



Debt Portfolio Management Quarterly Review |December 2012|

The Ministry of Finance (hereinafter the “Ministry”) hereby submits the 32nd 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 2012 had been quantified in the governing document *The Czech Republic Funding and Debt Management*

Strategy for 2012 (hereinafter the “Strategy”) approved by the Minister of Finance and published on 12 December 2011. 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.

1. Overview of 2012 Strategic Debt Management Targets

An evaluation of the debt portfolio structure in relation to the announced strategic targets and fulfilment of the annual financing programme during 2012 can be seen in the following overview.

Table 1: Financing programme and strategic targets in 2012

INDICATOR	Target announced for 2012	31 December 2012
International issuance activity	Max. 30.0% of the annual gross borrowing requirement	22.3%
	CZK 0.0 to 92.8 bn ¹	CZK 69.0 bn
Gross issuance of medium-term and long-term government bonds ²	CZK 64.5 to 177.5 bn	CZK 164.6 bn
Gross issuance of savings government bonds	CZK 20.0 to 40.0 bn	CZK 45.4 bn
Net issuance of money market instruments excl. Ministry's investment operations ³	CZK 40.0 to 60.0 bn	CZK 40.0 bn
Loans from EIB	CZK 5.9 bn	CZK 4.0 bn
Short-term state debt	25.0% and less	17.9%
Medium-term state debt	70.0% and less	52.7%
Average time to maturity	5.0 to 6.0 years	5.7 years
Interest re-fixing up to 1 year	30.0 to 40.0%	37.5%
Average time to re-fixing	4.0 to 5.0 years	4.4 years
Foreign-currency exposure in state debt	Max. 15.0 to 17.0%	10.0%

¹ Planned annual gross borrowing requirement was increased by cash reserve of CZK 69.4 bn and unplanned redemption of loan from European Investment Bank in total nominal amount of CZK 2.2 bn and decreased by CZK 1.9 bn due to lower-than-planned realized buy-backs and amounts to CZK 309.4 bn.

² Incl. tap sales from its own portfolio on the secondary market, direct sales to the European Investment Bank and the Ministry's investment operations.

³ Net issuance of money market instruments outstanding amounts to CZK 26.5 bn in 2012.

Source: Ministry of Finance

In the area of **international issuance activity**, the Ministry entered foreign markets with the issuance of a 10-year benchmark government bond for the first time since 2010, when in February 2012 it issued a 3.875%, 22 eurobond in the nominal amount of **EUR 2.0 bn**, i.e. CZK 50.1 bn. Given the very high demand for this bond on the market, the Ministry decided to issue the second tranche of this issue on 5 October 2012 in the nominal amount

of **EUR 750.0 million**, i.e. CZK 18.9 bn, resulting in the increase of the total nominal amount of the issue to **EUR 2.75 bn**, i.e. CZK 69.0 bn. The gross issuance of medium-term and long-term government bonds on the foreign markets in 2012 amounted to CZK 69.0 bn, representing 22.3% of the government's gross borrowing requirement and 74.3% of the maximum foreign issuance activity under the financing programme for 2012.

In Q4, the total nominal amount of CZK 3.1 bn was drawn from EIB. In 2012, the total nominal amount of CZK 4.0 bn was drawn from EIB, comprising 1.3% of government's gross borrowing requirement and 67.8% of the maximum limit for this type of financing under the financing programme for 2012.

Regarding **domestic issuance activity**, gross issue of medium-term and long-term government bonds in total nominal amount of **CZK 26.6 bn** was executed in Q4. In 2012, the gross issuance of government bonds amounted to CZK 164.6 bn, representing 53.2% of the government's gross borrowing requirement and 92.7% of the annual maximum issuance limit for this type of financing under the 2012 financing programme. Tap sales of government bonds totalled CZK 5.9 bn in Q4, of which CZK 1.3 bn was comprised by the direct sales to the EIB. Tap sales of government bonds totalled CZK 12.4 bn in 2012, of which CZK 3.3 bn was comprised by the direct sales to the EIB. Net issuance of medium-term and long-term government bonds for Q4 amounted to CZK -43.3 bn, as redemption of Czech Republic Government Bond, 2007 – 2012, 3.55% in the total nominal amount of CZK 62.5 bn was carried out during Q4. Net issuance of medium-term and long-term government bonds in 2012 amounted to CZK 42.9 bn. Buy-backs of Czech Republic Government Bond, 2003–2013, 3.70% in total nominal amount of CZK 1.4 bn and Czech Republic Government Bond, 2010–2013, 2.80% in total nominal amount of CZK 6.0 bn were executed during Q4. Buy-backs of medium-term and long-term government bonds in total nominal amount of CZK 7.3 bn were executed during Q4. In 2012 buy-backs of medium-term and long-term government bonds in total nominal amount of CZK 15.9 bn were executed.

Third ("Christmas") successful series of **savings government bonds** issues was carried out in Q4 in total nominal amount of **CZK 30.0 bn**. These issues were supplemented by the tranches issued as the reinvestment of yields of the reinvestment and index-linked savings government bonds in the total nominal amount of CZK 0.1 bn. The gross issuance of savings government bonds amounted to CZK 45.4 bn in 2012, securing 14.7% of the government's gross borrowing requirement. As of the end of 2012, the total nominal amount of savings government bonds outstanding amounted to CZK 56.2 bn, representing 3.4% of the total state debt and 5.1% of domestic government bonds outstanding. The redemption of Discounted Savings Bonds of the Czech Republic, 2011-2012 in the total nominal amount of CZK 9.5 bn was carried out. The early redemptions of savings government bonds in total nominal amount of CZK 65.5 million were carried out during Q4. The early redemptions concerned pilot and "spring" series of issues. In

2012, early redemption of savings government bonds in total nominal amount of CZK 85.6 million were carried out, comprising 0.2% of the total nominal amount of savings government bonds outstanding.

The total change in money market instruments outstanding was CZK 17.1 bn in Q4, of which **net issuance of money market instruments excl. the Ministry's investment operations** amounted to **CZK 20.5 bn** and the Ministry's net investment under the nuclear and pensions portfolios to CZK -3.5 bn. Money market instruments outstanding increased by CZK 26.5 bn in 2012. Net issuance of money market instruments excl. the Ministry's investment totalled CZK 40.0 bn, while the Ministry's net investment under the nuclear and pensions portfolios came up to CZK -13.5 bn. The net issuance of money market instruments comprised 8.6% of government's gross borrowing requirement. The decrease in the Ministry's net investment under the nuclear and pensions portfolios reflects the Ministry's decision not to invest available funds on the pensions account but to leave them in the same regime as money market funds deposited on other state financial assets accounts. In such case, these liquid funds are included into the collective account of the state treasury with a positive impact on the immediate liquidity and the state debt. The funds within the collective account of the state treasury are invested into short-term financial market instruments with maturity in the order of days (repo operations).

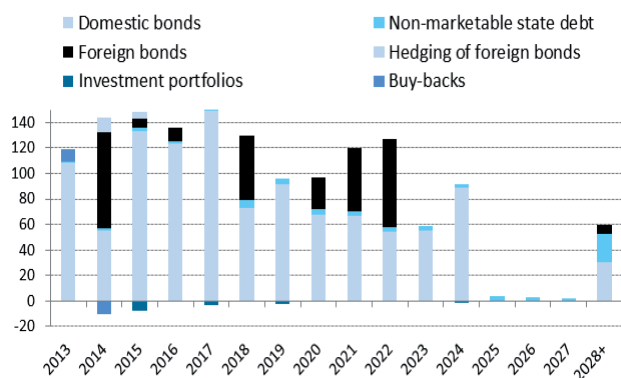
Short-term state debt (debt payable within one year) as of the end of Q4 decreased in comparison to the end of Q3 by 3.5 percentage points to **17.9%** and thus reached the value according with the Strategy. At the same time, refinancing risk was kept below the target limit of 25.0% set for 2012.

The **average time to maturity of the state debt** as of the end of Q4 increased by 0.1 years in comparison to the end of Q3 to **5.7 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 2012.

Starting from 2012, the Ministry has actively managed the **medium-term state debt** (debt payable within five years) as part of the refinancing risk using the proportion of the medium-term state debt to the total state debt indicator. A limit of 70.0% out of the total state debt was established for 2012 and for the medium-term horizon. As of the end of Q4, the medium-term state debt decreased in comparison to the end of Q3 by 2.2 percentage points to **52.7%** and is thus below the established limit.

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

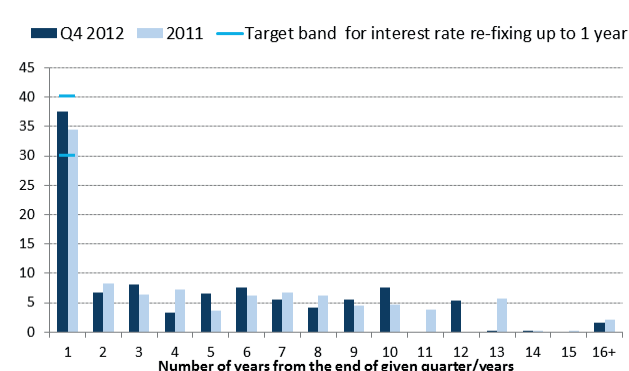
(end of Q4 2012)



Note: Not including money market instruments outstanding on the side of liabilities and assets. The positive vertical axis shows liabilities, the negative vertical axis shows state financial assets and buy-backs of bonds due in 2014 and carried out in 2013. Domestic bonds include savings government bonds. Source: Ministry of Finance

Figure 2: Re-fixing profile of state debt (% of state debt)

(end of Q4 2012 compared with end of 2011)



Note: Incl. derivative transactions. Source: Ministry of Finance

Interest re-fixing of the state debt up to one year decreased by 3.0 percentage points during Q4, reaching **37.5%**. This indicator was thus within the medium-term target band of 30.0-40.0%.

Average time to the state debt re-fixing as of the end of Q4 increased in comparison to the end of Q3 by 0.1 years to **4.4 years**. Thus, this indicator is within the medium-term target band of 4.0-5.0 years.

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 2012 is 15.0% (up to 17.0% in the short term). Compared to the end of Q3, the value of this indicator increased at the end of Q4 by 1.2 percentage points to **10.0%** 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 2.0 percentage points and amounted to 89.7% as of the end of Q4, thus indicating the euro's dominance in the foreign-currency state debt portfolio.

2. Net Borrowing Requirement

The net borrowing requirement of the central government is determined primarily by state budget deficits. It is also influenced by state financial assets operations, lending and on-lending, and changes in the level of the financial reserve generated from issuance activity. The

net borrowing requirement is the principal factor driving change in the nominal amount of gross state debt. As part of the state debt is denominated in foreign currencies the aforementioned change is also influenced by movement of the respective bilateral exchange rate.

Table 2: Net borrowing requirement of the central government and change in state debt

CZK billion (% GDP)	2010	2011	2012
Gross state debt as at 1 Jan	1,178.2	1,344.1	1,499.4
Primary balance of the state budget excl. on-lending	120.6	97.6	59.6
Net expenditures on the state debt management ¹	35.8	45.1	41.4
Extra-budgetary borrowing requirement	0.0	0.0	0.0
Net borrowing requirement excl. assets operations	156.4	142.8	101.0
State financial assets operations ²	3.0	2.5	2.4
On-lending (net change) ³	1.7	0.0	0.0
Cash reserve (net change) ⁴	7.1	5.7	69.4
Net borrowing requirement	168.2	151.0	172.8
Changes in nominal state debt ⁵	-2.4	4.5	-4.4
Promissory notes repayments ⁶	0.0	-0.2	-0.1
Change in gross state debt	165.8	155.3	168.3
Gross state debt as at 31 Dec	1,344.1	1,499.4	1,667.6
(% GDP)	35.4	39.0	43.5⁷

¹ Balance of budgetary chapter 396 – State debt.

² Balance of budgetary chapter 397 – State financial assets operations.

³ On-lending to other states and enterprises with full state-backed guarantee on their core business.

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 Revaluation of debt denominated in foreign currencies due to exchange rate changes.

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

⁷ Proportion of gross state debt to cumulative gross domestic product for the period from Q1 2012 to Q4 2012. The Czech Statistical Office is the source for GDP for the period from Q1 2012 to Q3 2012, while the Macroeconomic Forecast published by the Ministry is the source for GDP for Q4 2012.

Source: Ministry of Finance

The gross borrowing requirement consists of the net borrowing requirement, redemptions of state debt (excl. roll-over of money market instruments during the budgetary year) in the given budgetary year, buy-backs and switches of government bonds before their original maturity. The annual gross borrowing requirement of CZK 243.4 bn

planned in the Strategy was increased by the cash reserve of CZK 69.4 bn and unplanned redemption of loan from European Investment Bank in total nominal amount of CZK 2.2 bn and decreased by CZK 1.9 bn due to lower-than-planned realized buy-backs and amounts to **CZK 309.4 bn**.

Table 3: Gross borrowing requirement and instruments of the central government financing

CZK billion (% GDP)	2010	2011	2012
Net borrowing requirement	168.2	151.0	172.8
Redemptions and buy-backs of government bonds due in the respective year	83.0	102.1	113.6
Redemptions on savings government bonds due in the respective year ¹			9.6
Redemptions on loans from the EIB	1.1	1.1	5.3
Buy-backs and switches of government bonds due in following years ²	0.0	2.0	8.1
Gross borrowing requirement	252.6	256.2	309.4
% GDP	6.6	6.7	8.1³
Net money market instruments issuance ⁴	25.1	49.3	26.5
Gross issuance of government bonds ⁵	217.1	181.2	233.6
Gross savings government bonds issuance	-	20.4	45.4
Passive repo operations excl. treasury liquidity management	0.0	0.0	0.0
Loans from the EIB	10.4	5.3	4.0
Net loans from the State Treasury	0.0	0.0	0.0
Funding of the gross borrowing requirement	252.6	256.2	309.4

¹ Incl. early redemptions requested by bond holders.

² Excl. government bonds due in the respective year.

³ Ratio of gross borrowing requirement for 2012 to gross domestic product for 2012. The source of GDP for Q1 and Q3 2012 is the Czech Statistical Office, while the source for Q4 2012 is the Macroeconomic Forecast published by the Ministry.

⁴ Excl. refinancing of due instruments in the respective year.

⁵ Nominal amount, i.e. premiums and discounts are included in net costs for state debt service, i.e. entering the net borrowing requirement.
Source: Ministry of Finance

The **net debt portfolio** reflects the state debt for determining individual items in the net debt and state financial assets. The methodology portfolio is set out in the Strategy.

Table 4: Balances and structure of the net debt portfolio

CZK billion	2010	2011	2012
Gross state debt as at 31 Dec	1,344.1	1,499.4	1,667.6
Money market instruments	113.3	162.6	189.1
Passive repo operations excl. treasury liquidity management	0.0	0.0	0.0
Medium-term and long-term bonds ¹	1,163.2	1,245.0	1,352.3
Savings government bonds	-	20.4	56.2
Loans from the EIB	67.2	71.3	70.0
Promissory notes ²	0.3	0.1	0.0
Short-term liabilities to the State Treasury	0.0	0.0	0.0
State financial assets as at 31 Dec	113.9	121.4	193.2
Nuclear investment portfolio	15.1	16.6	18.5
Pension investment portfolio	21.6	22.0	22.4
Special-purpose financial assets account	10.2	10.5	10.6
Lending and on-lending ³	1.7	1.7	1.7
Cash reserve ⁴	65.3	70.6	139.9
Net debt portfolio as at 31 Dec	1,230.1	1,378.0	1,474.4

¹ Incl. derivative transactions.

² Promissory notes covering the Czech Republic ownership interests in international financial institutions.

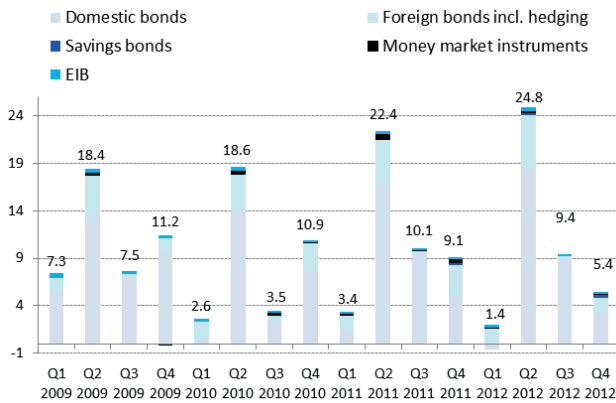
³ Extra-budgetary lending to other states and on-lending to institutions with state-backed guarantees for their core business with maturity longer than 1 year.

⁴ Disposable cash balance created from issuance activities according to Section 35(4) of Act No. 218/2000 Coll., incl. impact of exchange rate changes on the cash reserve parts denominated in foreign currencies.
Source: Ministry of Finance

3. 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 2012 is included in the Appendix. Actual net interest costs on the state debt in 2012 reached CZK 41.1 bn, which is CZK 3.9 bn lower than actual net interest costs in 2011.

Figure 3: Net interest costs on the state debt, 2009–2012 (CZK billion)

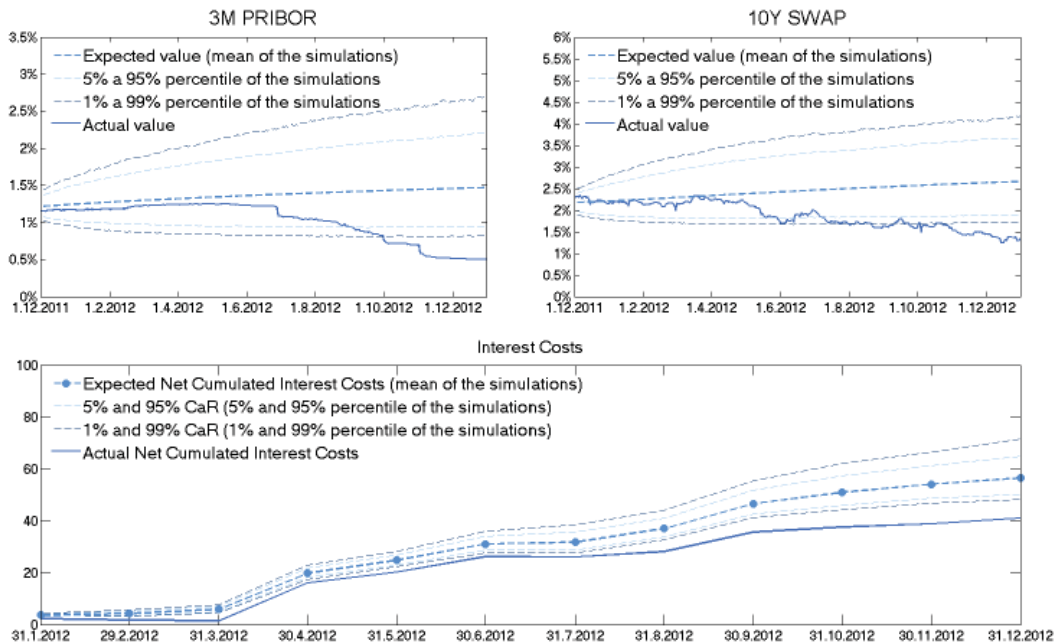


Note: Excl. fees related to the state debt management.
Source: Ministry of Finance

The state debt interest costs model Cost-at-Risk (CaR) for the year 2012 was published in the Strategy. Calculations of the CaR values are based on term structure of interest rates on 15 November 2011.

A comparison of the actual development of the 3-month PRIBOR and 10-year swap rates with their simulations for the period from 1 December 2011 to 31 December 2012 is shown in the upper part of the following figure. The development of net interest costs on the state debt as compared to the simulated costs for 2012 is displayed in the lower section of the following figure.

Figure 4: Actual versus simulated development of the interest rates and the actual versus simulated monthly net cumulative interest costs on the state debt (CZK billion)



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

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 2012 and 2011.

Table 5: Deviation of expected from actual costs in 2011 and 2012

CZK billion	31 December 2011	31 December 2012
Actual net interest costs	45.0	41.1
Expected (simulated) net costs	49.1	56.4
Cost-at-Risk 95%	59.2	64.9
Cost-at-Risk 99%	67.8	71.5
Deviation of expectation from actuality	4.1	15.3

Source: Ministry of Finance

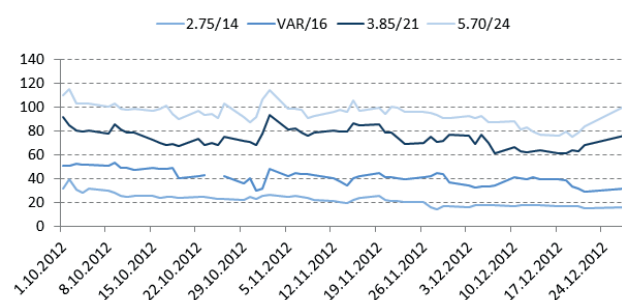
In 2012 the actual net interest costs on the state debt were CZK 41.1 bn. The expected net interest costs for the same period predicted by the model were CZK 56.4 bn. The actual net interest costs thus remained below the level of both CaR 95% and CaR 99%, which were set at CZK 64.9 bn and CZK 71.5 bn, respectively. The primary goal of the model was fulfilled when net interest costs did not exceed CaR levels. The model estimated the actual net interest costs to be CZK 15.3 bn higher, as the the estimation of expected gross interest costs is CZK 6.0 billion higher than predicted actual interest costs and the estimation of expected interest revenues is CZK 9.3 billion higher than predicted actual revenues.

The reason for the difference between the actual and expected interest costs and revenues in 2012 was mainly caused by the situation on financial markets, which was not expected by the model, when the state debt service costs decreased due to the decline of yield curves. The values of market rates and actual net interest costs in 2012 did not remain in predicted interval and dropped below it as a result of sharp decline of yield curves mainly in the third quarter of 2012. The discrepancy between the estimate and reality is obvious mainly in interest revenues, where the Ministry received significantly higher than expected auction premia on reopening of government bonds issues. The reason for those auction premia was the combination of relatively high coupon rates of reopened issues and low yields to maturity of those bonds.

4. Secondary Market of Government Bonds

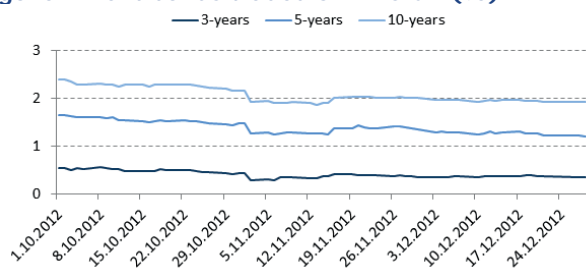
The MTS Czech Republic platform for trading government bonds marked more than one year of contributing to efficiency and transparency on the domestic secondary market. The key parameter indicating the efficiency of price discovery on the secondary market is the bid-offer spread for a given government bond. The narrower the bid-offer spread, the more liquid and efficient the market. The relatively stable situation on the bond market reflected in lingering low bid-offer spreads on the bond market. The on-going downward trend of bond yields was observed on the secondary market.

Figure 5: Average quoted bid-offer spreads on selected quoted bonds on MTS CR (ticks)



Source: EuroMTS and Ministry of Finance

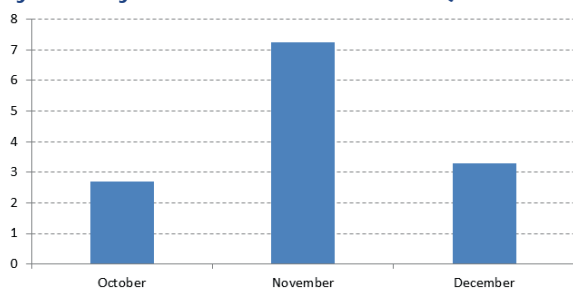
Figure 6: Yields on selected maturities interpolated from the yields of government bonds traded on MTS CR (%)



Source: EuroMTS and Ministry of Finance

While the total traded nominal value on MTS reached on October and December substandard amount of average value of CZK 5.0 bn. In November, total traded nominal value climbed to CZK 7.0 bn.

Figure 7: Nominal amount of transactions executed by Primary Dealers on MTS CR in Q4 (CZK billion)

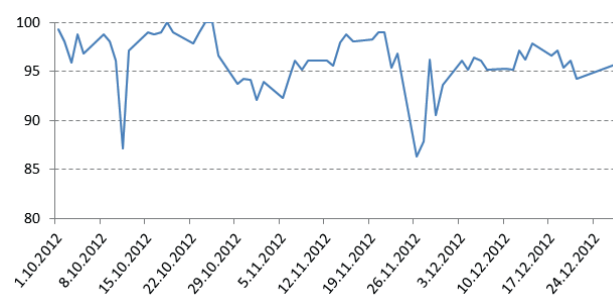


Source: EuroMTS and Ministry of Finance

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%.

The average DCR of Primary Dealers only exceptionally fell below 90.0% in Q4. Only one Primary Dealer each month failed to fulfil quoting obligations during Q4.

Figure 8: Average DCR of Primary Dealers (%)



Source: EuroMTS and Ministry of Finance

Also in Q4, the Ministry carried on using a new version of its lending facility for government bonds. Primary Dealers may use this facility for lending government securities for a period up to 60 days using repo operations. This facility was launched in order to boost the liquidity of government bonds on the secondary market and especially in case of bond squeeze. As a part of repo operations against government bonds lent, the Ministry obtains CZK liquidity which it then invests on the money market at a higher yield as a part of liquidity management. These operations thereby also contribute to savings on net interest costs on the state debt.

In Q4, repo operations in total nominal amount of CZK 788.3 million were executed. In 2012, repo operations in total nominal amount of CZK 21.0 bn were executed. All concluded repo operations matured before the end of the year.

Appendix

State debt and state financial assets parameters

Table 6: State debt parameters

	31 Dec 2011	31 Mar 2012	30 Jun 2012	30 Sep 2012	31 Dec 2012
Total state debt (CZK billion)	1,499.4	1,613.0	1,635.7	1,652.3	1,667.6
Market value incl. derivatives (CZK billion)	1,604.2	1,752.5	1,795.7	1,837.4	1,887.3
Short-term state debt (%)	19.3	18.8	19.3	21.4	17.9
Share of money market instruments (%)	10.8	11.0	10.0	10.4	11.3
Average time to maturity (years)	5.8	5.7	5.7	5.6	5.7
Interest rate re-fixing up to one year incl. derivatives (%) ¹	34.5	34.9	37.1	40.5	37.5
Average time to re-fixing (years)	4.6	4.5	4.5	4.3	4.4
Variable-rate market debt (%)	14.8	14.8	13.7	14.3	14.9
Modified duration (years)	4.3	4.1	4.2	4.1	4.2
Modified duration excl. CZK IRS (years)	4.2	4.1	4.2	4.0	4.2
Foreign currency exposure of the state debt (%)	9.2	11.4	9.1	8.8	10.0
Foreign currency state debt (%)	15.5	16.9	17.3	16.6	17.7
Share of € on foreign currency exposure of the state debt (%)	86.6	90.6	87.7	87.7	89.7
Non-marketable state debt (%) ²	4.8	4.4	4.3	4.1	4.2
Retail state debt (%)	1.4	1.3	2.2	2.2	3.4
Marketable debt (CZK billion)	1,407.5	1,521.5	1,530.2	1,548.2	1,541.4
Market value (CZK billion)	1,509.3	1,657.8	1,686.5	1,730.1	1,754.6
Short-term marketable debt (%)	19.7	19.1	19.9	22.1	18.8
Share of money market instruments (%)	11.6	11.6	11.2	11.1	12.3
Average time to maturity (years)	5.5	5.5	5.5	5.4	5.5
Interest rate re-fixing up to one year incl. derivatives (%) ¹	31.3	31.9	34.6	38.4	35.7
Average time to re-fixing (years)	4.8	4.7	4.7	4.4	4.6
Variable-rate marketable debt (%)	10.9	11.3	10.3	11.0	11.7
Modified duration (years)	4.4	4.3	4.4	4.2	4.3
Modified duration excl. CZK IRS (years)	4.4	4.2	4.3	4.2	4.3
Foreign currency exposure of the state debt (%)	9.8	12.0	9.8	9.4	10.8
Foreign currency state debt (%)	16.5	17.9	18.5	17.7	19.1
Share of € on foreign currency exposure of the state debt (%)	86.6	90.7	87.7	87.7	89.7

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: Ministry of Finance

Table 7: Parameters of state financial assets

	31 Dec 2011	31 Mar 2012	30 Jun 2012	30 Sep 2012	31 Dec 2012
State financial assets (CZK billion)	121.4	218.5	186.8	207.9	193.2
Share of assets up to one year on total state debt (%)	7.1	12.6	10.5	11.7	10.2
Interest re-fixing up to one year (%)	88.0	93.3	92.2	93.0	92.4
Average time to re-fixing (years)	0.8	0.4	0.4	0.4	0.4
Investment portfolios and on-lending	40.4	40.7	41.7	42.2	42.7
Average yield (%)	2.1	2.1	2.0	1.8	1.5
Average time to maturity (years)	2.2	2.0	1.8	1.6	1.7
Modified duration (years)	2.1	1.7	1.4	1.2	1.0

Source: Ministry of Finance

Medium-term and long-term government bonds, savings government bonds and treasury bills issues in Q4 2012

Table 8: Issues of medium-term and long-term government bonds in Q4 2012

Instrument	Issue/Tranche	Auction Date	Issue Date	Maturity Date	Currency	Max. Nominal Amount Offered in the Competitive Part of Auction	Total Nominal Amount Sold
VAR/2023	63. Issue / 12. Tranche	3.10.	8.10.	18.4.2023	CZK	3,000,000,000	2,258,320,000
4.60/2018	41. Issue / 15. Tranche	3.10.	8.10.	18.8.2018	CZK	3,000,000,000	3,416,250,000
3.85/2021	61. Issue / 13. Tranche	17.10.	22.10.	29.9.2021	CZK	3,000,000,000	3,130,340,000
VAR/2017	67. Issue / 9. Tranche	17.10.	22.10.	23.7.2017	CZK	3,000,000,000	2,074,320,000
3.40/2015	60. Issue / 10. Tranche	7.11.	12.11.	1.9.2015	CZK	3,000,000,000	1,611,640,000
VAR/2023	63. Issue / 13. Tranche	7.11.	12.11.	18.4.2023	CZK	3,000,000,000	3,594,860,000 ¹
VAR/2017	67. Issue / 10. Tranche	21.11.	26.11.	23.7.2017	CZK	3,000,000,000	1,616,150,000
3.85/2021	61. Issue / 14. Tranche	21.11.	26.11.	29.9.2021	CZK	3,000,000,000	3,000,000,000
Total							20,701,880,000

Instrument	Issue/ Tranche	Coupon	Average Net Price	Average Yield to Maturity (% p.a.)	Bid-to- cover Ratio	Sold in the Competitive Part of the Auction/ Max. Nominal Amount Offered	Sold in the Non- competitive Part of the Auction/ Max. Nominal Amount Offered
VAR/2023	63. Issue / 12. Tranche	VAR%	101.70	50.886 ²	1.39	68.5%	6.8%
4.60/2018	41. Issue / 15. Tranche	4.60%	117.17	1.516	2.08	100.0%	13.9%
3.85/2021	61. Issue / 13. Tranche	3.85%	113.73	2.145	1.60	100.0%	4.3%
VAR/2017	67. Issue / 9. Tranche	VAR%	103.76	7.158 ²	1.83	66.7%	2.5%
3.40/2015	60. Issue / 10. Tranche	3.40%	108.64	0.299	4.44	53.3%	0.4%
VAR/2023	63. Issue / 13. Tranche	VAR%	103.50	33.189 ²	1.93	83.3%	6.5%
VAR/2017	67. Issue / 10. Tranche	VAR%	104.48	-9.298 ²	2.11	52.0%	1.9%
3.85/2021	61. Issue / 14. Tranche	3.85%	115.64	1.910	1.91	100.0%	0.0%
Average						78.0%	4.5%

¹ Including bonds sales in the nominal amount at CZK 0.9 bn on nuclear account.

² Spread to the benchmark rate in bps (discounted margin).

Source: Ministry of Finance

Table 9: Issue of savings government bonds in Q4 2012

Instrument	Issue/ Tranche No.	Subscription Period	Settlement Date	Maturity Date	Original maturity (Years)	Placed Nominal Value
Reinvestment savings bond	66/2 ¹	-	12.11.2012	11.11.2016	5.0	76,218,374
Discounted savings bond	72/1	5.11.2012 to 12.11.2012	12.12.2012	12.6.2014	1.5	8,453,686,071
Premium savings bond	73/1	5.11.2012 to 12.11.2012	12.12.2012	12.12.2015	3.0	11,537,026,559
Coupon savings bond	74/1	5.11.2012 to 12.11.2012	12.12.2012	12.12.2017	5.0	1,794,329,575
Reinvestment savings bond	75/1	5.11.2012 to 12.11.2012	12.12.2012	12.12.2017	5.0	7,362,659,133
Inflation-linked savings bond	70/2	5.11.2012 to 12.11.2012	12.12.2012	12.6.2019	7.0	834,418,829
Inflation-linked savings bond	70/3 ¹	-	12.12.2012	12.6.2019	7.0	4,204,266
Total						30,062,542,807

¹ Tranche issued through the yield reinvestment.

Source: Ministry of Finance

Table 10: Tap Sales in Q4 2012

Instrument	Issue No.	Transaction Date	Settlement Date	Maturity Date	Original Maturity (Years)	Average Price	Nominal Amount
CZGB 4.85 26/11/57	53.	26. 09. 2012	02. 10. 2012	26. 11. 2057	50	118.67	250,000,000
CZGB 4.00 23/07/17	51.	26. 09. 2012	02. 10. 2012	11. 04. 2017	10	112.52	274,000,000
CZGB 4.85 26/11/57	53.	27. 09. 2012	03. 10. 2012	26. 11. 2057	50	118.765	200,000,000
CZGB 4.85 26/11/57	53.	10. 10. 2012	15. 10. 2012	26. 11. 2057	50	119.2	200,000,000
CZGB 4.85 26/11/57	53.	12. 10. 2012	17. 10. 2012	26. 11. 2057	50	118.37	200,000,000
CZGB 4.85 26/11/57	53.	31. 10. 2012	05. 11. 2012	26. 11. 2057	50	119.15	200,000,000
CZGB 4.85 26/11/57	53.	02. 11. 2012	07. 11. 2012	26. 11. 2057	50	119.235	200,000,000
CZGB 4.85 26/11/57	53.	09. 11. 2012	14. 11. 2012	26. 11. 2057	50	120.55	200,000,000
CZGB 4.00 23/07/17	51.	14. 11. 2012	19. 11. 2012	11. 04. 2017	10	114.3	200,000,000
CZGB 4.85 26/11/57	53.	14. 11. 2012	19. 11. 2012	26. 11. 2057	50	120.302	200,000,000
CZGB 4.85 26/11/57	53.	16. 11. 2012	21. 11. 2012	26. 11. 2057	50	120	1,000,000,000
CZGB 4.85 26/11/57	53.	19. 11. 2012	22. 11. 2012	26. 11. 2057	50	120	1,000,000,000
CZGB 4.85 26/11/57	53.	27. 11. 2012	30. 11. 2012	26. 11. 2057	50	120.11	170,000,000
CZGB 4.00 23/07/17	51.	28. 11. 2012	03. 12. 2012	11. 04. 2017	10	113.78	300,050,000
CZGB 5.70 25/05/24	58.	28. 11. 2012	03. 12. 2012	25. 05. 2024	15	136.01	350,000
Total							4,594,400,000

Note: Tap sales include only operations carried out through MTS Czech Republic.
Source: Ministry of Finance

Table 11: Buy-backs in Q4 2012

Instrument	Issue No.	Transaction Date	Settlement Date	Maturity Date	Original Maturity (Years)	Deal Price	Nominal Amount
CZGB 3.70 16/06/13	40.	9. 11. 2012	14. 11. 2012	16. 6. 2013	10	102.125	1,298,000,000
CZGB 2.80 16/09/13	59.	9. 11. 2012	14. 11. 2012	16. 9. 2013	3	102.252	1,491,000,000
CZGB 2.80 16/09/13	59.	14. 11. 2012	19. 11. 2012	16. 9. 2013	3	102.216	228,000,000
CZGB 3.70 16/06/13	40.	23. 11. 2012	28. 11. 2012	16. 6. 2013	10	102.001	55,000,000
CZGB 2.80 16/09/13	59.	23. 11. 2012	28. 11. 2012	16. 9. 2013	3	102.191	2,000,000,000
CZGB 2.80 16/09/13	59.	26. 11. 2012	29. 11. 2012	16. 9. 2013	3	102.187	250,000,000
CZGB 2.80 16/09/13	59.	27. 11. 2012	30. 11. 2012	16. 9. 2013	3	102.184	2,000,000,000
Total							7,322,000,000

Source: Ministry of Finance

Table 12: Treasury bills issues in Q4 2012

Issue No.	Maturity (Months)	Auction Date	Issue Date	Maturity Date	Offered Nominal Amount	Placed Nominal Amount	Yield (% p.a.)
658	9	11. 10. 2012	12. 10. 2012	12. 7. 2013	9,000,000,000	9,000,000,000	0.35
659	12	18. 10. 2012	19. 10. 2012	18. 10. 2013	9,000,000,000	9,223,000,000	0.32
660	3	25. 10. 2012	26. 10. 2012	25. 1. 2013	9,000,000,000	8,614,000,000	0.26
661	12	1. 11. 2012	2. 11. 2012	1. 11. 2013	9,000,000,000	9,151,000,000	0.29
662	6	15. 11. 2012	16. 11. 2012	17. 5. 2013	9,000,000,000	9,000,000,000	0.15
663	9	29. 11. 2012	30. 11. 2012	30. 8. 2013	9,000,000,000	9,000,000,000	0.12
664	3	6. 12. 2012	7. 12. 2012	8. 3. 2013	9,000,000,000	7,885,000,000	0.15
665	12	13. 12. 2012	14. 12. 2012	13. 12. 2013	9,000,000,000	9,235,000,000	0.12
Total					72,000,000,000	71,108,000,000	0.22¹

¹ Average weighted yield to maturity of treasury bills issues in Q4 2012.
Source: Ministry of Finance

Table 13: Redemption and re-fixing profile of domestic government bonds issues in Q4 2012

Domestic Government Bonds	Placed Nominal Amount	Average Time to Maturity at the Issue Date	Average Time to Maturity at 31 Dec 2012	Average Time to Re-fixing at the Issue Date	Average Time to Re-fixing at 31 Dec 2012
Floating rate	9,543,650,000	8.2	8.1	0.4	0.2
Fixed rate	11,158,230,000	7.1	6.9	7.1	6.9
Savings bonds	30,062,542,807	3.3	3.2	3.1	3.0
Total	50,764,422,807	5.1	5.0	3.5	3.4

Note: Nominal amount in CZK; Floating rate notes include bonds sales in the nominal amount at CZK 0.9 bn on nuclear account ; average time to maturity and re-fixing in years.
Source: Ministry of Finance

Budgetary revenues and expenditures on the state debt in 2012

Table 14: Planned and actual budgetary expenditures and revenues on state debt in 2012

Indicator (CZK mil)	Actual Q1-Q4 2011	Budget 2012		Actual Q1-Q4 2012	% Execution	Index 2012/2011 (%)
		Approved	After Changes			
1	2	3	4	5	5:4	5:2
1. Total interest expenditures and revenues	55,481 (-) 10,506	77,656 (-) 6,244	75,426 (-) 6,244	56,742 (-) 15,687	75.2 251.2	102.3 149.3
<i>Domestic debt</i>	44,291 (-) 10,039	61,740 (-) 5,471	59,547 (-) 5,471	43,981 (-) 13,238	73.9 242.0	99.3 131.9
Money market instruments and on-lending	1,951 (-) 650	6,922 (-) 1,894	6,960 (-) 1,894	1,186 (-) 865	17.0 45.7	60.8 133.2
Of which: derivative operations	57	22	60	60	100.0	104.8
Savings government bonds	190 -	- -	- -	576 (-) 0	- -	302.6 -
Government bonds	42,150 (-) 9,389	54,818 (-) 3,577	52,587 (-) 3,577	42,219 (-) 12,372	80.3 345.8	100.2 131.8
<i>Foreign debt</i>	11,190 (-) 461	15,916 (-) 773	15,879 (-) 773	12,761 (-) 2,431	80.4 314.5	114.0 526.9
International issues	10,057 (-) 461	13,125 (-) 773	13,087 (-) 773	11,601 (-) 2,431	88.6 314.5	115.3 526.9
Of which: derivative operations	4,425 (-) 431	5,835 (-) 773	5,798 (-) 773	5,096 (-) 608	87.9 78.7	115.2 141.2
Loans from EIB	1,133	2,792	2,792	1,160	41.6	102.5
<i>Bank accounts</i>	0 (-) 6	- -	- -	- (-) 19	- -	- 332.4
Bank accounts interests (+ paid, - received)	0 (-) 6	- -	- -	- (-) 19	- -	- 332.4
2. Total fees	152 (-) 0	750 -	625 -	347 -	55.5 -	227.3 -
3. FX gain/loss	- -	1,000 (-) 300	1,000 (-) 300	- -	- -	- -
Total balance	55,633 (-)10,506	79,406 (-) 6,544	77,051 (-) 6,544	57,089 (-)15,687	74.1 239.7	102.6 149.3

Note: (-) means revenues (gains).
Source: Ministry of Finance

The total **net expenditures** on the state debt management in 2012 amounted **CZK 41.4 bn**. Revenues from accrued interest yields and bond premiums (incl. international issues) contributed CZK 14.2 bn to reduction of the gross costs, and

yields from financial investments made as part of liquidity management contributed CZK 0.9 bn. Gross costs on the state debt management reached CZK 57.1 bn.

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