



## Debt Portfolio Management Quarterly Review |December 2011|

The Ministry of Finance submits the 28th Debt Portfolio Management Quarterly Review. The purpose is to present the underlying debt portfolio risk management measures and performance with respect to the planned annual financing program. Consequently, achievements of the medium-term strategic targets of debt management policy are reported. For the year 2011, these targets were

quantified in the Financing and Debt Management Strategy for 2011 released on December 2, 2010. The Strategy specifies operating space of the asset and liability management through issuance activity, financial investment and active operations of Ministry of Finance on secondary market of government bonds and financial derivatives.

### 1. Review of Strategic Targets for 2011

The set of quantitative targets and criteria approved by the Ministry of Finance for issuance activities and

the active management of debt portfolio for 2011 is summarized in the following table.

Tabulka 1: Program financování a strategické cíle v roce 2011

Criterion	Guidelines for 2011	December 31, 2011
International issues	Max. 40 % of the total annual gross borrowing requirement	0.4 %
	CZK 0.0 to 102.5 bn	CZK 0.9 bn
Gross medium-term and long-term government bonds issues <sup>1</sup>	CZK 86.0 to 194.0 bn	CZK 180.3 bn
Gross savings government bonds issues	-	CZK 20.4 bn
Net money market issues exc. Ministry's investments <sup>2</sup>	CZK 20.0 to 40.0 bn	CZK 39.7 bn
Loans from EIB	CZK 5.5 bn	CZK 5.3 bn
Short-term state debt	20 % and less	19.3 %
Average time to maturity	5.25 to 6.25 years	5.8 years
Interest Rate re-fixing up to 1 year	30 to 40 %	34.5 %
Average time to re-fixing	4 to 5 years	4.6 years
Foreign-currency state debt	At most 15 to 17 %	9.2 %

<sup>1</sup> including direct sales from own portfolio on the secondary market, to the European Investment Bank and Ministry's investments  
<sup>2</sup> total net issue of money market instrument is CZK 49.3 bn. in 2011

Source: MoF

As regards **international funding**, there was no change during the 4th quarter of 2011 compared to the 3rd quarter of 2011. The total volume of international funding has reached CZK 0.9 bn. in 2011. In the first quarter Czech Republic has only realized clearance sale of floating rate bond denominated in EUR from own portfolio in the amount of **EUR 37.5 mil**, i.e. **CZK 926.9 mil**. In the fourth quarter of 2011, three tranches of loans

have been drawn from the European Investment Bank valued at CZK 2.0 bn. The total volume of loans from EIB has reached at CZK 5.3 bn. at the end of the year 2011.

Regarding **domestic issuance activity**, the total gross issuance of medium-term and long-term government bonds reached **CZK 47.8 bn**. during the 4th quarter of 2011, including CZK 4.3 bn. bought by

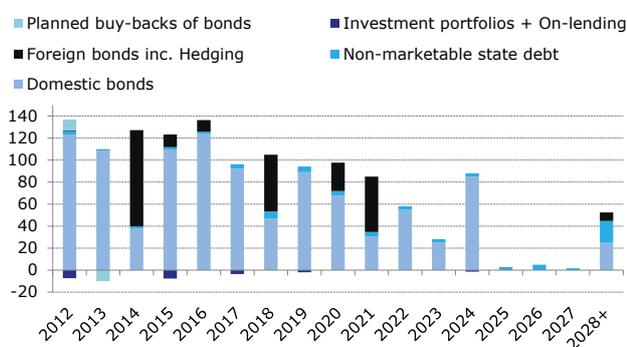
EIB. The total gross domestic issuance activity has reached **CZK 180.3 bn.** during 2011, including direct sales to the EIB amounted CZK 8.4 bn. Hereby about 92.9 % of the maximal supply initially announced in the Strategy for 2011 was used. In the 4th quarter of 2011 the pilot issuance of savings government bonds has been realized in the total amount of **CZK 20.4 bn.** which secured 8% of the gross borrowing requirement of the government. The net issuance of medium-term and long-term government bonds was **CZK -4.5 bn.** during the 4th quarter of 2011, **CZK 76.2 bn.** during 2011. In accordance with the Financing and Debt Management Strategy for 2011, the buy-back of the Czech Republic 2009-2012, VAR% T-Bond in total nominal amount of CZK 2.0 bn. was executed during the 4th quarter of 2011 via MTS Czech Republic system. It was only buy-back of the government bonds executed by the Ministry during 2011.

**The overall volume in issue of money market instruments** was CZK **19.3 bn.** during the 4th quarter of 2011. During 2011, the growth of the net money market issue was CZK **49.3 bn.,** including own investment of the Ministry within the nuclear and pension portfolio in the total amount of CZK 9.6 bn.

**The short-term state debt** increased by 2.7 percentage points and reached the share of **19.3 %** at the end of the 4th quarter of 2011. The figure remains, in accordance with Strategy for 2011, and refinancing risk is maintained bellow the 20% limit ceiling for 2011.

**Average time to maturity** remained unchanged at the end of the 4th quarter of 2011 compared to the 3rd quarter of 2011 and reached 5.8 years. Average time to maturity remains within the announced target bracket, i.e. 5.25–6.25 years for 2011.

**Figure 1: Redemption profile of state debt and state financial assets (CZK billion)**  
(End of 2011)

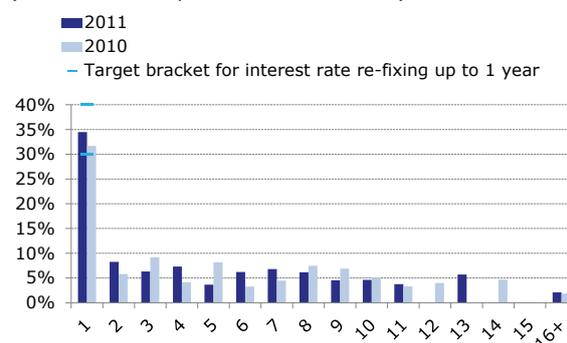


Note: Excluding money market instruments on the debt and assets side. The positive vertical scale shows liabilities, the negative vertical scale shows state financial assets and planned buy-backs for 2012.  
Source: MoF

**Interest rate re-fixing up to one year** increased by 3.8 percentage points during the 4th quarter of 2011. This indicator reached the share of **34.5 %** and remains within the announced medium-term target bracket, i.e. 30 to 40 %.

Starting in 2011 the new strategic goal has been declared for interest rate debt management – **the average time to state debt re-fixing.** The Ministry has set an explicit target of a 4 to 5 year interval for this indicator. At the end of 2011 the average time to state debt re-fixing reached the level of **4.6 years** and remains within the announced long-term target bracket.

**Figure 2: Re-fixing profile of state debt**  
(end of 2011 compared with end of 2010)



Note: Including derivatives  
Source: MoF

From 2011 onwards the Ministry will actively manage the currency risk. The strategic indicator of the currency risk **the share of foreign-currency state debt** has been declared. The strategic limit declared by the Ministry for 2011 and beyond is 15% (in short term up to 17 %). The foreign-currency state debt reached the share of **9.2 %** at the end of 2011 and remains below the 15 % ceiling, which indicates low and stable foreign-currency exposition. The share of currency exposition denominated in euro in relation to overall currency exposition has reached 86.6% at the end of 2011 and shows dominance of euro in the foreign-currency state debt portfolio.

## 2. The net borrowing requirement

The central government's net borrowing requirements are determined primarily by the state budget deficits. The final level of the net borrowing requirement is also influenced by state financial assets operations, lending and on-lending and changes in the level of the financial reserve generated by bond issues. The

net borrowing requirement is the principal factor driving the change in the nominal value of gross state debt. Since part of the state debt is denominated in foreign currencies the state debt is also affected by changes of the particular bilateral exchange rate.

**Table 2: The net borrowing requirement of the central government and change in the state debt**

	2009	2010	31. 12. 2011
CZK billion			
<b>Gross state debt at the beginning of the period</b>	<b>999.8</b>	<b>1 178.2</b>	<b>1 344.1</b>
Primary balance of state budget excluding on-lending	147.9	120.6	97.6
Net expenditures on state debt <sup>1</sup>	44.5	35.8	45.1
Extra-budgetary borrowing requirement	0.0	0.0	0.0
<b>Net borrowing requirement exc. net of assets operations</b>	<b>192.4</b>	<b>156.4</b>	<b>142.8</b>
State financial assets operations <sup>2</sup>	5.4	3.0	2.5
On-lending (net change) <sup>3</sup>	0.0	1.7	0.0
Financial reserve (net change) <sup>4</sup>	-19.6	7.1	5.3
<b>Net borrowing requirement</b>	<b>178.2</b>	<b>168.2</b>	<b>150.6</b>
Changes in nominal state debt and financial reserve <sup>5</sup>	0.2	-2.4	4.7
<b>Gross state debt change</b>	<b>178.4</b>	<b>165.8</b>	<b>155.3</b>
<b>Gross state debt at the end of the period</b>	<b>1 178.2</b>	<b>1 344.1</b>	<b>1 499.4</b>
<b>(% on GDP)</b>	<b>(31.5)</b>	<b>(35.6)</b>	<b>(38.9)</b>

<sup>1</sup> balance of budgetary chapter 396 – State debt excl. expenditures – Transfers on projects financed by loans from EIB

<sup>2</sup> balance of budgetary chapter 397 – State Financial Assets Operations

<sup>3</sup> on-lending to other states and enterprises with full state-backed guarantee on their core business

<sup>4</sup> cash reserve generated by bonds issues according to the Act No. 218/2000 and from prior-financing of projects by EIB loans

<sup>5</sup> exchange rate changes due to re-evaluation of foreign currencies denominated debt and state debt amortization within budgetary chapter 396.

Source: MoF

In 2011 the net borrowing requirement is higher by CZK 44.3 bn. than planned due to higher than planned deficit of state budget by CZK 7.8 bn., higher than planned generation of financial reserve by CZK 41 bn. and lower than planned quantity of state financial assets and on-lending by CZK 4.5 bn.

The gross borrowing requirement consists of the net borrowing requirement, redemptions on state debt (excluding revolving of the money market instruments during the year) in the given year, buy-backs and switches of government bonds before their original maturity.

**Table 3: Gross borrowing requirement and instruments for funding of the central government**

	2009	2010	31.12.2011
CZK billion			
<b>Net borrowing requirement</b>	<b>178.2</b>	<b>168.2</b>	<b>150.6</b>
Redemptions on state debt inc. buy-backs within a budgetary year	98.0	83.0	102.1
Redemptions on loans from EIB	0.8	1.1	1.1
Buy-backs and switches of bonds due in following years <sup>1</sup>	2.0	0.0	2.0
Re-evaluation of financial reserve <sup>2</sup>	0.0	0.2	0.4
<b>Gross borrowing requirement</b>	<b>279.0</b>	<b>252.6</b>	<b>256.2</b>
<b>% on GDP</b>	<b>(7.5)</b>	<b>(6.7)</b>	<b>(6.6)</b>
Net money market issuance <sup>3</sup>	9.4	25.1	49.3
Gross government bonds issuance <sup>4</sup>	257.7	217.1	181.2
Gross savings government bonds issuance	-	-	20.4
Loans from EIB	11.9	10.4	5.3
Net loans from the State Treasury	0.0	0.0	0.0
<b>Funding of borrowing requirement</b>	<b>279.0</b>	<b>252.6</b>	<b>256.2</b>

<sup>1</sup> excl. operations with government bonds due within a budgetary year

<sup>2</sup> re-evaluation due to exchange rate changes

<sup>3</sup> excl. re-financing of redemption instrument due within a year

<sup>4</sup> nominal amount. i.e. premiums and discounts are included in net costs on state debt, i.e. entering into net borrowing requirement.

Source: MoF

**Net debt portfolio** reflects the state debt and state financial assets. The methodology defining individual items is stated in the Financing and Debt Management Strategy for 2011..

**Table 4: State and structure of net debt portfolio**

	2009	2010	31. 12. 2011
CZK billion			
<b>Gross state debt at the beginning of the period</b>	<b>1 178.2</b>	<b>1 344.1</b>	<b>1499.4</b>
Money market instruments	88.2	113.3	162.6
Medium-term and long-term bonds	1 031.6	1 163.2	1245.0
Savings government bonds	-	-	20.4
Loans from EIB	57.9	67.2	71.3
Bills of exchange <sup>1</sup>	0.6	0.3	0.1
Short-term liabilities to the Treasury	0.0	0.0	0.0
<b>State financial assets at the end of the period</b>	<b>102.2</b>	<b>113.9</b>	<b>121.4</b>
Nuclear investment portfolio	13.5	15.1	16.6
Pensions investment portfolio	21.2	21.6	22.0
Special-purpose financial assets accounts	9.2	10.2	10.5
Lending and On-lending <sup>2</sup>	0.0	1.7	1.7
Financial reserve <sup>3</sup>	58.3	65.3	70.6
<b>Net debt portfolio at the end of the period</b>	<b>1 076.0</b>	<b>1230.2</b>	<b>1378.0</b>

<sup>1</sup> Bills of exchange to cover equity holdings of the Czech Republic with international financial institutions

<sup>2</sup> lending to other states and on-lending to enterprises with full state-backed guarantee on the core business

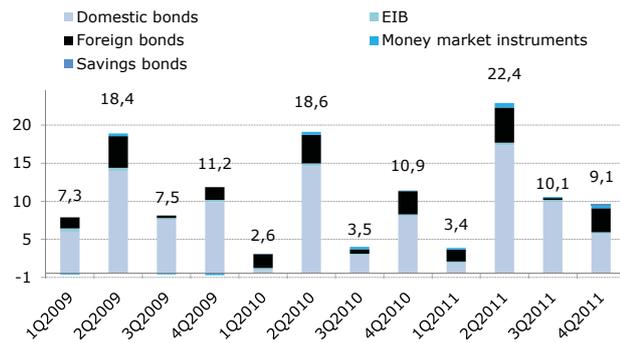
<sup>3</sup> disposable cash balance build up by issuance of government debt according to the Act No. 218/2000. Section 35.

Source: MoF

### 3. Interest costs on state debt and Cost-at-Risk

Next figure presents a breakdown of interest expenditures and revenues related to the state debt in last two years. More detailed information describing the budgetary expenditures and revenues can be found in appendix. Actual net interest costs of state debt are lower by CZK 1.8 bn. in the 4th quarter of 2011 compare to the same quarter of 2010.

**Figure 3: Quarterly Breakdown of Change in net interest costs of state debt 2009-2011 (CZK billion)**

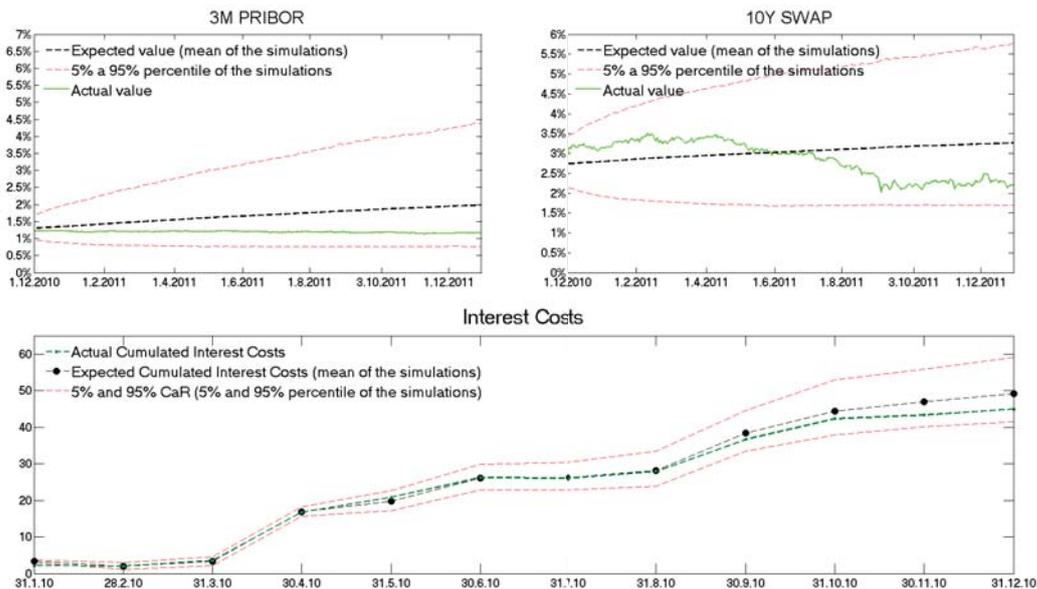


Note: Excluding fees related to the state debt management  
Source: MoF

The state debt interest costs model Cost-at-Risk (CaR) for the year 2011 was published in the Financing and Debt Management Strategy for the year 2011. Calculations of the CaR values are based on term structure of interest rates on November 9, 2010.

The actual versus simulated developments of the PRIBOR 3M and 10Y CZK swap from December 1, 2010 till December 31, 2011 are displayed in the upper part of the next figure. The development of the actual versus simulated net interest costs for the year 2011 is shown in the lower part of the figure 4.

**Figure 4: Actual versus simulated evolution of the interest rates and the actual versus simulated monthly net interest costs (CZK billion)**



Note: Interest costs are calculated on the cash principle relevant for the current methodology of the state budget.  
Source: MoF

Table 5 refers to the comparison between the actual net interest costs of state debt and the simulated net interest costs (average of the simulations) and

interest costs CaR (95% and 99% percentile of the simulations) for 2011 in comparison with the year 2010.

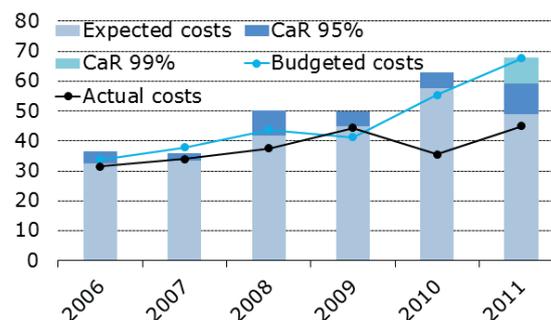
**Table 5: Expected interest costs deviation from the actual interest costs in 2010 and 2011**

	31.12.2010	31.12.2011
Actual net interest costs (CZK billion)	35.6	45.0
Expected net (simulated) costs (CZK billion)	57.5	49.1
Cost-at-Risk 95% (CZK billion)	62.9	59.2
Cost-at-Risk 99% (CZK billion)	-	67.8
Expectation deviation from actuality (%)	61.5	9.1

Source: MoF

In 2011, the actual net interest costs of state debt were CZK 45.0 bn. The expected net interest costs in 2011 predicted by the model are at the level of CZK 49.1 bn. The actual net interest costs therefore remain also in 2011 at below the level of both CaR 95% and CaR 99%, which were set at CZK 59.2 bn. and CZK 67.8 bn. respectively. The primary goal of the model was fulfilled when net interest costs did not exceed CaR levels. The model estimated the actual costs of CZK 4.1 bn. higher. The reason for this difference was the decline in overall yield curve, which we witnessed mainly during the second and third quarters of 2011. During this period, the Ministry received higher than expected auction premium for re-opened issues. However, the values of all market rates and the actual costs remained in the predicted interval during all of 2011. The following figure shows a comparison of net interest CaR and expected and budgeted net interest costs with net interest costs actually realized. From 2006 to 2011, the model fulfilled the primary goal, since the predicted maximum costs were not exceeded in any of those years. From 2006 to 2009, the model also fulfilled a secondary goal, which was that with relatively exact accuracy it predicted the actual interest costs, which except in 2009 were lower than budgeted costs. In 2011 more accurate prediction of the net interest costs has been achieved in comparison with the year 2010, which has relation to using more sophisticated interest rate model.

**Figure 5: Net interest costs and Cost-at-Risk 2006-2011 (CZK billion)**



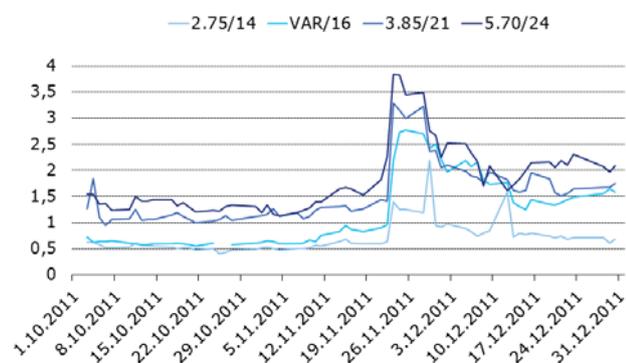
Source: MoF

## 4. Secondary market of government bonds

After three monthly pilot operation, hot operation of electronic platform MTS Czech Republic for the secondary market of Czech government bonds has been launched in 4th quarter of 2011. An effective and transparent domestic market for government bonds is a necessary condition for the realization of the issuing activity of the state and for ensuring smooth and cost effective financing over the long term.

The key parameter of efficient valuation on the secondary market is Bid-Offer spread of the government bond. The more close Bid-Offer spread the more liquid and effective market. During the second half of November the uncertainty on the European financial markets began to increase due to an escalating debt crisis in Eurozone. Uncertainty and fear of investors and market participants have spilt into other European markets outside the Eurozone. In this period Bid-Offer spreads of quoted Czech government bonds sharply increased. Flexibility of a determining of the maximum spread of quoted prices enabled to adapt to new situation for market participants, to keep market integrity and Bid-Offer spread began to tighten.

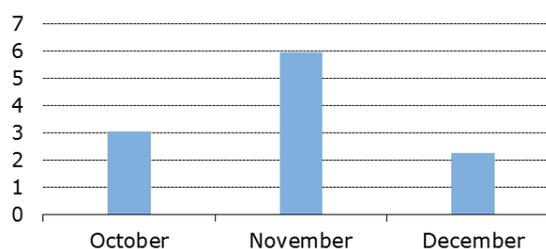
**Figure 6: Average quoted bid-offer spreads on selected quoted bonds on MTS CR (%)**



Source: EuroMTS and Mo

In November 2011 there is not only volatility increasing, but the largest volume of government bond transactions in 4th quarter of 2011. In December, which traditionally belongs to the months with lower trading activity, relatively low volume of bond transactions has been reached.

**Figure 7: Volume of transactions executed by primary dealers on MTS CR (CZK billion)**

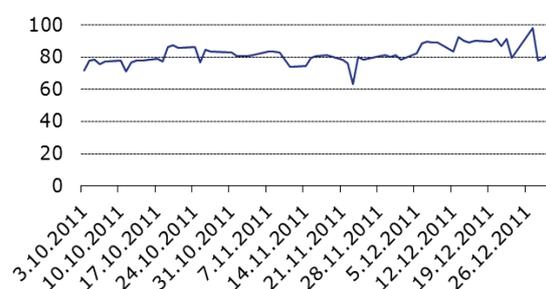


Source: EuroMTS and MoF

The obligations of primary dealers on secondary market include fulfilling of criterions of the minimum quoted volume according to bond maturity, the minimum quoted time during one trading day and the maximum quoted spread on obligated quoted bonds. On these obligations daily fulfillment of quotation obligation („Compliance ratio”) is based every day, where on monthly basis every primary dealer is obligated to fulfill the Compliance ratio at least 90%.

The daily fulfillment of quotation obligations except for moderate slump at the end of November (which has the correlation with increasing volatility of the Bid-Offer spreads) has an improving trend. Persisting technical problems of some primary dealers with electronic system are the reason, why all primary dealers do not fulfill completely quotation obligations. Nevertheless 2/3 of primary dealers have fulfilled quotation obligations on 90% level without any problems during 4th quarter of 2011. The Ministry expects that all primary dealers will fulfill of quotation obligations at least 90% level starting 1.1.2012.

**Figure 8: Primary dealer`s average daily „Compliance ratio” (%)**



Source: EuroMTS, MoF

## Appendix

### State Debt and State Financial Assets Parameters

Table 6: State Debt Parameters

	31.12.2010	31.3.2011	30.6.2011	30.9.2011	31.12.2011
<b>Total state debt (CZK billion)</b>	<b>1344.1</b>	<b>1404.4</b>	<b>1412.9</b>	<b>1456.8</b>	<b>1499.4</b>
Market value inc. derivatives (CZK billion)	1429.2	1 484,0	1495.5	1579.1	1604.2
Short-term state debt (%)	16.1	17.2	17.0	16.6	19.3
Share of money market instruments (%)	8.4	9.8	10.0	9.8	10.8
Average time to maturity (years)	6.3	6.0	6.0	5.8	5.8
Interest rate re-fixing up to one year inc. derivatives (%)	31.7	32.6	30.3	30.7	34.5
Average time to re-fixing (years)	5.0	4.9	4.9	4.6	4.6
Variable-rate market debt	12.1	12.6	13.7	14.5	14.8
Modified duration (years)	4.4	4.2	4.2	4.3	4.3
Modified duration exc. CZK IRS (years)	4.4	4.1	4.2	4.2	4.2
Foreign currency debt (%)	10.4	9.8	9.9	9.8	9.2
Foreign currency debt exc. cross-currency swaps (%)	16.7	15.6	15.5	15.3	15.5
Share of € on foreign currency debt (%)	87.9	88.6	88.3	87.7	86.6
Nonmarketable state debt (%)	5.0	4.8	4.8	4.8	4.8
Retail state debt (%)	-	-	-	-	1.4
<b>Marketable state debt (CZK billion)</b>	<b>1 276.60</b>	<b>1 337.30</b>	<b>1 345.40</b>	<b>1 387.00</b>	<b>1407.5</b>
Market value (CZK billion)	1 360.00	1 415.30	1 426.30	1507	1509.3
Short-term marketable debt (%)	16.9	18.0	17.6	17.3	19.7
Share of money market instruments (%)	8.9	10.3	10.5	10.3	11.6
Average time to maturity (years)	6.0	5.7	5.7	5.5	5.5
Interest rate re-fixing up to one year inc. derivatives (%)	28.3	29.5	27	27.4	31.3
Average time to re-fixing (years)	5.3	5.1	5.1	4.8	4.8
Variable-rate marketable debt (%)	7.8	8.5	9.7	10.5	10.9
Modified duration (years)	4.6	4.3	4.4	4.4	4.4
Modified duration exc. CZK IRS (years)	4.5	4.3	4.3	4.3	4.4
Foreign currency marketable debt (%)	11.0	10.3	10.4	10.3	9.8
Foreign currency debt exc. cross-currency swaps (%)	17.5	16.4	16.2	16.1	16.5
Share of € on foreign currency debt (%)	87.9	88.6	88.3	87.8	86.6

Notes: 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.  
Source: MF

Table 7: State Financial Assets Parameters

	31.12.2010	31.3.2011	30.6.2011	30.9.2011	31.12.2011
<b>State financial assets (CZK billion)</b>	<b>113.9</b>	<b>152.4</b>	<b>123.2</b>	<b>122.2</b>	<b>121.4</b>
Share of assets up to one years on total state debt (%)	7.5	9.9	7.5	7.2	7.1
Interest rate re-fixing up to one year (%)	88.4	91.3	85.7	85.6	88.0
Average time to re-fixing (years)	0.7	0.5	0.7	0.7	0.8
<b>Investment portfolio and on-lending</b>	<b>38.5</b>	<b>38.9</b>	<b>39.7</b>	<b>40.2</b>	<b>40.4</b>
Average return (%)	2.0	2.0	2.0	2.0	2.1
Average time to maturity (years)	2.0	1.9	2.1	1.9	2.2
Modified duration (years)	1.8	1.7	1.9	1.8	2.1

Source: MF

## Medium-term and long-term government bonds, savings government bonds and T-Bills issue in 4th quarter of 2011

Table 8: Medium-term and long-term government bonds issue in 4th quarter of 2011

Instrument	Issue / Tranche	Auction Date	Settlement Date	Maturity Date	Currency	Offered Nominal Volume	Placed Nominal Volume
3.85/2021	61. Issue / 4. Tranche	5.10.	10.10.	29.9.2021	CZK	7 000 000 000	6 203 600 000
VAR/2023	63. Issue / 3. Tranche	19.10.	24.10.	18.4.2023	CZK	8 000 000 000	7 469 000 000
2.75/2014	62. Issue / 5. Tranche	26.10.	31.10.	31.3.2014	CZK	8 000 000 000	7 216 360 000
5.70/2024	58. Issue / 13. Tranche	2.11.	7.11.	25.5.2024	CZK	5 000 000 000	4 018 500 000 <sup>1</sup>
3.85/2021	61. Issue / 5. Tranche	16.11.	21.11.	29.9.2021	CZK	7 000 000 000	6 730 260 000
4.00/2017	51. Issue / 13. Tranche	30.11.	5.12.	11.4.2017	CZK	8 000 000 000	8 792 210 000
VAR/2023	63. Issue / 4. Tranche	7.12.	12.12	18.4.2023	CZK	7 000 000 000	3 036 100 000
<b>Total</b>					<b>CZK</b>	<b>50 000 000 000</b>	<b>43 466 030 000</b>

Instrument	Issue / Tranche	Interest rate type	Average net price	Average yield to maturity	Bid-to-cover ratio	Competitive auction/ Offered Nominal Volume	Non-competitive auction/ Offered Nominal Volume
3.85/2021	61. Issue / 4. Tranche	3.85 %	105.77	3.166	1.50	86.3 %	2.3 %
VAR/2023	63. Issue / 3. Tranche	VAR %	101.61	49.503 *	1.54	86.8 %	6.5 %
2.75/2014	62. Issue/ 5. Tranche	2.75 %	102.70	1.599	2.90	85.0 %	5.2 %
5.70/2024	58. Issue/ 13. Tranche	5.70 %	121.90	3.510	1.06	52.4 %	0.0 %
3.85/2021	61. Issue / 5. Tranche	3.85 %	99.88	3,864	2.34	90.0 %	6.1 %

4.00/2017	51. Issue/ 13. Tranche	4.00 %	102.26	3,526	2.02	95.4 %	14.5 %
VAR/2023	63. Issue / 4. Tranche	VAR %	96.24	103,814 <sup>2</sup>	1.86	43.3 %	0.0 %
<b>Average</b>					<b>1.89</b>	<b>77.0 %</b>	<b>5.0 %</b>

<sup>1</sup> Including bonds sales in nominal amount CZK 1.4 bn. on nuclear account

<sup>2</sup> Spread to the benchmark rate in bps (discounted margin)

**Table 9: Savings government bonds issue in 4th quarter of 2011**

Instrument	Issue No.	Subscription period <sup>1</sup>	Settlement Date	Maturity Date	Maturity (years)	Average yield	Placed Nominal Volume
Discounted Savings Bond CR, 12	64.	3.10.2011-1.11.2011	11.11.2011	12.11.2012	1 year	2.03	9 519 641 831
Coupon Savings Bond CR, VAR %, 16	65.	3.10.2011-1.11.2011	11.11.2011	11.11.2016	5 years	3.09	1 942 090 085
Reinvestment Savings Bond CR, VAR %, 16	66.	3.10.2011-1.11.2011	11.11.2011	11.11.2016	5 years	3.15	8 966 798 933
<b>Total</b>						<b>2.62</b>	<b>20 428 530 849</b>

<sup>1</sup> In accordance with issuance conditions (3.10.2011-1.11.2011) original subscription period was early stopped due to more than double subscription of estimated volume.

**Table 10: T-Bills issue in 4th quarter of 2011**

Issue No.	Maturity (months)	Auction Date	Settlement Date	Maturity Date	Offered Nominal Volume	Placed Nominal Volume	Yield (% p.a.)
SPP 631	12	13.10.	14.10.	12.10.2012	8 000 000 000	10 857 000 000	1.09
SPP 632	6	20.10.	21.10.	20.4.2012	8 000 000 000	8 030 000 000	0.88
SPP 633	12	3.11.	4.11.	2.11.2012	8 000 000 000	10 300 000 000	1.05
SPP 634	6	10.11.	11.11.	11.5.2012	7 000 000 000	8 000 000 000	0.85
SPP 635	9	24.11.	25.11.	24.8.2012	8 000 000 000	9 334 000 000	0.99
SPP 636	6	1.12.	2.12.	1.6.2012	7 000 000 000	6 250 000 000	0.86
SPP 637	12	15.12.	16.12.	14.12.2012	8 000 000 000	8 600 000 000	1.04
<b>Total</b>					<b>54 000 000 000</b>	<b>61 371 000 000</b>	<b>0.98*</b>

\* Average weighted yield to maturity of the T-notes issues in 4. quarter of 2011

**Table 11: Redemption and re-fixing profile of domestic government bonds issues in 4th quarter of 2011**

Domestic government bonds	Volume	Average time to maturity at the issue date	Average time to maturity at 31. 12. 2011	Average time to re-fixing at the issue date	Average time to re-fixing at 31. 12. 2011
Floating rate	10 505 100 000	11.5	11.3	0.4	0.3
Fixed rate	32 960 930 000	7.4	7.2	7.4	7.2
Savings government bonds	20 428 530 849	3.1	3.0	3.1	3.0
<b>Total</b>	<b>63 894 560 849</b>	<b>6,7</b>	<b>6,5</b>	<b>4,9</b>	<b>4,7</b>

Note: Volume in CZK; average time to maturity and re-fixing in years

## Budgetary revenues and expenditures on state debt in 2011

Table 12: Planned and actual budgetary expenditures and revenues on state debt in 2011

1.	Measure (CZK mil)	Actual Q1-Q4 2010	Budget 2011		Actual Q1-Q4 2011	% Execution	Index 2011/2010 (%)
			Approved	After changes			
	1	2	3	4	5	6:4	6:2
<b>1. Total interest costs</b>		<b>48 521</b> <b>(-) 12 894</b>	<b>71 286</b> <b>(-) 5 336</b>	<b>70 174</b> <b>(-) 5 336</b>	<b>55 481</b> <b>(-) 10 506</b>	<b>79.1</b> <b>196.9</b>	<b>114.3</b> <b>81.5</b>
<i>Domestic debt</i>		37 679 (-) 12 338	57 115 (-) 4 836	56 003 (-) 4 836	44 291 (-) 10 039	79.1 207.6	117.5 81.4
In that:							
Money market instruments and on-lending		1 505 (-) 618	3 818 (-) 1 000	3 818 (-) 1 000	1 951 (-) 650	51.1 65.0	129.7 105.1
Retail saving bonds		-	-	-	190	-	-
Government bonds		36 174 (-) 11 720	53 297 (-) 3 836	52 185 (-) 3 836	42 150 (-) 9 389	80.8 244.8	116.5 80.1
<i>Foreign debt</i>		10 843 (-) 485	14 171 (-) 500	14 171 (-) 500	11 190 (-) 461	79.0 92.3	103.2 95.0
In that:							
International issues		9 695 (-) 485	11 790 (-) 500	11 790 (-) 500	10 057 (-) 461	85.3 92.3	103.7 95.0
EIB loans		1 148	2 381	2 381	1 133	47.6	98.7
<i>Bank accounts</i>		0 (-) 70	-	-	0 (-) 6	-	53.1 7.9
In that:							
Bank accounts interests (+ paid. - received)		0 (-) 70	-	-	0 (-) 6	-	53.1 7.9
<b>2. Total fees</b>		<b>219</b> <b>(-) 0</b>	<b>700</b> <b>-</b>	<b>700</b> <b>-</b>	<b>152</b> <b>(-) 0</b>	<b>21.8</b> <b>-</b>	<b>69.5</b> <b>3.3</b>
<b>3. Redemption</b>		<b>-</b>	<b>4</b>	<b>4</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>4. FX gain/loss</b>		<b>-</b> <b>(-) 5</b>	<b>1 000</b> <b>(-) 300</b>	<b>1 000</b> <b>(-) 300</b>	<b>-</b> <b>-</b>	<b>-</b> <b>-</b>	<b>-</b> <b>-</b>
<b>5. Transfers for projects</b>		<b>-</b>	<b>5 501</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total balance</b>		<b>48 741</b> <b>(-) 12 900</b>	<b>78 491</b> <b>(-) 5 636</b>	<b>71 878</b> <b>(-) 5 636</b>	<b>55 633</b> <b>(-) 10 506</b>	<b>77.4</b> <b>186.4</b>	<b>114.1</b> <b>81.4</b>

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

The **net expenditures** on the state debt in 2011 amounts CZK **45.1 bn**. Accrued interest income and government bonds premiums achieve CZK 9.4 bn. and financial investments on the money

market in liquidity management gain CZK 0.6 bn. The gross debt service costs reached CZK 55.6 bn.

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