



Ministry of Finance

Debt and Financial Assets
Management Department

Debt Portfolio Management Quarterly Report

1st Quarter of 2017



21 April 2017

Ministry of Finance

Debt Portfolio Management Quarterly Report 1st Quarter of 2017

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List of Abbreviations

APEI	Aggregate Performance Evaluation Index
bn	Billion
CCY	Currency
CDCP	Central Securities Depository Prague
CNB	Czech National Bank
CZK	Czech koruna currency code
CZSO	Czech Statistical Office
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, 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 2017 published on 22 December 2016, and further contains regular quarterly performance evaluation of primary dealers in Czech government securities in the second quarter of 2016 to the first quarter of 2017.

In the first quarter of 2017, the Ministry continued to issue and sell primarily 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 twenty two auctions in nine auction days amounted to CZK 104.8 billion. In accordance with the framework issuance plan, the Ministry issued two new issues of zero-coupon government bonds in February maturing in February 2020 and February 2022 and also issued one new fixed-rate issue of government bonds maturing in February 2027. Together with the sell-off of zero-coupon government bonds maturing in 2018 and 2019 from Ministry's asset account, the medium-term zero-coupon government bonds in total nominal value of CZK 68.4 billion were sold in primary auctions in the first quarter of 2017, i.e. 65.3% of total gross issue on primary market in the first quarter of 2017 will not be burdened with interest expenditure of state budget.

The issuance of medium-term and long-term government bonds on primary market during the first quarter of 2017 was supplemented by tap sales of medium-term and long-term government bonds on secondary market from Ministry's asset account in total nominal value of CZK 3.9 billion. The Ministry further utilized exchange operations of medium-term and long-term government bonds on secondary market within which the Czech

Republic Treasury Bond, 2007-2017, 4.00 % in total nominal value of CZK 1.6 billion was exchanged for medium-term and long-term government bonds from Ministry's asset account with longer time to maturity and lower coupon rate in total nominal value of CZK 1.6 during the first quarter of 2017. The Ministry did not carry out any buy-backs of medium-term and long-term government bonds on secondary market during the first quarter of 2017.

No regular redemption of medium-term and long-term government bonds was carried out in the first quarter of 2017. The total nominal value of net issue of medium-term and long-term government bonds on domestic after taking into account the impact of exchange operation amounted to CZK 108.7 billion in the first quarter of 2017.

The total nominal value of gross issue of money market instruments excluding the roll-over amounted to CZK 70.9 billion in the first quarter of 2017 and comprised gross issue of state treasury bills and received short-term credits. Eleven auctions of state treasury bills were carried out during the first quarter of 2017 and government bonds in total nominal value of CZK 70.3 billion were sold, and total nominal value of its redemptions excl. their roll-over in this period amounted to CZK 4.2 billion. The balance of state treasury bills outstanding thus increased by CZK 66.1 billion to CZK 70.3 billion during the first quarter of 2017.

No tranches of savings government bonds were issued in the first quarter of 2017, nor were any planned redemptions carried out, only the early redemptions due to the holders' exercise of this option given by the issuance terms and conditions in the total nominal value of CZK 7 million were carried out. In the area of issuance on foreign markets no borrowing operation was carried out in the first quarter of 2017 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.

Issuance of Government Bonds with Negative Yields and Liquidity Investment

Even in the course of the first quarter of 2017 the extraordinarily favourable conditions on financial markets prevailed which allowed the Ministry to sell state treasury bills and medium-term government bonds with negative yield. In the course of the first quarter of 2017 the Ministry sold medium-term government bonds in total nominal value of CZK 72.3 billion with negative yield for which it received extra revenue of state budget amounting to CZK 474.9 million, and further, the Ministry sold state treasury bills in total nominal value of CZK 70.3 billion, which, however, do not serve

to cover the financing needs in 2017 as they are all going to be redeemed in the course of 2017, but to receive extra revenue of state budget amounting CZK 344.3 million. The Ministry thus received extra revenue of state budget amounting CZK 819.2 million in the first quarter of 2017 for the sale of government bonds with negative yield. By carrying out additional operations within the state treasury liquidity management and loans of securities the Ministry received additional financial resources amounting CZK 32.8 million.

Effective refinancing of state debt

In the course of the first quarter of 2017 the Ministry sold medium-term and long-term government bonds on primary and secondary market in total nominal value of CZK 110.3 billion achieving an average yield of -0.10% p.a. By selling these government bonds the Ministry received financial resources for redemption of the Czech Republic

Treasury Bond, 2007-2017, 4.00 % in total nominal value of CZK 90.3 billion which was connected with an annual interest expenditure of CZK 3.6 billion so far. The Ministry thus utilized prevailing favourable situation on financial markets and secured smooth refinancing of state debt under extraordinarily favourable conditions.

Affirmation of Czech Republic's Liabilities Ratings

At first the rating Agency Standard & Poor's affirmed the rating of Czech Republic's liabilities at 'AA' for long-term local-currency liabilities and 'AA-' for long-term foreign-currency liabilities with stable outlook for both ratings on 20 January 2017. Diversified and productive economy, and moderate levels of public debt that the government is able to refinance on the domestic market was positively assessed in the agency's rationale.

Healthy public finances were positively assessed by another rating agency: Fitch, which affirmed the rating

of Czech Republic's liabilities at 'A+' for long-term local-currency and also foreign-currency liabilities with stable outlook for both ratings on 6 April 2017. The agency stressed the achievement of general government surplus of 0.6% of GDP in 2016 being the highest in history of the Czech Republic and also positively assessed the decrease in general government debt from 40.3% of GDP in 2015 to 37.2% of GDP in 2016 representing a decrease of approx. CZK 81 billion in absolute terms incl. the decrease of state debt of almost CZK 60 billion.

1 – Borrowing Requirement and Development of State Debt

Table 1: Structure and Balance of the Debt Portfolio

CZK bn	2015	2016	31/3/2017
Gross state debt	1,673.0	1,613.4	1,788.6
T-Bills	84.4	4.2	70.3
Other money market instruments	2.9	0.0	0.5
Received collateral in cash	0.0	0.0	0.0
T-Bonds issued on domestic market	1,235.2	1,301.6	1,410.3
T-Bonds issued on foreign markets	225.6	213.5	213.8
Savings government bonds	66.9	37.8	37.8
Received credits and loans	58.0	56.3	55.9
Promissory notes	0.0	0.0	0.0
Share of GDP (%)¹	36.7	34.2	37.6

¹ GDP in the ESA2010 methodology. The source of data for Q1 2015 – Q4 2016 is CZSO, for Q1 2017 the Macroeconomic Forecast of the Czech Republic – April 2017. Source: MoF, CZSO

Table 2: Financing Needs and Sources

CZK bn	2015	2016	Q1 2017
Primary balance of state budget	17.5	-102.4	-4.4
Net expenditure on state debt ¹	45.3	40.7	-0.3
T-Bonds redemptions ²	123.9	157.8	1.6
Redemptions and early redemptions on savings government bonds	11.9	30.2	0.0
T-Bills redemptions ³	107.6	84.4	4.2
Other money market instrument redemptions ³	2.5	2.2	0.0
Repayments on credits and loans	2.5	1.7	0.4
Total financing needs	311.2	214.5	1.5
Gross T-Bills issue ^{3, 4}	84.4	4.2	70.3
Other money market instrument ³	2.2	0.0	0.5
Received collateral in cash	0.0	0.0	0.0
Gross issue of T-Bonds in the domestic market ⁴	180.4	211.6	110.3
Gross issue of T-Bonds in the domestic market up to 5 years ^{4, 5}	100.0	119.6	73.3
Gross issue of T-Bonds in the domestic market from 5 to 10 years ^{4, 5}	23.3	48.4	21.9
Gross issue of T-Bonds in the domestic market over 10 years ^{4, 5}	57.1	43.7	15.1
Gross issue of T-Bonds on foreign markets ⁴	0.0	0.0	0.0
Gross issue of savings government bonds ⁶	1.0	1.0	0.0
Received credits and loans	0.0	0.0	0.0
Financial asset and liquidity management	43.2	-2.3	-179.7
Total financing sources	311.2	214.5	1.5
Gross borrowing requirement	268.1	216.9	181.2

¹ Balance of the budgetary chapter 396 – State Debt.

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

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

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

⁵ Remaining time to maturity at the transaction settlement date.

⁶ Incl. the reinvestment of yields.

Source: MoF

Table 3: Net Borrowing Requirement and Change in State Debt

CZK bn	2015	2016	Q1 2017
Gross state debt as at 1 January	1,663.7	1,673.0	1,613.4
Primary state budget balance	17.5	-102.4	-4.4
Net expenditure on state debt service ¹	45.3	40.7	-0.3
Financial asset and liquidity management operations	-43.2	2.3	179.7
Net borrowing requirement	19.6	-59.4	175.0
T-Bills net issue	-23.2	-80.2	66.1
Net change in the balance of other money market instruments	-0.4	-2.2	0.5
T-Bonds net issue on domestic market	67.4	66.4	108.7
T-Bonds net issue on foreign markets	-10.8	-12.6	0.0
Savings government bonds net issue	-10.9	-29.2	0.0
Net change in balance of received credits and loans	-2.5	-1.7	-0.4
Financing of net borrowing requirement	19.6	-59.4	175.0
Revaluation of state debt ²	-10.3	-0.2	0.3
Promissory notes net change	0.0	0.0	0.0
Gross state debt change	9.3	-59.6	175.3
Gross state debt as at the end of period	1,673.0	1,613.4	1,788.6

¹ Balance of budgetary chapter 396 – State debt.

² Incl. the revaluation of the debt denominated in foreign currencies based on the exchange rate difference and the consolidation of state debt from the bonds, which were at the moment of issuance registered on the asset account maintained by the Ministry in the respective record, for the period they were registered on such account, as well as the bonds acquired by the state as the issuer before their maturity date, and the cash resources received or repaid within the lending facilities provided from the nuclear portfolio.

Source: MoF

2 – Primary Market of Government Bonds

Table 4a: Medium-Term and Long-Term Government Bonds Issued in Q1 2017

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 %, 18	99	6	11/1	13/1	22/1/2018	CZK 8,000,000,000	12,706,600,000
ČR, VAR %, 20	91	7	11/1	13/1	9/12/2020	CZK 4,000,000,000	974,600,000
ČR, 0.95 %, 30	94	8	11/1	13/1	15/5/2030	CZK 4,000,000,000	4,678,850,000
ČR, 0.00 %, 18	99	7	25/1	27/1	22/1/2018	CZK 6,000,000,000	6,494,350,000
ČR, 0.00 %, 19	98	12	25/1	27/1	17/7/2019	CZK 9,000,000,000	1,100,000,000
ČR, 0.95 %, 30	94	9	25/1	27/1	15/5/2030	CZK 4,000,000,000	3,601,550,000
ČR, 0.00 %, 20	101	1	8/2	10/2	10/2/2020	CZK 5,000,000,000	6,031,550,000
ČR, 0.45 %, 23	97	11	8/2	10/2	25/10/2023	CZK 4,000,000,000	3,824,130,000
ČR, 0.25 %, 27	100	1	8/2	10/2	10/2/2027	CZK 5,000,000,000	4,156,040,000
ČR, 0.00 %, 19	98	13	22/2	24/2	17/7/2019	CZK 8,000,000,000	8,069,800,000
ČR, 0.00 %, 22	102	1	22/2	24/2	24/2/2022	CZK 1,000,000,000	0
ČR, 1.00 %, 26	95	8	22/2	24/2	26/6/2026	CZK 5,000,000,000	3,394,390,000
ČR, 0.00 %, 20	101	2	1/3	3/3	10/2/2020	CZK 5,000,000,000	3,275,820,000
ČR, 2.40 %, 25	89	12	1/3	3/3	17/9/2025	CZK 4,000,000,000	3,516,480,000
ČR, 0.00 %, 20	101	3	8/3	10/3	10/2/2020	CZK 5,000,000,000	11,080,000,000
ČR, 2.50 %, 28	78	17	8/3	10/3	25/8/2028	CZK 4,000,000,000	3,221,000,000
ČR, 0.00 %, 20	101	4	15/3	17/3	10/2/2020	CZK 5,000,000,000	5,035,810,000
ČR, 2.40 %, 25	89	13	15/3	17/3	17/9/2025	CZK 4,000,000,000	2,218,300,000
ČR, 0.00 %, 20	101	5	22/3	24/3	10/2/2020	CZK 5,000,000,000	4,894,930,000
ČR, 1.00 %, 26	95	9	22/3	24/3	26/6/2026	CZK 4,000,000,000	4,781,370,000
ČR, 0.00 %, 20	101	6	29/3	31/3	10/2/2020	CZK 4,000,000,000	9,735,770,000
ČR, 0.95 %, 30	94	10	29/3	31/3	15/5/2030	CZK 2,000,000,000	2,041,210,000
Total							104,832,550,000

Source: MoF

Table 4b: Medium-Term and Long-Term Government Bonds Issued in Q1 2017

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 %, 18	99	6	0.00%	101.796	-1.722	2.69	150.13	8.71
ČR, VAR %, 20	91	7	VAR%	102.412	-90.071 ¹	1.99	24.00	0.37
ČR, 0.95 %, 30	94	8	0.95%	102.525	0.750	1.83	100.00	16.97
ČR, 0.00 %, 18	99	7	0.00%	101.268	-1.270	2.19	108.24	0.00
ČR, 0.00 %, 19	98	12	0.00%	100.91	-0.366	1.00	12.22	0.00
ČR, 0.95 %, 30	94	9	0.95%	102.59	0.745	1.00	90.04	0.00
ČR, 0.00 %, 20	101	1	0.00%	100.243	-0.081	1.29	105.70	14.93
ČR, 0.45 %, 23	97	11	0.45%	100.981	0.302	1.08	85.00	10.60
ČR, 0.25 %, 27	100	1	0.25%	96.806	0.580	1.36	77.00	6.12
ČR, 0.00 %, 19	98	13	0.00%	100.68	-0.283	1.27	100.87	0.00
ČR, 0.00 %, 22	102	1	0.00%	-	-	-	-	-
ČR, 1.00 %, 26	95	8	1.00%	103.185	0.647	1.00	48.40	19.49
ČR, 0.00 %, 20	101	2	0.00%	100.164	-0.056	1.98	56.30	9.21
ČR, 2.40 %, 25	89	12	2.40%	115.291	0.562	1.18	84.55	3.36
ČR, 0.00 %, 20	101	3	0.00%	100.259	-0.088	1.25	221.60	0.00
ČR, 2.50 %, 28	78	17	2.50%	117.121	0.919	1.37	80.53	0.00
ČR, 0.00 %, 20	101	4	0.00%	100.06	-0.021	1.62	97.30	3.41
ČR, 2.40 %, 25	89	13	2.40%	113.562	0.748	1.05	55.46	0.00
ČR, 0.00 %, 20	101	5	0.00%	100.063	-0.022	1.94	81.80	16.09
ČR, 1.00 %, 26	95	9	1.00%	100.233	0.973	1.70	100.00	19.53
ČR, 0.00 %, 20	101	6	0.00%	100.159	-0.055	1.01	236.25	7.14
ČR, 0.95 %, 30	94	10	0.95%	96.015	1.282	1.57	98.00	4.06
Average					1.49	95.88	6.67	

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

Table 5: State Treasury Bills Issued in Q1 2017

Issue no.	Maturity (weeks)	Auction date	Issue date	Maturity date	Max. offered nominal amount	Total placed nominal amount	Yield to maturity (% p.a.)
747	38	5/1	6/1	29/9/2017	5,000,000,000	7,001,000,000	-1.00
748	24	12/1	13/1	30/6/2017	5,000,000,000	7,001,000,000	-1.85
749	36	19/1	20/1	29/9/2017	5,000,000,000	2,001,000,000	-1.60
750	22	26/1	27/1	30/6/2017	5,000,000,000	7,400,000,000	-1.51
751	13	2/2	3/2	5/5/2017	5,000,000,000	201,000,000	-1.20
752	26	9/2	10/2	11/8/2017	5,000,000,000	2,000,000,000	-1.00
753	13	16/2	17/2	19/5/2017	5,000,000,000	6,400,000,000	-0.80
754	26	23/2	24/2	25/8/2017	5,000,000,000	5,200,000,000	-1.04
755	29	9/3	10/3	29/9/2017	5,000,000,000	5,448,000,000	-0.87
756	28	16/3	17/3	29/9/2017	5,000,000,000	12,000,000,000	-0.55
757	27	23/3	24/3	29/9/2017	5,000,000,000	15,692,000,000	-0.56
Total						70,344,000,000	-0.96¹

¹ Average weighted yield to maturity of state treasury bills issued in Q1 2017.
Source: MoF

Table 6: Medium-Term and Long-Term Government Bonds Issued on Domestic Market as at 31/3/2017

Issue name	Issue no.	ISIN	Maturity date	Nominal value outstanding	Nominal value booked on MoF's asset accounts
ČR, 4.00 %, 17	51	CZ0001001903	11/4/2017	88,730,000,000	5,270,000,000
ČR, VAR %, 17	67	CZ0001003438	23/7/2017	47,603,000,000	467,000,000
ČR, 0.00 %, 17	96	CZ0001004592	9/11/2017	70,000,000,000	0
ČR, 0.00 %, 18	99	CZ0001004709	22/1/2018	60,000,000,000	0
ČR, 0.85 %, 18	88	CZ0001004246	17/3/2018	50,000,000,000	0
ČR, 4.60 %, 18	41	CZ0001000822	18/8/2018	75,000,000,000	0
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	70,000,000,000	0
ČR, 1.50 %, 19	76	CZ0001003834	29/10/2019	78,931,370,000	1,068,630,000
ČR, 0.00 %, 20	101	CZ0001005011	10/2/2020	40,053,880,000	10,000,000,000
ČR, 3.75 %, 20	46	CZ0001001317	12/9/2020	75,000,000,000	0
ČR, VAR %, 20	91	CZ0001004113	9/12/2020	33,773,370,000	2,200,000,000
ČR, 3.85 %, 21	61	CZ0001002851	29/9/2021	75,635,000,000	2,000,000,000
ČR, 0.00 % 22	102	CZ0001005029	24/2/2022	0	5,000,000,000
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	24,831,880,000	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	62,034,650,000	850,000,000
ČR, 1.00 %, 26	95	CZ0001004469	26/6/2026	39,210,910,000	1,233,000,000
ČR, 0.25 %, 27	100	CZ0001005037	10/2/2027	4,156,040,000	2,000,000,000
ČR, VAR %, 27	90	CZ0001004105	19/11/2027	46,342,420,000	1,400,000,000
ČR, 2.50 %, 28	78	CZ0001003859	25/8/2028	61,810,640,000	2,120,000,000
ČR, 0.95 %, 30	94	CZ0001004477	15/5/2030	36,866,140,000	2,831,000,000
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				1,410,312,880,000	58,169,380,000

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

Table 7: Medium-Term and Long-Term Government Bonds Issued on Foreign Markets as at 31/3/2017

ISIN	CCY	Maturity date	Nominal value outstanding	Nominal value booked on MoF's asset accounts
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 JPY			30,000,000,000	0

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

Table 8: Issued State Treasury Bills as at 31/3/2017

Issue no.	Maturity (weeks)	ISIN	Maturity date	Nominal value outstanding	Nominal value booked on MoF's asset accounts
751	13	CZ0001005045	5/5/2017	201,000,000	0
753	13	CZ0001005060	19/5/2017	6,400,000,000	0
748	24	CZ0001004980	30/6/2017	7,001,000,000	0
750	22	CZ0001005003	30/6/2017	7,400,000,000	0
752	26	CZ0001005052	11/8/2017	2,000,000,000	0
754	26	CZ0001005078	25/8/2017	5,200,000,000	0
747	38	CZ0001004972	29/9/2017	7,001,000,000	0
749	36	CZ0001004998	29/9/2017	2,001,000,000	0
755	29	CZ0001005086	29/9/2017	5,448,000,000	0
756	28	CZ0001005094	29/9/2017	12,000,000,000	0
757	27	CZ0001005102	29/9/2017	15,692,000,000	0
Total				70,344,000,000	0

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

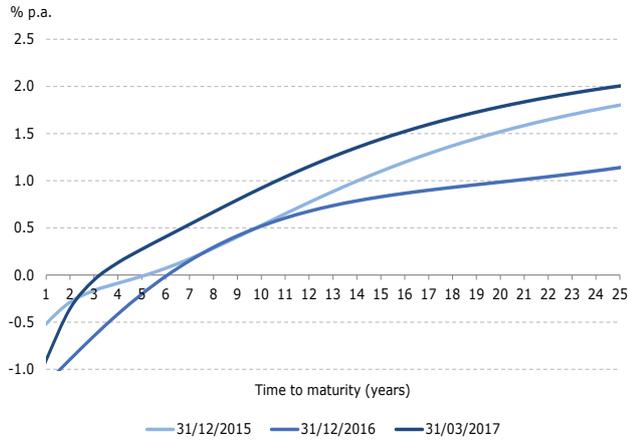
Table 9: Issued Savings Government Bonds as at 31/3/2017

Bond	Issue no.	ISIN	Maturity date	Nominal value outstanding	Nominal value booked on MoF's asset accounts
Coupon savings government bond	68	CZ0001003560	12/6/2017	1,126,219,732	0
Reinvestment savings government bond	69	CZ0001003578	12/6/2017	5,859,166,659	0
Coupon savings government bond	74	CZ0001003784	12/12/2017	1,760,187,241	0
Reinvestment savings government bond	75	CZ0001003792	12/12/2017	8,072,526,769	0
Coupon savings government bond	81	CZ0001004014	12/6/2018	816,046,434	0
Reinvestment savings government bond	82	CZ0001004006	12/6/2018	5,928,122,808	0
Coupon savings government bond	85	CZ0001004188	12/12/2018	1,355,641,518	0
Reinvestment savings government bond	86	CZ0001004196	12/12/2018	7,797,587,844	0
Inflation-linked savings government bond	70	CZ0001003586	12/6/2019	1,863,104,124	0
Reinvestment savings government bond	92	CZ0001004303	12/6/2019	737,224,214	0
Inflation-linked savings government bond	83	CZ0001003990	12/6/2020	379,606,730	0
Inflation-linked savings government bond	87	CZ0001004204	12/12/2020	2,024,930,724	0
Variable-rate savings government bond	93	CZ0001004311	12/12/2020	30,374,241	0
Total				37,750,739,038	0

Source: MoF

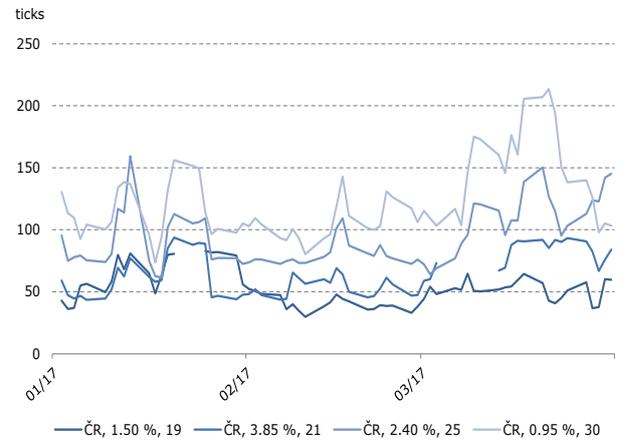
3 – Secondary Market of Government Bonds

Figure 1: Yield Curve of CZK-Denominated Government Bonds



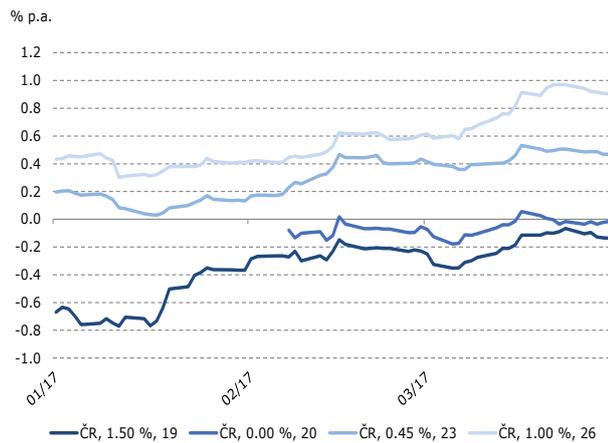
Note: "Par" yield curve of CZK-denominated fixed-rate government bonds is constructed on the basis the extended Nelson-Siegel model, called Svensson model.
Source: MoF, MTS

Figure 2: Bid-Offer Spreads of Selected Government Bonds



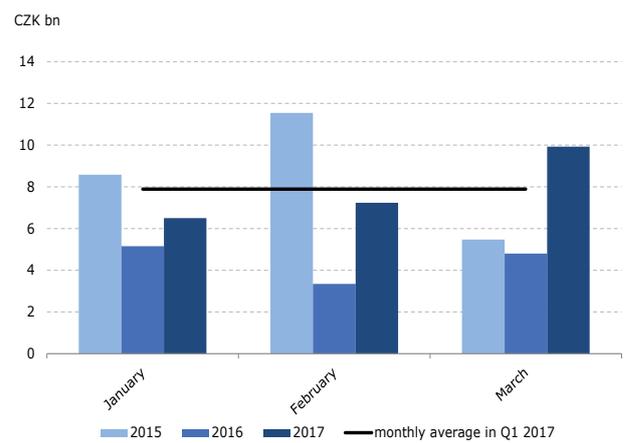
Source: MoF, MTS

Figure 3: Selected Government Bonds Yields



Source: MoF, MTS

Figure 4: Traded Nominal Value on MTS Czech Republic



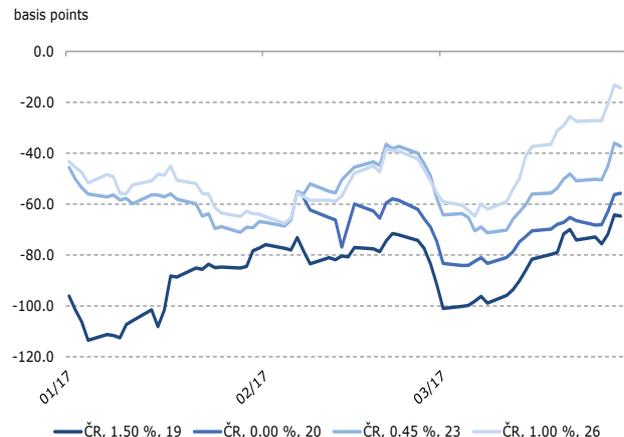
Source: MoF, MTS

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 2017

Issue name	ISIN	Collateral nominal amount	Financial resources received	Financial resources paid ¹
ČR, 4.00 %, 17	CZ0001001903	1,270,000,000	1,322,780,666.67	1,322,735,472.95
ČR, VAR %, 17	CZ0001003438	67,000,000	67,945,941.94	67,943,002.01
ČR, 0.00 %, 18	CZ0001004709	2,560,000,000	2,593,536,000.00	2,593,490,583.56
ČR, 0.85 %, 18	CZ0001004246	1,910,000,000	1,964,939,439.72	1,964,885,655.70
ČR, 1.50 %, 19	CZ0001003834	2,105,000,000	2,233,063,541.67	2,232,981,708.73
ČR, 5.00 %, 19	CZ0001002471	1,000,000,000	1,171,472,222.22	1,171,372,972.49
ČR, 0.00 %, 19	CZ0001004717	2,390,000,000	2,414,690,000.00	2,414,650,383.32
ČR, 0.00 %, 20	CZ0001005011	510,000,000	510,635,000.00	510,615,544.94
ČR, VAR %, 20	CZ0001004113	1,816,000,000	1,857,098,921.66	1,856,942,833.08
ČR, 3.85 %, 21	CZ0001002851	898,000,000	1,085,579,450.00	1,085,504,056.95
ČR, 4.70 %, 22	CZ0001001945	2,149,000,000	2,747,209,197.22	2,747,107,855.48
ČR, VAR %, 23	CZ0001003123	2,261,000,000	2,473,480,163.89	2,473,290,363.38
ČR, 0.45 %, 23	CZ0001004600	3,600,000,000	3,650,391,298.62	3,650,248,008.48
ČR, 5.70 %, 24	CZ0001002547	1,340,000,000	1,928,530,250.00	1,928,460,077.86
ČR, 1.00 %, 26	CZ0001004469	2,508,000,000	2,644,428,342.47	2,644,308,253.53
ČR, VAR %, 27	CZ0001004105	1,814,000,000	1,875,923,554.45	1,875,852,081.02
ČR, 0.95 %, 30	CZ0001004477	5,106,000,000	5,190,639,071.24	5,190,419,257.68
ČR, 4.20 %, 36	CZ0001001796	821,000,000	1,305,044,616.67	1,304,957,711.34
ČR, 4.85 %, 57	CZ0001002059	20,000,000	34,466,319.45	34,464,243.01
Total		34,145,000,000	37,071,853,997.89	37,070,230,065.51

¹Incl. financial resources from this lending facilities realized in Q1 2017, which has not been paid during this period.

Note: The average interest rate achieved under this lending facilities during Q1 2017 amounted to -0.06% p.a.

Source: MoF

Table 10b: Realized Lending Facilities of Government Bonds in the Form of Collateralized Loans of Securities in Q1 2017

Issue name	ISIN	Nominal value	Revenue ¹
ČR, 0.00 %, 20	CZ0001005011	1,078,000,000	83,844.44
ČR, VAR %, 20	CZ0001004113	242,000,000	36,851.09
ČR, 3.85 %, 21	CZ0001002851	500,000,000	95,698.99
ČR, 4.70 %, 22	CZ0001001945	1,552,000,000	235,745.83
ČR, VAR %, 23	CZ0001003123	4,892,000,000	219,602.23
ČR, 0.45 %, 23	CZ0001004600	122,000,000	7,787.59
ČR, 5.70 %, 24	CZ0001002547	850,000,000	187,466.87
ČR, 2.40 %, 25	CZ0001004253	800,000,000	137,130.74
ČR, 1.00 %, 26	CZ0001004469	600,000,000	112,663.72
ČR, 0.25 %, 27	CZ0001005037	1,995,000,000	161,988.53
ČR, VAR %, 27	CZ0001004105	1,080,000,000	70,584.99
ČR, 2.50 %, 28	CZ0001003859	2,120,000,000	191,023.09
ČR, 0.95 %, 30	CZ0001004477	1,498,000,000	262,134.80
ČR, 4.20 %, 36	CZ0001001796	1,270,000,000	201,950.13
ČR, 4.85 %, 57	CZ0001002059	6,000,000,000	871,343.46
Total		24,599,000,000	2,875,816.50

¹Incl. financial revenue from this lending facilities realized in Q1 2017, which has not been terminated during this period.

Source: MoF

Table 11: Realized Exchange Operations of Government Bonds in Q1 2017

Trade date	Issue name	Tap sale		Issue name	Buy-back	
		Nominal value	Average price		Nominal value	Average price
18/1/2017	ČR, 0.95 %, 30	100,000,000	102.790	ČR, 4.00 %, 17	100,000,000	100.911
22/2/2017	ČR, VAR %, 27	200,000,000	103.000	ČR, 4.00 %, 17	200,000,000	100.537
23/2/2017	ČR, VAR %, 27	370,000,000	103.000	ČR, 4.00 %, 17	370,000,000	100.526
2/3/2017	ČR, VAR %, 27	300,000,000	103.130	ČR, 4.00 %, 17	300,000,000	100.427
6/3/2017	ČR, VAR %, 27	600,000,000	103.150	ČR, 4.00 %, 17	600,000,000	100.384
Total		1,570,000,000		1,570,000,000		

Source: MoF

Table 12: Realized Tap Sales of Government Bonds in Q1 2017

Issue name	Issue no.	Settlement date	Maturity date	Original maturity (years)	Average price	Nominal value
ČR, 0.85 %, 18	88	6/1/2017	17/03/2018	4.0	102.270	200,000,000
ČR, 0.85 %, 18	88	20/2/2017	17/03/2018	4.0	101.610	500,000,000
ČR, 0.85 %, 18	88	21/2/2017	17/03/2018	4.0	101.700	200,000,000
ČR, 0.85 %, 18	88	28/2/2017	17/03/2018	4.0	101.800	500,000,000
ČR, 1.50 %, 19	76	1/3/2017	29/10/2019	6.8	104.630	500,000,000
ČR, 1.50 %, 19	76	7/3/2017	29/10/2019	6.8	104.860	1,000,000,000
ČR, 0.85 %, 18	88	22/3/2017	17/03/2018	4.0	101.520	150,000,000
ČR, 0.85 %, 18	88	27/3/2017	17/03/2018	4.0	101.520	100,000,000
ČR, 0.85 %, 18	88	30/3/2017	17/03/2018	4.0	101.650	213,780,000
ČR, 1.50 %, 19	76	30/3/2017	29/10/2019	6.8	104.140	500,000,000
Total						3,863,780,000

Source: MoF

4 – Risk Management and Portfolio Strategy

Table 13: Strategic Targets, Limits and Risk Parameters of the Debt Portfolio in 2017

INDICATOR	Announced target for medium-term horizon	As at 31/3/2017 ¹
Short-term state debt	20.0% and less	17.4%
Medium-term state debt	70.0% and less	61.1%
Average time to maturity	6.0 years ²	5.0 years
Interest re-fixing up to 1 year	30.0 to 40.0%	32.9%
Average time to re-fixing	4.0 years	3.9 years
Net foreign-currency exposure of state debt with the impact on state debt level	15.0% ³	10.5%
Net foreign-currency exposure with the impact of the level of interest expenditure on state debt service	15.0% ³	10.5%

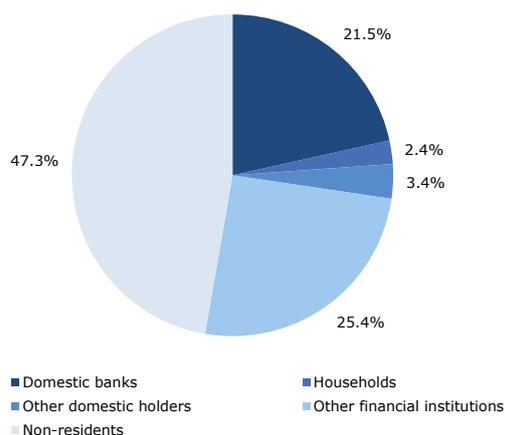
¹ Indicators in area of refinancing and interest risks are given as a 12-month moving averages. Indicators in area of currency risk represent state as of given date.

² With a possibility of deviation of 0.25 years

³ 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.

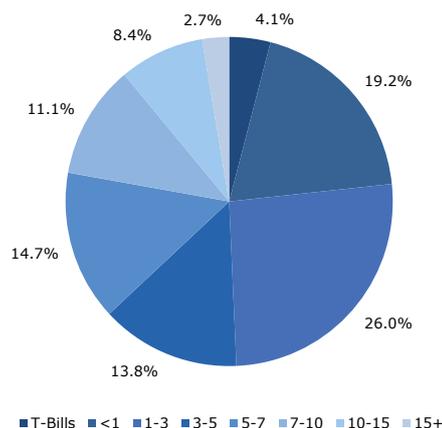
Source: MoF

Figure 7: Structure of Domestic Bonds by Holder Type as of 31/3/2017



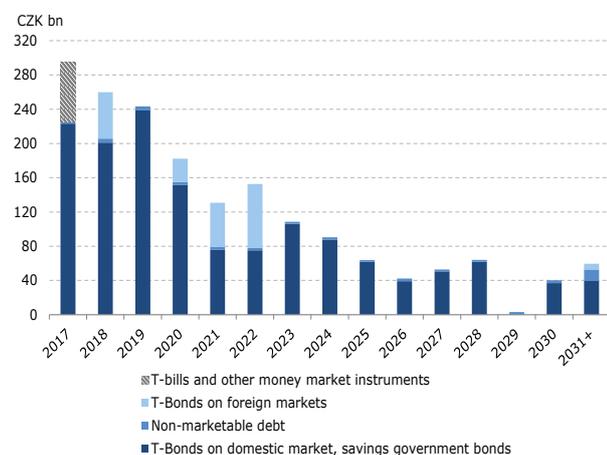
Note: Involves T-Bonds issued on domestic market, savings government bonds and T-Bills.
Source: MoF, CDCP

Figure 8: Structure of Government Bonds by Residual Time to Maturity as at 31/3/2017



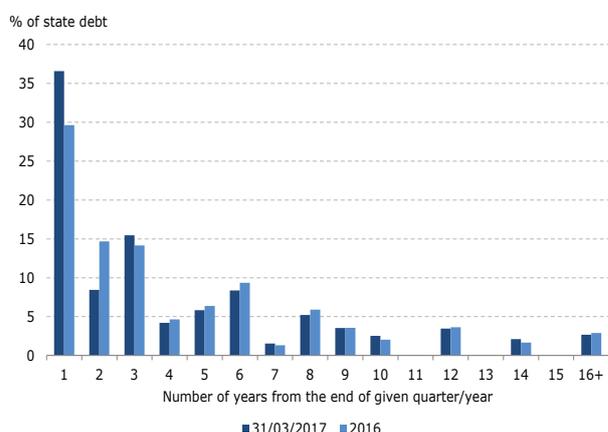
Note: Involves T-Bonds issued on domestic and foreign markets, savings government bonds and T-Bills.
Source: MoF

Figure 9: Maturity Profile of State Debt



Note: Non-marketable debt excludes savings government bonds.
Source: MoF

Figure 10: Re-fixing Profile of State Debt



Note: End of Q1 2017 compared with the end of 2016.
Source: MoF

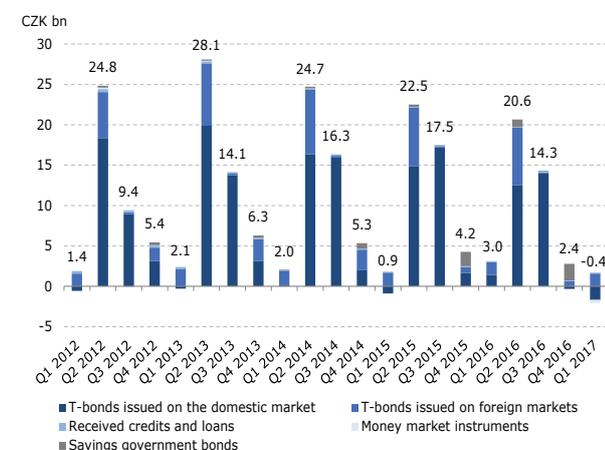
Table 14: State Debt Parameters

	31/3/2016	30/6/2016	30/9/2016	31/12/2016	31/3/2017
Total state debt (CZK bn)	1,694.7	1,691.3	1,660.1	1,613.4	1,788.6
Market value of state debt (CZK bn)	1,940.5	1,920.4	1,888.3	1,831.1	1,987.3
Short-term state debt (%)	13.5	17.2	15.8	14.3	22.8
Medium-term state debt (%)	58.5	60.6	63.1	60.3	62.2
State treasury bills (%)	4.7	3.4	1.1	0.3	3.9
Other money market instruments (%)	0.1	0.0	0.1	0.0	0.0
Average time to maturity (years)	5.1	5.0	5.0	5.1	4.7
Interest re-fixing up to 1 year (%)	30.9	34.7	30.7	29.6	36.6
Average time to re-fixing (years)	3.9	3.9	3.9	4.0	3.8
Variable-rate state debt (%)	19.7	19.4	19.2	15.9	14.4
Modified duration (years)	3.9	3.9	3.9	3.9	3.6
State debt level net foreign currency exposure (%)	10.9	11.1	11.2	11.5	10.5
Interest expenditure on state debt net foreign currency exposure (%)	10.2	10.3	10.4	11.5	10.5
Foreign currency state debt (%)	13.5	13.6	13.8	13.4	12.1
Share of € in state debt level net foreign currency exposure (%)	89.9	89.5	89.5	96.5	96.4
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 (%) ¹	3.4	3.4	3.4	3.5	3.2
Share of savings government bonds on state debt (%)	3.9	3.5	3.6	2.3	2.1
Marketable state debt (CZK bn)	1,570.2	1,574.0	1,543.8	1,519.3	1,694.4
Market value of marketable state debt (CZK bn)	1,809.4	1,797.3	1,766.2	1,733.9	1,890.4
Short-term marketable state debt (%)	12.6	16.4	15.0	14.0	22.8
Medium-term marketable state debt (%)	57.8	60.1	62.8	60.3	62.2
State treasury bills (%)	5.0	3.7	1.1	0.3	4.2
Other money market instruments (%)	0.1	0.0	0.1	0.0	0.0
Average time to maturity (years)	5.0	4.9	5.0	5.0	4.6
Interest re-fixing up to 1 year (%)	27.9	31.8	27.6	27.1	34.7
Average time to re-fixing (years)	4.1	4.1	4.1	4.2	3.9
Variable-rate marketable state debt (%)	17.7	17.3	17.1	13.6	12.3
Modified duration (years)	4.0	4.1	4.1	4.0	3.7
Marketable state debt level net foreign currency exposure (%)	11.8	11.9	12.0	12.2	11.1
Interest expenditure on marketable state debt net foreign currency exposure (%)	11.0	11.1	11.2	12.2	11.1
Foreign-currency marketable state debt (%)	14.5	14.6	14.8	14.2	12.8
Share of € in marketable state debt level net foreign currency exposure (%)	89.9	89.5	89.5	96.5	96.4
Share of € in interest expenditure on marketable state debt net foreign currency exposure (%)	100.0	100.0	100.0	100.0	100.0

¹ Excl. savings government bonds.
Source: MoF

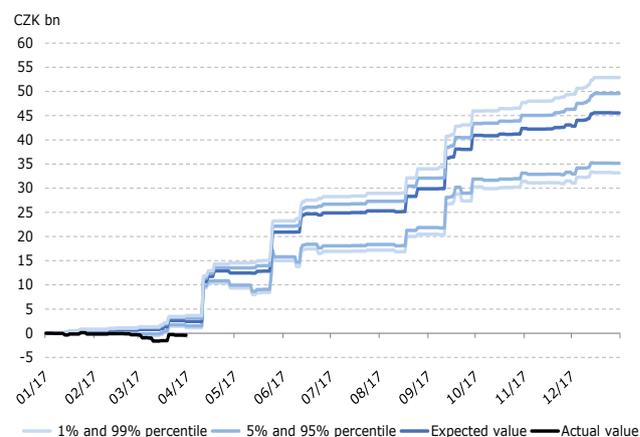
5 – State Debt Service Expenditure and Cost-at-Risk

Figure 11: Net Interest Expenditure on State Debt in 2012 to 2017



Source: MoF

Figure 12: Actual vs. Simulated Net Interest Expenditure on State Debt in 2017



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

Table 15: Budget Expenditure and Revenue of the State Debt Chapter in 2017

CZK mil.	Budget 2017			Actual Q1 2017	% Execution	2017/2016 (%)
	Actual Q1 2016	Approved	After changes			
1. Total interest expenditure and revenue	3,034	45,893	45,893	-	-	-
	-	-	-	(-) 384	-	-
Internal debt	1,328	35,119	35,119	-	-	-
	-	-	-	(-) 2,051	-	-
Money market instruments	(-) 69	(-) 38	(-) 38	-	-	-
	-	-	-	(-) 377	-	-
Savings government bonds	8	1,786	1,786	-	-	-
	-	-	-	17	-	-
T-Bonds on domestic market	1,389	33,371	33,371	-	-	-
	-	-	-	(-) 1,690	-	-
External debt	1,706	10,768	10,768	-	-	-
	-	-	-	1,667	-	-
T-Bonds on foreign markets	1,621	10,076	10,076	-	-	-
	-	-	-	1,590	-	-
Received credits and loans	85	692	692	-	-	-
	-	-	-	77	-	-
Bank accounts	0	5	5	-	-	-
	-	-	-	0	-	-
Revenue (-) and expenditure (+) from account deposits	0	5	5	-	-	-
	-	-	-	0	-	-
2. Fees	96	450	450	67	14.9	69.6
	0	-	-	0	-	157.9
Total chapter balance	3,130	46,343	46,343	-317	-	-10.1

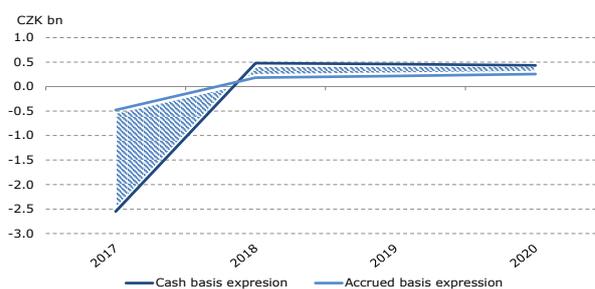
Note: (-) means revenue (gains).
Source: MoF

Table 16: Expected vs. Actual Net Interest Expenditure

CZK bn	Q1 2016	Q1 2017
Actual expenditure	3.0	-0.4
Expected expenditure	2.6	2.4
CaR 95%	3.9	3.1
CaR 99%	5.1	3.6
Difference between expectation and reality	-0.5	2.8

Source: MoF

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



Source: MoF

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

CZK bn	Nominal value	Net interest expenditure/accrued costs			
		2017F	2018F	2019F	2020F
Cash basis expression	180.6	-2.5	0.5	0.5	0.4
Accrued basis expression	180.6	-0.5	0.2	0.2	0.3
Gross issuance of T-Bonds	110.3	-0.1	0.2	0.2	0.3
Gross issuance of T-Bills	70.3	-0.3	-	-	-

Source: MoF

6 – Evaluation of the Primary Dealers in Q2 2016 to Q1 2017

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

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

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

All 10 primary dealers were evaluated.

Table 18: Overall Evaluation of Primary Dealers in Q2 2016 to Q1 2017

Ranking	Primary Dealer	Points
1 st	PPF banka a.s.	64.8
2 nd	KBC Bank NV / Československá obchodní banka, a.s.	62.0
3 rd	Citibank Europe plc	54.8
4 th	J.P. Morgan Securities plc	50.1
5 th	Erste Group Bank AG / Česká spořitelna, a.s.	41.1
6 th	Société Générale / Komerční banka, a.s.	35.9
7 th	UniCredit Bank Czech Republic and Slovakia, a.s.	34.2

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

Table 19: Primary Market in Q2 2016 to Q1 2017

Ranking	Primary Dealer	Points
1 st	PPF banka a.s.	36.9
2 nd	J.P. Morgan Securities plc	29.6
3 rd	KBC Bank NV / Československá obchodní banka, a.s.	25.1
4 th	Citibank Europe plc	24.7
5 th	Erste Group Bank AG / Česká spořitelna, a.s.	23.5
6 th	UniCredit Bank Czech Republic and Slovakia, a.s.	18.4
7 th	ING Bank N.V.	18.2

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

Table 20: Secondary Market in Q2 2016 to Q1 2017

Ranking	Primary Dealer	Points
1 st	KBC Bank NV / Československá obchodní banka, a.s.	36.9
2 nd	Citibank Europe plc	30.1
3 rd	PPF banka a.s.	27.9
4 th	J.P. Morgan Securities plc	20.6
5 th	Société Générale / Komerční banka, a.s.	17.9
6 th	Erste Group Bank AG / Česká spořitelna, a.s.	17.6
7 th	UniCredit Bank Czech Republic and Slovakia, a.s.	15.8

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

This publication was prepared based on the information available on 21 April 2017
and is also available online at:

www.mfcr.cz/statedebt

The next issue of the Debt Portfolio Management Quarterly Report
is expected on 21 July 2017.

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