



Ministry of Finance

Debt and Financial Assets
Management Department

Debt Portfolio Management Quarterly Report

1st Quarter of 2019



18 April 2019

Ministry of Finance

Debt Portfolio Management Quarterly Report 1st Quarter of 2019

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Table of Contents

Summary and Main Events	7
1 – Borrowing Requirement and Development of State Debt.....	9
2 – Primary Market of Government Bonds	11
3 – Secondary Market of Government Bonds	15
4 – Risk Management and Portfolio Strategy.....	19
5 – State Debt Service Expenditure and Cost-at-Risk	21
6 – Evaluation of the Primary Dealers in Q2 2018 to Q1 2019	23

List of Tables

Table 1: Structure and Balance of the Debt Portfolio	9
Table 2: Financing Needs and Sources	9
Table 3: Net Borrowing Requirement and Change in State Debt	10
Table 4a: Medium-Term and Long-Term Government Bonds Issued in Q1 2019.....	11
Table 4b: Medium-Term and Long-Term Government Bonds Issued in Q1 2019.....	12
Table 5: State Treasury Bills Issued in Q1 2019	12
Table 6: Savings Government Bonds Issued in 1Q 2019	12
Table 7: Medium-Term and Long-Term Government Bonds Issued on Domestic Market as at 31/3/2019.....	13
Table 8: Medium-Term and Long-Term Government Bonds Issued on Foreign Markets as at 31/3/2019.....	13
Table 9: Issued State Treasury Bills as at 31/3/2019	14
Table 10: Issued Savings Government Bonds as at 31/3/2019	14
Table 11a: Realized Lending Facilities of Government Bonds in the Form of Repo Operations in Q1 2019.....	16
Table 11b: Realized Lending Facilities of Government Bonds in the Form of Collateralized Loans of Securities in Q1 2019.....	16
Table 12: Realized Exchange Operations of Government Bonds in Q1 2019.....	17
Table 13: Realized Tap Sales of Government Bonds in Q1 2019	18
Table 14: Targets, Limits and Risk Parameters of the Debt Portfolio	19
Table 15: State Debt Parameters	20
Table 16: Budget Expenditure and Revenue of the Chapter State Debt in 2019	21
Table 17: Overview of Budgetary Transfers from the Chapter State Debt Realized in Q1 2019	22
Table 18: Expected vs. Actual Net Interest Expenditure	22
Table 19: Interest Expenditure and Accrued Costs of the Newly Issued State Debt.....	22
Table 20: FX Operations on Spot Market in Q1 2019.....	22
Table 21: Overall Evaluation of Primary Dealers in Q2 2018 to Q1 2019	23
Table 22: Primary Market in Q2 2018 to Q1 2019.....	23
Table 23: Secondary Market in Q2 2018 to Q1 2019	23

List of Figures

Figure 1: Yield Curve of Government Bonds	15
Figure 2: Bid-Offer Spreads of Selected Government Bonds.....	15
Figure 3: Yields of Selected Government Bonds	15
Figure 4: Traded Nominal Value on MTS Czech Republic	15
Figure 5: Average Daily Compliance Ratio of Primary Dealers on MTS Czech Republic.....	15
Figure 6: "Asset Swap Spread" Risk Premium of Selected Government Bonds	15
Figure 7: Structure of Government Bonds by Type of Holder.....	19
Figure 8: Structure of Government Bonds by Residual Time to Maturity	19
Figure 9: Maturity Profile of State Debt.....	19
Figure 10: Re-fixing Profile of State Debt	19
Figure 11: Net Interest Expenditure on State Debt.....	21
Figure 12: Actual vs. Simulated Net Interest Expenditure on State Debt	21
Figure 13: Net Cash Interest Expenditure and Accrued Interest Costs of Newly Issued Debt	22

List of Abbreviations

APEI	Aggregate Performance Evaluation Index
bn	Billion
CCY	Currency
CDCP	Central Securities Depository Prague
CHF	Swiss franc currency code
CNB	Czech National Bank
CZK	Czech koruna currency code
CZSO	Czech Statistical Office
ESA 2010	European System of Accounts 2010
EUR	Euro currency code
FX	Foreign exchange
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
T-Bills	State treasury bills
T-Bonds	Medium-term and long-term government bonds
USD	United States dollar currency code
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 2019 published on 20 December 2018 (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 2018 to the first quarter of 2019.

At the beginning of 2019, the Ministry successfully entered the domestic financial market, when it sold medium-term and long-term government bonds denominated in local currency in a total nominal value of CZK 115.8 billion during the first quarter. The total gross issue carried out on the primary market via sixteen auctions in six auction days amounted to CZK 91.4 billion. These were re-opened fixed-interest rate issues of already issued medium-term and long-term government bonds.

The issuance on the primary market during the first quarter of 2019 was supplemented by secondary market operations, when the Ministry sold medium-term and long-term government bonds denominated in local currency in total nominal value of CZK 16.6 billion in tap sales and CZK 7.8 billion in exchange operations. For the tap sales and exchange operations of government bonds, 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 and recognized dealers. The Ministry continued the trend of increasing the average time to maturity of the state debt portfolio, when 70% of government bonds denominated in local currency sold on primary and secondary markets with residual time to maturity more than 10 years, thus benefiting from favourable financial market conditions at the beginning of 2019, when government bond yields at the longer end of the yield curve decreased to their lowest levels since May 2018.

In February, the Ministry also successfully carried out the first tranche of a government bond issued under Czech law denominated in euro on the domestic primary market in total nominal value of EUR 100 million. This was the first issue of a foreign currency bond since 2012. The Ministry tested the demand for this type of instrument on the domestic market and utilized the continued favourable market conditions, when it achieved negative yield to maturity of -0.03% p.a. Further

interest in this bond was confirmed by its successful tap sale from own asset account on the basis of a prompt to market participants on secondary market in total nominal value of EUR 250 million also for a negative yield to maturity of -0.05% p.a. in mid-March this year, which further supported its liquidity on financial markets. In the first quarter of 2019, the total nominal value of gross issue of medium-term and long-term government bonds denominated in local and foreign currencies amounted to CZK 124.7 billion.

During the first quarter of 2019, there was no regular redemption of medium-term and long-term government bonds, however, the Ministry bought-back medium-term and long-term government bonds in total nominal value of CZK 7.8 billion within the exchange operations, mainly government bonds with maturity in 2019, and to a lesser extent with maturity in 2020. The total nominal value of net issue of medium-term and long-term government bonds denominated in local currency amounted to CZK 107.9 billion. In this way, the Ministry has pre-financed for the regular redemption of Czech Republic Treasury Bond, 2009-2019, 5.00%, which took place on 11 April 2019. 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 2019.

In January 2019, the Ministry sold state treasury bills in total nominal value of CZK 2.3 billion, which mature in this year. Given the shape of yield curve consisting of relatively higher yields at short end, influenced mainly by the monetary policy of the Czech National Bank, compared to the yields at the longer end and high demand for medium-term and long-term government bonds, the Ministry decided not to carry out any further auctions of state treasury bills in the first quarter of 2019 and fully focused on the sale of government bonds with a longer time to maturity. In this quarter, the total nominal value of net issue of state treasury bills amounted to CZK -1.9 billion.

At the end of 2018, the Ministry resumed the project of direct sale of government bonds intended for citizens called "Dluhopis Republiky", whose first issue was carried out on 1 February 2019 in a total nominal value of CZK 2.9 billion. Due to no regular or early redemption of savings government bonds, the net issue of government bonds for citizens amounted to CZK 2.9 billion. In the area of received credits and loans from international financial institutions, no loan tranche from European Investment Bank was drawn in the first quarter, only planned repayments of loans amounting to CZK 0.4 billion were carried out.

The Successful Issuance in 1st Quarter of 2019

At the beginning of the year, the Ministry successfully entered the financial market by selling medium-term and long-term government bonds denominated in the local currency at total nominal value of CZK 115.8 billion on the primary and secondary markets, thus preparing for a safe and effective securing of the government bond redemption taking place on 11 April 2019, issued in 2009 with a coupon of 5.0% p.a., whose total nominal value outstanding at the end of 2018 was approx. CZK 85 billion. The increased issuance activity in the first quarter of 2019 covered almost half of the local currency redemptions this year. In this way, the Ministry took advantage of the favourable conditions in the form of a decline in government bond yields at the long end of the yield curve compared to the end of 2018, with the yields at the beginning of 2019 being lowest since May 2018, and issued medium-term and long-term government bonds denominated in the local currency with an average residual time

maturity of 10.5 years and an average coupon of 1.66% p.a.

This confirms the advantageousness of financing the gross borrowing requirement on domestic market at the long end of the yield curve, even in the context of the historically highest gross issue and the prolongation of the debt portfolio's time to maturity, and the excellent reputation of the Czech government in the financial markets. The restrictive monetary policy of the Czech National Bank in the form of an increase in key interest rates manifests itself mainly at the short end of the yield curve, which the Ministry uses in investing available liquidity of the state treasury. In the first quarter, the Ministry earned approximately CZK 0.9 billion in investing the available funds of Czech koruna treasury single account, which represents an increase of 159% compared to the same period of the previous year, and corresponds to more than 40% of the revenues from these operations for the previous year.

High Interest in „Dluhopis Republiky“ Bonds by Citizens

On the occasion of celebrating the 100th anniversary of foundation of Czechoslovakia, the Ministry resumed the project of direct sale of government bonds intended for citizens at the end of 2018, when on 3 December 2018 the subscription period for the first issue of the “Dluhopis Republiky” bond was launched. On 1 February, government bonds in the total nominal value of CZK 2.9 billion were subscribed to the asset accounts of citizens. The subscription period for the second issue of the “Dluhopis Republiky” bond took place between 21 January and 15 March, when citizens purchased government bonds in a total nominal value of CZK 0.9 billion. Until June 14, a further subscription period of the “Dluhopis Republiky” bond is under way, with the issue date of 1 July 2019, during which the Ministry offers inflation-linked government bonds

in addition to the reinvestment government bond. The yield of the “Dluhopis Republiky” bond is set at the current market conditions and does not bring any additional costs to the state budget in the form of a premium. Based on the subscription results during the pilot phase, the Ministry will further consider the continuation of the project of direct sale of government bonds and possible adjustment of its issuance activity during 2019.

The Ministry emphasizes the gradual electronicization of the government bond sale system to citizens in order to achieve cost savings in distribution. Since December 2018, more than seven thousand citizens have set up electronic access, and more than 22,000 investors have electronic access to their asset account so far.

Pilot Issue of EUR-Bond on Domestic Market

On 20 February 2019, the Ministry held the first ever auction of a government bond issued under Czech law denominated in the euro currency on the domestic primary market and issued the Government EUR-Bond of the Czech Republic, 2019–2021, 0.00 % with maturity in 2021. This pilot issue was initiated by the Ministry in order to raise euro funds to refinance operations related to the redemption of the government bond in June 2018 issued on foreign markets in 2008 with a total nominal value of EUR 2.0 billion, which the Ministry had covered by the short-term money market operations with negative yield. This issue thus represents an alternative to money market operations and allows diversification of the maturity structure and more effective preparation for deciding on a possible

entry into the foreign bond market in order to cover foreign currency debt redemptions.

At the auction of first tranche, bonds with a total nominal value of EUR 100 million were issued with an average yield of -0.03% p.a., when total demand reached EUR 192 million. In addition, one tap sale from the Ministry's asset account based on the prompt to market participants on secondary market was made on 12 March 2019, with a total nominal value of EUR 250 million and an average yield of -0.05% p.a., which means that no interest expenditures burdening the state budget in the coming years are connected to this issue, but on the contrary, additional state budget revenues were generated.

1 – Borrowing Requirement and Development of State Debt

Table 1: Structure and Balance of the Debt Portfolio

CZK bn	2017	2018	31/3/2019
Gross state debt	1,624.7	1,622.0	1,731.6
T-Bills and other money market instruments	44.0	43.6	33.2
Received collateral in cash	0.0	0.0	0.0
T-Bonds issued on domestic market	1,305.4	1,377.1	1,494.1
T-Bonds issued on foreign markets	202.6	152.9	153.3
Savings government bonds	21.5	5.2	8.1
Received credits and loans ¹	51.2	43.2	42.8
Promissory notes	0.0	0.0	0.0
Share of GDP (%)²	32.2	30.6	32.2

¹ Credits and loans received from international financial institutions.

² GDP in the ESA 2010 methodology. The source of data for Q1 2017 – Q4 2018 is CZSO, for Q1 2019 the Macroeconomic Forecast of the Czech Republic – April 2019. Source: MoF, CZSO

Table 2: Financing Needs and Sources

CZK bn	2017	2018	Q1 2019
Primary balance of state budget	-33.6	-43.7	7.9
Net expenditure on state debt ¹	39.8	40.7	1.4
T-Bonds redemptions ²	209.4	238.9	7.8
Redemptions and early redemptions on savings government bonds	16.9	16.4	0.0
T-Bills and other money market instruments redemptions ³	4.2	44.0	13.1
Repayments on credits and loans ⁴	5.1	8.0	0.4
Total financing needs	241.7	304.4	30.5
Gross T-Bills issue and other money market instruments ^{3, 5}	44.0	43.7	2.7
Received collateral in cash	0.0	0.0	0.0
Gross issue of T-Bonds on domestic market ⁵	213.1	259.2	124.7
Gross issue of T-Bonds on domestic market up to 5 years ^{5, 6}	84.2	45.0	17.8
Gross issue of T-Bonds on domestic market from 5 to 10 years ^{5, 6}	70.9	94.9	26.2
Gross issue of T-Bonds on domestic market over 10 years ^{5, 6}	58.0	119.3	80.7
Gross issue of T-Bonds on foreign markets ⁵	0.0	0.0	0.0
Gross issue of savings government bonds ⁷	0.6	0.1	2.9
Received credits and loans ⁴	0.0	0.0	0.0
Financial asset and liquidity management	-16.1	1.3	-99.8
Total financing sources	241.7	304.4	30.5
Gross borrowing requirement	257.7	303.1	130.3

¹ Balance of the budgetary chapter 396 – State Debt.

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

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

⁴ Credits and loans received from international financial institutions.

⁵ Nominal value; premiums and discounts included in the net expenditure on state debt, i.e. they are included in the net borrowing requirement.

⁶ Residual time to maturity at the transaction settlement date.

⁷ Incl. the reinvestment of yields.

Source: MoF

Table 3: Net Borrowing Requirement and Change in State Debt

CZK bn	2017	2018	1Q 2019
Gross state debt as at 1 January	1,613.4	1,624.7	1,622.0
Primary state budget balance	-33.6	-43.7	7.9
Net expenditure on state debt service ¹	39.8	40.7	1.4
Financial asset and liquidity management operations	16.1	-1.3	99.8
Net borrowing requirement	22.2	-4.2	109.0
T-Bills net issue and net change in the balance of other money market instruments	39.8	-0.3	-10.5
T-Bonds net issue on domestic market	3.8	71.7	116.9
T-Bonds net issue on foreign markets	0.0	-51.4	0.0
Savings government bonds net issue	-16.3	-16.3	2.9
Net change in balance of received credits and loans ²	-5.1	-8.0	-0.4
Financing of net borrowing requirement	22.2	-4.2	109.0
Revaluation of state debt ³	-10.9	1.5	0.6
Promissory notes net change	0.0	0.0	0.0
Gross state debt change	11.3	-2.7	109.6
Gross state debt as at the end of period	1,624.7	1,622.0	1,731.6

¹ Balance of budgetary chapter 396 – State debt.

² Credits and loans received from international financial institutions.

³ Incl. the revaluation of the debt denominated in foreign currencies based on the exchange rate difference and the consolidation of state debt from the bonds, which were at the moment of issuance registered on the asset account maintained by the Ministry in the respective record, for the period they were registered on such account, as well as the bonds acquired by the state as the issuer before their maturity date, and the cash resources received or repaid 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 2019

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, 0.25 %, 27	100	13	9/1	11/1	10/2/2027	CZK	8,000,000,000	8,456,820,000
ČR, 4.20 %, 36	49	15	9/1	11/1	4/12/2036	CZK	3,000,000,000	1,247,000,000
ČR, 2.75 %, 29	105	10	23/1	25/1	23/7/2029	CZK	7,000,000,000	10,051,040,000
ČR, 2.00 %, 33	103	10	23/1	25/1	13/10/2033	CZK	5,000,000,000	5,163,810,000
ČR, 0.25 %, 27	100	14	6/2	8/2	10/2/2027	CZK	5,000,000,000	5,573,320,000
ČR, 2.75 %, 29	105	11	6/2	8/2	23/7/2029	CZK	5,000,000,000	10,478,470,000
ČR, 0.95 %, 30	94	17	6/2	8/2	15/5/2030	CZK	3,000,000,000	7,944,700,000
ČR, 2.75 %, 29	105	12	27/2	1/3	23/7/2029	CZK	5,000,000,000	5,332,270,000
ČR, 0.95 %, 30	94	18	27/2	1/3	15/5/2030	CZK	5,000,000,000	10,171,750,000
ČR, 4.20 %, 36	49	16	27/2	1/3	4/12/2036	CZK	2,000,000,000	2,344,670,000
ČR, 1.00 %, 26	95	16	6/3	8/3	26/6/2026	CZK	5,000,000,000	5,369,320,000
ČR, 2.00 %, 33	103	11	6/3	8/3	13/10/2033	CZK	5,000,000,000	6,880,900,000
ČR, 4.85 %, 57	53	3	6/3	8/3	26/11/2057	CZK	500,000,000	200,000,000
ČR, 0.25 %, 27	100	15	20/3	22/3	10/2/2027	CZK	5,000,000,000	3,927,370,000
ČR, 2.75 %, 29	105	13	20/3	22/3	23/7/2029	CZK	8,000,000,000	4,183,060,000
ČR, 0.95 %, 30	94	19	20/3	22/3	15/5/2030	CZK	3,000,000,000	4,061,340,000
Total CZK								91,385,840,000
ČR, 0.00 %, 21	109	1	20/2	22/2	20/8/2021	EUR	100,000,000	100,000,000
Total EUR								100,000,000

Source: MoF, CNB

Table 4b: Medium-Term and Long-Term Government Bonds Issued in Q1 2019

Issue name	Issue/ tranche no.	Coupon	Average 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, 0.25 %, 27	100 13	0,25%	88.399	1.806	1.45	100.00	5.71
ČR, 4.20 %, 36	49 15	4,20%	126.286	2.379	1.21	40.33	1.23
ČR, 2.75 %, 29	105 10	2,75%	107.211	1.980	1.49	131.63	11.96
ČR, 2.00 %, 33	103 10	2,00%	96.031	2.321	1.13	100.00	3.28
ČR, 0.25 %, 27	100 14	0,25%	88.952	1.740	1.75	100.00	11.47
ČR, 2.75 %, 29	105 11	2,75%	108.310	1.866	1.28	182.98	26.59
ČR, 0.95 %, 30	94 17	0,95%	89.428	2.008	1.60	247.70	17.12
ČR, 2.75 %, 29	105 12	2,75%	107.743	1.920	1.71	100.00	6.65
ČR, 0.95 %, 30	94 18	0,95%	88.898	2.070	1.37	175.60	27.83
ČR, 4.20 %, 36	49 16	4,20%	122.646	2.592	1.85	107.00	10.23
ČR, 1.00 %, 26	95 16	1,00%	93.988	1.889	1.75	100.00	7.39
ČR, 2.00 %, 33	103 11	2,00%	94.778	2.429	1.99	119.46	18.16
ČR, 4.85 %, 57	53 3	4,85%	145.108	2.896	1.10	40.00	0.00
ČR, 0.25 %, 27	100 15	0,25%	87.633	1.957	3.95	56.98	21.57
ČR, 2.75 %, 29	105 13	2,75%	107.248	1.967	1.07	40.13	12.16
ČR, 0.95 %, 30	94 19	0,95%	89.005	2.064	1.87	100.00	35.38
Average CZK					1.66	108.86	13.55
ČR, 0.00 %, 21	109 1	0,00%	100.070	-0.030	1.92	100.00	-
Average EUR					1.92	100.00	-

Source: MoF, CNB

Table 5: State Treasury Bills Issued in Q1 2019

Issue no.	Maturity (weeks)	Auction date	Issue date	Maturity date	Max. nominal value offered	Total nominal value sold	Yield to maturity (% p.a.)
805	39	3/1	4/1	4/10/2019	5,000,000,000	1,150,000,000	1.545
806	26	17/1	18/1	19/7/2019	5,000,000,000	1,120,000,000	1.565
807	39	31/1	1/2	1/11/2019	5,000,000,000	0	-
Total						2,270,000,000	1.555¹

¹ Average weighted yield to maturity.
Source: MoF, CNB**Table 6: Savings Government Bonds Issued in 1Q 2019**

Bond	Issue no.	Settlement date	Maturity date	Original maturity (years)	Total nominal value sold
Reinvestment savings government bond	106	1/2	1/2/2025	6.0	2,923,245,940
Total					2,923,245,940

Source: MoF

Table 7: Medium-Term and Long-Term Government Bonds Issued on Domestic Market as at 31/3/2019

Issue name	Issue no.	ISIN	Maturity date	Nominal value outstanding	Nominal value booked on MoF's asset accounts
ČR, 5.00 %, 19	56	CZ0001002471	11/4/2019	80,944,000,000	2,330,000,000
ČR, 0.00 %, 19	98	CZ0001004717	17/7/2019	70,000,000,000	0
ČR, 1.50 %, 19	76	CZ0001003834	29/10/2019	79,753,200,000	1,285,000,000
ČR, 0.00 %, 20	101	CZ0001005011	10/2/2020	49,153,880,000	900,000,000
ČR, 3.75 %, 20	46	CZ0001001317	12/9/2020	74,625,000,000	250,000,000
ČR, VAR %, 20	91	CZ0001004113	9/12/2020	33,923,370,000	2,050,000,000
ČR, 0.75 %, 21	104	CZ0001005367	23/2/2021	25,618,110,000	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	4,745,780,000	1,100,000,000
ČR, 4.70 %, 22	52	CZ0001001945	12/9/2022	87,324,900,000	569,000,000
ČR, VAR %, 23	63	CZ0001003123	18/4/2023	87,197,380,000	1,900,000,000
ČR, 0.45 %, 23	97	CZ0001004600	25/10/2023	47,289,100,000	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	99,931,590,000	0
ČR, 1.00 %, 26	95	CZ0001004469	26/6/2026	74,080,140,000	2,633,000,000
ČR, 0.25 %, 27	100	CZ0001005037	10/2/2027	67,027,040,000	4,000,000,000
ČR, VAR %, 27	90	CZ0001004105	19/11/2027	58,592,400,000	1,000,000,000
ČR, 2.50 %, 28	78	CZ0001003859	25/8/2028	98,644,410,000	1,355,590,000
ČR, 2.75 %, 29	105	CZ0001005375	23/7/2029	94,276,360,000	5,723,640,000
ČR, 0.95 %, 30	94	CZ0001004477	15/5/2030	92,161,250,000	7,838,750,000
ČR, 2.00 %, 33	103	CZ0001005243	13/10/2033	36,991,070,000	445,000,000
ČR, 4.20 %, 36	49	CZ0001001796	4/12/2036	46,316,040,000	120,000,000
ČR, 4.85 %, 57	53	CZ0001002059	26/11/2057	12,305,000,000	5,695,000,000
Total CZK				1,485,035,020,000	45,694,980,000
ČR, 0.00 %, 21	109	CZ0001005706	20/8/2021	350,000,000	150,000,000
Total EUR				350,000,000	150,000,000

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

Table 8: Medium-Term and Long-Term Government Bonds Issued on Foreign Markets as at 31/3/2019

ISIN	CCY	Maturity date	Nominal value outstanding	Nominal value booked on MoF's asset accounts
XS0215153296	EUR	18/3/2020	1,000,000,000	0
XS0541140793	EUR	14/4/2021	2,000,000,000	0
XS0750894577	EUR	24/5/2022	2,750,000,000	0
XS0240954361	JPY	16/1/2036	30,000,000,000	0
Total EUR			5,750,000,000	0
Total JPY			30,000,000,000	0

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

Table 9: Issued State Treasury Bills as at 31/3/2019

Issue no.	Maturity (weeks)	ISIN	Maturity date	Nominal value outstanding	Nominal value booked on MoF's asset accounts
806	26	CZ0001005680	19/7/2019	1,120,000,000	0
805	39	CZ0001005672	4/10/2019	1,150,000,000	0
Total				2,270,000,000	0

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

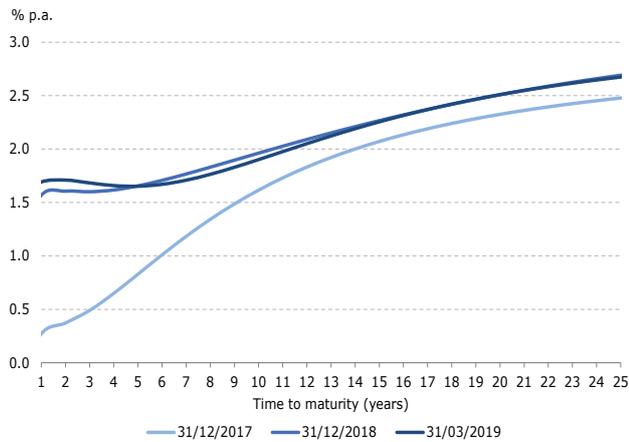
Table 10: Issued Savings Government Bonds as at 31/3/2019

Bond	Issue no.	ISIN	Maturity date	Nominal value outstanding	Nominal value booked on MoF's asset accounts
Inflation-linked savings government bond	70	CZ0001003586	12/6/2019	1,932,197,815	0
Reinvestment savings government bond	92	CZ0001004303	12/6/2019	745,436,333	0
Inflation-linked savings government bond	83	CZ0001003990	12/6/2020	392,461,983	0
Inflation-linked savings government bond	87	CZ0001004204	12/12/2020	2,118,045,359	0
Variable-rate savings government bond	93	CZ0001004311	12/12/2020	30,726,872	0
Reinvestment savings government bond	106	CZ0001005623	1/2/2025	2,923,245,940	0
Total				8,142,114,302	0

Source: MoF

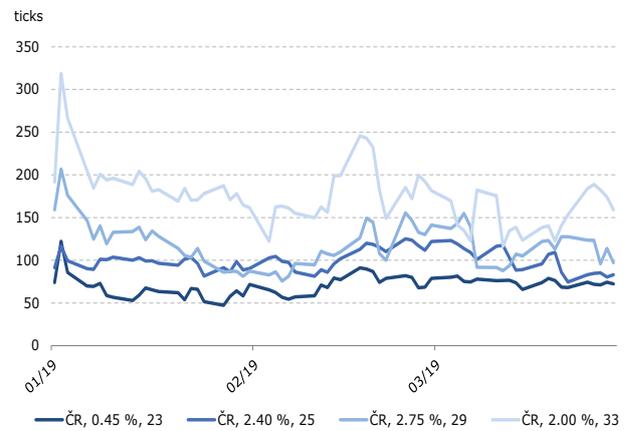
3 – Secondary Market of Government Bonds

Figure 1: Yield Curve of Government Bonds



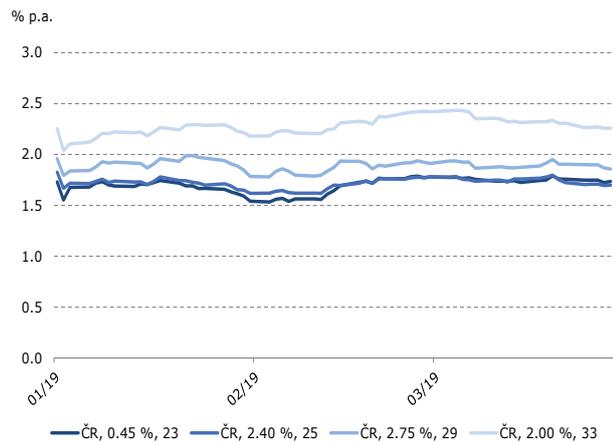
Note: "Par" yield curve of CZK-denominated fixed-rate government bonds is constructed on the basis the extended Nelson-Siegel model, called Svensson model.
Source: MoF, MTS

Figure 2: Bid-Offer Spreads of Selected Government Bonds



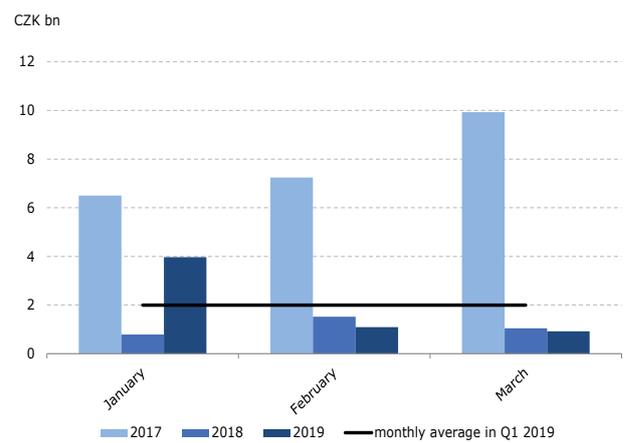
Source: MoF, MTS

Figure 3: Yields of Selected Government Bonds



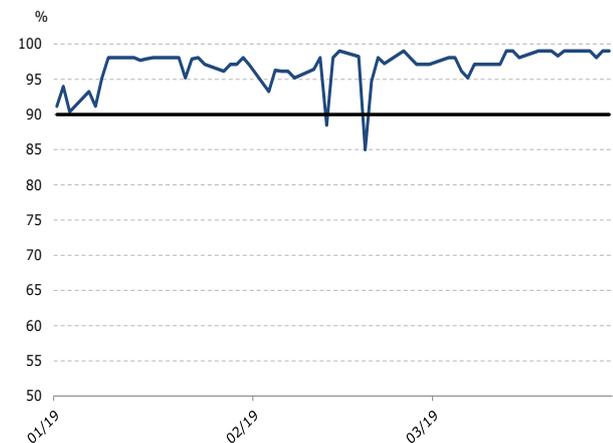
Source: MoF, MTS

Figure 4: Traded Nominal Value on MTS Czech Republic



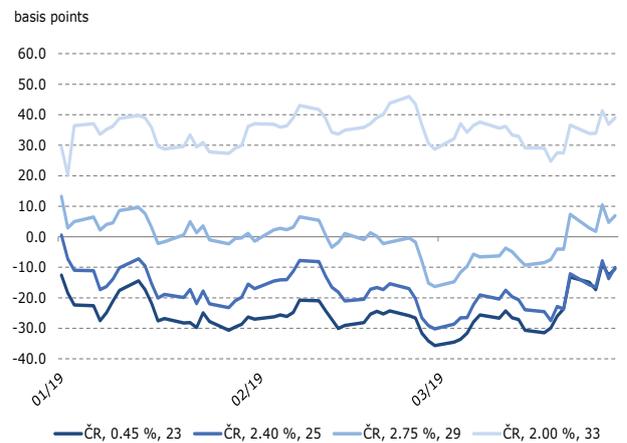
Source: MoF, MTS

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 11a: Realized Lending Facilities of Government Bonds in the Form of Repo Operations in Q1 2019

Issue name	ISIN	Collateral nominal value	Financial resources received	Financial resources paid ¹
ČR, 0.45 %, 23	CZ0001004600	272,000,000	256,861,896	256,851,907
ČR, 5.70 %, 24	CZ0001002547	258,000,000	323,444,583	323,432,005
ČR, 1.00 %, 26	CZ0001004469	316,000,000	304,845,063	304,833,208
ČR, 0.25 %, 27	CZ0001005037	1,135,000,000	1,003,322,822	1,003,275,703
ČR, 2.50 %, 28	CZ0001003859	518,000,000	554,396,961	554,375,401
ČR, 2.75 %, 29	CZ0001005375	365,000,000	405,692,500	405,676,723
ČR, 2.00 %, 33	CZ0001005243	30,000,000	29,199,452	29,197,181
ČR, 4.20 %, 36	CZ0001001796	30,000,000	38,014,000	38,011,043
Total		2,924,000,000	2,915,777,277	2,915,653,172

¹ Incl. financial resources from this lending facilities realized in Q1 2019, which has not been paid during this period.

Note: The average interest rate achieved under this lending facilities during Q1 2019 amounted to -0.17% p.a.

Source: MoF

Table 11b: Realized Lending Facilities of Government Bonds in the Form of Collateralized Loans of Securities in Q1 2019

Issue name	ISIN	Nominal value	Revenue ¹
ČR, 5.00 %, 19	CZ0001002471	200,000,000	2,671
ČR, 0.00 %, 20	CZ0001005011	3,650,000,000	261,650
ČR, 0.75 %, 21	CZ0001005367	120,000,000	18,295
ČR, 3.85 %, 21	CZ0001002851	2,904,000,000	204,445
ČR, 0.45 %, 23	CZ0001004600	1,290,000,000	96,037
ČR, 5.70 %, 24	CZ0001002547	1,001,000,000	199,801
ČR, 2.40 %, 25	CZ0001004253	750,000,000	25,253
ČR, 1.00 %, 26	CZ0001004469	2,861,000,000	197,400
ČR, 0.25 %, 27	CZ0001005037	3,647,000,000	172,934
ČR, 2.50 %, 28	CZ0001003859	500,000,000	18,961
ČR, 2.75 %, 29	CZ0001005375	121,000,000	6,967
ČR, 0.95 %, 30	CZ0001004477	450,000,000	31,368
ČR, 4.20 %, 36	CZ0001001796	50,000,000	4,779
Total		17,544,000,000	1,240,561

¹ Incl. financial revenue from this lending facilities realized in Q1 2019, which has not been terminated during this period.

Source: MoF

Table 12: Realized Exchange Operations of Government Bonds in Q1 2019

Settlement date	Issue name	Tap sale		Buy-back		
		Nominal value	Average price	Issue name	Nominal value	Average price
4/1/2019	ČR, 2.40 %, 25	500,000,000	103.770	ČR, 5.00 %, 19	500,000,000	100.854
4/1/2019	ČR, 2.40 %, 25	475,000,000	103.770	ČR, 1.50 %, 19	475,000,000	99.794
7/1/2019	ČR, 2.75 %, 29	700,000,000	108.850	ČR, 1.50 %, 19	700,000,000	99.796
7/1/2019	ČR, 2.00 %, 33	215,000,000	99.150	ČR, 5.00 %, 19	215,000,000	100.828
7/1/2019	ČR, 2.00 %, 33	25,000,000	99.150	ČR, 1.50 %, 19	25,000,000	99.796
16/1/2019	ČR, 0.25 %, 27	200,000,000	88.500	ČR, 5.00 %, 19	200,000,000	100.748
16/1/2019	ČR, 0.25 %, 27	100,000,000	88.500	ČR, 1.50 %, 19	100,000,000	99.802
16/1/2019	ČR, 2.75 %, 29	80,000,000	107.881	ČR, 1.50 %, 19	80,000,000	99.802
17/1/2019	ČR, 0.25 %, 27	800,000,000	88.610	ČR, 5.00 %, 19	800,000,000	100.739
17/1/2019	ČR, 0.25 %, 27	450,000,000	88.610	ČR, 1.50 %, 19	450,000,000	99.802
17/1/2019	ČR, 2.75 %, 29	120,000,000	108.100	ČR, 5.00 %, 19	120,000,000	100.739
1/2/2019	ČR, 0.25 %, 27	200,000,000	88.781	ČR, 5.00 %, 19	200,000,000	100.616
1/2/2019	ČR, 0.25 %, 27	190,000,000	88.781	ČR, 1.50 %, 19	190,000,000	99.811
5/2/2019	ČR, 2.75 %, 29	800,000,000	109.256	ČR, 5.00 %, 19	800,000,000	100.580
5/2/2019	ČR, 2.75 %, 29	300,000,000	109.125	ČR, 1.50 %, 19	300,000,000	99.814
5/2/2019	ČR, 2.75 %, 29	125,000,000	109.125	ČR, 3.75 %, 20	125,000,000	103.126
6/2/2019	ČR, 2.00 %, 33	450,000,000	97.720	ČR, 5.00 %, 19	450,000,000	100.572
12/2/2019	ČR, 2.00 %, 33	200,000,000	97.380	ČR, 5.00 %, 19	200,000,000	100.519
11/3/2019	ČR, 4.20 %, 36	350,000,000	122.900	ČR, 5.00 %, 19	350,000,000	100.263
13/3/2019	ČR, 0.95 %, 30	100,000,000	89.525	ČR, 1.50 %, 19	100,000,000	99.839
13/3/2019	ČR, 4.20 %, 36	75,000,000	124.000	ČR, 1.50 %, 19	75,000,000	99.839
15/3/2019	ČR, 4.20 %, 36	195,000,000	124.050	ČR, 1.50 %, 19	195,000,000	99.840
19/3/2019	ČR, 2.00 %, 33	100,000,000	96.125	ČR, 1.50 %, 19	100,000,000	99.842
19/3/2019	ČR, 4.20 %, 36	100,000,000	124.210	ČR, 1.50 %, 19	100,000,000	99.842
26/3/2019	ČR, 2.00 %, 33	105,000,000	96.250	ČR, 1.50 %, 19	105,000,000	99.847
26/3/2019	ČR, 2.00 %, 33	150,000,000	96.250	ČR, 3.75 %, 20	150,000,000	102.852
26/3/2019	ČR, 4.20 %, 36	260,000,000	124.250	ČR, 1.50 %, 19	260,000,000	99.847
26/3/2019	ČR, 4.85 %, 57	200,000,000	145.750	ČR, 1.50 %, 19	200,000,000	99.847
28/3/2019	ČR, 2.75 %, 29	150,000,000	108.150	ČR, 1.50 %, 19	150,000,000	99.848
28/3/2019	ČR, 2.75 %, 29	50,000,000	108.150	ČR, 3.75 %, 20	50,000,000	102.842
29/3/2019	ČR, 2.75 %, 29	50,000,000	108.250	ČR, 3.75 %, 20	50,000,000	102.836
Total		7,815,000,000			7,815,000,000	

Source: MoF

Table 13: Realized Tap Sales of Government Bonds in Q1 2019

Issue name	Issue no.	Settlement date	Maturity date	Average price	CCY	Nominal value
ČR, 4.85 %, 57	53	4/1/2019	26/11/2057	144.090	CZK	50,000,000
ČR, 0.00 %, 20	101	7/1/2019	10/2/2020	98.350	CZK	5,000,000
ČR, 0.00 %, 20	101	16/1/2019	10/2/2020	98.239	CZK	20,000,000
ČR, 0.00 %, 20	101	17/1/2019	10/2/2020	98.239	CZK	50,000,000
ČR, 0.00 %, 22	102	18/1/2019	24/2/2022	94.980	CZK	500,000,000
ČR, 0.00 %, 22	102	21/1/2019	24/2/2022	94.980	CZK	500,000,000
ČR, 4.20 %, 36	49	21/1/2019	4/12/2036	126.600	CZK	200,000,000
ČR, 0.00 %, 20	101	22/1/2019	10/2/2020	98.231	CZK	500,000,000
ČR, 0.00 %, 20	101	23/1/2019	10/2/2020	98.250	CZK	1,000,000,000
ČR, 4.20 %, 36	49	23/1/2019	4/12/2036	126.300	CZK	200,000,000
ČR, 0.00 %, 20	101	24/1/2019	10/2/2020	98.250	CZK	2,000,000,000
ČR, 0.00 %, 22	102	28/1/2019	24/2/2022	95.070	CZK	500,000,000
ČR, 0.95 %, 30	94	28/1/2019	15/5/2030	88.360	CZK	506,000,000
ČR, 0.00 %, 22	102	31/1/2019	24/2/2022	95.130	CZK	500,000,000
ČR, 4.20 %, 36	49	31/1/2019	4/12/2036	125.690	CZK	100,000,000
ČR, 4.20 %, 36	49	1/2/2019	4/12/2036	126.022	CZK	200,000,000
ČR, 0.00 %, 20	101	4/2/2019	10/2/2020	98.300	CZK	1,708,000,000
ČR, 4.20 %, 36	49	4/2/2019	4/12/2036	126.100	CZK	270,000,000
ČR, 0.00 %, 22	102	5/2/2019	24/2/2022	95.330	CZK	500,000,000
ČR, 4.85 %, 57	53	5/2/2019	26/11/2057	148.320	CZK	50,000,000
ČR, 0.00 %, 22	102	7/2/2019	24/2/2022	95.330	CZK	500,000,000
ČR, 0.00 %, 22	102	11/2/2019	24/2/2022	95.400	CZK	500,000,000
ČR, 4.85 %, 57	53	13/2/2019	26/11/2057	148.300	CZK	75,000,000
ČR, 4.20 %, 36	49	6/3/2019	4/12/2036	122.700	CZK	500,000,000
ČR, 2.75 %, 29	105	13/3/2019	23/7/2029	108.150	CZK	100,000,000
ČR, 4.85 %, 57	53	21/3/2019	26/11/2057	145.750	CZK	200,000,000
ČR, 2.00 %, 33	103	26/3/2019	13/10/2033	96.250	CZK	550,000,000
ČR, 4.20 %, 36	49	26/3/2019	4/12/2036	124.250	CZK	400,000,000
ČR, 2.75 %, 29	105	27/3/2019	23/7/2029	108.150	CZK	200,000,000
ČR, 0.95 %, 30	94	27/3/2019	15/5/2030	90.250	CZK	500,000,000
ČR, 2.75 %, 29	105	28/3/2019	23/7/2029	108.150	CZK	1,000,000,000
ČR, 0.95 %, 30	94	28/3/2019	15/5/2030	90.250	CZK	600,000,000
ČR, 2.75 %, 29	105	29/3/2019	23/7/2029	108.250	CZK	2,075,000,000
Total CZK						16,559,000,000
ČR, 0.00 %, 21	109	12/3/2019	20/8/2021	100.122	EUR	250,000,000
Total EUR						250,000,000

Source: MoF

4 – Risk Management and Portfolio Strategy

Table 14: Targets, Limits and Risk Parameters of the Debt Portfolio

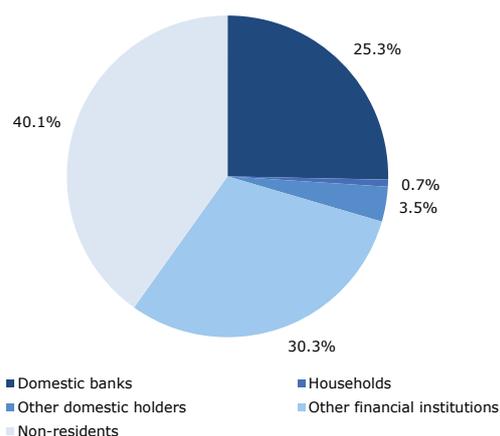
INDICATOR	Announced target for medium-term horizon	As at 31/3/2019
Short-term state debt	20.0% and less	20,0%
Medium-term state debt	70.0% and less	53,8%
Average time to maturity	6.0 years ¹	5,6 years
Interest re-fixing up to 1 year	30.0 to 40.0%	33,2%
Average time to re-fixing	5.0 years	4,9 years
Net foreign-currency exposure of state debt with the impact on state debt level	15.0% and less ²	9,7%
Net foreign-currency exposure with the impact of the level of interest expenditure on state debt service	15.0% and less ²	9,7%

¹ With a possibility of deviation of 0.25 years.

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

Source: MoF

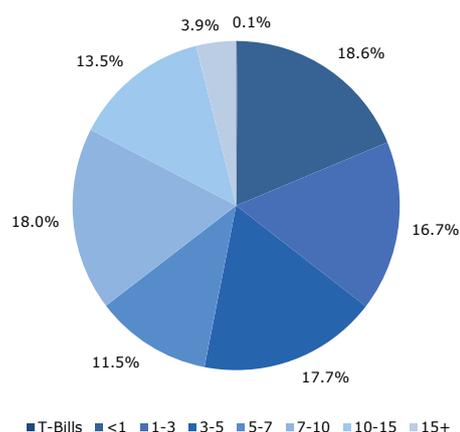
Figure 7: Structure of Government Bonds by Type of Holder



Note: Involves T-Bonds issued on domestic market, savings government bonds and T-Bills. As at 31/3/2019.

Source: MoF, CDCP, CNB

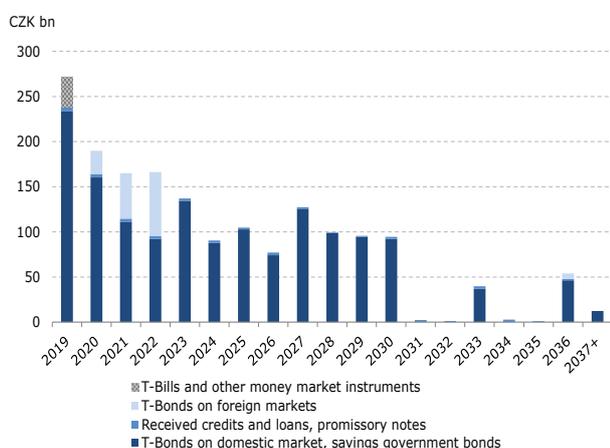
Figure 8: Structure of Government Bonds by Residual Time to Maturity



Note: Involves T-Bonds issued on domestic and foreign markets, savings government bonds and T-Bills. As at 31/3/2019.

Source: MoF

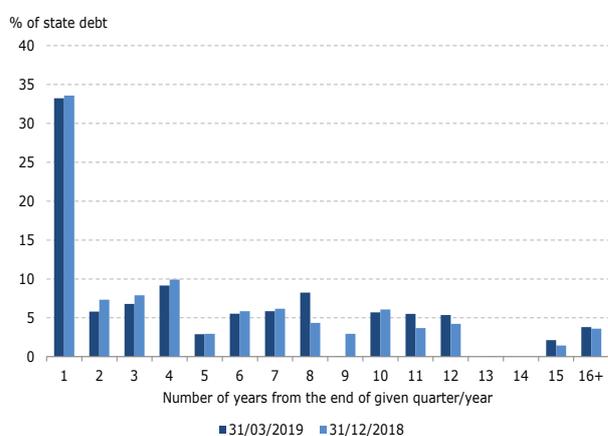
Figure 9: Maturity Profile of State Debt



Note: Received credits and loans include credits and loans received from international financial institutions. As at 31/3/2019.

Source: MoF

Figure 10: Re-fixing Profile of State Debt



Source: MoF

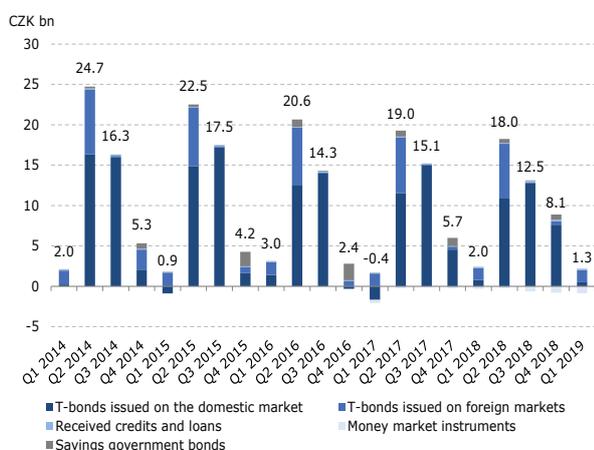
Table 15: State Debt Parameters

	31/3/ 2018	30/6/ 2018	30/9/ 2018	31/12/ 2018	31/3/ 2019
Total state debt (CZK bn)	1,712.1	1,713.5	1,671.4	1,622.0	1,731.6
Market value of state debt (CZK bn)	1,829.6	1,797.3	1,741.2	1,700.7	1,820.4
Short-term state debt (%)	19.0	17.5	15.8	17.8	20.0
Medium-term state debt (%)	61.1	60.7	56.4	57.3	53.8
T-Bills and other money market instruments (%)	10.5	7.3	5.6	2.7	1.9
Average time to maturity (years)	4.8	5.2	5.4	5.4	5.6
Interest re-fixing up to 1 year (%)	33.3	32.1	31.3	33.6	33.2
Average time to re-fixing (years)	4.1	4.5	4.7	4.7	4.9
Variable-rate state debt (%)	11.9	12.2	13.1	13.4	12.5
Modified duration (years)	3.7	4.0	4.1	4.3	4.4
State debt level net foreign currency exposure (%)	10.4	10.5	10.7	10.3	9.7
Interest expenditure on state debt net foreign currency exposure (%)	10.4	10.6	10.7	10.3	9.7
Foreign currency state debt (%)	11.9	12.1	12.2	11.9	11.2
Share of € in state debt level net foreign currency exposure (%)	96.7	90.5	90.4	96.3	96.3
Share of € in interest expenditure on state debt net foreign currency exposure (%)	100.0	93.8	93.7	100.0	100.0
Non-marketable state debt (%) ¹	2.9	5.8	5.7	5.1	4.2
Share of savings government bonds on state debt (%)	1.3	0.9	0.9	0.3	0.5
Marketable state debt (CZK bn)	1,641.6	1,598.9	1,560.8	1,534.1	1,650.1
Market value of marketable state debt (CZK bn)	1,758.5	1,682.9	1,631.0	1,613.2	1,739.2
Short-term marketable state debt (%)	18.6	14.7	12.7	15.8	18.7
Medium-term marketable state debt (%)	61.3	59.7	55.0	56.5	53.1
T-Bills and other money market instruments (%)	11.0	4.6	2.7	0.3	0.2
Average time to maturity (years)	4.8	5.3	5.6	5.5	5.6
Interest re-fixing up to 1 year (%)	31.2	27.9	27.1	30.4	30.8
Average time to re-fixing (years)	4.2	4.7	4.9	4.9	5.1
Variable-rate marketable state debt (%)	9.9	10.4	11.5	11.7	10.9
Modified duration (years)	3.8	4.2	4.3	4.5	4.6
Marketable state debt level net foreign currency exposure (%)	10.8	8.1	8.2	8.4	8.3
Interest expenditure on marketable state debt net foreign currency exposure (%)	10.8	8.1	8.2	8.4	8.3
Foreign-currency marketable state debt (%)	12.4	9.7	9.8	10.0	9.9
Share of € in marketable state debt level net foreign currency exposure (%)	96.7	95.3	95.4	95.2	95.5
Share of € in interest expenditure on marketable state debt net foreign currency exposure (%)	100.0	100.0	100.0	100.0	100.0

¹ Excl. savings government bonds.
Source: MoF

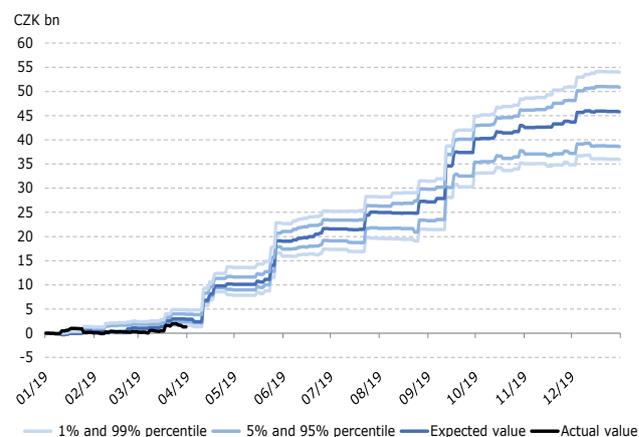
5 – State Debt Service Expenditure and Cost-at-Risk

Figure 11: Net Interest Expenditure on State Debt



Note: Received credits and loans include credits and loans received from international financial institutions.
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 16: Budget Expenditure and Revenue of the Chapter State Debt in 2019

CZK mil.	Actual Q1 2018	Budget 2019		Actual Q1 2019	% Execution	2019/2018 (%)
		Approved	After changes			
1. Total interest expenditure and revenue	2,046	46,149	46,149	1,306	2.8	63.8
	0	-	-	-	-	-
Internal debt	443	37,413	37,413	(-) 352	-0.9	-79.6
	-	-	-	-	-	-
Money market instruments	(-) 332	(-) 1,820	(-) 1,820	(-) 855	47.0	257.8
	-	-	-	-	-	-
Savings government bonds	5	147	147	6	4.0	112.0
	-	-	-	-	-	-
T-Bonds on domestic market	769	39,086	39,086	497	1.3	64.6
	-	-	-	-	-	-
External debt	1,604	8,731	8,731	1,659	19.0	103.4
	-	-	-	-	-	-
T-Bonds on foreign markets	1,495	7,907	7,907	1,492	18.9	99.8
	-	-	-	-	-	-
Received credits and loans ¹	109	824	824	166	20.2	153.2
	-	-	-	-	-	-
Payment accounts	0	5	5	0	-0.2	102.2
	0	-	-	-	-	-
2. Fees	17	350	350	44	12.6	251.6
	0	-	-	-	-	-
Total chapter balance	2,064	46,499	46,499	1,350	-	65.4

¹ Credits and loans received from international financial institutions.
Note: (-) means revenue (gains).
Source: MoF

Table 17: Overview of Budgetary Transfers from the Chapter State Debt Realized in Q1 2019

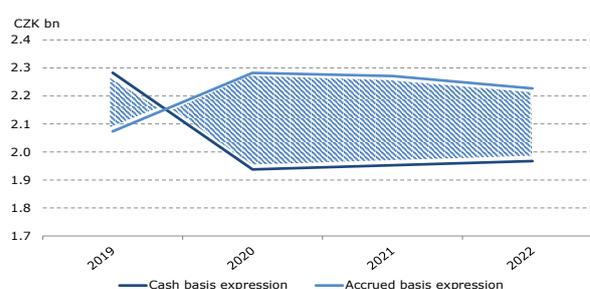
Chapter number	Chapter	Funds allocation	Amount (CZK)
-	-	-	0
Total			0

Source: MoF

Table 18: Expected vs. Actual Net Interest Expenditure

CZK bn	Q1 2018	Q1 2019
Actual expenditure	2.0	1.3
Expected expenditure	2.1	2.9
Cost-at-Risk 95%	2.6	3.9
Cost-at-Risk 99%	3.3	4.8
Difference between expectation and reality	0.0	1.6

Source: MoF

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


Source: MoF

Table 19: Interest Expenditure and Accrued Costs of the Newly Issued State Debt

CZK bn	Nominal value	Net interest expenditure/accrued costs			
		2019F	2020F	2021F	2022F
Cash basis expression	129.9	2.3	1.9	2.0	2.0
Accrued basis expression	129.9	2.1	2.3	2.3	2.2
Gross issuance of T-Bonds	124.7	2.0	2.2	2.2	2.2
Gross issuance of T-Bills	2.3	0.0	0.0	-	-
Gross issuance of savings government bonds	2.9	0.1	0.1	0.1	0.1

Source: MoF

Table 20: FX Operations on Spot Market in Q1 2019

Counterparty	Nominal value (EUR)	Nominal value (USD)	Nominal value (CHF)	Nominal value (CZK)	Savings ¹ (CZK)	Share of savings (%)
UniCredit Bank Czech Republic and Slovakia, a.s. / UniCredit Bank AG Munich	66,420,073	0	0	1,703,678,781	7,604,225	62.2
J.P. Morgan Securities plc	8,162,992	14,411,410	0	537,584,086	2,466,331	20.2
Credit Agricole Corporate and Investment Bank	16,657,987	0	0	428,018,347	2,023,435	16.5
Goldman Sachs International	332,527	0	805,136	26,971,169	135,216	1.1
Total	91,573,579	14,411,410	805,136	2,696,252,383	12,229,207	100.0

¹ State budget savings made through the intermediation of foreign currency payments from the state budget given by the exchange rate announced by the CNB and the exchange rate on spot market.

Source: MoF

6 – Evaluation of the Primary Dealers in Q2 2018 to Q1 2019

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 8 primary dealers were evaluated.

Table 21: Overall Evaluation of Primary Dealers in Q2 2018 to Q1 2019

Ranking	Primary Dealer	Points
1 st	KBC Bank NV / Československá obchodní banka, a. s.	67.8
2 nd	Erste Group Bank AG / Česká spořitelna, a.s.	65.9
3 rd	PPF banka a.s.	58.8
4 th	Société Générale / Komerční banka, a.s.	47.6
5 th	Citibank Europe plc	45.4

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

Table 22: Primary Market in Q2 2018 to Q1 2019

Ranking	Primary Dealer	Points
1 st	Erste Group Bank AG / Česká spořitelna, a.s.	45.4
2 nd	KBC Bank NV / Československá obchodní banka, a. s.	33.9
3 rd	Société Générale / Komerční banka, a.s.	27.9
4 th	PPF banka a.s.	27.5
5 th	Citibank Europe plc	15.8

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

Table 23: Secondary Market in Q2 2018 to Q1 2019

Ranking	Primary Dealer	Points
1 st	KBC Bank NV / Československá obchodní banka, a. s.	33.9
2 nd	PPF banka a.s.	31.3
3 rd	Citibank Europe plc	29.6
4 th	Erste Group Bank AG / Česká spořitelna, a.s.	20.5
5 th	Société Générale / Komerční banka, a.s.	19.6

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

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www.mfcr.cz/statedebt

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