



## Debt Portfolio Management Quarterly Review | June 2012 |

The Ministry of Finance (hereinafter the “Ministry”) hereby submits the 30<sup>th</sup> 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	30 June 2012
<b>International issuance activity</b>	Max. 30.0% of the annual gross borrowing requirement	20.7%
	CZK 0.0 to 73.0 bn	CZK 50.3 bn
<b>Gross issuance of medium-term and long-term government bonds<sup>1</sup></b>	CZK 64.5 to 177.5 bn	CZK 109.7 bn
<b>Gross issuance of savings government bonds</b>	CZK 20.0 to 40.0 bn	CZK 15.3 bn
<b>Net issuance of money market instruments excl. Ministry’s investment operations<sup>2</sup></b>	CZK 40.0 to 60.0 bn	CZK 7.6 bn
<b>Loans from EIB</b>	CZK 5.9 bn	CZK 0.0 bn
<b>Short-term state debt</b>	25.0% and less	19.3%
<b>Medium-term state debt</b>	70.0% and less	53.4%
<b>Average time to maturity</b>	5.0 to 6.0 years	5.7 years
<b>Interest re-fixing up to 1 year</b>	30.0% to 40.0%	37.1%
<b>Average time to re-fixing</b>	4.0 to 5.0 years	4.5 years
<b>Foreign currency exposure of state debt</b>	Max. 15.0% to 17.0%	9.1%

<sup>1</sup> Incl. tap sales from its own portfolio on the secondary market, direct sales to the European Investment Bank and the Ministry’s investment operations  
<sup>2</sup> Net issuance of money market instruments outstanding in the first half of the year amounts to CZK 0.8 bn  
 Source: Ministry of Finance

In the area of **international issuance activity**, the sixth syndicated public issue euro-denominated in nominal amount of **EUR 2.0 bn** (i.e. ca. CZK 50.3 bn) was made on 24 February 2012. It comprises 68.9% of the maximum foreign issuance activity under the financing programme for 2012. No loan tranche was drawn from the European

Investment Bank (hereinafter the “EIB”) in the first half of the year.

Regarding **domestic issuance activity**, gross issue of medium-term and long-term government bonds in total nominal amount of **CZK 52.9 bn** was executed in Q2. Of that amount, direct sales

to the EIB comprise CZK 2.0 bn (Czech Republic Government Bond, 2009–2024, 5.70%, in nominal amount of CZK 1.0 bn and Czech Republic Government Bond, 2010–2021, 3.85%, in nominal amount of CZK 1.0 bn). In the year's first half, the gross issue of government bonds amounted to CZK 109.7 bn, representing 61.8% of the annual maximum issuance limit for this type of financing under the 2012 financing programme. Tap sales of government bonds totalled CZK 3.9 bn in the first half of the year, of which CZK 2.0 bn was comprised by the direct sales to the EIB. Net issuance of government bonds for Q2 amounted to CZK 7.4 bn, as redemption of Czech Republic Government Bond, 2009–2012, VAR in total nominal amount of CZK 43.3 bn was carried out during Q2. Net issuance of government bonds in the first half of the year was CZK 64.2 bn. Buy-backs of Czech Republic Government Bond, 2006–2012, 3.55% were executed during Q2 in total nominal amount of CZK 2.2 bn. These were the only buy-backs executed in the first half of the year.

The second series of **savings government bonds** issues was carried out in Q2 in total nominal amount of **CZK 15.3 bn**, covering 6.3% of the government's annual gross borrowing requirement. Early redemption of the 2011–2012 discounted savings government bond in total nominal amount of CZK 14.9 million also took place during Q2, comprising 0.07% of the total nominal amount of the pilot series of savings government bonds issues. It was the only early redemption of savings government bonds in the first half of the year.

The total change in money market instruments outstanding was CZK –13.7 bn in Q2, of which **net issuance of money market instruments excl. the Ministry's investment operations** amounted to **CZK –9.4 bn** and the Ministry's net investment under the nuclear and pensions portfolios to CZK –4.3 bn. Money market instruments outstanding increased by CZK 0.8 bn in the first half of the year. Net issuance of money market instruments excl. the Ministry's investment totalled CZK 7.6 bn, while the Ministry's net investment under the nuclear and pensions portfolios came up to CZK –6.8 bn. 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).

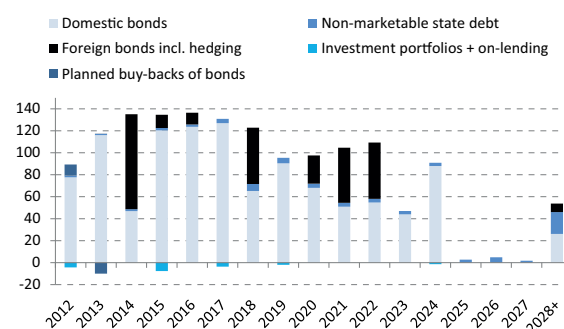
**Short-term state debt** (debt payable within one year) as of the end of Q2 increased in comparison to the end of Q1 by 0.5 percentage points to **19.3%** and thus reached the value according with the Strategy. At the same time, refinancing risk was kept below the target limit of 25.0% set for 2012.

**The average time to maturity of the state debt** as of the end of Q2 remained unchanged from the end of Q1 at **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 Q2, the medium-term state debt increased by 2.6 percentage points to **53.4%** and is thus below the established limit.

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

(end of Q2 2012)



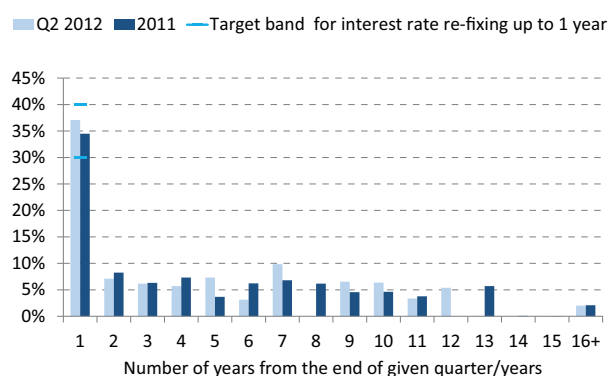
Note: Excl. money market instruments on the debt and asset sides. The positive portion of the y-axis shows liabilities while the negative portion shows state financial assets and buy-backs planned for 2012. Source: Ministry of Finance

**Interest re-fixing of the state debt up to one year** increased by 2.2 percentage points during Q2, reaching **37.1%**. This indicator was thus within the medium-term target band of 30.0–40.0%.

**Average time to the state debt re-fixing** remained unchanged as of the end of Q2 in comparison with the end of Q1 at **4.5 years**. Thus, this indicator is within the medium-term target band of 4.0–5.0 years.

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

(end of Q2 2012 compared with end of 2011)



Note: Incl. derivative transactions  
Source: Ministry of Finance

The main indicator for currency risk management is the **proportion of foreign currency exposure 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 Q1 the value of this indicator decreased at the end of Q2 by 2.3 percentage points to **9.1%** and is thus below its limit. The share of foreign currency exposure of state debt denominated in euro in relation to overall foreign currency exposure of state debt reached 87.7% as of the end of Q2, when this indicator decreased by 2.9 percentage points versus the end of Q1, 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 (% of GDP)	2010	2011	Q1-Q2 2012
<b>Gross state debt at start of the period</b>	<b>1,178.2</b>	<b>1,344.1</b>	<b>1,499.4</b>
Primary balance of the state budget excl. on-lending	120.6	97.6	45.3
Net expenditures on the state debt management <sup>1</sup>	35.8	45.1	26.4
Extra-budgetary borrowing requirement	0.0	0.0	0.0
<b>Net borrowing requirement excl. assets operations</b>	<b>156.4</b>	<b>142.8</b>	<b>71.7</b>
State financial assets operations <sup>2</sup>	3.0	2.5	1.1
On-lending (net change) <sup>3</sup>	1.7	0.0	0.0
Financial reserve (net change) <sup>4</sup>	7.1	5.3	64.3
<b>Net borrowing requirement</b>	<b>168.2</b>	<b>150.6</b>	<b>137.1</b>
Revaluation of nominal state debt and financial reserve <sup>5</sup>	-2.4	4.7	-0.8
<b>Change in gross state debt</b>	<b>165.8</b>	<b>155.3</b>	<b>136.3</b>
<b>Gross state debt at the end of the period</b>	<b>1,344.1</b>	<b>1,499.4</b>	<b>1,635.7</b>
<b>As a proportion of GDP (%)</b>	<b>35.6</b>	<b>39.4</b>	<b>42.6<sup>6</sup></b>

<sup>1</sup> Balance of budgetary chapter 396 – State debt excl. of expenditures item "Transfers to projects financed by the loans from the EIB"

<sup>2</sup> Balance of budgetary chapter 397 – State financial assets operations

<sup>3</sup> Lending to other states and enterprises with full state guarantee on their main activities

<sup>4</sup> Cash reserve generated from issuance activity pursuant to Section 35, para. (4) of Act No. 218/2000 Coll., as amended, and from pre-financing of projects by the loans from the EIB

<sup>5</sup> Revaluation due to exchange rate fluctuations and amortisation of state debt under budgetary chapter 396

<sup>6</sup> Proportion of gross state debt to cumulative gross domestic product for the period from Q3 2011 to Q2 2012. The Czech Statistical Office is the source for the period from Q3 2011 to Q1 2012, while the Macroeconomic Forecast published by the Ministry is the source for Q2 2012.

Source: Ministry of Finance

The gross borrowing requirement consists of the net borrowing requirement, redemptions of state debt (excl. revolving of money market instruments

during the budgetary year) in the given budgetary year, buy-backs and exchanges of government bonds before their original maturity.

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

CZK billion (% of GDP)	2010	2011	Q1–2 2012
<b>Net borrowing requirement</b>	<b>168.2</b>	<b>150.6</b>	<b>137.1</b>
Redemptions and buy-backs of government bonds payable in the given budgetary year	83.0	102.1	45.5
Redemptions on loans from EIB	1.1	1.1	1.6
Buy-backs and exchanges of government bonds payable in following years <sup>1</sup>	0.0	2.0	0.0
Revaluation of financial reserve <sup>2</sup>	0.2	0.4	0.0
<b>Gross borrowing requirement</b>	<b>252.6</b>	<b>256.2</b>	<b>184.2</b>
<b>% on GDP</b>	<b>6.7</b>	<b>6.7</b>	<b>9.8<sup>3</sup></b>
Net issuance of money market instruments <sup>4</sup>	25.1	49.3	0.8
Gross issuance of government bonds <sup>5</sup>	217.1	181.2	160.0
Gross issuance of savings government bonds	-	20.4	15.3
Passive repo operations excl. treasury liquidity management	-	-	8.1
Loans from EIB	10.4	5.3	0.0
Net borrowings from the state treasury	0.0	0.0	0.0
<b>Funding of the gross borrowing requirement</b>	<b>252.6</b>	<b>256.2</b>	<b>184.2</b>

<sup>1</sup> Excl. operations with government bonds payable in the current budgetary year

<sup>2</sup> Revaluation due to exchange rate movement

<sup>3</sup> Ratio of gross borrowing requirement for the first half of 2012 to gross domestic product for the first half of 2012. The source for Q1 2012 is the Czech Statistical Office, while the source for Q2 2012 is the Macroeconomic Forecast of the Ministry of Finance of the Czech Republic.

<sup>4</sup> Excl. refinancing of instruments payable within the current year

<sup>5</sup> Nominal amount (i.e. premiums and discounts are included in net costs on the state debt management, i.e. entering into the net borrowing requirement)

Source: Ministry of Finance

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

**Table 4: Balances and structure of the net debt portfolio**

CZK billion	2010	2011	Q2 2012
<b>Gross state debt at the end of the period</b>	<b>1,344.1</b>	<b>1,499.4</b>	<b>1,635.7</b>
Money market instruments	113.3	162.6	163.4
Passive repo operations excl. treasury liquidity management	-	-	8.1
Medium-term and long-term government bonds <sup>1</sup>	1,163.2	1,245.0	1,358.8
Savings government bonds	-	20.4	35.7
Loans from EIB	67.2	71.3	69.8
Bills of exchange <sup>2</sup>	0.3	0.1	0.0
Short-term liabilities to the state treasury	0.0	0.0	0.0
<b>State financial assets at end of the period</b>	<b>113.9</b>	<b>121.4</b>	<b>186.8</b>
Nuclear investment portfolio	15.1	16.6	17.9
Pensions investment portfolio	21.6	22.0	22.1
Special-purpose financial assets accounts	10.2	10.5	10.3
Lending and on-lending <sup>3</sup>	1.7	1.7	1.7
Financial reserve <sup>4</sup>	65.3	70.6	134.8
<b>Net debt portfolio at end of the period</b>	<b>1,230.1</b>	<b>1,378.0</b>	<b>1,448.9</b>

<sup>1</sup> Incl. derivative transactions

<sup>2</sup> Bills of exchange to cover part of the Czech Republic's equity participation in international financial institutions

<sup>3</sup> Lending to other states and on-lending to institutions with full state guarantee on their main activities

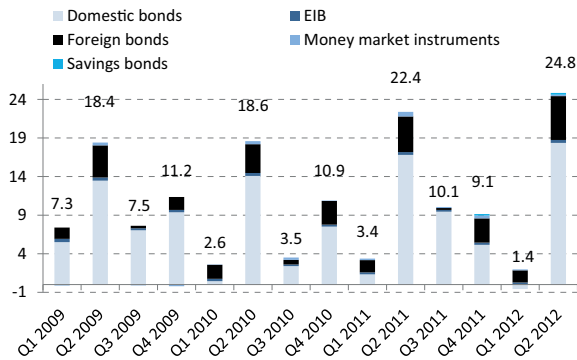
<sup>4</sup> Disposable cash balance generated from issuance activities pursuant to Section 35, para. (4) of Act No. 218/2000 Coll., as amended

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 the first half of 2012 reached the same level as in the corresponding period of 2011 (i.e. CZK 26.2 bn).

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

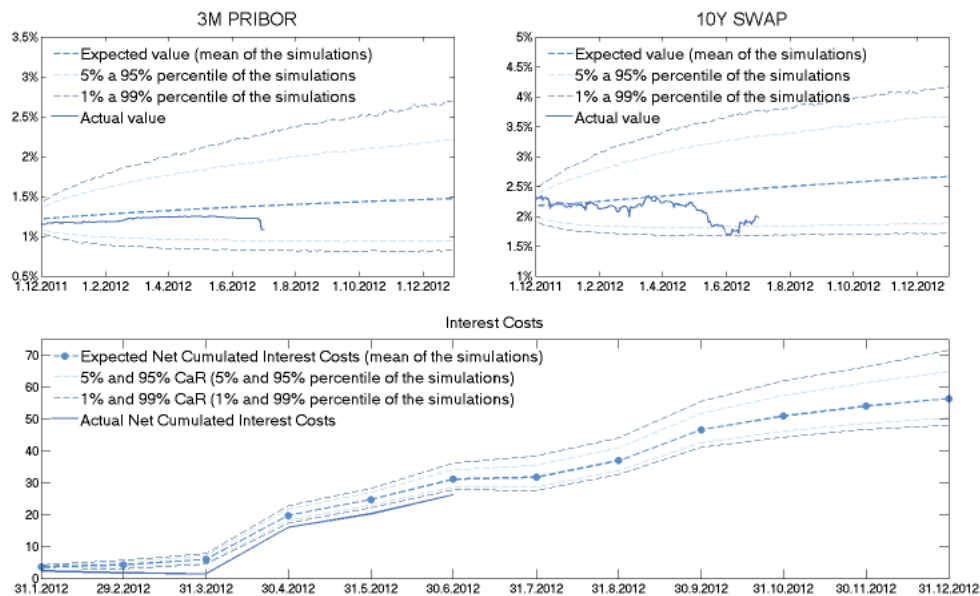


Note: Excl. fees related to the state debt management  
Source: Ministry of Finance

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 the first half of 2012 with the same period of 2011.

**Table 5: Deviation of expected from actual costs in the first half 2011 and 2012**

CZK billion	30 June 2011	30 June 2012
<b>Actual net interest costs</b>	26.2	26.2
<b>Expected (simulated) net costs</b>	26.0	31.1
<b>Cost-at-Risk 95%</b>	29.9	34.1
<b>Cost-at-Risk 99%</b>	32.3	36.1
<b>Deviation of expectation from actuality</b>	-0.2	4.9

Source: Ministry of Finance

In the first half of 2012 the actual net interest costs on the state debt were CZK 26.2 bn. The expected net interest costs for the same period predicted by the model were CZK 31.1 bn. The actual net interest costs thus remained below the level of both CaR 95% and CaR 99%, which were set at CZK 34.1 bn and CZK 36.1 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 4.9 bn higher, as the expected costs deviated from the actual costs by CZK 4.5 bn in Q1 2012. The actual net interest costs in Q2 2012 were therefore approximately CZK 0.4 bn lower than the expected costs estimated by the model. This demonstrates the model's relative

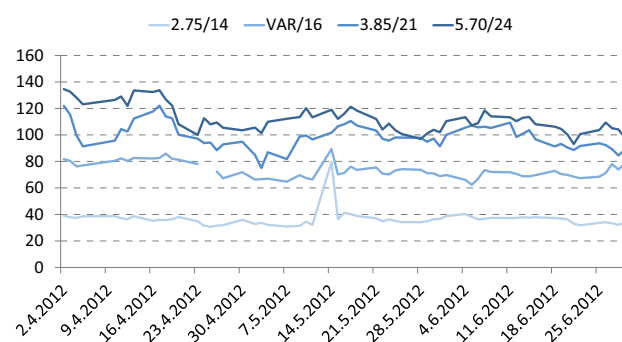
accuracy. The main reason for this difference is the change in the structure of bonds (including their nominal amounts) offered and subsequently sold in government bond auctions. This structure timely responded to the demand for these bonds. No fundamental changes in the structure of bonds issued occurred in Q2 2012. Another, no less important circumstance causing the difference between actual and expected costs, is the decrease in the risk premium on Czech government bonds, which reflects the responsible budget policy of the current Government of the Czech Republic. For the purpose of higher flexibility the Ministry published the auction plans in Q1 and Q2 of 2012 on a monthly basis.

## 4. Secondary Market of Government Bonds

At the end of Q2 2012, the MTS Czech Republic platform for trading government bonds marked three calendar quarters of live operation. The aim of this platform is to contribute to efficiency and transparency on the domestic secondary market.

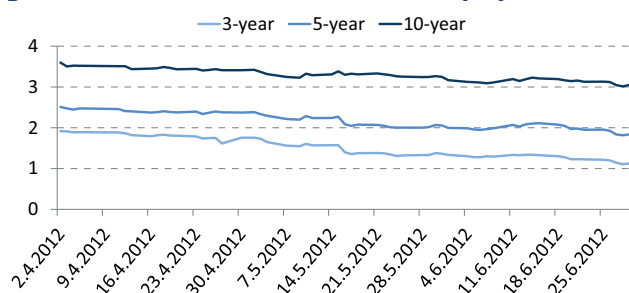
The key parameter indicating the efficiency of price discovery on the secondary market is the bid-offer spread for a given government bond. The narrower the bid-offer spread, the more liquid and efficient the market. The slightly downward trend of bid-offer spreads of quoted Czech government bonds continued in Q2 2012. Likewise, yields of government bonds across all maturities declined. The relatively stable situation on the bond market reflected investors' reassurance in relation to developments in the Eurozone.

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



Source: EuroMTS and Ministry of Finance

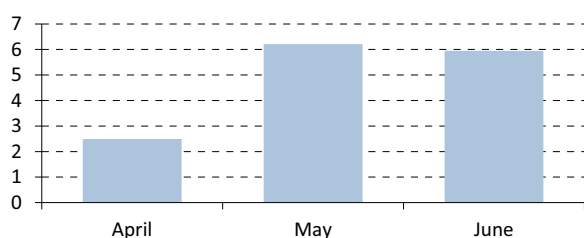
**Figure 6: Yields on selected maturities interpolated from the yields of government bonds traded on MTS CR (%)**



Source: EuroMTS and Ministry of Finance

In April, the traded nominal amount on MTS returned to the level from December 2011 (around CZK 2.5 bn). Immediately thereafter, in May, however, traded nominal amounts reached values only slightly lower than in the record month of March. The traded nominal amount continued to fluctuate around CZK 6.0 bn in June.

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

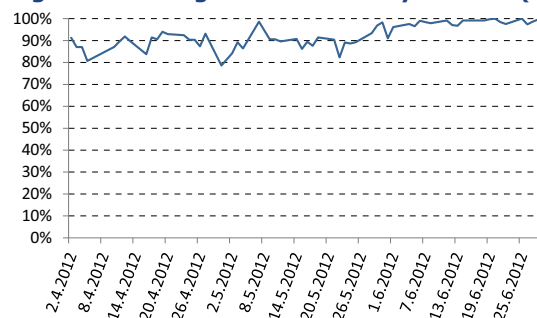


Source: EuroMTS and Ministry of Finance

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

The average DCR of Primary Dealers at the beginning of Q2 of 2012 was around 90.0%. In June, the DCR did not fall below the 90% limit. In other words, all Primary Dealers fulfilled their quotation obligations. Slight deviations in performance of quotation activity during the first half of the quarter were due to the actions of less than one quarter of Primary Dealers. The remaining Primary Dealers fulfilled their quoting obligations without any problems during Q2 of 2012.

**Figure 8: Average DCR of Primary Dealers (%)**



Source: EuroMTS and Ministry of Finance

In Q2 of 2012, the Ministry also tested 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 short-term excess of demand for a given bond. As a part of repo operations against government bonds lent, the Ministry obtains crown liquidity which then invests on the money market at a higher yield in order to manage treasury liquidity. These operations thereby also contribute to savings on net interest costs on the state debt management.

Repo operations in total nominal amount of CZK 8.1 bn were executed in Q2. These technical operations were not executed in order to obtain funds but in order to support the liquidity of government bonds market. These operations affect the nominal amount of state debt as well as debt portfolio risk parameters. In case of more frequent use of the 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. If necessary, it will be done during the second half of 2012.

**Table 6: Collateral used for repo operations in Q2**

Issue	ISIN	Nominal Amount (CZK)
<b>SDD ČR 4.00/17</b>	CZ0001001903	1,000,000,000
<b>SDD ČR 4.85/57</b>	CZ0001002059	6,840,000,000

Source: Ministry of Finance

## Appendix

### State debt and state financial assets parameters

**Table 7: State debt parameters**

	30 Jun 2011	30 Sep 2011	31 Dec 2011	31 Mar 2012	30 Jun 2012
<b>Total state debt (CZK billion)</b>	<b>1,412.9</b>	<b>1,456.8</b>	<b>1,499.4</b>	<b>1,613.0</b>	<b>1,635.7</b>
Market value incl. derivatives (CZK billion)	1,495.5	1,579.1	1,604.2	1,752.5	1,795.7
Short-term state debt (%)	17.0	16.6	19.3	18.8	19.3
Share of money market instruments (%)	10.0	9.8	10.8	11.0	10.0
Average time to maturity (years)	6.0	5.8	5.8	5.7	5.7
Interest rate re-fixing up to one year incl. derivatives (%)	30.3	30.7	34.5	34.9	37.1
Average time to re-fixing (years)	4.9	4.6	4.6	4.5	4.5
Variable-rate market debt	13.7	14.5	14.8	14.8	13.7
Modified duration (years)	4.2	4.3	4.3	4.1	4.2
Modified duration excl. CZK IRS (years)	4.2	4.2	4.2	4.1	4.2
Foreign currency exposure of the state debt (%)	9.9	9.8	9.2	11.4	9.1
Foreign currency state debt (%)	15.5	15.3	15.5	16.9	17.3
Share of € on foreign currency exposure of the state debt	88.3	87.7	86.6	90.6	87.7
Non-marketable state debt (%)	4.8	4.8	4.8	4.4	4.3
Retail state debt (%)	-	-	1.4	1.3	2.2
<b>Marketable debt (CZK billion)</b>	<b>1,345.4</b>	<b>1,387.0</b>	<b>1,407.5</b>	<b>1,521.5</b>	<b>1,530.2</b>
Market value (CZK billion)	1,426.3	1,507.0	1,509.3	1,657.8	1,686.5
Short-term marketable debt (%)	17.6	17.3	19.7	19.1	19.9
Share of money market instruments (%)	10.5	10.3	11.6	11.6	11.2
Average time to maturity (years)	5.7	5.5	5.5	5.5	5.5
Interest rate re-fixing up to one year incl. derivatives (%)	27.0	27.4	31.3	31.9	34.6
Average time to re-fixing (years)	5.1	4.8	4.8	4.7	4.7
Variable-rate marketable debt (%)	9.7	10.5	10.9	11.3	10.3
Modified duration (years)	4.4	4.4	4.4	4.3	4.4
Modified duration excl. CZK IRS (years)	4.3	4.3	4.4	4.2	4.3
Foreign currency exposure of the state debt (%)	10.4	10.3	9.8	12.0	9.8
Foreign currency state debt (%)	16.2	16.1	16.5	17.9	18.5
Share of € on foreign currency exposure of the state debt	88.3	87.8	86.6	90.7	87.7

Note: **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: Ministry of Finance



**Table 8: Parameters of state financial assets**

	30 Jun 2011	30 Sep 2011	31 Dec 2011	31 Mar 2012	30 Jun 2012
<b>State financial assets (CZK billion)</b>	<b>123.2</b>	<b>122.2</b>	<b>121.4</b>	<b>218.5</b>	<b>186.8</b>
Share of assets up to one year on total state debt (%)	7.5	7.2	7.1	12.6	10.5
Interest re-fixing up to one year (%)	85.7	85.6	88.0	93.3	92.2
Average time to re-fixing (years)	0.7	0.7	0.8	0.4	0.4
<b>Investment portfolios and on-lending</b>	<b>39.7</b>	<b>40.2</b>	<b>40.4</b>	<b>40.7</b>	<b>41.7</b>
Average yield (%)	2.0	2.0	2.1	2.1	2.0
Average time to maturity (years)	2.1	1.9	2.2	2.0	1.8
Modified duration (years)	1.9	1.8	2.1	1.7	1.4

Source: Ministry of Finance

## Medium-term and long-term government bonds, savings government bonds and treasury bills issues in Q2 2012

**Table 9: Issues of medium-term and long-term government bonds in Q2 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
3.85/2021	61st issue/7th tranche	4.4	10.4	29.9.2021	CZK	8,000,000,000	5,191,010,000
VAR/2017	67th issue/3rd tranche	11.4	16.4	23.7.2017	CZK	8,000,000,000	7,829,920,000
VAR/2023	63rd issue/7th tranche	18.4	23.4	18.4.2023	CZK	9,000,000,000	3,755,830,000
4.60/2018	41st issue/11th tranche	18.4	23.4	18.8.2018	CZK		3,285,890,000
3.85/2021	61st issue/8th tranche	2.5	7.5	29.9.2021	CZK	5,000,000,000	3,724,030,000
VAR/2017	67th issue/4th tranche	2.5	7.5	23.7.2017	CZK	5,000,000,000	3,838,020,000
VAR/2023	63rd issue/8th tranche	23.5	28.5	18.4.2023	CZK	4,000,000,000	3,164,730,000
4.60/2018	41st issue/12th tranche	23.5	28.5	18.8.2018	CZK	5,000,000,000	5,376,140,000
VAR/2017	67th issue/5th tranche	6.6	11.6	23.7.2017	CZK	6,000,000,000	6,165,570,000
3.85/2021	61st issue/9th tranche	13.6	18.6	29.9.2021	CZK	5,000,000,000	4,734,300,000
VAR/2023	63rd issue/9th tranche	13.6	18.6	18.4.2023	CZK	4,000,000,000	3,839,090,000
<b>Total</b>							<b>50,904,530,000</b>

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
3.85/2021	61st issue/ 7th tranche	3.85%	103.17	3.450	1.57	64.9%	0.0%
VAR/2017	67th issue/ 3rd tranche	VAR %	101.10	62.942*	2.55	82.0%	15.8%
VAR/2023	63rd issue/ 7th tranche	VAR %	98.53	80.340*	2.15	71.1%	7.1%
4.60/2018	41st issue/ 11th tranche	4.60%	111.29	2.635	1.94		
3.85/2021	61st issue/ 8th tranche	3.85%	104.17	3.324	2.89	60.0%	14.5%
VAR/2017	67th issue/ 4th tranche	VAR %	101.32	58.299*	3.85	62.0%	14.8%
VAR/2023	63rd issue/ 8th tranche	VAR %	98.04	85.697*	3.36	66.8%	12.4%
4.60/2018	41st issue/ 12th tranche	4.60%	113.00	2.330	1.81	93.5%	14.0%
VAR/2017	67th issue/ 5th tranche	VAR %	101.69	50.482*	2.77	88.3%	14.4%
3.85/2021	61st issue/ 9th tranche	3.85%	105.88	3.109	1.49	93.2%	1.5%
VAR/2023	63rd issue/ 9th tranche	VAR %	99.02	75.401*	3.09	95.0%	1.0%
<b>Average</b>						<b>76.9%</b>	<b>9.4%</b>

\* discounted margin (in bps)  
Source: Ministry of Finance

**Table 10: Direct sales of government bonds to the EIB in Q2 2012**

Instrument	Issue No.	Transaction Date	Settlement Date	Maturity Date	Original Maturity (Years)	Average Price	Nominal Amount
5.70/2024	58	9.5.2012	25.5.2012	25.5.2024	15	122.140	1,000,000,000
3.85/2021	61	14.6.2012	28.6.2012	29.9.2021	11	105.471	1,000,000,000
<b>Total</b>							<b>2,000,000,000</b>

Source: Ministry of Finance

**Table 11: Buy-backs in Q2 2012**

Instrument	Issue No.	Transaction Date	Settlement Date	Maturity Date	Original Maturity (Years)	Average Price	Nominal Amount
3.55/2012	50	25.4.2012	30.4.2012	18.10.2012	5.5	101.24	300,000,000
3.55/2012	50	14.5.2012	17.6.2012	18.10.2012	5.5	101.13	1,590,000,000
3.55/2012	50	30.5.2012	4.6.2012	18.10.2012	5.5	101.03	300,000,000
<b>Total</b>							<b>2,190,000,000</b>

Source: Ministry of Finance

**Table 12: Savings government bonds issues in Q2 2012**

Instrument	Issue No.	Subscription Period	Issue Date	Maturity Date	Maturity (Years)	Subscribed Nominal Amount
Coupon savings bond	68	10.5.2012 to 31.5.2012	12.6.2012	12.6.2017	5.0	1,143,980,732
Reinvestment savings bond	69	10.5.2012 to 31.5.2012	12.6.2012	12.6.2017	5.0	5,343,807,828
Index-linked savings bond	70	10.5.2012 to 31.5.2012	12.6.2012	12.6.2019	7.0	1,270,385,360
Discounted savings bond	71	10.5.2012 to 31.5.2012	12.6.2012	12.12.2013	1.5	7,541,723,568
<b>Total</b>						<b>15,299,897,488</b>

Source: Ministry of Finance

**Table 13: Treasury bills issues in Q2 2012**

Issue No.	Maturity (Months)	Auction Date	Issue Date	Maturity Date	Offered Nominal Amount	Placed Nominal Amount	Yield (% p.a.)
645	12	5.4.2012	6.4.2012	5.4.2013	10,000,000,000	8,047,000,000	1.02
646	9	19.4.2012	20.4.2012	18.1.2013	10,000,000,000	10,000,000,000	0.94
647	12	3.5.2012	4.5.2012	3.5.2013	9,000,000,000	8,825,000,000	1.04
648	9	24.5.2012	25.5.2012	22.2.2013	8,000,000,000	8,056,000,000	0.77
649	12	31.5.2012	1.6.2012	31.5.2013	10,000,000,000	10,000,000,000	0.79
650	9	28.6.2012	29.6.2012	29.3.2013	9,000,000,000	9,000,000,000	0.71
<b>Total</b>					<b>56,000,000,000</b>	<b>53,928,000,000</b>	<b>0.88*</b>

\* average weighted yield to maturity of treasury bills issues in Q2 2012  
Source: Ministry of Finance

**Table 14: Redemption and re-fixing profile of domestic government bonds issues in Q2 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	28,593,160,000	7.4	6.7	0.5	0.2
Fixed rate	22,311,370,000	8.2	7.5	8.2	7.5
Savings government bonds	15,299,897,488	3.4	2.9	2.9	2.4
<b>Total</b>	<b>66,204,427,488</b>	<b>6.7</b>	<b>6.1</b>	<b>3.6</b>	<b>3.2</b>

Note: Nominal amount in CZK; average time to maturity and re-fixing in years  
Source: Ministry of Finance

## Budgetary revenues and expenditures on the state debt in 2012

Table 15: Planned and actual budgetary expenditures and revenues on state debt in 2012

Indicator (CZK mil)	Actual	Budget 2012		Actual	% Execution	Index 2012/2011 (%)
	Q1-Q2 2011	Approved	After Changes	Q1-Q2 2012		
1	2	3	4	5	5:4	5:2
<b>1. Total interest expenditures and revenues</b>	<b>29,746</b> (-) 3,983	<b>77,656</b> (-) 6,244	<b>77,176</b> (-) 6,244	<b>33,145</b> (-) 6,910	<b>42.9</b> <b>110.7</b>	<b>111.4</b> <b>173.5</b>
<i>Domestic debt</i>	22,721 (-) 3,777	61,740 (-) 5,471	61,298 (-) 5,471	25,076 (-) 6,744	40.9 123.3	110.4 178.5
Money market instruments and on-lending	1,054 (-) 257	6,922 (-) 1,894	6,960 (-) 1,894	801 (-) 491	11.5 25.9	76.1 190.8
Of which: derivative operations	28	22	60	29	49.1	105.0
Savings government bonds	- -	- -	- -	226 (-) 0	- -	- -
Government bonds	21,667 (-) 3,520	54,818 (-) 3,577	54,338 (-) 3,577	24,048 (-) 6,253	44.3 174.8	111.0 177.6
<i>Foreign debt</i>	7 025 (-) 204	15 916 (-) 773	15 879 (-) 773	8 069 (-) 158	50.8 20.4	114.9 77.4
International issues	6,397 (-) 204	13,125 (-) 773	13,087 (-) 773	7,415 (-) 158	56.7 20.4	115.9 77.4
Of which: derivative operations	2,551 (-) 173	5,835 (-) 773	5,798 (-) 773	2,724 (-) 158	47.0 20.4	106.8 91.0
Loans from EIB	629	2,792	2,792	654	23.4	104.0
<i>Bank accounts</i>	0 (-) 2	- -	- -	- (-) 8	- -	- 466.9
Bank accounts interests (+ paid, - received)	0 (-) 2	- -	- -	- (-) 8	- -	- 466.9
<b>2. Total fees</b>	<b>41</b> (-) 0	<b>750</b> -	<b>750</b> -	<b>189</b> -	<b>25.2</b> -	<b>458.6</b> -
<b>3. FX gain/loss</b>	- -	<b>1,000</b> (-) 300	<b>1,000</b> (-) 300	- -	- -	- -
<b>Total balance</b>	<b>29,788</b> (-) 3,983	<b>79,406</b> (-) 6,544	<b>78,926</b> (-) 6,544	<b>33,334</b> (-) 6,910	<b>42.2</b> <b>105.6</b>	<b>111.9</b> <b>173.5</b>

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

The total **net expenditures** on the state debt management in the first half of 2012 amounted **CZK 26.4 bn**. Revenues from accrued interest yields and bond premiums contributed CZK 6.3 bn to

reduction of the gross costs, and yields from financial investments made as part of liquidity management contributed CZK 0.5 bn. Gross costs on the state debt management reached CZK 33.3 bn.

\*\*\*

This publication is available online at:  
[www.mfcr.cz/statedebt](http://www.mfcr.cz/statedebt)

The next issue of the Quarterly Review will be published on 10 October 2012 at 2:00 p.m.

**Responsible contact person:**

Martin Cícha, Ph.D., Head of the Risk Management and Portfolio Strategy Unit  
Debt and Financial Assets Management Department of the Ministry of Finance  
Letenská 15, 118 10 Prague 1  
Phone: 257 043 032, e-mail: martin.cicha@mfcr.cz