



Ministry of Finance

Debt and Financial Assets
Management Department

Debt Portfolio Management Quarterly Report

1st Quarter of 2016



15 April 2016

Ministry of Finance

Debt Portfolio Management Quarterly Report 1st Quarter of 2016

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

ISSN 2336-2669 (On-line)

Issued three times a year

Electronic archive:
www.mfcz.cz/statedebt

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List of Abbreviations

APEI	Aggregate Performance Evaluation Index
bn	Billion
CCY	Currency
CDCP	Central Securities Depository Prague
CHF	Swiss franc currency code
CNB	Czech National Bank
CZK	Czech koruna currency code
CZSO	Czech Statistical Office
EIB	European Investment Bank
ESA2010	European System of Accounts 2010
EUR	Euro currency code
GDP	Gross domestic product
ISIN	International Securities Identification Number
JPY	Japanese yen currency code
MoF	Ministry of Finance
mil.	Million
MTS	Mercato Telematico Secondario
p.a.	Per annum
p.p.	percentage point
PRIBOR	Prague Interbank Offered Rate
T-Bills	State treasury bills
T-Bonds	Medium-term and long-term government bonds
VAR	Variable-rate

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

Summary and Main Events

In accordance with the calendar of published information, the Ministry of Finance (hereinafter the Ministry or MoF) presents the Debt Portfolio Management Quarterly Report (hereinafter the Quarterly Report), which contains in particular the evaluation of the announced strategic targets, operative fulfilment of funding programme and issuance activity plans concretized in The Czech Republic Funding and Debt Management Strategy 2016 (hereinafter the Strategy) published on 18 December 2015, and further contains regular quarterly performance evaluation of primary dealers in Czech government securities in Q2 2015 to Q1 2016.

In Q1 2016, the Ministry continued to issue and sell medium-term and long-term government bonds on domestic market. The total gross issue of medium-term and long-term government bonds carried out on primary market via eleven auctions in four auction days amounted to CZK 64.9 billion. The Ministry issued two new zero-coupon issues on domestic market in January with maturities in January 2018 and July 2019 in accordance with framework issuance plan. The total gross issue of zero-coupon medium-term and long-term government bonds amounted to CZK 38.1 billion in Q1 2016, which means 58.8% of total gross issue on primary market will not be burdened with interest expenditure of state budget.

On 26 January 2016, the redemption of the Czech Republic Treasury Bond, 2001-2016, 6.95 % in total nominal value of CZK 34.6 billion was carried out. The Ministry did not execute any tap sale from its own asset account or buy-backs during Q1 2016. The Ministry launched pilot operation of medium-term and long-term government bonds exchange operations in February 2016. Czech Republic Treasury Bond, 2008-2016, VAR and Czech Republic Treasury Bond, 2009-2019, 5.00 % in total nominal value of CZK 3.7 billion were bought back within these exchange operations during Q1 2016, while medium-term and long-term government bonds with longer time to maturity in total nominal value

of CZK 2.0 billion were sold from Ministry's own asset account. The total nominal value of net issue of medium-term and long-term government bonds issued on domestic market amounted to CZK 28.6 billion in Q1 2016 after taking into account the effect of exchange operations, which is CZK 11.7 billion lower than in first quarter of the previous year.

The total nominal value of gross issue of money market instruments excluding the roll-over amounted to CZK 18.1 billion in Q1 2016 of which CZK 16.8 billion were represented by issued and sold state treasury bills and CZK 1.4 billion by received financial resources within the lending facilities of medium-term and long-term government bonds in the form of repo operations. The total nominal value of state treasury bills redemptions excluding the roll-over in Q1 2016 amounted to CZK 22.0 billion. The balance of state treasury bills outstanding decreased by CZK 5.2 billion to CZK 79.2 billion during Q1 2016. The total nominal value of net issue of money market instruments amounted to CZK -6.1 billion during Q1 2016.

In Q1 2016, no tranches of savings government bonds were issued, no planned redemption of savings government bonds was carried out, and just early redemptions to holders who exercised their right in total nominal value of CZK 11 million were carried out. The net issue of savings government bonds in Q1 2016 amounted to CZK 0.0 billion. In the area of issuance on foreign markets no borrowing operation was carried out in Q1 2016 as well as no loan tranche from the EIB was drawn, only planned repayments of loans received from EIB amounting to CZK 0.4 billion were carried out.

On 22 January 2016 the Standard & Poor's rating agency affirmed AA long-term local currency and AA- long-term foreign currency sovereign credit rating with a stable outlook on the Czech Republic. Diversified productive economy, stable institutions, and moderate levels of Czech Republic's public debt were positively assessed in rating rationale.

The Launch of Government Bonds Exchange Operations

The Ministry launched the pilot operation of medium-term and long-term government bonds exchange operations on transparent electronic trading platform MTS Czech Republic during February 2016, which additionally widened the portfolio of offered operations available within the secondary market of government bonds, and thus the Czech Republic joined the states such as e.g. Germany, Sweden, Denmark, France or Austria regularly performing

these operations. Satisfying the demand of primary dealers for this type of transactions further increases the liquidity of secondary market having the positive impact on state budget expenditure on state debt service. Within these operations the Ministry buys back medium-term and long-term government bonds maturing in current year or having relatively high coupon rate and relatively short residual time to maturity. These operations have definitely positive

impact on risk indicators of debt portfolio due to the sale of government bonds with relatively long residual time to maturity extending the average time to maturity and re-fixing of the whole debt portfolio, and also on the state budget due to the savings on unrealized future coupon payments. During Q1 2016, Czech Republic Treasury Bond, 2008-2016, VAR in total nominal value of CZK 3.6 billion, representing also a pre-financing of its

regular October redemption, and Czech Republic Treasury Bond, 2009-2019, 5.00 % in total nominal value of CZK 0.2 billion was bought back within these operations, while government bonds with maturities is 2019, 2020, 2027 and 2030 in total nominal value of CZK 2.0 billion were sold. The Ministry plans to realize these operations also in the rest of 2016 with respect to the situation on financial markets and the primary dealers' demand.

Negative Yields in Auctions of Government Bonds and Effective Investing

The Ministry achieved negative auction yields within primary auctions of short-term state treasury bills and also medium-term and long-term government bonds also during the Q1 2016, which brought extra revenue of state budget due to the auction premiums as in previous year. According to the Strategy for 2016, the Ministry introduced another two zero-coupon medium-term and long-term government bonds with maturities in January 2018 and July 2019. Due to the sale of Government Bond of the Czech Republic, 2015–2017, 0.00 % from Ministry's asset account in total nominal value of CZK 10.3 billion, the sale of Government Bond of the Czech Republic, 2016–2018, 0.00 % in total nominal value of CZK 24.4 billion, and the sale of Government Bond of the Czech Republic, 2016–2019, 0.00 % in total nominal value of CZK 3.4 billion, the extra revenue of the state budget amounting CZK 87.5 million at average yield to maturity of -0.11% p.a. was achieved. The sale of state treasury bills with maturities of from 3 weeks up to one year in total nominal value of CZK 17.7 billion brought extra revenue of the state budget amounting CZK 12.6

million at the average yield to maturity of -0.12% p.a. Government bonds with negative yield in total nominal value of CZK 55.8 billion were issued in Q1 2016 and extra revenue of the state budget amounted to CZK 100.2 million.

Due to the extraordinary situation on financial markets by the end of 2015, the Ministry also decided to implement FX swaps in order to make the investing of available euro resources of the state treasury more efficient, which allowed the Ministry not only to avoid the negative interest rate imposed on euro liquidity of the state treasury by the Czech National Bank already in the half of 2014, but these operations also brought additional extra revenue of the state budget in Q1 2016 amounting CZK 31 million. The total revenue from the investment activity within the state treasury liquidity management after taking into account the extra revenue of the state budget due to the sale of the government bonds with negative yield amounted to CZK 156 million in Q1 2016, which represents an increase by 456% compared to Q1 2015.

Historically Record-Breaking State Budget Surplus

As at the end of Q1 2016, the state budget reported the surplus of CZK 43.6 billion which is CZK 23.7 billion higher outcome of state budget performance compared to Q1 2015 and it is the best performance of the state budget in the first quarter since 1993. Besides other things, this surplus made a partial refinancing of Czech Republic Treasury Bond, 2001-2016, 6.95 % redemption in total nominal value of CZK 34.6 billion possible, as the gross issue of medium-term and long-term government bonds designated primarily for refinancing of the redemption amounted to CZK 26.8 billion. But in fact, the average auction yield of these government bonds was 0.63% p.a., which represents an additional future significant savings on the expenditure side of the state budget in comparison to the expenditure connected with the redeemed government bond.

The state debt increased by CZK 21.7 billion in Q1 2016. However, this increase was given by the utilisation of extraordinarily favourable situation on financial markets and the effort to maximize the sales of government bonds with negative yields with positive impact on the state budget. If the state treasury bills with negative yield hadn't been issued and the lending facilities in the form of repo operation maturing in 2016 hadn't been carried out, the state debt would have increase only by CZK 6.6 billion in Q1 2016 compared to the sale of zero-coupon medium-term and long-term government bonds in total nominal value of CZK 38.1 billion. The utilisation of extraordinarily budgetary favourable conditions on financial markets for the price of a short-term increase of the absolute value of the state debt is in accordance with the Strategy for 2016 and is fully consistent with the Ministry's communication in this area with the participants of the financial markets and public.

1 – Borrowing Requirement and Development of State Debt

Table 1: Structure and Balance of the Debt Portfolio

CZK bn	2014	2015	31/3/2016
Gross state debt	1,663.7	1,673.0	1,694.7
T-Bills	107.6	84.4	79.2
Other money market instruments	2.5	2.9	1.4
Received collateral in cash	0.0	0.0	0.0
T-Bonds issued on domestic market	1,175.7	1,235.2	1,263.8
T-Bonds issued on foreign markets ¹	239.6	225.6	225.9
Savings government bonds	77.8	66.9	66.9
Received credits and loans	60.4	58.0	57.6
Promissory notes	0.0	0.0	0.0
Share of GDP (%)²	39.0	37.4	37.6

¹ Incl. hedging operations.

² GDP in the ESA2010 methodology. The source of data for Q1 2014 – Q4 2015 is CZSO, for Q1 2016 the Macroeconomic Forecast of the Czech Republic – April 2016. Source: MoF, CZSO

Table 2: Financing Needs and Sources

CZK bn	2014	2015	Q1 2016
Primary balance of state budget	29.3	17.5	-46.7
Net expenditure on state debt ¹	48.5	45.3	3.1
T-Bonds redemptions ²	143.7	123.9	36.3
Redemptions and early redemptions on savings government bonds	11.9	11.9	0.0
T-Bills redemptions ³	120.9	107.6	22.0
Other money market instrument redemptions ³	0.0	2.5	2.2
Repayments on credits and loans	11.1	2.5	0.4
Total financing needs	365.3	311.2	17.3
Gross T-Bills issue ^{3, 4}	107.6	84.4	16.8
Other money market instrument ³	2.5	2.2	1.4
Received collateral in cash	0.0	0.0	0.0
Gross issue of T-Bonds in the domestic market ^{4, 5}	153.3	180.4	64.9
Gross issue of T-Bonds in the domestic market up to 5 years ^{4, 6}	37.3	100.0	41.3
Gross issue of T-Bonds in the domestic market from 5 to 10 years ^{4, 6}	50.0	23.3	8.1
Gross issue of T-Bonds in the domestic market over 10 years ^{4, 6}	65.9	57.1	17.4
Effect of exchange operations ⁴	0.0	0.0	-2.0
Gross issue of T-Bonds on foreign markets ^{2, 4}	0.0	0.0	0.0
Gross issue of savings government bonds ⁷	2.1	1.0	0.0
Received credits and loans	0.0	0.0	0.0
Financial asset and liquidity management	99.7	43.2	-65.7
Total financing sources	365.3	311.2	17.3
Gross borrowing requirement	265.6	268.1	83.0

¹ Balance of the budgetary chapter 396 – State Debt.

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

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

⁴ Nominal value; premiums and discounts included in the net expenditure on state debt, i.e. they are included in the net borrowing requirement.

⁵ Incl. effect of exchange operations

⁶ Remaining time to maturity at the transaction settlement date.

⁷ Incl. the reinvestment of yields.

Source: MoF

Table 3: Net Borrowing Requirement and Change in State Debt

CZK bn	2014	2015	Q1 2016
Gross state debt as at 1 January	1,683.3	1,663.7	1,673.0
Primary state budget balance	29.3	17.5	-46.7
Net expenditure on state debt service ¹	48.5	45.3	3.1
Financial asset and liquidity management operations	-99.7	-43.2	65.7
Net borrowing requirement	-21.9	19.6	22.1
T-Bills net issue	-13.3	-23.2	-5.2
Net change in the balance of other money market instruments	2.5	-0.4	-0.8
T-Bonds net issue on domestic market	96.0	67.4	28.6
T-Bonds net issue on foreign markets ²	-86.4	-10.8	0.0
Savings government bonds net issue	-9.7	-10.9	0.0
Net change in balance of received credits and loans	-11.1	-2.5	-0.4
Financing of net borrowing requirement	-21.9	19.6	22.1
Revaluation of state debt ³	2.3	-10.3	-0.4
Promissory notes net change	0.0	0.0	0.0
Gross state debt change	-19.7	9.3	21.7
Gross state debt as at the end of period	1,663.7	1,673.0	1,694.7

¹ Balance of budgetary chapter 396 – State debt.

² Incl. hedging operations.

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

Source: MoF

2 – Primary Market of Government Bonds

Table 4a: Medium-Term and Long-Term Government Bonds Issued in Q1 2016

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 %, 19	98 1	13/1	15/1	17/7/2019	CZK	10,000,000,000	3,433,270,000
ČR, 1.00 %, 26	95 4	13/1	15/1	26/6/2026	CZK	5,000,000,000	4,430,030,000
ČR, VAR %, 20	91 6	13/1	15/1	9/12/2020	CZK	5,000,000,000	2,840,020,000
ČR, 0.00 %, 18	99 1	20/1	22/1	22/1/2018	CZK	15,000,000,000	15,150,000,000
ČR, 0.45 %, 23	97 4	20/1	22/1	25/10/2023	CZK	4,000,000,000	4,109,250,000
ČR, 2.50 %, 28	78 14	20/1	22/1	25/8/2028	CZK	3,000,000,000	2,689,000,000
ČR, VAR %, 27	90 8	27/1	29/1	19/11/2027	CZK	5,000,000,000	4,080,000,000
ČR, 2.40 %, 25	89 7	27/1	29/1	17/9/2025	CZK	4,000,000,000	4,000,000,000
ČR, 0.00 %, 17	96 6	27/1	29/1	9/11/2017	CZK	10,000,000,000	10,329,460,000
ČR, 0.00 %, 18	99 2	10/2	12/2	22/1/2018	CZK	8,000,000,000	9,237,210,000
ČR, 0.95 %, 30	94 4	10/2	12/2	15/5/2030	CZK	4,000,000,000	4,619,060,000
Total							64,917,300,000

Source: MoF

Table 4b: Medium-Term and Long-Term Government Bonds Issued in Q1 2016

Issue name	Issue/ tranche no.	Coupon	Average net price	Average yield to maturity (% p.a.)	Bid- to- cover ratio	Sold in the competitive part of the auction/ Max. nominal value offered (%)	Sold in the non- competitive part of the auction/ Max. nominal value offered (%)
ČR, 0.00 %, 19	98 1	0.00%	100.130	-0.037	4.95	28.20	6.13
ČR, 1.00 %, 26	95 4	1.00%	103.081	0.693	1.26	78.55	10.05
ČR, VAR %, 20	91 6	VAR%	100.425	-38.627 ¹	2.29	45.80	11.00
ČR, 0.00 %, 18	99 1	0.00%	100.290	-0.145	1.59	101.00	0.00
ČR, 0.45 %, 23	97 4	0.45%	100.692	0.359	1.22	99.00	3.73
ČR, 2.50 %, 28	78 14	2.50%	119.346	0.871	1.16	88.33	1.30
ČR, VAR %, 27	90 8	VAR%	102.837	-33.737 ¹	1.17	81.60	0.00
ČR, 2.40 %, 25	89 7	2.40%	116.771	0.603	1.39	100.00	0.00
ČR, 0.00 %, 17	96 6	0.00%	100.108	-0.061	1.27	103.29	0.00
ČR, 0.00 %, 18	99 2	0.00%	100.303	-0.156	3.79	100.00	15.47
ČR, 0.95 %, 30	94 4	0.95%	100.326	0.925	2.04	100.00	15.48
Average					2.01	84.16	5.74

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

Table 5: State Treasury Bills Issued in Q1 2016

Issue no.	Maturity (weeks)	Auction date	Issue date	Maturity date	Max. offered nominal amount	Total placed nominal amount	Yield to maturity (% p.a.)
724	8	7/1	8/1	4/3/2016	10 000 000 000	600 000 000	-0.10
725	26	14/1	15/1	15/7/2016	10 000 000 000	1 750 000 000	-0.20
726	8	21/1	22/1	18/3/2016	10 000 000 000	300 000 000	-0.05
727	52	28/1	29/1	27/1/2017	8 000 000 000	3 000 000 000	-0.10
728	39	4/2	5/2	4/11/2016	10 000 000 000	2 000 000 000	-0.10
729	26	11/2	12/2	12/8/2016	10 000 000 000	1 500 000 000	-0.20
730	39	18/2	19/2	18/11/2016	10 000 000 000	4 000 000 000	-0.11
731	26	25/2	26/2	26/8/2016	10 000 000 000	1 500 000 000	-0.15
732	4	3/3	4/3	1/4/2016	10 000 000 000	2 500 000 000	-0.10
733	3	10/3	11/3	1/4/2016	10 000 000 000	505 000 000	-0.05
Total					98 000 000 000	17 655 000 000	-0.12¹

¹ Average weighted yield to maturity of state treasury bills issued in Q1 2016.
Source: MoF

Table 6: Medium-Term and Long-Term Government Bonds Issued on Domestic Market as at 31/3/2016

Issue name	Issue no.	ISIN	Maturity date	Nominal value outstanding	Nominal value booked on MoF's asset accounts
ČR, 0.50 %, 16	77	CZ0001003842	28/7/2016	28,000,000,000	0
ČR, VAR %, 16	55	CZ0001002331	27/10/2016	76,420,000,000	3,580,000,000
ČR, 4.00 %, 17	51	CZ0001001903	11/4/2017	90,400,000,000	3,600,000,000
ČR, VAR %, 17	67	CZ0001003438	23/7/2017	50,000,000,000	0
ČR, 0.00 %, 17	96	CZ0001004592	9/11/2017	70,000,000,000	0
ČR, 0.00 %, 18	99	CZ0001004709	22/1/2018	24,387,210,000	20,000,000,000
ČR, 0.85 %, 18	88	CZ0001004246	17/3/2018	47,236,220,000	2,763,780,000
ČR, 4.60 %, 18	41	CZ0001000822	18/8/2018	74,000,000,000	1,000,000,000
ČR, 5.00 %, 19	56	CZ0001002471	11/4/2019	86,960,000,000	2,140,000,000
ČR, 0.00 %, 19	98	CZ0001004717	17/7/2019	3,433,270,000	10,000,000,000
ČR, 1.50 %, 19	76	CZ0001003834	29/10/2019	76,631,370,000	3,368,630,000
ČR, 3.75 %, 20	46	CZ0001001317	12/9/2020	74,402,040,000	597,960,000
ČR, VAR %, 20	91	CZ0001004113	9/12/2020	31,198,770,000	3,800,000,000
ČR, 3.85 %, 21	61	CZ0001002851	29/9/2021	75,635,000,000	2,000,000,000
ČR, 4.70 %, 22	52	CZ0001001945	12/9/2022	75,116,740,000	2,000,000,000
ČR, VAR %, 23	63	CZ0001003123	18/4/2023	81,207,870,000	5,792,130,000
ČR, 0.45 %, 23	97	CZ0001004600	25/10/2023	11,306,700,000	1,000,000,000
ČR, 5.70 %, 24	58	CZ0001002547	25/5/2024	87,600,000,000	2,400,000,000
ČR, 2.40 %, 25	89	CZ0001004253	17/9/2025	41,757,970,000	2,242,030,000
ČR, 1.00 %, 26	95	CZ0001004469	26/6/2026	14,623,790,000	1,000,000,000
ČR, VAR %, 27	90	CZ0001004105	19/11/2027	38,729,550,000	3,770,000,000
ČR, 2.50 %, 28	78	CZ0001003859	25/8/2028	51,385,540,000	0
ČR, 0.95 %, 30	94	CZ0001004477	15/5/2030	13,895,000,000	2,615,000,000
ČR, 4.20 %, 36	49	CZ0001001796	4/12/2036	28,428,970,000	1,417,620,000
ČR, 4.85 %, 57	53	CZ0001002059	26/11/2057	11,020,000,000	6,980,000,000
Total				1,263,776,010,000	82,067,150,000

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 7: Medium-Term and Long-Term Government Bonds Issued on Foreign Markets as at 31/3/2016

ISIN	CCY	Maturity date	Nominal value outstanding	Nominal value booked on MoF's asset accounts
CH0106812362	CHF	23/11/2016	500,000,000	0
XS0368800073	EUR	11/6/2018	2,000,000,000	0
XS0215153296	EUR	18/3/2020	1,000,000,000	0
XS0541140793	EUR	14/4/2021	2,000,000,000	0
XS0750894577	EUR	24/5/2022	2,750,000,000	0
XS0240954361	JPY	16/1/2036	30,000,000,000	0
Total EUR			7,750,000,000	0
Total CHF			500,000,000	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 8: Issued State Treasury Bills as at 31/3/2016

Issue no.	Maturity (weeks)	ISIN	Maturity date	Nominal value outstanding	Nominal value booked on MoF's asset accounts
732	4	CZ0001004808	1/4/2016	2,500,000,000	0
733	3	CZ0001004816	1/4/2016	505,000,000	0
713	39	CZ0001004550	15/4/2016	8,000,000,000	0
707	52	CZ0001004493	22/4/2016	8,000,000,000	30,000,000,000
709	52	CZ0001004519	27/5/2016	6,000,000,000	0
710	52	CZ0001004527	10/6/2016	8,000,000,000	0
725	26	CZ0001004733	15/7/2016	1,750,000,000	0
714	52	CZ0001004576	5/8/2016	5,707,000,000	0
729	26	CZ0001004774	12/8/2016	1,500,000,000	0
715	52	CZ0001004584	19/8/2016	6,705,000,000	0
731	26	CZ0001004790	26/8/2016	1,500,000,000	0
716	52	CZ0001004618	2/9/2016	8,520,000,000	0
720	52	CZ0001004659	30/9/2016	11,500,000,000	0
728	39	CZ0001004766	4/11/2016	2,000,000,000	0
730	39	CZ0001004782	18/11/2016	4,000,000,000	30,000,000,000
727	52	CZ0001004758	27/1/2017	3,000,000,000	0
Total				79,187,000,000	60,000,000,000

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

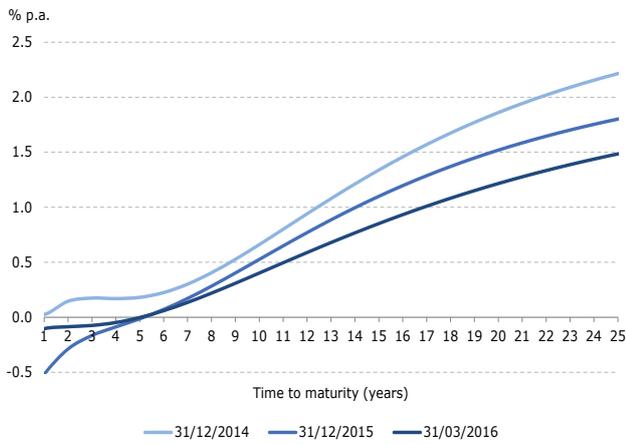
Table 9: Issued Savings Government Bonds as at 31/3/2016

Bond	Issue no.	ISIN	Maturity date	Nominal value outstanding	Nominal value booked on MoF's asset accounts
Premium savings government bond	80	CZ0001003982	12/6/2016	7,383,546,416	0
Coupon savings government bond	65	CZ0001003305	11/11/2016	1,924,190,835	0
Reinvestment savings government bond	66	CZ0001003297	11/11/2016	9,674,036,386	0
Premium savings government bond	84	CZ0001004170	12/12/2016	11,029,236,195	0
Coupon savings government bond	68	CZ0001003560	12/6/2017	1,127,269,732	0
Reinvestment savings government bond	69	CZ0001003578	12/6/2017	5,613,361,807	0
Coupon savings government bond	74	CZ0001003784	12/12/2017	1,762,537,241	0
Reinvestment savings government bond	75	CZ0001003792	12/12/2017	7,738,301,805	0
Coupon savings government bond	81	CZ0001004014	12/6/2018	817,370,434	0
Reinvestment savings government bond	82	CZ0001004006	12/6/2018	5,794,761,373	0
Coupon savings government bond	85	CZ0001004188	12/12/2018	1,355,771,518	0
Reinvestment savings government bond	86	CZ0001004196	12/12/2018	7,618,676,749	0
Inflation-linked savings government bond	70	CZ0001003586	12/6/2019	1,899,784,083	0
Reinvestment savings government bond	92	CZ0001004303	12/6/2019	743,497,966	0
Inflation-linked savings government bond	83	CZ0001003990	12/6/2020	380,869,192	0
Inflation-linked savings government bond	87	CZ0001004204	12/12/2020	2,016,688,991	0
Variable-rate savings government bond	93	CZ0001004311	12/12/2020	31,286,157	0
Total				66,911,186,880	0

Source: MoF

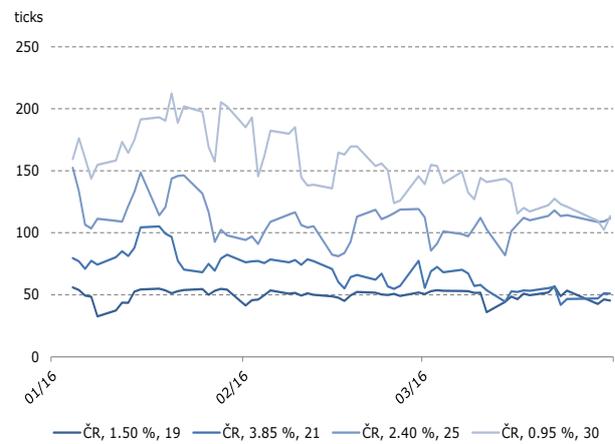
3 – Secondary Market of Government Bonds

Figure 1: Yield Curve of CZK-Denominated Government Bonds



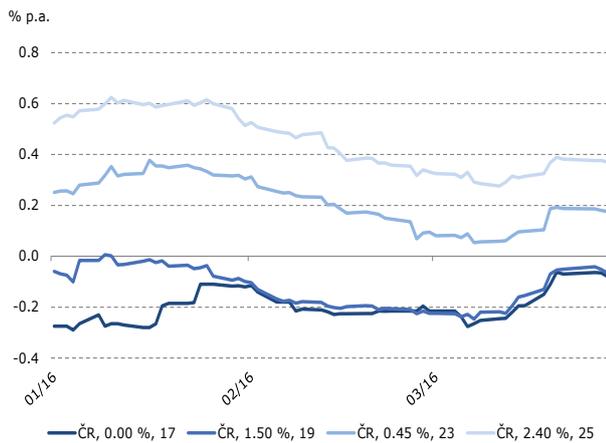
Note: "Par" yield curve of CZK-denominated fixed-rate government bonds is constructed on the basis the extended Nelson-Siegel model, called Svensson model.
Source: MoF, MTS

Figure 2: Bid-Offer Spreads of Selected Government Bonds



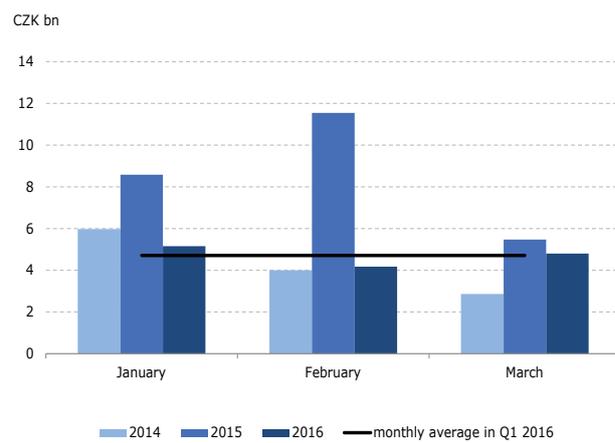
Source: MoF, MTS

Figure 3: Selected Government Bonds Yields



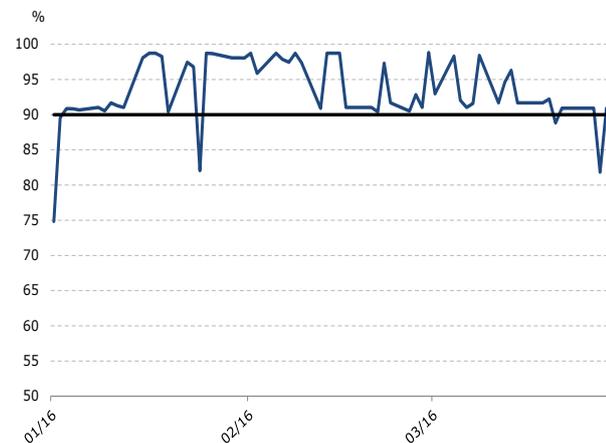
Source: MoF, MTS

Figure 4: Traded Nominal Value on MTS Czech Republic



Source: MoF, MTS

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



Source MoF, MTS

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



Source: Bloomberg

Table 10a: Realized Lending Facilities of Government Bonds in the Form of Repo Operations in Q1 2016

Issue name	ISIN	Collateral nominal amount	Financial resources received	Financial resources paid ¹
ČR, 4.00 %, 17	CZ0001001903	247,000,000	267,316,000.00	267,305,604.38
ČR, 0.85 %, 18	CZ0001004246	280,000,000	286,339,986.04	286,335,311.72
ČR, 4.60 %, 18	CZ0001000822	160,000,000	183,032,444.44	183,028,885.47
ČR, 1.50 %, 19	CZ0001003834	1,679,000,000	1,791,034,366.66	1,790,991,063.71
ČR, 5.00 %, 19	CZ0001002471	640,000,000	757,651,555.56	757,635,992.66
ČR, 0.00 %, 19	CZ0001004717	350,000,000	351,930,000.00	351,921,830.17
ČR, 3.75 %, 20	CZ0001001317	80,000,000	95,013,250.00	95,010,131.88
ČR, VAR %, 20	CZ0001004113	450,000,000	452,309,250.00	452,288,519.16
ČR, 3.85 %, 21	CZ0001002851	3,104,000,000	3,824,270,744.45	3,824,204,035.60
ČR, 4.70 %, 22	CZ0001001945	340,000,000	450,400,111.11	450,375,345.12
ČR, 5.70 %, 24	CZ0001002547	1,925,000,000	2,874,379,541.67	2,874,287,170.15
ČR, 2.40 %, 25	CZ0001004253	915,000,000	1,092,529,008.19	1,092,503,263.45
ČR, 1.00 %, 26	CZ0001004469	1,050,000,000	1,107,409,972.68	1,107,354,729.13
ČR, VAR %, 27	CZ0001004105	330,000,000	339,706,725.00	339,687,707.02
ČR, 0.95 %, 30	CZ0001004477	1,749,000,000	1,763,880,222.68	1,763,767,202.45
ČR, 4.20 %, 36	CZ0001001796	3,930,000,000	6,115,786,150.02	6,113,729,147.02
Total		17,229,000,000	21,752,989,328.50	21,750,425,939.09

¹Incl. financial resources from this lending facilities realized in Q1 2016, which has not been paid during this period.

Note: The average interest rate achieved under this lending facilities during Q1 2016 amounted to -0.17% p.a.

Source: MoF

Table 10b: Realized Lending Facilities of Government Bonds in the Form of Collateralized Loans of Securities in Q1 2016

Issue name	ISIN	Nominal value	Revenue ¹
ČR, 1.50 %, 19	CZ0001003834	1,050,000,000.00	183,659.30
ČR, VAR %, 20	CZ0001004113	700,000,000.00	29,317.94
ČR, 4.70 %, 22	CZ0001001945	240,000,000.00	13,258.50
ČR, 0.45 %, 23	CZ0001004600	270,000,000.00	8,343.46
ČR, VAR %, 23	CZ0001003123	610,000,000.00	56,800.08
ČR, 5.70 %, 24	CZ0001002547	297,000,000.00	36,529.56
ČR, 1.00 %, 26	CZ0001004469	690,000,000.00	51,700.79
ČR, 4.20 %, 36	CZ0001001796	160,000,000.00	20,494.51
Total		4,017,000,000.00	400,104.14

¹Incl. financial revenue from this lending facilities realized in Q1 2016, which has not been terminated during this period.

Source: MoF

Table 11: Realized Exchange Operations of Government Bonds in Q1 2016

Trade date	Tap sale			Buy-back		
	Issue name	Nominal value	Average price	Issue name	Nominal value	Average price
16/2/2016	ČR, VAR %, 20	100,000,000	100.500	ČR, VAR %, 16	100,000,000	100.250
17/2/2016	ČR, VAR %, 20	100,000,000	100.330	ČR, VAR %, 16	200,000,000	100.250
25/2/2016	ČR, VAR %, 27	200,000,000	102.720	ČR, VAR %, 16	400,000,000	100.240
26/2/2016	ČR, 0.95 %, 30	200,000,000	101.635	ČR, VAR %, 16	400,000,000	100.240
29/2/2016	ČR, 0.95 %, 30	200,000,000	101.800	ČR, VAR %, 16	600,000,000	100.240
29/2/2016	ČR, 1.50 %, 19	160,000,000	105.960	ČR, 5.00 %, 19	160,000,000	115.990
3/3/2016	ČR, VAR %, 27	30,000,000	102.550	ČR, VAR %, 16	90,000,000	100.230
3/3/2016	ČR, 0.95 %, 30	200,000,000	102.200	ČR, VAR %, 16	600,000,000	100.230
4/3/2016	ČR, 0.95 %, 30	100,000,000	102.050	ČR, VAR %, 16	300,000,000	100.230
7/3/2016	ČR, 0.95 %, 30	50,000,000	102.050	ČR, VAR %, 16	150,000,000	100.230
17/3/2016	ČR, 0.95 %, 30	105,000,000	102.450	ČR, VAR %, 16	210,000,000	100.220
29/3/2016	ČR, 0.95 %, 30	230,000,000	101.722	ČR, VAR %, 16	230,000,000	100.210
30/3/2016	ČR, 0.95 %, 30	100,000,000	101.700	ČR, VAR %, 16	100,000,000	100.210
31/3/2016	ČR, 0.95 %, 30	200,000,000	101.950	ČR, VAR %, 16	200,000,000	100.200
Total		1,975,000,000			3,740,000,000	

Source: MoF

4 – Risk Management and Portfolio Strategy

Table 12: Strategic Targets, Limits and Risk Parameters of the Debt Portfolio in 2016

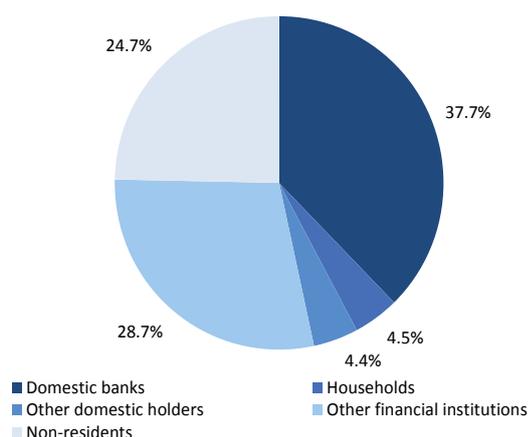
INDICATOR	Announced target for 2018 medium-term horizon	12-month moving average as at 31/3/2016
Short-term state debt	20.0% and less	14.5%
Medium-term state debt	70.0% and less	57.0%
Average time to maturity	6.0 years ¹	5.2 years
Interest re-fixing up to 1 year	30.0 to 40.0%	34.1%
Average time to re-fixing	4.0 years	4.0 years
Net foreign-currency exposure of state debt with the impact on state debt level	15.0% ²	10.9%
Net foreign-currency exposure with the impact of the level of interest expenditure on state debt service	15.0% ²	9.9%

¹ With a possibility of deviation of 0.25 years

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

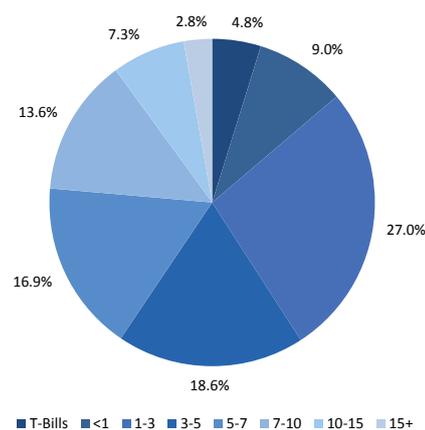
Source: MoF

Figure 7: Structure of Domestic Bonds by Holder Type as of 31/3/2016



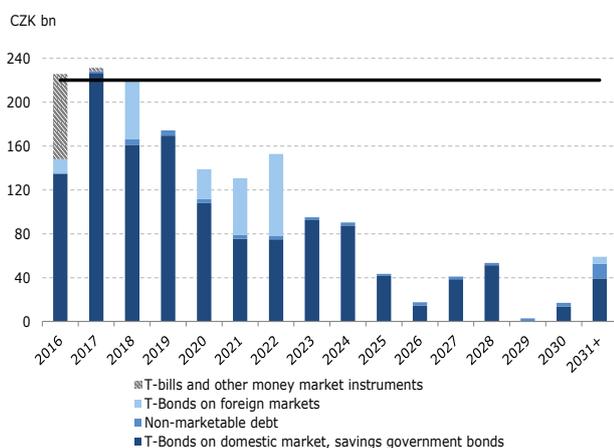
Note: Involves T-Bonds issued on domestic market, savings government bonds and T-Bills.
Source: MoF, CDCP

Figure 8: Structure of Government Bonds by Residual Time to Maturity as at 31/3/2016



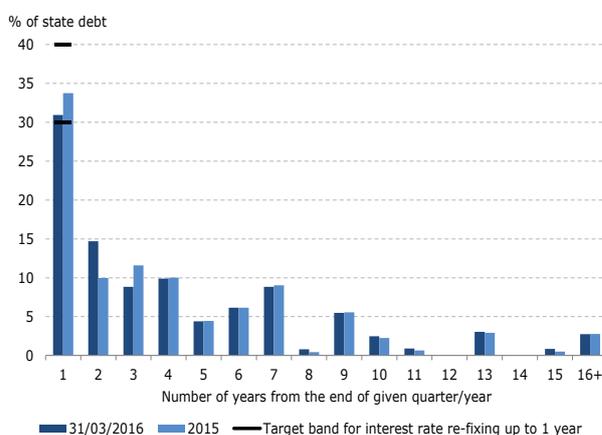
Note: Involves T-Bonds issued on domestic and foreign markets, savings government bonds and T-Bills.
Source: MoF

Figure 9: Maturity Profile of State Debt



Note: Non-marketable debt excludes savings government bonds. Foreign issues incl. hedging of the foreign-currency principal.
Source: MoF

Figure 10: Re-fixing Profile of State Debt



Note: End of Q1 2016 compared with the end of 2015. Incl. derivative transactions.
Source: MoF

Table 13: State Debt Parameters

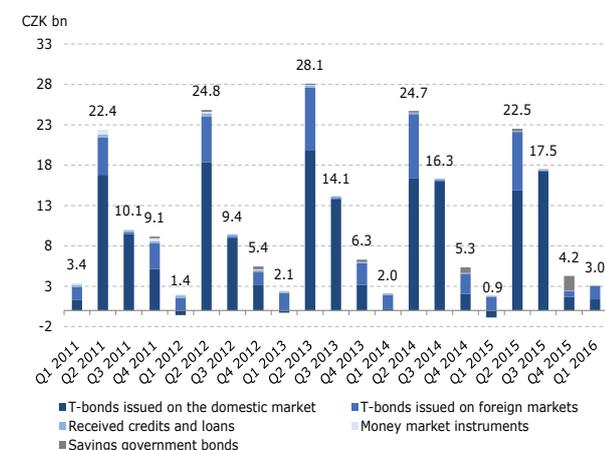
	31/3/2015	30/6/2015	30/9/2015	31/12/2015	31/3/2016
Total state debt (CZK bn)	1,663.1	1,663.0	1,663.0	1,673.0	1,694.7
Market value of state debt (CZK bn) ¹	1,943.1	1,884.5	1,901.6	1,913.5	1,940.5
Short-term state debt (%)	15.0	13.1	12.4	16.4	13.5
Medium-term state debt (%)	56.0	54.9	58.1	59.4	58.5
State treasury bills (%)	4.9	5.3	6.3	5.0	4.7
Other money market instruments (%)	0.3	0.7	0.6	0.2	0.1
Average time to maturity (years)	5.4	5.4	5.3	5.1	5.1
Interest re-fixing up to 1 year (%)	36.1	34.7	34.5	33.7	30.9
Average time to re-fixing (years)	4.1	4.2	4.1	4.0	3.9
Variable-rate state debt (%)	19.3	19.7	20.3	19.9	19.7
Modified duration (years)	4.1	4.0	4.0	3.9	3.9
State debt level net foreign currency exposure (%)	10.7	11.0	11.0	10.9	10.9
Interest expenditure on state debt net foreign currency exposure (%)	9.5	9.8	9.8	10.2	10.2
Foreign currency state debt (%)	14.5	14.3	14.3	13.6	13.5
Share of € in state debt level net foreign currency exposure (%)	89.0	89.6	89.9	89.8	89.9
Share of € in interest expenditure on state debt net foreign currency exposure (%)	100.0	100.0	100.0	100.0	100.0
Non-marketable state debt (%) ²	3.6	3.6	3.5	3.5	3.4
Share of savings government bonds on state debt (%)	4.7	4.7	4.7	4.0	3.9
Marketable state debt (CZK bn)	1,525.6	1,525.7	1,527.1	1,548.1	1,570.2
Market value of marketable state debt (CZK bn) ¹	1,796.9	1,739.1	1,757.4	1,782.2	1,809.4
Short-term marketable state debt (%)	15.4	12.9	12.2	15.7	12.6
Medium-term marketable state debt (%)	55.1	53.8	57.2	58.8	57.8
State treasury bills (%)	5.4	5.8	6.9	5.5	5.0
Other money market instruments (%)	0.3	0.8	0.7	0.2	0.1
Average time to maturity (years)	5.4	5.3	5.3	5.1	5.0
Interest re-fixing up to 1 year (%)	34.6	32.6	32.5	30.8	27.9
Average time to re-fixing (years)	4.4	4.4	4.3	4.2	4.1
Variable-rate marketable state debt (%)	17.1	17.6	18.3	17.7	17.7
Modified duration (years)	4.3	4.2	4.2	4.1	4.0
Marketable state debt level net foreign currency exposure (%)	11.6	12.0	11.9	11.8	11.8
Interest expenditure on marketable state debt net foreign currency exposure (%)	10.3	10.7	10.7	11.0	11.0
Foreign-currency marketable state debt (%)	15.8	15.6	15.5	14.7	14.5
Share of € in marketable state debt level net foreign currency exposure (%)	89.0	89.6	89.9	89.8	89.9
Share of € in interest expenditure on marketable state debt net foreign currency exposure (%)	100.0	100.0	100.0	100.0	100.0

¹ Incl. derivatives.² Excl. savings government bonds.

Source: MoF

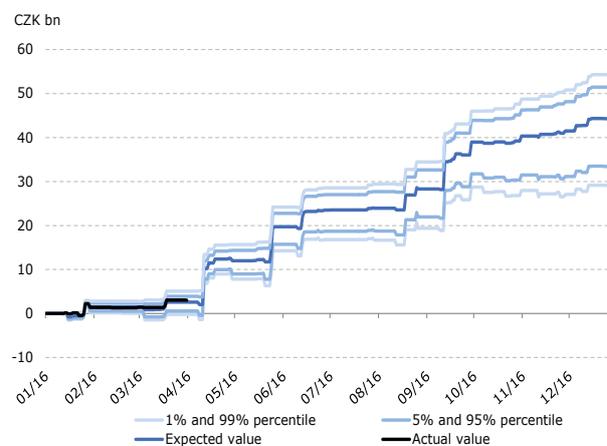
5 – State Debt Service Expenditure and Cost-at-Risk

Figure 11: Net Interest Expenditure on State Debt in 2011 to 2016



Source: MoF

Figure 12: Actual vs. Simulated Net Interest Expenditure on State Debt in 2016



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

Table 14: Budget Expenditure and Revenue of the State Debt Chapter in 2016

CZK mil.	Budget 2016			Actual Q1 2016	% Execution	Index 2016/2015 (%)
	Actual Q1 2015	Approved	After changes			
1. Total interest expenditure and revenue	4,812	51,766	51,766	3,034	5.9	63.0
	(-) 3,924	-	-	-	-	-
Internal debt	3,021	40,331	40,331	1,328	3.3	44.0
	(-) 3,924	-	-	-	-	-
Money market instruments	6	(-) 44	(-) 44	(-) 69	157.7	-1,213.6
	(-) 28	-	-	-	-	-
Savings government bonds	1	3,142	3,142	8	0.2	1,125.5
T-Bonds on domestic market	3,015	37,232	37,232	1,389	3.7	46.1
	(-) 3,896	-	-	-	-	-
External debt	1,791	11,430	11,430	1,706	14.9	95.2
	-	-	-	-	-	-
T-Bonds on foreign markets	1,694	10,450	10,450	1,621	15.5	95.7
	-	-	-	-	-	-
Received credits and loans	97	979	979	85	8.7	87.3
Bank accounts	-	5	5	0	-2.3	-
	0	-	-	-	-	-
Revenue (-) and expenditure (+) from account deposits	-	5	5	0	-2.3	-
	0	-	-	-	-	-
2. Fees	83	550	550	96	17.5	116.6
	0	-	-	0	-	4.8
Total chapter balance	971	52,316	52,316	3,130	6.0	322.4

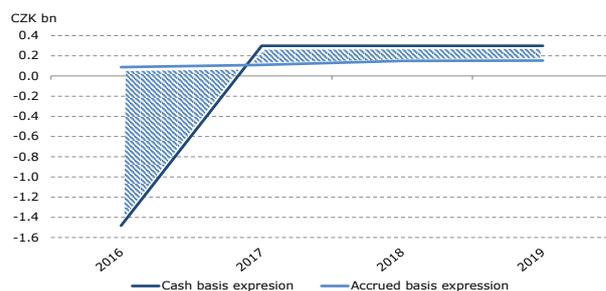
Note: (-) means revenue (gains).
Source: MoF

Table 15: Expected vs. Actual Net Interest Expenditure

CZK bn	Q1 2015	Q1 2016
Actual expenditure	0.9	3.0
Expected expenditure	1.6	2.6
CaR 95%	3.6	3.9
CaR 99%	4.1	5.1
Difference between expectation and reality	0.7	-0.5

Source: MoF

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



Source: MoF

Table 16: Interest Expenditure and Accrued Costs of the Newly Issued State Debt

CZK bn	Nominal value	Net interest expenditure/accrued costs			
		2016F	2017F	2018F	2019F
Cash basis expression	82.6	-1.5	0.3	0.3	0.3
Accrued basis expression	82.6	0.1	0.1	0.1	0.2
Gross issuance of T-Bonds	64.9	0.1	0.1	0.1	0.2
Gross issuance of T-Bills	17.7	0.0	0.0	-	-

Source: MoF

6 – Evaluation of the Primary Dealers in Q2 2015 to Q1 2016

Starting from Q1 2016, the adjusted methodology for primary dealer evaluation has been implemented. The methodology is based only on quantitative criteria for performance on primary and secondary market of government bonds.

The maximum evaluation that can be achieved by any primary dealer is 100 points, whereas this

score is counted on a relative basis. The activity of primary dealers is thus evaluated every quarter based on the Aggregate Performance Evaluation Index (APEI) defined in Annex I to the Primary Dealer Agreement for Czech Government Securities, always for four consecutive evaluation periods. According to Article 1, every calendar quarter is the evaluation period.

Table 17: Overall Evaluation of Primary Dealers in Q2 2015 to Q1 2016

Ranking	Primary Dealer	Points
1 st	KBC Bank NV / Československá obchodní banka, a.s.	72.3
2 nd	Citibank Europe plc	71.3
3 rd	Erste Group Bank AG / Česká spořitelna, a.s.	55.9
4 th	PPF banka a.s.	53.8
5 th	Société Générale / Komerční banka, a.s.	51.7
6 th	J.P. Morgan Securities Ltd.	46.3
7 th	HSBC Bank plc	33.0

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

Table 18: Primary market in Q2 2015 to Q1 2016

Ranking	Primary Dealer	Points
1 st	KBC Bank NV / Československá obchodní banka, a.s.	34.0
2 nd	Citibank Europe plc	33.5
3 rd	Erste Group Bank AG / Česká spořitelna, a.s.	30.5
4 th	Société Générale / Komerční banka, a.s.	26.3
5 th	PPF banka a.s.	23.2
6 th	J.P. Morgan Securities Ltd.	21.9
7 th	HSBC Bank plc	14.7

*Note: Maximum possible points in Q2, Q3 and Q4 2015 is 45, maximum possible points in Q1 2016 is 55. The total evaluation is given by the arithmetic mean.
Source: MoF*

Table 19: Secondary Market in Q2 2015 to Q1 2016

Ranking	Primary Dealer	Points
1 st	KBC Bank NV / Československá obchodní banka, a.s.	28.3
2 nd	Citibank Europe plc	28.1
3 rd	PPF banka a.s.	22.6
4 th	Société Générale / Komerční banka, a.s.	16.4
5 th	Erste Group Bank AG / Česká spořitelna, a.s.	15.8
6 th	J.P. Morgan Securities Ltd.	15.5
7 th	UniCredit Bank Czech Republic and Slovakia, a.s.	13.3

*Note: Maximum possible points in Q2, Q3 and Q4 2015 is 40, maximum possible points in Q1 2016 is 45. The total evaluation is given by the arithmetic mean.
Source: MoF*

This publication was prepared based on the information available on 15 April 2016
and is also available online at:

www.mfcr.cz/statedebt

The next issue of the Debt Portfolio Management Quarterly Report will be published
on 15 July 2016 at 2:00 p.m.

Debt and Financial Assets Management Department

Ministry of Finance
Letenská 15, 118 10 Prague 1 – Malá Strana, Česká republika
E-mail: pd@mfcr.cz, Reuters <MFCR>