



Ministry of Finance

Debt and Financial Assets  
Management Department

# Debt Portfolio Management Quarterly Report

## 1<sup>st</sup> Half of 2017



21 July 2017



# **Ministry of Finance**

## **Debt Portfolio Management Quarterly Report 1<sup>st</sup> Half of 2017**

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**1<sup>st</sup> Half 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
ESA 2010	European System of Accounts 2010
EUR	Euro currency code
FIX	Fixed-rate
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 from the third quarter of 2016 to the second quarter of 2017.

In the second quarter of 2017, the Ministry continued to issue and sell medium-term and long-term government bonds on domestic market. The total gross issue carried out on primary market via eleven auctions in four auction days amounted to CZK 22.8 billion comprising re-opened issues of already issued government bonds of the Czech Republic, of which 42.0 % represented bonds with residual time to maturity longer than ten years and further 26.7 % issues with residual time to maturity up to five years, which were successfully sold with negative yield. The total gross issue of medium-term and long-term government bonds on primary market in the first half of 2017 amounted to CZK 127.6 billion, of which CZK 74.5 billion or 58.4 % were represented by bonds maturing from 2018 to 2022, sold with negative yield.

The issuance of medium-term and long-term government bonds on primary market during the second quarter of 2017 was supplemented by tap sales from own asset account on secondary market in total nominal value of CZK 3.2 billion. In the first half of 2017, tap sales of medium-term and long-term government bonds in total nominal value of CZK 7.1 billion were carried out, with all bonds placed with negative yield.

During the second quarter of 2017, the Ministry did not realize any buy-backs of medium-term and long-term government bonds on secondary market. The Ministry has continued to use exchange operations of medium-term and long-term government bonds, within which the Czech Republic Treasury Bond, 2012-2017, VAR % and the Czech Republic Treasury Bond, 2003 - 2018, 4.60 % in total nominal value of CZK 1.0 billion were exchanged for medium-term and long-term government bonds from Ministry's asset account with longer time to maturity in total nominal value of CZK 0.6 billion. In the first half of 2017, the medium-term and long-term government bonds with relatively short residual time to maturity in total nominal value of CZK 2.6 billion CZK were switched for government bonds with relatively

longer residual time to maturity and lower coupon rate in total nominal value of CZK 2.2 billion.

The regular redemption of the Czech Republic Treasury Bond, 2007-2017, 4.00 % in total nominal value of CZK 88.7 billion was carried out in the second quarter of 2017, the total nominal value of net issue of medium-term and long-term government bonds on domestic market after taking into account the impact of exchange operations amounted to CZK -63.1 billion in the second quarter of 2017 and CZK 45.6 billion in the first half of 2017.

Seven auctions of state treasury bills were carried out in the second quarter of 2017 and government bonds in total nominal value of CZK 105.6 billion were sold with negative yield. The total nominal value of gross issue of money market instruments excluding the roll-over amounted to CZK 147.9 billion in the first half of 2017 and comprised gross issue of state treasury bills only. The total nominal value of redemptions of state treasury bills excluding the roll-over amounted to CZK 21.0 billion in the second quarter of 2017. The balance of state treasury bills outstanding thus increased by CZK 77.6 billion to CZK 147.9 billion during the second quarter of 2017 and by CZK 143.7 billion during the first half of 2017. All state treasury bills outstanding in the end of the first half of 2017 will be redeemed until the end of the third quarter of 2017.

In the second quarter of 2017, tranches of savings government bonds were issued in the form of the reinvestment of the yield in total nominal value of CZK 0.3 billion, the regular redemptions of the Coupon savings government bond of the Czech Republic, 2012 - 2017, FIX % and the Reinvestment savings government bond of the Czech Republic, 2012 - 2017, FIX % in total nominal value of CZK 7.0 billion were carried out, having been the only planned redemptions of savings government bonds in the first half of 2017. Additionally, the early redemption due to the holder's exercise of this option in total nominal value of CZK 34 million was carried out. The net issue of savings government bonds amounted to CZK -6.7 billion in the second quarter.

In the area of issuance on foreign markets no borrowing operation was carried out in the second 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 0.8 billion were carried out, amounting to CZK 1.1 billion in the first half of 2017.

## Prolonging the Issued Government Bonds' Time to Maturity

The Ministry focused on prolonging the residual time to maturity of issued medium-term and long-term government bonds in the second quarter of 2017, when government bonds on the long end of the yield curve were included into auctions, particularly the Czech Republic Treasury Bond, 2017-2027, 0.25 %, the Czech Republic Treasury Bond, 2013-2028, 2.50 % or the Czech Republic Treasury Bond, 2006-2036, 4.20 % with the residual time to maturity of 10, 11 and 19 years. The Ministry issued medium-term and long-term government bonds on primary market in total nominal value of CZK 22.8 billion with average residual time to maturity of 9.6 years in the second quarter of 2017, which represents

an increase by 4.6 years compared to the previous quarter. In the first half of 2017, the total issue of medium-term and long-term government bonds on primary market amounted to CZK 127.6 billion with the average yield 0.05 % p. a. and the average residual time to maturity of 5.9 years, which is approximately 0.3 year higher than of the whole year 2016. Thus, after the planned short-term decrease in the average time to maturity of the debt portfolio, when government bonds were sold with shorter time to maturity in order to maximize use of the extraordinarily favorable market conditions, the Ministry gets closer to the middle-term target of 6.0 years.

## Government Bonds Issuance with Negative Yields and Liquidity Investment

After the exit from the exchange rate commitment by the CNB on 6 April 2017, the Ministry further sold government bonds with the residual time to maturity up to 5 years successfully with negative yield. In the second quarter of 2017, the total nominal value of middle-term government bonds issued with negative yield amounted to CZK 9.3 billion. It means that 35 % of total gross issue of medium-term and long-term government bonds will not burden the state budget with interest expenditure, even additional net interest revenue will be realized. In the first half of 2017, this ratio was 60 % and additional revenue from sale of middle-term government bonds with negative yield amounted almost to CZK 0.5 billion.

Further state budget additional revenue of CZK 0.2 billion was achieved by the Ministry by selling the state treasury bills with negative yield in total nominal value of CZK 105.6 billion in the second quarter of 2017. In the first half of 2017, the state treasury bills in total nominal value of CZK 175.9 billion were sold. It does not cover financing needs for 2017 because all of them will be redeemed during this year, but they

serve to achieve state budget additional revenue of CZK 0.6 billion.

The state budget additional net revenue from government bonds sold with negative yield has already exceeded CZK 1.0 billion during the first half of 2017, and further revenue of approximately CZK 0.1 billion was obtained by the Ministry from effective investment of available cash resources of the state treasury single accounts. The total net resources from state treasury liquidity management and selling of government bonds with negative yield amounted to CZK 1.1 billion in the first half of 2017, which is approximately CZK 0.2 billion higher than in the whole year 2016. Thanks to this state budget additional revenue, the Ministry has achieved savings on state debt service expenditure in the first half of 2017 already, which enables to strengthen expenditure priorities of the government, without changes of approved state budget basic parameters. Since 1 July 2017, salaries of security forces members has been increased by 10 %, salaries of employees in culture and non-pedagogical employees in education by 9.4 % and salaries of social workers and workers in social services by 23 %.

## High Rating of the Czech Republic's Liabilities

In its evaluation report on 28 June 2017 the rating agency Moody's emphasized prudent fiscal policy, very low debt burden as well as introduction of the new fiscal framework based on the Act on fiscal responsibility rules. Solid fiscal situation of the state and the state debt reduction, enabled by its more effective management, affirm high rating at 'A1' with stable outlook for long-term local-currency liabilities

and long-term foreign-currency liabilities of the Czech Republic.

Above mentioned facts were positively evaluated also by the rating agency R&I, which affirmed the rating at 'A+' with stable outlook for long-term foreign-currency liabilities and 'AA-' with stable outlook for long-term local-currency liabilities on 2 June 2017.

## New and Stable Cash Resources in the Single Treasury Accounts

Effective as of 10 May 2016 there has been a key extension of the single treasury accounts given by the Act No. 128/2016 Coll., which amends the Act No. 218/2000 Coll. on budgetary rules and on amendment to some related acts (budgetary rules), as amended. The single treasury account was extended by the accounts of the General Health Insurance Company of the Czech Republic including the special account of public health insurance, accounts of departmental, union, corporate and other health insurance companies, and the associations of health insurance companies, which thus became the mandatory clients of state treasury. Simultaneously, the Railway Infrastructure Administration state organisation transited from the non-mandatory to the mandatory regime. Together with the extension of single treasury account, the transitional period within which all mandatory clients have to establish accounts in the Czech National Bank and transfer their funds from the existing accounts in banks or with other payment service providers was reduced to nine months from the effective date of this act, i. e. until 10 February 2017.

The extension brought ten new mandatory clients to the single treasury account, nine of them being health insurance companies or associations of health insurance companies. Their total account balance amounts to CZK 26.1 billion at the end of the first half of 2017 and the average balance in the period from March to June 2017 was CZK 30.8 billion.

The funds in state-funded institutions accounts increased by CZK 24.6 billion compared to the beginning of 2016 based on the reduction of the transition period given by the Act No. 128/2016 Coll.

Total increase in available state treasury cash resources compared to the beginning of 2016 amounted to CZK 50.7 billion at the end of the second half of 2017, with the average in the period from March to June 2017 being CZK 52.0 billion and the standard deviation for the same period of CZK 3.2 billion. It is the evidence of the stability of the new cash resources of the single treasury account. This additional and stable liquidity and ongoing centralization of the total state liquidity management contributed to the repeated strengthening of the Czech Republic's position on financial markets which enabled the further increase of the efficiency of state's borrowing operations management as well as the reduction of interest expenditure of the state budget.

On an exceptional basis and in accordance with the transitional provisions established by the paragraph 3 of article II of the Act No. 128/2016 Coll., the Ministry granted the permission to the clients to keep the existing accounts in banks or with other payment service providers after the deadline of nine months from the effective date of the act. The most frequent reasons for the permission were: an existing term deposit, existing fundraising event, distraintment or lawsuit related to the respective account, the need to keep the account for cash deposits, payments agreed before the effective date of the act or specific payments. The number of requests for such permission decreased significantly after the beginning of 2017 when the Czech National Bank had started to issue debit cards to the accounts included in the single treasury account.

# 1 – Borrowing Requirement and Development of State Debt

**Table 1: Structure and Balance of the Debt Portfolio**

CZK bn	2015	2016	30/6/2017
<b>Gross state debt</b>	<b>1,673.0</b>	<b>1,613.4</b>	<b>1,788.8</b>
T-Bills	84.4	4.2	147.9
Other money market instruments	2.9	0.0	0.0
Received collateral in cash	0.0	0.0	0.0
T-Bonds issued on domestic market	1,235.2	1,301.6	1,347.2
T-Bonds issued on foreign markets	225.6	213.5	207.5
Savings government bonds	66.9	37.8	31.0
Received credits and loans	58.0	56.3	55.1
Promissory notes	0.0	0.0	0.0
<b>Share of GDP (%)<sup>1</sup></b>	<b>36.4</b>	<b>33.8</b>	<b>37.0</b>

<sup>1</sup> GDP in the ESA 2010 methodology. The source of data for Q1 2015 – Q1 2017 is CZSO, for Q2 2017 the Macroeconomic Forecast of the Czech Republic – April 2017. Source: MoF, CZSO

**Table 2: Financing Needs and Sources**

CZK bn	2015	2016	H1 2017
Primary balance of state budget	17.5	-102.4	-23.4
Net expenditure on state debt <sup>1</sup>	45.3	40.7	18.7
T-Bonds redemptions <sup>2</sup>	123.9	157.8	91.3
Redemptions and early redemptions on savings government bonds	11.9	30.2	7.0
T-Bills redemptions <sup>3</sup>	107.6	84.4	4.2
Other money market instrument redemptions <sup>3</sup>	2.5	2.2	0.0
Repayments on credits and loans	2.5	1.7	1.1
<b>Total financing needs</b>	<b>311.2</b>	<b>214.5</b>	<b>99.1</b>
Gross T-Bills issue <sup>3, 4</sup>	84.4	4.2	147.9
Other money market instrument <sup>3</sup>	2.2	0.0	0.0
Received collateral in cash	0.0	0.0	0.0
Gross issue of T-Bonds in the domestic market <sup>4</sup>	180.4	211.6	136.9
Gross issue of T-Bonds in the domestic market up to 5 years <sup>4, 5</sup>	100.0	119.6	82.4
Gross issue of T-Bonds in the domestic market from 5 to 10 years <sup>4, 5</sup>	23.3	48.4	29.4
Gross issue of T-Bonds in the domestic market over 10 years <sup>4, 5</sup>	57.1	43.7	25.1
Gross issue of T-Bonds on foreign markets <sup>4</sup>	0.0	0.0	0.0
Gross issue of savings government bonds <sup>6</sup>	1.0	1.0	0.3
Received credits and loans	0.0	0.0	0.0
Financial asset and liquidity management	43.2	-2.3	-186.0
<b>Total financing sources</b>	<b>311.2</b>	<b>214.5</b>	<b>99.1</b>
<b>Gross borrowing requirement</b>	<b>268.1</b>	<b>216.9</b>	<b>285.1</b>

<sup>1</sup> Balance of the budgetary chapter 396 – State Debt.

<sup>2</sup> Incl. the effect of buy-backs and exchanges.

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

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

<sup>5</sup> Remaining time to maturity at the transaction settlement date.

<sup>6</sup> Incl. the reinvestment of yields.

Source: MoF

**Table 3: Net Borrowing Requirement and Change in State Debt**

CZK bn	2015	2016	H1 2017
<b>Gross state debt as at 1 January</b>	<b>1,663.7</b>	<b>1,673.0</b>	<b>1,613.4</b>
Primary state budget balance	17.5	-102.4	-23.4
Net expenditure on state debt service <sup>1</sup>	45.3	40.7	18.7
Financial asset and liquidity management operations	-43.2	2.3	186.0
<b>Net borrowing requirement</b>	<b>19.6</b>	<b>-59.4</b>	<b>181.4</b>
T-Bills net issue	-23.2	-80.2	143.7
Net change in the balance of other money market instruments	-0.4	-2.2	0.0
T-Bonds net issue on domestic market	67.4	66.4	45.6
T-Bonds net issue on foreign markets	-10.8	-12.6	0.0
Savings government bonds net issue	-10.9	-29.2	-6.7
Net change in balance of received credits and loans	-2.5	-1.7	-1.1
<b>Financing of net borrowing requirement</b>	<b>19.6</b>	<b>-59.4</b>	<b>181.4</b>
Revaluation of state debt <sup>2</sup>	-10.3	-0.2	-6.0
Promissory notes net change	0.0	0.0	0.0
<b>Gross state debt change</b>	<b>9.3</b>	<b>-59.6</b>	<b>175.4</b>
<b>Gross state debt as at the end of period</b>	<b>1,673.0</b>	<b>1,613.4</b>	<b>1,788.8</b>

<sup>1</sup> Balance of budgetary chapter 396 – State debt.

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

Source: MoF

## 2 – Primary Market of Government Bonds

**Table 4a: Medium-Term and Long-Term Government Bonds Issued in H1 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
ČR, 1.50 %, 19	76 15	12/4	18/4	29/10/2019	CZK	5,000,000,000	2,281,430,000
ČR, 0.45 %, 23	97 12	12/4	18/4	25/10/2023	CZK	2,000,000,000	2,150,550,000
ČR, 2.40 %, 25	89 14	12/4	18/4	17/9/2025	CZK	4,000,000,000	1,920,490,000
ČR, 1.50 %, 19	76 16	26/4	28/4	29/10/2019	CZK	5,000,000,000	2,871,770,000
ČR, 2.50 %, 28	78 18	26/4	28/4	25/8/2028	CZK	4,000,000,000	2,620,560,000
ČR, 4.20 %, 36	49 8	26/4	28/4	4/12/2036	CZK	2,000,000,000	1,341,100,000
ČR, 0.00 %, 22	102 2	17/5	19/5	24/2/2022	CZK	2,000,000,000	845,780,000
ČR, 0.25 %, 27	100 2	17/5	19/5	10/2/2027	CZK	4,000,000,000	3,049,210,000
ČR, 0.00 %, 22	102 3	14/6	16/6	24/2/2022	CZK	2,000,000,000	100,000,000
ČR, 2.50 %, 28	78 19	14/6	16/6	25/8/2028	CZK	3,000,000,000	2,847,360,000
ČR, 4.20 %, 36	49 9	14/6	16/6	4/12/2036	CZK	2,000,000,000	2,772,190,000
<b>Total</b>							<b>127,632,990,000</b>

Source: MoF

**Table 4b: Medium-Term and Long-Term Government Bonds Issued in H1 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 <sup>1</sup>	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%	100.910	-0.366	1.00	12.22	0.00
ČR, 0.95 %, 30	94	9	0.95%	102.591	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%	100.681	-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%	100.060	-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
ČR, 1.50 %, 19	76	15	1.50 %	103.831	-0.014	1.93	41.00	4.63
ČR, 0.45 %, 23	97	12	0.45 %	99.607	0.511	1.79	99.10	8.43
ČR, 2.40 %, 25	89	14	2.40 %	112.553	0.848	1.06	43.15	4.86
ČR, 1.50 %, 19	76	16	1.50 %	103.852	-0.038	3.48	46.89	10.54
ČR, 2.50 %, 28	78	18	2.50 %	114.648	1.116	1.89	49.35	16.17
ČR, 4.20 %, 36	49	8	4.20 %	145.392	1.507	1.14	61.00	6.06
ČR, 0.00 %, 22	102	2	0.00 %	100.010	-0.002	2.63	40.00	2.29
ČR, 0.25 %, 27	100	2	0.25 %	94.736	0.815	1.28	61.63	14.61
ČR, 0.00 %, 22	102	3	0.00 %	100.010	-0.002	1.00	5.00	0.00
ČR, 2.50 %, 28	78	19	2.50 %	117.066	0.891	1.17	87.75	7.17
ČR, 4.20 %, 36	49	9	4.20 %	145.858	1.473	1.37	119.00	19.61
<b>Average</b>					<b>1.57</b>	<b>83.35</b>	<b>7.32</b>	

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

**Table 5: State Treasury Bills Issued in H1 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
758	17	6/4	7/4	4/8/2017	5,000,000,000	30,671,000,000	-1.25
759	16	13/4	18/4	11/8/2017	5,000,000,000	16,300,000,000	-0.50
760	17	20/4	21/4	18/8/2017	5,000,000,000	20,390,000,000	-0.35
761	17	27/4	28/4	25/8/2017	5,000,000,000	13,275,000,000	-0.35
762	17	4/5	5/5	1/9/2017	5,000,000,000	17,920,000,000	-0.35
763	5	25/5	26/5	30/6/2017	5,000,000,000	5,800,000,000	-0.30
764	4	1/6	2/6	30/6/2017	5,000,000,000	1,196,000,000	-0.25
<b>Total</b>						<b>175,896,000,000</b>	<b>-0.76<sup>1</sup></b>

<sup>1</sup> Average weighted yield to maturity of state treasury bills issued in H1 2017.  
Source: MoF

**Table 6: Medium-Term and Long-Term Government Bonds Issued on Domestic Market as at 30/6/2017**

Issue name	Issue no.	ISIN	Maturity date	Nominal value outstanding	Nominal value booked on MoF's asset accounts
ČR, VAR %, 17	67	CZ0001003438	23/7/2017	46,803,000,000	800,000,000
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	74,800,000,000	200,000,000
ČR, 5,00 %, 19	56	CZ0001002471	11/4/2019	86,960,000,000	1,980,000,000
ČR, 0,00 %, 19	98	CZ0001004717	17/7/2019	70,000,000,000	0
ČR, 1,50 %, 19	76	CZ0001003834	29/10/2019	85,153,200,000	0
ČR, 0,00 %, 20	101	CZ0001005011	10/2/2020	41,713,880,000	8,340,000,000
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	1,245,780,000	4,600,000,000
ČR, 4,70 %, 22	52	CZ0001001945	12/9/2022	75,316,740,000	1,800,000,000
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	26,982,430,000	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	63,955,140,000	850,000,000
ČR, 1,00 %, 26	95	CZ0001004469	26/6/2026	39,410,910,000	1,033,000,000
ČR, 0,25 %, 27	100	CZ0001005037	10/2/2027	7,205,250,000	2,000,000,000
ČR, VAR %, 27	90	CZ0001004105	19/11/2027	46,742,420,000	1,000,000,000
ČR, 2,50 %, 28	78	CZ0001003859	25/8/2028	67,278,560,000	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	32,542,260,000	2,000,000,000
ČR, 4,85 %, 57	53	CZ0001002059	26/11/2057	11,020,000,000	6,980,000,000
<b>Total</b>				<b>1,347,211,950,000</b>	<b>49,926,130,000</b>

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

**Table 7: Medium-Term and Long-Term Government Bonds Issued on Foreign Markets as at 30/6/2017**

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
<b>Total EUR</b>			<b>7,750,000,000</b>	<b>0</b>
<b>Total JPY</b>			<b>30,000,000,000</b>	<b>0</b>

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

**Table 8: Issued State Treasury Bills as at 30/6/2017**

Issue no.	Maturity (weeks)	ISIN	Maturity date	Nominal value outstanding	Nominal value booked on MoF's asset accounts
758	17	CZ0001005128	4/8/2017	30,671,000,000	0
752	26	CZ0001005052	11/8/2017	2,000,000,000	0
759	16	CZ0001005136	11/8/2017	16,300,000,000	0
760	17	CZ0001005144	18/8/2017	20,390,000,000	0
754	26	CZ0001005078	25/8/2017	5,200,000,000	0
761	17	CZ0001005151	25/8/2017	13,275,000,000	0
762	17	CZ0001005169	1/9/2017	17,920,000,000	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
<b>Total</b>				<b>147,898,000,000</b>	<b>0</b>

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

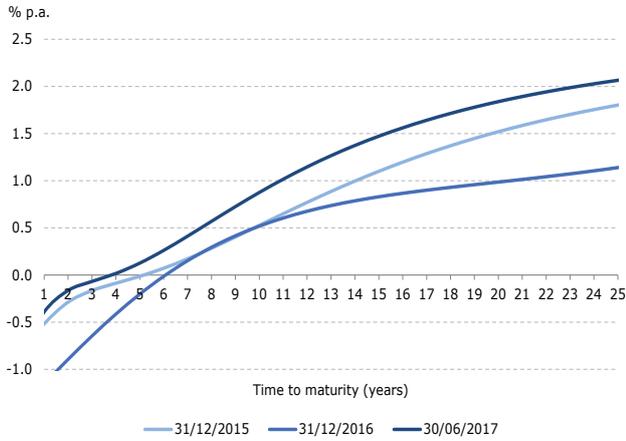
**Table 9: Issued Savings Government Bonds as at 30/6/2017**

Bond	Issue no.	ISIN	Maturity date	Nominal value outstanding	Nominal value booked on MoF's asset accounts
Coupon savings government bond	74	CZ0001003784	12/12/2017	1,759,287,241	0
Reinvestment savings government bond	75	CZ0001003792	12/12/2017	8,071,451,586	0
Coupon savings government bond	81	CZ0001004014	12/6/2018	815,796,434	0
Reinvestment savings government bond	82	CZ0001004006	12/6/2018	6,133,255,721	0
Coupon savings government bond	85	CZ0001004188	12/12/2018	1,355,591,518	0
Reinvestment savings government bond	86	CZ0001004196	12/12/2018	7,792,073,128	0
Inflation-linked savings government bond	70	CZ0001003586	12/6/2019	1,889,776,556	0
Reinvestment savings government bond	92	CZ0001004303	12/6/2019	734,662,650	0
Inflation-linked savings government bond	83	CZ0001003990	12/6/2020	382,662,571	0
Inflation-linked savings government bond	87	CZ0001004204	12/12/2020	2,055,233,429	0
Variable-rate savings government bond	93	CZ0001004311	12/12/2020	30,415,224	0
<b>Total</b>				<b>31,020,206,058</b>	<b>0</b>

Source: MoF

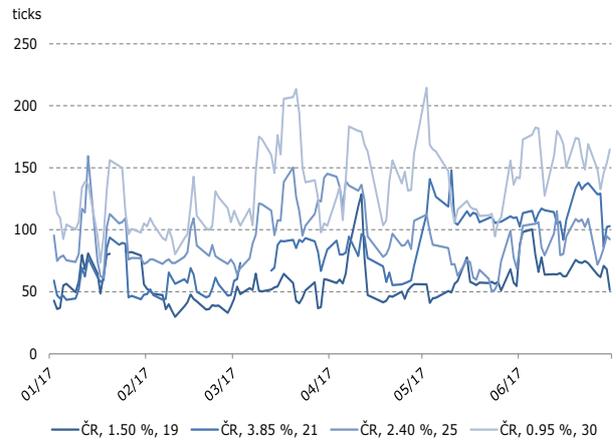
### 3 – Secondary Market of Government Bonds

**Figure 1: Yield Curve of CZK-Denominated Government Bonds**



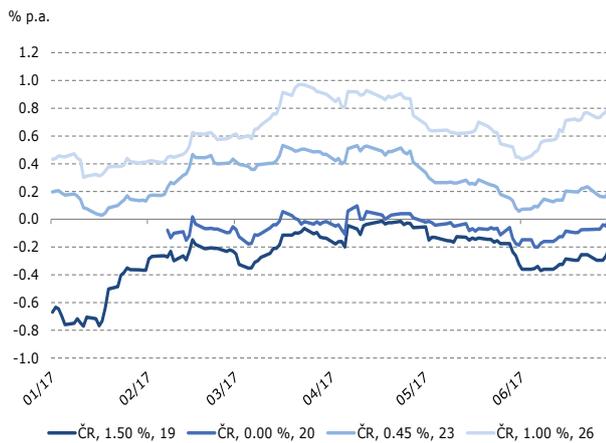
Note: "Par" yield curve of CZK-denominated fixed-rate government bonds is constructed on the basis the extended Nelson-Siegel model, called Svensson model.  
Source: MoF, MTS

**Figure 2: Bid-Offer Spreads of Selected Government Bonds**



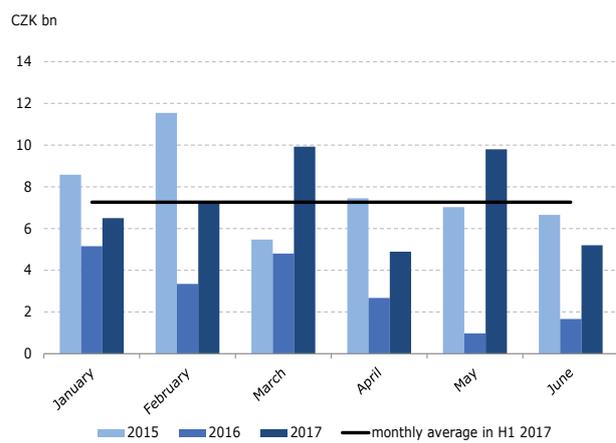
Source: MoF, MTS

**Figure 3: Selected Government Bonds Yields**



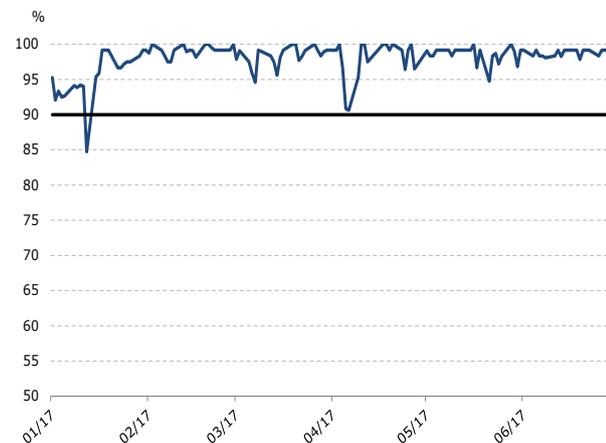
Source: MoF, MTS

**Figure 4: Traded Nominal Value on MTS Czech Republic**



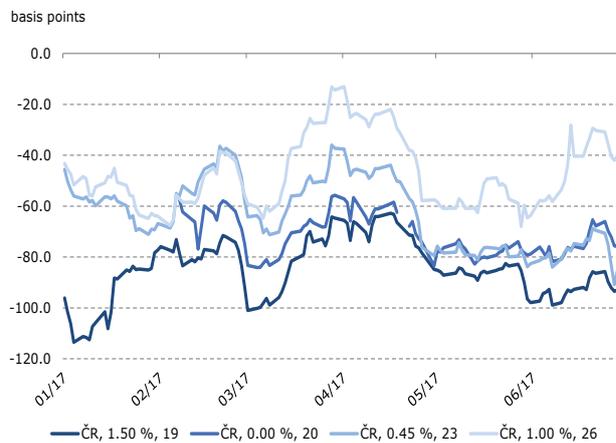
Source: MoF, MTS

**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 H1 2017**

Issue name	ISIN	Collateral nominal amount	Financial resources received	Financial resources paid <sup>1</sup>
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	2,205,000,000	2,337,472,708.34	2,337,389,831.31
ČR, 5.00 %, 19	CZ0001002471	2,600,000,000	2,946,138,888.89	2,945,830,129.90
ČR, 0.00 %, 19	CZ0001004717	2,390,000,000	2,414,690,000.00	2,414,650,383.32
ČR, 0.00 %, 20	CZ0001005011	570,000,000	570,959,000.00	570,938,539.54
ČR, VAR %, 20	CZ0001004113	1,816,000,000	1,857,098,921.66	1,856,942,833.08
ČR, 3.85 %, 21	CZ0001002851	1,374,000,000	1,653,634,755.55	1,653,538,248.05
ČR, 4.70 %, 22	CZ0001001945	4,011,000,000	5,119,391,513.89	5,119,127,721.11
ČR, VAR %, 23	CZ0001003123	5,953,000,000	6,439,097,441.67	6,438,519,301.01
ČR, 0.45 %, 23	CZ0001004600	3,792,000,000	3,842,591,920.54	3,842,443,970.07
ČR, 5.70 %, 24	CZ0001002547	2,506,000,000	3,580,118,083.33	3,579,873,290.07
ČR, 2.40 %, 25	CZ0001004253	740,000,000	866,669,945.21	866,653,671.01
ČR, 1.00 %, 26	CZ0001004469	4,633,000,000	4,826,593,698.62	4,826,383,031.91
ČR, 0.25 %, 27	CZ0001005037	472,000,000	439,688,082.19	439,662,877.53
ČR, VAR %, 27	CZ0001004105	1,964,000,000	2,031,492,137.78	2,031,414,691.10
ČR, 2.50 %, 28	CZ0001003859	10,000,000	12,041,666.67	12,040,663.20
ČR, 0.95 %, 30	CZ0001004477	7,040,000,000	7,077,852,717.80	7,077,551,706.61
ČR, 4.20 %, 36	CZ0001001796	976,000,000	1,535,366,450.00	1,535,274,799.02
ČR, 4.85 %, 57	CZ0001002059	1,030,000,000	1,717,254,097.22	1,717,116,936.12
<b>Total</b>		<b>49,889,000,000</b>	<b>55,217,354,077.69</b>	<b>55,214,407,338.18</b>

<sup>1</sup>Incl. financial resources from this lending facilities realized in H1 2017, which has not been paid during this period.

Note: The average interest rate achieved under this lending facilities during H1 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 H1 2017**

Issue name	ISIN	Nominal value	Revenue <sup>1</sup>
ČR, 0.00 %, 20	CZ0001005011	1,078,000,000	83,844.44
ČR, VAR %, 20	CZ0001004113	1,242,000,000	115,733.18
ČR, 3.85 %, 21	CZ0001002851	1,796,000,000	201,372.58
ČR, 4.70 %, 22	CZ0001001945	1,962,000,000	305,349.15
ČR, VAR %, 23	CZ0001003123	9,447,000,000	1,474,773.41
ČR, 0.45 %, 23	CZ0001004600	1,210,000,000	527,105.72
ČR, 5.70 %, 24	CZ0001002547	1,656,000,000	256,489.35
ČR, 2.40 %, 25	CZ0001004253	800,000,000	137,130.74
ČR, 1.00 %, 26	CZ0001004469	1,500,000,000	209,480.83
ČR, 0.25 %, 27	CZ0001005037	3,150,000,000	245,828.87
ČR, VAR %, 27	CZ0001004105	2,280,000,000	433,364.32
ČR, 2.50 %, 28	CZ0001003859	6,120,000,000	1,314,826.17
ČR, 0.95 %, 30	CZ0001004477	2,792,000,000	371,447.13
ČR, 4.20 %, 36	CZ0001001796	1,270,000,000	201,950.13
ČR, 4.85 %, 57	CZ0001002059	9,450,000,000	5,938,932.90
<b>Total</b>		<b>45,753,000,000</b>	<b>11,817,628.92</b>

<sup>1</sup>Incl. financial revenue from this lending facilities realized in H1 2017, which has not been terminated during this period.

Source: MoF

**Table 11: Realized Exchange Operations of Government Bonds in H1 2017**

Trade date	Tap sale			Buy-back		
	Issue name	Nominal value	Average price	Issue name	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
8/6/2017	ČR, 1.00 %, 26	200,000,000	104.410	ČR, VAR %, 17	400,000,000	100.140
14/6/2017	ČR, VAR %, 27	200,000,000	103.720	ČR, VAR %, 17	400,000,000	100.120
15/6/2017	ČR, VAR %, 27	200,000,000	103.310	ČR, 4.60 %, 18	200,000,000	105.345
<b>Total</b>		<b>2,170,000,000</b>			<b>2,570,000,000</b>	

Source: MoF

**Table 12: Realized Tap Sales of Government Bonds in H1 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
ČR, 1.50 %, 19	76	4/4/2017	29/10/2019	6.8	104.210	568,630,000
ČR, 1.50 %, 19	76	5/4/2017	29/10/2019	6.8	104.260	500,000,000
ČR, 0.00 %, 20	101	6/4/2017	10/2/2020	3.0	100.300	200,000,000
ČR, 0.00 %, 20	101	7/4/2017	10/2/2020	3.0	100.300	500,000,000
ČR, 0.00 %, 20	101	19/4/2017	10/2/2020	3.0	100.020	200,000,000
ČR, 0.00 %, 20	101	4/5/2017	10/2/2020	3.0	100.020	200,000,000
ČR, 0.00 %, 20	101	5/5/2017	10/2/2020	3.0	100.050	500,000,000
ČR, 4.70 %, 22	52	30/5/2017	12/9/2022	15.2	125.800	200,000,000
ČR, 0.00 %, 22	102	31/5/2017	24/2/2022	5.0	100.030	100,000,000
ČR, 0.00 %, 22	102	5/6/2017	24/2/2022	5.0	100.050	200,000,000
ČR, 0.00 %, 20	101	9/6/2017	10/2/2020	3.0	100.540	60,000,000
<b>Total</b>						<b>7,092,410,000</b>

Source: MoF

## 4 – Risk Management and Portfolio Strategy

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

INDICATOR	Announced target for medium-term horizon	As at 30/6/2017 <sup>1</sup>
Short-term state debt	20.0% and less	18.9%
Medium-term state debt	70.0% and less	62.0%
Average time to maturity	6.0 years <sup>2</sup>	4.9 years
Interest re-fixing up to 1 year	30.0 to 40.0%	33.5%
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% <sup>3</sup>	10.2%
Net foreign-currency exposure with the impact of the level of interest expenditure on state debt service	15.0% <sup>3</sup>	10.2%

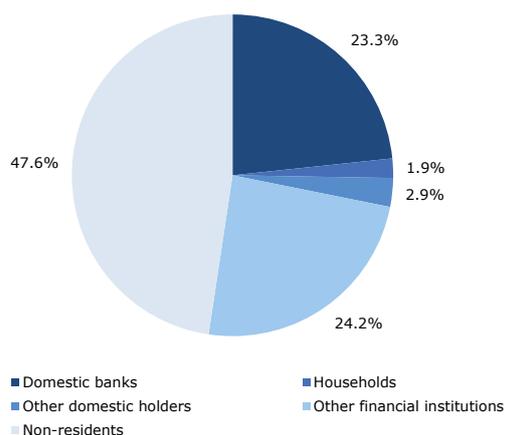
<sup>1</sup> Indicators in area of refinancing and interest risks are given as a 12-month moving averages. Indicators in area of currency risk represent state as of given date.

<sup>2</sup> With a possibility of deviation of 0.25 years

<sup>3</sup> 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.

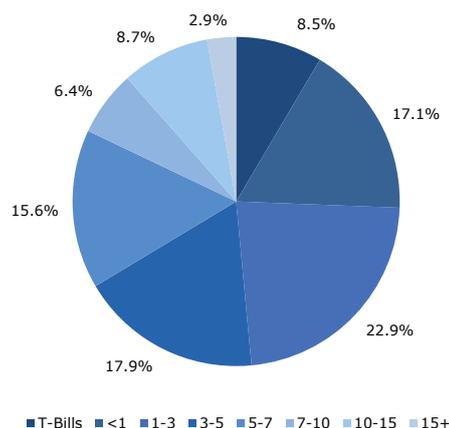
Source: MoF

**Figure 7: Structure of Domestic Bonds by Holder Type as of 30/6/2017**



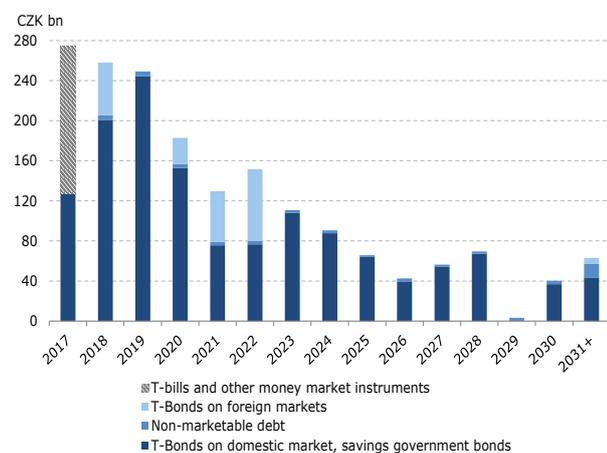
Note: Involves T-Bonds issued on domestic market, savings government bonds and T-Bills.  
Source: MoF, CDCP

**Figure 8: Structure of Government Bonds by Residual Time to Maturity as at 30/6/2017**



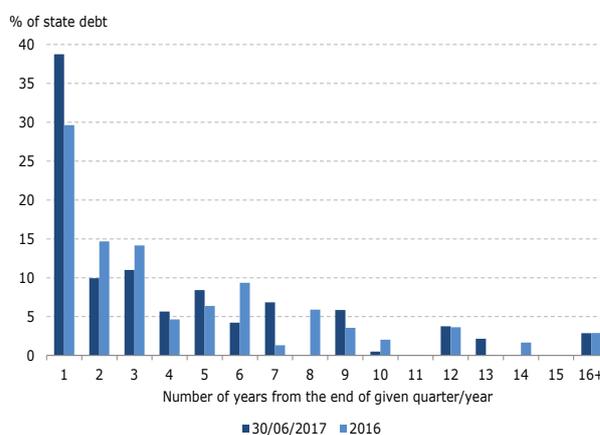
Note: Involves T-Bonds issued on domestic and foreign markets, savings government bonds and T-Bills.  
Source: MoF

**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 H1 2017 compared with the end of 2016.  
Source: MoF

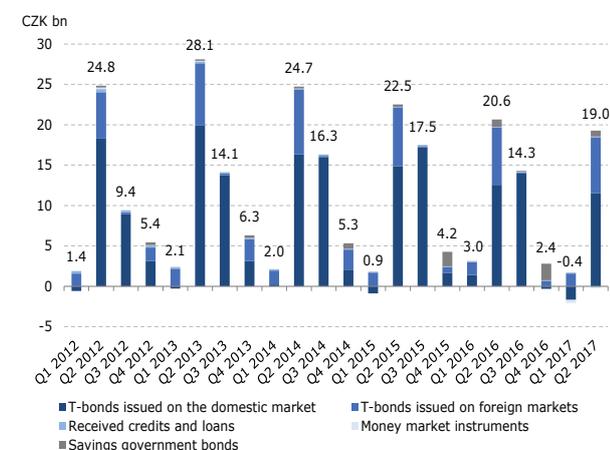
**Table 14: State Debt Parameters**

	30/6/2016	30/9/2016	31/12/2016	31/3/2017	30/6/2017
<b>Total state debt (CZK bn)</b>	<b>1,691.3</b>	<b>1,660.1</b>	<b>1,613.4</b>	<b>1,788.6</b>	<b>1,788.8</b>
Market value of state debt (CZK bn)	1,920.4	1,888.3	1,831.1	1,987.3	1,969.2
Short-term state debt (%)	17.2	15.8	14.3	22.8	25.0
Medium-term state debt (%)	60.6	63.1	60.3	62.2	65.5
State treasury bills (%)	3.4	1.1	0.3	3.9	8.3
Other money market instruments (%)	0.0	0.1	0.0	0.0	0.0
Average time to maturity (years)	5.0	5.0	5.1	4.7	4.6
Interest re-fixing up to 1 year (%)	34.7	30.7	29.6	36.6	38.7
Average time to re-fixing (years)	3.9	3.9	4.0	3.8	3.7
Variable-rate state debt (%)	19.4	19.2	15.9	14.4	14.3
Modified duration (years)	3.9	3.9	3.9	3.6	3.5
State debt level net foreign currency exposure (%)	11.1	11.2	11.5	10.5	10.2
Interest expenditure on state debt net foreign currency exposure (%)	10.3	10.4	11.5	10.5	10.2
Foreign currency state debt (%)	13.6	13.8	13.4	12.1	11.7
Share of € in state debt level net foreign currency exposure (%)	89.5	89.5	96.5	96.4	96.6
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 (%) <sup>1</sup>	3.4	3.4	3.5	3.2	3.1
Share of savings government bonds on state debt (%)	3.5	3.6	2.3	2.1	1.7
<b>Marketable state debt (CZK bn)</b>	<b>1,574.0</b>	<b>1,543.8</b>	<b>1,519.3</b>	<b>1,694.4</b>	<b>1,702.6</b>
Market value of marketable state debt (CZK bn)	1,797.3	1,766.2	1,733.9	1,890.4	1,881.2
Short-term marketable state debt (%)	16.4	15.0	14.0	22.8	25.1
Medium-term marketable state debt (%)	60.1	62.8	60.3	62.2	65.8
State treasury bills (%)	3.7	1.1	0.3	4.2	8.7
Other money market instruments (%)	0.0	0.1	0.0	0.0	0.0
Average time to maturity (years)	4.9	5.0	5.0	4.6	4.5
Interest re-fixing up to 1 year (%)	31.8	27.6	27.1	34.7	36.9
Average time to re-fixing (years)	4.1	4.1	4.2	3.9	3.8
Variable-rate marketable state debt (%)	17.3	17.1	13.6	12.3	12.2
Modified duration (years)	4.1	4.1	4.0	3.7	3.6
Marketable state debt level net foreign currency exposure (%)	11.9	12.0	12.2	11.1	10.7
Interest expenditure on marketable state debt net foreign currency exposure (%)	11.1	11.2	12.2	11.1	10.7
Foreign-currency marketable state debt (%)	14.6	14.8	14.2	12.8	12.3
Share of € in marketable state debt level net foreign currency exposure (%)	89.5	89.5	96.5	96.4	96.6
Share of € in interest expenditure on marketable state debt net foreign currency exposure (%)	100.0	100.0	100.0	100.0	100.0

<sup>1</sup> Excl. savings government bonds.  
Source: MoF

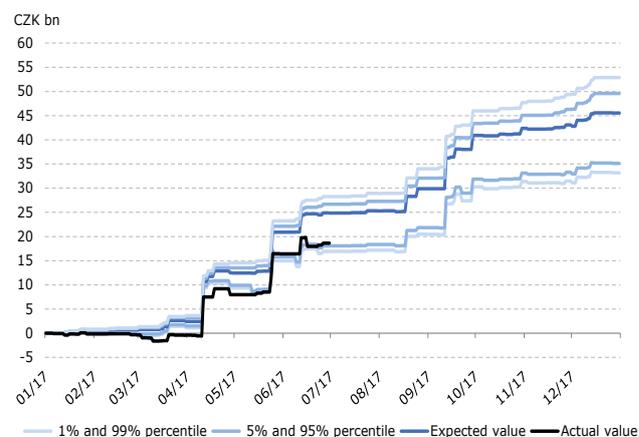
## 5 – State Debt Service Expenditure and Cost-at-Risk

**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 H1 2017	% Execution	2017/2016 (%)
	Actual H1 2016	Approved	After changes			
<b>1. Total interest expenditure and revenue</b>	<b>23,656</b>	<b>45,893</b>	<b>44,543</b>	<b>19,007</b>	<b>42.7</b>	<b>80.3</b>
	-	-	-	<b>(-) 384</b>	-	-
<b>Internal debt</b>	14,770	35,119	35,119	11,973	34.1	81.1
	-	-	-	(-) 2,051	-	-
Money market instruments	(-) 106	(-) 38	(-) 38	(-) 267	701.4	251.3
	-	-	-	(-) 377	-	-
Savings government bonds	929	1,786	1,786	734	41.1	79.0
	-	-	-	17	-	-
T-Bonds on domestic market	13,946	33,371	33,371	11,505	34.5	82.5
	-	-	-	(-) 1,690	-	-
<b>External debt</b>	8,886	10,768	9,419	7,034	74.7	79.2
	-	-	-	1,667	-	-
T-Bonds on foreign markets	8,715	10,076	8,727	6,957	79.7	79.8
	-	-	-	1,590	-	-
Received credits and loans	172	692	692	77	11.1	44.8
	-	-	-	77	-	-
<b>Bank accounts</b>	0	5	5	0	-0.2	4.8
	-	-	-	0	-	-
Revenue (-) and expenditure (+) from account deposits	0	5	5	0	-0.2	4.8
	-	-	-	0	-	-
<b>2. Fees</b>	<b>110</b>	<b>450</b>	<b>450</b>	<b>119</b>	<b>26.4</b>	<b>107.8</b>
	<b>0</b>	<b>-</b>	<b>-</b>	<b>0</b>	<b>-</b>	<b>8.0</b>
<b>Total chapter balance</b>	<b>23,765</b>	<b>46,343</b>	<b>44,993</b>	<b>18,741</b>	<b>-</b>	<b>78.9</b>

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

**Table 16: Overview of Budgetary Transfers from Chapter 396 – State Debt Realized in H1 2017**

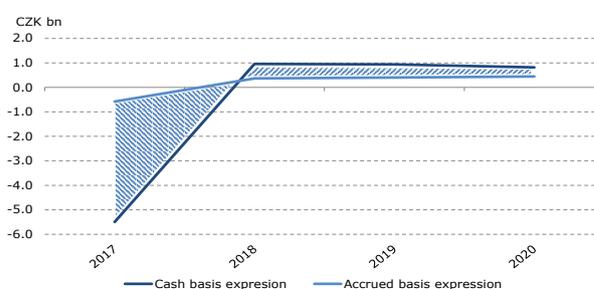
Chapter number	Chapter	Funds allocation	Amount (CZK)
314	Ministry of Interior	Increase in scale of basic salary rates for members of security forces of the Ministry of Interior	600,398,074
336	Ministry of Justice	Increase in scale of basic salary rates for members of security forces of the Prison service	147,574,000
312	Ministry of Finance	Increase in scale of basic salary rates for members of security forces of the Custom administration	110,113,488
305	Security Information Service	Enforcement of operational expenditure based on the amended legislation effective as of 1 July 2017	28,750,000
313	Ministry of Labour and Social Affairs	Additional financing of social service	462,305,856
<b>Total</b>			<b>1,349,141,418</b>

Source: MoF

**Table 17: Expected vs. Actual Net Interest Expenditure**

CZK bn	H1 2016	H1 2017
<b>Actual expenditure</b>	23,7	18,6
<b>Expected expenditure</b>	23,5	24,9
<b>CaR 95%</b>	27,0	26,7
<b>CaR 99%</b>	28,6	28,3
<b>Difference between expectation and reality</b>	-0,2	6,3

Source: MoF

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


Source: MoF

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

CZK bn	Nominal value	Net interest expenditure/accrued costs			
		2017F	2018F	2019F	2020F
<b>Cash basis expression</b>	312.8	-5.5	1.0	0.9	0.8
<b>Accrued basis expression</b>	312.8	-0.6	0.4	0.4	0.4
<b>Gross issuance of T-Bonds</b>	136.9	0.0	0.4	0.4	0.4
<b>Gross issuance of T-Bills</b>	175.9	-0.6	-	-	-

Source: MoF

## 6 – Evaluation of the Primary Dealers in Q3 2016 to Q2 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 19: Overall Evaluation of Primary Dealers in Q3 2016 to Q2 2017**

Ranking	Primary Dealer	Points
1 <sup>st</sup>	<b>PPF banka a.s.</b>	<b>67.4</b>
2 <sup>nd</sup>	KBC Bank NV / Československá obchodní banka, a.s.	62.7
3 <sup>rd</sup>	Citibank Europe plc	59.4
4 <sup>th</sup>	J.P. Morgan Securities plc	54.0
5 <sup>th</sup>	Erste Group Bank AG / Česká spořitelna, a.s.	42.7
6 <sup>th</sup>	Société Générale / Komerční banka, a.s.	42.0
7 <sup>th</sup>	ING Bank N.V.	31.9

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

**Table 20: Primary Market in Q3 2016 to Q2 2017**

Ranking	Primary Dealer	Points
1 <sup>st</sup>	<b>PPF banka a.s.</b>	<b>38.5</b>
2 <sup>nd</sup>	J.P. Morgan Securities plc	31.6
3 <sup>rd</sup>	Citibank Europe plc	28.0
4 <sup>th</sup>	KBC Bank NV / Československá obchodní banka, a.s.	27.0
5 <sup>th</sup>	Erste Group Bank AG / Česká spořitelna, a.s.	25.0
6 <sup>th</sup>	Société Générale / Komerční banka, a.s.	23.5
7 <sup>th</sup>	ING Bank N.V.	17.4

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

**Table 21: Secondary Market in Q3 2016 to Q2 2017**

Ranking	Primary Dealer	Points
1 <sup>st</sup>	<b>KBC Bank NV / Československá obchodní banka, a.s.</b>	<b>35.8</b>
2 <sup>nd</sup>	Citibank Europe plc	31.4
3 <sup>rd</sup>	PPF banka a.s.	28.9
4 <sup>th</sup>	J.P. Morgan Securities plc	22.3
5 <sup>th</sup>	Société Générale / Komerční banka, a.s.	18.5
6 <sup>th</sup>	Erste Group Bank AG / Česká spořitelna, a.s.	17.7
7 <sup>th</sup>	UniCredit Bank Czech Republic and Slovakia, a.s.	17.2

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







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This publication was prepared based on the information available on 21 July 2017  
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**[www.mfcr.cz/statedebt](http://www.mfcr.cz/statedebt)**

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