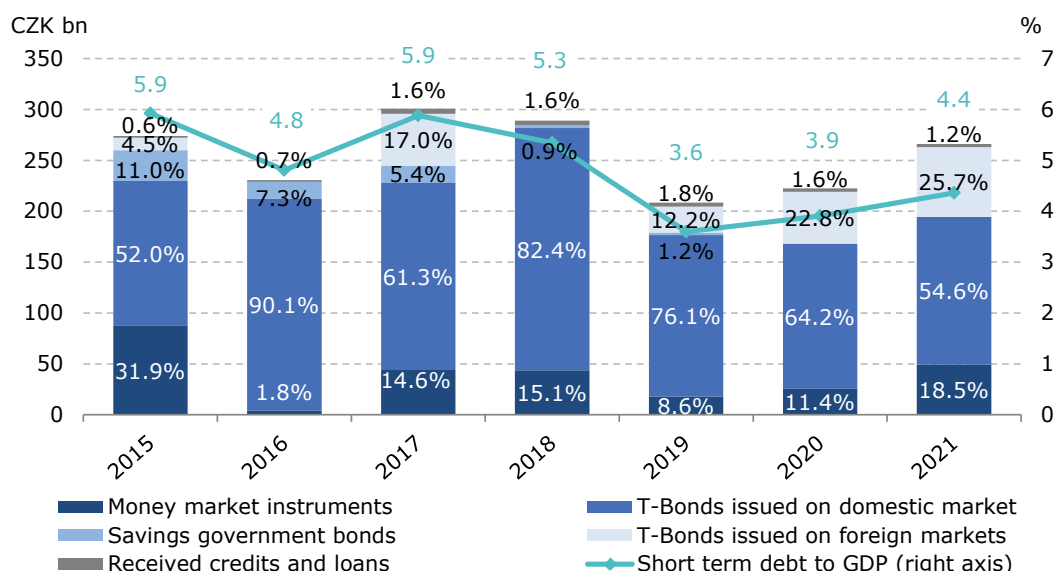
A short-term deviation from the set medium-term strategic limits and targets for the debt portfolio's risk parameters for refinancing and interest rate risk is possible but the medium-term issuance activity will be planned in such a way that the limits and targets defined in the strategy for the relevant year 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 the 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 2021 was 10.8% of the total state debt, i.e. at almost the same level as in 2020, and it is still below the limit for the medium-term horizon.

Figure 20: Structure of Short-Term State Debt by Instrument



Note: As at the end of each year. The source for GDP for 2015 to 2020 is the CZSO, for 2021 the Macroeconomic Forecast of the Czech Republic – January 2022. Credits and loans received from international financial institutions and European Commission.
Source: MoF, CZSO

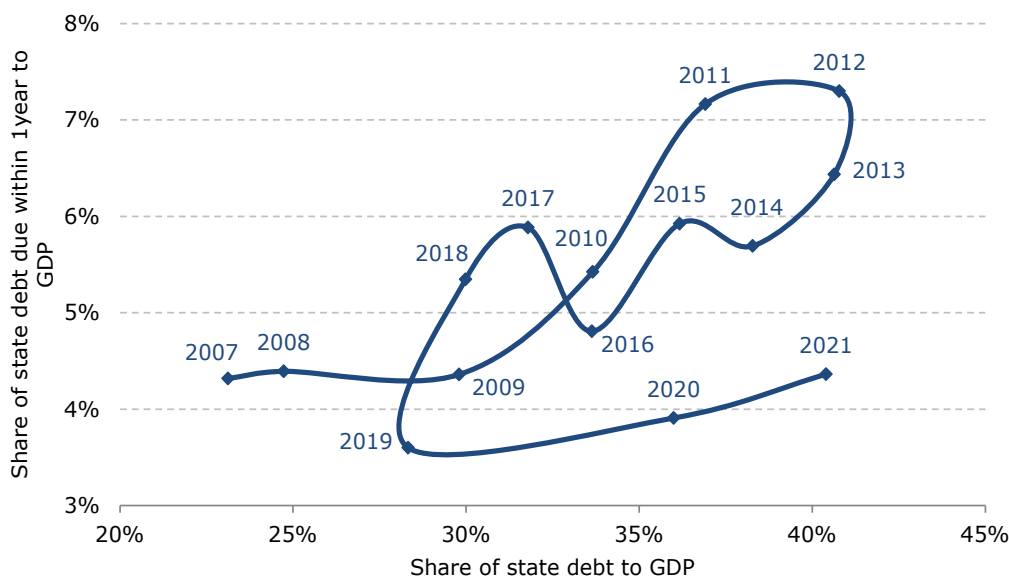
At the end of 2021, the absolute value of short-term state debt increased by CZK 43.7 billion year-on-year to CZK 266.2 billion. Compared to the end of 2020, the monetary structure of short-term debt has changed, especially in medium-term and long-term government bonds and money market instruments. In the case of medium-term and long-term government bonds issued on the domestic market maturing within one year, there was a year-on-year absolute increase of CZK 2.5 billion, but a decrease of 9.6 p.p. in relative terms. The share of money market instruments increased by 7.1 p.p., mainly due to the issuance of state treasury bills and the closure of euro deposit operations through the end of the year. The share of medium-term and long-term government bonds issued on the foreign markets increased by 2.9 p.p. due to the regular redemption of the foreign issue in 2022 in a total nominal value of EUR 2.75 billion. The lower regular repayments of loans received from international financial institutions

by CZK 0.3 billion in 2022 compared to 2021 did not have a significant effect on the change in the share of received credits and loans in short-term state debt.

The share of money market instruments in the total state debt at the end of 2021 was 2.0%, which represents an insignificant year-on-year increase of 0.8 p.p. At the end of 2021, the balance of medium-term and long-term government bonds issued on domestic and foreign markets, including savings government bonds maturing within one year, exceeds the balance of money market instruments outstanding.

The share of short-term debt in GDP slightly increased by 0.5 p.p. in 2021 compared to 2020 to 4.4%, but there is no significant deviation from previous years, on the other hand, the share of GDP remains relatively low.

Figure 21: Short-Term State Debt and Total State Debt to GDP

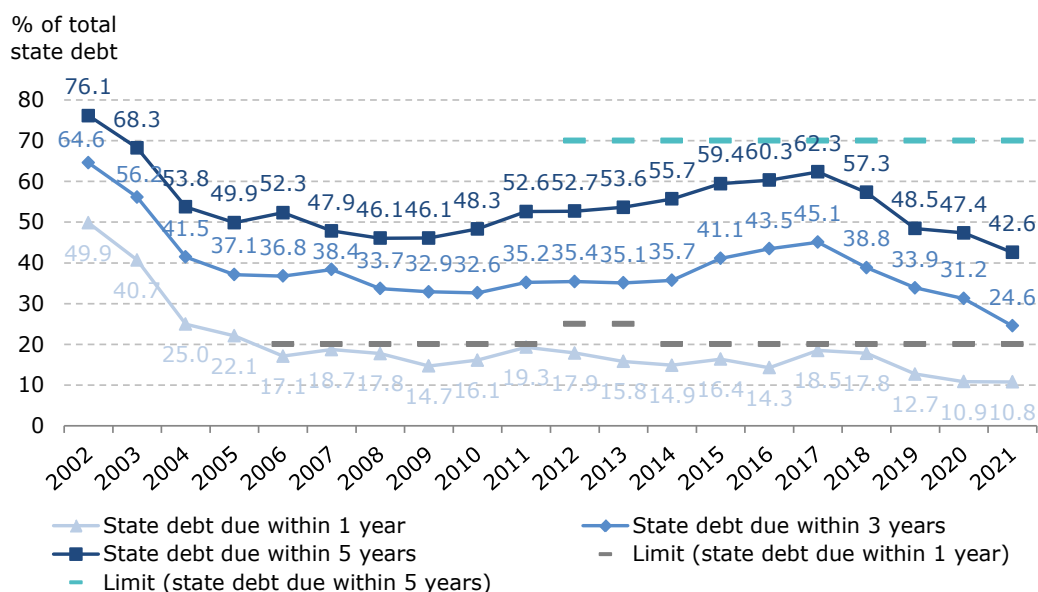


Note: As at the end of each year. The source for GDP for 2007 to 2020 is the CZSO, for 2021 the Macroeconomic Forecast of the Czech Republic – January 2022. Source: MoF, CZSO

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 2021 is 42.6%, which represents a year-on-year decrease of 4.8 p.p. The share of state debt maturing within three years amounts to 24.6% at the end of 2021, representing a decrease of 6.7 p.p. compared to the end of 2020.

Figure 22: State Debt by Maturity Baskets

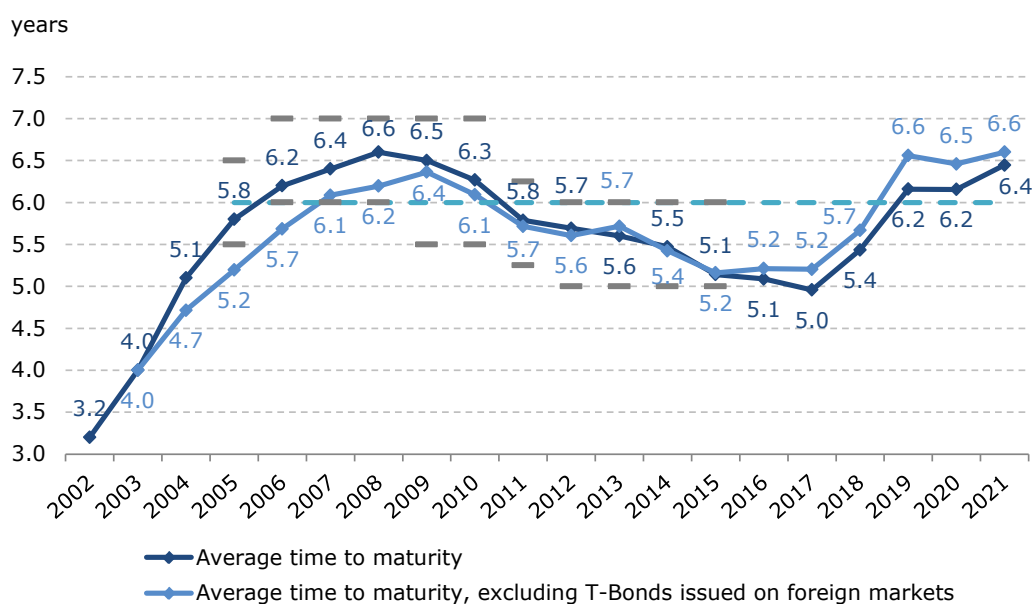


Note: As at the end of each year.
Source: MoF

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 the domestic and foreign markets and the repayment schedules of loans received from international financial institutions.

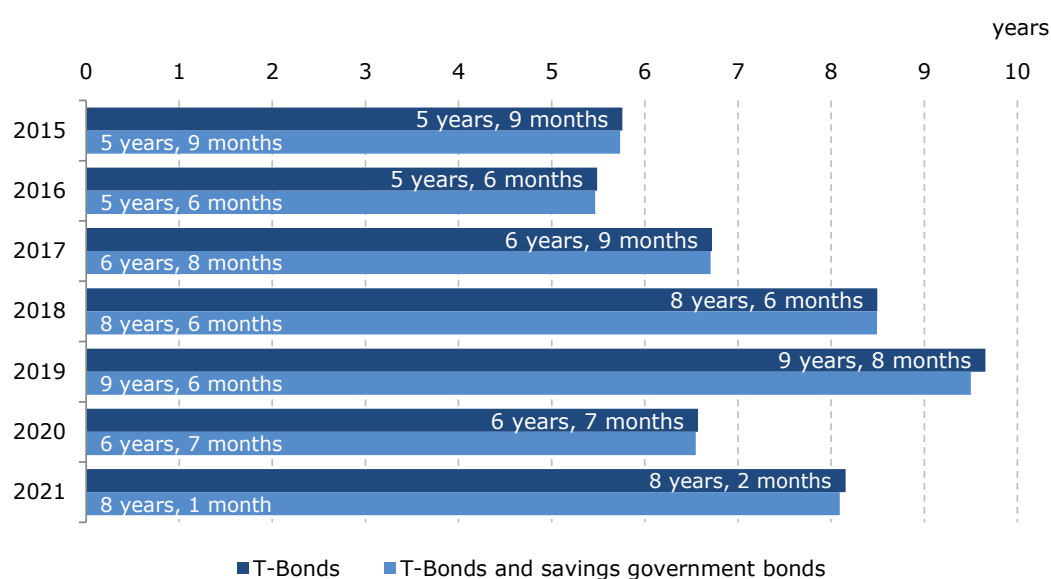
The average time to maturity of state debt at the end of 2021 is 6.4 years. This represents a year-on-year increase of 0.3 years due to the Ministry's issuing activities, especially at the middle and longer end of the yield curve, i.e. above the level of the medium-term horizon. In addition, the Ministry also monitored the indicator of the average time to maturity after offsetting the nearest state debt redemptions against cash resources from short-term reserve operations on the money market and the total available state treasury liquidity. The adjusted indicators of the average time to maturity at the end of 2021 were 6.5 years, respectively 7.8 years.

Figure 23: Average Maturity of State Debt and Declared Targets



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

Figure 24: 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 the domestic market at the end of 2021 increased slightly by 0.2 years to 6.7 years compared to the end of 2020. Medium-term and long-term government bonds issued on the domestic market account for 90% of state debt and therefore significantly determine the average

residual time to maturity of the entire debt portfolio. The average time to maturity of foreign issues decreased by 0.2 years to 1.4 years compared to the end of 2020 due to the approaching redemption of the foreign issue in May 2022. The average time to maturity of savings government bonds decreased to 4.6 years compared to the end of 2020, and the average time to maturity of received credit and loans increased by 1.2 years, mainly due to the drawing of new loans from the European Commission through the SURE instrument.

Table 11: Average Time to Maturity of Individual Components of the State Debt

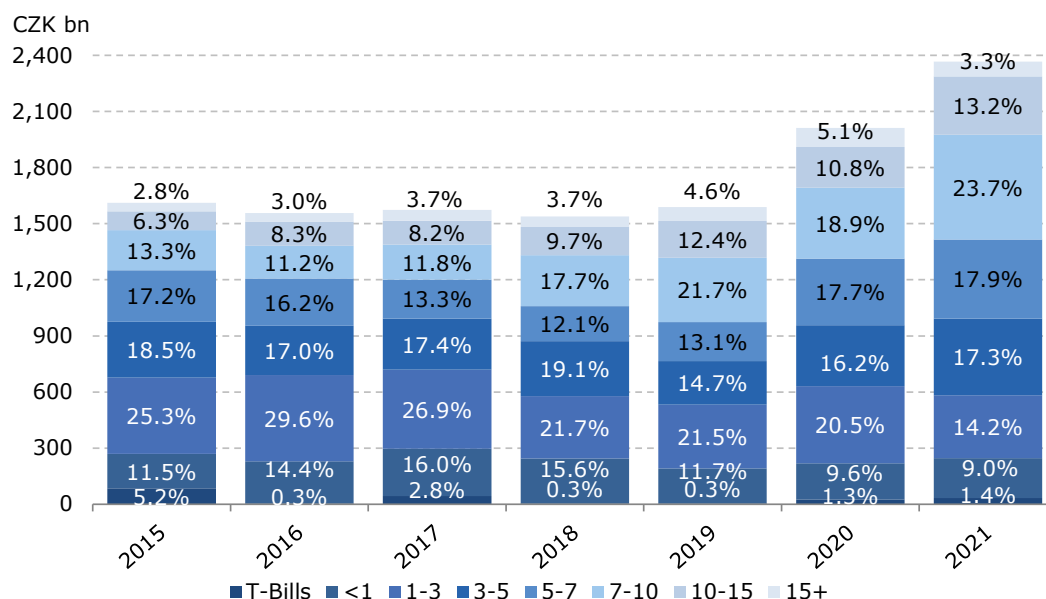
years	2015	2016	2017	2018	2019	2020	2021
T-Bonds issued on domestic market	5.5	5.2	5.3	5.8	6.6	6.5	6.7
T-Bonds issued on foreign markets	5.0	4.3	3.2	3.2	2.2	1.6	1.4
Savings government bonds	1.7	1.5	1.1	1.1	4.5	5.1	4.6
Money market instruments	0.4	0.1	0.3	0.3	0.1	0.2	0.0
Received credits and loans, promissory notes	9.8	9.1	7.9	7.5	7.4	7.3	8.5

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

In 2021, the share of government bonds with a residual time to maturity of over 5 years increased due to the issuance activities of the Ministry, especially at the middle and longer end of the yield curve. The share of government bonds with a residual time to maturity of over 5 years was 58.0% at the end of the year, which represents a year-on-

year increase of 5.6 p.p. The share increased year-on-year, especially in the 7 to 10 years and 10 to 15 years segments, by CZK 179.6 billion, respectively CZK 95.4 billion. On the other hand, the share of the segment with a residual time to maturity of 1 to 3 years decreased, which has a positive impact on refinancing risk.

Figure 25: Structure of Government Bonds by Time to Maturity

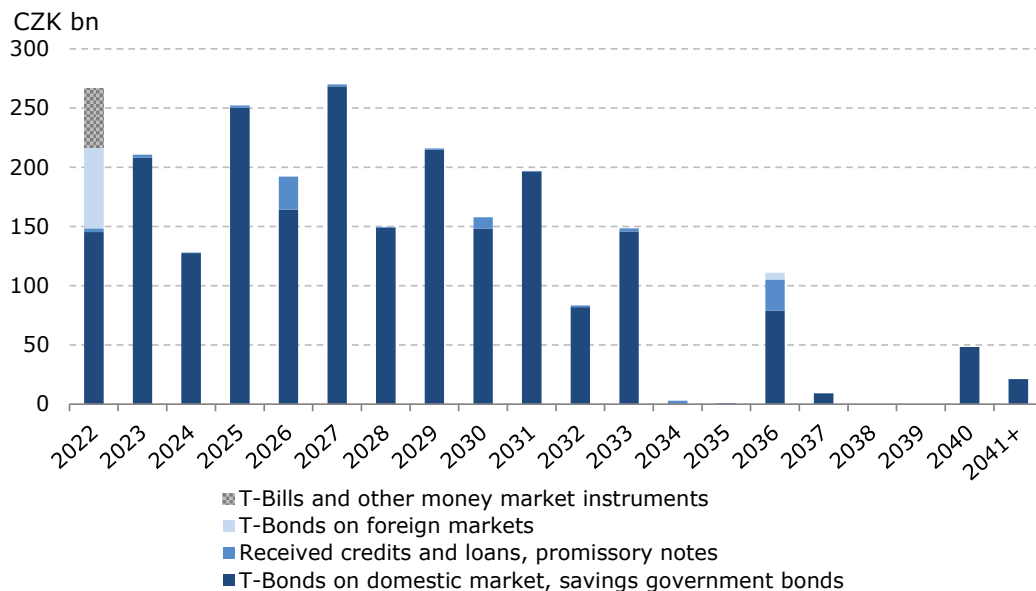


Note: Residual time to maturity as at the end of each year. Includes T-Bonds issued on domestic and foreign markets, savings government bonds and T-Bills.
Source: MoF

The sales of government bonds on the domestic primary and secondary markets, the possible issuance on the foreign markets and the drawing of long-term loans from international

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.

Figure 26: Maturity Profile of State Debt



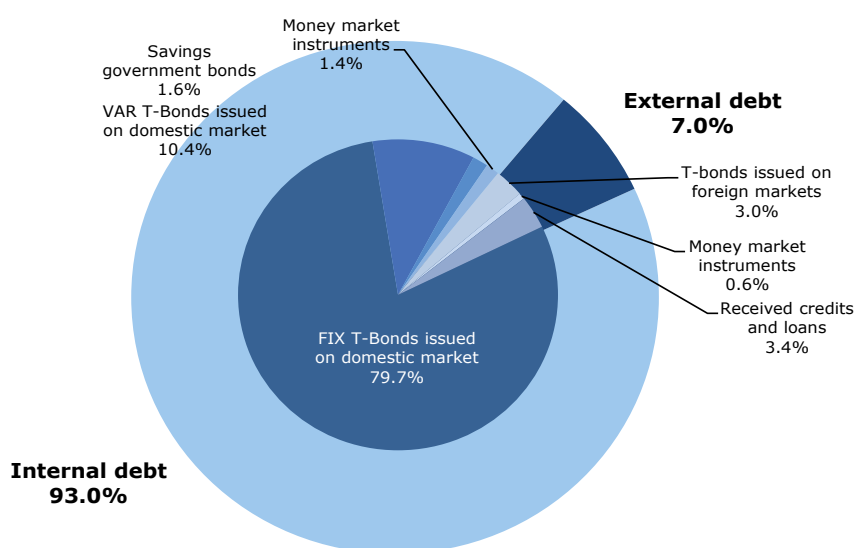
Note: As at the end of 2021. Credits and loans received from international financial institutions and European Commission.
Source: MoF

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 the domestic market, cover the largest share in the long run, with a share of 79.7% of total state debt at the end of 2021, and thus remaining stable compared to the previous year. The share of variable-rate medium-term and long-term government bonds issued on the domestic market in total state debt is 10.4% at the end of 2021, which represents an increase of 1.6 p.p. compared to the end of 2020.

The share of the total nominal value of foreign

issues in the total state debt reached 3.0% at the end of 2021, which represents a decrease compared to the end of 2020 due to the redemption of the foreign issue in 2021 in the total amount of EUR 2.0 billion. The share of money market instruments in the total state debt reached 2.0% at the end of 2021, which represents a year-on-year increase of 0.8 p.p. The share of savings government bonds also increased slightly as a result of new issues of the “Dluhopis Republiky” government bonds and the share of loans received from international institutions also increased slightly due to the drawing of new loans in a total nominal value of EUR 2.1 billion.

Figure 27: Structure of State Debt by Instrument

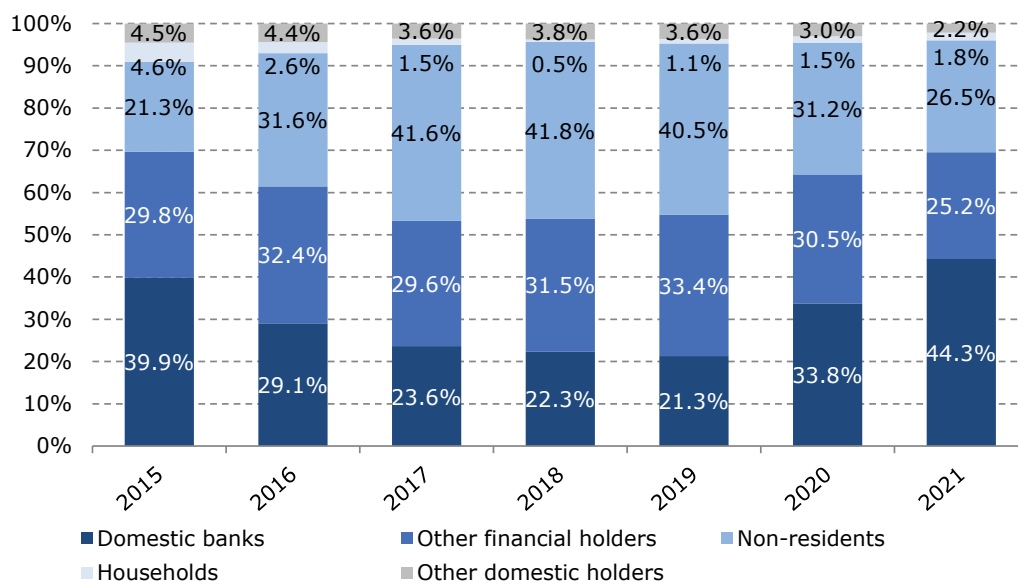


Note: As at the end of 2021. Credits and loans received from international financial institutions and European Commission.
Source: MoF

In 2021, the share of domestic holders in government bonds issued on the domestic market again increased. Higher issuance activity in the last two years was thus absorbed mainly by the domestic banking sector, which holds the highest share of 44.3% in holdings of government bonds. The share of non-residents fell by 4.6 p.p. year-on-year to 26.5%. Although the total nominal value of government bonds held by non-residents

has been relatively stable in recent years, their share is declining due to the growing total nominal value of domestic government bonds outstanding. The sector of other financial holders decreased by 5.3 p.p. year-on-year to 25.2%. Other sectors of holding are relatively insignificant, although the household sector shows a slightly upward trend, which is the result of direct sales of government bonds intended for citizens.

Figure 28: Structure of Government Bonds Sold on Domestic Market by Type of Holder

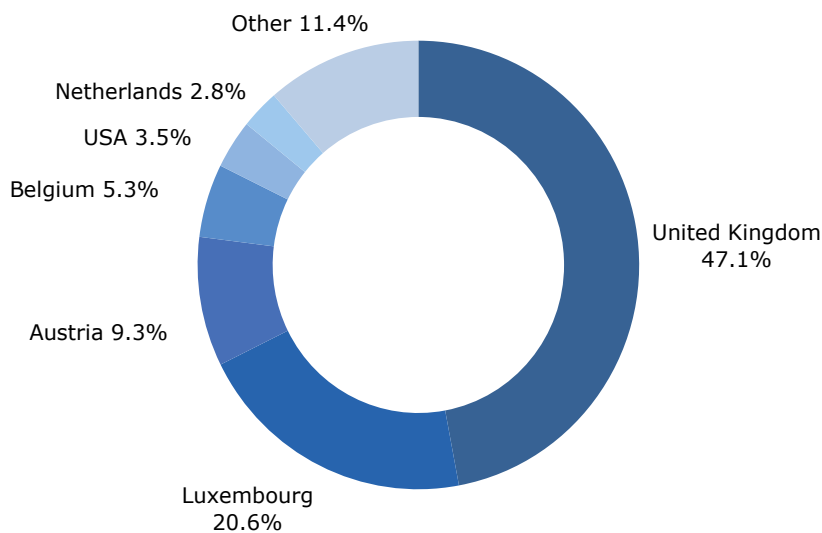


Note: As at the end of each year.
Source: MoF, CDCP, CNB

In terms of the geographical structure of non-residents holding government bonds issued on the domestic market, investors from the United Kingdom and Luxembourg continue to dominate, accounting for almost 68% of all non-resident holders at the end of 2021. Holders from European Union Member States account for almost 44%, but

mainly due to the withdrawal of the United Kingdom from the European Union, the share of holders from European countries outside the European Union prevails and reaches 49%. To a lesser extent, government bonds are held by investors based in North America and Southeast Asia.

Figure 29: Structure of Non-Resident Holders of Government Bonds Sold on Domestic Market



Note: As at the end of 2021. Excluding T-Bills.
Source: MoF, CDCP

Interest Rate Risk

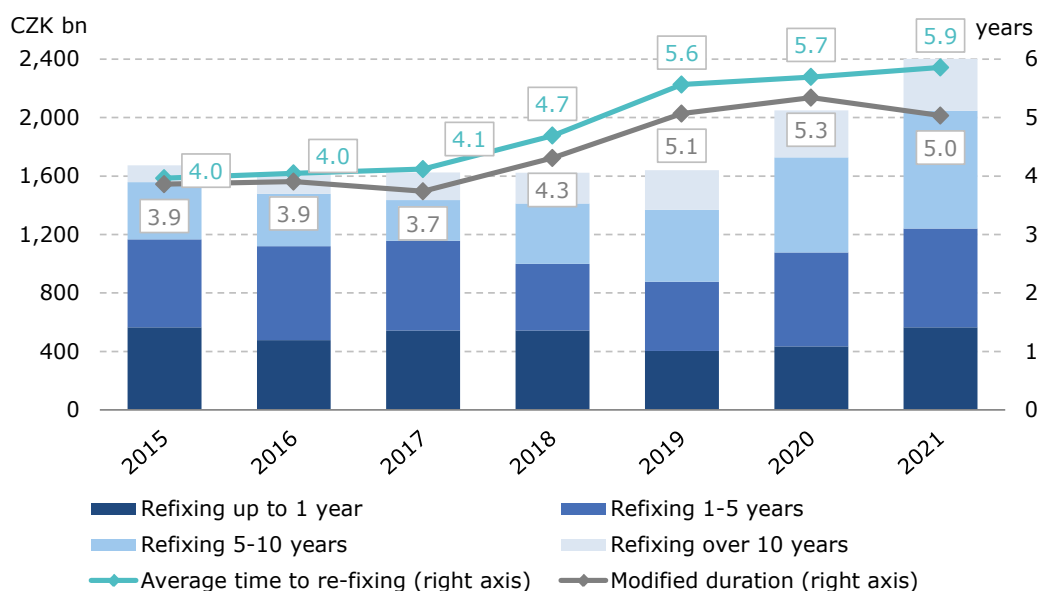
The most important market risk of state debt management remains interest rate risk, which the Ministry manages through the strategic indicator of average time to re-fixing of state debt, for which it sets a medium-term target value.

The average time to re-fixing of the state debt at the end of 2021 is 5.9 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. The increase in the average time to re-fixing is related to the increase in the average time to maturity of state debt and at the same time to a higher issuance of fixed-rate government bonds. 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.

Variable-rate medium-term and long-term government bonds in the total nominal value of CZK 87.0 billion were issued on primary and secondary market in 2021, which is 15.1% of the total gross issue of medium-term and long-term government bonds issued on the domestic market. This represents a year-on-year increase of 9.4 p.p., respectively CZK 53.3 billion. A new variable-rate issue of medium-term and long-term government bonds maturing in 2031 was also contributed to a higher issuance of variable-rate medium-term and long-term government bonds.

Figure 30: Interest Re-fixing of State Debt

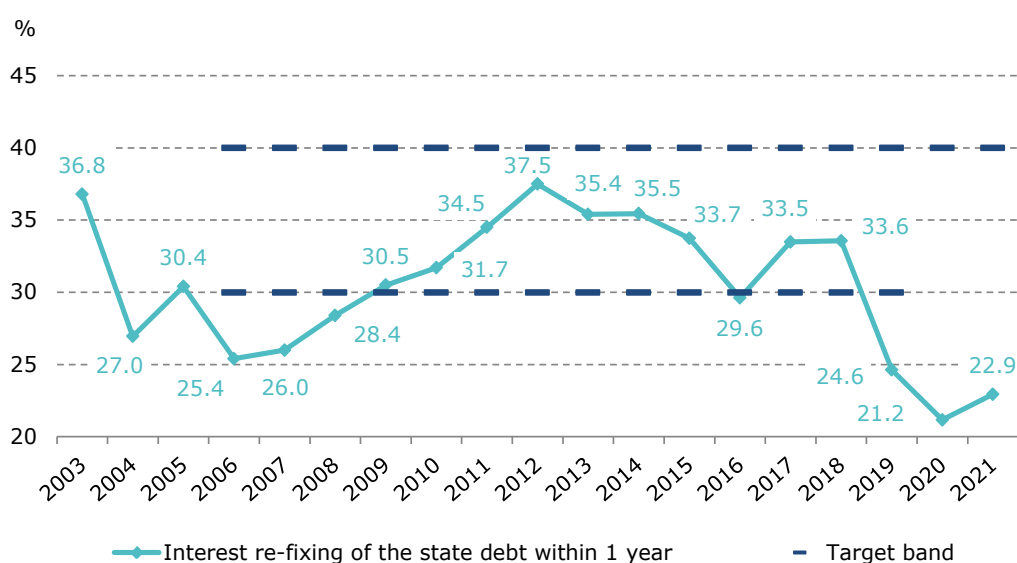


Note: As at the end of each year.
Source: MoF

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 2021, the year-on-year increase in this indicator is 1.8 p.p. and amounts to 22.9%. 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

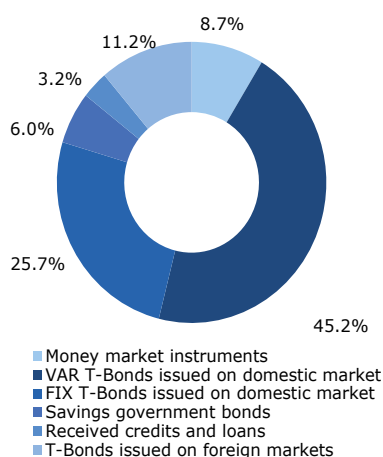
by the average time to re-fixing indicator. The debt portfolio, which is sensitive to interest rate fluctuations in the financial market in 2022, consists mainly of variable-rate medium-term and long-term government bonds (45.2%) and fixed-rate medium-term and long-term government bonds (25.7%) issued on the domestic market. Government bonds issued on the foreign markets including the effects of derivative transactions account for 11.2% of this portfolio, state treasury bills and other money market instruments account for 8.7%, savings government bonds account for 6.0% and credits and loans received from international institutions represent 3.2% of this portfolio.

Figure 31: Interest Re-fixing of State Debt within 1 Year



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

Figure 32: Structure of Interest Re-fixing of State Debt within 1 Year



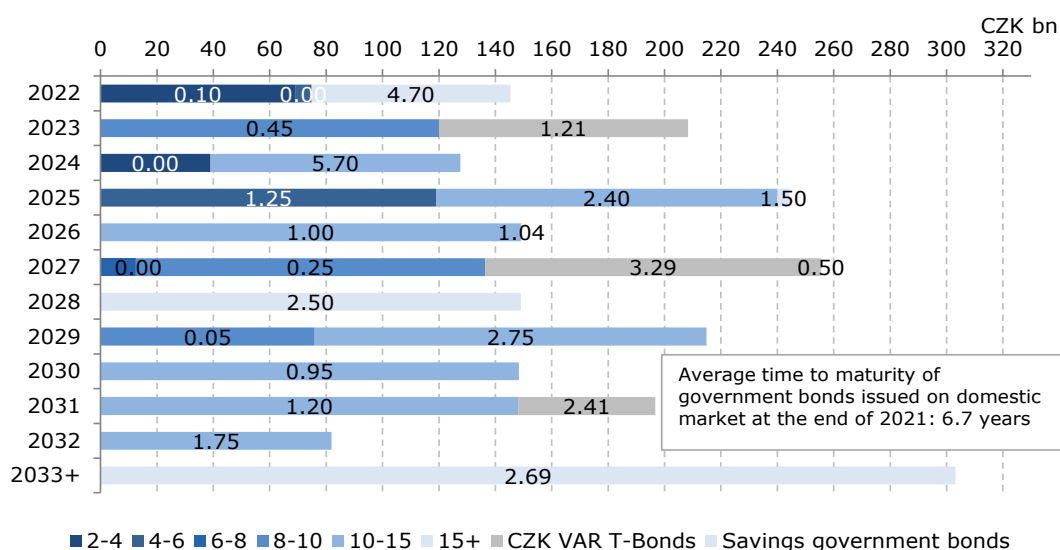
Note: As at the end of 2021. Credits and loans received from international financial institutions and European Commission.
Source: MoF

The Ministry also monitors the structure of medium-term and long-term government bonds issued on the 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 the domestic market. At the end of 2021, these bonds have an average coupon rate of 1.81% p.a.; bonds maturing in 2022 have an average coupon rate of 2.33% p.a. In the segment of 2 to 4 years of the original time to maturity, these bonds have an average coupon rate of 0.06% 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 0.28% p.a., in the segment of 10 to 15 years an average coupon rate is 2.04% p.a., and in the segment of over 15 years of the original time to maturity, these bonds have an average coupon rate is 2.91% p.a.

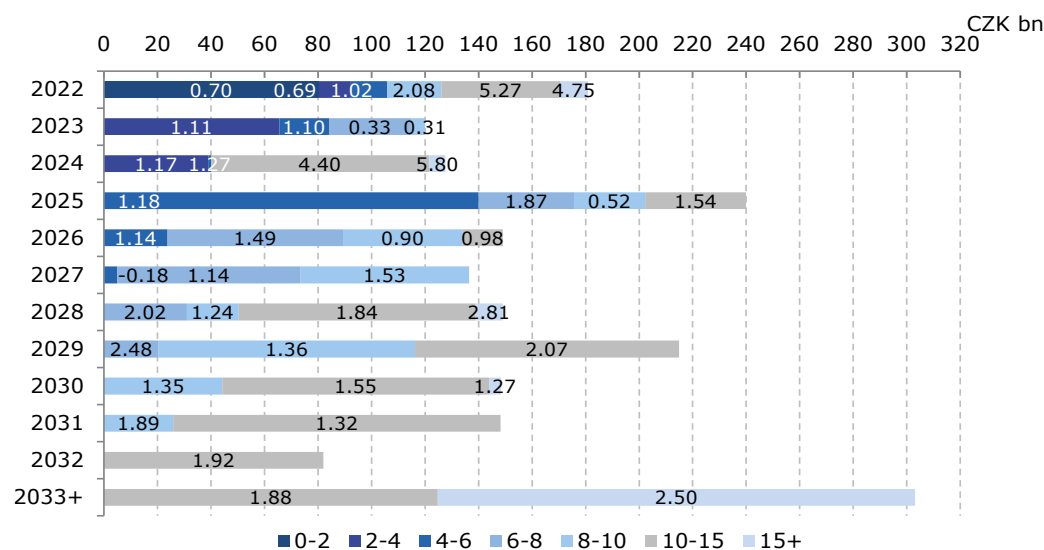
The Ministry also monitors the structure of fixed-rate medium-term and long-term government bonds issued on the domestic market according to the current time to maturity, time to maturity at the moment of sale, and yield to maturity at the moment of sale. Such constructed government bonds structure reflects 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 2021, the average annual cost of fixed-rate medium-term and long-term government bonds issued on the domestic market is 1.77% p.a. In 2022, bonds with an average annual cost of 2.23% p.a. are redeemed in the following structure: bonds sold as 0 to 2-year with an average annual cost of 0.70% p.a., bonds sold as 2- to 4-year with an average annual cost of 0.69% p.a., bonds sold as 4- to 6-year with an average annual cost of 1.02% p.a., bonds sold as 8- to 10-year with an average annual cost of 2.08% p.a., bonds sold as 10- to 15-year with an average annual cost of 5.27% p.a. and bonds sold over 15-year with an average annual cost of 4.75% p.a.

Figure 33: Maturity Profile of Government Bonds Sold on Domestic Market by Time to Maturity and Coupon Rate



Note: Maturity profile as at the end of 2021. 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 34: Maturity Profile of Government Bonds Sold on Domestic Market By Achieved Yield to Maturity



Note: As at the end 2021. Maturity profile of fixed-rate T-Bonds issued on domestic market by time to maturity at the moment of sale, excl. effect of buy-backs. 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 12: Average Coupon Rates and Costs of Government Bonds Sold on Domestic Market by Year of Maturity

% p.a.	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033+	Average
Average coupon rate¹	2.33	0.45	3.96	1.83	1.00	0.23	2.50	1.80	0.95	1.20	1.75	2.69	1.81
Average costs¹	2.23	0.88	3.45	1.27	1.20	1.27	1.87	1.79	1.48	1.42	1.92	2.24	1.77

¹ Incl. only fixed-rate medium-term and long-term government bonds. In the case of average costs excl. effect of buy-backs. Note: Balance as at the end of 2021. 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 2021, 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 depreciation of the local currency.

At the end of 2021, the share of net foreign-currency exposure with the impact on state debt amounts to 7.0% of total state debt and is thus below its limit. Compared to the end of 2020, 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 5.3% of total state debt at the end of 2021 and is below its limit. Compared to the end of 2020, there was a decrease by 3.1 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 2021, 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 2021 is 6.6%, when the indicator decreased by 1.8 p.p. compared to the end of 2020.

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 2021 is 6.4 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 9.6 years at the time of the auction, the required average time maturity of the synthetic state debt portfolio will be 6.4 years at the end of 2021.

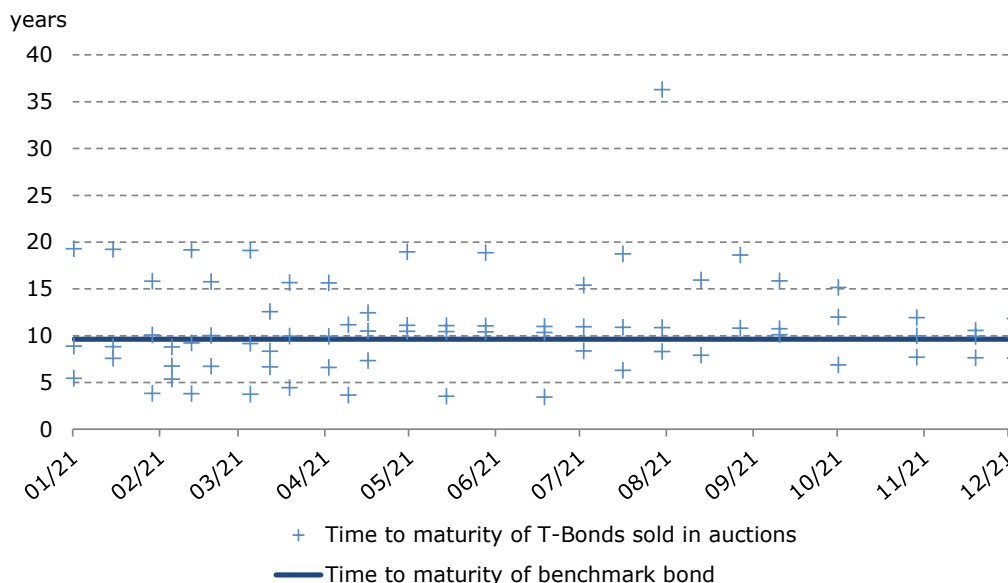
The weighted average yield of the portfolio of CZK-denominated medium-term and long-term government bonds sold in actual auctions on the domestic market during 2021 using the average yield to maturity of the auction for fixed-rate bonds and the average spread over the reference interest rate at auction and the relevant PRIBOR forward rate for variable-rate bonds was 1.65% p.a. The weighted average yield of the benchmark portfolio bonds derived from the theoretical yield curve modelled using the Svensson model reached 1.86% p.a. in 2021, i.e. 21 basis points more than the weighted average yield of actual portfolio.

To assess the actual savings achieved in 2021, 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 sold in auctions on the domestic market during the year 2021 is CZK 6.5 billion. The total annual cost in accrual terms generated in the benchmark portfolio is also CZK 7.4 billion.

It should be noted that the annual savings in accrued term of CZK 0.8 billion are generated only by adjustment of the issuance calendar and flowing from the shape of the yield curve. It should also be noted that the saving is expressed on the basis of

the forward values of the PRIBOR reference interest rate, so the actual savings can only be determined based on the actual future values of the PRIBOR reference interest rate.

Figure 35: Time to Maturity of Government Bonds Sold in Auctions and Benchmark Bond

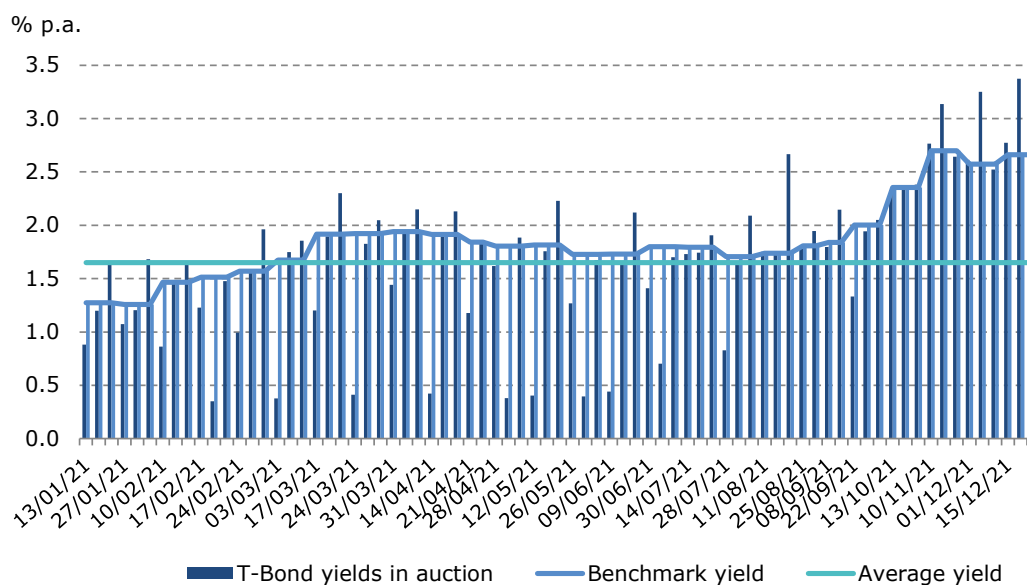


Note: Residual time to maturity. Incl. T-Bonds denominated in local currency. Source: MoF

Over the course of 2021, 61 auctions of fixed-rate CZK-denominated medium-term and long-term government bonds in total nominal value of CZK 324.8 billion and 14 auctions of variable-rate CZK-denominated medium-term and long-term government bonds in a total nominal value of CZK 70.6 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 2021 was 9.6 years and is the same as the maturity of the benchmark bond.

Figure 36: Yields of Government Bonds Sold in Auctions and Benchmark Bond



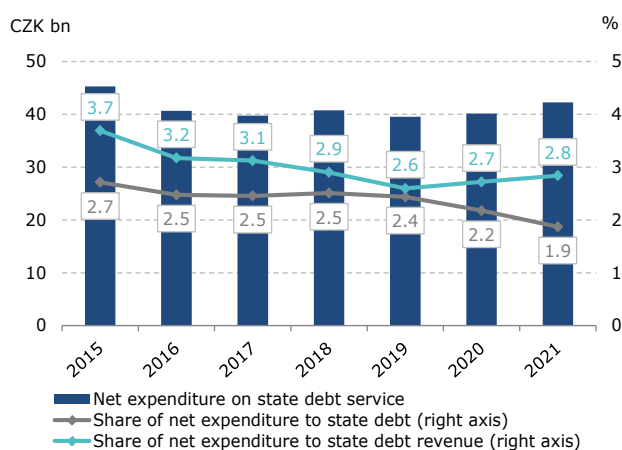
Note: Incl. T-Bonds denominated in local currency. Source: MoF

5 – State Debt Service Expenditure

Cash and Accrued Expression

Net state debt service expenditures represent the difference between gross state debt service expenditures and revenues, which are based on a cash principle, as well as the whole state budget, and are 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 revenues and state debt was stabilized in the years 2015 to 2019 to the level of 2.6% of state budget revenues and 2.4% of state debt. Despite a year-on-year increase in net state debt service expenditures of CZK 2.1 billion in 2021, the share of these expenditures in state budget revenues remained stable at the level of 2.8%, while the share of this expenditure in government debt decreased to the level of 1.9%.

Figure 37: Net Expenditure on State Debt Service

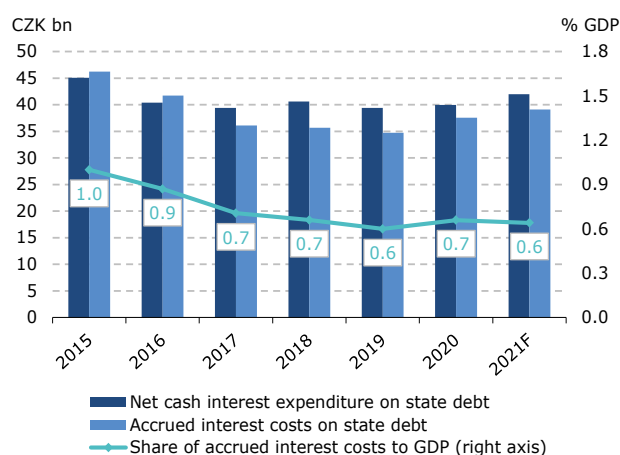


Note: The revenue of state budget is adjusted of the revenue of chapter 396 – State Debt.
Source: MoF

Monitoring the development of revenues and expenditures as well as net expenditures on state debt service does not always have to provide accurate information on what economic costs are 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. 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 2021,

accrued costs increased by CZK 1.5 billion year-on-year, which, with a further record increase in state debt over the year by more than CZK 400 billion, represents a very slight increase. In contrast, net cash interest expenditures on state debt service increased by CZK 2.1 billion year-on-year, which is due to the above-mentioned disproportion, when sales of government bonds in 2020 are already reflected on a cash basis, while sales of government bonds in 2021 will be reflected a greater extent in the following years.

Figure 38: Net Cash Expenditure and Accrued Costs on State Debt Service



Note: The source of GDP in the ESA 2010 methodology for 2015 to 2020 is the CZSO, for 2021 the Macroeconomic Forecast of the Czech Republic – January 2022.
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 koruna 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 the accrual basis and, eventually, at the end of this period on a 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 the 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 prevails 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 13: Cash Premiums and Discounts and Difference Between Cash Expenditure and Accrued Costs

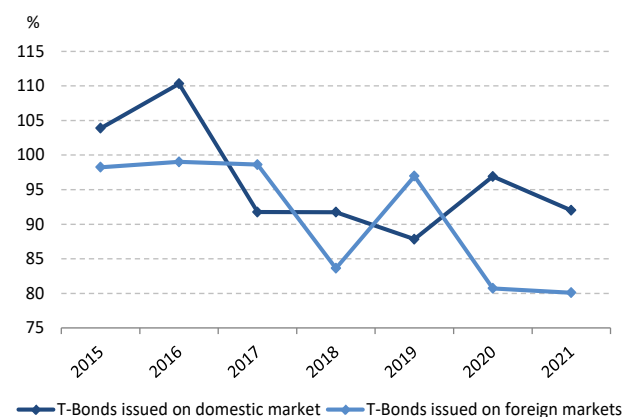
CZK bn	2015	2016	2017	2018	2019	2020	2021
Cash premiums	7.1	8.6	8.4	8.4	11.4	10.5	13.8
Cash discounts	0.6	0.0	3.0	8.0	10.3	9.0	15.8
Difference between cash discounts and premiums	-6.5	-8.6	-5.4	-0.4	-1.1	-1.5	2.0
Difference between cash expenditure and accrued costs	-1.3	-2.8	2.4	2.7	4.3	1.0	3.2

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 more than nine-tenths of the total accrued state debt costs in 2021. 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 approximately one-tenth of total accrued costs in 2021, cash interest expenditure also outweighs accrued costs. Given the short maturity of most received credits and

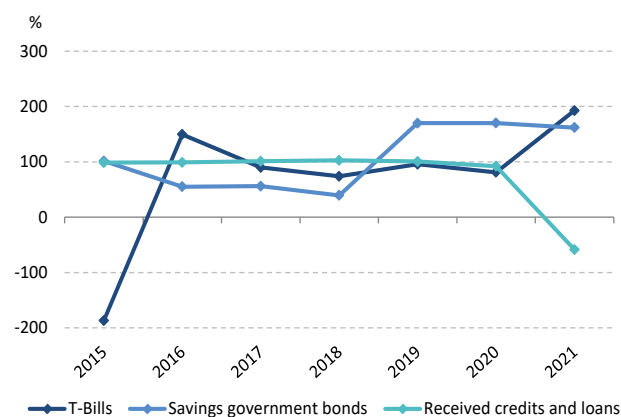
loans in the form of lending facilities as well as state treasury bills, the differences between cash expenditure and accrued costs are not significant. The same applies to short-term borrowings and, in most cases, to loans received from the international financial institutions due to the generally short 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, wherein 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 39: Share of Accrued Costs in Net Cash Interest Expenditure of Government Bonds



Source: MoF

Figure 40: Share of Accrued Costs in Net Cash Interest Expenditure of Other Components of State Debt



Note: Credits and loans received from international financial institutions and European Commission.
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 47.2 billion, whereas the actual net expenditures of the chapter amounted to CZK 42.2 billion in 2021, i.e. roughly 0.7% of GDP. As part of the approved amendments to the State Budget Act during the first quarter of 2021, the budget of Chapter 396 – State Debt was increased by CZK 4.9 billion to CZK 52.9 billion. The difference between actual

net expenditures and the approved budget is CZK 10.6 billion, which partially contributed to better-than-expected state budget performance in 2021. 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 the approved one. Compared to 2020, net expenditures increased by approximately 5.2%.

Table 14: Budget Expenditure and Revenue of the State Debt Chapter

CZK mil	Actual 2020	Budget 2021		Actual 2021	% Execution	2021/2020 (%)
		Approved	After changes			
1. Total interest expenditure and revenue	39,971	52,504	43,041	42,004	97.6	105.1
	-	-	-	-	-	-
Internal debt	33,091	47,082	37,879	37,792	99.8	114.2
	-	-	-	-	-	-
Money market instruments	(-) 978	921	(-) 2,379	(-) 2,462	103.5	251.8
	-	-	-	-	-	-
Savings government bonds	334	725	725	919	126.6	274.7
	-	-	-	-	-	-
T-Bonds on domestic market	33,735	45,435	39,532	39,335	99.5	116.6
	-	-	-	-	-	-
External debt	6,881	5,172	5,021	4,094	81.5	59.5
	-	-	-	-	-	-
T-Bonds on foreign markets	6,387	4,715	4,664	4,408	94.5	69.0
	-	-	-	-	-	-
Received credits and loans ¹	494	457	357	(-) 314	-88.0	-63.6
	-	-	-	-	-	-
Payment accounts	(-) 1	250	141	118	83.6	-9,451.9
	-	-	-	-	-	-
2. Fees	174	350	350	230	65.8	132.0
	-	-	-	-	-	-
Total chapter balance	40,145	52,854	43,391	42,234	-	105.2

¹ Credits and loans received from international financial institutions and European Commission.

Note: (-) means revenue (gains).

Source: MoF

In 2021, a total of CZK 9.5 billion was transferred from the chapter's expenditures 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 1.2 billion.

The difference between actual and budgeted expenditure is due to several factors. The most important factor in 2021 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 and the Czech National Bank's key interest rates, but also to an increase in the debt coverage of the state budget by another CZK 180 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.

In 2021, interest costs on state debt service amounted to CZK 39.1 billion on the accrual basis, of which interest costs on government bonds issued in 2021 amount to approximately CZK 5.4 billion. The total nominal value of government bonds issued in 2021 amounts to CZK 676.7 billion, including state treasury bills issued and redeemed in the year. Compared to 2020, the accrued costs related to government bonds issued in 2021 are about CZK 0.5 billion higher, mainly due to a sharp increase in key interest rates by the Czech National Bank in the second half of 2021, which was fully reflected in the growth of interest rates on the interbank deposit market.

Table 15: Interest Expenditure and Accrued Costs of the Newly Issued State Debt

CZK bn	Nominal value	Net interest expenditure / accrued costs			
		2021F	2022F	2023F	2024F
Cash basis expression	676.7	3.0	11.3	11.9	11.8
Accrued basis expression	676.7	5.4	12.2	12.6	12.5
Gross issuance of T-Bonds	577.8	5.0	11.5	12.0	11.8
Gross issuance of T-Bills	85.8	0.1	0.0	-	-
Gross issuance of savings government bonds	13.0 ¹	0.4	0.6	0.6	0.6

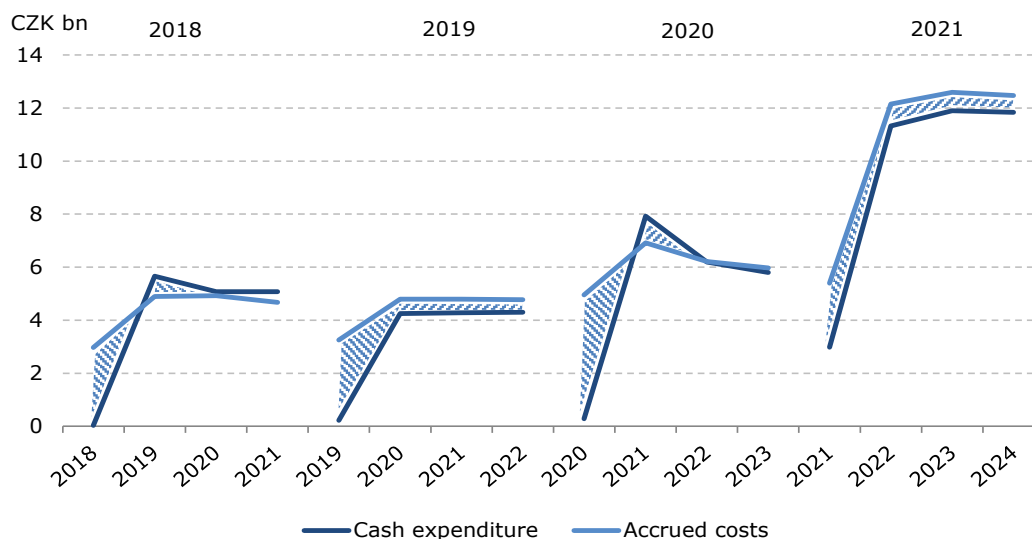
¹ Does not include the reinvestment of yields of already issued savings government bonds.
Source: MoF

A similar development is shown by net interest expenditures on the same debt on a cash basis when the amount of this expenditure in 2021 amounted to CZK 3.0 billion. In the years 2022 to 2024, net interest expenditures on newly issued government bonds are expected at the level of CZK 11.3 to 11.9 billion, which confirms that the low cash state budget expenditures of newly issued government bonds in 2021 are offset by higher cash expenditures in the following years, mainly due to the payment of nominal coupons.

The total net cash interest expenditures 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 government 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 expenditures 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 41: Net Cash Interest Expenditure and Accrued Interest Costs of Newly Issued Debt

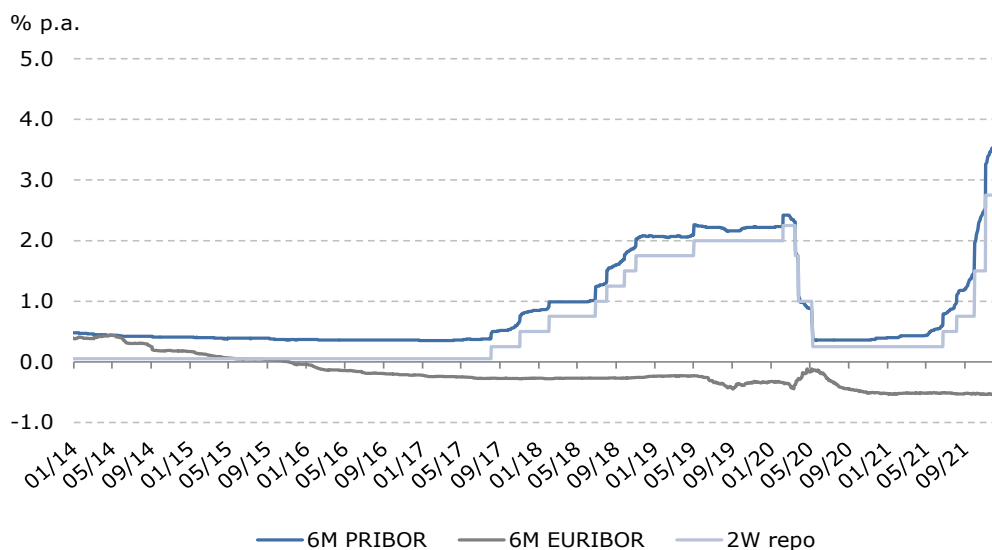


Source: MoF

In 2021, the euro money market yield curves remained at their values. The six-month EURIBOR rate fluctuated around a constant level during the year with very low volatility. The koruna money market yield curves developed in the opposite direction, increasing significantly in 2021 in

connection with the monetary policy of the Czech National Bank, which increased the key interest rate (2W repo rate) fivefold during 2021, from 0.25% p.a. to 3.75% p.a. The six-month PRIBOR rate, in response to these steps, continued to grow during 2021 with significantly higher volatility.

Figure 42: Development of Rates: 6M PRIBOR, 6M EURIBOR a 2W Repo

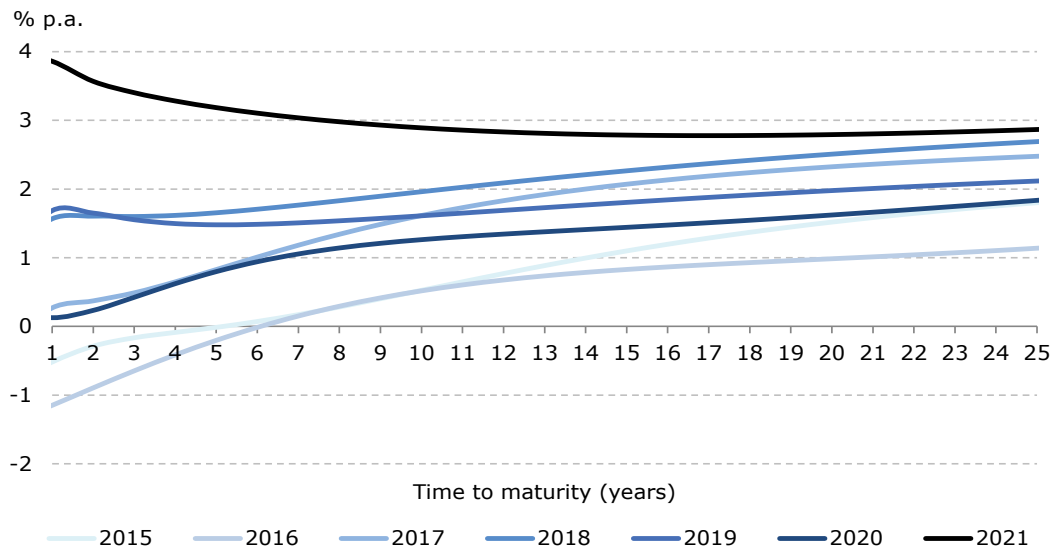


Source: CNB, MTS, Refinitiv

Compared to the end of 2020, CZK-denominated government bond yields increased along the whole yield curve. In 2021, government bond yields at the shorter end of the yield curve reacted more sensitively to the Czech National Bank's monetary policy decisions in the form of increasing key interest rates. The strongest growth in short-term government bond yields occurred at the end of the third quarter and during the fourth quarter of 2021, when the Czech National Bank increased its 2W repo rate three times, from 0.75% p.a. to 3.75% p.a.

Government bond yields at the longer end of the yield curve also grew gradually, but with significantly lower volatility compared to the shorter end of the yield curve, leading to a gradual flattening in the first three quarters of 2021. The higher growth of short-term government bond yields compared to long-term government bonds led in the fourth quarter of 2021 that short-term government bonds reached higher yields at the end of 2021 than medium-term and long-term government bonds.

Figure 43: Yield Curve of Government Bonds

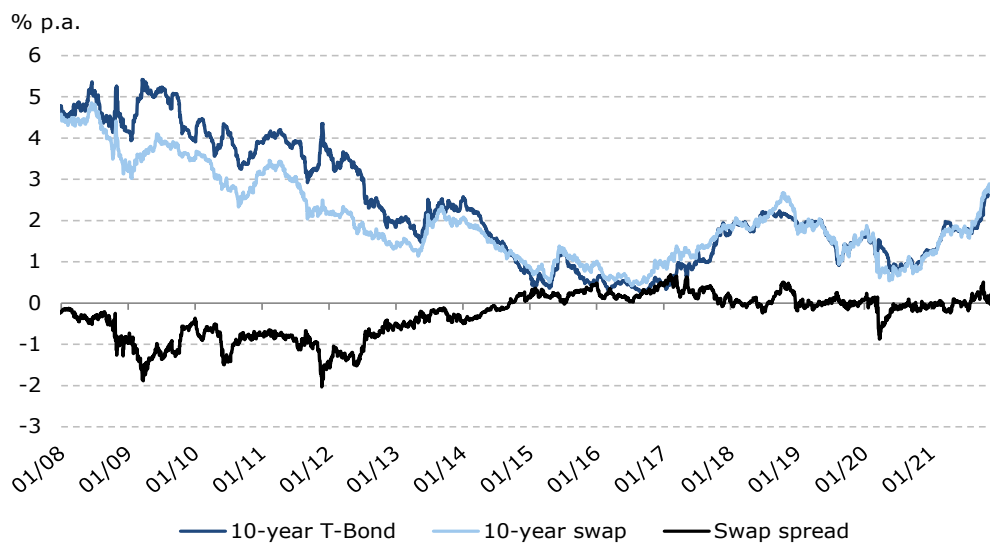


Note: "Par" yield curve of CZK-denominated fixed-rate government bonds is constructed on the basis the extended Nelson-Siegel model, called Svensson model. Source: MoF, Bloomberg, MTS

The difference between the swap rate and the yield of the government bond, the so-called swap spread, remained at the zero level with very low volatility during 2021 in the case of a ten-year maturity, which continues to confirm the attractiveness of the Czech

Republic as an issuer of government bonds among investors. It reached its highest values mainly in the fourth quarter, especially at the beginning of October when it was around 40 basis points.

Figure 44: 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.

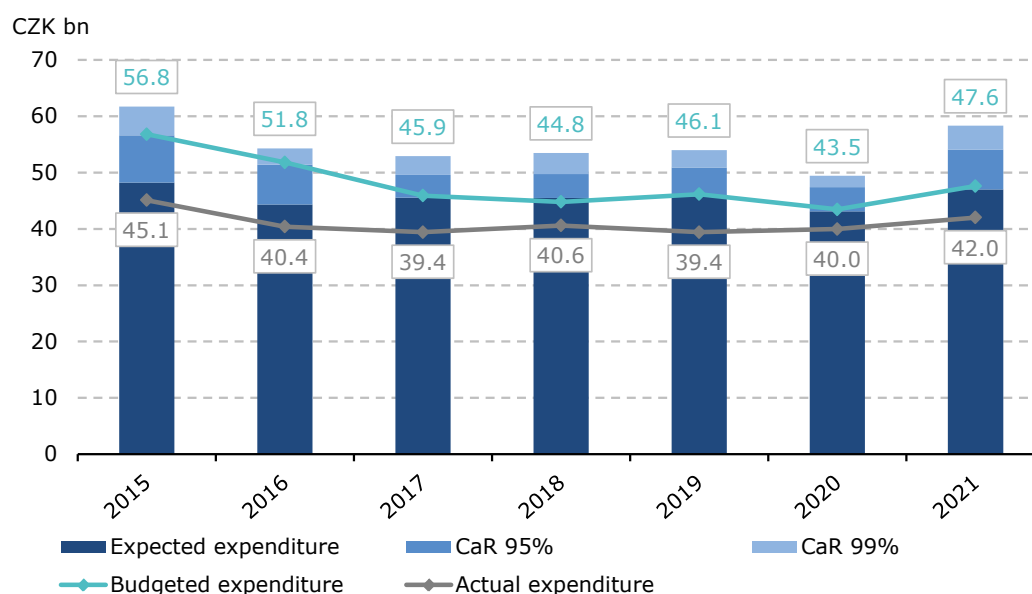
The primary objective of the model is to determine the maximum interest expenditure on state debt, which with 95% or 99% probability will not be exceeded (CaR 95% and CaR 99%). The secondary objective of the model is to estimate the actual interest expenditure on state debt. The outcomes of the applied CaR analysis are not just the values of

CaR 95% and CaR 99% percentiles, but also whole probabilistic distributions of interest expenditure at any moment, 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.

Overall 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 45: Net Interest Expenditure and Cost-at-Risk



Note: Original budgeted net interest expenditure.
Source: MoF

Table 16: Net Interest Expenditure and Cost-at-Risk

CZK bn	2015	2016	2017	2018	2019	2020	2021
Budgeted expenditure¹	56.8	51.8	45.9	44.8	46.1	43.5	47.6
Actual expenditure	45.1	40.4	39.4	40.6	39.4	40.0	42.0
Expected expenditure	48.2	44.3	45.6	45.5	45.8	43.1	47.0
CaR 95%	56.6	51.4	49.6	49.7	50.9	47.4	54.1
CaR 99%	61.7	54.3	52.9	53.5	54.0	49.4	58.3

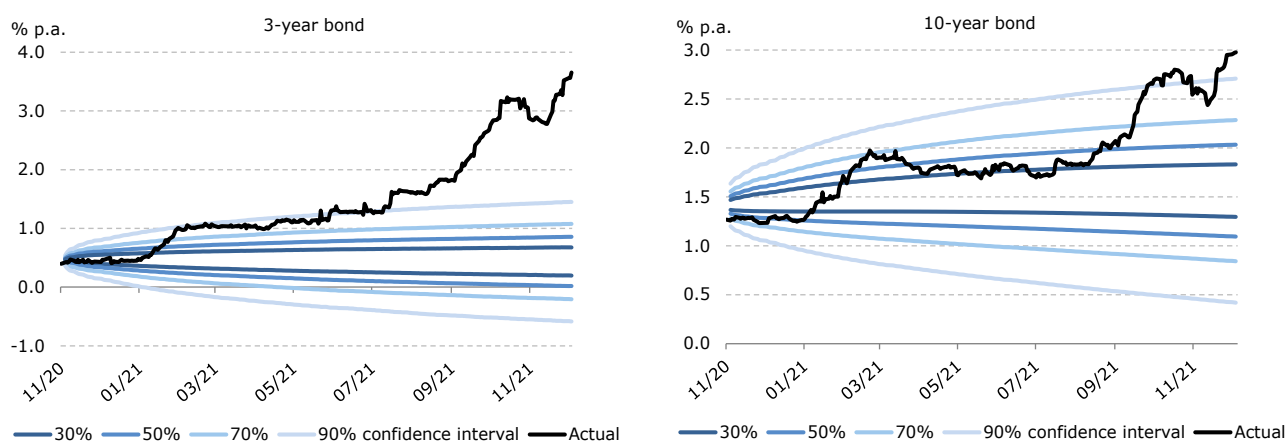
¹ The original budgeted net interest expenditure.
Source: MoF

Cost-at-Risk for 2021

The Cost-at-Risk of state debt for 2021 was published in The Czech Republic Government Debt Management Annual Report for 2020. Calculation of the CaR indicator is based on simulations of the time structure of interest rates as of 27 November 2020. 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 27 November 2020 to 31 December 2021. It is clear from them that the development of

government bond yields, which could be observed after repeated sharp increases in key interest rates by the Czech National Bank, could not be completely predicted by the model, because for example 3-year maturity yields, especially in the second half of 2021, were outside 90% confidence interval. In the case of 10-year maturity, the model was able to predict developments in the first three quarters of the year, when the deviation from the forecast was not so significant.

Figure 46: Actual vs. Simulated of CZK-denominated Government Bond Yields in 2021



Source: MoF, Refinitiv

A comparison of the actual net interest expenditures on state debt service with the simulated values of expected expenditures (simulation average) and interest expenditures in CaR (95% and 99% percentile of simulations) in 2020 and 2021 is

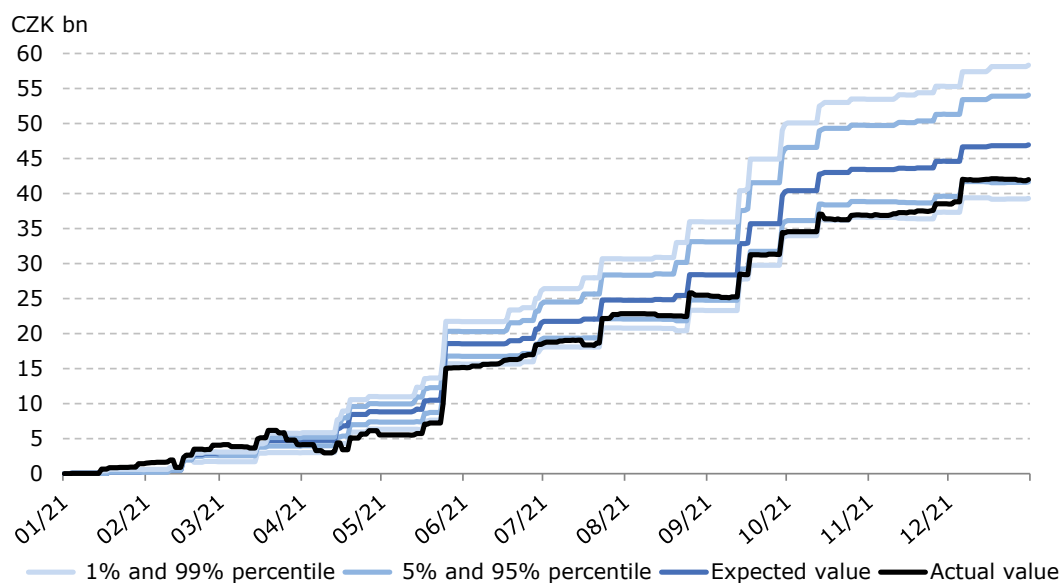
shown in the following table. In 2021 the net interest expenditures amounted to CZK 42.0 billion, the expected net interest expenditures predicted by the model amounted to CZK 47.0 billion.

Table 17: Expected vs. Actual Net Interest Expenditure

CZK bn	2020	2021
Actual expenditure	40.0	42.0
Expected expenditure	43.1	47.0
CaR 95%	47.4	54.1
CaR 99%	49.4	58.3
Difference between expectation and actuality	3.1	5.0

Source: MoF

Figure 47: Actual vs. Simulated Net Interest Expenditure in 2021



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

The net interest expenditures in 2021 remained below the CaR 95% and CaR 99% level, which were estimated at CZK 54.1 billion and CZK 58.3 billion, respectively. The expected net interest expenditures predicted by the model are CZK 5.0 billion higher than the actual one.

The difference in expected net interest expenditures is mainly due to rising yields on medium-term and long-term government bonds issued on the domestic market compared to expectations of the model, to which the Ministry responded flexibly

by changing the structure of issuance calendars of medium-term and long-term government bonds and state treasury bills. In 2021, the Ministry reduced the issuance of state treasury bills and focused on issuing medium-term and long-term government bonds bearing interest, especially at the longer end of the yield curve. The difference from this title amounts to a total of CZK 3.6 billion. The difference of CZK 1.4 billion is due to higher-than-expected state budget revenues from state treasury liquidity management operations in connection with rising key interest rates of the Czech National Bank.

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, when Goldman Sachs International (now Goldman Sachs Bank Europe SE) became the first recognized dealer.

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 tap sales, buy-backs and exchange operations of government bonds, tap sales or lending facilities. 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.

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 2021, the Czech Republic had a total of 9 primary dealers, and the number did not change compared to the previous year. 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. On 15 October 2021, a new Tripartite Agreement with Raiffeisen Bank International AG / Raiffeisenbank a.s. was concluded to cover the activities of the domestic entity as well. System of primary dealership ran smoothly in 2021 and Ministry did not receive any proposals to amend the current institutional arrangement of the market.

Table 18: List of Primary Dealers and Recognized Dealers in Czech Government Securities in 2021

Primary Dealers	
Citibank Europe 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 Śląski S.A.	UniCredit Bank Czech Republic and Slovakia, a.s.
Raiffeisen Bank International AG / Raiffeisenbank a.s.	
Recognized Dealers	
Goldman Sachs Bank Europe SE	

Source: MoF

Evaluation Results of the Primary Dealers

The long-term objective of the state debt management is also to support the maximum possible liquidity and transparency of the secondary market for Czech government bonds. In order to achieve this objective, the interdealer over-the-counter electronic trading platform of the regulated market MTS Czech Republic for the secondary government bond market (DETS - Designated Electronic Trading System) was implemented. 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 platform provides real-time executive prices of benchmark bonds and thus enables indisputable monitoring of the behaviour of market participants, which can also be used as a basis for subsequent evaluation of their performance. It provides market participants with transparent information on the price development of Czech government bonds and continuous access to their supply. The implementation of this platform has also made it possible to expand the circle of primary dealers to include new foreign participants and domestic market makers.

Table 19a: Overall Evaluation of Primary Dealers

Ranking	Primary Dealer	Points
1.	KBC Bank NV / Československá obchodní banka, a. s.	80.1
2.	PPF banka a.s.	70.7
3.	Erste Group Bank AG / Česká spořitelna, a.s.	63.4
4.	Société Générale / Komerční banka, a.s.	53.2
5.	UniCredit Bank Czech Republic and Slovakia, a.s.	37.8

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

Table 19b: Evaluation of Primary Dealers on Primary Market

Ranking	Primary Dealer	Points
1.	Erste Group Bank AG / Česká spořitelna, a.s.	44.6
2.	KBC Bank NV / Československá obchodní banka, a. s.	42.4
3.	PPF banka a.s.	40.9
4.	Société Générale / Komerční banka, a.s.	30.9
5.	UniCredit Bank Czech Republic and Slovakia, a.s.	18.4

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

Table 19c: Evaluation of Primary Dealers on Secondary Market

Ranking	Primary Dealer	Points
1.	KBC Bank NV / Československá obchodní banka, a. s.	37.6
2.	PPF banka a.s.	29.9
3.	Société Générale / Komerční banka, a.s.	22.3
4.	UniCredit Bank Czech Republic and Slovakia, a.s.	19.5
5.	Erste Group Bank AG / Česká spořitelna, a.s.	18.8

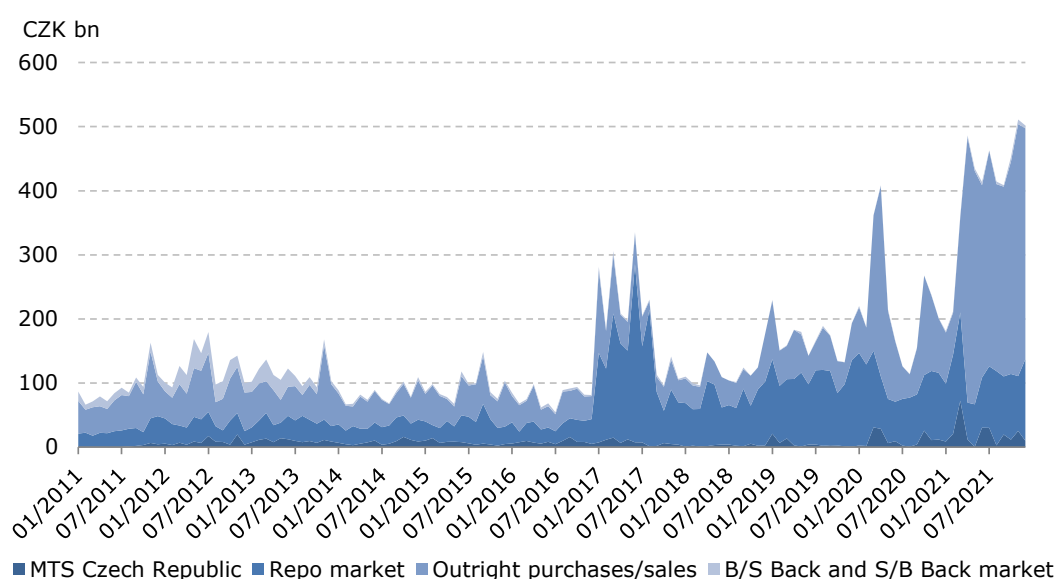
Note: Maximum possible number of points in this criterion is 45.
Source: MoF

MTS Czech Republic and Secondary Government Bond Market

The long-term objective of the state debt management is also to support the maximum possible liquidity of Czech government bonds traded on the secondary market. In order to achieve this objective, the MTS Czech Republic electronic trading platform for the secondary government bond market was implemented. On July 11, 2011, the pilot operation was launched, which was followed by full operation after three months. To support the liquidity of the MTS Czech Republic secondary market, the Ministry can also use secondary market operations in the form of tap sales, exchanges of short-maturity government bonds for longer-maturity bonds, as well as repurchases of illiquid short-term bonds. The

MTS Czech Republic platform also enables monitoring of market participants' behavior and compliance with the set rules in real time as a basis for subsequent evaluation of their performance and bonuses. The implementation of this platform has also enabled the expansion of the circle of primary dealers to include new foreign domestic market makers. Since its establishment, the official MTS Czech Republic market has become an integral part of the overall secondary market for government bonds. It provides market participants with transparent information on the price development of government bonds issued on the domestic market and continuous access to their supply.

Figure 48: 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

The years 2020 and 2021 were exceptional in terms of trading activity on the government bond market and largely corresponded to the Ministry's issuance activity, when it was necessary to cover the historically highest financing needs on the primary and secondary markets. Trading on the MTS Czech Republic in these years was mainly influenced by the Ministry's operations, while direct purchases and sales were mainly influenced by auctions of government bonds, during which they were settled from the Ministry's portfolio.

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. At the same time, a liquid and deep secondary market is important in order to sufficiently absorb potential financial market shocks. In order to meet this task, the Ministry established, from 1 February 2022, on the basis of a previous discussion with primary dealers at a meeting of the Primary

Dealers Committee, a list of benchmark government bond issues whose nominal value in circulation is sufficient to enable the market maker to meet its listing obligations. 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 2021, two new issues were included in the list of benchmark list for 2022, namely the Government Bond of the Czech Republic, 2021–2024, 0.00% and the Government Bond of the Czech Republic, 2021–2032, 1.75%. Due to the short remaining term to maturity, the Czech Republic Treasury Bond, 2007–2022, 4.70% was removed.

As a result of the changes in benchmark issues, the total number of bonds in 2022 subjected to quoting obligation increased by 1 benchmark bonds, in total 16.

Table 20: Benchmark Issues of Government Bonds as at 1 February 2022

Issue no.	Issue	ISIN	Coupon	Maturity date	Maturity basket	Minimum quoted nominal value (CZK mil)
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
135	ČR, 0.00 %, 24	CZ0001006167	0.00%	12/12/2024	A	50
120	ČR, 1.25 %, 25	CZ0001005870	1.25%	14/2/2025	A	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%	13/3/2031	C	40
138	ČR, 1.75 %, 32	CZ0001006233	1.75%	23/6/2032	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	30
125	ČR, 1.50 %, 40	CZ0001005920	1.50%	24/4/2020	D	10 ¹

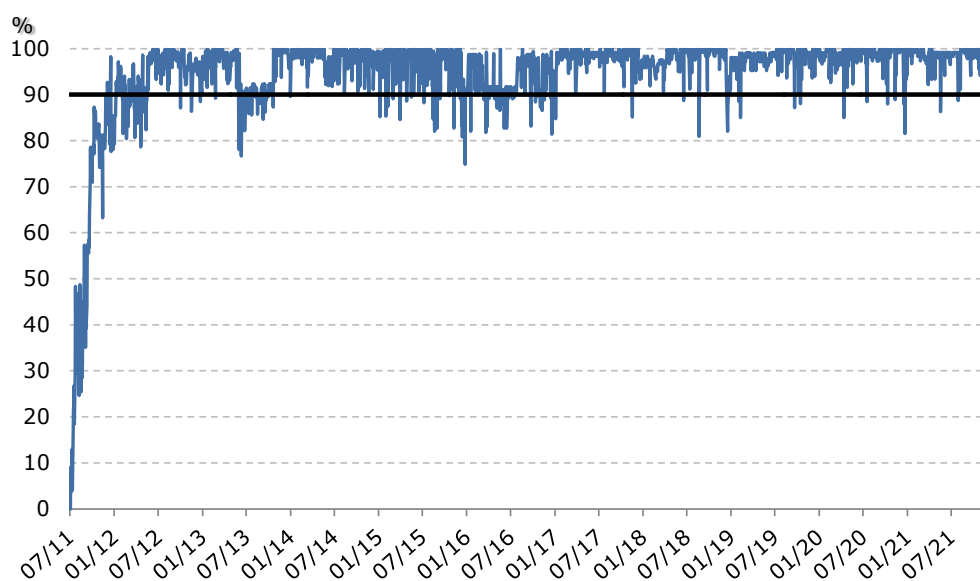
¹ Minimum traded volume of government bond ČR, 1.50 %, 40 were reduced at CZK 10 mil, based on agreement with primary dealers.
Source: MoF

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.

Figure 49: Average Daily Primary Dealer Compliance Ratio on MTS Czech Republic



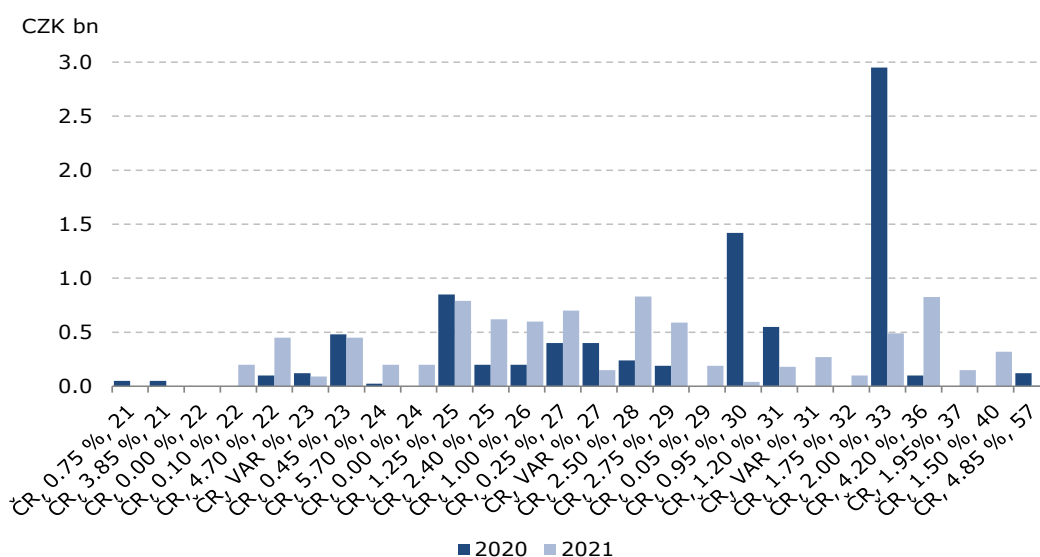
Source: MoF, MTS

In 2021, the downward trend in trading activity on the MTS Czech Republic continued, when the average monthly traded nominal value excluding the Ministry's operations reached a historically low level of CZK 0.7 billion. Primary dealers and recognized dealers are thus likely to trade with each other primarily in the unregulated OTC markets that are characteristic of bond trading. However, due to the quotation obligations, the MTS Czech Republic platform provides market participants, investors and the general public with transparent information on daily quotations of

government bond prices, including their historical development.

Overall business activity increased towards the end of the year, especially in November. The highest values were reached on fixed coupon bonds with maturities from 2025 to 2029 and then with maturities in 2036. At the very end of the year, there was an increase in trading activity with the Government Bond of the Czech Republic, 2020–2040, 1.50%, driven mainly by foreign demand.

Figure 50: Traded Nominal Value on MTS Czech Republic by Government Bonds

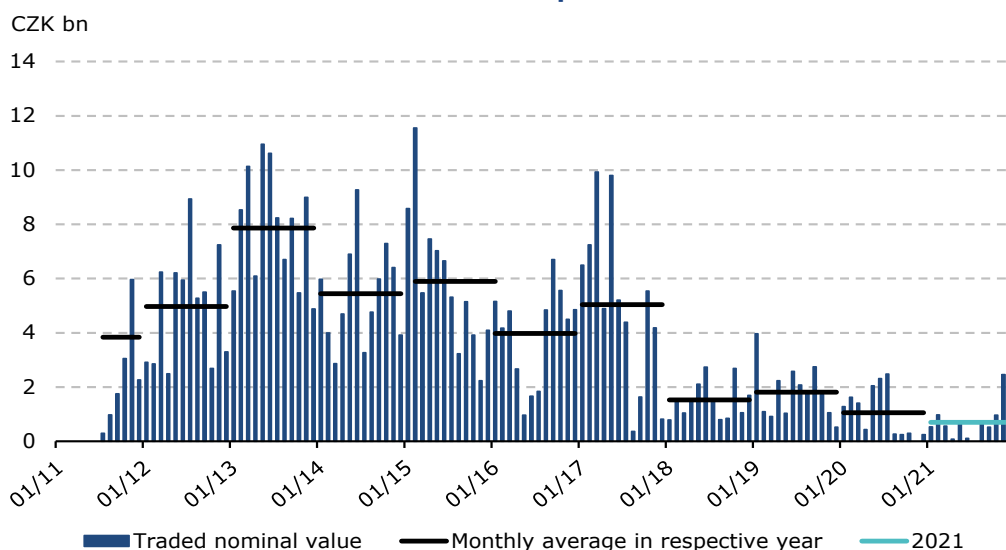


Note: Excl. trades of the Ministry on the secondary market.
Source: MoF, MTS

One of the reasons for the entrance of Ministry to 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 2021, traded nominal

value including Ministry's operations on the MTS Czech Republic reached monthly average of CZK 20.4 billion and was higher by CZK 9.3 billion compared to last year.

Figure 51: Traded Nominal Value on MTS Czech Republic

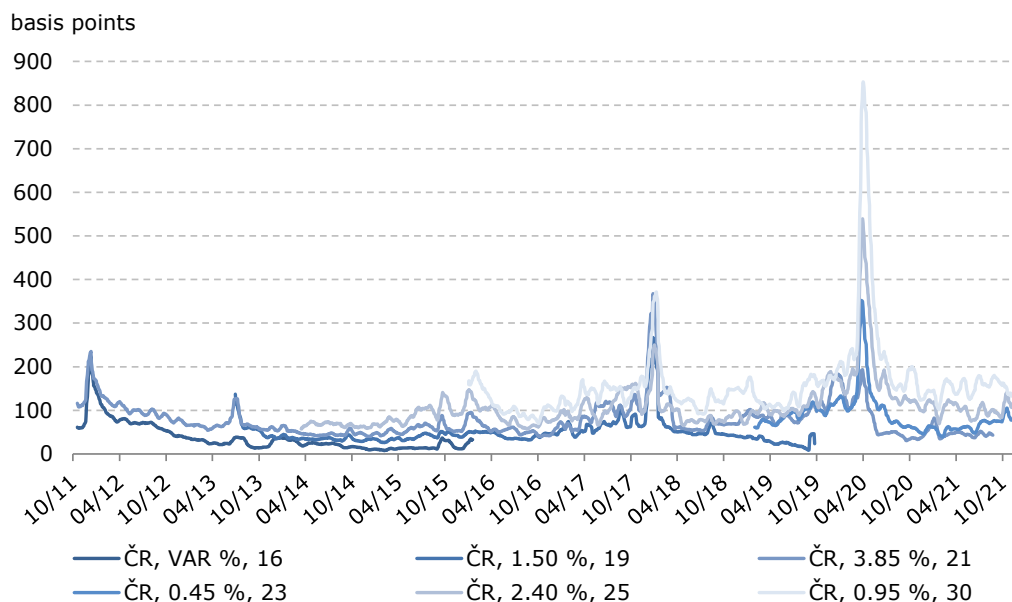


Note: Excl. trades of the Ministry on the secondary market.
Source: MoF, MTS

During 2021, the bid-offer spreads of government bonds returned to its pre-coronavirus pandemic levels. The fact that the mandatory bid and offer spreads are based on a relative basis to the market average of all primary dealers contributes to market

stability, smooth fulfilment of quotation obligations and long-term low price spreads. This allows for a significant degree of flexibility and adaptation to a constantly changing and difficult to predict market environment compared to fixed spreads.

Figure 52: 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

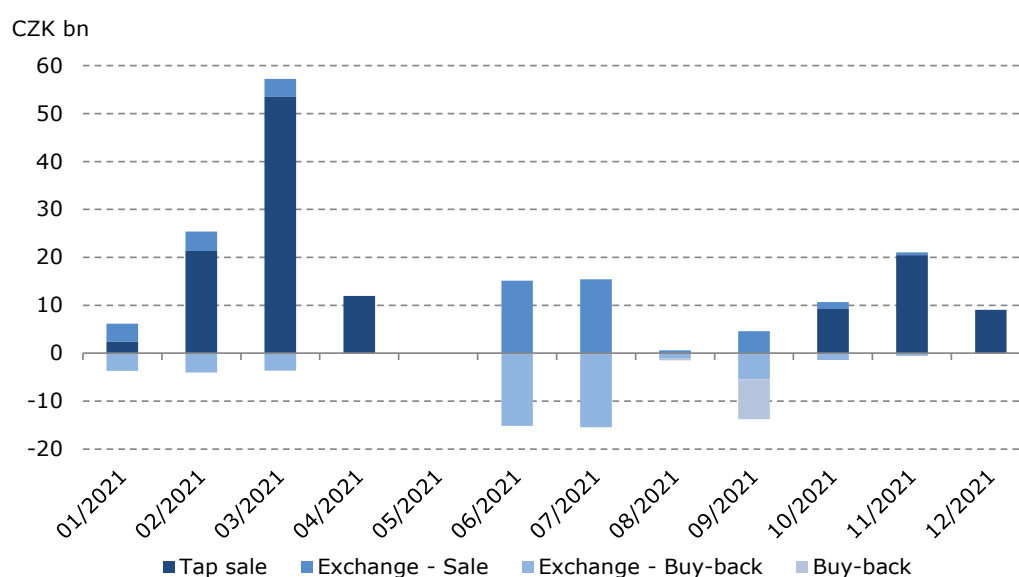
Operations on the Secondary Market

The Ministry actively enters the secondary market mainly through the electronic trading platform MTS Czech Republic. In order to ensure maximum transparency, the Ministry informs all primary dealers and dealers of its intention to carry out a repurchase, exchange or tap sale on the secondary market (type of transaction, government bonds, maximum nominal value of transactions, time when offers will be accepted, conversion ratio for government bond exchanges, settlement date, contact person) at least one trading day before the day on which the transaction is to take place. The Ministry regularly publishes the results of

transactions (the total nominal value of completed transactions within one repurchase, tap sale or exchange of government bonds, the number of counterparties and the weighted average price) on its website.

All operations on the secondary market are carried out flexibly depending on the needs of the Ministry and the situation on the financial markets. During 2021, the Ministry continued to increase its activity in the secondary market, primarily in order to flexibly cover the increased need for financing.

Figure 53: Nominal Value of Tap Sales, Exchange Operations and Buy-Backs



Source: MoF, MTS

During 2021, the Ministry continued its increased activity in exchange operations, selling government bonds in nominal value of CZK 49.2 billion and buying back in nominal value of CZK 50.5 billion. The exchange took place to a greater extent mainly in June and July. The Ministry's main focus in the exchanges was on repurchases of CZK 13.1 billion of the Czech Republic Treasury Bond, 2010-2021, 3.85 %; CZK 2.2 billion of the Government Bond of the Czech Republic, 2020-2022, 0.10%; CZK 24.5 billion of CR, the Czech Republic Treasury Bond, 2007-2022, 4.70 %; and CZK 10.7 billion of the Czech Republic Treasury Bond, 2011-2023, VAR %.

The total nominal value of realized tap sales through the MTS Czech Republic platform reached its historically highest level in 2021, namely CZK 128.1 billion, which was CZK 102.2 billion more than in the previous year. Tap sales were realized mainly in February to April and then in the period from October to December.

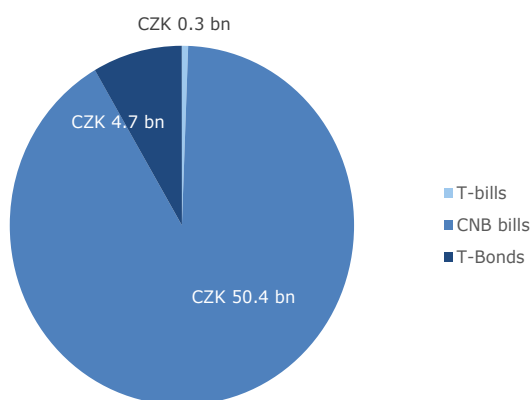
During 2021, the Ministry continued executing short-term medium-term and long-term government bond lending facilities for primary dealers and dealers primarily in the form of loans of securities. In the case of securities lending, primary dealer and recognized dealer may borrow securities from Ministry's 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 relevant Annex to 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 the lending facilities, expressed as the nominal value of the bond provided, decreased from CZK 59.6 billion in 2020 to CZK 55.0 billion in 2021. All lending facilities in 2021 consisted of securities lending. Demand for the lending facilities was significant in the first half of the year primarily due to primary dealers' short position in the maturing CR, 3.85%, 21 and traditionally in December due to adjustments in the trading portfolios of primary dealers and dealers. The Ministry's lending facilities allowed the short position of primary dealers to be covered through year-end and the secondary market to operate smoothly without significant price distortions.

Figure 54: Received Collateral within Collateralized Loans of Securities in 2021



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

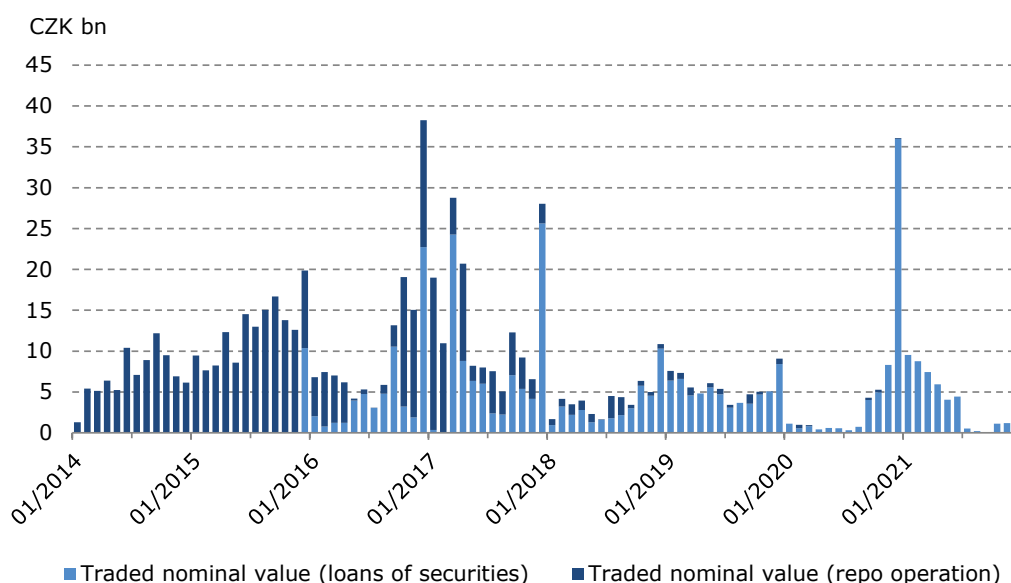
From the primary dealers' point of view, the Ministry's short-term lending facilities enable to cover their short positions and thus contribute to the smooth fulfilment of quoting obligations, maintaining sufficient depth of market and liquidity of government bonds even at times of unusual fluctuations 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 stabilization 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 2021, the contribution of the lending facilities to the total revenue from the investment activity amounted CZK 11.0 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 2021, the largest part of the lending facilities, expressed in terms of the nominal value of the bond provided, consisted mainly of the Czech Republic Treasury Bond, 2010-2021, 3.85 % (CZK 29.7 billion), the Government Bond of the Czech Republic, 2020-2040, 1.50% (CZK 6.5 billion) and the Government Bond of the Czech Republic, 2020-2029, 0.05% (CZK 6.4 billion).

Figure 55: 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 2021

In order to support the participation of primary dealers in the sale of medium-term 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 2021 remains unchanged for 2022.

Table 21: Criteria for Evaluation of Primary Dealers Valid for 2021

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 22: State Debt and State Financial Assets Portfolios Parameters

	31/12/ 2020	31/3/ 2021	30/6/ 2021	30/9/ 2021	31/12/ 2021
Total state debt (CZK bn)	2,049.7	2,419.9	2,416.3	2,333.9	2,465.7
Market value of state debt (CZK bn)	2,169.1	2,467.2	2,461.9	2,340.7	2,364.2
Short-term state debt (%)	10.9	13.2	13.5	10.1	10.8
Medium-term state debt (%)	47.4	48.0	48.9	43.3	42.6
T-Bills and other money market instruments (%)	1.2	6.0	2.3	0.7	2.0
Average time to maturity (years)	6.2	5.9	6.3	6.6	6.4
Interest re-fixing up to 1 year (%)	21.2	22.8	24.3	21.7	22.9
Average time to re-fixing (years)	5.7	5.4	5.8	6.1	5.9
Variable-rate state debt (%)	10.7	10.0	11.1	11.9	12.4
Modified duration (years)	5.3	4.9	5.2	5.4	5.0
Net foreign-currency exposure with the impact on the state debt level (%)	8.9	7.5	7.3	7.6	7.0
Net short-term foreign-currency exposure with the impact on the level of interest expenditure on state debt service (%)	8.4	6.0	5.9	5.7	5.3
Foreign currency state debt (%)	8.4	9.3	7.1	6.5	6.6
Share of EUR in state debt level net foreign currency exposure (%)	90.3	90.5	90.5	90.3	90.1
Share of EUR in interest expenditure on state debt net short-term foreign currency exposure (%)	93.3	92.3	92.2	91.6	91.2
Non-marketable state debt (%) ¹	1.9	8.6	4.9	3.7	4.0
Share of savings government bonds on state debt (%)	1.2	1.1	1.2	1.4	1.6
Marketable state debt (CZK bn)	1,986.2	2,185.8	2,269.0	2,213.7	2,327.2
Market value of marketable state debt (CZK bn)	2,105.4	2,233.6	2,315.3	2,221.5	2,227.8
Short-term marketable state debt (%)	11.0	8.8	12.7	10.4	10.6
Medium-term marketable state debt (%)	47.6	45.3	48.3	43.3	41.8
T-Bills and other money market instruments (%)	1.3	1.1	0.9	0.7	1.4
Average time to maturity (years)	6.1	6.1	6.3	6.6	6.4
Interest re-fixing up to 1 year (%)	19.8	17.8	22.5	20.7	21.4
Average time to re-fixing (years)	5.8	5.7	5.9	6.1	5.9
Variable-rate marketable state debt (%)	9.0	9.2	10.0	10.5	11.0
Modified duration (years)	5.4	5.1	5.3	5.4	5.1
Net foreign-currency exposure with the impact on the marketable state debt level (%)	7.2	5.2	5.0	4.3	4.1
Net short-term foreign-currency exposure with the impact on the level of interest expenditure on marketable state debt service (%)	7.1	5.1	4.9	4.0	3.8
Foreign-currency marketable state debt (%)	8.3	7.5	4.8	4.0	3.7
Share of EUR in marketable state debt level net foreign currency exposure (%)	95.7	94.7	94.9	93.8	94.1
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	70.5	71.0	71.4	71.8	52.2
Share of assets up to one year on total state debt (%)	3.4	2.9	3.0	3.1	2.1
Average yield (%)	0.3	0.3	0.3	0.7	2.0
Average time to maturity (years)	0.1	0.1	0.1	0.1	0.1
Modified duration (years)	0.1	0.1	0.1	0.1	0.1

¹ Excl. savings government bonds.

² Incl. nuclear and pension portfolio.

Source: MoF

Table 23: Overview of Medium-Term and Long-Term Government Bonds on Domestic Market as at 31/12/2021

Issue name	Issue no.	ISIN	Maturity date	Nominal value outstanding	Nominal value booked on MoF's asset accounts
ČR, 0.00 %, 22	102	CZ0001005029	24/2/2022	5,845,780,000	0
ČR, 0.10 %, 22	126	CZ0001005946	17/4/2022	69,036,800,000	0
ČR, 4.70 %, 22	52	CZ0001001945	12/9/2022	70,516,270,000	1,000,000,000
ČR, VAR %, 23	63	CZ0001003123	18/4/2023	88,309,000,000	900,000,000
ČR, 0.45 %, 23	97	CZ0001004600	25/10/2023	120,000,000,000	0
ČR, 5.70 %, 24	58	CZ0001002547	25/5/2024	88,600,000,000	1,400,000,000
ČR, 0.00 %, 24	135	CZ0001006167	12/12/2024	38,965,380,000	12,034,620,000
ČR, 1.25 %, 25	120	CZ0001005870	14/2/2025	119,000,000,000	1,000,000,000
ČR, 2.40 %, 25	89	CZ0001004253	17/9/2025	121,000,000,000	1,000,000,000
ČR, 1.00 %, 26	95	CZ0001004469	26/6/2026	149,000,000,000	1,000,000,000
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	119,000,000,000	1,000,000,000
ČR, 2.50 %, 28	78	CZ0001003859	25/8/2028	149,000,000,000	1,000,000,000
ČR, 2.75 %, 29	105	CZ0001005375	23/7/2029	138,923,430,000	11,076,570,000
ČR, 0.05 %, 29	130	CZ0001006076	29/11/2029	75,996,600,000	9,003,400,000
ČR, 0.95 %, 30	94	CZ0001004477	15/5/2030	148,385,240,000	1,614,760,000
ČR, 1.20 %, 31	121	CZ0001005888	13/3/2031	148,209,830,000	1,790,170,000
ČR, VAR %, 31	139	CZ0001006241	31/10/2031	48,458,560,000	16,541,440,000
ČR, 1.75 %, 32	138	CZ0001006233	23/6/2032	81,957,280,000	18,042,720,000
ČR, 2.00 %, 33	103	CZ0001005243	13/10/2033	145,816,240,000	4,183,760,000
ČR, 4.20 %, 36	49	CZ0001001796	4/12/2036	79,000,000,000	1,000,000,000
ČR, 1.95 %, 37	142	CZ0001006316	30/7/2037	9,055,500,000	5,944,500,000
ČR, 1.50 %, 40	125	CZ0001005920	24/4/2040	48,209,590,000	11,790,410,000
ČR, 4.85 %, 57	53	CZ0001002059	26/11/2057	21,085,000,000	915,000,000
Total CZK				2,207,370,500,000	103,237,350,000
ČR, 0.00 %, 27	129	CZ0001006043	27/7/2027	500,000,000	0
Total EUR				500,000,000	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 24: Overview of Medium-Term and Long-Term Government Bonds on Foreign Markets as at 31/12/2021

ISIN	Currency	Maturity date	Nominal value outstanding	Nominal value booked on MoF's asset accounts
XS0750894577	EUR	24/5/2022	2,750,000,000	0
XS0240954361	JPY	16/1/2036	30,000,000,000	0
Total EUR			2,750,000,000	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 25: Overview of State Treasury Bills as at 31/12/2021

Issue no.	Maturity (weeks)	ISIN	Maturity date	Nominal value outstanding	Nominal value booked on MoF's asset accounts
837	4	CZ0001006381	14/1/2022	21,920,000,000	0
838	4	CZ0001006399	28/1/2022	11,414,000,000	0
835	52	CZ0001006365	18/11/2022	0	100,000,000,000
Total				33,334,000,000	100,000,000,000

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 26: Overview of Savings Government Bonds as at 31/12/2021

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	2,910,075,543	0
SD-R ČR, FIX %, 25 II	107	CZ0001005631	1/4/2025	896,786,309	0
SD-R ČR, FIX %, 25 III	108	CZ0001005649	1/7/2025	378,772,270	0
SD-I ČR, CPI %, 25	110	CZ0001005714	1/7/2025	5,083,972,821	0
SD-R ČR, FIX %, 25 IV	111	CZ0001005730	1/10/2025	56,663,116	0
SD-I ČR, CPI %, 25 II	112	CZ0001005722	1/10/2025	1,155,284,774	0
SD-F ČR, 1.50 %, 25	113	CZ0001005748	1/10/2025	21,540,622	0
SD-R ČR, FIX %, 26	114	CZ0001005763	2/1/2026	52,211,007	0
SD-I ČR, CPI %, 26	115	CZ0001005771	2/1/2026	1,633,265,070	0
SD-F ČR, 1.25 %, 26	116	CZ0001005789	2/1/2026	16,590,955	0
SD-R ČR, FIX %, 26 II	117	CZ0001005813	1/4/2026	51,433,729	0
SD-I ČR, CPI %, 26 II	118	CZ0001005821	1/4/2026	2,043,629,264	0
SD-F ČR, 1.50 %, 26 II	119	CZ0001005805	1/4/2026	26,413,041	0
SD-R ČR, FIX %, 26 III	122	CZ0001005896	1/7/2026	140,058,430	0
SD-I ČR, CPI %, 26 III	123	CZ0001005904	1/7/2026	2,016,963,132	0
SD-F ČR, 1.30 %, 26 III	124	CZ0001005912	1/7/2026	88,793,466	0
SD-R ČR, FIX %, 26 IV	127	CZ0001006019	1/10/2026	51,117,874	0
SD-I ČR, CPI %, 26 IV	128	CZ0001006001	1/10/2026	4,007,986,832	0
SD-R ČR, FIX %, 26 V	131	CZ0001006092	31/12/2026	46,391,887	0
SD-I ČR, CPI %, 26 V	132	CZ0001006100	31/12/2026	5,153,651,333	0
SD-R ČR, FIX %, 27	133	CZ0001006134	1/4/2027	43,248,751	0
SD-I ČR, CPI %, 27	134	CZ0001006142	1/4/2027	3,184,944,987	0
SD-R ČR, FIX %, 27 II	136	CZ0001006209	1/7/2027	83,255,348	0
SD-I ČR, CPI %, 27 II	137	CZ0001006217	1/7/2027	4,267,624,629	0
SD-R ČR, FIX %, 27 III	140	CZ0001006282	1/10/2027	66,126,847	0
SD-I ČR, CPI %, 27 III	141	CZ0001006290	1/10/2027	5,391,281,048	0
Total				38,868,083,085	0

Source: MoF

Table 27a: Medium-Term and Long-Term Government Bonds Issued in 2021

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, 1.00 %, 26	95	25	13/1	15/1	26/6/2026	CZK	5,000,000,000	6,628,720,000
ČR, 0.05 %, 29	130	8	13/1	15/1	29/11/2029	CZK	6,000,000,000	7,048,910,000
ČR, 1.50 %, 40	125	12	13/1	15/1	24/4/2040	CZK	5,000,000,000	1,436,000,000
ČR, 2.50 %, 28	78	28	27/1	29/1	25/8/2028	CZK	6,000,000,000	3,375,000,000
ČR, 0.05 %, 29	130	9	27/1	29/1	29/11/2029	CZK	6,000,000,000	9,731,240,000
ČR, 1.50 %, 40	125	13	27/1	29/1	24/4/2040	CZK	2,000,000,000	1,939,000,000
ČR, 0.00 %, 24	135	1	10/2	12/2	12/12/2024	CZK	4,000,000,000	4,456,620,000
ČR, 1.20 %, 31	121	9	10/2	12/2	13/3/2031	CZK	5,000,000,000	5,992,720,000
ČR, 4.20 %, 36	49	18	10/2	12/2	4/12/2036	CZK	2,000,000,000	3,541,650,000
ČR, 1.00 %, 26	95	26	17/2	19/2	26/6/2026	CZK	5,000,000,000	4,655,000,000
ČR, VAR %, 27	90	20	17/2	19/2	19/11/2027	CZK	4,000,000,000	6,860,500,000
ČR, 0.05 %, 29	130	10	17/2	19/2	29/11/2029	CZK	6,000,000,000	7,059,530,000
ČR, 0.00 %, 24	135	2	24/2	26/2	12/12/2024	CZK	6,000,000,000	3,795,000,000
ČR, 0.95 %, 30	94	24	24/2	26/2	15/5/2030	CZK	5,000,000,000	8,497,480,000
ČR, 1.50 %, 40	125	14	24/2	26/2	24/4/2040	CZK	2,000,000,000	1,327,000,000
ČR, VAR %, 27	90	21	3/3	5/3	19/11/2027	CZK	6,000,000,000	7,346,260,000
ČR, 1.20 %, 31	121	10	3/3	5/3	13/3/2031	CZK	6,000,000,000	14,997,000,000
ČR, 4.20 %, 36	49	19	3/3	5/3	4/12/2036	CZK	2,000,000,000	3,160,000,000
ČR, 0.00 %, 24	135	3	17/3	19/3	12/12/2024	CZK	6,000,000,000	6,070,000,000
ČR, 0.95 %, 30	94	25	17/3	19/3	15/5/2030	CZK	5,000,000,000	10,353,760,000
ČR, 1.50 %, 40	125	15	17/3	19/3	24/4/2040	CZK	2,000,000,000	935,000,000
ČR, VAR %, 27	90	22	24/3	26/3	19/11/2027	CZK	6,000,000,000	6,038,430,000
ČR, 2.75 %, 29	105	15	24/3	26/3	23/7/2029	CZK	6,000,000,000	12,219,880,000
ČR, 2.00 %, 33	103	29	24/3	26/3	13/10/2033	CZK	2,000,000,000	5,489,670,000
ČR, 2.40 %, 25	89	22	31/3	6/4	17/9/2025	CZK	5,000,000,000	11,042,520,000
ČR, 1.20 %, 31	121	11	31/3	6/4	13/3/2031	CZK	6,000,000,000	11,043,340,000
ČR, 4.20 %, 36	49	20	31/3	6/4	4/12/2036	CZK	2,000,000,000	3,444,640,000
ČR, VAR %, 27	90	23	14/4	16/4	19/11/2027	CZK	6,000,000,000	6,701,850,000
ČR, 1.20 %, 31	121	12	14/4	16/4	13/3/2031	CZK	6,000,000,000	11,326,770,000
ČR, 4.20 %, 36	49	21	14/4	16/4	4/12/2036	CZK	2,000,000,000	5,668,460,000
ČR, 0.00 %, 24	135	4	21/4	23/4	12/12/2024	CZK	6,000,000,000	11,022,080,000
ČR, 1.75 %, 32	138	1	21/4	23/4	23/6/2032	CZK	6,000,000,000	11,232,340,000
ČR, 2.50 %, 28	78	29	28/4	30/4	25/8/2028	CZK	5,000,000,000	6,105,010,000
ČR, VAR %, 31	139	1	28/4	30/4	31/10/2031	CZK	5,000,000,000	6,026,290,000
ČR, 2.00 %, 33	103	30	28/4	30/4	13/10/2033	CZK	3,000,000,000	3,592,200,000
ČR, VAR %, 31	139	2	12/5	14/5	31/10/2031	CZK	4,000,000,000	4,390,420,000
ČR, 1.75 %, 32	138	2	12/5	14/5	23/6/2032	CZK	6,000,000,000	6,177,240,000
ČR, 1.50 %, 40	125	16	12/5	14/5	24/4/2040	CZK	2,000,000,000	2,288,500,000
ČR, 0.00 %, 24	135	5	26/5	28/5	12/12/2024	CZK	4,000,000,000	4,222,250,000
ČR, VAR %, 31	139	3	26/5	28/5	31/10/2031	CZK	4,000,000,000	4,145,970,000
ČR, 1.75 %, 32	138	3	26/5	28/5	23/6/2032	CZK	6,000,000,000	6,444,310,000
ČR, VAR %, 31	139	4	9/6	11/6	31/10/2031	CZK	4,000,000,000	4,000,000,000
ČR, 1.75 %, 32	138	4	9/6	11/6	23/6/2032	CZK	6,000,000,000	7,417,930,000
ČR, 1.50 %, 40	125	17	9/6	11/6	24/4/2040	CZK	2,000,000,000	2,289,750,000

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, 0.00 %, 24	135 6	30/6	2/7	12/12/2024	CZK	4,000,000,000	4,249,430,000
ČR, VAR %, 31	139 5	30/6	2/7	31/10/2031	CZK	4,000,000,000	2,190,000,000
ČR, 1.75 %, 32	138 5	30/6	2/7	23/6/2032	CZK	6,000,000,000	7,430,000,000
ČR, 0.05 %, 29	130 11	14/7	16/7	29/11/2029	CZK	4,000,000,000	5,021,350,000
ČR, 1.75 %, 32	138 6	14/7	16/7	23/6/2032	CZK	6,000,000,000	4,926,230,000
ČR, 4.20 %, 36	49 22	14/7	16/7	4/12/2036	CZK	3,000,000,000	3,990,990,000
ČR, VAR %, 27	90 24	28/7	30/7	19/11/2027	CZK	2,000,000,000	1,805,000,000
ČR, 1.75 %, 32	138 7	28/7	30/7	23/6/2032	CZK	6,000,000,000	6,652,000,000
ČR, 1.50 %, 40	125 18	28/7	30/7	24/4/2040	CZK	3,000,000,000	2,511,000,000
ČR, 0.05 %, 29	130 12	11/8	13/8	29/11/2029	CZK	2,000,000,000	1,429,800,000
ČR, 1.75 %, 32	138 8	11/8	13/8	23/6/2032	CZK	5,000,000,000	3,917,000,000
ČR, 4.85 %, 57	53 12	11/8	13/8	26/11/2057	CZK	500,000,000	736,800,000
ČR, 2.75 %, 29	105 16	25/8	27/8	23/7/2029	CZK	4,000,000,000	4,094,360,000
ČR, 1.95 %, 37	142 1	25/8	27/8	30/7/2037	CZK	2,000,000,000	2,426,100,000
ČR, 1.75 %, 32	138 9	8/9	10/9	23/6/2032	CZK	3,000,000,000	3,000,000,000
ČR, 1.50 %, 40	125 19	8/9	10/9	24/4/2040	CZK	1,000,000,000	1,186,750,000
ČR, VAR %, 31	139 6	22/9	24/9	31/10/2031	CZK	2,000,000,000	2,210,170,000
ČR, 1.75 %, 32	138 10	22/9	24/9	23/6/2032	CZK	2,000,000,000	4,257,960,000
ČR, 1.95 %, 37	142 2	22/9	24/9	30/7/2037	CZK	2,000,000,000	2,629,400,000
ČR, 2.50 %, 28	78 30	13/10	15/10	25/8/2028	CZK	5,000,000,000	5,000,000,000
ČR, 2.00 %, 33	103 31	13/10	15/10	13/10/2033	CZK	5,000,000,000	5,424,710,000
ČR, 4.20 %, 36	49 23	13/10	15/10	4/12/2036	CZK	5,000,000,000	3,000,000,000
ČR, 2.75 %, 29	105 17	10/11	12/11	23/7/2029	CZK	3,000,000,000	3,250,000,000
ČR, VAR %, 31	139 7	10/11	12/11	31/10/2031	CZK	5,000,000,000	8,730,130,000
ČR, 2.00 %, 33	103 32	10/11	12/11	13/10/2033	CZK	5,000,000,000	5,000,000,000
ČR, 2.75 %, 29	105 18	1/12	3/12	23/7/2029	CZK	2,000,000,000	5,557,450,000
ČR, VAR %, 31	139 8	1/12	3/12	31/10/2031	CZK	3,000,000,000	4,910,970,000
ČR, 1.75 %, 32	138 11	1/12	3/12	23/6/2032	CZK	4,000,000,000	8,936,270,000
ČR, 2.75 %, 29	105 19	15/12	17/12	23/7/2029	CZK	3,000,000,000	1,053,980,000
ČR, VAR %, 31	139 9	15/12	17/12	31/10/2031	CZK	3,000,000,000	5,278,610,000
ČR, 2.00 %, 33	103 33	15/12	17/12	13/10/2033	CZK	3,000,000,000	3,056,530,000
Total CZK							395,399,230,000
ČR, 0.00 %, 27	129 2	18/8	20/8	27/7/2027	EUR	100,000,000	200,000,000
Total EUR							200,000,000

Source: MoF, CNB

Table 27b: Medium-Term and Long-Term Government Bonds Issued in 2021

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, 1.00 %, 26	95	25	1.00%	100.627	0.881	2.82	111.28	21.29
ČR, 0.05 %, 29	130	8	0.05%	90.387	1.199	2.50	102.25	15.23
ČR, 1.50 %, 40	125	12	1.50%	97.739	1.638	2.07	27.60	1.12
ČR, 2.50 %, 28	78	28	2.50%	110.324	1.073	1.12	56.25	0.00
ČR, 0.05 %, 29	130	9	0.05%	90.378	1.205	1.56	148.63	13.55
ČR, 1.50 %, 40	125	13	1.50%	97.038	1.681	1.23	94.50	2.45
ČR, 0.00 %, 24	135	1	0.00%	96.764	0.863	3.10	100.00	11.42
ČR, 1.20 %, 31	121	9	1.20%	97.546	1.464	2.37	103.30	16.55
ČR, 4.20 %, 36	49	18	4.20%	135.560	1.630	2.39	150.00	27.08
ČR, 1.00 %, 26	95	26	1.00%	98.829	1.227	1.61	93.10	0.00
ČR, VAR %, 27	90	20	VAR%	99.844	-7.911	2.35	158.13	13.39
ČR, 0.05 %, 29	130	10	0.05%	88.343	1.476	1.78	112.75	4.91
ČR, 0.00 %, 24	135	2	0.00%	96.317	0.995	3.22	62.92	0.33
ČR, 0.95 %, 30	94	24	0.95%	94.701	1.572	2.69	169.95	0.00
ČR, 1.50 %, 40	125	14	1.50%	92.699	1.961	2.47	64.50	1.85
ČR, VAR %, 27	90	21	VAR%	99.672	-5.299	1.83	117.50	4.94
ČR, 1.20 %, 31	121	10	1.20%	95.000	1.748	1.43	249.95	0.00
ČR, 4.20 %, 36	49	19	4.20%	131.747	1.856	1.56	158.00	0.00
ČR, 0.00 %, 24	135	3	0.00%	95.641	1.201	2.11	100.00	1.17
ČR, 0.95 %, 30	94	25	0.95%	92.126	1.895	3.01	200.00	7.08
ČR, 1.50 %, 40	125	15	1.50%	87.746	2.300	1.94	46.75	0.00
ČR, VAR %, 27	90	22	VAR%	99.452	-1.890	2.22	100.00	0.64
ČR, 2.75 %, 29	105	15	2.75%	107.078	1.825	2.37	187.29	16.37
ČR, 2.00 %, 33	103	29	2.00%	99.491	2.046	2.12	245.25	29.23
ČR, 2.40 %, 25	89	22	2.40%	104.092	1.442	2.10	200.00	20.85
ČR, 1.20 %, 31	121	11	1.20%	93.345	1.943	1.87	166.67	17.39
ČR, 4.20 %, 36	49	20	4.20%	127.021	2.149	1.68	159.55	12.68
ČR, VAR %, 27	90	23	VAR%	99.383	-0.716	2.53	100.00	11.70
ČR, 1.20 %, 31	121	12	1.20%	93.792	1.893	3.93	166.67	22.11
ČR, 4.20 %, 36	49	21	4.20%	127.264	2.130	1.81	250.00	33.42
ČR, 0.00 %, 24	135	4	0.00%	95.827	1.178	2.28	166.67	17.03
ČR, 1.75 %, 32	138	1	1.75%	99.171	1.832	3.85	168.42	18.79
ČR, 2.50 %, 28	78	29	2.50%	106.045	1.617	3.20	100.00	22.10
ČR, VAR %, 31	139	1	VAR%	100.513	-4.917	4.77	100.00	20.53
ČR, 2.00 %, 33	103	30	2.00%	101.270	1.884	3.78	106.77	12.97
ČR, VAR %, 31	139	2	VAR%	100.878	-8.728	3.98	101.25	8.51
ČR, 1.75 %, 32	138	2	1.75%	99.940	1.756	4.30	100.00	2.95
ČR, 1.50 %, 40	125	16	1.50%	88.847	2.228	2.69	100.00	14.43
ČR, 0.00 %, 24	135	5	0.00%	95.630	1.269	2.66	100.00	5.56
ČR, VAR %, 31	139	3	VAR%	101.250	-12.453	3.01	100.00	3.65
ČR, 1.75 %, 32	138	3	1.75%	100.771	1.673	3.60	100.00	7.41
ČR, VAR %, 31	139	4	VAR%	101.079	-10.948	1.56	100.00	0.00
ČR, 1.75 %, 32	138	4	1.75%	101.115	1.638	2.45	103.33	20.30
ČR, 1.50 %, 40	125	17	1.50%	90.443	2.120	2.21	100.00	14.49

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, 0.00 %, 24	135	6	0.00%	95.286	1.411	1.55	102.46	3.77
ČR, VAR %, 31	139	5	VAR%	100.767	-8.801	1.94	54.75	0.00
ČR, 1.75 %, 32	138	5	1.75%	100.496	1.700	1.25	123.83	0.00
ČR, 0.05 %, 29	130	11	0.05%	87.003	1.731	1.61	104.25	21.28
ČR, 1.75 %, 32	138	6	1.75%	100.071	1.742	1.33	75.83	6.27
ČR, 4.20 %, 36	49	22	4.20%	130.347	1.905	2.03	115.20	17.83
ČR, VAR %, 27	90	24	VAR%	99.632	-6.082	1.61	90.25	0.00
ČR, 1.75 %, 32	138	7	1.75%	100.854	1.663	1.67	109.07	1.80
ČR, 1.50 %, 40	125	18	1.50%	90.932	2.090	1.70	83.70	0.00
ČR, 0.05 %, 29	130	12	0.05%	86.965	1.752	2.17	70.34	1.15
ČR, 1.75 %, 32	138	8	1.75%	99.976	1.752	1.65	78.34	0.00
ČR, 4.85 %, 57	53	12	4.85%	150.374	2.666	2.06	140.00	7.36
ČR, 2.75 %, 29	105	16	2.75%	107.117	1.777	1.90	100.00	2.36
ČR, 1.95 %, 37	142	1	1.95%	100.069	1.945	2.13	109.50	11.81
ČR, 1.75 %, 32	138	9	1.75%	99.553	1.795	2.72	100.00	0.00
ČR, 1.50 %, 40	125	19	1.50%	90.153	2.147	2.06	113.64	5.04
ČR, VAR %, 31	139	6	VAR%	100.550	-6.804	6.15	100.00	10.51
ČR, 1.75 %, 32	138	10	1.75%	98.132	1.944	3.17	187.50	25.40
ČR, 1.95 %, 37	142	2	1.95%	98.660	2.050	1.35	120.00	11.47
ČR, 2.50 %, 28	78	30	2.50%	101.071	2.329	1.43	100.00	0.00
ČR, 2.00 %, 33	103	31	2.00%	96.111	2.376	2.04	100.00	8.49
ČR, 4.20 %, 36	49	23	4.20%	122.898	2.380	2.94	60.00	0.00
ČR, 2.75 %, 29	105	17	2.75%	99.892	2.765	1.79	108.33	0.00
ČR, VAR %, 31	139	7	VAR%	101.332	-20.492	2.14	152.00	22.60
ČR, 2.00 %, 33	103	32	2.00%	93.507	2.642	1.73	100.00	0.00
ČR, 2.75 %, 29	105	18	2.75%	100.931	2.613	1.25	272.31	5.56
ČR, VAR %, 31	139	8	VAR%	101.517	-22.949	1.70	156.00	7.70
ČR, 1.75 %, 32	138	11	1.75%	92.907	2.523	1.56	217.73	5.68
ČR, 2.75 %, 29	105	19	2.75%	99.831	2.774	1.66	35.13	0.00
ČR, VAR %, 31	139	9	VAR%	101.548	-23.626	1.80	170.61	5.35
ČR, 2.00 %, 33	103	33	2.00%	93.389	2.659	1.82	99.53	2.35
Average CZK					2.29	121.33	8.79	
ČR, 0.00 %, 27	129	2	0.00%	101.065	-0.178	2.67	200.00	-
Average EUR					2.67	200.00	-	

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

Table 28: State Treasury Bills Issued in 2021

Issue no.	Maturity (weeks)	Auction date	Issue date	Maturity date	Max. nominal value offered	Total nominal value sold	Yield to maturity (% p.a.)
825	13	21/1	22/1	23/4/2021	10,000,000,000	3,188,000,000	0.190
826	26	11/2	12/2	13/8/2021	5,000,000,000	3,444,000,000	0.230
827	13	25/2	26/2	28/5/2021	5,000,000,000	3,607,000,000	0.230
828	39	11/3	12/3	10/12/2021	5,000,000,000	5,000,000,000	0.370
829	13	25/3	26/3	25/6/2021	5,000,000,000	9,850,000,000	0.250
830	26	8/4	9/4	8/10/2021	5,000,000,000	10,540,000,000	0.310
831	13	22/4	23/4	23/7/2021	5,000,000,000	2,344,000,000	0.250
832	26	20/5	21/5	19/11/2021	5,000,000,000	0	-
833	4	21/10	22/10	19/11/2021	5,000,000,000	5,000,000,000	1.730
834	4	18/11	19/11	17/12/2021	5,000,000,000	3,540,000,000	2.680
835 ¹	52	-	19/11	18/11/2022	-	-	-
836	4	2/12	3/12	31/12/2021	5,000,000,000	6,000,000,000	2.680
837	4	16/12	17/12	14/1/2022	5,000,000,000	21,920,000,000	2.500
838	4	30/12	31/12	28/1/2022	5,000,000,000	11,414,000,000	2.750
Total						85,847,000,000	1.524²

¹ Technical issue of state treasury bills.² Average weighted yield to maturity.

Source: MoF, CNB

Table 29: Savings Government Bonds Issued in 2021

Issue name	Issue no.	Settlement date	Maturity date	Original maturity (years)	Total nominal value sold
SD-R ČR, FIX %, 26 ¹	114	2/1	2/1/2026	6.0	330,932
SD-I ČR, CPI %, 26 ¹	115	2/1	2/1/2026	6.0	46,392,436
SD-F ČR, 1.25 %, 26 ¹	116	2/1	2/1/2026	6.0	174,440
SD-R ČR, FIX %, 25 ¹	106	1/2	1/2/2025	6.0	24,529,968
SD-R ČR, FIX %, 27	133	1/4	1/4/2027	6.0	43,248,751
SD-I ČR, CPI %, 27	134	1/4	1/4/2027	6.0	3,184,944,987
SD-R ČR, FIX %, 25 II ¹	107	1/4	1/4/2025	6.0	7,557,685
SD-R ČR, FIX %, 26 II ¹	117	1/4	1/4/2026	6.0	325,950
SD-I ČR, CPI %, 26 II ¹	118	1/4	1/4/2026	6.0	45,221,896
SD-F ČR, 1.50 %, 26 II ¹	119	1/4	1/4/2026	6.0	332,540
SD-R ČR, FIX %, 27 II	136	1/7	1/7/2027	6.0	83,255,348
SD-I ČR, CPI %, 27 II	137	1/7	1/7/2027	6.0	4,267,624,629
SD-R ČR, FIX %, 25 III ¹	108	1/7	1/7/2025	6.0	3,193,924
SD-I ČR, CPI %, 25 ¹	110	1/7	1/7/2025	6.0	149,423,864
SD-R ČR, FIX %, 26 III ¹	122	1/7	1/7/2026	6.0	887,286
SD-I ČR, CPI %, 26 III ¹	123	1/7	1/7/2026	6.0	59,291,000
SD-F ČR, 1.30 %, 26 III ¹	124	1/7	1/7/2026	6.0	970,465
SD-R ČR, FIX %, 27 III	140	1/10	1/10/2027	6.0	66,126,847
SD-I ČR, CPI %, 27 III	141	1/10	1/10/2027	6.0	5,391,281,048
SD-R ČR, FIX %, 25 IV ¹	111	1/10	1/10/2025	6.0	477,753
SD-I ČR, CPI %, 25 II ¹	112	1/10	1/10/2025	6.0	36,833,890
SD-F ČR, 1.50 %, 25 ¹	113	1/10	1/10/2025	6.0	271,223
SD-R ČR, FIX %, 26 IV ¹	127	1/10	1/10/2026	6.0	216,372
SD-I ČR, CPI %, 26 IV ¹	128	1/10	1/10/2026	6.0	127,810,852
SD-R ČR, FIX %, 26 V ¹	131	31/12	31/12/2026	6.0	196,379
SD-I ČR, CPI %, 26 V ¹	132	31/12	31/12/2026	6.0	261,927,176
Total					13,802,847,641

¹ Incl. tranches issued in the form of reinvestment of yields.

Source: MoF

Table 30a: Realized Lending Facilities of Government Bonds in the Form of Repo Operations in 2021

Issue name	ISIN	Collateral nominal value	Financial resources received	Financial resources paid ¹
-	-	-	-	-
Total		-	-	-

¹ Incl. financial resources from lending facilities realized in 2021, which has not been paid during this period.
Source: MoF

Table 30b: Realized Lending Facilities of Government Bonds in the Form of Collateralized Loans of Securities in 2021

Issue name	ISIN	Nominal value	Revenue ¹
ČR, 0.75 %, 21	CZ0001005367	180,000,000	7,067
ČR, 3.85 %, 21	CZ0001002851	29,700,000,000	4,930,010
ČR, 4.70 %, 22	CZ0001001945	1,000,000,000	177,114
ČR, 5.70 %, 24 ²	CZ0001002547	1,000,000,000	258,196
ČR, 0.00 %, 24	CZ0001006167	260,000,000	46,511
ČR, 1.25 %, 25	CZ0001005870	870,000,000	176,553
ČR, 2.40 %, 25	CZ0001004253	400,000,000	92,663
ČR, 1.00 %, 26	CZ0001004469	1,000,000,000	324,540
ČR, 0.25 %, 27	CZ0001005037	1,000,000,000	196,895
ČR, 2.75 %, 29	CZ0001005375	720,000,000	107,126
ČR, 0.05 %, 29	CZ0001006076	6,350,000,000	998,827
ČR, 1.20 %, 31	CZ0001005888	1,790,170,000	281,271
ČR, 2.00 %, 33	CZ0001005243	1,400,000,000	152,506
ČR, 4.20 %, 36	CZ0001001796	2,550,000,000	724,246
ČR, 1.50 %, 40	CZ0001005920	6,469,000,000	1,012,684
ČR, 4.85 %, 57	CZ0001002059	337,000,000	81,149
Total		55,026,170,000	9,567,356

¹ Incl. financial resources from lending facilities realized in 2021, 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 31: Tap Sales of Government Bonds in 2021

Issue name	Issue no.	Settlement date	Maturity date	Average price	CCY	Nominal value
ČR, 0.45 %, 23	97	26/1/2021	25/10/2023	100.185	CZK	250,000,000
ČR, VAR %, 27	90	26/1/2021	19/11/2027	100.025	CZK	500,000,000
ČR, 2.00 %, 33	103	26/1/2021	13/10/2033	107.105	CZK	729,770,000
ČR, 0.45 %, 23	97	2/2/2021	25/10/2023	100.075	CZK	300,000,000
ČR, VAR %, 27	90	2/2/2021	19/11/2027	99.970	CZK	650,000,000
ČR, VAR %, 27	90	3/2/2021	19/11/2027	99.900	CZK	500,000,000
ČR, 0.45 %, 23	97	5/2/2021	25/10/2023	99.980	CZK	300,000,000
ČR, 1.00 %, 26	95	5/2/2021	26/6/2026	99.965	CZK	300,000,000
ČR, 1.00 %, 26	95	9/2/2021	26/6/2026	99.550	CZK	1,000,000,000
ČR, 2.00 %, 33	103	9/2/2021	13/10/2033	105.300	CZK	500,000,000
ČR, 0.05 %, 29	130	16/2/2021	29/11/2029	88.500	CZK	1,950,000,000
ČR, 0.45 %, 23	97	23/2/2021	25/10/2023	98.860	CZK	1,200,000,000
ČR, 1.20 %, 31	121	23/2/2021	13/3/2031	96.700	CZK	400,000,000
ČR, 4.20 %, 36	49	23/2/2021	4/12/2036	135.505	CZK	250,000,000
ČR, 0.45 %, 23	97	24/2/2021	25/10/2023	98.810	CZK	3,800,000,000
ČR, 0.45 %, 23	97	2/3/2021	25/10/2023	98.660	CZK	10,400,000,000
ČR, 1.00 %, 26	95	2/3/2021	26/6/2026	98.260	CZK	250,000,000
ČR, 2.50 %, 28	78	2/3/2021	25/8/2028	107.100	CZK	450,000,000
ČR, 4.85 %, 57	53	2/3/2021	26/11/2057	152.260	CZK	50,000,000
ČR, 0.10 %, 22	126	10/3/2021	17/4/2022	99.400	CZK	7,500,000,000
ČR, 1.00 %, 26	95	10/3/2021	26/6/2026	97.320	CZK	1,583,000,000
ČR, 2.50 %, 28	78	10/3/2021	25/8/2028	105.800	CZK	1,200,000,000
ČR, 0.10 %, 22	126	12/3/2021	17/4/2022	99.400	CZK	16,900,000,000
ČR, 2.50 %, 28	78	12/3/2021	25/8/2028	105.850	CZK	2,150,000,000
ČR, 0.10 %, 22	126	16/3/2021	17/4/2022	99.400	CZK	18,335,000,000
ČR, 2.50 %, 28	78	16/3/2021	25/8/2028	105.845	CZK	500,000,000
ČR, 0.10 %, 22	126	23/3/2021	17/4/2022	99.470	CZK	832,400,000
ČR, 0.45 %, 23	97	23/3/2021	25/10/2023	98.650	CZK	69,460,000
ČR, 1.00 %, 26	95	23/3/2021	26/6/2026	96.880	CZK	3,020,000,000
ČR, 4.20 %, 36	49	23/3/2021	4/12/2036	127.170	CZK	1,430,000,000
ČR, 4.85 %, 57	53	23/3/2021	26/11/2057	146.250	CZK	100,000,000
ČR, 0.00 %, 24	135	9/4/2021	12/12/2024	95.620	CZK	3,455,000,000
ČR, 2.75 %, 29	105	9/4/2021	23/7/2029	107.260	CZK	3,300,000,000
ČR, 4.20 %, 36	49	9/4/2021	4/12/2036	127.260	CZK	1,150,000,000
ČR, 1.50 %, 40	125	9/4/2021	24/4/2040	86.710	CZK	980,000,000
ČR, 0.00 %, 24	135	13/4/2021	12/12/2024	95.650	CZK	1,045,000,000
ČR, 0.05 %, 29	130	13/4/2021	29/11/2029	86.020	CZK	1,500,000,000
ČR, 2.00 %, 33	103	13/4/2021	13/10/2033	99.700	CZK	500,000,000
ČR, 1.75 %, 32	138	6/10/2021	23/6/2032	97.020	CZK	625,000,000
ČR, 1.75 %, 32	138	12/10/2021	23/6/2032	97.020	CZK	1,000,000,000
ČR, 2.75 %, 29	105	19/10/2021	23/7/2029	102.750	CZK	440,000,000
ČR, 4.20 %, 36	49	19/10/2021	4/12/2036	122.898	CZK	300,000,000
ČR, 2.50 %, 28	78	20/10/2021	25/8/2028	100.200	CZK	200,000,000
ČR, 1.75 %, 32	138	20/10/2021	23/6/2032	93.000	CZK	932,000,000
ČR, 2.75 %, 29	105	21/10/2021	23/7/2029	101.150	CZK	300,000,000
ČR, 4.20 %, 36	49	21/10/2021	4/12/2036	120.000	CZK	354,260,000
ČR, 2.50 %, 28	78	22/10/2021	25/8/2028	99.450	CZK	1,507,000,000

Issue name	Issue no.	Settlement date	Maturity date	Average price	CCY	Nominal value
ČR, 2.75 %, 29	105	26/10/2021	23/7/2029	101.040	CZK	300,000,000
ČR, 1.75 %, 32	138	26/10/2021	23/6/2032	93.400	CZK	1,000,000,000
ČR, 2.00 %, 33	103	27/10/2021	13/10/2033	93.600	CZK	900,000,000
ČR, 4.85 %, 57	53	27/10/2021	26/11/2057	140.500	CZK	25,000,000
ČR, 2.50 %, 28	78	29/10/2021	25/8/2028	99.100	CZK	500,000,000
ČR, 4.20 %, 36	49	1/11/2021	4/12/2036	118.750	CZK	500,000,000
ČR, 2.75 %, 29	105	2/11/2021	23/7/2029	100.110	CZK	350,000,000
ČR, 1.75 %, 32	138	3/11/2021	23/6/2032	92.420	CZK	2,800,000,000
ČR, 2.75 %, 29	105	4/11/2021	23/7/2029	100.200	CZK	745,760,000
ČR, 4.85 %, 57	53	4/11/2021	26/11/2057	140.500	CZK	10,000,000
ČR, 4.20 %, 36	49	5/11/2021	4/12/2036	120.300	CZK	500,000,000
ČR, 1.50 %, 40	125	8/11/2021	24/4/2040	83.000	CZK	300,000,000
ČR, 2.00 %, 33	103	9/11/2021	13/10/2033	92.550	CZK	1,435,000,000
ČR, 2.50 %, 28	78	10/11/2021	25/8/2028	98.150	CZK	3,000,000,000
ČR, 1.95 %, 37	142	10/11/2021	30/7/2037	91.670	CZK	2,000,000,000
ČR, 2.50 %, 28	78	16/11/2021	25/8/2028	97.800	CZK	1,450,000,000
ČR, 1.75 %, 32	138	16/11/2021	23/6/2032	91.800	CZK	1,300,000,000
ČR, VAR %, 27	90	18/11/2021	19/11/2027	100.595	CZK	500,000,000
ČR, 1.75 %, 32	138	24/11/2021	23/6/2032	92.530	CZK	2,370,000,000
ČR, 2.75 %, 29	105	25/11/2021	23/7/2029	99.892	CZK	100,000,000
ČR, 2.75 %, 29	105	26/11/2021	23/7/2029	99.800	CZK	1,200,000,000
ČR, 2.75 %, 29	105	30/11/2021	23/7/2029	100.500	CZK	2,762,000,000
ČR, VAR %, 27	90	8/12/2021	19/11/2027	100.475	CZK	1,500,000,000
ČR, 2.50 %, 28	78	8/12/2021	25/8/2028	99.350	CZK	1,500,000,000
ČR, 0.00 %, 24	135	9/12/2021	12/12/2024	92.990	CZK	150,000,000
ČR, 1.50 %, 40	125	9/12/2021	24/4/2040	83.440	CZK	500,000,000
ČR, VAR %, 27	90	10/12/2021	19/11/2027	100.480	CZK	1,507,040,000
ČR, 2.50 %, 28	78	10/12/2021	25/8/2028	100.260	CZK	1,843,000,000
ČR, 1.95 %, 37	142	13/12/2021	30/7/2037	92.830	CZK	1,000,000,000
ČR, 4.85 %, 57	53	13/12/2021	26/11/2057	140.380	CZK	50,000,000
ČR, 1.95 %, 37	142	14/12/2021	30/7/2037	92.830	CZK	1,000,000,000
Total						128,085,690,000

Source: MoF

Table 32: Realized Exchange Operations of Government Bonds in 2021

Settlement date	Issue name	Tap-sale		Buy-back		
		Nominal value	Average price	Issue name	Nominal value	Average price
11/1/2021	ČR, 1.25 %, 25	1,405,420,000	102.125	ČR, 3.85 %, 21	1,405,420,000	102.720
11/1/2021	ČR, 2.00 %, 33	100,000,000	107.301	ČR, 3.85 %, 21	100,000,000	102.720
12/1/2021	ČR, 1.50 %, 40	200,000,000	98.115	ČR, 3.85 %, 21	200,000,000	102.710
22/1/2021	ČR, 1.00 %, 26	700,000,000	100.615	ČR, 3.85 %, 21	700,000,000	102.605
22/1/2021	ČR, 2.00 %, 33	50,000,000	107.065	ČR, 3.85 %, 21	50,000,000	102.605
22/1/2021	ČR, 1.50 %, 40	150,000,000	97.380	ČR, 3.85 %, 21	150,000,000	102.605
26/1/2021	ČR, 0.05 %, 29	800,000,000	90.390	ČR, 3.85 %, 21	800,000,000	102.563
2/2/2021	ČR, 1.00 %, 26	300,000,000	100.250	ČR, 3.85 %, 21	300,000,000	102.500
3/2/2021	ČR, 1.00 %, 26	300,000,000	100.065	ČR, 3.85 %, 21	300,000,000	102.489
3/2/2021	ČR, 0.05 %, 29	500,000,000	89.565	ČR, 3.85 %, 21	500,000,000	102.489
5/2/2021	ČR, 1.50 %, 40	300,000,000	96.300	ČR, 3.85 %, 21	300,000,000	102.468
9/2/2021	ČR, 0.05 %, 29	500,000,000	88.945	ČR, 3.85 %, 21	500,000,000	102.426
16/2/2021	ČR, 0.00 %, 24	500,000,000	96.655	ČR, 3.85 %, 21	500,000,000	102.352
16/2/2021	ČR, 1.20 %, 31	1,050,000,000	97.260	ČR, 3.85 %, 21	1,050,000,000	102.352
23/2/2021	ČR, 1.00 %, 26	150,000,000	98.658	ČR, 3.85 %, 21	150,000,000	102.278
23/2/2021	ČR, 0.05 %, 29	150,000,000	88.008	ČR, 3.85 %, 21	150,000,000	102.278
23/2/2021	ČR, 4.20 %, 36	500,000,000	135.408	ČR, 3.85 %, 21	500,000,000	102.278
23/2/2021	ČR, 1.50 %, 40	100,000,000	93.905	ČR, 3.85 %, 21	100,000,000	102.278
12/3/2021	ČR, 1.20 %, 31	900,000,000	93.750	ČR, 3.85 %, 21	900,000,000	102.050
12/3/2021	ČR, 4.20 %, 36	750,000,000	129.850	ČR, 3.85 %, 21	750,000,000	102.050
31/3/2021	ČR, 2.50 %, 28	585,000,000	105.050	ČR, 3.85 %, 21	585,000,000	101.830
31/3/2021	ČR, 0.95 %, 30	534,000,000	92.250	ČR, 3.85 %, 21	534,000,000	101.830
31/3/2021	ČR, 4.20 %, 36	560,000,000	127.250	ČR, 3.85 %, 21	560,000,000	101.830
31/3/2021	ČR, 1.50 %, 40	300,000,000	86.920	ČR, 3.85 %, 21	300,000,000	101.830
3/6/2021	ČR, 2.75 %, 29	1,000,000,000	108.000	ČR, 4.70 %, 22	1,000,000,000	105.656
3/6/2021	ČR, 1.50 %, 40	500,000,000	89.300	ČR, 4.70 %, 22	500,000,000	105.656
3/6/2021	ČR, 4.85 %, 57	171,880,000	147.500	ČR, 4.70 %, 22	171,880,000	105.656
4/6/2021	ČR, 2.50 %, 28	560,000,000	105.880	ČR, 4.70 %, 22	560,000,000	105.644
4/6/2021	ČR, 0.05 %, 29	1,000,000,000	87.050	ČR, 4.70 %, 22	1,000,000,000	105.644
8/6/2021	ČR, 1.20 %, 31	1,000,000,000	95.210	ČR, 4.70 %, 22	1,000,000,000	105.594
8/6/2021	ČR, 1.50 %, 40	500,000,000	89.900	ČR, 4.70 %, 22	500,000,000	105.594
15/6/2021	ČR, 1.00 %, 26	500,000,000	97.610	ČR, 4.70 %, 22	500,000,000	105.508
15/6/2021	ČR, 1.20 %, 31	1,000,000,000	95.610	ČR, 4.70 %, 22	1,000,000,000	105.508
16/6/2021	ČR, 0.05 %, 29	1,000,000,000	87.520	ČR, 4.70 %, 22	1,000,000,000	105.496
16/6/2021	ČR, 2.00 %, 33	918,130,000	102.840	ČR, 4.70 %, 22	918,130,000	105.496
17/6/2021	ČR, 2.75 %, 29	1,000,000,000	108.160	ČR, 4.70 %, 22	1,000,000,000	105.484
17/6/2021	ČR, 1.50 %, 40	500,000,000	90.920	ČR, 4.70 %, 22	500,000,000	105.484
18/6/2021	ČR, VAR %, 31	500,000,000	101.175	ČR, 4.70 %, 22	500,000,000	105.472
18/6/2021	ČR, 1.75 %, 32	489,000,000	101.250	ČR, 4.70 %, 22	489,000,000	105.472
22/6/2021	ČR, 2.50 %, 28	1,000,000,000	105.500	ČR, 4.70 %, 22	1,000,000,000	105.422
22/6/2021	ČR, 1.20 %, 31	1,000,000,000	95.550	ČR, 4.70 %, 22	1,000,000,000	105.422
23/6/2021	ČR, 2.75 %, 29	400,000,000	107.950	ČR, 4.70 %, 22	400,000,000	105.410
23/6/2021	ČR, 1.50 %, 40	500,000,000	90.920	ČR, 4.70 %, 22	500,000,000	105.410
24/6/2021	ČR, 0.05 %, 29	20,550,000	87.180	ČR, 4.70 %, 22	20,550,000	105.398
24/6/2021	ČR, 1.20 %, 31	500,000,000	95.420	ČR, 4.70 %, 22	500,000,000	105.398
29/6/2021	ČR, 2.75 %, 29	600,000,000	107.350	ČR, 4.70 %, 22	600,000,000	105.022

Settlement date	Tap-sale			Buy-back		
	Issue name	Nominal value	Average price	Issue name	Nominal value	Average price
29/6/2021	ČR, 1.50 %, 40	150,000,000	90.755	ČR, 3.85 %, 21	150,000,000	100.832
29/6/2021	ČR, 1.50 %, 40	350,000,000	90.755	ČR, 4.70 %, 22	350,000,000	105.022
7/7/2021	ČR, 1.00 %, 26	1,000,000,000	96.860	ČR, 4.70 %, 22	1,000,000,000	104.929
7/7/2021	ČR, 1.50 %, 40	300,000,000	90.800	ČR, 4.70 %, 22	300,000,000	104.929
8/7/2021	ČR, VAR %, 31	500,000,000	100.650	ČR, VAR %, 23	500,000,000	101.200
9/7/2021	ČR, 2.75 %, 29	1,000,000,000	107.450	ČR, 4.70 %, 22	1,000,000,000	104.906
9/7/2021	ČR, 1.50 %, 40	350,000,000	90.800	ČR, 4.70 %, 22	350,000,000	104.906
12/7/2021	ČR, 2.40 %, 25	500,000,000	103.275	ČR, 4.70 %, 22	500,000,000	104.871
12/7/2021	ČR, VAR %, 31	500,000,000	100.550	ČR, VAR %, 23	500,000,000	101.200
14/7/2021	ČR, 1.00 %, 26	316,690,000	97.060	ČR, 4.70 %, 22	316,690,000	104.848
14/7/2021	ČR, 1.50 %, 40	200,000,000	90.780	ČR, 4.70 %, 22	200,000,000	104.848
14/7/2021	ČR, 4.85 %, 57	100,000,000	150.000	ČR, 4.70 %, 22	100,000,000	104.848
21/7/2021	ČR, 2.40 %, 25	457,480,000	103.210	ČR, 4.70 %, 22	457,480,000	104.768
21/7/2021	ČR, 0.05 %, 29	1,000,000,000	87.020	ČR, 4.70 %, 22	1,000,000,000	104.768
21/7/2021	ČR, 1.50 %, 40	350,000,000	90.500	ČR, 4.70 %, 22	350,000,000	104.768
22/7/2021	ČR, VAR %, 31	1,000,000,000	100.300	ČR, VAR %, 23	1,000,000,000	101.280
23/7/2021	ČR, 2.75 %, 29	250,000,000	107.900	ČR, 4.70 %, 22	250,000,000	104.744
23/7/2021	ČR, 0.05 %, 29	1,000,000,000	87.270	ČR, 4.70 %, 22	1,000,000,000	104.744
23/7/2021	ČR, 1.50 %, 40	500,000,000	90.750	ČR, 4.70 %, 22	500,000,000	104.744
26/7/2021	ČR, VAR %, 31	2,000,000,000	100.350	ČR, VAR %, 23	2,000,000,000	101.280
27/7/2021	ČR, 0.05 %, 29	1,000,000,000	87.625	ČR, 3.85 %, 21	1,000,000,000	100.573
27/7/2021	ČR, 0.05 %, 29	1,000,000,000	87.625	ČR, 4.70 %, 22	1,000,000,000	104.698
27/7/2021	ČR, 1.75 %, 32	400,000,000	100.770	ČR, 3.85 %, 21	400,000,000	100.573
27/7/2021	ČR, 1.75 %, 32	650,000,000	100.770	ČR, 4.70 %, 22	650,000,000	104.698
27/7/2021	ČR, 1.50 %, 40	200,000,000	91.050	ČR, 3.85 %, 21	200,000,000	100.573
27/7/2021	ČR, 1.50 %, 40	500,000,000	91.050	ČR, 4.70 %, 22	500,000,000	104.698
3/8/2021	ČR, VAR %, 31	376,000,000	100.275	ČR, VAR %, 23	376,000,000	101.225
31/8/2021	ČR, VAR %, 31	400,000,000	100.250	ČR, VAR %, 23	400,000,000	101.075
2/9/2021	ČR, 4.85 %, 57	200,000,000	149.850	ČR, 0.10 %, 22	600,000,000	99.290
6/9/2021	ČR, 4.20 %, 36	200,000,000	129.450	ČR, 0.10 %, 22	600,000,000	99.302
6/9/2021	ČR, 4.85 %, 57	150,000,000	149.630	ČR, 0.10 %, 22	450,000,000	99.302
8/9/2021	ČR, VAR %, 31	500,000,000	100.175	ČR, VAR %, 23	500,000,000	101.100
9/9/2021	ČR, VAR %, 27	1,700,000,000	99.660	ČR, VAR %, 23	1,700,000,000	101.145
9/9/2021	ČR, 4.85 %, 57	100,000,000	149.225	ČR, 0.10 %, 22	300,000,000	99.311
15/9/2021	ČR, VAR %, 27	760,000,000	99.700	ČR, VAR %, 23	760,000,000	101.205
15/9/2021	ČR, 4.85 %, 57	213,200,000	148.320	ČR, 0.10 %, 22	213,200,000	99.330
20/9/2021	ČR, VAR %, 31	600,000,000	100.225	ČR, VAR %, 23	600,000,000	101.215
21/9/2021	ČR, VAR %, 27	300,000,000	99.775	ČR, VAR %, 23	300,000,000	101.220
29/9/2021	ČR, VAR %, 27	70,000,000	100.055	ČR, VAR %, 23	70,000,000	101.205
20/10/2021	ČR, VAR %, 27	1,000,000,000	100.690	ČR, VAR %, 23	1,000,000,000	101.200
20/10/2021	ČR, VAR %, 31	200,000,000	101.080	ČR, VAR %, 23	200,000,000	101.200
1/11/2021	ČR, VAR %, 27	225,000,000	100.685	ČR, VAR %, 23	225,000,000	101.175
9/11/2021	ČR, VAR %, 27	300,000,000	100.680	ČR, VAR %, 23	300,000,000	101.175
25/11/2021	ČR, VAR %, 27	260,000,000	100.480	ČR, VAR %, 23	260,000,000	101.150
Total		49,172,350,000			50,472,350,000	

Source: MoF

Table 33: Buy-Backs of Government Bonds in 2021

Issue name	Issue no.	Settlement date	Maturity date	Average price	Currency	Nominal value
ČR, 0.10 %, 22	126	24/8/2021	17/4/2022	99.420	CZK	500,000,000
ČR, 0.10 %, 22	126	29/9/2021	17/4/2022	99.373	CZK	2,300,000,000
ČR, 0.10 %, 22	126	30/9/2021	17/4/2022	99.376	CZK	6,000,000,000
Total						8,800,000,000

Source: MoF

Table 34: Detailed Overview of Budgetary Transfers from the State Debt Chapter Realized in 2021

Chapter number	Chapter	Funds allocation	Amount (CZK)
329	Ministry of Agriculture	Forestry support - struggle with bark beetle calamity	2,000,000,000
335	Ministry of Health	Funds for child psychiatry	100,000,000
374	Administration of State Material Reserves	Increase in other current expenditures in connection with the tornado in the area of South Moravia	5,925,000
398	General Treasury Management	Contributions of own resources to the EU budget	3,627,083,009
362	National Sports Agency	Funds for the development and support of sports	1,000,000,000
312	Ministry of Finance	Reconstruction of the General Directorate of Customs building	70,000,000
313	Ministry of Labour and Social Affairs	Strengthening the expenditure of health insurance benefits	2,500,000,000
314	Ministry of Interior	Funds for cover costs related to the provision of assistance in eliminating the damage caused by the tornado in the area of South Moravia	81,933,178
314	Ministry of Interior	Increase in expenditures on sending members of the Czech Police abroad	50,774,000
334	Ministry of Culture	Increase in expenditure on cultural activities	27,500,000
Total			9,463,215,187

Source: MoF

Table 35: FX Market Operations in 2021

Counterparty	EUR (thous)	USD (thous)	CHF (thous)	SEK (thous)	CZK (mil)	Savings (CZK) ¹	Share of savings (%)
Komerční banka, a.s.	208,783.0	132,738.0	13,721.4	20,567.0	8,617.4	37.9	45.1
PPF banka a.s.	137,534.4	13,498.3	0.0	0.0	3,833.2	18.0	21.5
UniCredit Bank Czech Republic and Slovakia, a.s. / UniCredit AG	128,618.2	0.0	0.0	0.0	3,278.8	13.0	15.5
Československá obchodní banka, a. s.	47,221.3	46,673.9	1,666.6	0.0	2,282.5	10.0	11.9
Citibank Europe plc	0.0	0.0	0.0	447,900.0	1,157.4	3.1	3.7
J.P. Morgan Chase Bank, N.A. London / J.P. Morgan AG	4,026.5	0.0	2,191.7	32,375.0	234.9	1.1	1.3
Credit Agricole Corporate and Investment Bank	3,895.7	0.0	0.0	0.0	98.2	0.5	0.7
ING Bank N.V.	1312.1	0.0	0.0	0.0	33.4	0.2	0.2
HSBC Bank Continental Europe	410.4	0.0	0.0	0.0	10.5	0.1	0.1
Total	531,801.6	192,910.2	17,579.7	500,842.0	19,546.3	83.9	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

Key Information 2021

- State debt at the level of CZK 2,465.7 bn, i.e. 40.4% GDP
- Financing needs: CZK 690.4 bn
- Gross borrowing requirement: CZK 696.0 bn
- Gross issue of T-Bonds on domestic market denominated in local currency: CZK 572.7 bn
- Gross issue of T-Bonds on domestic market denominated in euro: EUR 200 mil
- Gross issue of T-Bonds on foreign markets: CZK 0.0 bn
- Gross issue of savings government bonds: CZK 13.8 bn
- Redemptions of T-Bonds issued on domestic market denominated in local currency: CZK 162.8 bn
- Redemptions of T-Bonds issued on domestic market denominated in euro: EUR 1.0 bn
- Redemptions of T-Bonds issued on foreign markets: EUR 2.0 bn
- Redemptions of savings government bonds: CZK 0.5 bn
- Average weighted time to maturity of sold T-Bonds denominated in local currency: 8.8 years
- Average weighted yield to maturity of sold T-Bonds denominated in local currency: 1.61% p.a.
- Net revenue within liquidity management and borrowing operations with negative yield: CZK 3.2 bn
- Average time to maturity of state debt: 6.4 years
- Short-term state debt: 10.8%
- Average time to re-fixing of state debt: 5.9 years
- Interest re-fixing of the debt portfolio within 1 year: 22.9%

Contacts

Debt and Financial Assets Management Department



The publication was prepared based on the information available on 28 February 2022
and is also available online at:

www.mfcr.cz/statedebt

Debt and Financial Assets Management Department

Ministry of Finance

Letenská 15, 118 10 Praha 1 – Malá Strana

Czech Republic

E-mail: middleoffice@mfcr.cz, Refinitiv <MFCR>, Bloomberg <MFCZ>