



Ministry of Finance

Debt and Financial Assets  
Management Department

# Debt Portfolio Management Quarterly Report

## 1<sup>st</sup> Quarter of 2018



20 April 2018



# **Ministry of Finance**

## **Debt Portfolio Management Quarterly Report 1<sup>st</sup> Quarter of 2018**

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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

The Ministry of Finance (hereinafter the Ministry or MoF) presents, in accordance with the calendar of published information, the Debt Portfolio Management Quarterly Report, which contains in particular the evaluation of the announced strategic targets, the operational fulfilment of the funding programme and issuance activity plans specified in The Czech Republic Funding and Debt Management Strategy for 2018 published on 22 December 2017 (hereinafter the Strategy), and further includes a regular quarterly performance evaluation of primary dealers in Czech government securities for the period from the second quarter of 2017 to the first quarter of 2018.

During the first quarter of 2018, the Ministry continued to issue and sell primarily medium-term and long-term government bonds on the domestic market. The total gross issue of medium-term and long-term government bonds carried out on primary market through eighteen auctions in six auction days amounted to CZK 63.3 billion. In accordance with the framework issuance plan, the Ministry issued two new issues of fixed-rate government bonds in February maturing in February 2021 and July 2029, thereby bringing coupon rates closer to the current financial market situation and supporting smoothing the state debt maturity profile. In accordance with the Strategy and the fulfilment of medium-term goals in the area of the average time to maturity of the state debt portfolio, the Ministry focused on the issuance of government bonds with a relatively long time to maturity by issuing government bonds with an average residual time to maturity of 9.2 years, which represents an increase of more than four years compared to the same period of the previous year and almost two years more than in the whole 2017. The average auction yield achieved in the first quarter of 2018 amounted to 1.73% p.a.

The issuance of medium-term and long-term government bonds on primary market during the first quarter of 2018 was supplemented by tap sales of medium-term and long-term government bonds on secondary market from Ministry's asset account, when the Ministry sold medium-term and long-term government bonds maturing in 2030, 2036 and 2057 in a total nominal value of CZK 0.8 billion. For the tap sales of government

bonds with long time to maturity, the Ministry acceded to the management of the average time to maturity of the state debt portfolio and also on the basis of recorded demand for these bonds from primary dealers. During this period, the Ministry did not carry out any exchange operations.

In the first quarter of 2018 there was a regular redemption of Government Bond of the Czech Republic, 2016–2018, 0.00% in a total nominal value of CZK 60.0 billion and Czech Republic Government Bond, 2014–2018, 0.85% in a total nominal value of CZK 50.0 billion. The total nominal value of the net issue of medium-term and long-term government bonds on the domestic market amounted to CZK -46.0 billion. In the area of issuance of medium-term and long-term government bonds on foreign markets, the Ministry did not carry out any borrowing operations in the first quarter of 2018.

In the first quarter of 2018, twelve auctions of state treasury bills were carried out in which state treasury bills in a total nominal value of CZK 136.1 billion with an average yield to maturity of 0.33% p.a. were sold. All these state treasury bills mature in this year. The Ministry sold state treasury bills for the purpose of taking advantage of low yields at the short end of the yield curve, while the financial resources obtained from the sale are not primarily involved in covering the financing needs, but were further invested in the money market at a higher yield than they were obtained for. The Ministry is still able to achieve additional state budget revenues resulting from the issuance of state treasury bills and the efficient investment of financial resources even after the end of the use the exchange rate as a monetary policy instrument in 2017 and the gradual increase of basic interest rates by the Czech National Bank since then. In the first quarter of 2018 there was no redemption of state treasury bills, the total nominal value of net issue amounted to CZK 136.1 billion.

No tranches of savings government bonds were issued in the first quarter of 2018, nor were any planned redemptions carried out. No loan tranche from the EIB was drawn as well, only planned repayments of loans received from EIB amounting to CZK 2.1 billion were carried out.

## High Rating of the Czech Republic Affirmed

In the first quarter of 2018, the high rating of the Czech Republic was affirmed by several major international rating agencies. On 22 January 2018, Standard & Poor's affirmed the Czech Republic's rating with a stable outlook on AA- for long-term liabilities in foreign currencies and AA for long-term liabilities in domestic currency. The agency in its rationale especially appreciates the strong economic growth, low government debt belonging to the lowest in Europe and sound public finances, supported the government's efforts to fight tax evasion and strengthen the revenue side of the state budget.

At the end of January, Scope Ratings agency also confirmed rating at AA grade for long-term liabilities

in both domestic and foreign currencies. Agency particularly appreciates the condition of public finances associated with sustainable government financing, strong economic growth and the health of the domestic banking system.

In February, Fitch Ratings appreciated the high credit reliability of the Czech Republic, when it affirmed the rating at A+ in domestic and foreign currencies for long-term liabilities with a positive outlook. Similarly to the previous rating agencies, it highlights the general government surplus, estimated at 1.1% of GDP for 2017 and a low level of debt.

## Revenue from Investing Liquidity of State Treasury

As part of the liquidity management of the state treasury, the Ministry achieved significant revenues to the state budget resulting from the reverse repo operations, depo operations or foreign exchange swaps in the money market. When investing CZK-denominated liquidity, the Ministry achieved net revenue of CZK 330.9 million in the first quarter of 2018, which represents a year-on-year increase of CZK 306.1 million. The Ministry also achieved a significant year-on-year increase in FX swap revenues reaching CZK 157.9 million, which is CZK 155.8 million more than in the previous year for the same period. Total net revenues from state treasury liquidity management operations including revenues from government bond lending

facilities for the first quarter of 2018 amounted to CZK 493.9 million, which represents a year-on-year increase of CZK 461.1 million.

The Ministry continues to focus on the issuance of state treasury bills for the purpose of receiving financial resources, which are not primarily involved in covering the financing needs, but were further invested in the money market at a higher yield than they were obtained for. Within these operations, the Ministry achieved additional revenue to the state budget even after the increase of government bond yields at the short end of the yield curve to positive values. In accrual terms, this additional net revenue amounted to CZK 67.7 million.

## Extending the Time to Maturity of Issued Government Bonds

In the first quarter of 2018, the Ministry continued to extend the residual time to maturity of issued medium-term and long-term government bonds, which had begun in 2017. The residual average time to maturity of newly issued medium-term and long-term government bonds reached 9.3 years on the primary and secondary markets by the end of the first quarter of 2018, which is 2.0 years more than in 2017. The share of government bonds with

residual time to maturity over 10 years on the total gross issue was 48.8%; previous year it was 27.2%. After the end of the use of the exchange rate as a monetary policy instrument and the gradual increase of the basic interest rates by the Czech National Bank, the Ministry recorded a recovery in domestic bank demand for government bonds with longer time to maturity, as evidenced by a year-on-year increase in their total holdings by 10.8 p.p.

# 1 – Borrowing Requirement and Development of State Debt

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

CZK bn	2016	2017	31/3/2018
<b>Gross state debt</b>	<b>1,613.4</b>	<b>1,624.7</b>	<b>1,712.1</b>
T-Bills	4.2	44.0	180.1
Other money market instruments	0.0	0.0	0.0
Received collateral in cash	0.0	0.0	0.0
T-Bonds issued on domestic market	1,301.6	1,305.4	1,259.4
T-Bonds issued on foreign markets	213.5	202.6	202.0
Savings government bonds	37.8	21.5	21.5
Received credits and loans	56.3	51.2	49.1
Promissory notes	0.0	0.0	0.0
<b>Share of GDP (%)<sup>1</sup></b>	<b>33.8</b>	<b>32.1</b>	<b>33.4</b>

<sup>1</sup> GDP in the ESA 2010 methodology. The source of data for Q1 2016 – Q4 2017 is CZSO, for Q1 2018 the Macroeconomic Forecast of the Czech Republic – April 2018. Source: MoF, CZSO

**Table 2: Financing Needs and Sources**

CZK bn	2016	2017	Q1 2018
Primary balance of state budget	-102.4	-33.6	-18.3
Net expenditure on state debt <sup>1</sup>	40.7	39.8	2.1
T-Bonds redemptions <sup>2</sup>	157.8	209.4	110.0
Redemptions and early redemptions on savings government bonds	30.2	16.9	0.0
T-Bills redemptions <sup>3</sup>	84.4	4.2	0.0
Other money market instrument redemptions <sup>3</sup>	2.2	0.0	0.0
Repayments on credits and loans	1.7	5.1	2.1
<b>Total financing needs</b>	<b>214.5</b>	<b>241.7</b>	<b>95.9</b>
Gross T-Bills issue <sup>3, 4</sup>	4.2	44.0	136.1
Other money market instrument <sup>3</sup>	0.0	0.0	0.0
Received collateral in cash	0.0	0.0	0.0
Gross issue of T-Bonds on the domestic market <sup>4</sup>	211.6	213.1	64.0
Gross issue of T-Bonds on the domestic market up to 5 years <sup>4, 5</sup>	119.6	84.2	9.3
Gross issue of T-Bonds on the domestic market from 5 to 10 years <sup>4, 5</sup>	48.4	70.9	23.5
Gross issue of T-Bonds on the domestic market over 10 years <sup>4, 5</sup>	43.7	58.0	31.2
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	0.6	0.0
Received credits and loans	0.0	0.0	0.0
Financial asset and liquidity management	-2.3	-16.1	-104.3
<b>Total financing sources</b>	<b>214.5</b>	<b>241.7</b>	<b>95.9</b>
<b>Gross borrowing requirement</b>	<b>216.9</b>	<b>257.7</b>	<b>200.1</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> Residual 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	2016	2017	Q1 2018
<b>Gross state debt as at 1 January</b>	<b>1,673.0</b>	<b>1,613.4</b>	<b>1,624.7</b>
Primary state budget balance	-102.4	-33.6	-18.3
Net expenditure on state debt service <sup>1</sup>	40.7	39.8	2.1
Financial asset and liquidity management operations	2.3	16.1	104.3
<b>Net borrowing requirement</b>	<b>-59.4</b>	<b>22.2</b>	<b>88.0</b>
T-Bills net issue	-80.2	39.8	136.1
Net change in the balance of other money market instruments	-2.2	0.0	0.0
T-Bonds net issue on domestic market	66.4	3.8	-46.0
T-Bonds net issue on foreign markets	-12.6	0.0	0.0
Savings government bonds net issue	-29.2	-16.3	0.0
Net change in balance of received credits and loans	-1.7	-5.1	-2.1
<b>Financing of net borrowing requirement</b>	<b>-59.4</b>	<b>22.2</b>	<b>88.0</b>
Revaluation of state debt <sup>2</sup>	-0.2	-10.9	-0.6
Promissory notes net change	0.0	0.0	0.0
<b>Gross state debt change</b>	<b>-59.6</b>	<b>11.3</b>	<b>87.4</b>
<b>Gross state debt as at the end of period</b>	<b>1,613.4</b>	<b>1,624.7</b>	<b>1,712.1</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 Q1 2018**

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, 2.40 %, 25	89 15	3/1	5/1	17/9/2025	CZK	2,000,000,000	2,050,000,000
ČR, 0.25 %, 27	100 8	3/1	5/1	10/2/2027	CZK	4,000,000,000	3,660,800,000
ČR, 4.20 %, 36	49 12	3/1	5/1	4/12/2036	CZK	1,000,000,000	20,000,000
ČR, 0.45 %, 23	97 16	17/1	19/1	25/10/2023	CZK	4,000,000,000	1,490,000,000
ČR, 2.50 %, 28	78 23	17/1	19/1	25/8/2028	CZK	4,000,000,000	4,000,000,000
ČR, 2.00 %, 33	103 4	17/1	19/1	13/10/2033	CZK	4,000,000,000	1,700,000,000
ČR, 4.70 %, 22	52 13	7/2	9/2	12/9/2022	CZK	2,000,000,000	2,276,450,000
ČR, 0.25 %, 27	100 9	7/2	9/2	10/2/2027	CZK	4,000,000,000	4,543,730,000
ČR, 0.95 %, 30	94 14	7/2	9/2	15/5/2030	CZK	4,000,000,000	5,827,390,000
ČR, 0.75 %, 21	104 1	21/2	23/2	23/2/2021	CZK	4,000,000,000	1,978,200,000
ČR, 1.00 %, 26	95 13	21/2	23/2	26/6/2026	CZK	4,000,000,000	4,366,310,000
ČR, 2.75 %, 29	105 1	21/2	23/2	23/7/2029	CZK	4,000,000,000	4,276,540,000
ČR, 0.45 %, 23	97 17	7/3	9/3	25/10/2023	CZK	4,000,000,000	4,035,000,000
ČR, 2.50 %, 28	78 24	7/3	9/3	25/8/2028	CZK	4,000,000,000	4,535,000,000
ČR, 2.00 %, 33	103 5	7/3	9/3	13/10/2033	CZK	4,000,000,000	4,130,000,000
ČR, 0.75 %, 21	104 2	21/3	23/3	23/2/2021	CZK	4,000,000,000	5,012,760,000
ČR, 2.40 %, 25	89 16	21/3	23/3	17/9/2025	CZK	4,000,000,000	3,357,670,000
ČR, 2.75 %, 29	105 2	21/3	23/3	23/7/2029	CZK	4,000,000,000	6,002,470,000
<b>Total</b>							<b>63,262,320,000</b>

Source: MoF, CNB

**Table 4b: Medium-Term and Long-Term Government Bonds Issued in Q1 2018**

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, 2.40 %, 25	89 15	2.40%	107.362	1.385	1.64	100.00	2.50
ČR, 0.25 %, 27	100 8	0.25%	88.545	1.614	1.20	82.50	9.02
ČR, 4.20 %, 36	49 12	4.20%	128.000	2.349	3.00	2.00	0.00
ČR, 0.45 %, 23	97 16	0.45%	95.530	1.259	1.49	37.25	0.00
ČR, 2.50 %, 28	78 23	2.50%	105.621	1.909	1.54	100.00	0.00
ČR, 2.00 %, 33	103 4	2.00%	95.106	2.376	1.15	41.25	1.25
ČR, 4.70 %, 22	52 13	4.70%	116.307	1.043	2.49	100.00	13.82
ČR, 0.25 %, 27	100 9	0.25%	87.462	1.769	1.58	100.00	13.59
ČR, 0.95 %, 30	94 14	0.95%	87.096	2.159	1.79	125.85	19.83
ČR, 0.75 %, 21	104 1	0.75%	99.546	0.904	1.18	43.25	6.21
ČR, 1.00 %, 26	95 13	1.00%	94.700	1.687	1.55	100.00	9.16
ČR, 2.75 %, 29	105 1	2.75%	107.244	2.033	1.55	100.00	6.91
ČR, 0.45 %, 23	97 17	0.45%	95.646	1.256	1.30	100.00	0.88
ČR, 2.50 %, 28	78 24	2.50%	105.443	1.920	1.95	113.38	0.00
ČR, 2.00 %, 33	103 5	2.00%	94.511	2.426	1.17	100.00	3.25
ČR, 0.75 %, 21	104 2	0.75%	99.544	0.909	1.75	115.13	10.19
ČR, 2.40 %, 25	89 16	2.40%	105.313	1.639	1.20	75.28	8.67
ČR, 2.75 %, 29	105 2	2.75%	106.346	2.113	1.62	135.13	14.94
<b>Average</b>					<b>1.62</b>	<b>87.28</b>	<b>6.68</b>

Source: MoF, CNB

**Table 5: State Treasury Bills Issued in Q1 2018**

Issue no.	Maturity (weeks)	Auction date	Issue date	Maturity date	Max. offered nominal amount	Total placed nominal amount	Yield to maturity (% p.a.)
776	13	4/1	5/1	6/4/2018	5,000,000,000	12,650,000,000	0.175
777	13	11/1	12/1	13/4/2018	5,000,000,000	22,358,000,000	0.050
778	13	18/1	19/1	20/4/2018	5,000,000,000	4,928,000,000	0.050
779	13	25/1	26/1	27/4/2018	5,000,000,000	10,850,000,000	0.200
780	13	1/2	2/2	4/5/2018	5,000,000,000	1,610,000,000	0.300
781	13	8/2	9/2	11/5/2018	5,000,000,000	7,650,000,000	0.400
782	13	15/2	16/2	18/5/2018	5,000,000,000	30,843,000,000	0.400
783	13	22/2	23/2	25/5/2018	5,000,000,000	9,488,000,000	0.400
784	26	1/3	2/3	31/8/2018	5,000,000,000	16,260,000,000	0.520
785	26	8/3	9/3	7/9/2018	5,000,000,000	17,288,000,000	0.540
786	39	15/3	16/3	14/12/2018	5,000,000,000	2,078,000,000	0.500
787	39	22/3	23/3	21/12/2018	5,000,000,000	126,000,000	0.500
<b>Total</b>						<b>136,129,000,000</b>	<b>0.326<sup>1</sup></b>

<sup>1</sup> Average weighted yield to maturity.

Source: MoF, CNB

**Table 6: Medium-Term and Long-Term Government Bonds Issued on Domestic Market as at 31/3/2018**

Issue name	Issue no.	ISIN	Maturity date	Nominal value outstanding	Nominal value booked on MoF's asset accounts
ČR, 4.60 %, 18	41	CZ0001000822	18/8/2018	74,400,000,000	0
ČR, 5.00 %, 19	56	CZ0001002471	11/4/2019	86,109,000,000	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	42,513,880,000	7,540,000,000
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, 0.75 %, 21	104	CZ0001005367	23/2/2021	6,990,960,000	1,000,000,000
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	77,743,190,000	2,500,000,000
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	45,454,100,000	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	70,212,810,000	1,000,000,000
ČR, 1.00 %, 26	95	CZ0001004469	26/6/2026	53,907,990,000	2,633,000,000
ČR, 0.25 %, 27	100	CZ0001005037	10/2/2027	32,938,480,000	2,500,000,000
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	90,401,150,000	525,000,000
ČR, 2.75 %, 29	105	CZ0001005375	23/7/2029	10,279,010,000	1,000,000,000
ČR, 0.95 %, 30	94	CZ0001004477	15/5/2030	53,190,480,000	2,181,000,000
ČR, 2.00 %, 33	103	CZ0001005243	13/10/2033	11,227,980,000	2,000,000,000
ČR, 4.20 %, 36	49	CZ0001001796	4/12/2036	35,478,370,000	1,563,000,000
ČR, 4.85 %, 57	53	CZ0001002059	26/11/2057	11,310,000,000	6,690,000,000
<b>Total</b>				<b>1,259,415,040,000</b>	<b>52,204,130,000</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 31/3/2018**

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 31/3/2018**

Issue no.	Maturity (weeks)	ISIN	Maturity date	Nominal value outstanding	Nominal value booked on MoF's asset accounts
774	19	CZ0001005300	6/4/2018	20,965,000,000	0
776	13	CZ0001005326	6/4/2018	12,650,000,000	0
777	13	CZ0001005334	13/4/2018	22,358,000,000	0
775	19	CZ0001005318	20/4/2018	23,049,000,000	0
778	13	CZ0001005342	20/4/2018	4,928,000,000	0
779	13	CZ0001005359	27/4/2018	10,850,000,000	0
780	13	CZ0001005383	4/5/2018	1,610,000,000	0
781	13	CZ0001005391	11/5/2018	7,650,000,000	0
782	13	CZ0001005409	18/5/2018	30,843,000,000	0
783	13	CZ0001005417	25/5/2018	9,488,000,000	0
784	26	CZ0001005425	31/8/2018	16,260,000,000	0
785	26	CZ0001005433	7/9/2018	17,288,000,000	0
786	39	CZ0001005441	14/12/2018	2,078,000,000	0
787	39	CZ0001005458	21/12/2018	126,000,000	0
<b>Total</b>				<b>180,143,000,000</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

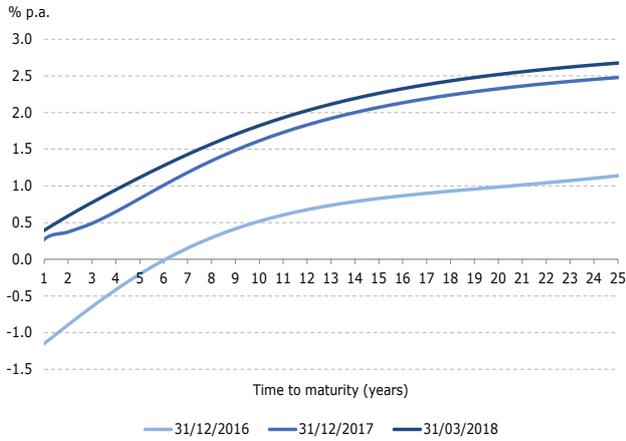
**Table 9: Issued Savings Government Bonds as at 31/3/2018**

Bond	Issue no.	ISIN	Maturity date	Nominal value outstanding	Nominal value booked on MoF's asset accounts
Coupon savings government bond	81	CZ0001004014	12/6/2018	815,726,434	0
Reinvestment savings government bond	82	CZ0001004006	12/6/2018	6,130,049,463	0
Coupon savings government bond	85	CZ0001004188	12/12/2018	1,355,351,518	0
Reinvestment savings government bond	86	CZ0001004196	12/12/2018	8,053,193,227	0
Inflation-linked savings government bond	70	CZ0001003586	12/6/2019	1,900,012,289	0
Reinvestment savings government bond	92	CZ0001004303	12/6/2019	734,662,650	0
Inflation-linked savings government bond	83	CZ0001003990	12/6/2020	385,167,345	0
Inflation-linked savings government bond	87	CZ0001004204	12/12/2020	2,072,921,557	0
Variable-rate savings government bond	93	CZ0001004311	12/12/2020	30,464,481	0
<b>Total</b>				<b>21,477,548,964</b>	<b>0</b>

Source: MoF

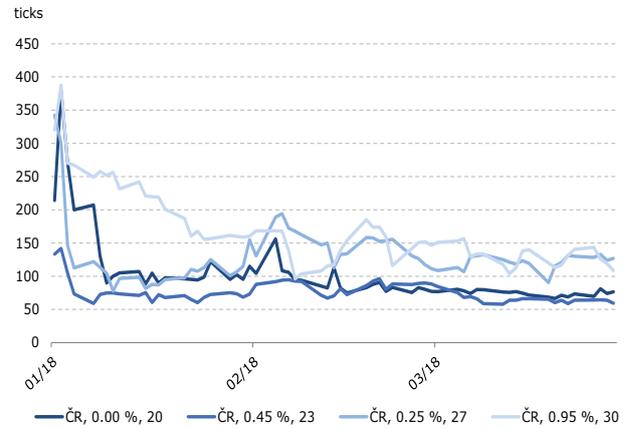
### 3 – Secondary Market of Government Bonds

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



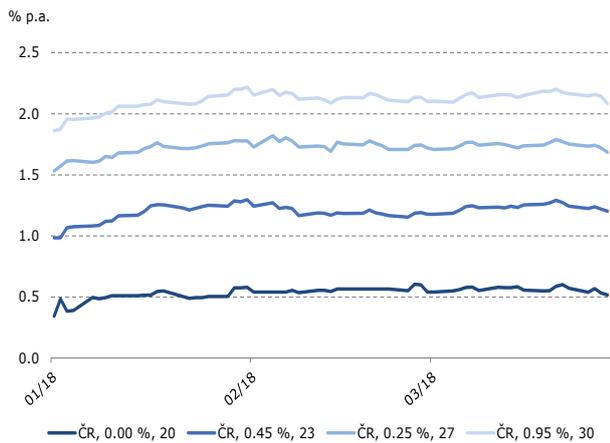
Note: "Par" yield curve of CZK-denominated fixed-rate government bonds is constructed on the basis the extended Nelson-Siegel model, called Svensson model.  
Source: MoF, MTS

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



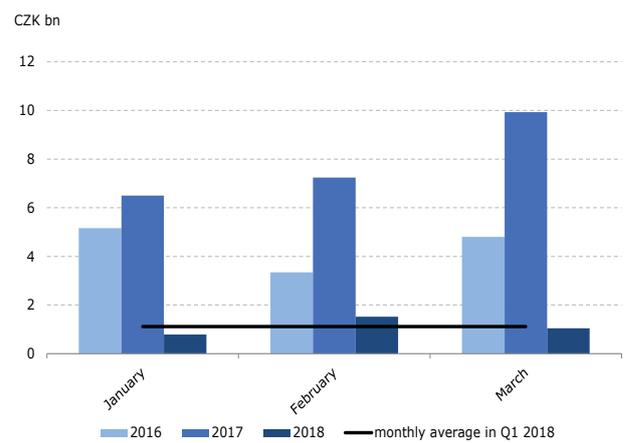
Source: MoF, MTS

**Figure 3: Yields of Selected Government Bonds**



Source: MoF, MTS

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



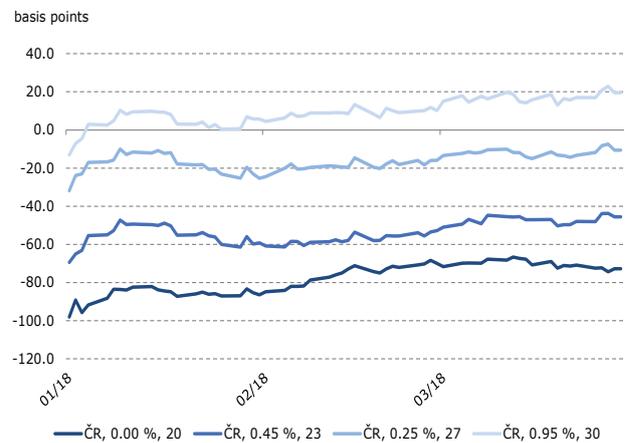
Source: MoF, MTS

**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 2018**

Issue name	ISIN	Collateral nominal amount	Financial resources received	Financial resources paid <sup>1</sup>
ČR, 0.00 %, 20	CZ0001005011	1,570,000,000	1,548,011,900.00	1,547,983,513.65
ČR, 3.85 %, 21	CZ0001002851	260,000,000	290,242,569.44	290,236,910.15
ČR, 0.00 %, 22	CZ0001005029	50,000,000	47,621,000.00	47,620,074.04
ČR, 0.45 %, 23	CZ0001004600	175,000,000	167,092,133.56	167,090,509.05
ČR, 0.25 %, 27	CZ0001005037	560,000,000	490,264,734.25	490,256,294.79
ČR, VAR %, 27	CZ0001004105	33,000,000	34,356,941.67	34,355,987.31
ČR, 2.75 %, 29	CZ0001005375	250,000,000	266,270,547.95	266,267,959.21
ČR, 0.95 %, 30	CZ0001004477	50,000,000	43,846,164.38	43,845,311.82
<b>Total</b>		<b>2,948,000,000</b>	<b>2,887,705,991.25</b>	<b>2,887,656,560.02</b>

<sup>1</sup>Incl. financial resources from this lending facilities realized in Q1 2018, which has not been paid during this period.

Note: The average interest rate achieved under this lending facilities during Q1 2018 amounted to -0.07% p.a.

Source: MoF

**Table 10b: Realized Lending Facilities of Government Bonds in the Form of Collateralized Loans of Securities in Q1 2018**

Issue name	ISIN	Nominal value	Revenue <sup>1</sup>
ČR, 0.00 %, 20	CZ0001005011	240,000,000	18,441.17
ČR, 3.85 %, 21	CZ0001002851	61,000,000	22,493.19
ČR, 4.70 %, 22	CZ0001001945	662,000,000	249,335.40
ČR, 0.45 %, 23	CZ0001004600	101,000,000	8,428.12
ČR, 5.70 %, 24	CZ0001002547	682,000,000	294,535.76
ČR, 1.00 %, 26	CZ0001004469	83,000,000	11,777.36
ČR, 0.25 %, 27	CZ0001005037	2,866,000,000	796,786.07
ČR, VAR %, 27	CZ0001004105	1,293,000,000	202,490.97
ČR, 2.50 %, 28	CZ0001003859	148,000,000	38,052.16
ČR, 0.95 %, 30	CZ0001004477	50,000,000	7,879.60
ČR, 4.20 %, 36	CZ0001001796	125,000,000	31,426.49
ČR, 4.85 %, 57	CZ0001002059	46,000,000	23,037.48
<b>Total</b>		<b>6,357,000,000</b>	<b>1,704,683.77</b>

<sup>1</sup>Incl. financial revenue from this lending facilities realized in Q1 2018, which has not been terminated during this period.

Source: MoF

**Table 11: Realized Exchange Operations of Government Bonds in Q1 2018**

Settlement date	Issue name	Tap sale		Buy-back		
		Nominal value	Average price	Issue name	Nominal value	Average price
-	-	0	-	-	0	-
<b>Total</b>		<b>0</b>			<b>0</b>	

Source: MoF

**Table 12: Realized Tap Sales of Government Bonds in Q1 2018**

Issue name	Issue no.	Settlement date	Maturity date	Average price	Nominal value
ČR, 4.85 %, 57	53	20/2/2018	26/11/2057	146.800	90,000,000
ČR, 0.95 %, 30	94	27/2/2018	15/5/2030	87.700	200,000,000
ČR, 4.20 %, 36	49	27/2/2018	4/12/2036	127.500	115,000,000
ČR, 4.85 %, 57	53	27/2/2018	26/11/2057	146.800	50,000,000
ČR, 0.95 %, 30	94	28/2/2018	15/5/2030	87.850	300,000,000
<b>Total</b>					<b>755,000,000</b>

Source: MoF

## 4 – Risk Management and Portfolio Strategy

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

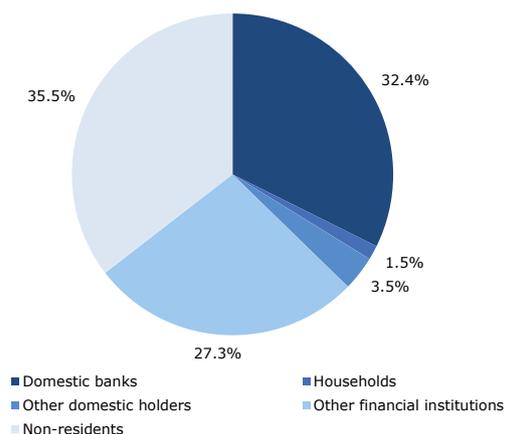
INDICATOR	Announced target for medium-term horizon	As at 31/3/2018
Short-term state debt	20.0% and less	19.0%
Medium-term state debt	70.0% and less	61.1%
Average time to maturity	6.0 years <sup>1</sup>	4.8 years
Interest re-fixing up to 1 year	30.0 to 40.0%	33.3%
Average time to re-fixing	4.0 years	4.1 years
Net foreign-currency exposure of state debt with the impact on state debt level	15.0% <sup>2</sup>	10.4%
Net foreign-currency exposure with the impact of the level of interest expenditure on state debt service	15.0% <sup>2</sup>	10.4%

<sup>1</sup> With a possibility of deviation of 0.25 years

<sup>2</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

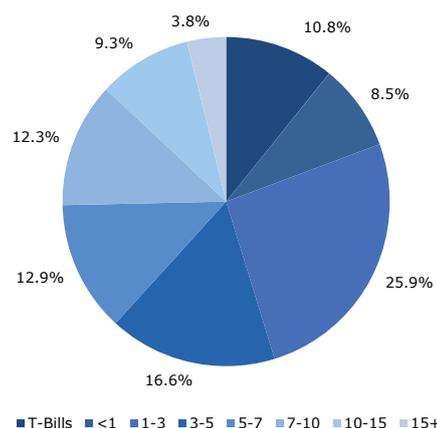
**Figure 7: Structure of CZK-Denominated Government Bonds by Type of Holder**



Note: Involves T-Bonds issued on domestic market, savings government bonds and T-Bills. As at 31/3/2018.

Source: MoF, CDCP, CNB

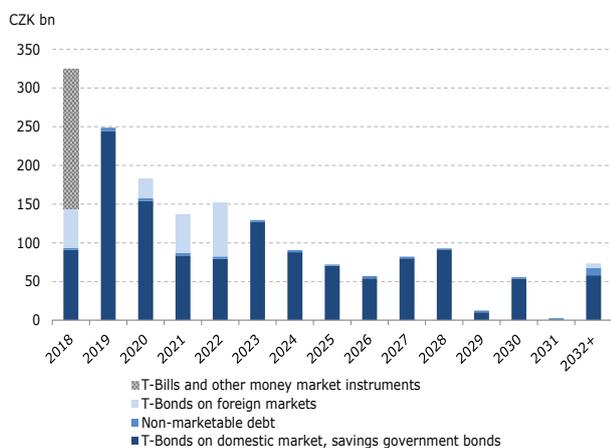
**Figure 8: Structure of Government Bonds by Residual Time to Maturity**



Note: Involves T-Bonds issued on domestic and foreign markets, savings government bonds and T-Bills. As at 31/3/2018.

Source: MoF

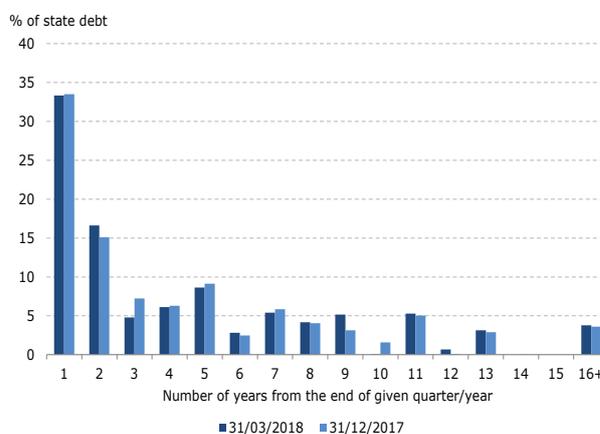
**Figure 9: Maturity Profile of State Debt**



Note: Non-marketable debt excludes savings government bonds. As at 31/3/2018.

Source: MoF

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



Source: MoF

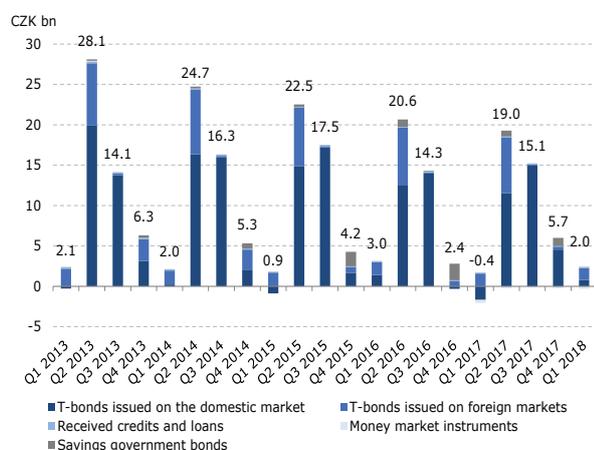
**Table 14: State Debt Parameters**

	31/3/2017	30/6/2017	30/9/2017	31/12/2017	31/3/2018
<b>Total state debt (CZK bn)</b>	<b>1,788.6</b>	<b>1,788.8</b>	<b>1,610.1</b>	<b>1,624.7</b>	<b>1,712.1</b>
Market value of state debt (CZK bn)	1,987.3	1,969.2	1,767.7	1,751.0	1,829.6
Short-term state debt (%)	22.8	25.0	20.4	18.5	19.0
Medium-term state debt (%)	62.2	65.5	65.5	62.3	61.1
State treasury bills (%)	3.9	8.3	0.0	2.7	10.5
Other money market instruments (%)	0.0	0.0	0.2	0.0	0.0
Average time to maturity (years)	4.7	4.6	4.9	5.0	4.8
Interest re-fixing up to 1 year (%)	36.6	38.7	35.5	33.5	33.3
Average time to re-fixing (years)	3.8	3.7	4.0	4.1	4.1
Variable-rate state debt (%)	14.4	14.3	12.8	12.7	11.9
Modified duration (years)	3.6	3.5	3.7	3.7	3.7
State debt level net foreign currency exposure (%)	10.5	10.2	11.2	10.9	10.4
Interest expenditure on state debt net foreign currency exposure (%)	10.5	10.2	11.3	11.0	10.4
Foreign currency state debt (%)	12.1	11.7	12.9	12.5	11.9
Share of € in state debt level net foreign currency exposure (%)	96.4	96.6	96.8	96.8	96.7
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>	3.2	3.1	3.2	3.2	2.9
Share of savings government bonds on state debt (%)	2.1	1.7	1.9	1.3	1.3
<b>Marketable state debt (CZK bn)</b>	<b>1,694.4</b>	<b>1,702.6</b>	<b>1,527.7</b>	<b>1,552.0</b>	<b>1,641.6</b>
Market value of marketable state debt (CZK bn)	1,890.4	1,881.2	1,683.8	1,677.8	1,758.5
Short-term marketable state debt (%)	22.8	25.1	20.2	18.0	18.6
Medium-term marketable state debt (%)	62.2	65.8	65.7	62.6	61.3
State treasury bills (%)	4.2	8.7	0.0	2.8	11.0
Other money market instruments (%)	0.0	0.0	0.2	0.0	0.0
Average time to maturity (years)	4.6	4.5	4.9	4.9	4.8
Interest re-fixing up to 1 year (%)	34.7	36.9	33.4	31.1	31.2
Average time to re-fixing (years)	3.9	3.8	4.1	4.2	4.2
Variable-rate marketable state debt (%)	12.3	12.2	10.6	10.4	9.9
Modified duration (years)	3.7	3.6	3.8	3.8	3.8
Marketable state debt level net foreign currency exposure (%)	11.1	10.7	11.8	11.5	10.8
Interest expenditure on marketable state debt net foreign currency exposure (%)	11.1	10.7	11.9	11.5	10.8
Foreign-currency marketable state debt (%)	12.8	12.3	13.6	13.1	12.4
Share of € in marketable state debt level net foreign currency exposure (%)	96.4	96.6	96.8	96.8	96.7
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

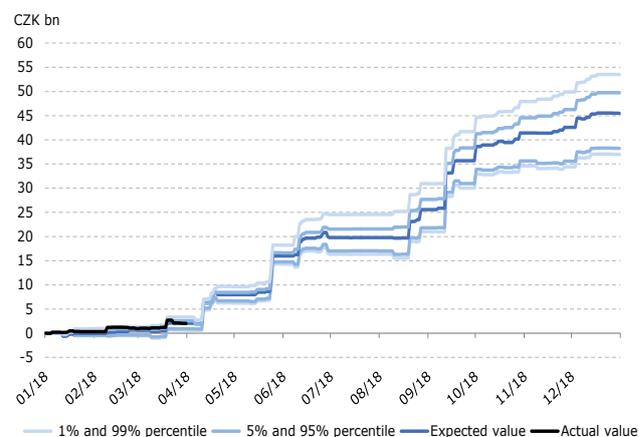
## 5 – State Debt Service Expenditure and Cost-at-Risk

**Figure 11: Net Interest Expenditure on State Debt**



Source: MoF

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



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 2018**

CZK mil.	Actual Q1 2017	Budget 2018		Actual Q1 2018	% Execution	2018/2017 (%)
		Approved	After changes			
<b>1. Total interest expenditure and revenue</b>	-	<b>44,843</b>	<b>44,843</b>	<b>2,046</b>	<b>4.6</b>	-
	<b>(-) 384</b>	-	-	<b>0</b>	-	<b>0.0</b>
<b>Internal debt</b>	-	34,611	34,611	443	1.3	-
	<b>(-) 2,051</b>	-	-	-	-	-
Money market instruments	-	(-) 135	(-) 135	(-) 332	245.6	-
	<b>(-) 377</b>	-	-	-	-	-
Savings government bonds	-	1,211	1,211	5	0.4	-
	<b>17</b>	-	-	-	-	-
T-Bonds on domestic market	-	33,535	33,535	769	2.3	-
	<b>(-) 1,690</b>	-	-	-	-	-
<b>External debt</b>	-	10,226	10,226	1,604	15.7	-
	<b>1,667</b>	-	-	-	-	-
T-Bonds on foreign markets	-	9,625	9,625	1,495	15.5	-
	<b>1,590</b>	-	-	-	-	-
Received credits and loans	-	601	601	109	18.1	-
	<b>77</b>	-	-	-	-	-
<b>Payment accounts</b>	-	5	5	0	-0.2	-
	<b>0</b>	-	-	<b>0</b>	-	<b>220.6</b>
<b>2. Fees</b>	<b>67</b>	<b>400</b>	<b>400</b>	<b>17</b>	<b>4.4</b>	<b>26.1</b>
	<b>0</b>	-	-	<b>0</b>	-	<b>23.6</b>
<b>Total chapter balance</b>	<b>(-) 317</b>	<b>45,243</b>	<b>45,243</b>	<b>2,064</b>	-	<b>-651.1</b>

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

**Table 16: Overview of Budgetary Transfers from the Chapter State Debt Realized in Q1 2018**

Chapter number	Chapter	Funds allocation	Amount (CZK)
-	-	-	0
<b>Total</b>			<b>0</b>

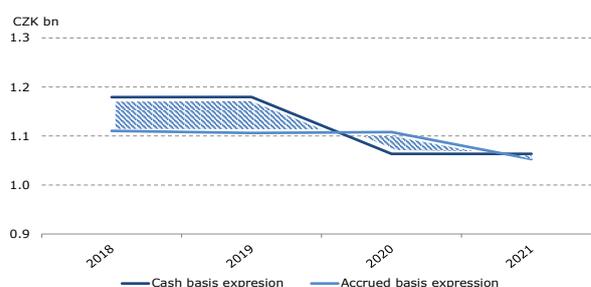
Source: MoF

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

CZK bn	Q1 2017	Q1 2018
<b>Actual expenditure</b>	-0.4	2.0
<b>Expected expenditure</b>	2.4	2.1
<b>CaR 95%</b>	3.1	2.6
<b>CaR 99%</b>	3.6	3.3
<b>Difference between expectation and reality</b>	2.8	0.0

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			
		2018F	2019F	2020F	2021F
<b>Cash basis expression</b>	200.1	1.2	1.2	1.1	1.1
<b>Accrued basis expression</b>	200.1	1.1	1.1	1.1	1.1
<b>Gross issuance of T-Bonds</b>	64.0	0.9	1.1	1.1	1.1
<b>Gross issuance of T-Bills</b>	136.1	0.2	-	-	-

Source: MoF

## 6 – Evaluation of the Primary Dealers in Q2 2017 to Q1 2018

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 Q2 2017 to Q1 2018**

Ranking	Primary Dealer	Points
1 <sup>st</sup>	<b>PPF banka a.s.</b>	<b>78.1</b>
2 <sup>nd</sup>	KBC Bank NV / Československá obchodní banka, a. s.	72.2
3 <sup>rd</sup>	Société Générale / Komerční banka, a.s.	52.1
4 <sup>th</sup>	Citibank Europe plc	50.6
5 <sup>th</sup>	Erste Group Bank AG / Česká spořitelna, a.s.	43.1
6 <sup>th</sup>	J.P. Morgan Securities plc	38.5
7 <sup>th</sup>	HSBC Bank plc	30.1

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

**Table 20: Primary Market in Q2 2017 to Q1 2018**

Ranking	Primary Dealer	Points
1 <sup>st</sup>	<b>PPF banka a.s.</b>	<b>49.7</b>
2 <sup>nd</sup>	KBC Bank NV / Československá obchodní banka, a. s.	36.6
3 <sup>rd</sup>	Société Générale / Komerční banka, a.s.	35.1
4 <sup>th</sup>	Erste Group Bank AG / Česká spořitelna, a.s.	24.8
5 <sup>th</sup>	Citibank Europe plc	21.3
6 <sup>th</sup>	J.P. Morgan Securities plc	16.5
7 <sup>th</sup>	HSBC Bank plc	15.9

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

**Table 21: Secondary Market in Q2 2017 to Q1 2018**

Ranking	Primary Dealer	Points
1 <sup>st</sup>	<b>KBC Bank NV / Československá obchodní banka, a. s.</b>	<b>35.5</b>
2 <sup>nd</sup>	Citibank Europe plc	29.3
3 <sup>rd</sup>	PPF banka a.s.	28.4
4 <sup>th</sup>	J.P. Morgan Securities plc	22.0
5 <sup>th</sup>	Erste Group Bank AG / Česká spořitelna, a.s.	18.3
6 <sup>th</sup>	Société Générale / Komerční banka, a.s.	17.0
7 <sup>th</sup>	Goldman Sachs International	16.2

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



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

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