



Ministry of Finance

Debt and Financial Assets
Management Department

Debt Portfolio Management Quarterly Report

1st Quarter of 2020



17 April 2020

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List of Abbreviations

bn	Billion
CDCP	Central Securities Depository Prague
CHF	Swiss franc currency code
CNB	Czech National Bank
CPI	Consumer price index
CZK	Czech koruna currency code
CZSO	Czech Statistical Office
ESA 2010	European System of Accounts 2010
EUR	Euro currency code
FIX	Fixed-rate
FX	Foreign exchange
GDP	Gross domestic product
ISIN	International Securities Identification Number
JPY	Japanese yen currency code
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 and limits, the operational fulfilment of the funding programme and issuance activity plans specified in The Czech Republic Funding and Debt Management Strategy for 2020 published on 20 December 2019, and further includes a regular quarterly performance evaluation of primary dealers in Czech government securities for the period from the second quarter of 2019 to the first quarter of 2020.

During the first quarter of 2020, the Ministry successfully sold on domestic financial market medium-term and long-term government bonds denominated in local currency and state treasury bills excluding roll-over within the year in total nominal value of CZK 179.7 billion. This record-high issuance activity compared to the previous years for the same period is due to the current situation, when the Czech Republic is facing a pandemic spread of the new coronavirus SARS-CoV-2. The aim of increased sales of government bonds is thus to secure additional funds to cover the increased crisis state budget deficit, strengthening the treasury liquidity reserves and covering the regular redemptions of CZK-denominated state debt in 2020.

Medium-term and long-term government bonds were sold in total nominal value of CZK 92.5 billion via fourteen auctions in six auction days on primary market. In addition to the re-opening of fixed-rate and variable-rate issues, the Ministry issued two new fixed-rate issues with maturity in 2025 and 2031. The issuance activity on primary market was supplemented by secondary market operations, when the Ministry offered government bonds with interest rates along the entire yield curve. The Ministry sold government bonds in total nominal value of CZK 14.4 billion in tap sales and CZK 4.3 billion in exchange operations.

In the first quarter of 2020, the Ministry sold medium-term and long-term government bonds in total nominal value of CZK 111.2 billion with the average yield to maturity of 1.33% p.a. and the average time to maturity of 6.6 years. This issuance activity covered two-thirds of CZK-denominated government debt redemptions in 2020 under relatively favourable conditions, despite the higher volatility of yields on financial market given the current situation.

In February, the regular redemption of Government Bond of the Czech Republic, 2017-2020, 0.00% in total nominal value of CZK 50.1 billion was carried out and government bonds with maturity in 2020 in total nominal value of CZK 4.3 billion were bought-back in exchange operations. The total nominal value of net issue of CZK-denominated medium-term and long-term government bonds amounted to CZK 56.8 billion. In addition, the Ministry successfully settled the March redemptions of medium-term and long-term government bonds issued on foreign markets in 2005 in total nominal value of EUR 1.0 billion.

During the first quarter of 2020, two auctions of state treasury bills were carried out, when the Ministry preferred the issue of government bonds with longer time to maturity due to higher interest from investors and more favourable financing, as the short end of the yield curve reflected the monetary policy situation in the Czech Republic. Following the reaction of the Czech National Bank to the economic situation in the Czech Republic in connection with the spread of coronavirus in the form of 2W repo rate's cut, the Ministry sold state treasury bills in total nominal value of CZK 68.6 billion at the end of March. The total nominal value of net issue of state treasury bills amounted to CZK 64.0 billion.

At the beginning of January, government bonds were issued in total nominal value of CZK 1.7 billion as a part of the project of direct sale of government bonds intended for citizens, as well as new tranches of already issued government bonds in the form of reinvested yields of CZK 12 million. No regular redemptions were carried out, only early redemptions based on the exercise of the right of the holders in the total nominal value of CZK 22 million. The total nominal value of net issue of government bonds intended for citizens reached CZK 1.7 billion.

In the area of received credits and loans from international financial institutions, planned repayments of loans from European Investment Bank amounting to CZK 1.0 billion were carried out in the first quarter of 2020, with no new loan tranche was drawn. In addition, the variable-interest loan tranche due in 2036 was converted from CZK 1.4 billion to the euro in total amount of EUR 56.4 million at a fixed rate of 0.0% p.a. with its next revision in 2029.

Increased Issuance of Government Bonds

During March, the Ministry responded flexibly to the unfavourable economic situation and adjusted its issuance activity to obtain sufficient funds to cover additional expenditures of the crisis state budget, to cover state debt redemptions in 2020 and to strengthen liquidity reserves of the state treasury under relatively favourable conditions, although the domestic financial market faced high yield volatility due to increasing uncertainty about future developments. For the increased issuance of government bonds, the Ministry used all its distribution channels when offered bonds on primary market through auctions and on secondary market through tap sales and exchanges.

High demand for government bonds as a relatively safe financial asset enabled the Ministry to issue government bonds to an increased extent, when

medium-term and long-term government bonds in total nominal value CZK 55.3 billion were sold in the auction held on 25 March. In the subsequent auction at the beginning of April, the demand reached a historical level of CZK 163.5 billion, with the Ministry selling government bonds in a total nominal value of CZK 89.5 billion. An unprecedented interest was also registered in the state treasury bills auction held on March 26, which the Ministry again largely accepted and issued government bonds in a total nominal value of CZK 68.6 billion.

By this issuance, the Ministry started preparations for a possible crisis course of 2020 and partially strengthened the liquidity reserves of the state treasury. Taking into account the April sales, the Ministry fully covered local currency redemptions of state debt in 2020.

Affirmation of the Czech Republic's Rating

In the course of 2020, several major credit rating agencies with international scope of activity affirmed or upgraded the current rating. Fitch Ratings was the first to do so at the end of January, affirming the long-term AA- rating with a stable outlook. The agency positively assessed the state of public finances supported by sound fiscal policies. At the same time, ACRA Europe's rating of long-term liabilities has been upgraded from its current AA- to AA level, leaving a stable outlook. In the first quarter, the credit rating agency R&I and ACRA also confirmed their rating.

In the beginning of April, the rating agency Moody's affirmed the Czech Republic's rating for long-term

liabilities at Aa3 level with a stable outlook. It did so despite the expected economic slowdown due to a coronavirus pandemic. The report highlights prudent fiscal policies, low levels of indebtedness, effective monetary policy, a healthy banking sector and the growth dynamics of the economy so far.

The high rating will continue to allow the Ministry more favourable financing of state debt in the form of a lower risk premium by investors, but will also improve the position of other domestic entities on the financial markets, whose credit rating is also based on the Czech Republic's rating.

Stable Interest in "Dluhopis Republiky" Government Bonds

The direct sale of government bonds to citizens has continued in 2020. In the sixth subscription period which ended on 13 March the Ministry offered three types of government bonds, namely Reinvestment Government Bond of the Czech Republic, 2020–2026 II, FIX%, Inflation-Linked Government Bond of the Czech Republic, 2020–2026 II, CPI% and Fixed Government Bond of the Czech Republic, 2020–2026 II, 1.50%. In total, citizens subscribed government bonds in a total nominal value of CZK 2.1 billion, which is more than CZK 400 million more than in the previous subscription period with the issue date

of January 2. Traditionally, the highest interest was in the inflation-linked government bond, which accounted for more than 96% of total sales. As of April 1, government bonds for citizens in a total nominal value of CZK 16.8 billion were issued.

The seventh subscription period began on 16 March and will end on 12 June with the date of issue on 1 July. Three types of bonds are offered for subscription, which can be ordered through contractual distributors or via electronic access to the asset account management.

1 – Update of Funding and Debt Management Strategy for 2020

Introduction

In connection with the approval of Act No. 129/2020 Coll., amending Act No. 355/2019 Coll., On the State Budget of the Czech Republic for 2020, which came into force on 26 March 2020, the Ministry proceeds to the extraordinary quarterly update The Czech Republic Funding and Debt Management Strategy for 2020 (hereinafter the Strategy), issued on 20 December 2019, under which the Ministry retained the possibility of performing such a quarterly update in submitted Debt Portfolio Management Quarterly Report – 1st Quarter of 2020. The Ministry

is approaching to such update for the very first time based on extraordinary situation related to the pandemic spread of SARS-CoV-2 coronavirus. The newly modified definition of the operational framework enables the Ministry to operate flexibly on domestic and foreign financial markets while actively securing additional sources of funds to cover increased crisis expenditures and the loss of state budget revenues in response to measures of the Government of the Czech Republic to mitigate the economic impacts of a pandemic.

Key changes

Financing Needs in 2020

At the beginning of this year the financing needs amounted to CZK 250.5 billion and was thus by CZK 20.6 billion lower than originally planned in the approved Strategy, mainly due to the lower redemptions of state treasury bills and other money market instruments. Especially as a result of the amendment to the act on the state budget

of the Czech Republic for 2020, which led to the increase in the budgeted state budget deficit from CZK 40 billion to CZK 200 billion, the current financing needs increased to CZK 410.6 billion in 2020, i.e. by CZK 139.5 billion compared to the original plan in the Strategy.

CZK-Denominated Medium-Term and Long-Term Government Bonds

In order to cover the increased state budget deficit and state debt redemptions denominated in local currency, the Ministry increases the total minimum nominal value of gross issue from CZK 120 billion to CZK 370 billion. Further sales of CZK-denominated medium-term and long-term government bonds in excess of CZK 370 billion will be realized for the purpose of pre-financing of long-term state debt redemptions in 2021 denominated in local currency, which currently amounts to approximately CZK 170 billion.

The Ministry plans to swiftly increase the liquidity position of the state treasury through sales of medium-term and long-term government bonds, mostly with a maturity of up to 5 years, where the demand for government bonds of the Czech Republic is currently the most concentrated. For this reason, it exceptionally included to the April issuance

calendar new government bond with a maturity in 2022, while the original strategy permitted new issues of medium-term and long-term government bonds with a maturity of 2024 at the earliest. For this reason, the number of CZK-denominated benchmark issues of government bonds will not be stabilized at the level of 20, as originally planned.

To the issuance calendars even medium-term and long-term government bonds with longer maturities will be included, depending on the demand from investors. Given the demand of those investors who prefer issues with a higher total nominal value outstanding than a higher number of issues, at the selected benchmark issues will be increased the total nominal value outstanding over CZK 100 billion. Variable-rate government bonds may also be included in sales to a greater extent.

Medium-Term and Long-Term Government Bonds Denominated in Foreign Currency

The Ministry prefers refinancing of foreign currency debts by issuing government bonds on domestic market under Czech law in the case of cost-favourable conditions. In case of worsening conditions on domestic financial market and high

volatility, it reserves the possibility of a flexible response in the form of an issue on foreign markets under foreign law, or in the form of private placement to selected investors.

Money Market Instruments

With respect to the increase of the planned state budget deficit this year, the Ministry will continue to strengthen the state treasury liquidity reserves through reserve issues of state treasury bills due in 2021 up to CZK 200 billion. Stabilization repo

operations with the domestic banking sector providing state treasury bills as collateral can also be used as another flexible instrument aiming to create additional treasury liquidity reserves.

Loans From International Financial Institutions

Another financing channel will be loans from the European Investment Bank for the purpose of modernizing transport infrastructure and for water projects and loans from the Council of Europe Development Bank to finance the purchase of medical supplies and equipment for the Czech

Republic. These loans is possible to draw both in the domestic currency and in the euro, the choice of a particular currency will depend on the current financing needs in the respective currencies and the cost-effectiveness of the financing compared to the issuance of government bonds.

State Treasury Clients Range Expansion

The Chamber of Deputies approved the amendment to Act No. 58/1995 Coll., On Insurance and Financing of Exports with State Support, on the basis of which Export Guarantee and Insurance Corporation and Czech Export Bank receive funds provided from the state budget to their accounts held with the Czech

National Bank subordinated to state treasury, which will further increase the state treasury funds within six months after the end of the transitional period in accordance with budgetary rules for the purpose of state debt and treasury liquidity management.

Rating of the Czech Republic

Table 1: The Czech Republic's Credit Rating

Rating agency	Local currency long-term liabilities	Outlook	Foreign currency long-term liabilities	Outlook	Affirmed
Moody's	Aa3	Stable	Aa3	Stable	6/4/2020 ¹
S&P Global Ratings	AA	Stable	AA-	Stable	19/7/2019
Fitch Ratings	AA-	Stable	AA-	Stable	24/1/2020
JCR	AA	Stable	AA-	Stable	29/8/2019
R&I	AA-	Stable	AA-	Stable	9/3/2020
Scope Ratings	AA	Stable	AA	Stable	26/1/2018
Dagong Global Credit Rating	A+	Stable	A+	Stable	16/10/2018
ACRA Europe	AA	Stable	AA	Stable	24/1/2020
ACRA	AA	Stable	AA	Stable	17/3/2020

¹ "Credit Opinion" supporting current rating.

Source: Moody's, S&P Global Ratings, Fitch Ratings, JCR, R&I, Scope Ratings, Dagong Global Credit Rating, ACRA Europe, ACRA

2 – Borrowing Requirement and Development of State Debt

Table 2: Structure and Balance of the Debt Portfolio

CZK bn	2018	2019	31/3/2020
Gross state debt	1,622.0	1,640.2	1,772.8
T-Bills and other money market instruments	43.6	18.0	108.6
Received collateral in cash	0.0	0.0	0.0
T-Bonds issued on domestic market	1,377.1	1,419.2	1,477.9
T-Bonds issued on foreign markets	152.9	151.5	133.9
Savings government bonds	5.2	13.0	14.7
Received credits and loans ¹	43.2	38.5	37.6
Promissory notes	0.0	0.0	0.0
Share of GDP (%)²	30.5	29.0	31.2

¹ Credits and loans received from international financial institutions.

² GDP in the ESA 2010 methodology. The source of data for Q1 2018 – Q4 2019 is CZSO, for Q1 2020 the Macroeconomic Forecast of the Czech Republic – April 2020. Source: MoF, CZSO

Table 3: Financing Needs and Sources

CZK bn	2018	2019	Q1 2020
Primary balance of state budget	-43.7	-11.0	41.3
Net expenditure on state debt ¹	40.7	39.6	3.4
T-Bonds redemptions ²	238.9	238.5	81.5
Redemptions and early redemptions on savings government bonds	16.4	2.7	0.0
T-Bills and other money market instruments redemptions ³	44.0	43.5	18.4
Repayments on credits and loans ⁴	8.0	4.7	1.0
Total financing needs	304.4	317.9	145.6
Gross T-Bills issue and other money market instruments ^{3, 5}	43.7	18.0	108.0
Received collateral in cash	0.0	0.0	0.0
Gross issue of T-Bonds on domestic market ⁵	259.2	280.9	111.2
Gross issue of T-Bonds on domestic market up to 5 years ^{5, 6}	45.0	48.1	65.8
Gross issue of T-Bonds on domestic market from 5 to 10 years ^{5, 6}	94.9	71.7	17.3
Gross issue of T-Bonds on domestic market over 10 years ^{5, 6}	119.3	161.1	28.1
Gross issue of T-Bonds on foreign markets ⁵	0.0	0.0	0.0
Gross issue of savings government bonds ⁷	0.1	10.5	1.7
Received credits and loans ⁴	0.0	0.0	0.0
Financial asset and liquidity management	1.3	8.5	-75.3
Total financing sources	304.4	317.9	145.6
Gross borrowing requirement	303.1	309.4	220.9

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 4: Net Borrowing Requirement and Change in State Debt

CZK bn	2018	2019	Q1 2020
Gross state debt as at 1 January	1,624.7	1,622.0	1,640.2
Primary state budget balance	-43.7	-11.0	41.3
Net expenditure on state debt service ¹	40.7	39.6	3.4
Financial asset and liquidity management operations	-1.3	-8.5	75.3
Net borrowing requirement	-4.2	20.0	120.0
T-Bills net issue and net change in the balance of other money market instruments	-0.3	-25.5	89.7
T-Bonds net issue on domestic market	71.7	42.4	56.8
T-Bonds net issue on foreign markets	-51.4	0.0	-27.2
Savings government bonds net issue	-16.3	7.8	1.7
Net change in balance of received credits and loans ²	-8.0	-4.7	-1.0
Financing of net borrowing requirement	-4.2	20.0	120.0
Revaluation of state debt ³	1.5	-1.8	12.6
Promissory notes net change	0.0	0.0	0.0
Gross state debt change	-2.7	18.2	132.6
Gross state debt as at the end of period	1,622.0	1,640.2	1,772.8

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

3 – Primary Market of Government Bonds

Table 5a: Medium-Term and Long-Term Government Bonds Issued in Q1 2020

Issue name	Issue/ tranche no.	Auction date	Settlement date	Maturity date	Currency	Max. nominal value offered in the competitive part of auction	Total nominal value sold
ČR, 0.45 %, 23	97 -	15/1	17/1	25/10/2023	CZK	3,000,000,000	0
ČR, 0.25 %, 27	100 22	15/1	17/1	10/2/2027	CZK	4,000,000,000	4,842,930,000
ČR, 0.45 %, 23	97 23	29/1	31/1	25/10/2023	CZK	4,000,000,000	4,629,650,000
ČR, 4.85 %, 57	53 9	29/1	31/1	26/11/2057	CZK	1,000,000,000	446,890,000
ČR, 1.25 %, 25	120 1	12/2	14/2	14/2/2025	CZK	5,000,000,000	5,533,930,000
ČR, 4.85 %, 57	53 10	12/2	14/2	26/11/2057	CZK	500,000,000	566,130,000
ČR, 1.25 %, 25	120 2	26/2	28/2	14/2/2025	CZK	5,000,000,000	5,457,230,000
ČR, 0.25 %, 27	100 23	26/2	28/2	10/2/2027	CZK	3,000,000,000	3,058,110,000
ČR, 0.25 %, 27	100 24	11/3	13/3	10/2/2027	CZK	2,000,000,000	2,500,000,000
ČR, 1.20 %, 31	121 1	11/3	13/3	13/3/2031	CZK	7,000,000,000	9,650,000,000
ČR, 4.85 %, 57	53 11	11/3	13/3	26/11/2057	CZK	500,000,000	500,000,000
ČR, 0.45 %, 23	97 24	25/3	27/3	25/10/2023	CZK	5,000,000,000	37,510,540,000
ČR, VAR %, 27	90 13	25/3	27/3	19/11/2027	CZK	4,000,000,000	3,032,300,000
ČR, 1.20 %, 31	121 2	25/3	27/3	13/3/2031	CZK	3,000,000,000	14,762,410,000
Total							92,490,120,000

Source: MoF, CNB

Table 5b: Medium-Term and Long-Term Government Bonds Issued in Q1 2020

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, 0.45 %, 23	97 -	0.45%	-	-	-	0.00	0.00
ČR, 0.25 %, 27	100 22	0.25%	90.754	1.647	1.96	121.07	0.00
ČR, 0.45 %, 23	97 23	0.45%	96.085	1.537	3.07	100.00	15.74
ČR, 4.85 %, 57	53 9	4.85%	166.575	2.227	5.05	43.17	1.52
ČR, 1.25 %, 25	120 1	1.25%	98.730	1.517	2.55	100.00	10.68
ČR, 4.85 %, 57	53 10	4.85%	168.994	2.160	5.39	100.00	13.23
ČR, 1.25 %, 25	120 2	1.25%	98.846	1.493	1.41	100.00	9.14
ČR, 0.25 %, 27	100 23	0.25%	92.939	1.320	3.54	100.00	1.94
ČR, 0.25 %, 27	100 24	0.25%	95.371	0.945	2.02	125.00	0.00
ČR, 1.20 %, 31	121 1	1.20%	101.646	1.041	1.22	137.86	0.00
ČR, 4.85 %, 57	53 11	4.85%	180.759	1.854	1.86	100.00	0.00
ČR, 0.45 %, 23	97 24	0.45%	97.636	1.127	1.04	721.12	29.09
ČR, VAR %, 27	90 13	VAR%	97.957	19.4911	1.57	75.00	0.81
ČR, 1.20 %, 31	121 2	1.20%	96.218	1.578	1.30	478.20	13.88
Average					2.20	119.66	13.18

Source: MoF, CNB

Table 6: State Treasury Bills Issued in Q1 2020

Issue no.	Maturity (weeks)	Auction date	Issue date	Maturity date	Max. nominal value offered	Total nominal value sold	Yield to maturity (% p.a.)
812	11	2/1	3/1	20/3/2020	5,000,000,000	40,000,000	1.000
813	52	26/3	27/3	26/3/2021	10,000,000,000	68,560,000,000	1.250
Total						68,600,000,000	1.250¹

¹ Average weighted yield to maturity.
Source: MoF, CNB

Table 7: Savings Government Bonds Issued in Q1 2020

Issue name	Issue no.	Settlement date	Maturity date	Original maturity (years)	Total nominal value sold
SD-R ČR, FIX %, 26	114	2/1	2/1/2026	6.0	51,894,075
SD-I ČR, CPI %, 26	115	2/1	2/1/2026	6.0	1,604,924,634
SD-F ČR, 1.25 %, 26	116	2/1	2/1/2026	6.0	16,416,515
SD-R ČR, FIX %, 25 ¹	106	1/2	1/2/2025	6.0	12,331,472
Total					1,685,566,696

¹ Incl. tranches issued in the form of reinvestment of yields.
Source: MoF

Table 8: Medium-Term and Long-Term Government Bonds Issued on Domestic Market as at 31/3/2020

Issue name	Issue no.	ISIN	Maturity date	Nominal value outstanding	Nominal value booked on MoF's asset accounts
ČR, 3.75 %, 20	46	CZ0001001317	12/9/2020	70,521,050,000	650,000,000
ČR, VAR %, 20	91	CZ0001004113	9/12/2020	33,723,370,000	200,000,000
ČR, 0.75 %, 21	104	CZ0001005367	23/2/2021	26,618,110,000	0
ČR, 3.85 %, 21	61	CZ0001002851	29/9/2021	77,635,000,000	0
ČR, 0.00 %, 22	102	CZ0001005029	24/2/2022	5,845,780,000	0
ČR, 4.70 %, 22	52	CZ0001001945	12/9/2022	87,593,900,000	300,000,000
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	102,510,540,000	17,489,460,000
ČR, 5.70 %, 24	58	CZ0001002547	25/5/2024	88,600,000,000	1,400,000,000
ČR, 1.25 %, 25	120	CZ0001005870	14/2/2025	18,869,160,000	6,130,840,000
ČR, 2.40 %, 25	89	CZ0001004253	17/9/2025	99,931,590,000	0
ČR, 1.00 %, 26	95	CZ0001004469	26/6/2026	100,000,000,000	0
ČR, 0.25 %, 27	100	CZ0001005037	10/2/2027	100,000,000,000	0
ČR, VAR %, 27	90	CZ0001004105	19/11/2027	61,824,700,000	8,175,300,000
ČR, 2.50 %, 28	78	CZ0001003859	25/8/2028	99,000,000,000	1,000,000,000
ČR, 2.75 %, 29	105	CZ0001005375	23/7/2029	99,000,000,000	1,000,000,000
ČR, 0.95 %, 30	94	CZ0001004477	15/5/2030	99,000,000,000	1,000,000,000
ČR, 1.20 %, 31	121	CZ0001005888	13/3/2031	25,062,410,000	34,587,590,000
ČR, 2.00 %, 33	103	CZ0001005243	13/10/2033	99,000,000,000	1,000,000,000
ČR, 4.20 %, 36	49	CZ0001001796	4/12/2036	49,500,000,000	500,000,000
ČR, 4.85 %, 57	53	CZ0001002059	26/11/2057	19,178,120,000	821,880,000
Total CZK				1,450,611,110,000	76,155,070,000
ČR, 0.00 %, 21	109	CZ0001005706	20/8/2021	1,000,000,000	0
Total EUR				1,000,000,000	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: Medium-Term and Long-Term Government Bonds Issued on Foreign Markets as at 31/3/2020

ISIN	Currency	Maturity date	Nominal value outstanding	Nominal value booked on MoF's asset accounts
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			4,750,000,000	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 10: Issued State Treasury Bills as at 31/3/2020

Issue no.	Maturity (weeks)	ISIN	Maturity date	Nominal value outstanding	Nominal value booked on MoF's asset accounts
813	52	CZ0001005938	26/3/2021	68,560,000,000	100,000,000,000
Total				68,560,000,000	100,000,000,000

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

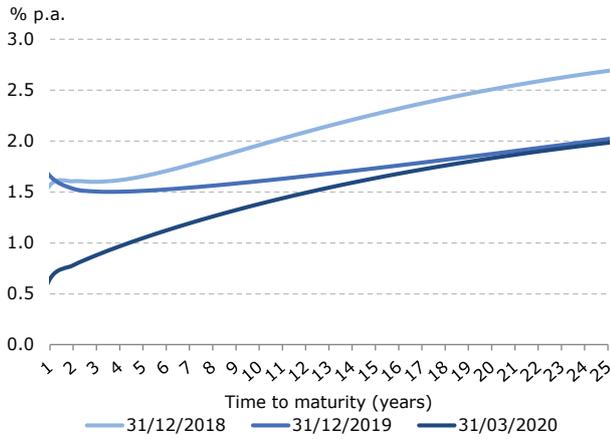
Table 11: Issued Savings Government Bonds as at 31/3/2020

Issue name	Issue no.	ISIN	Maturity date	Nominal value outstanding	Nominal value booked on MoF's asset accounts
SSD-I ČR, CPI %, 20	83	CZ0001003990	12/6/2020	402,534,828	0
SSD-I ČR, CPI %, 20 II	87	CZ0001004204	12/12/2020	2,170,048,394	0
SSD-V ČR, VAR %, 20	93	CZ0001004311	12/12/2020	30,582,365	0
SD-R ČR, FIX %, 25	106	CZ0001005623	1/2/2025	2,913,786,412	0
SD-R ČR, FIX %, 25 II	107	CZ0001005631	1/4/2025	900,551,308	0
SD-R ČR, FIX %, 25 III	108	CZ0001005649	1/7/2025	381,042,200	0
SD-I ČR, CPI %, 25	110	CZ0001005714	1/7/2025	4,995,894,108	0
SD-R ČR, FIX %, 25 IV	111	CZ0001005730	1/10/2025	56,389,169	0
SD-I ČR, CPI %, 25 II	112	CZ0001005722	1/10/2025	1,119,582,173	0
SD-F ČR, 1.50 %, 25	113	CZ0001005748	1/10/2025	23,201,524	0
SD-R ČR, FIX %, 26	114	CZ0001005763	2/1/2026	51,894,075	0
SD-I ČR, CPI %, 26	115	CZ0001005771	2/1/2026	1,604,924,634	0
SD-F ČR, 1.25 %, 26	116	CZ0001005789	2/1/2026	16,416,515	0
Total				14,666,847,705	0

Source: MoF

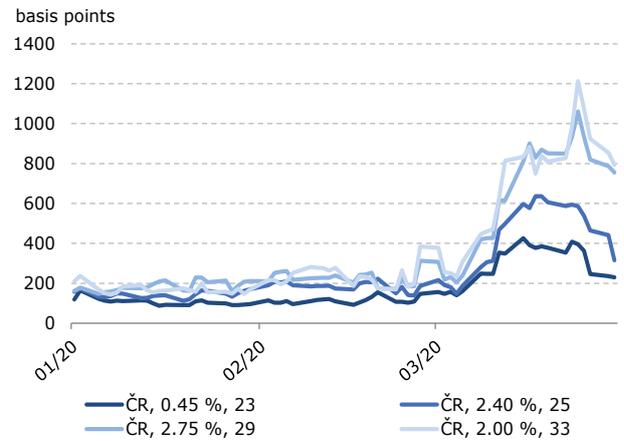
4 – Secondary Market of Government Bonds

Figure 1: Yield Curve of Government Bonds



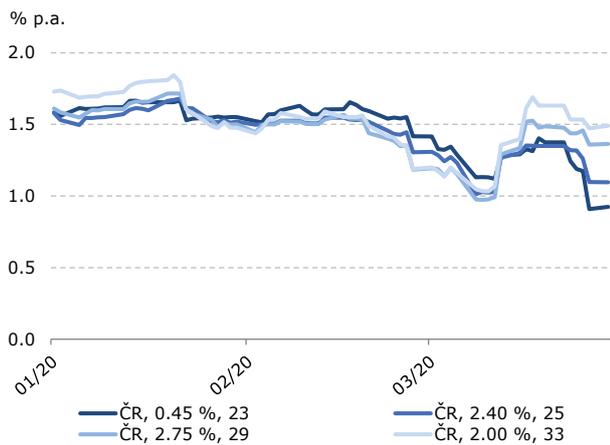
Note: "Par" yield curve of CZK-denominated fixed-rate government bonds is constructed on the basis the extended Nelson-Siegel model, called Svensson model.
Source: MoF, MTS

Figure 2: Bid-Offer Spreads of Selected Government Bonds



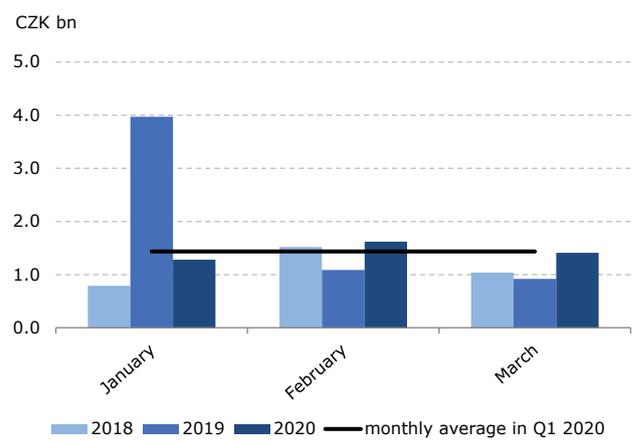
Source: MoF, MTS

Figure 3: Yields of Selected Government Bonds



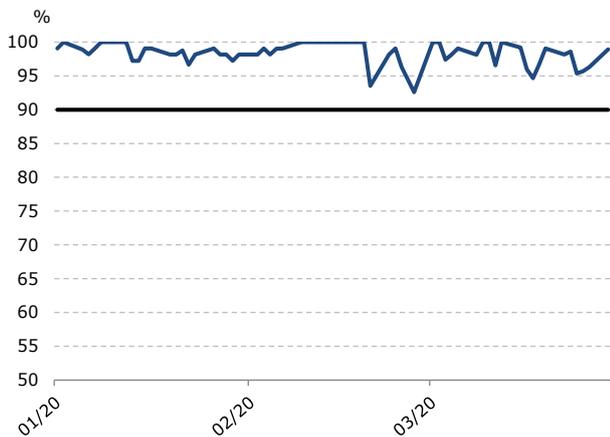
Source: MoF, MTS

Figure 4: Traded Nominal Value on MTS Czech Republic



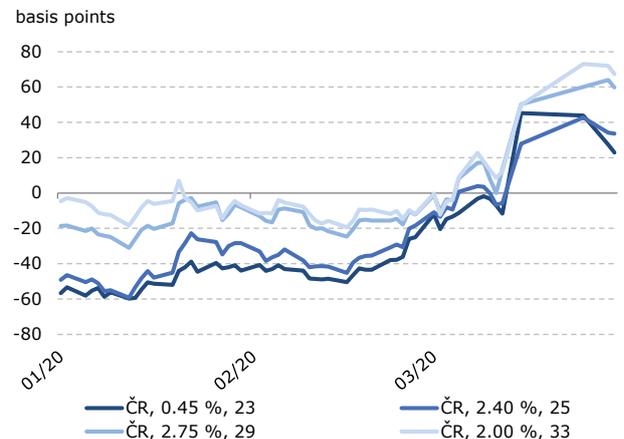
Source: MoF, MTS

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 12a: Realized Lending Facilities of Government Bonds in the Form of Repo Operations in Q1 2020

Issue name	ISIN	Collateral nominal value	Financial resources received	Financial resources paid ¹
ČR, 0.75 %, 21	CZ0001005367	300,000,000	296,469,863	296,440,216
ČR, 4.20 %, 36	CZ0001001796	260,000,000	376,588,333	376,529,169
Total CZK		560,000,000	673,058,196	672,969,385
ČR, 5.70 %, 24	CZ0001002547	977,000,000 ²	45,000,000	44,986,744
ČR, 1.00 %, 26	CZ0001004469	1,480,000,000 ²	55,000,000	54,983,798
ČR, 2.75 %, 29	CZ0001005375	705,000,000 ²	30,000,000	29,991,250
ČR, 2.00 %, 33	CZ0001005243	1,486,000,000 ²	60,000,000	59,982,500
Total EUR		4,648,000,000²	190,000,000	189,944,292

¹ Incl. financial resources from this lending facilities realized in Q1 2020, which has not been paid during this period.

² Collateral nominal value is stated in local currency.

Note: The average interest rate achieved under this lending facilities during Q1 2020 amounted to -0.46% p.a.

Source: MoF

Table 12b: Realized Lending Facilities of Government Bonds in the Form of Collateralized Loans of Securities in Q1 2020

Issue name	ISIN	Nominal value	Revenue ¹
ČR, 0.75 %, 21	CZ0001005367	110,000,000	8,455
ČR, 4.70 %, 22	CZ0001001945	680,000,000	132,648
ČR, VAR %, 23	CZ0001003123	410,000,000	34,090
ČR, 0.45 %, 23	CZ0001004600	340,000,000	29,379
ČR, 1.25 %, 25	CZ0001005870	100,000,000	11,566
ČR, VAR %, 27	CZ0001004105	605,000,000	191,763
ČR, 2.75 %, 29	CZ0001005375	70,000,000	6,072
ČR, 0.95 %, 30	CZ0001004477	150,000,000	11,961
ČR, 4.85 %, 57	CZ0001002059	25,000,000	3,284
Total		2,490,000,000	429,219

¹ Incl. financial revenue from this lending facilities realized in Q1 2020, which has not been terminated during this period.

Source: MoF

Table 13: Realized Tap Sales of Government Bonds in Q1 2020

Issue name	Issue no.	Settlement date	Maturity date	Average price	Currency	Nominal value
ČR, 0.95 %, 30	94	8/1/2020	15/5/2030	93.625	CZK	369,760,000
ČR, 1.00 %, 26	95	10/1/2020	26/6/2026	96.950	CZK	200,000,000
ČR, 0.45 %, 23	97	22/1/2020	25/10/2023	95.850	CZK	150,000,000
ČR, 0.45 %, 23	97	24/1/2020	25/10/2023	95.900	CZK	200,000,000
ČR, 2.00 %, 33	103	27/1/2020	13/10/2033	105.275	CZK	400,000,000
ČR, 0.25 %, 27	100	5/2/2020	10/2/2027	91.900	CZK	200,000,000
ČR, 2.00 %, 33	103	4/3/2020	13/10/2033	110.500	CZK	290,000,000
ČR, 4.20 %, 36	49	4/3/2020	4/12/2036	145.500	CZK	174,380,000
ČR, 0.45 %, 23	97	6/3/2020	25/10/2023	97.100	CZK	209,960,000
ČR, 0.25 %, 27	100	10/3/2020	10/2/2027	93.975	CZK	500,000,000
ČR, 0.00 %, 22	102	12/3/2020	24/2/2022	97.650	CZK	280,000,000
ČR, 0.75 %, 21	104	20/3/2020	23/2/2021	99.450	CZK	550,000,000
ČR, 0.45 %, 23	97	20/3/2020	25/10/2023	96.800	CZK	1,000,000,000
ČR, 3.85 %, 21	61	23/3/2020	29/9/2021	103.450	CZK	1,100,000,000
ČR, 1.25 %, 25	120	23/3/2020	14/2/2025	99.340	CZK	2,200,000,000
ČR, 1.00 %, 26	95	23/3/2020	26/6/2026	96.500	CZK	1,614,400,000
ČR, 4.70 %, 22	52	24/3/2020	12/9/2022	108.010	CZK	269,000,000
ČR, 1.25 %, 25	120	24/3/2020	14/2/2025	99.340	CZK	3,500,000,000
ČR, 0.25 %, 27	100	24/3/2020	10/2/2027	92.500	CZK	1,158,410,000
Total						14,365,910,000

Source: MoF

Table 14: Realized Exchange Operations of Government Bonds in Q1 2020

Settlement date	Tap sale			Buy-back		
	Issue name	Nominal value	Average price	Issue name	Nominal value	Average price
25/3/2020	ČR, 1.25 %, 25	500,000,000	98.300	ČR, 3,75 %, 20	500,000,000	100.920
25/3/2020	ČR, 1.20 %, 31	400,000,000	94.500	ČR, 3,75 %, 20	400,000,000	100.920
25/3/2020	ČR, 2.00 %, 33	275,950,000	102.300	ČR, 3,75 %, 20	275,950,000	100.920
26/3/2020	ČR, 5.70 %, 24	1,000,000,000	117.850	ČR, 3,75 %, 20	1,000,000,000	101.065
26/3/2020	ČR, 1.25 %, 25	1,278,000,000	99.200	ČR, 3,75 %, 20	1,278,000,000	101.065
31/3/2020	ČR, 1.25 %, 25	400,000,000	99.500	ČR, 3,75 %, 20	400,000,000	101.250
31/3/2020	ČR, VAR %, 27	200,000,000	97.000	ČR, VAR %, 20	200,000,000	99.850
31/3/2020	ČR, 1.20 %, 31	250,000,000	96.890	ČR, 3,75 %, 20	250,000,000	101.250
Total		4,303,950,000		4,303,950,000		

Source: MoF

5 – Risk Management and Portfolio Strategy

Table 15: Targets, Limits and Risk Parameters of the Debt Portfolio

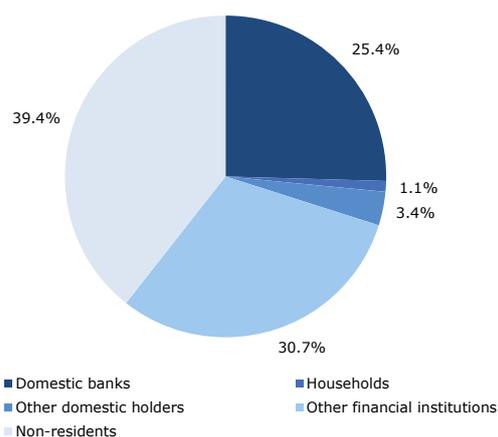
INDICATOR	Announced target for medium-term horizon	As at 31/3/2020
Short-term state debt	20.0% and less	13.8%
Medium-term state debt	70.0% and less	49.8%
Average time to maturity	6.0 years ¹	5.9 years
Interest re-fixing up to 1 year	40.0% and less	25.0%
Average time to re-fixing	5.0 years ¹	5.4 years
Net foreign-currency exposure with the impact on the state debt level	15.0% and less ²	10.1%
Net foreign-currency exposure with the impact on the level of interest expenditure on state debt service	15.0% and less ²	10.1%

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

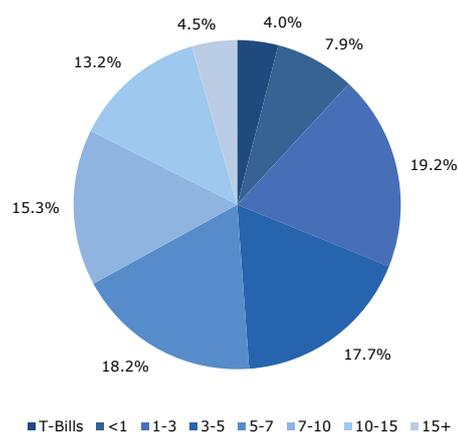
Figure 7: Structure of Government Bonds by Type of Holder



Note: Involves T-Bonds issued on domestic market, savings government bonds and T-Bills. As at 31/3/2020.

Source: MoF, CDCP, CNB

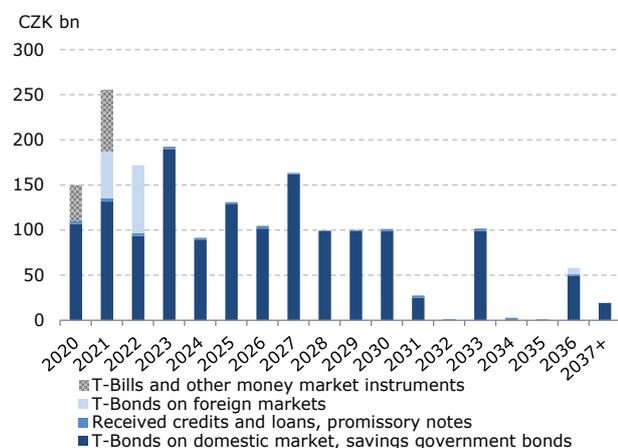
Figure 8: Structure of Government Bonds by Residual Time to Maturity



Note: Involves T-Bonds issued on domestic and foreign markets, savings government bonds and T-Bills. As at 31/3/2020.

Source: MoF

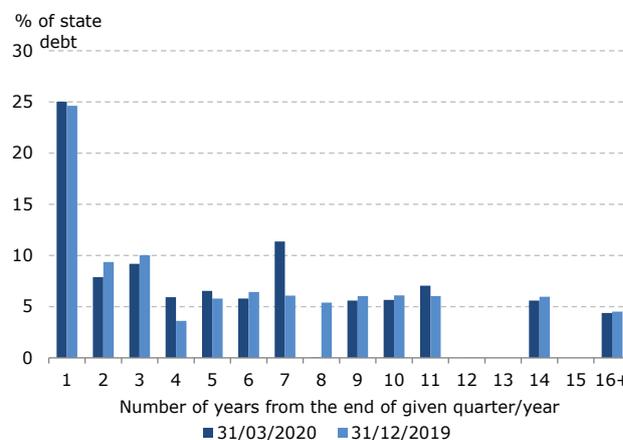
Figure 9: Maturity Profile of State Debt



Note: Received credits and loans include credits and loans received from international financial institutions. As at 31/3/2020.

Source: MoF

Figure 10: Re-fixing Profile of State Debt



Source: MoF

Table 16: State Debt Parameters

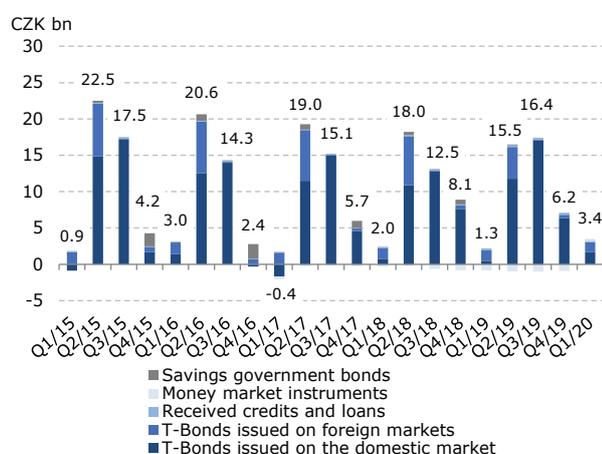
	31/3/ 2019	30/6/ 2019	30/9/ 2019	31/12/ 2019	31/3/ 2020
Total state debt (CZK bn)	1,731.6	1,712.6	1,685.2	1,640.2	1,772.8
Market value of state debt (CZK bn)	1,820.4	1,821.0	1,804.2	1,731.4	1,897.3
Short-term state debt (%)	20.0	14.9	15.1	12.7	13.8
Medium-term state debt (%)	53.8	54.5	51.8	48.5	49.8
T-Bills and other money market instruments (%)	1.9	1.4	1.0	1.1	6.1
Average time to maturity (years)	5.6	5.9	6.0	6.2	5.9
Interest re-fixing up to 1 year (%)	33.2	28.1	28.7	24.6	25.0
Average time to re-fixing (years)	4.9	5.3	5.4	5.6	5.4
Variable-rate state debt (%)	12.5	12.5	13.0	13.2	12.3
Modified duration (years)	4.4	4.9	5.0	5.1	5.2
Net foreign-currency exposure with the impact on the state debt level (%)	9.7	9.7	10.0	10.1	10.1
Net foreign-currency exposure with the impact on the level of interest expenditure on state debt service (%)	9.7	9.7	10.0	10.1	10.1
Foreign currency state debt (%)	11.2	11.2	11.6	11.6	11.6
Share of EUR in state debt level net foreign currency exposure (%)	96.3	96.2	96.1	96.2	96.1
Share of EUR in interest expenditure on state debt net foreign currency exposure (%)	100.0	100.0	100.0	100.0	100.0
Non-marketable state debt (%) ¹	4.2	3.7	3.3	3.1	4.4
Share of savings government bonds on state debt (%)	0.5	0.4	0.7	0.8	0.8
Marketable state debt (CZK bn)	1,650.1	1,643.2	1,617.3	1,575.9	1,680.6
Market value of marketable state debt (CZK bn)	1,739.2	1,751.8	1,736.4	1,667.5	1,804.5
Short-term marketable state debt (%)	18.7	13.8	14.3	12.0	11.9
Medium-term marketable state debt (%)	53.1	54.2	51.8	48.4	48.9
T-Bills and other money market instruments (%)	0.2	0.2	0.1	0.3	4.1
Average time to maturity (years)	5.6	5.9	6.0	6.2	6.1
Interest re-fixing up to 1 year (%)	30.8	26.0	26.7	22.5	21.9
Average time to re-fixing (years)	5.1	5.5	5.5	5.7	5.6
Variable-rate marketable state debt (%)	10.9	10.9	11.1	11.4	10.9
Modified duration (years)	4.6	5.0	5.2	5.2	5.4
Net foreign-currency exposure with the impact on the marketable state debt level (%)	8.3	8.9	9.6	9.7	8.2
Net foreign-currency exposure with the impact on the level of interest expenditure on marketable state debt service (%)	8.3	8.9	9.6	9.7	8.1
Foreign-currency marketable state debt (%)	9.9	10.4	11.2	11.3	9.8
Share of EUR in marketable state debt level net foreign currency exposure (%)	95.5	95.7	95.7	95.9	95.0
Share of EUR 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

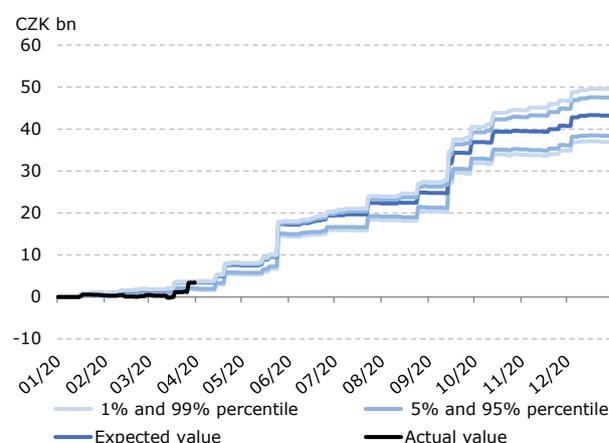
6 – State Debt Service Expenditure and Cost-at-Risk

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 17: Budget Expenditure and Revenue of the Chapter State Debt

CZK mil	Budget 2020				% Execution	2020/2019 (%)
	Actual Q1 2019	Approved	After changes	Actual Q1 2020		
1. Total interest expenditure and revenue	1,306	48,461	48,461	3,406	7.0	260.8
Internal debt	(-) 352	40,912	40,912	1,841	4.5	-522.8
Money market instruments	(-) 855	3,415	3,415	174	5.1	-20.4
Savings government bonds	6	349	349	15	4.4	257.7
T-Bonds on domestic market	497	37,148	37,148	1,652	4.4	332.4
External debt	1,659	7,544	7,544	1,567	20.8	94.5
T-Bonds on foreign markets	1,492	6,713	6,713	1,413	21.1	94.7
Received credits and loans ¹	166	832	832	154	18.5	92.5
Payment accounts	0	5	5	(-) 2	-35.4	15 878.9
2. Fees	44	350	296	25	8.4	56.7
Total chapter balance	1,350	48,811	48,757	3,431	-	254.1

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

Table 18: Overview of Budgetary Transfers from the Chapter State Debt Realized in Q1 2020

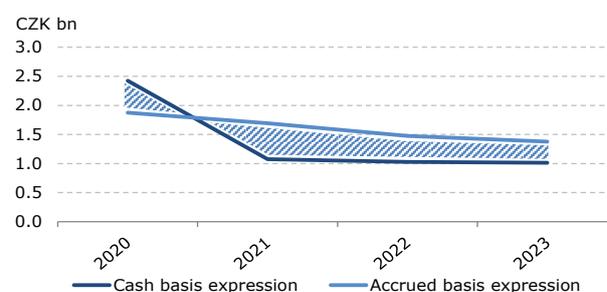
Chapter number	Chapter	Funds allocation	Amount (CZK)
312	Ministry of Finance	IT system State Debt Management	54,000,000
Total			54,000,000

Source: MoF

Table 19: Expected vs. Actual Net Interest Expenditure

CZK bn	Q1 2019	Q1 2020
Actual expenditure	1.3	3.4
Expected expenditure	2.9	3.4
Cost-at-Risk 95%	3.9	3.5
Cost-at-Risk 99%	4.8	3.7
Difference between expectation and reality	1.6	0.0

Source: MoF

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

Source: MoF

Table 20: Interest Expenditure and Accrued Costs of the Newly Issued State Debt

CZK bn	Nominal value	Net interest expenditure/accrued costs			
		2020F	2021F	2022F	2023F
Cash basis expression	181.4	2.4	1.1	1.0	1.0
Accrued basis expression	181.4	1.9	1.7	1.5	1.4
Gross issuance of T-Bonds	111.2	1.2	1.5	1.4	1.3
Gross issuance of T-Bills	68.6	0.7	0.2	-	-
Gross issuance of savings government bonds	1.7 ¹	0.0	0.0	0.0	0.0

¹ Excl. reinvestment of yields of already issued savings government bonds.
Source: MoF

Table 21: FX Market Operations in Q1 2020

Counterparty	Nominal value (EUR)	Nominal value (USD)	Nominal value (CHF)	Nominal value (CZK)	Savings ¹ (CZK)	Share of savings (%)
PPF banka a.s.	38,440,768	0	0	964,313,424	4,658,312	39.8
KBC Bank NV / Československá obchodní banka, a. s.	55,015,901	0	0	1,473,757,493	2,426,661	20.7
Société Générale / Komerční banka, a.s.	8,840,550	5,661,100	940,283	376,140,400	1,821,345	15.6
UniCredit Bank Czech Republic and Slovakia, a.s. / UniCredit Bank AG, München	0	644,731	11,525,250	284,301,333	1,382,865	11.8
Citibank Europe plc	10,000	10,360,135	0	237,347,121	1,131,397	9.7
J.P. Morgan Securities plc	2,267,902	0	0	57,102,140	278,045	2.4
Total	104,575,120	16,665,966	12,465,533	3,392,961,912	11,698,624	100.0

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

7 – Evaluation of the Primary Dealers in Q2 2019 to Q1 2020

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 9 primary dealers were evaluated.

Table 22: Overall Evaluation in Q2 2019 to Q1 2020

Ranking	Primary Dealer	Points
1 st	KBC Bank NV / Československá obchodní banka, a. s.	77.9
2 nd	PPF banka a.s.	58.8
3 rd	Erste Group Bank AG / Česká spořitelna, a.s.	56.7
4 th	Société Générale / Komerční banka, a.s.	53.1
5 th	Citibank Europe plc	43.1

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

Table 23: Evaluation on Primary Market in Q2 2019 to Q1 2020

Ranking	Primary Dealer	Points
1 st	KBC Bank NV / Československá obchodní banka, a. s.	43.3
2 nd	Erste Group Bank AG / Česká spořitelna, a.s.	36.4
3 rd	Société Générale / Komerční banka, a.s.	36.2
4 th	PPF banka a.s.	30.1
5 th	J.P. Morgan Securities plc	22.2

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

Table 24: Evaluation on Secondary Market in Q2 2019 to Q1 2020

Ranking	Primary Dealer	Points
1 st	KBC Bank NV / Československá obchodní banka, a. s.	34.5
2 nd	PPF banka a.s.	28.7
3 rd	Citibank Europe plc	21.5
4 th	Erste Group Bank AG / Česká spořitelna, a.s.	20.3
5 th	UniCredit Bank Czech Republic and Slovakia, a.s.	17.8

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

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