

PRIMARY MARKET IN GOVERNMENT BONDS

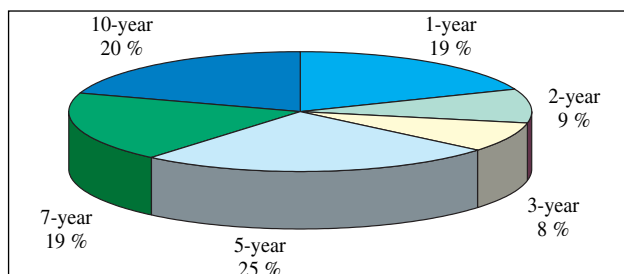
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The year 2001 was with regard to the volume of government bonds issued historic and exceptional. Over the year 25 issues the total value of SKK 168.9 billion were floated (see table). In comparison with the previous year this represents an increase in the overall issued amount by SKK 99.4 billion. This growth comprised in particular six issues designated for the restructuring of selected banks (restructuring bonds) in the overall amount of SKK 105.0 billion. These issues differed from others in several ways. In the first instance they concerned a different form of primary sale. All restructuring bonds were placed through direct sale. Of these two were 5-year, two were 7-year and the remaining 10-year. A further difference was the fact that apart from the two 5-year issues, which were designated fixed 8% yield coupons, another four issues were floating rate coupons, calculated as the arithmetic average of the 6M BRIBOR for the whole calendar quarter preceding the new yield period. The rate of the coupon in the first revenue payment on 30. 1. 2002 was 7.88% p.a. A special feature of all six issues was their designation of the frequency of interest payments, which changes after the first year from annual to semi-annual.

The overall demand for government bonds in 2001 stood at SKK 106.3 billion, which in comparison with 2000 represents a decline of 32.5%. The average amount of an issue was SKK 6.8 billion. This significant growth in the size of issues in comparison with the year 2000, when the average size of one issue was SKK 3.5 billion, was distorted by the six issues of restructuring bonds. Disregarding these, the average size of an issue was SKK 3.4 billion, which in comparison with the preceding year represents a slight decline. Also the average accepted yield at auctions fell from 8.1% p.a. in the case of the first annual issue to 7.8% p.a. at the last annual issue. A significant decline of almost two percent was recorded also in the average yield of all issues with fixed coupon sold by auction. Issues of restructuring bonds significantly affected the structure of maturities issued. In 2001 maturities of 5, 7 and 10 years were dominant, which together formed almost 64% of the amount of government bonds issued (graph 1).

There was significant demand for government bonds in particular in the course of the quarter 2001, representing up to SKK 70.6 billion. There was exceptional interest in particular in issues of annual bonds, where the demand from investors greatly exceeded the needs of the issuer. For example demand

Graph 1 Structure of government bond issues by maturity and issues realised in 2001

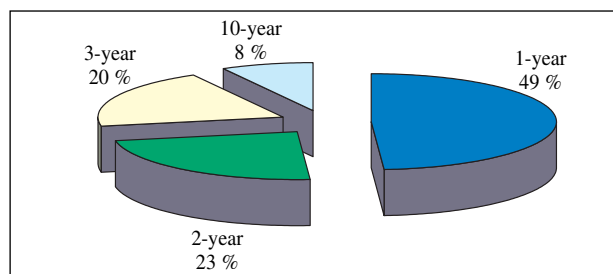


for issue no.140 was four times greater than the needs of the Ministry of Finance SR. there was also great interest in issue no. 148, where government bonds were sold in the amount of SKK 10.4 billion, enabling the Ministry to repay without problems a significant amount of the government bonds planned for March 2001. The stated issue was the second largest issue of government bonds to date planed by auction.

In the second quarter investor demand for government bonds fell to SKK 22.9 billion, which to a significant extent was influenced by the large amount of restructuring bonds issued, as well as the frequent changes to the reopening of two issues. These facts, together with a decrease in the room for a decline in interest rates led to a change in the issuing policy of the Ministry of Finance SR, which in an attempt to ensure sufficient demand for government bonds shortened the maturities of issues, slightly increased yields offered. In the third quarter the demand for government bonds stood at SKK 12.8 billion. This quarter was the only in 2001 in which there were sold by auction with a maturity of over 3 years. Two issues of 10-year bonds were made, of which issue no. 161 had a variable yield set at 12M BRIBOR + 0.32% p.a. paid yearly. The issuer restricted the amount issued to SKK 3 billion, which with overall demand of SKK 5.8 billion was fulfilled. The average price in the auction corresponded to 12M BRIBOR + 0.21% p.a. In the fourth quarter the issuer did not issue any further bonds, announcing this fact in the issue schedule for the given period. The successful placing of annual government bonds in 2001 led to the situation where, after removing the influence of restructuring bonds, overall the largest proportion (49%) of government bonds issued in the year were one-year bonds (graph 2).

A benefit of 2001 was the expansion in the forms of primary sale of government bonds by a new type of sale, which allows after a certain time existing issues to be reopened, thereby selling them gradually. Of 19 issues that were placed on the primary market for government bonds through the American auction form, 17 were one-time and two were sold by the new method. The issuer through introducing this new form of sale had the intention of creating large liquid issues regardless of the amount of the sale in individual auctions, which would have a positive effect on the secondary market in government bonds. The first issue of this type was two-year, with a planned maxi-

Graph 2 Structure of government bond issues by maturity and issues realised in 2001 (sale by auction)





ISSUES OF SLOVAKIA'S GOVERNMENT BONDS IN THE YEAR 2001

Issue no.	ISIN	NB	Issue date	Maturity date	Maturity in years	Issue amount	Face Value	Coupon rate	Rev. payment frequency	Form of prim. sale
138	SK-4120002684	limit price + amount	2.1.2001	2.1.2004	3	3 000 000 000	1 000 000	8.10%	annually	auction
139	SK-4120002692	limit price + amount	4.1.2001	4.1.2003	2	2 250 000 000	1 000 000	8.00%	annually	auction
140	SK-4120002700	limit price + amount	11.1.2001	11.1.2002	1	4 000 000 000	1 000 000	7.95%	annually	auction
141	SK-4120002718	limit price + amount	18.1.2001	18.1.2004	3	2 000 000 000	1 000 000	7.95%	annually	auction
142*	SK-4120002734	restructuring	30.1.2001	30.1.2006	5	35 400 000 000	1 000 000	8.00%	annually/semiannually	direct
143*	SK-4120002742	restructuring	30.1.2001	30.1.2008	7	27 796 000 000	1 000 000	6M BRIBOR	annually/semiannually	direct
144*	SK-4120002759	restructuring	30.1.2001	30.1.2011	10	20 507 000 000	1 000 000	6M BRIBOR	annually/semiannually	direct
145	SK-4120002767	limit price + amount	1.2.2001	1.2.2003	2	3 000 000 000	1 000 000	7.75%	annually	auction
146	SK-4120002775	limit price + amount	8.2.2001	8.2.2004	3	2 530 000 000	1 000 000	7.80%	annually	auction
147/A	SK-4120002783	limit price	15.2.2001	15.2.2004	3	1 000 000 000	1 000 000	7.80%	annually	auction
147/B	SK-4120002783	limit price	22.2.2001	15.2.2004	3	1 420 000 000	1 000 000	7.80%	annually	auction
148	SK-4120002791	limit price	1.3.2001	1.3.2002	1	10 390 000 000	1 000 000	7.70%	annually	auction
149/A	SK-4120002809	limit price	8.3.2001	8.3.2003	2	2 750 000 000	1 000 000	7.75%	annually	auction
149/B	SK-4120002809	limit price	15.3.2001	8.3.2003	2	1 920 000 000	1 000 000	7.75%	annually	auction
149/C	SK-4120002809	limit price	22.3.2001	8.3.2003	2	1 020 000 000	1 000 000	7.75%	annually	auction
147/C	SK-4120002783	limit price	29.3.2001	15.2.2004	3	2 000 000 000	1 000 000	7.80%	annually	auction
150*	SK-4120002825	restructuring	29.3.2001	29.3.2006	5	9 100 000 000	1 000 000	8.00%	annually/semiannually	direct
151*	SK-4120002833	restructuring	29.3.2001	29.3.2008	7	4 700 000 000	1 000 000	6M BRIBOR	annually/semiannually	direct
152*	SK-4120002841	restructuring	29.3.2001	29.3.2011	10	7 497 000 000	1 000 000	6M BRIBOR	annually/semiannually	direct
149/D	SK-4120002809	limit price	5.4.2001	8.3.2003	2	1 500 000 000	1 000 000	7.75%	annually	auction
147/D	SK-4120002783	limit price	12.4.2001	15.2.2004	3	960 000 000	1 000 000	7.80%	annually	auction
149/E	SK-4120002809	limit price	19.4.2001	8.3.2003	2	1 320 000 000	1 000 000	7.75%	annually	auction
153	SK-4120002858	limit price + amount	26.4.2001	26.4.2002	1	3 500 000 000	1 000 000	7.60%	annually	auction
154	SK-4120002866	limit price + amount	3.5.2001	3.5.2002	1	1 830 000 000	1 000 000	7.60%	annually	auction
155	SK-4120002874	limit price + amount	10.5.2001	10.5.2002	1	640 000 000	1 000 000	7.65%	annually	auction
156	SK-4120002882	limit price + amount	17.5.2001	17.5.2002	1	2 090 000 000	1 000 000	7.75%	annually	auction
157	SK-4120002890	limit price + amount	23.5.2001	23.5.2002	1	2 400 000 000	1 000 000	7.75%	annually	auction
149/F	SK-4120002809	limit price	30.5.2001	8.3.2003	2	800 000 000	1 000 000	7.75%	annually	auction
147/E	–	limit price	6.6.2001	15.2.2004	3	0	1 000 000	7.80%	annually	auction
158	SK-4120002908	limit price + amount	13.6.2001	13.6.2002	1	2 000 000 000	1 000 000	7.80%	annually	auction
159	SK-4120002924	limit price + amount	20.6.2001	20.6.2002	1	1 410 000 000	1 000 000	7.80%	annually	auction
149/G	–	limit price	27.6.2001	8.3.2003	2	0	1 000 000	7.75%	annually	auction
160	–	limit price + amount	4.7.2001	4.7.2003	2	0	1 000 000	7.85%	annually	auction
161	SK-4120002932	limit price + amount	11.7.2001	11.7.2011	10	3 000 000 000	1 000 000	12M BRIBOR + 0.32%	annually	auction
147/F	–	limit price	18.7.2001	15.2.2004	3	0	1 000 000	7.80%	annually	auction
162	SK-4120002940	limit price + amount	25.7.2001	25.7.2002	1	3 000 000 000	1 000 000	7.85%	annually	auction
147/G	–	limit price	12.9.2001	15.2.2004	3	0	1 000 000	7.80%	annually	auction
163	SK-4120002965	limit price + amount	19.9.2001	19.9.2011	10	2 160 000 000	1 000 000	8.30%	annually	auction
SPOLU						168 890 000 000				

* – issues for bank restructuring

63 890 000 000 – by auction form

imum amount of SKK 11.0 billion, and was sold for the first time in February. By the end of the year it had been open six times and 48.9% of the planned maximum amount had been issued, representing SKK 5.4 billion. The second such issue was three-year with a planned maximum amount of SKK 12.0 billion. From March, when it was successfully opened, it had by the end of the year been opened six times, with government bonds in the value of SKK 9.3 billion issued, i.e. 77.6%.

As at the end of the year 2001 there were registered on the primary market for government bonds 20 foreign investors, the offers of which represented 1.9% of the overall demand and in auctions they bought 2.7% of the total amount of government bonds issued,

The primary market for government bonds was in 2001 significantly influenced by bond issues for bank restructuring. This was

reflected also in a change in the issuer's issuing policy, where the issuer was forced to shorten the maturity of the government bonds offered and to find other ways to make longer maturities more attractive, for example by setting a floating rate coupon. The successful sale by auction of two issues of ten-year bonds in the third quarter confirms that demand for this maturity is growing.

Graph 3 Investor structure in government bond auctions in 2001

