



Ministry of Finance

Debt and Financial Assets
Management Department

Debt Portfolio Management Quarterly Review

December 2013



10 January 2014

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Introduction

The Ministry of Finance (hereinafter the "Ministry") hereby submits the 36th Debt Portfolio Management Quarterly Review, presenting basic data on parameters of the portfolio of state liabilities and on parameters of the portfolio of state financial assets. The basic monitored strategic targets for 2013 had been quantified in the governing document The Czech Republic Funding and Debt Management Strategy for 2013 (hereinafter the "Strategy") approved by the Minister of Finance and published on 12 December 2012. The Strategy specifies the operating scope for tactical management of the state debt and financial assets through issuance activity, financial investment and active operations by the Ministry on the secondary market. On 8 July 2013,

the Revision of the Strategy as of 30 June 2013 (hereinafter the "Revision") was published, which adjusts the borrowing requirement of the central government and funding programme in 2013. In the Strategy, the Ministry reserved the right for revision in case of the approval of the amendment to the Act No. 218/2000 Coll., Budgetary Rules Act and Some Related Acts Amendment Act (hereinafter the "Budgetary Rules"), which came into force on 1 January 2013. The amendment to the Budgetary Rules brought an essential extension of the treasury single account in CZK and a possibility to maintain treasury single accounts in foreign currencies, which resulted in an increase in available liquidity of the state.

1 - Main Events in Q4 2013

Lower Deficit of the State Budget of the Czech Republic

In 2013, the state budget ended in a deficit of CZK 81.3 billion, which resulted in its decline of CZK 18.7 billion compared to the budgeted amount of CZK 100 billion. In accordance with The Czech Republic Funding and Debt Management Strategy for 2014 (hereinafter „Strategy for 2014“), this difference will be reflected in the higher available cash reserve at the end of 2013, which amounted to CZK 62.7 billion, and will be fully used to cover financing needs in 2014. The lower decrease of cash reserve due to

the lower state budget deficit in 2013 will result in the reduction of the gross borrowing requirement of the central government in 2014 to CZK 350.1 to 381.4 billion under the alternative scenario of funding programme. The reduction of the gross borrowing requirement of the central government implies the decrease of the maximum nominal value of the gross issue of medium-term and long-term government bonds on domestic market, which will not exceed CZK 262 billion.

The Czech Republic's High Sovereign Credit Rating Affirmed

In Q4, there was another affirmation of Czech Republic's sovereign credit rating of long-term liabilities denominated in foreign currency, as on 10 December 2013, Fitch affirmed Czech Republic's sovereign credit rating at A+ maintaining the stable outlook. The agency positively assessed particularly macroeconomic balance, low private sector indebtedness, a resilient labour market and

a stable banking sector. It is a third affirmation of Czech Republic's sovereign credit rating by leading rating agency in 2013 (Moody's and Standard & Poor's affirmed Czech Republic's sovereign credit rating in previous quarter). These reports may contribute to maintaining relatively low costs on the debt service due to the lower risk premiums on Czech government bonds.

The Lowest Increase of the State Debt since 1996

In 2013, there was the lowest increase of the state debt since 1996 in connection with an increase of state's average daily available liquidity by approx. CZK 100 billion compared to 2012 as a result of approval of the amendment to the Budgetary Rules. For this reason, the Ministry could have involved approx. 60% of precautionary cash reserve

available at the end of 2012 in the covering of financing needs in 2013. The result was, among the other things the reduction of gross borrowing requirement by CZK 110.0 billion, compared with the originally published plan, and the decrease of short-term state debt below 16% of total state debt.

2 - Overview of 2013 Strategic Debt Management Targets

An evaluation of the debt portfolio structure in relation to the announced strategic targets and fulfilment of the annual funding programme during 2013 can be seen in the following overview.

Table 1: Funding Programme in 2013

INDICATOR	Target announced for 2013 ¹	31 Dec 2013
International issuance activity	Max. 40.0% of the annual gross borrowing requirement CZK 0.0 to 48.3 billion ²	0.0% CZK 0.0 billion
Gross issue of medium-term and long-term government bonds³	CZK 96.7 to 170.7 billion	CZK 145.6 billion
Gross issue of retail bonds⁴	CZK 30.0 to 40.0 billion	CZK 39.1 billion
Net issue of money market instruments	CZK -80.0 to -50.0 billion	CZK -68.2 billion
Gross issue of money market instruments	CZK 109.1 to 139.1 billion ⁵	CZK 120.9 billion
Loans from EIB	CZK 0.0 to 4.0 billion	CZK 4.3 billion

¹ Revised funding programme as of 30/6/2013.

² According to the methodology valid for 2013.

³ Incl. tap sales from its own portfolio on the secondary market and the Ministry's investment operations.

⁴ Incl. reinvestments of yields in the total nominal value of CZK 292.0 million.

⁵ Excl. treasury bills issued and redeemed within the respective period.

Source: MoF

In the area of **international issuance activity**, the Ministry did not realize any operations in 2013. In Q4, four loan tranches were drawn from the European Investment Bank (hereinafter the "EIB") in the total amount of CZK 3.8 billion. In 2013, five loan tranches were drawn from the EIB in the total amount of CZK 4.3 billion. Drawing of the EIB loans financed 3.5% of the maximum revised gross borrowing requirement of the central government for 2013 and 1.9% of the maximum originally planned gross borrowing requirement in methodology of reporting of gross borrowing requirement valid until 2013. As per the new methodology of reporting of gross borrowing requirement, introduced in Strategy for 2014 and described further in chapter 3 - Borrowing Requirement of the Central Government, 1.4% of the actual gross borrowing requirement for 2013, respectively 1.0% of the originally planned value was secured via these means. In Q4, a planned repayments of loans from EIB in the total amount of CZK 0.2 billion were carried out. In 2013, the planned repayments of loans from EIB in total amount of CZK 1.1 billion and the unplanned repayments of loans from EIB in total amount of CZK 1.7 billion were carried out. In 2013, the total amount of repayments of loans from EIB amounted to CZK 2.8 billion.

Regarding **domestic issuance activity**, the gross issue of medium-term and long-term government bonds in total nominal value of CZK 27.5 billion was executed in Q4. In 2013, the total nominal value of the gross issue of medium-term and long-term government bonds amounted to CZK 145.6 billion, representing 85.3% of the annual maximum issuance limit for this type of financing under the revised 2013 funding programme and 66.5% of the annual maximum issuance limit for this type of financing

under originally planned gross issue of medium-term and long-term government bonds. During 2013, according to the original gross borrowing requirement reporting methodology valid until 2013, 120.6% of the maximum revised planned borrowing requirement for 2013 and 63.1% of the originally planned gross borrowing requirement for 2013 was financed by the gross issue of medium-term and long-term government bonds. In methodology introduced in Strategy for 2014, 47.0% of actual gross borrowing requirement for 2013 and 34.7% of originally planned gross borrowing requirement for 2013 was financed by these means. The total nominal value of tap sales of government bonds on secondary market using the MTS Czech Republic electronic platform amounted to CZK 0.3 billion in Q4. Czech Republic Treasury Bond, 2012 – 2017, VAR%, Czech Republic Treasury Bond, 2005 – 2020, 3.75% and Czech Republic Treasury Bond, 2007 – 2057, 4.85% were sold in Q4. In 2013, the total nominal value of tap sales of government bonds on secondary market using the MTS Czech Republic electronic platform amounted to CZK 5.0 billion. No sales were carried out within the state financial assets investment operations in the nuclear portfolio in Q4. In 2013, the total nominal value of sales of Czech government bonds within the state financial assets investment operations in the nuclear portfolio amounted to CZK 4.5 billion. In Q4, no redemptions of medium-term and long-term government bonds were carried out. In 2013, the redemptions of medium-term and long-term government bonds in total nominal value of CZK 100.5 billion were carried out. In Q4, the buy-backs of medium-term and long-term government bonds in total nominal value of CZK 7.5 billion were carried out, as Czech Republic Government Bond, 2011 – 2014, 2.75% in total nominal value of CZK 4.0 billion

and Czech Republic Government Bond, 2005 – 2015, 3.80% in total nominal value of CZK 3.5 billion were bought back. These were the only buy-backs carried out in 2013. Total nominal value of the net issue of medium-term and long-term government bonds in Q4 amounted to CZK 20.1 billion. The total nominal value of the net issue of medium-term and long-term government bonds amounted to CZK 37.7 billion.

Regarding **savings government bonds**, the fifth series of issues was carried out in Q4 in total nominal value of CZK 21.3 billion. The series was supplemented by tranches of reinvestment and inflation linked savings government bonds in total nominal value of CZK 0.2 billion. The gross issue of savings government bonds in 2013 amounted to CZK 39.1 billion (including CZK 0.3 billion via tranches issued in the form of reinvestment of yields), representing 97.8% of the annual maximum issuance limit for this type of financing under the 2013 funding programme. During 2013, according to the original gross borrowing requirement reporting methodology valid until 2013, 32.4% of the maximum revised planned borrowing requirement for 2013 and 16.9% of the originally planned gross borrowing requirement for 2013 was financed by these means. In methodology introduced in Strategy for 2014, 12.6% of actual gross borrowing requirement for 2013 and 9.3% of originally planned gross borrowing requirement for 2013 was financed by these means. As of the end of 2013, the total nominal value of savings government bonds outstanding amounted to CZK 87.6 billion, representing 5.2% of total state debt, and 7.5% of CZK-denominated government bonds excl. state treasury bills. In Q4, the redemption

of Discounted Savings Bonds of the Czech Republic, 2012-2013 in total nominal value of CZK 7.5 billion was carried out. Further, the early redemptions of savings government bonds in total nominal value of CZK 136.1 million regarding the pilot series of issues and 2012 "spring" and "Christmas" series of issues were carried out during Q4. In 2013, the early redemptions of savings government bonds amounted to CZK 209.5 million, which represent 0.2% of total savings government bonds outstanding.

The total nominal value of the **net issue of money market instruments** outstanding amounted to CZK -16.6 billion in Q4, of which the total nominal value of the net issue of money market instruments excl. the Ministry's investment operations amounted to CZK -15.8 billion and the total nominal value of the Ministry's net investment under the nuclear portfolio amounted to CZK -0.8 billion. The total nominal value of the net issue of money market instruments outstanding in 2013 amounted to CZK -68.2 billion, of which total nominal value of net issue of money excl. the Ministry's investment operations amounted to CZK -64.2 billion and the total nominal value of the Ministry's net investment under the nuclear portfolio amounted to CZK -4.0 billion. The gross issue of state treasury bills excl. the roll-over amounted to CZK 27.0 billion in Q4. The gross issue of state treasury bills excl. the roll-over amounted to CZK 120.9 billion in 2013. As per gross borrowing requirement reporting methodology introduced in Strategy for 2014, 39.0% of actual gross borrowing requirement for 2013 and 28.8% of its originally planned amount for 2013 was financed by the state treasury bills gross issue excl. roll-over.

Table 2: Strategic Goals, Limits and Risk Parameters of Debt Portfolio in 2013

INDICATOR	Target announced for 2013	31 Dec 2013
Short-term state debt	25.0% and less	15.8%
Medium-term state debt	70.0% and less	53.6%
Average time to maturity	5.0 to 6.0 years	5.6 years
Interest re-fixing up to 1 year	30.0 to 40.0%	35.4%
Average time to re-fixing	4.0 to 5.0 years	4.3 years
Foreign-currency exposure of state debt	Max. 15.0 to 17.0%	10.8% ¹

¹ In methodology of the net foreign-currency exposure of the state debt introduced in Strategy for 2014, the value amounts to 9.4%.
Source: MoF

Short-term state debt (debt payable within one year) as of the end of 2013 increased by 0.4 percentage points in comparison to the end Q3 and amounted to **15.8%** and thus reached the value which is in line with the announced Strategy. At the same time, refinancing risk was kept below the limit of 25.0% out of the total state debt valid for 2013 and below the limit of 20.0% out of the total state debt announced for 2014. The increase of the short-term state debt is in line with the decrease of

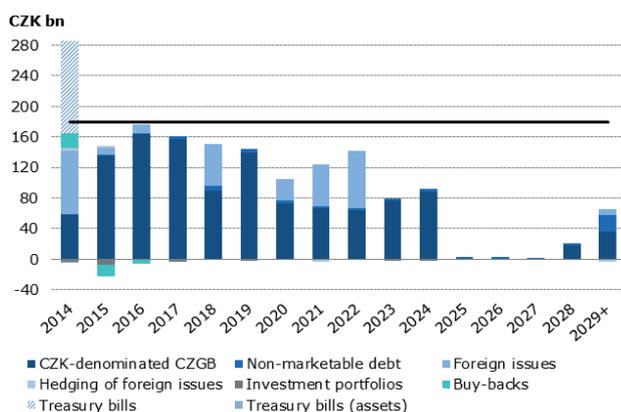
the money market instruments outstanding during 2013.

The **medium-term state debt** (debt payable within five years) as of the end of 2013 decreased by 1.1 percentage points in comparison to the end of Q3 and amounted to **53.6%**. The value thus remained below the limit of 70.0% out of the total state debt valid for 2013 and for the medium-term horizon.

The **average time to maturity of the state debt** as of the end of 2013 decreased by 0.1 years in comparison to the end of Q3 and amounted to **5.6 years**. The average time to maturity of the state debt is thus within the announced target band of 5.0 to 6.0 years set for 2013.

Figure 1: Redemption Profile of State Debt and Financial Assets

(end of 2013)



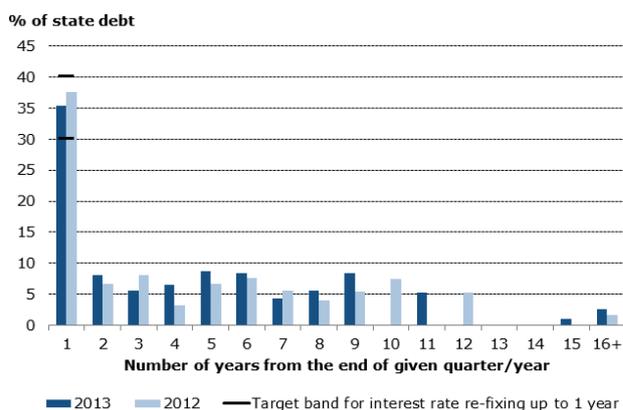
Note: The positive axis shows liabilities and planned buy-backs on bonds due in 2015 and later years carried out in 2014, the negative vertical axis shows state financial assets and planned buy-backs carried out in 2014. CZK-denominated CZGB include savings government bonds. Excl. the roll-over of money market instrument. Source: MoF

Interest re-fixing of the state debt up to one year as of the end of 2013 increased by 0.4 percentage point in comparison to the end of Q3 and amounted to **35.4%**. This indicator thus remained within the medium-term target band of 30.0 to 40.0% valid for 2013.

Average time to the state debt re-fixing as of the end of 2013 decreased by 0.1 year in comparison to the end of Q3 and amounted to **4.3 years**. This indicator thus remained within the medium-term target band of 4.0 to 5.0 years.

Figure 2: Re-fixing Profile of State Debt

(end of 2013 compared with the end of 2012)



Note: Incl. derivative transactions. Source: MoF

The main indicator for currency risk management is the proportion of foreign-currency exposure of the state debt to the total state debt. The strategic limit announced for 2013 is 15.0% (up to 17.0% in the short term). The value of this indicator at the end of 2013 increased by 0.6 percentage point in comparison to the end of Q3 and amounted to 10.8% and is thus below its limit. The share of foreign-currency exposure of the state debt denominated in euro in relation to overall foreign-currency exposure of the state debt increased by 0.3 percentage point in comparison to the end of Q3 and amounted to 90.6% as of the end of 2013, thus indicating the euro's dominance in the foreign-currency state debt portfolio.

The net foreign currency exposure of the state debt which takes into account the foreign-currency exposure of state financial assets amounted to CZK 158.6 billion at the end of 2013, representing 9.4% of the total state debt.

3 - Borrowing Requirement of the Central Government

In 2014, the Ministry will switch to the internationally recommended and used methodology of gross borrowing requirement reporting, which – unlike the original methodology includes in the total gross

borrowing requirement only money market and other instruments with original maturity of up to one year to be refinanced over the course of the following year (but not their potential roll-over within the year).

Financing Needs and Sources of the Central Government

The financing needs of the central government is determined by the items that must be financed in the given year, i.e. the budgeted state budget deficit, potential extra-budgetary financing requirement and all redemptions and early redemptions on nominal values (principal) of state

debt, including the related derivatives. Operations on the side of state financial assets, including net changes in the cash reserve, or the provision and repayment of extra-budgetary loans and credits to other states and domestic legal entities, are funding sources.

Table 3: Financing Needs and Sources (CZK billion)

Financing needs	2011	2012	2013
Primary balance of state budget	97.6	59.6	30.4
Net expenditure on state debt	45.1	41.4	50.9
Extra-budgetary financing needs	0.0	0.0	0.0
Redemption on government bonds in the respective year	102.1	115.6	108.6
Buy-backs and exchanges of government bonds from prior years	0.0	-2.0	-8.1
Buy-backs and exchanges of government bonds due in coming years ¹	2.0	8.1	7.5
Redemption and early redemptions on savings government bonds in given year	0.0	9.6	7.7
Redemption on state treasury bills excl. roll-over	113.3	162.6	189.1
Other money market instruments	0.0	0.0	0.0
Repayments on EIB loans	1.1	5.3	2.8
Total financing needs	361.3	400.2	388.8
Gross money market instruments issuance (excl. roll-over)	162.6	189.1	120.9
Gross CZGB issuance	180.3	164.6	145.6
Gross issue of government bonds on foreign markets	0.9	69.0	0.0
Gross issue of retail bonds	20.4	45.4	39.1
EIB loans	5.3	4.0	4.3
Net change in cash reserve	-5.7	-69.4	79.5
Net change in on-lending	0.0	0.0	1.7
State financial asset operations	-2.5	-2.4	-2.3
Re-financing from the state treasury	0.0	0.0	0.0
Total financing sources	361.3	400.2	388.8
Non-debt financing sources	8.2	71.8	-79.0
Gross borrowing requirement	369.5	472.0	309.9

¹ Excluding operations with medium- and long-term government bonds during current budgetary year.
Source: MoF

Financing of the Gross Borrowing Requirement

The gross borrowing requirement determines the part of the sources for the government's financing needs secured through borrowing operations, i.e. it stipulates the value of cash resources that the government must obtain primarily by issuing and selling government bonds and drawing credits and loans. The gross borrowing requirement may be lower than the annual financing needs, if

state financial assets are involved or short-term re-financing from the state budget is involved as a source of financing; on the contrary, it may be higher if assets are accumulated through borrowing operations e.g. for the purpose of pre-financing and building of cash reserve, or for the purpose of providing extra-budgetary credit and loans.

Table 4: Financing of the Gross Borrowing Requirement (CZK billion)

	2011	2012	2013
Gross borrowing requirement	369.5	472.0	309.9
Gross issue of state treasury bills excl. roll-over	162.6	189.1	120.9
Other money market instruments	0.0	0.0	0.0
Received collateral in cash	0.0	0.0	0.0
Gross issue of CZGB on the domestic market up to 5 years ¹	45.3	31.4	37.7
Gross issue of CZGB on the domestic market 5 to 10 years ¹	73.6	93.3	79.7
Gross issue of CZGB on the domestic market more than 10 years ¹	61.4	39.9	28.3
Gross issue of government bonds on foreign markets ¹	0.9	69.0	0.0
Gross issue of retail bonds ²	20.4	45.4	39.1
EIB loans	5.3	4.0	4.3
Other financing sources	0.0	0.0	0.0
Total financing of gross borrowing requirement	369.5	472.0	309.9

¹ Nominal value; premiums and discounts are included in net costs on state debt service, i.e. they are included in the net borrowing requirement.

² Including reinvestment of yields.

Source: MoF

Net Borrowing Requirement and Change in State Debt

The net borrowing requirement of the central government is a key factor in the change in the nominal CZK value of the gross state debt, and is determined by the difference between the gross borrowing requirement and total redemption on the

nominal values (principal) of state debt, including the related derivatives. The net borrowing requirement represents the value of cash resources that the central government must borrow in the current year beyond the resources already borrowed in previous years.

Table 5: Net Borrowing Requirement of the Central Government (CZK billion)

	2011	2012	2013
Gross borrowing requirement	369.5	472.0	309.9
Redemption on government bonds in given year	102.1	115.6	108.6
Buy-backs and exchanges government bonds from previous years	0.0	-2.0	-8.1
Buy-backs and exchanges government bonds due in coming years ¹	2.0	8.1	7.5
Redemption and early redemptions on savings government bonds in the given year	0.0	9.6	7.7
Redemption on state treasury bills excl. roll-over	113.3	162.6	189.1
Other money market instruments	0.0	0.0	0.0
Repayments of EIB loans	1.1	5.3	2.8
Net borrowing requirement	151.0	172.8	2.3

¹ Excluding operations with medium- and long-term government bonds during current budgetary year.

Source: MoF

The net borrowing requirement is financed using the same instruments as the gross borrowing requirement. In financing the net borrowing requirement, however, it is necessary to take into account the value of total redemption on the nominal values (principal) of the given debt portfolio instruments, including the impact of derivatives. If the resources for covering the financing needs do not simultaneously include the refinancing mechanism of treasury single accounts and there was no change in

exchange rates, the net borrowing requirement as per the current national methodology corresponds to the year-on-year change in the balance of the gross state debt in the domestic currency.

The net debt portfolio is determined by the state debt and liquid state financial assets administered by the Ministry. The methodology for determining individual items in the net debt portfolio is set out in the Strategy.

Table 6: Net Borrowing Requirement of the Central Government and Change in State Debt (CZK billion, % of GDP)

	2011	2012	2013
Gross state debt as at 1 Jan	1,344.1	1,499.4	1,667.6
Primary state budget balance	97.6	59.6	30.4
Net expenditures on state debt service ¹	45.1	41.4	50.9
Extra-budgetary financing needs	0.0	0.0	0.0
Net borrowing requirement excl. asset operations	142.8	101.0	81.3
State financial asset operations ²	2.5	2.4	2.3
On-lending over 1 year (net change) ³	0.0	0.0	-1.7
Cash reserve (net change) ⁴	5.7	69.4	-79.5
State budget surplus	0.0	0.0	0.0
Net borrowing requirement	151.0	172.8	2.3
Net issue of money market instruments	49.3	26.5	-68.2
Net issue of government bonds on domestic market	76.2	42.9	37.7
Net issue of government bonds on foreign market	0.9	69.0	0.0
Net issue of retail bonds	20.4	35.8	31.4
Net change in balance of provided loans and credit	4.1	-1.3	1.5
Financing of net borrowing requirement	151.0	172.8	2.3
Revaluation of state debt ⁵	4.5	-4.4	13.4
Promissory notes repayments ⁶	-0.2	-0.1	0.0
Gross state debt change	155.3	168.3	15.7
Gross state debt as at 31 Dec	1,499.4	1,667.6	1,683.3
Share of GDP (%)	39.2	43.4	43.7

¹ Balance of budgetary chapter 396 – State debt.

² Balance of budgetary chapter 397 – State Financial Assets Operations, incl. budgetary transfers.

³ Extra-budgetary loans with maturity of over 1 year granted to other countries and domestic legal entities.

⁴ Cash reserve generated by bonds issues according to Section 35(4) of Act No. 218/2000 Coll, excl. revaluation of the part denominated in foreign currencies due to the exchange rate changes.

⁵ Exchange rate changes due to revaluation of debt denominated in foreign currencies.

⁶ Promissory notes covering part of the Czech Republic ownership interests in international financial institutions.

Source: MoF

Table 7: Balance and Structure of the Net Debt Portfolio (CZK billion)

	2011	2012	2013
Gross state debt	1,499.4	1,667.6	1,683.3
Money market instruments	162.6	189.1	120.9
Government bonds lending facility	0.0	0.0	0.0
Received collateral in cash	0.0	0.0	0.0
Government bonds issued on domestic market	999.1	1 042.0	1 079.7
Government issued on foreign markets	245.9	310.3	323.7
Retail bonds	20.4	56.2	87.6
EIB loans	71.3	70.0	71.5
Promissory notes ¹	0.0	0.0	0.0
Liquid state financial assets	121.4	193.2	116.7
Nuclear investment portfolio	16.6	18.5	20.7
Pension investment portfolio	22.0	22.4	22.6
Special-purpose state financial assets accounts	10.5	10.6	10.7
On-lending over 1 year ²	1.7	1.7	0.0
Cash reserve ³	70.6	139.9	62.7
State budget surplus	0.0	0.0	0.0
Net debt portfolio	1,378.0	1,474.4	1,566.6

¹ Promissory notes covering part of the Czech Republic ownership interests in international financial institutions.

² Extra-budgetary loans with maturity of over 1 year granted to other countries and domestic legal entities.

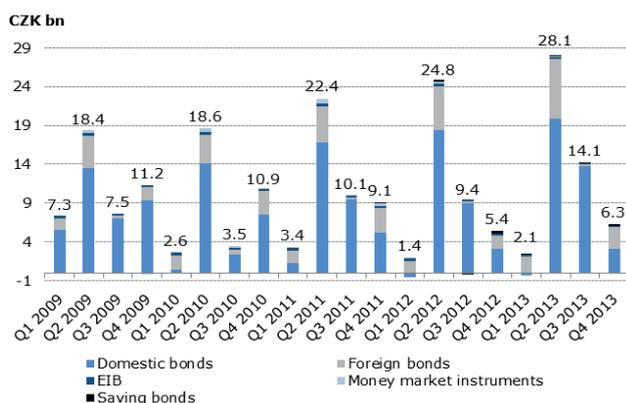
³ Available cash resources created according to Section 35(4) of Act No. 218/2000 Coll. incl. the impact of exchange rate difference of the CZK value of the part of the cash reserve in foreign currencies.

Source: MoF

4 - Interest Costs on State Debt and Cost-at-Risk

The following figure presents an overview of interest expenditures and revenues realised under budgetary chapter 396 – State Debt. More detailed information on the budgeted and actual expenditures and revenues in 2013 is included in the Appendix. Actual net interest costs on the state debt 2013 reached CZK 50.6 billion, which is CZK 9.5 billion higher than actual net interest costs in 2012.

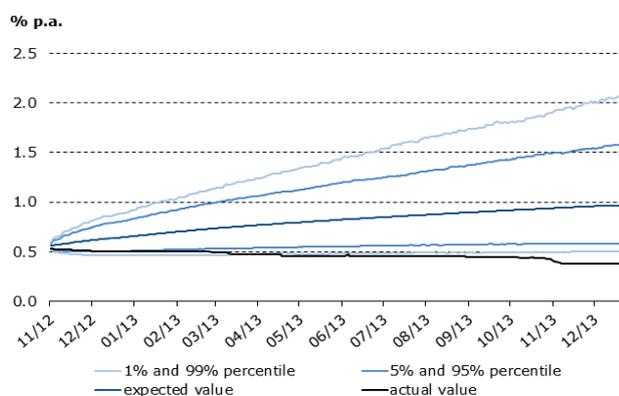
Figure 3: Net Interest Costs on the State Debt, 2009-2013



Note: Excl. fees related to the state debt service.
Source: MoF

The state debt interest costs model Cost-at-Risk (CaR) for the year 2013 was published in the Strategy. Calculations of the CaR values are based on term structure of interest rates on 13 November 2012. A comparison of the actual development of the 3-month PRIBOR and 10-year swap rates with their simulations for the period from 13 November 2012 to 31 December 2013 are shown in the following figures. The extraordinary accuracy of the model in 2013 is documented by the predictions of 10-year swap rates.

Figure 4: Daily Simulated v. Actual 3-month PRIBOR Interest Rates in 2013

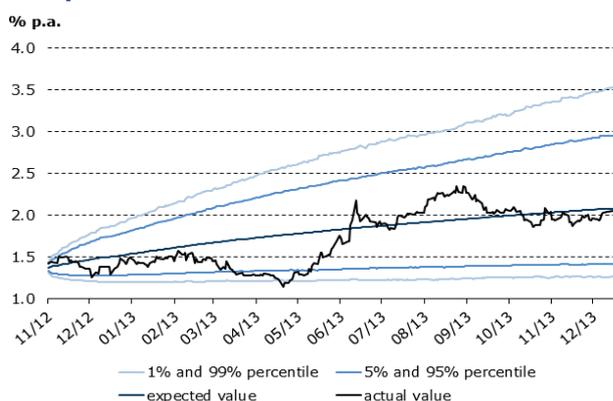


Source: MoF

3-month PRIBOR rate went outside the simulations framework given by the 1% and 9% percentile mainly due to the difficulties in modelling of this rate as a result of its illiquidity. Should the 3-month

PRIBOR rate be more liquid it would probably decline much more during 2013 due to the monetary policy of the Czech National Bank (hereinafter the „CNB“), i.e. reducing and maintaining the CNB’s rate on technical zero and the launch of foreign exchange interventions. However, in this case the model would better describe the behaviour of 3-month PRIBOR rate and therefore the probability of it to remain in simulation band would increase.

Figure 5: Daily Simulated v. Actual 10-year CZK Swap Rates in 2013

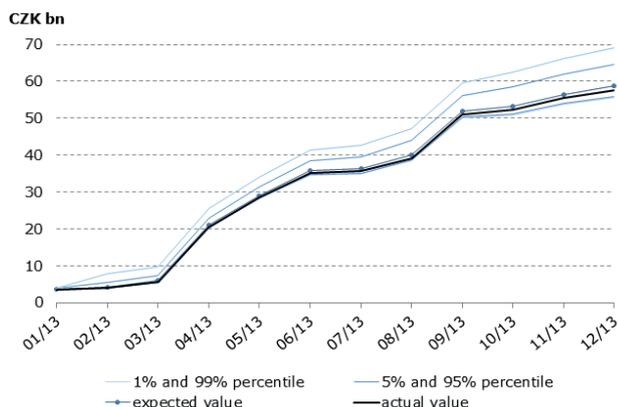


Source: MoF

The development of gross interest costs of the state debt in comparison with simulated costs for 2013 is shown in the following figure. The actual realized gross interest costs amounted to CZK 57.5 billion in 2013 and were CZK 1.2 billion lower than expected costs of CZK 58.7 billion predicted by the model. The difference in expected gross interest costs is given primarily by the lower total issue of state treasury bills according to the Revision of the Strategy for 2013 and due to the state treasury bills auction yields lower than predicted by the model. The total issue of state treasury bills in 2013 decreased from the originally planned approximately CZK 267.0 billion to CZK 172.2 billion. The weighted yield achieved in state treasury bills auctions predicted by the model was 0.52%, but due to the decline in the government bond yield curve at the short end, a weighted yield of 0.13% was achieved in auctions. The total impact on the gross interest costs in the case of state treasury bills discounts was thus approximately CZK 0.9 billion.

Due to the continuing decrease of the PRIBOR reference rates, the costs are approximately CZK 0.2 billion lower arising from floating-rate instruments of state debt. Due to the changes in medium-term and long-term government bonds issue calendars, which reacted flexibly to the situation on the financial market, savings in gross interest costs in the amount of approximately CZK 0.1 billion were achieved.

Figure 6: Simulated v. Actual Gross Cumulated Interest Costs of the State Debt 2013



Note: Interest costs are calculated on a cash basis in accordance with the current state budget methodology.
Source: MoF

In case of interest revenue, the prediction of expected interest revenue is approx. CZK 1.1 billion higher compared to the predicted reality. The difference is caused primarily by changes in the issue plan of medium-term and long-term government bonds, where the re-opening of issues with relatively high coupon rates was lower than planned, resulting in lower revenue in form of premiums and accrued interest revenue.

The following table presents a comparison of the actual net interest costs on the state debt, the simulated values of expected costs (average of simulations) and interest costs CaR (95% and 99% percentile of simulations) for 2013 in comparison to 2012.

Table 8: Expected v. Actual Net Interest Costs in 2012 and 2013 (CZK billion)

	2012	2013
Actual net interest costs	41.1	50.6
Expected (simulated) net costs	56.4	50.6
Cost-at-Risk 95%	64.9	61.3
Cost-at-Risk 99%	71.5	65.9
Deviation of expectation from actuality	15.3	0.0

Source: MoF

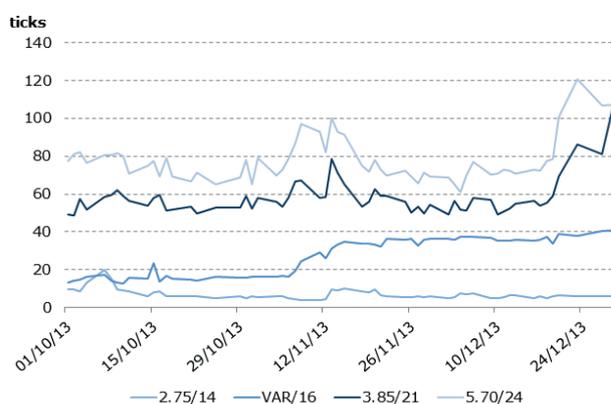
The assumed net interest costs of the state debt in 2013 amount to CZK 50.6 billion and are at the value predicted by the model. The actual net interest costs thus remained below the level of both CaR 95% and CaR 99%, which were set at CZK 61.3 billion and CZK 65.9 billion, respectively. The primary goal of the model was fulfilled when net interest costs did not exceed CaR levels.

In 2013, the predictions made by the model were relatively accurate. However, it is essential to point out that the model is designed to predict the probability distribution of interest costs of the debt portfolio, i.e. assigning the probabilities to each possible scenario of the interest costs development. The expected value is weighted average of possible outcomes, and the characteristics of continuous distributions imply that the probability of actual costs equalling expected is zero.

5 - Secondary Market of Government Bonds

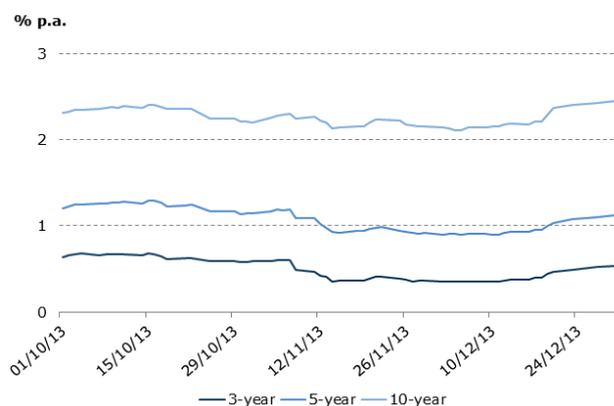
The MTS Czech Republic platform for trading government bonds, which was implemented on July 2011, considerably contributes to efficiency and transparency on the domestic secondary market. The key parameter indicating the efficiency of price discovery on the secondary market is the bid-offer spread for a given government bond. The narrower the bid-offer spread, the more liquid and efficient the market is. In June and July, the bid-offer spreads of Czech government bonds went through period of high volatility only at longer maturities, then the bid-offer spreads returned to the level of the end of Q2 2013. After the period of decline in yields that occurred in July, yields increased at all maturities in August and decreased again during September. Decreasing trend was in terms of shorter maturities speeded up from the beginning of November, then stabilises at lower level and at the end of the year went through correction again to the October numbers.

Figure 7: Average Quoted Bid-offer Spreads on MTS CR in Q4 2013



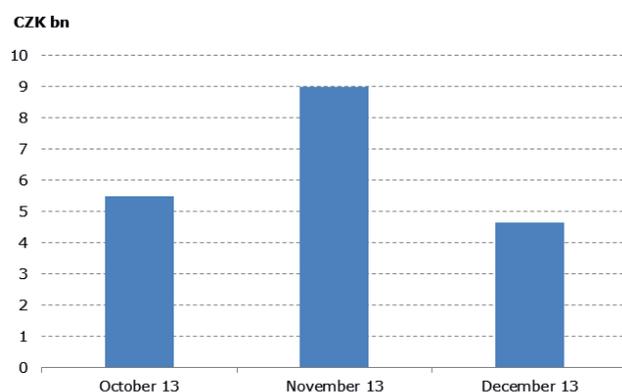
Source: EuroMTS and MoF

Figure 8: Yields of Government Bonds Traded on MTS CR in Q4 2013



Source: EuroMTS and MoF

Figure 9: Nominal Value of Transactions on MTS CR in Q4 2013



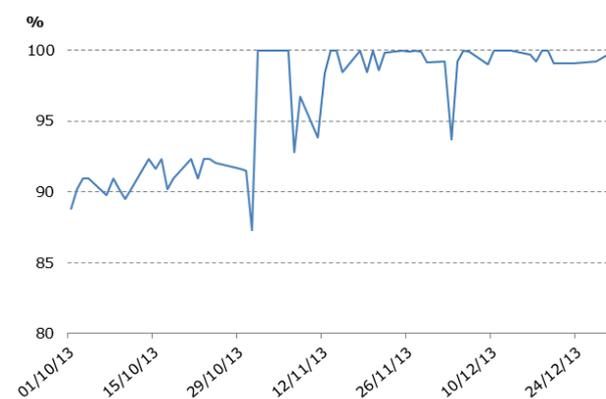
Source: EuroMTS and MoF

The total monthly nominal value of government bonds traded on MTS Czech Republic platform amounted to CZK 6.4 billion on average in Q4.

The obligations of Primary Dealers on the secondary market include fulfilling of criterions of the minimum quoted total nominal value according to bond maturity, the minimum quoted time during one trading day and the maximum quoted spread on bonds subject to quoting obligations. The Daily Compliance Ratio ("DCR") is established each day on the basis of these obligations. On these obligations the daily fulfilment of quoting obligation is based every day, where on monthly basis every Primary Dealer is obliged to fulfil the DCR at least at 90.0%.

During Q4, the average DCR of Primary Dealers with certainty improved. Only one Primary Dealer didn't manage to fulfil the quoting obligation during Q4.

Figure 10: Average Daily Quoting Obligation Fulfillment - Daily Compliance Ratio in Q4 2013



Source: EuroMTS and MoF

Table 9: Realized Lending Facilities of Government Bonds in Q4 2013

Instrument	ISIN	Collateral amount	Financial funds received	Financial funds paid
CZGB 0.50/16	CZ0001003842	1,306,000,000	1,311,254,750.00	1,311,226,697.61
CZGB 4.00/17 ¹	CZ0001001903	1,160,000,000	1,314,340,000.00	1,314,296,169.41
CZGB 4.60/18	CZ0001000822	2,000,000,000	2,357,250,000.00	2,357,178,372.50
CZGB 5.00/19 ²	CZ0001002471	1,270,000,000	1,564,809,722.22	1,564,771,934.82
CZGB 5.70/24	CZ0001002547	956,000,000	1,278,633,366.67	1,278,600,929.92
Total		6,692,000,000	7,826,287,838.89	7,826,074,104.26

¹ Collateral used from the Ministry's portfolio and investment nuclear portfolio.

² Collateral used only from investment nuclear portfolio.

Source: MoF

Also in Q4, the Ministry allowed using a lending facility for providing lending of government bonds. Primary Dealers may use this facility for borrowing government bonds for a period up to 90 days under repo operations. This facility was launched in order to boost the liquidity of government bonds on the

secondary market especially in case of excess of demand over supply of particular bond. As a part of repo operations against government bonds lent, the Ministry obtains financial funds which it then invests on the money market at a higher yield as under state treasury liquidity management. These

operations thereby also contribute to savings on net interest costs on the state debt.

These technical operations were not executed in order to obtain financial funds but in order to support liquidity of government bonds market. These operations affect the nominal value of state debt as well as debt portfolio risk parameters. In case of more frequent use of this lending facility by Primary Dealers, the Ministry would have to take these technical operations into account when calculating the short-term state debt and state debt risk parameters.

In Q4 2013, medium-term and long-term government bonds in a total nominal value of CZK 6.7 billion were provided from the Ministry's portfolio and the nuclear investment portfolio through the lending facility, compared to received cash resources in the amount of CZK 7.8 billion, which were invested on the money market within the framework of state treasury liquidity management and within the framework of financial assets operations in the nuclear portfolio. In Q4, the average repo rate achieved under the lending facility was -0.03% p.a.

6 - State Treasury Liquidity Management

The amendment to the Budgetary Rules Act brought an essential extension of the treasury single account in CZK and a possibility to establish treasury single

accounts in foreign currencies, the treasury single account in EUR was opened by the CNB on 2 April 2013.

Table 10: State and Structure of Resources and Investment Position of State Treasury (CZK billion)

	2011	2012	2013
Liquid state financial assets	121.4	193.2	116.7
National Fund and former National Property Fund	0.0	15.8	79.9
Other mandatory clients of state treasury	20.8	20.5	77.0
Optional clients of state treasury	0.0	0.0	4.4
Liabilities to the state treasury (-)	0.0	0.0	0.0
Total liquidity position of the state treasury¹	142.3	229.6	278.0
Reverse repo operations (T-bills collateral)	6.6	5.2	18.0
Reverse repo operations (T-bonds collateral)	0.0	0.0	37.8
Reverse repo operations (CNB bills collateral)	76.4	158.5	141.5
Reverse repo operations (foreign securities collateral)	0.0	0.0	0.0
Provided deposits and short-term borrowings and loans	14.8	13.1	41.4
On-lending over 1 year ²	1.7	1.7	0.0
Investment in T-bills and T-bonds	38.3	18.3	19.2
Investment in foreign securities	0.0	0.0	0.0
Provided collateral (in cash)	0.0	0.0	0.0
Cash resources in CZK treasury single account	1.5	1.7	1.8
Cash resources in EUR treasury single account ³	3.0	31.1	18.3
Ministry's cash resources in commercial banks accounts	0.0	0.0	0.0
Total investment position of the state treasury	142.3	229.6	278.0

¹ Available liquidity of the state treasury incl. investments outside state treasury liquidity management accounts.

² Extra-budgetary lending to other states and on-lending to institutions with state-backed guarantees for their core business with original maturity longer than 1 year and expected maturity less than 12 months.

³ Until 31/3/2013 it is a part of the cash reserve denominated in EUR, as the CNB established the treasury single account in EUR on 2/4/2013.

Source: MoF

The increase in liquidity in the treasury single accounts brings a significant strengthening of

the state's position on the financial markets. Additional state treasury liquidity contributes to

the decrease in the liquidity and refinancing risk of the debt portfolio and gives further possibilities for budgetary savings by reducing the state debt service costs. The treasury single accounts average daily balance increased by **CZK 100.4 billion** compared to the same period of the previous year.

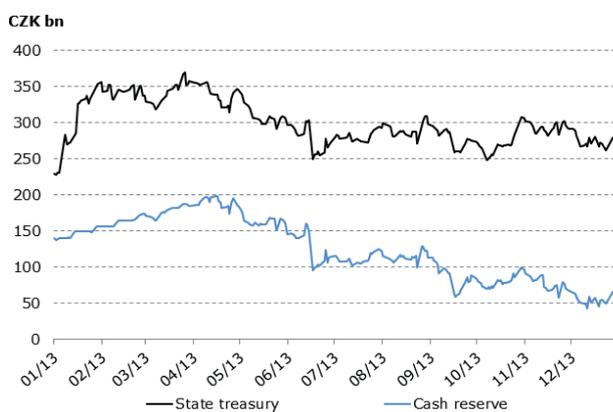
There is an opportunity to involve the cash resources in the mandatory clients' accounts into the financing of borrowing requirement of the state because of the stability of their balances and predictability of the cash resources deviations. The involvement of the optional clients' accounts is beneficial for the state treasury mainly due to the moderation and smoother time distribution of the state treasury cash resources outflow. The centralization of cash resources in the treasury single accounts contributes to the transparency of the public budget system, which supports the consolidation efforts of the Government.

Within the liquidity management of the treasury single account in CZK, short-term investments with the use of CNB bills and treasury bills as collateral in total nominal value of CZK 5,518.0 billion were carried out in 2013. The average interest rate achieved when investing with the use of this collateral was 0.04% p.a. Within the liquidity management of the treasury single account in CZK, short-term investments in form of deposit operations in total nominal value of CZK 1,942.1 billion were carried out in 2013. The average interest rate achieved when investing in form of deposit operations was 0.05% p.a. Within

the liquidity management of the treasury single account in CZK, short-term loans with CNB bills as collateral in total nominal value of CZK 3.7 billion were received and paid.

The establishment of treasury single account in EUR allowed the expansion of Ministry's investment opportunities. Within the pilot operation of the treasury single account in EUR, short-term investments in total nominal value of EUR 8.6 billion were carried out in 2013. The average interest rate achieved when investing in EUR was 0.10% p.a. for operations with maturity in 2013. Full-scale operation of the treasury single account in EUR and the launch of related investment processes are expected from the beginning of 2014.

Figure 11: Development of the State Treasury Balance and the Cash Reserve in 2013



Source: MoF

Appendix

State Debt and Liquid State Financial Assets Parameters

Table 11: State Debt Parameters

	31 Dec 2012	31 Mar 2013	30 Jun 2013	30 Sep 2013	31 Dec 2013
Total state debt (CZK billion)	1,667.6	1,715.6	1,678.1	1,653.5	1,683.3
Market value incl. derivatives (CZK billion)	1,887.3	1,937.0	1,879.1	1,831.5	1,863.3
Short-term state debt (%)	17.9	19.9	18.7	15.4	15.8
Medium-term state debt (%)	52.7	52.1	52.7	54.7	53.6
Share of money market instruments (%)	11.3	10.8	9.6	8.3	7.2
Lending facility - government bonds	0.0	0.0	0.0	0.1	0.0
Average time to maturity (years)	5.7	5.6	5.7	5.7	5.6
Interest rate re-fixing up to one year incl. derivatives (%) ¹	37.5	39.4	37.1	35.0	35.4
Average time to re-fixing (years)	4.4	4.3	4.4	4.4	4.3
Variable-rate state debt (%)	14.9	14.9	15.6	16.7	16.3
Modified duration (years)	4.2	4.1	4.0	4.0	4.0
Modified duration excl. CZK IRS (years)	4.2	4.1	4.1	4.0	3.9
Foreign currency exposure of the state debt (%)	10.0	9.9	10.2	10.2	10.8
Net foreign currency exposure of the state debt (%)	8.1	8.2	8.8	8.8	9.4
Foreign currency state debt (%)	17.7	17.6	18.1	18.2	19.0
Share of € on foreign currency exposure of the state debt (%)	89.7	90.0	90.3	90.3	90.7
Share of € on net foreign currency exposure of the state debt (%)	87.4	87.9	88.8	88.8	89.4
Non-marketable state debt (%) ²	4.2	4.1	4.0	4.1	4.2
Retail state debt (%)	3.4	3.3	4.4	4.5	5.2
Marketable debt (CZK billion)	1,541.4	1,589.7	1,536.5	1,511.9	1,524.2
Market value (CZK billion)	1,754.6	1,804.6	1,704.9	1,683.1	1,696.2
Short-term marketable debt (%)	18.8	21.0	19.3	15.7	16.6
Medium-term marketable debt (%)	52.8	52.1	52.1	54.3	52.7
Share of money market instruments (%)	12.3	11.7	10.5	9.1	7.9
Lending facility - government bonds	0.0	0.0	0.0	0.1	0.0
Average time to maturity (years)	5.5	5.4	5.5	5.6	5.5
Interest rate re-fixing up to one year incl. derivatives (%) ¹	35.7	37.8	35.2	32.9	33.7
Average time to re-fixing (years)	4.6	4.5	4.7	4.6	4.6
Variable-rate marketable debt (%)	11.7	11.8	12.8	13.9	13.3
Modified duration (years)	4.3	4.3	4.3	4.2	4.1
Modified duration excl. CZK IRS (years)	4.3	4.3	4.2	4.2	4.1
Foreign currency exposure of the state debt (%)	10.8	10.7	11.1	11.2	11.9
Net foreign currency exposure of the state debt (%)	8.8	8.8	9.6	9.7	10.4
Foreign currency state debt (%)	19.1	19.0	19.7	19.9	21.0
Share of € on the foreign currency exposure of the state debt (%)	89.7	90.0	90.3	90.3	90.7
Share of € on the net foreign currency exposure of the state debt (%)	87.4	87.9	88.8	88.8	89.4

¹ Interest rate re-fixing up to one year = Money market instruments + Fixed-rate short-term debt + Variable-rate state debt + Effect of interest rate derivatives.

² Excl. retail state debt.

Source: MoF

Table 12: Parameters of Liquid State Financial Assets

	31 Dec 2012	31 Mar 2013	30 Jun 2013	30 Sep 2013	31 Dec 2013
Liquid state financial assets (CZK billion)	193.2	252.4	169.0	138.9	116.7
Share of assets up to one year on total state debt (%)	10.2	13.4	9.1	7.5	6.0
Interest re-fixing up to one year (%)	92.4	94.2	91.3	89.5	86.8
Average time to re-fixing (years)	0.4	0.3	0.4	0.4	0.5
Investment portfolios	42.7	43.1	44.2	42.9	43.3
Average yield (%)	1.5	1.4	1.4	1.3	1.3
Average time to maturity (years)	1.7	1.6	1.5	1.5	1.4
Modified duration (years)	1.0	0.9	0.9	0.9	1.1

Source: MoF

Medium-term and Long-term Government Bonds, Savings Government Bonds and Treasury Bills Issues in Q4 2013

Table 13: Issues of Medium-term and Long-term Government Bonds in Q4 2013

Instrument	Issue/tranche no.	Auction date	Settlement date	Maturity date	Currency	Max. nominal value offered in the competitive part of auction	Total nominal value sold
CZGB 1.50/19	76/8	9/10	14/10	29/10/2019	CZK	5,000,000,000	5,037,430,000
CZGB 2.50/28	78/6	9/10	14/10	25/8/2028	CZK	4,500,000,000	3,068,000,000
CZGB 0.50/16	77/6	23/10	29/10	28/7/2016	CZK	5,000,000,000	5,264,690,000
CZGB 1.50/19	76/9	23/10	29/10	29/10/2019	CZK	5,000,000,000	5,629,840,000
CZGB 2.50/28	78/7	6/11	11/11	25/8/2028	CZK	4,500,000,000	3,000,000,000
CZGB 1.50/19	76/10	6/11	11/11	29/10/2019	CZK	5,000,000,000	5,246,540,000
Total							27,246,500,000

Instrument	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
CZGB 1.50/19	76/8	1.50%	98.68	1.732	2.30	100.0	0.7
CZGB 2.50/28	78/6	2.50%	93.60	3.041	1.14	67.1	1.1
CZGB 0.50/16	77/6	0.50%	99.97	0.511	1.51	100.0	5.3
CZGB 1.50/19	76/9	1.50%	98.91	1.693	2.13	100.0	12.6
CZGB 2.50/28	78/7	2.50%	94.49	2.965	1.19	66.7	0.0
CZGB 1.50/19	76/10	1.50%	99.22	1.638	1.98	100.0	4.9
Average						89.7	4.2

Source: MoF

Table 14: Savings Government Bonds in Q4 2013

Instrument	Issue/ tranche no.	Subscription period	Settlement date	Maturity date	Original maturity (years)	Nominal value
Reinvestment savings bond ¹	66/3		11/11	11/11/2016	5.0	134,457,943
Inflation-linked savings bond ¹	83/2		12/12	12/6/2020	7.0	877,660
Reinvestment savings bond ¹	75/2		12/12	12/12/2017	5.0	73,626,621
Premium savings bond	84/1	4/11 – 7/11	12/12	12/12/2016	3.0	10,978,761,791
Coupon savings bond	85/1	4/11 – 7/11	12/12	12/12/2018	5.0	1,359,684,518
Reinvestment savings bond	86/1	4/11 – 7/11	12/12	12/12/2018	5.0	7,568,453,958
Inflation-linked savings bond	87/1	4/11 – 7/11	12/12	12/12/2020	7.0	1,369,405,301
Total						21,485,267,792

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

Table 15: Treasury Bills Issues in Q4 2013

Issue no.	Maturity (months)	Auction date	Issue date	Maturity date	Offered nominal value	Placed nominal value	Yield (% p.a.)
684	9	10/10	11/10	17/1/2014	9,000,000,000	9,000,000,000	0.12
685	6	17/10	18/10	25/7/2014	9,000,000,000	6,484,000,000	0.10
686	12	31/10	1/11	23/5/2014	8,000,000,000	8,000,000,000	0.14
687	9	21/11	22/11	5/9/2014	4,000,000,000 ¹	3,500,000,000	0.07
Total					30,000,000,000	26,984,000,000	0.11²

¹ Offered nominal value amounted to CZK 3 – 5 billion.

² Average weighted yield to maturity of treasury bills issues in Q4 2013.
Source: MoF

Table 16: Tap Sales in Q4 2013

Instrument	Issue no.	Transaction date	Settlement date	Maturity date	Original maturity (years)	Average price	Nominal value
CZGB VAR/17	67	16/10	21/10	23/7/2017	5.5	103.660	83,340,000
CZGB 3.75/20	46	16/10	21/10	12/9/2020	15.0	111.610	83,700,000
CZGB 4.85/57	53	22/11	27/11	26/11/2057	50.0	117.700	100,000,000
Total							267,040,000

Note: Tap sales include only operations carried out through MTS Czech Republic.
Source: MoF

Table 17: Buy-backs in Q4 2013

Instrument	Issue no.	Transaction date	Settlement date	Maturity date	Original maturity (years)	Average price	No. of counter-parties	Nominal value
CZGB 2.75/14	62	16/10	21/10	31/3/2014	3.1	101.166	2	32,000,000
CZGB 2.75/14	62	24/10	30/10	31/3/2014	3.1	101.112	2	500,000,000
CZGB 2.75/14	62	7/11	12/11	31/3/2014	3.1	101.021	1	2,000,000
CZGB 2.75/14	62	22/11	27/11	31/3/2014	3.1	100.925	2	1,000,000,000
CZGB 2.75/14	62	25/11	28/11	31/3/2014	3.1	100.918	2	1,000,000,000
CZGB 3.80/15	44	25/11	28/11	11/4/2015	10	105.130	1	22,000,000
CZGB 3.80/15	44	28/11	3/12	11/4/2015	10	105.080	2	275,000,000
CZGB 2.75/14	62	29/11	4/12	31/3/2014	3.1	100.873	2	190,000,000
CZGB 3.80/15	44	29/11	4/12	11/4/2015	10	105.069	1	1,000,000,000
CZGB 3.80/15	44	2/12	5/12	11/4/2015	10	105.059	1	300,000,000
CZGB 3.80/15	44	4/12	9/12	11/4/2015	10	105.018	1	150,000,000
CZGB 2.75/14	62	5/12	10/12	31/3/2014	3.1	100.828	2	600,000,000
CZGB 3.80/15	44	6/12	11/12	11/4/2015	10	104.999	2	914,000,000
CZGB 2.75/14	62	9/12	12/12	31/3/2014	3.1	100.813	1	250,000,000
CZGB 3.80/15	44	10/12	13/12	11/4/2015	10	104.977	1	200,000,000
CZGB 2.75/14	62	11/12	16/12	31/3/2014	3.1	100.783	1	200,000,000
CZGB 3.80/15	44	11/12	16/12	11/4/2015	10	104.945	1	170,000,000
CZGB 2.75/14	62	13/12	18/12	31/3/2014	3.1	100.769	1	200,000,000
CZGB 3.80/15	44	13/12	18/12	11/4/2015	10	104.925	1	450,000,000
Total								7,455,000,000

Note: Buybacks include only operations carried out through MTS Czech Republic and Thomson Reuters Dealing 3000.
Source: MoF

Table 18: Redemption and Re-fixing Profile of Domestic Government Bonds Issues in Q4 2013

Domestic government bonds	Placed nominal value	Average time to maturity at the issue date	Average time to maturity at 31/12/2013	Average time to re-fixing at the issue date	Average time to re-fixing at 31/12/2013
Fixed rate	27,246,500,000	7.3	7.2	7.3	7.2
Savings bonds ¹	21,485,267,792	4.1	4.0	3.7	3.6
Total	48,731,767,792	5.9	5.8	5.7	5.6

¹ Incl. reinvestments of yields in the total nominal value of CZK 209.0 million.
Note: Nominal Value in CZK; average time to maturity and re-fixing in years.
Source: MoF

Budgetary Revenues and Expenditures on the State Debt in 2013

Table 19: Budgetary Expenditures and Revenues on State Debt in 2013

Indicator (CZK million)	Actual Q1-Q4 2012	Budget 2013		Actual Q1-Q4 2013	% execution	Index 2013/2012 (%)
		Approved	After changes			
1	2	3	4	5	5:4	5:2
1. Total interest expenditure and revenue	56,742 (-) 15,687	63,850 (-) 6,800	58,121 (-) 6,800	57,516 (-) 6,952	99.0 102.2	101.4 44.3
Domestic debt	43,981 (-) 13,238	48,028 (-) 6,600	44,237 (-) 6,600	43,758 (-) 6,716	98.9 101.8	99.5 50.7
Money market instruments and on-lending	1,186 (-) 862	226 (-) 163	211 (-) 163	209 (-) 166	99.1 101.9	17.6 19.3
Of which: derivative operations	60	36	36	36	100.0	59.5
Savings government bonds	576 0	535 -	492 -	487 1	98.9 -	84.5 181.7
Government bonds	42,219 (-) 12,376	47,267 (-) 6,437	43,534 (-) 6,437	43,062 (-) 6,550	98.9 101.7	102.0 52.9
Foreign debt	12,761 (-) 2,431	15,822 (-) 200	13,880 (-) 200	13,754 (-) 228	99.1 113.8	107.8 9.4
International issues	11,601 (-) 2,431	15,054 (-) 200	13,172 (-) 200	13,054 (-) 228	99.1 113.8	112.5 9.4
Of which: derivative operations	5,096 (-) 608	5,023 (-) 200	3,933 (-) 200	3,915 (-) 228	99.5 113.8	76.8 37.4
Loans from EIB	1,160	769	708	700	98.9	60.3
Bank accounts	- (-) 19	-	4 -	3 (-) 8	85.0 -	- 41.7
Bank accounts interests (+ paid, - received)	- (-) 19	-	4 -	3 (-) 8	85.0 -	- 41.7
2. Total fees	347	500	500	327	65.3	94.2
Total balance	57,089 (-) 15,687	64,350 (-) 6,800	58,621 (-) 6,800	57,843 (-) 6,952	98.7 102.2	101.3 44.3

Note: (-) means revenues (gains). Approved budget means budget after approval of the second change of State Budget Act of the Czech Republic for 2013.
Source: MoF

The total **net expenditure** on the state debt service in 2013 amounted **CZK 50.9 billion**. Revenues from accrued interest yields and bond

premiums contributed CZK 6.5 billion to reduction of the gross expenditures on the state debt service which reached CZK 57.8 billion.

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