



Ministry of Finance

Debt and Financial Assets  
Management Department

# Debt Portfolio Management Quarterly Report

**1<sup>st</sup> - 3<sup>rd</sup> Quarter of 2017**



20 October 2017



# **Ministry of Finance**

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20 October 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
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 The Czech Republic Funding and Debt Management Strategy 2017 - Second Half Update published on 30 June 2017, and further contains regular quarterly performance evaluation of primary dealers from the fourth quarter of 2016 to the third quarter of 2017.

In the third 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 five auctions in two auction days amounted to CZK 16.8 billion comprising re-opened issues of already issued government bonds of the Czech Republic, while the Ministry focused on prolonging the issued government bonds' time to maturity, when it issued government bonds with the average residual time to maturity of 10.2 years and the average yield to maturity 0.81% p.a. The total gross issue of medium-term and long-term government bonds on primary market in the first three quarters of 2017 amounted to CZK 144.5 billion with the average yield to maturity 0.14% p.a. and the average residual time to maturity of 6.4 years, of which CZK 74.5 billion or 51.6% were represented by bonds maturing from 2018 to 2022, sold with negative yield to maturity.

The issuance of medium-term and long-term government bonds on primary market during the third quarter of 2017 was supplemented by tap sales from Ministry's asset account on secondary market in total nominal value of CZK 1.7 billion. In the first three quarters of 2017, tap sales of medium-term and long-term government bonds in total nominal value of CZK 8.8 billion with the average yield to maturity -0.25% p.a. were carried out.

During the third 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, 2009-2019, 5.00% and the Czech Republic Treasury Bond, 2003-2018, 4.60% in total nominal value of CZK 0.9 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 1.0 billion. In the first three quarters of 2017, the medium-term and long-term government bonds with relatively short residual time to maturity in total nominal value of CZK 3.4 billion were exchanged for government bonds with relatively longer residual time to maturity and lower coupon rate in total nominal value of CZK 3.1 billion.

The regular redemption of the Czech Republic Treasury Bond, 2012-2017, VAR% in total nominal value of CZK 46.8 billion was carried out in the third quarter of 2017 and another CZK 0.8 billion were already exchanged during the year 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 -28.2 billion in the third quarter of 2017 and CZK 17.4 billion in the first three quarters of 2017.

Four auctions of state treasury bills were carried out in the third quarter of 2017 and government bonds in total nominal value of CZK 135.6 billion were sold with the average yield to maturity -0.31% p.a. The total nominal value of gross issue of money market instruments excluding the roll-over amounted to CZK 2.9 billion in the first three quarters of 2017 and comprised only lending facilities in the form of repo operations. The total nominal value of redemptions of state treasury bills excluding the roll-over amounted to CZK 147.9 billion in the third quarter of 2017. All issued state treasury bills were already repaid. The balance of state treasury bills outstanding thus normalized to an approximate level at the end of 2016, when state treasury bills were gradually substituted for the zero-coupon medium-term government bonds.

No tranches of savings government bonds were issued in the third 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 0.8 million were carried out. The net issue of savings government bonds amounted to CZK -6.7 billion in the first three quarters of 2017.

In the area of issuance on foreign markets no borrowing operation was carried out in the third 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 and early repayments of CZK 3.4 billion were carried out. In the first three quarters of 2017 repayments amounting CZK 4.9 billion were carried out.

## The Lowest State Debt Since 2011

The state debt decreased in the first three quarters of this year by CZK 3.3 billion to CZK 1,610.1 billion, which is the lowest nominal value since 2011. This decrease was also reflected in a debt-to-GDP ratio, as since the end of 2013, the ratio decreased by 8.5 percentage points to 32.6% of GDP, which is the lowest value since 2009.

The Ministry balanced the planned short-term increase in state debt in the first two quarters of this year, when all state treasury bills issued during the year were redeemed. By the issuance of these government bonds the Ministry utilized the exceptionally favourable market conditions, when all state treasury bills were sold with negative yield in 2017 earning additional state budget revenue amounting CZK 611 million.

Although a large amount of state treasury bills issued for the purpose of obtaining additional interest revenue were redeemed, the share of the debt, which is not linked to any interest expenditure or earns net interest income increased by 5.2 percentage points

to 17.2% during the year 2017. Well-adjusted state issuance policy and effective liquidity management of treasury single accounts brought additional state budget revenue from investment and issuance with negative yields for the first three quarters of 2017 approx. CZK 1.3 billion, and CZK 3.0 billion since 2014. The income from the issuance of government bonds with the negative yield, that were revenue of the state budget between 2015 and 2017, has reached a total nominal value of CZK 2.3 billion. The Ministry was able to reach negative auction yields in the third quarter of 2017 even after the exit from the exchange rate commitment and increased two-week repo rate of the Czech National Bank.

As a result of additional savings in the state debt service, it is also possible to increase government's spending priorities without changing the basic parameters of the approved state budget by increasing basic salary rates of employees in public sector by 10% and by 15% for pedagogical employees since 1 November 2017.

## Improving Outlook for Czech Republic's Liabilities Ratings

Significant decrease of state debt, prudent fiscal policy and healthy public finances are noticed by renowned rating agencies, which incorporate these aspects into their evaluation. On 1 September 2017, the international rating agency Fitch improved the outlook for the Czech Republic's liabilities rating on the positive at 'A+', when it appreciated the surplus of state budget, prudent fiscal policy based on the Act on fiscal responsibility rules, decrease in government debt and, last but not least, strong economic growth.

Same reasons also led the rating agency Scope Ratings to confirm above-average rating for long-term liabilities in local and foreign currencies at 'AA' with stable outlook. According to the stress test conducted by Scope Ratings, indebtedness of the Czech Republic remains low and sustainable even in case of unfavourable development. The agency also very positively evaluates the government debt reduction in recent years.

## State Budget Surplus and New Stable Treasury Resources

The state budget printed a surplus of CZK 17.4 billion at the end of the third quarter of 2017, with total revenue of CZK 940.1 billion and total expenditure of CZK 922.7 billion. Increase in the available treasury single accounts cash resources of new mandatory clients given by the Act No. 128/2016 Coll., and new cash resources of state contributory organizations are relatively stable in the period from March to September 2017 at the level of approximately CZK 56 billion. The Ministry can use the surplus of the state budget together with this

additional stable liquidity of the treasury single accounts to refinance the November redemption of the Czech Republic Government Bond, 2015-2017, 0.00%, in total nominal value outstanding at the end of the third quarter of 2017 amounting CZK 70.0 billion and partially reduce the potential issuance of government bonds within the effective management of state borrowing operations with a positive impact on state debt at the end of the year, interest expenditure of the state budget and risk indicators of the debt portfolio.

# 1 – Borrowing Requirement and Development of State Debt

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

CZK bn	2015	2016	30/9/2017
<b>Gross state debt</b>	<b>1,673.0</b>	<b>1,613.4</b>	<b>1,610.1</b>
T-Bills	84.4	4.2	0.0
Other money market instruments	2.9	0.0	2.9
Received collateral in cash	0.0	0.0	0.0
T-Bonds issued on domestic market	1,235.2	1,301.6	1,319.0
T-Bonds issued on foreign markets	225.6	213.5	205.7
Savings government bonds	66.9	37.8	31.0
Received credits and loans	58.0	56.3	51.4
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>32.6</b>

<sup>1</sup> GDP in the ESA 2010 methodology. The source of data for Q1 2015 – Q2 2017 is CZSO, for Q3 2017 the Macroeconomic Forecast of the Czech Republic – July 2017. Source: MoF, CZSO

**Table 2: Financing Needs and Sources**

CZK bn	2015	2016	Q1 – Q3 2017
Primary balance of state budget	17.5	-102.4	-51.2
Net expenditure on state debt <sup>1</sup>	45.3	40.7	33.8
T-Bonds redemptions <sup>2</sup>	123.9	157.8	139.0
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	4.9
<b>Total financing needs</b>	<b>311.2</b>	<b>214.5</b>	<b>137.7</b>
Gross T-Bills issue <sup>3, 4</sup>	84.4	4.2	0.0
Other money market instrument <sup>3</sup>	2.2	0.0	2.9
Received collateral in cash	0.0	0.0	0.0
Gross issue of T-Bonds on the domestic market <sup>4</sup>	180.4	211.6	156.4
Gross issue of T-Bonds on the domestic market up to 5 years <sup>4, 5</sup>	100.0	119.6	83.9
Gross issue of T-Bonds on the domestic market from 5 to 10 years <sup>4, 5</sup>	23.3	48.4	41.9
Gross issue of T-Bonds on the domestic market over 10 years <sup>4, 5</sup>	57.1	43.7	30.6
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	-21.9
<b>Total financing sources</b>	<b>311.2</b>	<b>214.5</b>	<b>137.7</b>
<b>Gross borrowing requirement</b>	<b>268.1</b>	<b>216.9</b>	<b>159.6</b>

<sup>1</sup> Balance of the budgetary chapter 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	Q1 – Q3 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	-51.2
Net expenditure on state debt service <sup>1</sup>	45.3	40.7	33.8
Financial asset and liquidity management operations	-43.2	2.3	21.9
<b>Net borrowing requirement</b>	<b>19.6</b>	<b>-59.4</b>	<b>4.5</b>
T-Bills net issue	-23.2	-80.2	-4.2
Net change in the balance of other money market instruments	-0.4	-2.2	2.9
T-Bonds net issue on domestic market	67.4	66.4	17.4
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	-4.9
<b>Financing of net borrowing requirement</b>	<b>19.6</b>	<b>-59.4</b>	<b>4.5</b>
Revaluation of state debt <sup>2</sup>	-10.3	-0.2	-7.8
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>-3.3</b>
<b>Gross state debt as at the end of period</b>	<b>1,673.0</b>	<b>1,613.4</b>	<b>1,610.1</b>

<sup>1</sup> Balance of budgetary chapter 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 Q1 - Q3 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
ČR, 0.45 %, 23	97	13	2/8	4/8	25/10/2023	CZK 4,000,000,000	4,643,170,000
ČR, 1.00 %, 26	95	10	2/8	4/8	26/6/2026	CZK 4,000,000,000	3,884,320,000
ČR, 0.95 %, 30	94	11	2/8	4/8	15/5/2030	CZK 4,000,000,000	3,413,850,000
ČR, 0.25 %, 27	100	3	13/9	15/9	10/2/2027	CZK 3,000,000,000	2,940,720,000
ČR, 4.20 %, 36	49	10	13/9	15/9	4/12/2036	CZK 1,000,000,000	1,967,780,000
<b>Total</b>							<b>144,482,830,000</b>

Source: MoF

**Table 4b: Medium-Term and Long-Term Government Bonds Issued in Q1 - Q3 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
ČR, 0.45 %, 23	97	13	0.45%	101.148	0.264	1.57	100.00	16.08
ČR, 1.00 %, 26	95	10	1.00%	102.231	0.740	1.19	89.75	7.36
ČR, 0.95 %, 30	94	11	0.95%	97.810	1.135	1.05	83.25	2.10
ČR, 0.25 %, 27	100	3	0.25%	93.825	0.939	1.70	94.50	3.52
ČR, 4.20 %, 36	49	10	4.20%	144.680	1.505	1.12	189.71	7.07
<b>Average</b>					<b>1.53</b>	<b>87.15</b>	<b>7.31</b>	

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

**Table 5: State Treasury Bills Issued in Q1 - Q3 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
765	8	13/7	14/7	8/9/2017	5,000,000,000	26,055,000,000	-0.40
766	8	27/7	28/7	22/9/2017	5,000,000,000	31,366,000,000	-0.37
767	5	10/8	11/8	15/9/2017	5,000,000,000	43,350,000,000	-0.25
768	4	24/8	25/8	22/9/2017	5,000,000,000	34,824,000,000	-0.25
<b>Total</b>						<b>311,491,000,000</b>	<b>-0.56<sup>1</sup></b>

<sup>1</sup> Average weighted yield to maturity of state treasury bills issued in Q1 - Q3 2017.  
Source: MoF, CNB

**Table 6: Medium-Term and Long-Term Government Bonds Issued on Domestic Market as at 30/9/2017**

Issue name	Issue no.	ISIN	Maturity date	Nominal value outstanding	Nominal value booked on MoF's asset accounts
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	74,400,000,000	0
ČR, 5.00 %, 19	56	CZ0001002471	11/4/2019	86,485,000,000	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	42,313,880,000	7,740,000,000
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	76,535,000,000	1,100,000,000
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	31,625,600,000	2,000,000,000
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	64,355,140,000	450,000,000
ČR, 1.00 %, 26	95	CZ0001004469	26/6/2026	43,695,230,000	2,633,000,000
ČR, 0.25 %, 27	100	CZ0001005037	10/2/2027	10,345,970,000	1,800,000,000
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	40,429,990,000	2,681,000,000
ČR, 4.20 %, 36	49	CZ0001001796	4/12/2036	34,510,040,000	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>1,319,033,790,000</b>	<b>49,276,130,000</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 30/9/2017**

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 30/9/2017**

Issue no.	Maturity (weeks)	ISIN	Maturity date	Nominal value outstanding	Nominal value booked on MoF's asset accounts
-	-	-	-	0	0
<b>Total</b>				<b>0</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

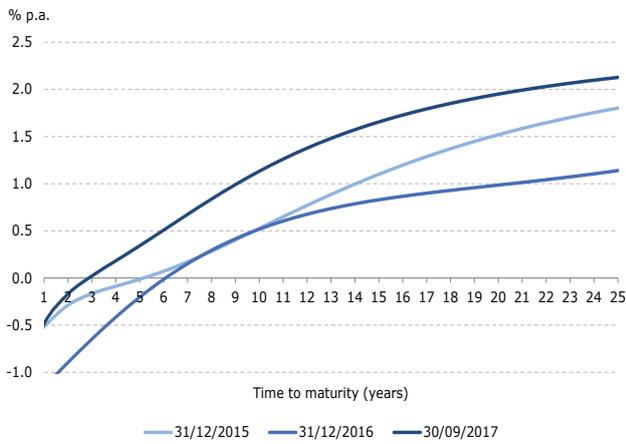
**Table 9: Issued Savings Government Bonds as at 30/9/2017**

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	815,726,434	0
Reinvestment savings government bond	82	CZ0001004006	12/6/2018	6,132,533,539	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>31,019,413,876</b>	<b>0</b>

Source: MoF

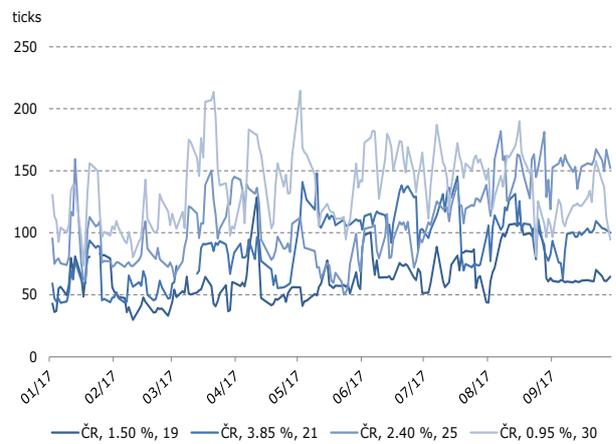
### 3 – Secondary Market of Government Bonds

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



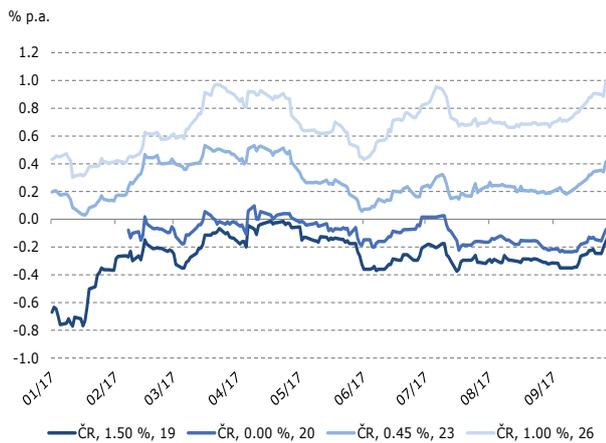
Note: "Par" yield curve of CZK-denominated fixed-rate government bonds is constructed on the basis the extended Nelson-Siegel model, called Svensson model.  
Source: MoF, MTS

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



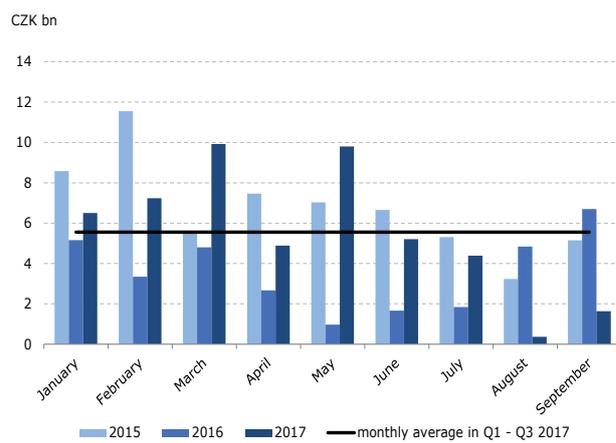
Source: MoF, MTS

**Figure 3: Selected Government Bonds Yields**



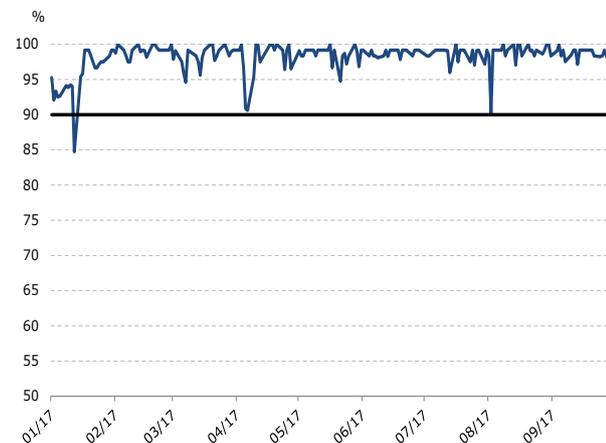
Source: MoF, MTS

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



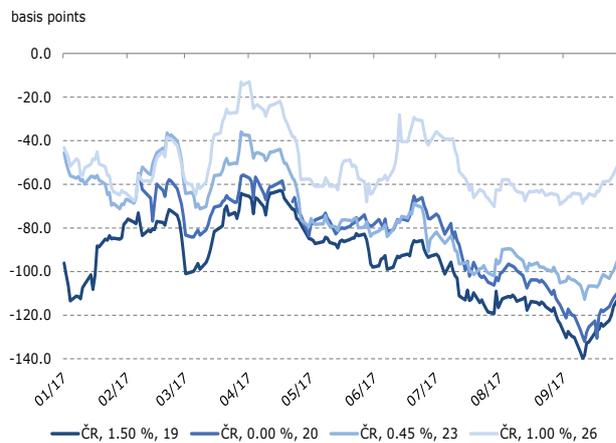
Source: MoF, MTS

**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 Q1 - Q3 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	1,320,000,000	1,323,156,900.00	1,323,122,260.09
ČR, VAR %, 20	CZ0001004113	2,306,000,000	2,357,331,277.23	2,357,146,294.97
ČR, 3.85 %, 21	CZ0001002851	5,174,000,000	6,135,877,483.32	6,135,656,992.44
ČR, 4.70 %, 22	CZ0001001945	4,388,000,000	5,602,072,358.34	5,601,767,227.38
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	3,156,000,000	4,477,337,999.99	4,477,071,052.49
ČR, 2.40 %, 25	CZ0001004253	800,000,000	936,641,123.29	936,623,780.09
ČR, 1.00 %, 26	CZ0001004469	4,763,000,000	4,959,744,041.09	4,959,530,537.75
ČR, 0.25 %, 27	CZ0001005037	1,730,000,000	1,618,345,924.67	1,618,285,686.90
ČR, VAR %, 27	CZ0001004105	4,810,000,000	5,015,446,747.78	5,015,302,116.72
ČR, 2.50 %, 28	CZ0001003859	10,000,000	12,041,666.67	12,040,663.20
ČR, 0.95 %, 30	CZ0001004477	9,894,000,000	9,868,087,169.84	9,867,735,081.07
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>63,104,000,000</b>	<b>69,487,896,247.21</b>	<b>69,484,561,758.07</b>

<sup>1</sup>Incl. financial resources from this lending facilities realized in Q1 - Q3 2017, which has not been paid during this period.

Note: The average interest rate achieved under this lending facilities during Q1 - Q3 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 - Q3 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	1,640,000,000	267,693.09
ČR, 3.85 %, 21	CZ0001002851	1,796,000,000	201,372.58
ČR, 4.70 %, 22	CZ0001001945	2,489,000,000	557,840.80
ČR, VAR %, 23	CZ0001003123	12,419,650,000	2,381,993.32
ČR, 0.45 %, 23	CZ0001004600	2,268,000,000	606,366.84
ČR, 5.70 %, 24	CZ0001002547	2,046,000,000	257,976.32
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	5,078,000,000	412,295.26
ČR, VAR %, 27	CZ0001004105	3,230,000,000	589,973.31
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	12,900,000,000	7,070,122.34
<b>Total</b>		<b>57,426,650,000</b>	<b>14,664,313.30</b>

<sup>1</sup>Incl. financial revenue from this lending facilities realized in Q1 - Q3 2017, which has not been terminated during this period.

Source: MoF

**Table 11: Realized Exchange Operations of Government Bonds in Q1 - Q3 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
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
13/7/2017	ČR, 2.40 %, 25	200,000,000	112.600	ČR, 5.00 %, 19	200,000,000	108.630
13/7/2017	ČR, 1.00 %, 26	200,000,000	100.450	ČR, 5.00 %, 19	200,000,000	108.630
13/7/2017	ČR, 2.40 %, 25	200,000,000	112.600	ČR, 4.60 %, 18	200,000,000	104.990
13/7/2017	ČR, 1.00 %, 26	200,000,000	100.450	ČR, 4.60 %, 18	200,000,000	104.990
21/7/2017	ČR, 0.95 %, 30	50,000,000	97.820	ČR, 5.00 %, 19	25,000,000	108.520
24/7/2017	ČR, 0.95 %, 30	100,000,000	97.820	ČR, 5.00 %, 19	50,000,000	108.480
<b>Total</b>		<b>3,120,000,000</b>			<b>3,445,000,000</b>	

Source: MoF

**Table 12: Realized Tap Sales of Government Bonds in Q1 - Q3 2017**

Issue name	Issue no.	Settlement date	Maturity date	Original maturity (years)	Average price	Nominal value
ČR, 0.85 %, 18	88	6/1/2017	17/3/2018	4.0	102.270	200,000,000
ČR, 0.85 %, 18	88	20/2/2017	17/3/2018	4.0	101.610	500,000,000
ČR, 0.85 %, 18	88	21/2/2017	17/3/2018	4.0	101.700	200,000,000
ČR, 0.85 %, 18	88	28/2/2017	17/3/2018	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	17/3/2018	4.0	101.520	150,000,000
ČR, 0.85 %, 18	88	27/3/2017	17/3/2018	4.0	101.520	100,000,000
ČR, 0.85 %, 18	88	30/3/2017	17/3/2018	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
ČR, 0.00 %, 20	101	20/7/2017	10/2/2020	3.0	100.500	200,000,000
ČR, 3.85 %, 21	61	24/7/2017	29/9/2021	10.8	116.150	200,000,000
ČR, 0.25 %, 27	100	26/7/2017	10/2/2027	10.0	94.900	200,000,000
ČR, 3.85 %, 21	61	9/8/2017	29/9/2021	10.8	115.950	200,000,000
ČR, 0.00 %, 20	101	9/8/2017	10/2/2020	3.0	100.300	200,000,000
ČR, 3.85 %, 21	61	10/8/2017	29/9/2021	10.8	115.950	100,000,000
ČR, 0.00 %, 20	101	10/8/2017	10/2/2020	3.0	100.300	200,000,000
ČR, 3.85 %, 21	61	11/8/2017	29/9/2021	10.8	116.000	200,000,000
ČR, 3.85 %, 21	61	27/9/2017	29/9/2021	10.8	115.450	200,000,000
<b>Total</b>						<b>8,792,410,000</b>

Source: MoF

## 4 – Risk Management and Portfolio Strategy

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

INDICATOR	Announced target for medium-term horizon	As at 30/9/2017 <sup>1</sup>
Short-term state debt	20.0% and less	20.9%
Medium-term state debt	70.0% and less	63.2%
Average time to maturity	6.0 years <sup>2</sup>	4.8 years
Interest re-fixing up to 1 year	30.0 to 40.0%	35.2%
Average time to re-fixing	4.0 years	3.8 years
Net foreign-currency exposure of state debt with the impact on state debt level	15.0% <sup>3</sup>	11.2%
Net foreign-currency exposure with the impact of the level of interest expenditure on state debt service	15.0% <sup>3</sup>	11.3%

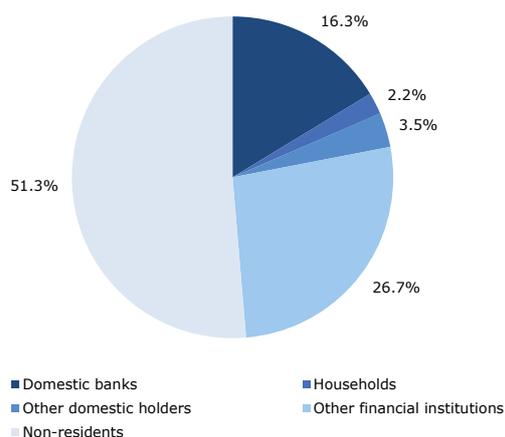
<sup>1</sup> Indicators in area of refinancing and interest risks are given as a 12-month moving averages. Indicators in area of currency risk represent state as at given date.

<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.

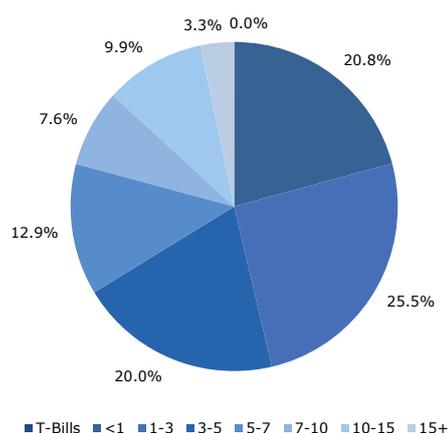
Source: MoF

**Figure 7: Structure of CZK-Denominated Government Bonds by Type of Holder as at 30/9/2017**



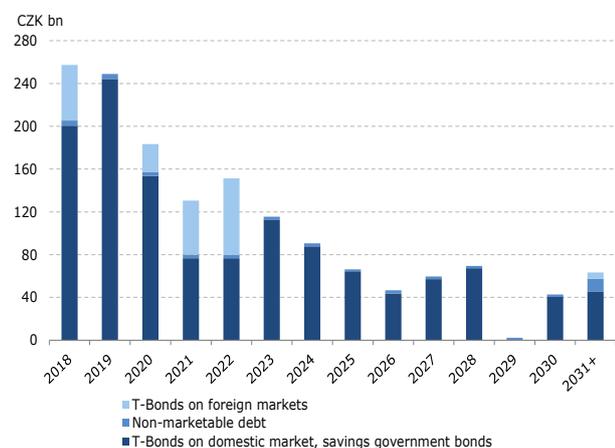
Note: Involves T-Bonds issued on domestic market, savings government bonds and T-Bills.  
Source: MoF, CDCP

**Figure 8: Structure of Government Bonds by Residual Time to Maturity as at 30/9/2017**



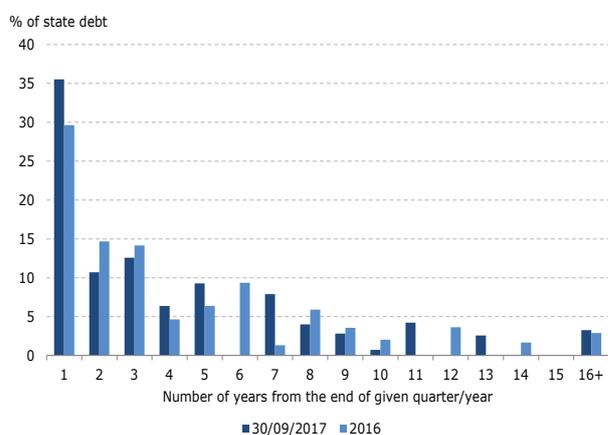
Note: Involves T-Bonds issued on domestic and foreign markets, savings government bonds and T-Bills.  
Source: MoF

**Figure 9: Maturity Profile of State Debt**



Note: Non-marketable debt excludes savings government bonds. End of Q3 2017.  
Source: MoF

**Figure 10: Re-fixing Profile of State Debt**



Note: End of Q3 2017 compared with the end of 2016.  
Source: MoF

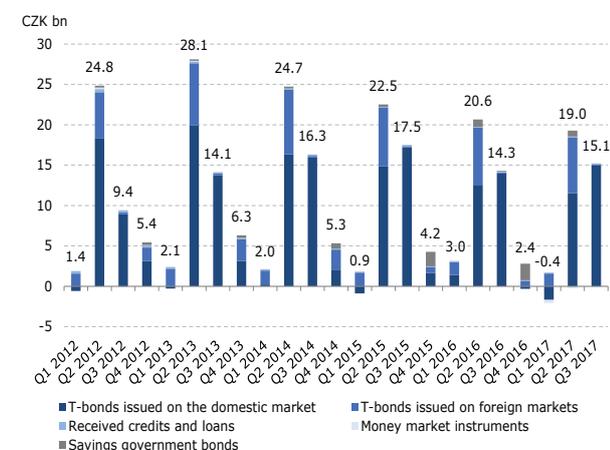
**Table 14: State Debt Parameters**

	30/6/2016	30/9/2016	31/12/2016	31/3/2017	30/9/2017
<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>1,610.1</b>
Market value of state debt (CZK bn)	1,920.4	1,888.3	1,831.1	1,987.3	1,767.7
Short-term state debt (%)	17.2	15.8	14.3	22.8	20.4
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	0.0
Other money market instruments (%)	0.0	0.1	0.0	0.0	0.2
Average time to maturity (years)	5.0	5.0	5.1	4.7	4.9
Interest re-fixing up to 1 year (%)	34.7	30.7	29.6	36.6	35.5
Average time to re-fixing (years)	3.9	3.9	4.0	3.8	4.0
Variable-rate state debt (%)	19.4	19.2	15.9	14.4	12.8
Modified duration (years)	3.9	3.9	3.9	3.6	3.7
State debt level net foreign currency exposure (%)	11.1	11.2	11.5	10.5	11.2
Interest expenditure on state debt net foreign currency exposure (%)	10.3	10.4	11.5	10.5	11.3
Foreign currency state debt (%)	13.6	13.8	13.4	12.1	12.9
Share of € in state debt level net foreign currency exposure (%)	89.5	89.5	96.5	96.4	96.8
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	3.2
Share of savings government bonds on state debt (%)	3.5	3.6	2.3	2.1	1.9
<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>1,527.7</b>
Market value of marketable state debt (CZK bn)	1,797.3	1,766.2	1,733.9	1,890.4	1,683.8
Short-term marketable state debt (%)	16.4	15.0	14.0	22.8	20.2
Medium-term marketable state debt (%)	60.1	62.8	60.3	62.2	65.7
State treasury bills (%)	3.7	1.1	0.3	4.2	0.0
Other money market instruments (%)	0.0	0.1	0.0	0.0	0.2
Average time to maturity (years)	4.9	5.0	5.0	4.6	4.9
Interest re-fixing up to 1 year (%)	31.8	27.6	27.1	34.7	33.4
Average time to re-fixing (years)	4.1	4.1	4.2	3.9	4.1
Variable-rate marketable state debt (%)	17.3	17.1	13.6	12.3	10.6
Modified duration (years)	4.1	4.1	4.0	3.7	3.8
Marketable state debt level net foreign currency exposure (%)	11.9	12.0	12.2	11.1	11.8
Interest expenditure on marketable state debt net foreign currency exposure (%)	11.1	11.2	12.2	11.1	11.9
Foreign-currency marketable state debt (%)	14.6	14.8	14.2	12.8	13.6
Share of € in marketable state debt level net foreign currency exposure (%)	89.5	89.5	96.5	96.4	96.8
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

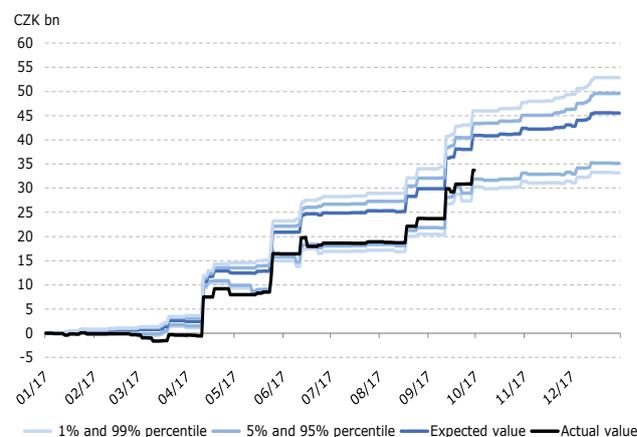
## 5 – State Debt Service Expenditure and Cost-at-Risk

**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 Chapter State Debt in 2017**

CZK mil.	Actual Q1 - Q3 2016	Budget 2017 Approved	Budget 2017 After changes	Actual Q1 - Q3 2017	% Execution	2017/2016 (%)
<b>1. Total interest expenditure and revenue</b>	<b>37,943</b>	<b>45,893</b>	<b>44,003</b>	<b>34,078</b>	<b>77.4</b>	<b>89.8</b>
<b>Internal debt</b>	28,820	35,119	34,579	26,832	77.6	93.1
Money market instruments	(-) 127	(-) 38	(-) 38	(-) 418	1,099.4	328.7
Savings government bonds	1,025	1,786	1,786	779	43.6	76.0
T-Bonds on domestic market	27,922	33,371	32,831	26,471	80.6	94.8
<b>External debt</b>	9,123	10,768	9,419	7,246	76.9	79.4
T-Bonds on foreign markets	8,841	10,076	8,727	7,062	80.9	79.9
Received credits and loans	282	692	692	184	26.5	65.0
<b>Payment accounts</b>	0	5	5	0	-0.4	8.5
<b>2. Fees</b>	<b>154</b>	<b>450</b>	<b>450</b>	<b>149</b>	<b>33.2</b>	<b>96.9</b>
<b>Total chapter balance</b>	<b>38,097</b>	<b>46,343</b>	<b>44,453</b>	<b>33,843</b>	<b>-</b>	<b>88.8</b>

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

**Table 16: Overview of Budgetary Transfers from the Chapter State Debt Realized in Q1 - Q3 2017**

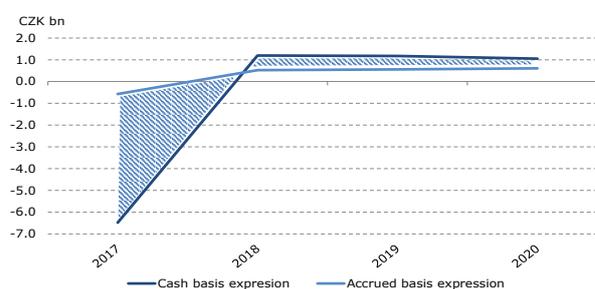
Chapter number	Chapter	Funds allocation	Amount (CZK)
314	Ministry of Interior	Increase in scale of basic salary rates for members of security forces of the Ministry of Interior effective as from 1/7/2017	600,398,074
336	Ministry of Justice	Increase in scale of basic salary rates for members of security forces of the Prison service effective as from 1/7/2017	147,574,000
312	Ministry of Finance	Increase in scale of basic salary rates for members of security forces of the Custom administration effective as from 1/7/2017	110,113,488
305	Security Information Service	Enforcement of operational expenditure	28,750,000
313	Ministry of Labour and Social Affairs	Additional financing of social service	462,305,856
301	Office of the President of the Republic	Merging of tariff scales effective as from 1/7/2017	3,264,768
313	Ministry of Labour and Social Affairs	Merging of tariff scales effective as from 1/7/2017	14,711,411
314	Ministry of Interior	Merging of tariff scales effective as from 1/7/2017	37,315,371
315	Ministry of Environment	Merging of tariff scales effective as from 1/7/2017	21,688,872
317	Ministry of Regional Development	Merging of tariff scales effective as from 1/7/2017	1,721,372
322	Ministry of Industry and Trade	Merging of tariff scales effective as from 1/7/2017	5,436,355
327	Ministry of Transport	Merging of tariff scales effective as from 1/7/2017	1,707,970
329	Ministry of Agriculture	Merging of tariff scales effective as from 1/7/2017	13,060,978
333	Ministry of Education, Youth and Sports	Merging of tariff scales effective as from 1/7/2017	300,000,000
334	Ministry of Culture	Merging of tariff scales effective as from 1/7/2017	129,262,450
335	Ministry of Health	Merging of tariff scales effective as from 1/7/2017	4,604,606
336	Ministry of Justice	Merging of tariff scales effective as from 1/7/2017	7,243,304
<b>Total</b>			<b>1,889,158,875</b>

Source: MoF

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

CZK bn	Q1 - Q3 2016	Q1 - Q3 2017
<b>Actual expenditure</b>	37.9	33.7
<b>Expected expenditure</b>	39.0	40.9
<b>CaR 95%</b>	43.9	43.4
<b>CaR 99%</b>	46.0	46.0
<b>Difference between expectation and reality</b>	1.0	7.2

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>	467.9	-6.5	1.2	1.2	1.1
<b>Accrued basis expression</b>	467.9	-0.6	0.5	0.6	0.6
<b>Gross issuance of T-Bonds</b>	156.4	0.0	0.5	0.6	0.6
<b>Gross issuance of T-Bills</b>	311.5	-0.6	-	-	-

Source: MoF

## 6 – Evaluation of the Primary Dealers in Q4 2016 to Q3 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 Q4 2016 to Q3 2017**

Ranking	Primary Dealer	Points
1 <sup>st</sup>	<b>PPF banka a.s.</b>	<b>69.7</b>
2 <sup>nd</sup>	KBC Bank NV / Československá obchodní banka, a.s.	68.5
3 <sup>rd</sup>	Citibank Europe plc	56.3
4 <sup>th</sup>	J.P. Morgan Securities plc	56.0
5 <sup>th</sup>	Société Générale / Komerční banka, a.s.	44.4
6 <sup>th</sup>	Erste Group Bank AG / Česká spořitelna, a.s.	39.4
7 <sup>th</sup>	UniCredit Bank Czech Republic and Slovakia, a.s.	31.9

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

**Table 20: Primary Market in Q4 2016 to Q3 2017**

Ranking	Primary Dealer	Points
1 <sup>st</sup>	<b>PPF banka a.s.</b>	<b>42.4</b>
2 <sup>nd</sup>	KBC Bank NV / Československá obchodní banka, a.s.	32.8
3 <sup>rd</sup>	J.P. Morgan Securities plc	30.9
4 <sup>th</sup>	Société Générale / Komerční banka, a.s.	25.8
5 <sup>th</sup>	Citibank Europe plc	25.1
6 <sup>th</sup>	Erste Group Bank AG / Česká spořitelna, a.s.	21.4
7 <sup>th</sup>	ING Bank N.V.	15.3

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

**Table 21: Secondary Market in Q4 2016 to Q3 2017**

Ranking	Primary Dealer	Points
1 <sup>st</sup>	<b>KBC Bank NV / Československá obchodní banka, a.s.</b>	<b>35.7</b>
2 <sup>nd</sup>	Citibank Europe plc	31.2
3 <sup>rd</sup>	PPF banka a.s.	27.3
4 <sup>th</sup>	J.P. Morgan Securities plc	25.1
5 <sup>th</sup>	Société Générale / Komerční banka, a.s.	18.6
6 <sup>th</sup>	UniCredit Bank Czech Republic and Slovakia, a.s.	18.6
7 <sup>th</sup>	Erste Group Bank AG / Česká spořitelna, a.s.	18.0

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 20 October 2017  
and is also available online at:

**[www.mfcr.cz/statedebt](http://www.mfcr.cz/statedebt)**

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**Debt and Financial Assets Management Department**

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