Annual Report on the Management of Central Government Debt of the Republic of Malta – 2019

Ministry for Finance and Employment
Treasury Department

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Abbreviations

bps	Basis Point
CBM	Central Bank of Malta
DMD	Debt Management Directorate
ECB	European Central Bank
GBPDMA	Government Borrowing and Management of Public Debt Act (Cap. 575 of the laws of Malta)
IMF	International Monetary Fund
ISMA	International Securities Market Association
MGS	Malta Government Stock
MGRSB	Malta Government Retail Savings Bond
MSE	Malta Stock Exchange
T-Bill	Treasury Bill
WAM	Weighted Average Maturity

DEBT MANAGEMENT DIRECTORATE

The Maltese Treasury Department, among other roles manages the country's central government debt, through its Debt Management Directorate (DMD) which was established within the Treasury Department in December 2006. It is authorised by law to raise government loans as approved by Parliament as well as to manage the central government debt. The Directorate was given a legal status in the Government Borrowing and Management of Public Debt Act (GBMPDA) (Cap. 575 of the Laws of Malta), which was passed by Parliament in July 2017 and came into force on 1st September 2017.

The DMD is responsible to perform the functions relating to the management of central government debt and the borrowing of money under article 4 as entered into or issued in accordance with articles 19 and 24 of the Government Borrowing and Management of Public Debt Act and any other directions that may be given by the Minister for Finance.

Organisation and resources

The functional organisation structure of the DMD is very similar to other debt management offices in other developed countries. The operations are organized along functional lines under three main areas namely, Front Office, Middle Office and Back Office to ensure a clear division of responsibilities according to international best practices in the field of debt management.

The **Front Office** is responsible for the operational element of the government debt policy within the framework of the debt issuance strategy. This comprises the issuance of government securities and government debt instruments including the holding of auctions; the **Middle Office** undertakes market research, prepares proposals for borrowing strategies and government debt policies as well as risk management; whilst the **Back Office** is responsible for the servicing of debt, settlements and accounting for central government's debt and cash management transactions in the government accounting system. The activities of the debt management directorate are audited by the National Audit Office (NAO) to ensure that the government debt is managed and recorded in an appropriate way.

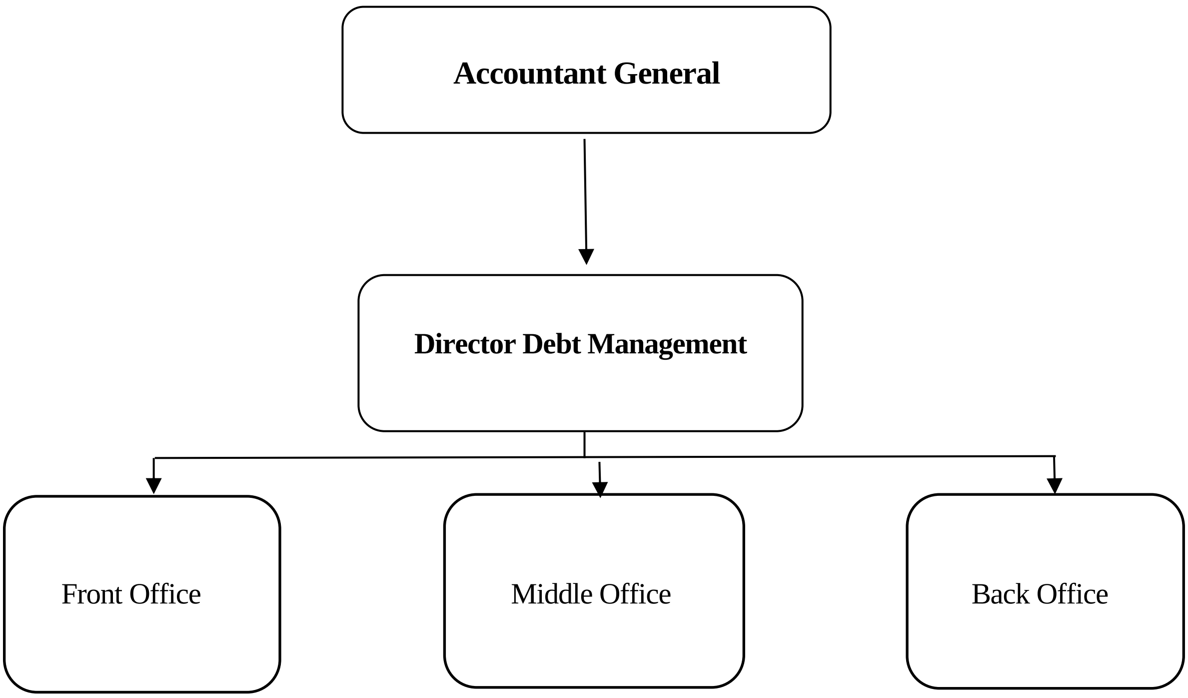


Chart 1: Debt Management Directorate Organigram

Objectives and Legal Framework

Mandate

In terms of Article 5 of the GBMPDA, the Minister responsible for Finance is vested with the Authority to borrow money on behalf of the government by entering into loan agreements, line of credit agreements, issuance of securities or creation of any other debt instruments, either in local and any foreign currency.

The primary policy objective of the directorate's debt management strategy is:

"to minimise, over the long term, the costs of meeting the government's financing needs, with due consideration to risk, such that, funds are raised in a prudent and cost-effective manner."

To accomplish this the directorate within the Treasury Department adhere to a number of principles: (i) transparency, (ii) issue debt in a consistent and predictable pattern; (iii) accountability and (iv) even-handedness. Moreover, it also seeks ways to achieve continuous improvements in its processes.

Legal Framework

The Government Borrowing and Management of Public Debt Act which came into force on 1st September 2017 along with the underlying regulations issued under the said Act and the Budget Measures and Implementation Act gives the Government the power to borrow money. The GBMPDA was drafted on international best practices of Public Debt Management and it is based to meet the principles of transparency, accountability and predictability and designed to achieve the required sovereign borrowing standards envisaged by institutions of oversight.

Along with the annual Budget Measures Implementation (2019) Act, Cap. 596 of the Laws of Malta, during the year 2019 the borrowing requirements were met under the following primary and subsidiary legislation:

1. Government Borrowing and Management of Public Debt Act;
2. Malta Government Retail Savings Bonds Regulations;
3. Malta Treasury Bills Regulations; and
4. Malta Government Stocks Regulations.

Sovereign Market Developments

Overview of the Government Securities Primary Market

During the year 2019, the DMD continued to deliver the financing and cash management remits smoothly and successfully. All the MGSs issued during the year which made up 78% of the overall issuance programme were sold by auction. For the fist-time, the Treasury allotted a six-year MGS at negative yield to maturity, with the 0.5% MGS 2025 (II) allotted at a weighted average yield of minus 0.1759% in the September issuance. The Treasury spread the MGS issuance programme over four auctions mainly intended for wholesale investors raising €350 million. The Treasury was present almost in every quarter with smaller volumes. The Treasury re-opened the stocks which were issued for the first time in 2018, that is, the 1.4% MGS 2024 and 1.85% MGS 2029 to build up liquidity in these stocks and offered a new short-term fixed-rate stock, the 0.5% MGS 2025 (I). Over the four auctions held in 2019, the Treasury allotted 68.7% of amount issued in the short-term and 31.3% in the medium-term. The average cover ratio at the MGS auctions was 4.11 times up from 2.37 times in 2018 on higher volumes of issuances. More details about the outcome of these auctions can be found on pages 9 to 11.

The DMD also continued to perform well in carrying out its cash management function in 2019, whereby sufficient funds were always available to meet any net daily central government cash shortfall. Treasury Bills were the instruments used in Treasury's cash management. There was ongoing demand for Treasury bills throughout the year where auctions were held every week.

Developments in the Euro Area

The decline in yields observed during the last few weeks of 2018 continued in the beginning of 2019. Global risk-free rates decreased and financial market volatility increased amid concerns over slow down in China's economic activity, a trade war that ground on, dim prospects of the euro area economic outlook and Brexit. Meanwhile, the Federal Reserve signalled greater uncertainty by announcing that it would be halting its programme of interest rate hikes.

By the beginning of March, global long-term yields fell further following communications from the Federal Reserve System which were interpreted by the markets as signalling a slower intended pace of monetary policy tightening, if not opening the door for the next move to be either up or down. Conditions in sovereign bond markets were largely stable throughout this period, with some exceptions. At its monetary policy meeting of 7th March, the Governing Council of the ECB decided to keep the main policy rates and the reinvestment policy of maturing securities purchased under the asset purchase programme unchanged, yet it introduced measures intended to preserve favourable bank lending conditions and the smooth transmission of monetary policy.

Towards the end of March, the ten-year German bund fell into negative territory for the first time in three years and at the same time the American yield curve inverted sending more worrying signals and warnings to economies on both sides of the Atlantic.

Global long-term yields persisted in their downward trend during the Spring on the back of communications from both the Federal Reserve System and the ECB that were perceived by market participants as suggesting continuing accommodative monetary policy. The slide in long-term yields continued into April in a context of decreasing global risk-free rates and stable or declining financial market volatility. Developments in euro area sovereign bond spreads showed some cross-country heterogeneity mostly increasing except for a couple of exceptions. During June and July 2019, long-term sovereign yields persisted in their decline in the euro area, continuing the downward trend that started in late 2018, amid market expectations of continuing accommodative monetary policy. By the first week of August, the ten-year yield on many European government bonds turned negative meaning that investors were having to pay for safety. The first days of September saw long-term yields in the euro area decline materially amid market expectations of further accommodative monetary policy. Heightened global trade uncertainty fed concerns about the prospects of the macroeconomic outlook in major jurisdictions and consequently a reappraisal of interest rate expectations. Sovereign bond spreads were largely stable throughout this period, with the exception of the Italian market where the ten-year spread declined by 1.1 percentage points following the anticipation and subsequent formation of a new government.

The downward trend in long-term yields partially reversed in the following weeks of September and during October when the GDP-weighted euro area ten-year sovereign bond yield increased by 11 basis points to 0.06%, on the back of higher risk-free rates amid receding global political tensions. This occurred despite the decision, on 12th September, by the Governing council of the ECB unveiling a new package of monetary stimulus measures which amongst other things would restart net asset purchases amounting to €20bn per month from November and continuation of reinvesting proceeds from maturing financial assets purchased under the Asset Purchase Program (APP). The uptick in long-term sovereign bond yields across the euro area continued during November and December. Risk-free rates rose amid an improvement in risk sentiment and a tentative stabilisation of the macroeconomic outlook. Most spreads to the OIS– remained broadly unchanged.

Malta Government Stocks and Debt Instruments Financing Remit in 2019

In terms of '*The Budget Measures Implementation (2019) Act, Cap. 596 of the Laws of Malta*, the total amount of Malta Government Stocks and debt instruments issuances for 2019 was set not to exceed €450 million mainly to finance:

- the redemption of six (6) MGSs amounting to €435.86 million; and
- affect changes in Central Government's debt portfolio, in line with Government's debt management policies.

Other operations

There were no plans to launch any bond switch operations in 2019 and no bond switch auctions were held.

Financing Instruments and Operations used in Debt and Cash Management

Issuance Strategy

The objective of the funding strategy is to minimize government borrowing cost over the long-term while keeping risk at an appropriate level. To achieve this objective, the DMD designed its strategy in such way that the government's debt is issued in an orderly manner striking a balance among a number of competing factors, in particularly (i) offering MGSs where there is demand for them in a predictable manner, (ii) lowering as far as possible the debt servicing cost, (iii) mitigate risks associated with managing a central government's debt portfolio and (iv) maintaining its commitment to contribute positively towards the development of the domestic financial markets.

Until now, the Government's policy towards meeting its financing needs has been that of relying almost exclusively on issuing euro-denominated financing instruments in the domestic market. In accordance with its strategy, no funds were raised in the international financial markets or foreign non-marketable bilateral loans.

Most of the debt sold by government through the DMD of the Treasury Department is marketable, meaning that it can be resold on the secondary market. As announced in the Annual Borrowing Plan published on 28th January 2019, the Treasury confirmed that the conventional fixed rate MGS was going to remain the primary instrument through which it financed the central government borrowing requirements for the year. A limited amount of funds was going to be raised through a new non-marketable instrument, the Malta Government Retail Savings Bonds [MGRSB]. The Treasury would continue to target both the retail and institutional segments of the domestic market. The entire programme was going to be financed in the domestic currency.

In this context, the DMD continued with its ongoing dialogue with the different financial market players and key stakeholders to understand better their investment needs and facilitate investors planning in line with the principles of transparency, predictability and even handedness adopted by the directorate. The Treasury recognises the importance of working with the market to design a financing programme that will most effectively be able to deliver.

Issuance took place in line with the announced strategy which was designed to support smooth remit delivery, the most prominent of which were reduction in the average sizes of issuances and tapping the market at frequent intervals. The level of supply consisting of four MGS issuances were spread more or less at regular intervals throughout the year and were smoothly absorbed by the domestic market. The new issues were in the six-year and ten-year maturity horizon. The MGSs issuances were supplemented by a new issue of the 62+ MGRSB, being a five-year fixed rate non marketable savings bond designed for a sub-sector of the retail investors. Pending the finalisation of the Euribor reform, during the year under review the Treasury did not issue Floating Rate Notes.

The DMD cash management strategy was built on the objectives to (i) ensure that sufficient funds were always available to meet any government commitments on a daily basis when they fall due (ii) contribute to smooth the implementation of the operational targets of fiscal policy and public debt management and (iii) maintain activity in support of the development of the domestic Treasury bills market. To this effect the Treasury announced that it would carry out its **cash management activities** through regular issuance of Treasury bills in different tenors by auction on a weekly basis with a focus on the benchmarked 91-day Treasury bill. To this effect, the DMD delivered a sizeable Treasury sales programme to meet the cash management requirements the details of which can be found under the section reserved for Treasury Bills.

Implementation of the Government borrowing programme

In line with the announced issuance strategy, 77.8% of the medium to long-term borrowing programme for 2019 was financed through the conventional fixed-rate MGS. The fixed-rate stocks issued were in the five (5), six (6) and ten (10) year maturity area. All MGSs are marketable securities are listed and traded on the Malta Stock Exchange. The Malta Stock Exchange is licensed by the Malta Financial Services Authority (MFSA) as Competent Authority to provide the services of a regulated market. In 2019, all MGS issuances were offered via auction mainly targeting banks, life insurances, investment funds and other financial institutions. The Malta Government Stocks issued during 2019 were issued under (i) the GBMPDA, (ii) the Malta Government Stocks Regulations and (iii) the Malta Government Stock General Prospectus. The Regulations and the General Prospectus were published in November 2018.

The remaining 22.2% of the borrowing programme was financed by a non-marketable debt instrument, the 62+ Malta Government Retail Savings Bond issued under the GBMPDA and the Malta Government Retail Savings Bonds regulations. The announcement of the launch of Malta Government Savings Bond targeting individuals born in 1957 or before was made by the Minister for Finance in the Budget Speech of October 2018.

Government Borrowing

Malta Government Stocks - Focus on 6 and 10-year series

The sales of €350 million MGSs were relatively evenly distributed across the year, although with an overweight of issuance in the 2nd half of the year. Most of the issues were in the 6 and 10-year maturity segments. During 2019, the Treasury issued a new fixed rate short-term euro-denominated stock and re-offered again the stocks which were first issued in December 2018 i.e. (i) 1.4% MGS 2024 (III) and (ii) 1.85% MGS 2029 (III). **Table 1** illustrates the Malta Government Stocks allocated during 2019 in the four issuances launched during the year.

The new fixed rate MGS issued during 2019 was the 0.5 % MGS 2025 (II) which until the end of December 2019 was the stock with the lowest coupon ever offered by the Treasury.

Table 1 – Malta Government Stocks allocated during the year 2019

	Fixed Rate Stocks (€ million)		
Issuance Month	(*) Short	(**) Medium	Total
March	67.0	13.0	80.0
July	28.5	71.5	100.0
September	55.0	25.0	80.0
November	90.0	-	90.0
TOTAL	**240.5**	**109.5**	**350.0**

** Refers to MGS having a maturity longer than 1 year and shorter than 7 years*
***Refers to MGS with a maturity falling between 7 years and 15 years*
All Issuances via Auction only

In addition to the above, the Treasury issued a 10-Year MGS amounting to €2,522,400 in October 2019 in partial settlement of transfer of ex-Church property to the government in terms of the Holy See and Malta Government Agreement of 1991.

Chart 2 illustrates the primary market yields in respect of each short- and medium-term Fixed Rate MGS launched in the last three (3) years. The bar graph represents the maturity segment of the stocks (LHS) in respect of each respective issuance. Among other things this chart highlights the persisting low interest rate environment with primary markets yields declining sharply after the first issuance of the year which was held in February both for short-term stocks as well as for medium-terms stocks. In the auction of September, the yield to maturity on the 10-year MGS fell to 0.05% p.a., a significant decrease of 1.13% p.a. since February. On the whole, MGS yields mirrored the development in Euro area yields in 2019, falling to record-low levels over the summer. In September, for the first time, the short-term primary market rate moved into the negative territory and climbed to 0.01% p.a. in December's auction. In 2019 there were no MGS issuances targeted for retail investors; the last one was launched in February 2017.

Chart 2 – Primary Market Yields & Maturities

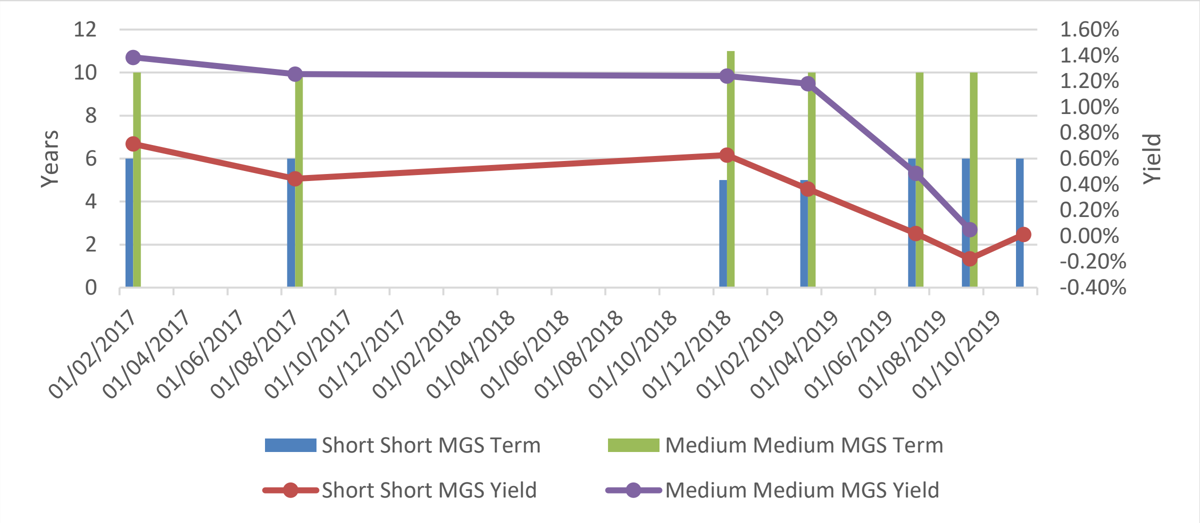


Table 2 overleaf shows the yield spreads against the interpolated German bunds of identical maturity in primary issues of MGSs over the past three years between 2017 to 2019. In the year 2019 the yield spread to the German Bund that is, the difference between domestic and the benchmark yield narrowed both for the short and medium-term MGS. The narrowing of the spreads was more pronounced in the 10-year maturity segment, narrowing significantly from 107bps to 66bps from the first auction held at the end of February to the third auction held in September. This was partly attributable to increased interest by institutional investors for medium-term Malta Government Stock where participation increased from €15.5 million to €126 million. This development was also reflected in the significant decrease in the yield of the 10-year MGS.

The movement in short-term spread was less pronounced when compared to that of the medium-term stock, narrowing by just 3bps from February (69bps) to September (66bps) and contracting by a further 6bps in the December auction (60ps).

Table 2 – Spread Over Bund in Primary Market (Fixed Coupon MGS)							
Year	Issuance	Short		Medium		Long	
		Retail	Auction	Retail	Auction	Retail	Auction
2017	Feb	+97bps	+85bps	+124bps	+103bps	+142bps	+132bps
	Aug	-	+52bps	-	+86bps	-	-
2018	Dec	-	+85bps	-	+98bps	-	-
2019	Mar	-	+69bps	-	+107bps	-	-
	Jul	-	+59bps	-	+78bps	-	-
	Sep	-	+66bps	-	+66bps	-	-
	Nov	-	+60bps	-	-	-	-

Source: Deutsche Bundesbank (www.bundesbank.de) & own calculations

The **first** MGS issuance for year 2019 was held during the last week of February and settled on 1st March, via a competitive auction targeting institutional investors. The amount on issue was €50 million, with an over-allotment option of a further €30 million. In this issuance, the Treasury re-opened the two fixed rate stocks which were first offered in the December 2018 issuance namely the 1.4% MGS 2024 (III) and the 1.85% MGS 2029 (III) to build up liquidity in these bonds. The Treasury allotted €80 million - €67 million in the 1.4% MGS 2024 (III) and €13 million in the 1.85% MGS 2029 (III). Total participation in the MGS issuance held in February 2019 amounted to €135.3million (€119.8 million in the 5-year MGS and €15.5 million in the 10-year, translating into a bid-to-cover of 2.71x.

The published price guidance in the case of the 1.4% MGS 2024 (III) was around 23 bps over the corresponding interpolated euro mid-swap, whilst that of the 10-year MGS was around 54 bps over the corresponding interpolated euro mid-swap rate. The 1.4% MGS 2024 (III) was allotted at a weighted-average ISMA yield of 0.363% resulting in a spread of 19 bps over the mid-swap, that is well within the price guidance. The 1.85% MGS 2029 (III). was allotted at a weighted-average ISMA yield of 1.181% resulting in a spread of 51 bps over the corresponding mid-swap, that is well within the price guidance. More details on institutional investors activity in the first issuance of the year is shown in **Table 3**.

Table 3 – Demand vs. Allotment of Bids by institutional investors – March 2019 Issuance				
Issuance	Security Issued	Total Amount of Bids Received € millions	Total Allotment € millions	% of bids accepted/all bids received
March	1.4% MGS 2024	119.8	67.0	56%
	1.85% MGS 2029	15.5	13.0	84%
	Total	**135.3**	**80.0**	

The **second** MGS issuance was held around mid-July via a competitive auction intended for institutional investors. In this issuance, the Treasury offered a new 6-year bond, the 0.5% MGS 2025 (II) and re-opened the 10-year Malta Government Stock i.e. 1.85% MGS 2029 (III) which was first offered in the December 2018 issuance and re-offered again in February 2019 issuance to build up liquidity in a key maturity segment.

The amount on issue was €60 million, with an over-allotment option of a further €40 million. In this issuance, the Treasury allotted €100 million of which €28.5 million in the 0.5% MGS 2025 and €71.5 million in the 1.85% MGS 2029.

Total participation in the MGS issuance held in July 2019 amounted to €296.5million (€156.5 million in the 0.5% MGS 2025 and €140 million in the 1.85% MGS 2029), working out a bid-to-cover of 4.94x.

The published guidance in the case of the 0.5% MGS 2025 was in the area of 22 bps over the interpolated euro mid-swap, whilst for the 10-year MGS the spread guidance was in the area of 39 bps over the interpolated euro mid-swap rate. The 0.5% MGS 2025 was allotted at a weighted-average ISMA yield of 0.0197% resulting in a spread of 17 bps over the mid-swap, that is well within the price guidance. The 1.85% MGS 2029 was allotted at a weighted-average ISMA yield of 0.4852% resulting in a spread of 34 bps over the mid-swap, again within the price guidance. More details on institutional investors' activity in the second issuance of the year is shown in **Table 4** below.

Table 4 – Demand vs. Allotment of Bids by institutional investors – July 2019 Issuance

Issuance	Security Issued	Total Amount of Bids Received € millions	Total Allotment € millions	% of bids accepted/all bids received
July	0.5% MGS 2025	156.5	28.5	18%
	1.85% MGS 2029	140.0	71.5	51%
	Total	**296.5**	**100.0**	

The **third** MGS issuance was held in the beginning of September via a competitive auction targeting institutional investors. The Treasury re-opened the 6-year MGS which was first issued in July 2019, that is the 0.5% MGS 2025 and the 10-year MGS that is the 1.85% MGS 2029.

The amount on issue was €50 million, with an over-allotment option of a further €30 million. In this issuance, the Treasury allotted €80 million of which €55 million in the 0.5% MGS 2025 and €25 million in the 1.85% MGS 2029.

Total participation continued to grow reaching €298.9 million (€172.9 million in the 0.5% MGS 2025 and €126 million in the 1.85% MGS 2029), translating into a bid-to-cover of 5.98x, the highest for the year.

The published price guidance in the case of the 0.5% MGS 2025 was in the area of 36 bps over the corresponding interpolated euro mid-swap, whilst that of the 10-year MGS was in the area of 39 bps over the corresponding interpolated euro mid-swap rate. The 0.5% MGS 2025 was allotted at a weighted-average ISMA yield of minus 0.1759% resulting in a spread of 24 bps over the mid-swap and comfortably within the price guidance. The 1.85% MGS 2029 was allotted at a weighted-average ISMA yield of 0.0496% resulting in a spread of 23 bps over the mid-swap, that is well within the price guidance. More details on this transaction are shown in **Table 5** underneath.

Table 5 – Demand vs. Allotment of Bids by institutional investors – September 2019 Issuance

Issuance	Security Issued	Total Amount of Bids Received € millions	Total Allotment € millions	% of bids accepted/all bids received
September	0.5% MGS 2025	172.9	55	32%
	1.85% MGS 2029	126.0	25	20%
	Total	**298.9**	**80.0**	

The **fourth and last** MGS issuance for the year was held in the third week of November via a competitive auction intended for institutional investors. The Treasury re-opened again the 6-year 0.5% MGS 2025 after it was launched twice earlier this year.

The amount on issue was €60 million, with an over-allotment option of a further €30 million. In this issuance, the Treasury allotted €90 million. Total participation amounted to €173.5 million, down from the September peak of €298.9 million on fewer choice of bonds on offer. The bid-to-cover was 2.89x.

The price guidance set the spread around 23 bps over the corresponding euro mid-swap. The 0.5% MGS 2025 was allotted at a weighted-average ISMA yield of 0.0139% resulting in a spread of 20 bps over the mid-swap, that is within the price guidance announced the day before. More details on institutional investors activity in the fourth issuance of the year is shown in **Table 6** below.

Table 6 – Demand vs. Allotment of Bids by institutional investors – November 2019 Issuance

Issuance	Security Issued	Total Amount of Bids Received € millions	Total Allotment € millions	% of bids accepted/all bids received
November	0.5% MGS 2025	173.5	90	52%

Table 7 illustrates the amount offered, participation and bid-to-cover in the four MGS issuances held in the year 2019.

Table 7 – Participation in the Malta Government Stocks during 2019

(€ million)

Issuance Month	Amount on offer	Participation	Bid-to-Cover
March	50+30	135.3	**2.71 x**
July	60+40	296.5	**4.94 x**
September	50+30	298.9	**5.98 x**
*November	60+30	173.5	**2.89 x**

*One stock was offered

62+ Malta Government Savings Bond

As announced by the Minister for Finance in the Budget Speech of October 2018, part of Treasury's long-term borrowing programme for the year was to be financed by a savings bond; a non-marketable financial product similar to the 62+ Malta Government Savings Bonds issued in 2017 and 2018. This bond was specifically issued for individuals born in 1957 or before which form an important cluster of the retail segment. Most of the individuals in this segment rely on the interest receivable from their savings to supplement their income from pension after retiring from work.

The aim of this initiative was to offer a non-marketable product that pays an interest rate above that determined by the market to a specific sector of the society who has been hit hard by the low interest rate environment and without exposing holders to the market risk. They are sold at face value and it is worth its full value upon redemption. The interest and repayment of principal is issued electronically to a designated bank account. In this year's issue which was capped at €100 million, applicants could apply from as low as €500 up to €10,000 (face value). Similar to the past two years this debt instrument pays 3% p.a. interest over the full course of five years. The bond can be encashed in whole at any time before its maturity and the holder gives up three months interest on the amount invested for the early redemption.

Similar to the savings bonds offered in 2017 and 2018, this initiative was again favourably received by the public and this year's issuance was over-subscribed. The 62+ Malta Government Savings Bond – Issue

2019 was launched in March 2019 and the Treasury allotted €99.712 million. Non-marketable debt in the form of government savings bonds makes up approximately 6% of central government debt.

Table 8 below illustrates the amount offered, participation and bid-to-cover in the 62+ Malta Government Savings Bond – Issue 2019.

Table 8 – Participation and allotment in the 62+ Malta Government Savings Bond – Issue 2019

(€ million)

Issuance month	Amount on offer	Participation	Allotment	Bid-to-Cover
March	65+35	105.7	**99.7**	**1.63x**

During the year 2019, €2,446,400 worth of bonds were repaid and subsequently cancelled from the register. These were in respect of bonds issued in 2017, 2018 and 2019. The early redemptions were paid to applicants who wished to encash their bonds or to the heirs of the deceased holders through the transmission causa mortis.

Table 9 - Early Redemptions of the 62+ Malta Government Savings Bonds in 2019

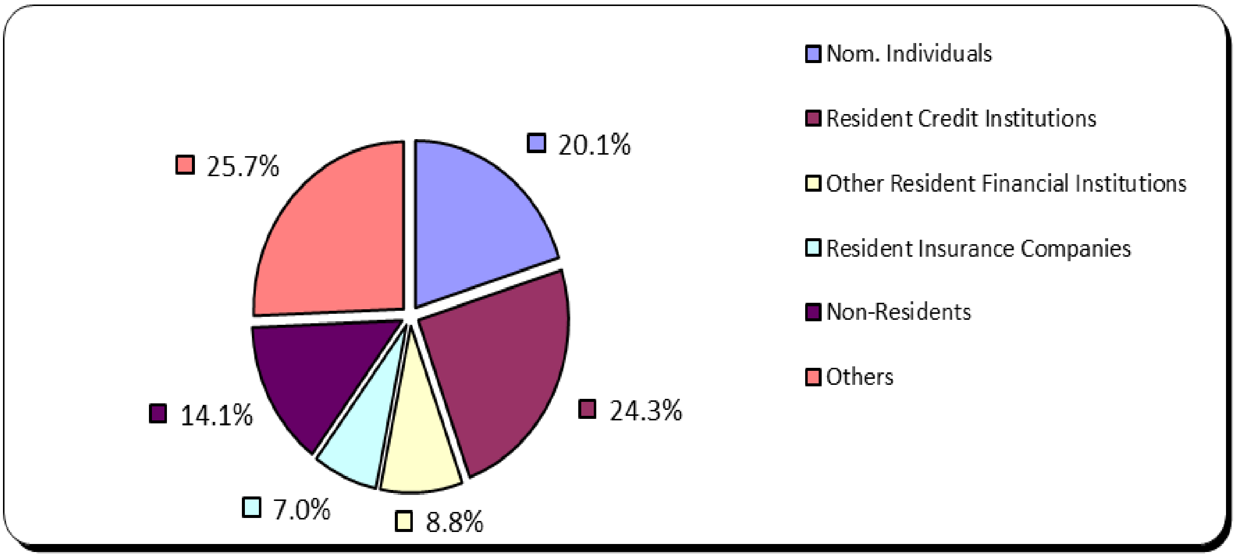
Early Redemptions	Causa Mortis	Total
€	€	€
443,500	2,002,900	2,446,400

MGS Holder Distribution by Investor

Chart 3 shows the distribution of MGS among the different types of investor groups. The MGS is overwhelmingly the largest component of Central Government Debt with just under 89% of central government debt held in this category. In terms of type of investors, the resident individuals and resident credit institutions held an ownership share of 44.4% of the total outstanding MGS as at end 2019.

When compared to end 2018, the resident nominal individuals decreased their share of ownership by 2.8% on the backdrop of lower outstanding levels of MGS. It is natural for this group to register a relatively slight decrease given that for the past two years issuances were held by auction targeting institutional investors. The resident credit institutions' share remained on the same levels of last year at 24.3%. The share of holdings belonging to other resident financial institutions was unchanged at 8.8% whilst that of the resident insurance companies declined marginally by 0.1% when compared to the same period of last year. On the other hand, non-resident ownership increased by 2.5% and stood at a level of around14.1% at the end of 2019. All other investor categories, mainly composed of domestic entities not falling under the main categories, including non-profit entities, local councils and public non-market units, etc. were virtually unchanged from the levels of last year at around 25.7%.

Chart 3 – MGS Holder Distribution by Investor Type as at 31st December 2019



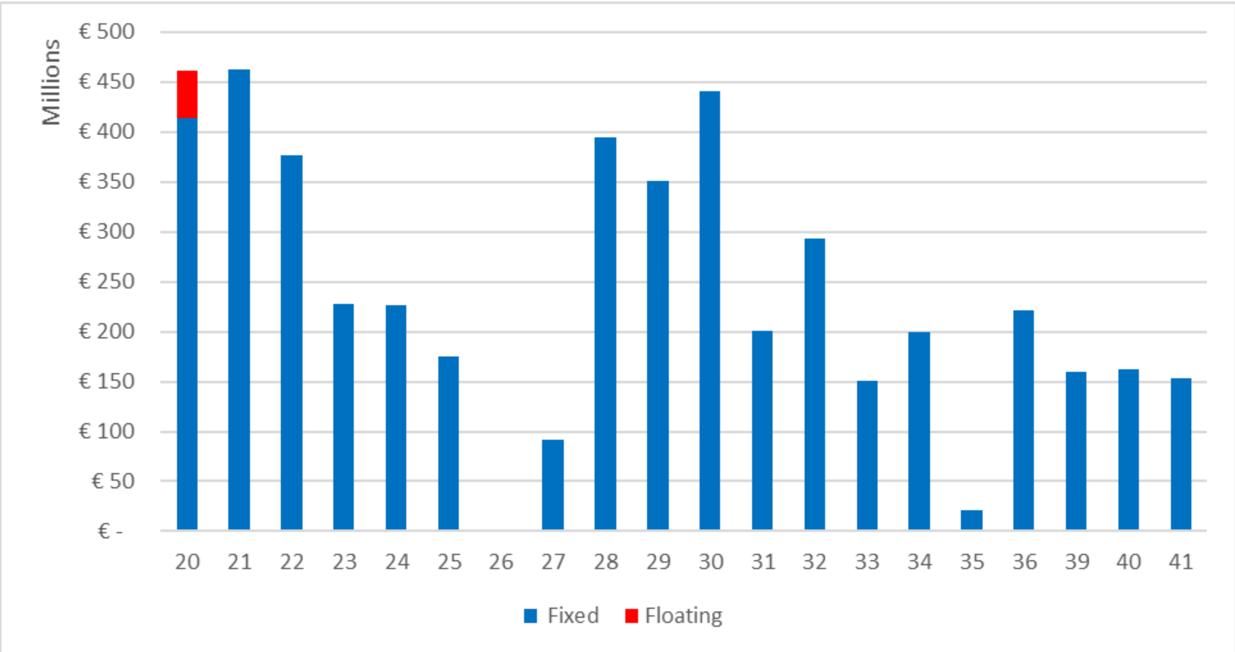
Maturity Profile

Chart 4 shows the government's redemption profile as of 31st December 2019. The gross outstanding nominal value of MGS as at 31st December 2019 stood at €4,769.4 million, a decrease of 1.7% over the outstanding balance of the previous year. It is worth noting that for the third consecutive year, there has been a decrease in the outstanding amount of Malta Government Stocks. The longest maturity MGS in issue is due to redeem in the year 2041

At the beginning of the year the weighted average maturity of the MGS portfolio stood comfortably at 9.1 years. By the end of the year the total stock of Malta Government Stocks has fallen to 8.8 years. Adding the outstanding amount of Malta Government Savings bonds to the stock of MGSs, the weighted average maturity falls to 8.5 years. The marginal decrease in the weighted average maturity primarily reflected the increased demand from institutional investors in the 5/6 year area, their preferred maturity area. In line with the strategy, the DMD tapped the shorter-to-medium term of the yield curve with 68.7% of the amount allotted in the 5/6- years maturity buckets were demand was mainly concentrated. Issuance of debt in the very long end of the yield curve warranted a cautious approach due to noticeable decline in yields of long-term stocks which touched record lows throughout most of 2019.

The skewness of the MGS portfolio has decreased by 4% from 36% to 32% of the MGS portfolio maturing within the next four years.

Chart 4 - Outstanding MGS Profile as at 31 December 2019

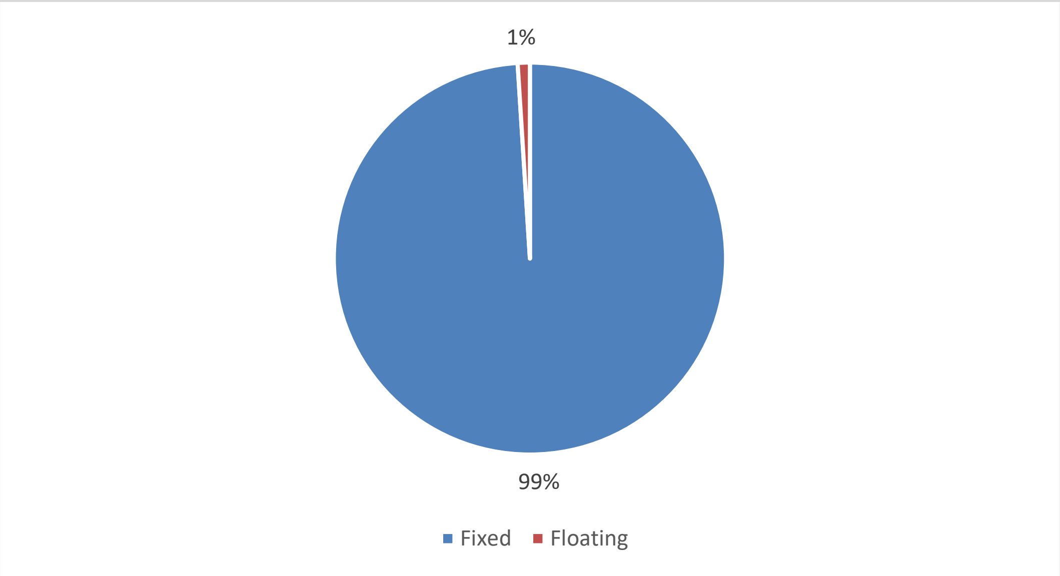


The weighted-average coupon of all new MGS (excluding the MGRSB) issued during 2019 was 1.09% on the back of a weighted-average maturity of 7.1 years. The entire portfolio's weighted average coupon stands at 3.7%, compared to 3.9% 12 months earlier.

Malta Government Stocks Portfolio Composition

Chart 5 below illustrates the composition of the Malta Government Stock Portfolio as at 31st December 2019. The main composition of the MGS portfolio was made up of fixed rate stocks (99%) MGS with the remaining 1% made up of Floating Rate Note MGS linked to the six-month Euribor plus a fixed spread. Malta Government Stocks make up 89% of the total central government debt portfolio made up of MGS, T-Bills, MGRSB and Bi-lateral foreign loans.

Chart 5 - Malta Government Stocks Portfolio Composition as at 31st December 2019



Cash Management

Treasury Bills

Treasury's main cash management objective is to ensure that sufficient funds are always available to meet any net daily central government cash shortfall.

The DMD seeks to achieve it by working together with Treasury's Cash and Banking unit which provides information in the form of projections to the DMD about inflows and outflows of cash in the public account and the DMD making arrangements for funding primarily by carrying out market operations on the basis of these forecasts submitted by the Cash and Banking unit of the Treasury.

To this effect in the beginning of the year, Treasury announced that it would carry out its **cash management activities** through the issuance of Treasury bills in different conventional tenors by auction regularly on a weekly basis with a focus on the benchmarked 91-day Treasury bill. Such market operations are conducted in line with DMD's objective aiming to minimise cost whilst operating within agreed risk limits.

Throughout the year under review, the DMD held Treasury bills auctions regularly on a weekly basis. Being the only financing instrument used in cash management operations, the directorate made extensive use of Treasury bills to fine tune the cash balance at CBM and smooth liquidity fluctuations arising from the mismatch between government receipts and payments.

I. Issuance Strategy

In accordance with its issuance strategy, the Treasury offered a mix of tenors after taking into account market appetite consistent with an acceptable level of risk. Participation in T-bills auctions was both strong and stable throughout the year. **Table 10** below summarizes the aggregate issuances and redemptions per tenor for the year. On average Treasury issued €23 million per week and redeemed on average €22.8 million per week.

The implementation of the cash management plan mirrored past years' Treasury bills issuance strategy. The issuance of Treasury bills was concentrated in the 91-day benchmark, with 76.5% of total issuance taken up in this tenor, a share more or less similar to that of last year (71.3% in 2018). Circa 9.2% of total issuance was in the form of 182-day bills (11.6% in 2018). The 28-day T-bill issuances decreased from 14.0% to 11.6% of total issued and the remaining 2.7% was shared between the 273- and 364-day bill.

As a result of higher amount of issuance in the 91-day tenor, the weighted-average maturity (WAM) on T-bills issued decreased by 1 day from 98 days in 2018 to 97 days in 2019. The bid-to-cover for the year (total participation vs total allotment) stood at 2.97x (2018: 2.77x) reflecting a higher participation in the T-Bills auctions.

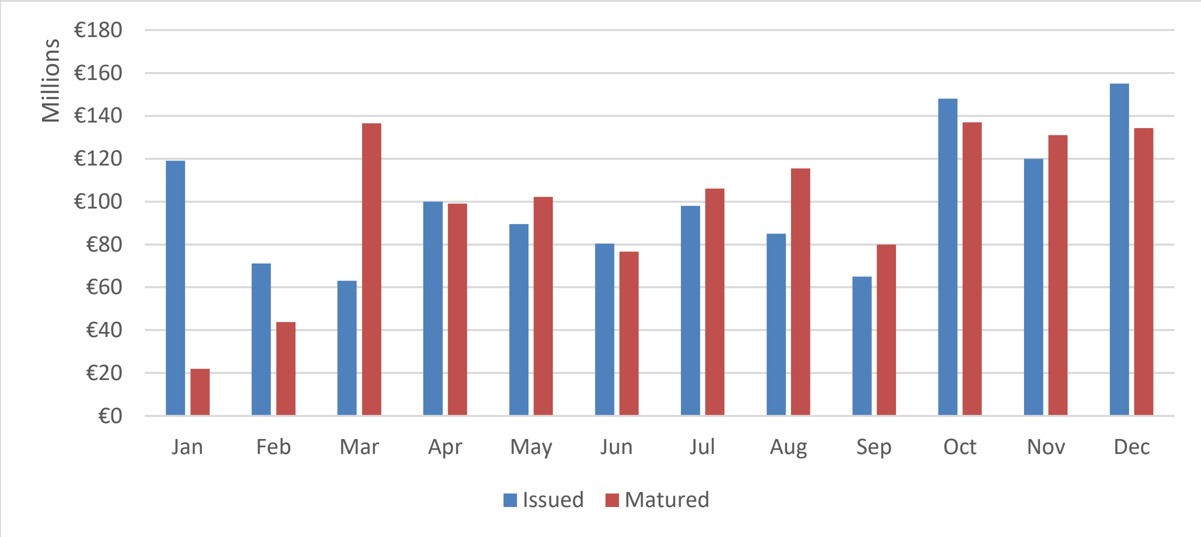
Table 10 - T-bills issued by tenor in 2019

Tenor	Issued *(€ million)*	% of Total	Redeemed *(€ million)*	% of Total
28	138.0	11.6	138.0	11.7
91	913.6	76.5	888.9	75.1
182	110.3	9.2	125.0	10.6
273	27.0	2.3	29.0	2.4
364	5.0	0.4	3.0	0.3
Total Issuance	**1,193.9**		**1,183.9**	

% total does not add up due to rounding.

Chart 6 below shows gross issuance and redemption on a monthly basis. On a quarterly basis the net issuance pattern reveals that net issuance was negative in Q2 and Q3 and positive in Q1 and Q4. Overall, on a yearly basis the outstanding amount of T-Bills increased by €10 million. Gross issuance of Treasury bills was circa 1.28% lower than in 2018 (€ 1,193.9 million vs €1,209.4 million).

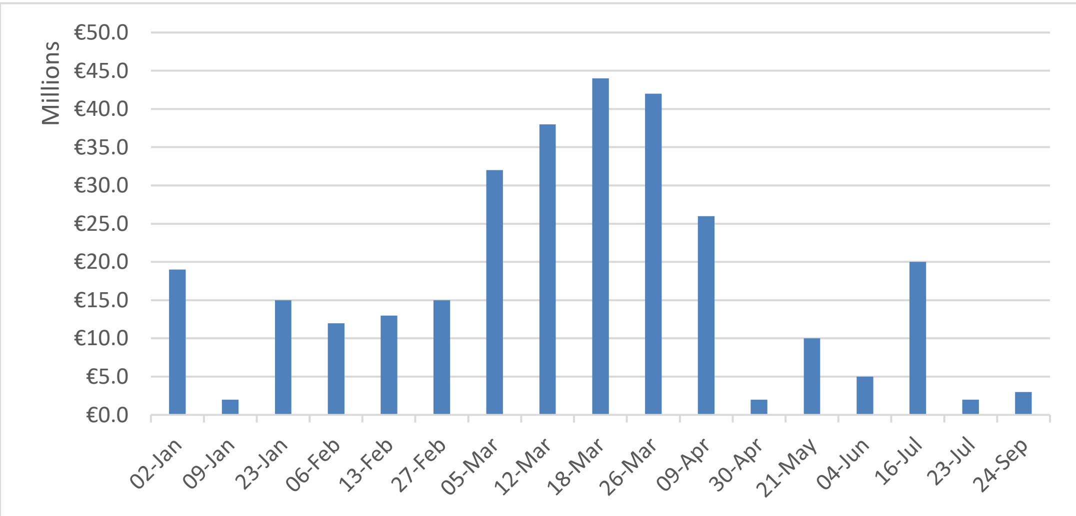
Chart 6 - T-bills issued and redeemed per month in 2019



II. Redemption Profile

The nominal outstanding balance of Treasury bills at the end of the year stood at €300.0 million. These instruments were entirely held by resident credit institutions. **Chart 7** shows how this balance will be redeemed throughout 2019.

Chart 7 - Outstanding Treasury Bills as at end 2019

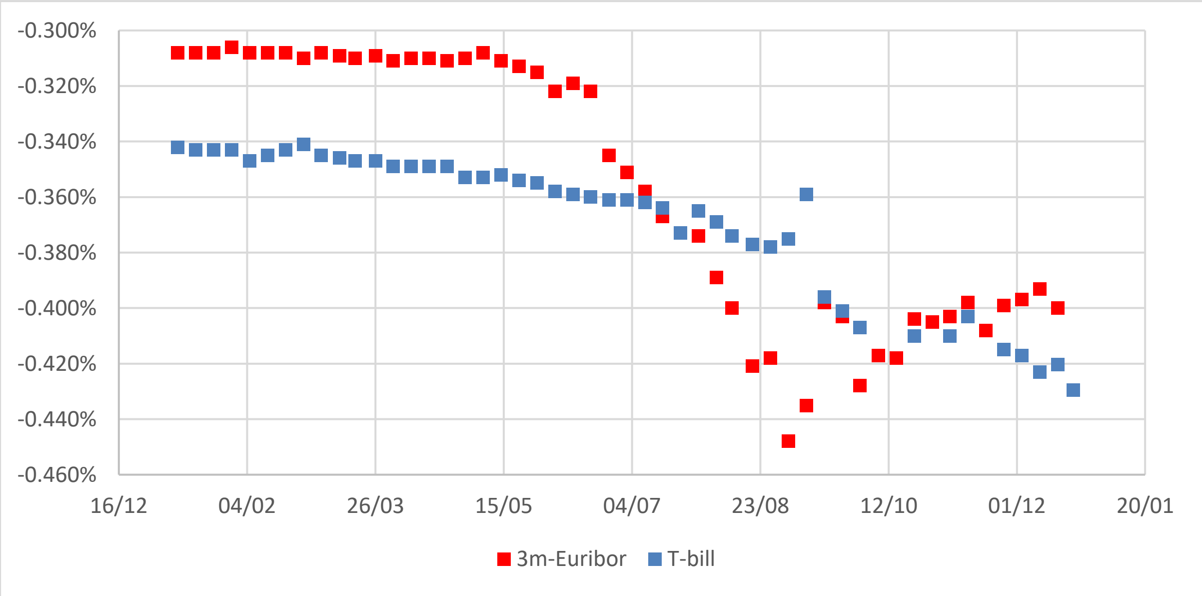


III. Negative Treasury Bill Yields

Similar to the past three years, all the Treasury bills issued throughout the year 2019 were issued at a negative yield across the entire money market spectrum. This implies that bidders were willing to pay, rather than receive interest, to lend their money to the government. The 3-month Euribor is used as a benchmark for the 3-month Treasury bill. These are both plotted in **Chart 8**.

The Euribor was steady throughout the first five and a half months of the year hovering around -0.31% and -0.32%. Towards the end of May, the Euribor started its descent falling to 0.448% (the lowest Euribor rate recorded in 2019) in the beginning of September and rebounding to minus 0.383% by the end of the year. The Treasury Bills allotted in the first half of the year and from first week of October up to the end of 2019 were allotted below the 3-month Euribor rate. During the year 2019, 91-days T-Bills were issued at a weighted-average rate of minus 0.372% below the average 3-month Euribor of minus 0.357%. From peak to through, the 3-month T-bill yield moved within a bracket of 8.9bps (-0.341% to -0.430%).

Chart 8 – 3-month Euribor vs. Accepted 3-month T-bill rates



Horizontal X-axis does not cross vertical axis at zero.
Source: https://www.emmi-benchmarks.eu/euribor-org/euribor-rates.html & own calculations.

In 2019, the DMD received interest amounting to just above €1.172 million on new T-bills issued during the year, as investors compensated government for providing them the opportunity to 'park' their cash in the form of Treasury bills. No interest was paid by the Treasury throughout the year on account of all issuances were allotted at negative interest rate. The entire portfolio's weighted-average yield on accepted bids was minus 0.372% (2018: minus 0.356%).

Table 11 below shows the maximum and minimum accepted rates together with the weighted-average rate for the most frequently issued tenors.

Table 11 - T-bills borrowing rates

Tenor	Max	Date	Min	Date	WAY
1m	-0.404%	10-Oct-2019	-0.421%	21-Nov-2019	-0.411%
3m	-0.341%	28-Feb-2019	-0.430%	27-Dec-2019	-0.372%
6m	-0.289%	3-Jan-2019	-0.410%	19-Sep-2019	-0.335%

Foreign Loans

Bilateral loans with foreign official creditors were specifically undertaken by Government to finance specific large capital projects. Typically, these non-negotiable loans were negotiated with other governments or supranational financial institutions at preferential rates with limited risk characteristics (fixed rate loans). As at the end of the year there were only two of these loans outstanding. In 2019, €0.12 million were repaid in accordance with the pre-established repayment schedules, resulting in an end-of year outstanding balance of €0.97 million. No new borrowing from outside Malta through foreign bilateral loans was undertaken during 2019.

Total interest costs incurred during the year to service the remain two loans amounted to €9,697.50. As shown in **Table 12** below, 91.8% of the outstanding amount out of foreign loans is held in Euro hence making any exchange rate risk insignificant. **Table 13** below provides a detailed analysis of the existing foreign loans due as at the end of 2019.

Table 12 - Foreign loans o/s by currency as at 31/12/2019 (€ Mn)

	Euro Loan	CAD Loan	Total
Amount (€ Millions)	0.89	0.08	0.97
%	91.8%	8.2%	100.0%

Exchange rate as at 31/12/2019

Table 13 - Foreign Loans outstanding as at 31st December 2019

Foreign Loan	Financing Purpose	Year of Issue	Amount Disbursed	Interest Rate	Date of Maturity	Balance due as at 31st December 2019
				%		€'000's
European Union Loan C	Solid Waste Composting Project	1987	€3 million	1.00	15/9/2027	889.80
Government of Canada	Telephone cables and equipment	1974	CAD 1 million	-	31/3/2024	77.07

Cost of Borrowing

As displayed in **Table 14** below, the total interest expenditure in 2019 amounted to €192.3 million, a decrease of 5.6% or €11.3 million less than the interest payments paid in 2018. In 2019, all Treasury bills were allotted at negative interest rates during which Treasury earned € 1,172,394 in negative interest. The decline in the interest expenditure mainly resulted from lower coupons assigned to newly issued MGSs during the current low interest rate environment whereby the Treasury refinanced maturing high coupon MGS with short- and medium-term bonds paying lower coupon.

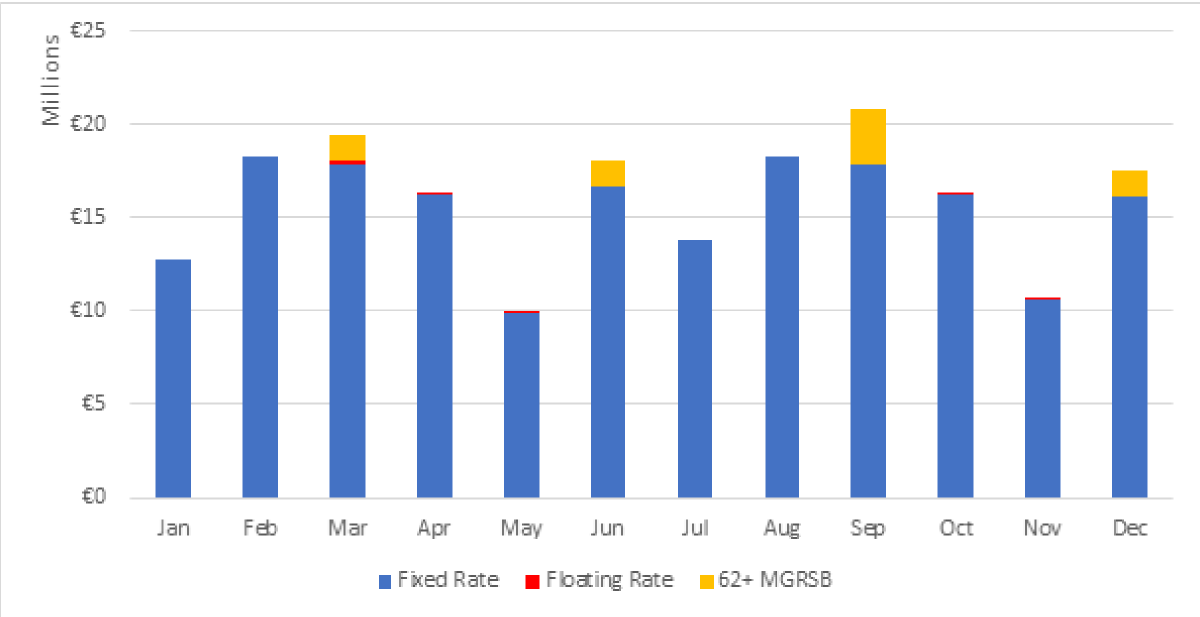
Table 14 – Budgetary Central Government Debt Interest Expense 2017 – 2019

	€' million	**€' million**	**€' million**
	2017	**2018**	**2019**
Local Loans			
Treasury Bills	0.0*	0.0**	0.0***
Malta Government Stocks	214.2	198.9	185.1
Malta Government Retail Savings Bond	0.0	4.3	7.2
Sub-total (Local)	**214.2**	**203.2**	**192.3**
Foreign Loans	0.8	0.4	0.0
Total (Local + Foreign)	**215.0**	**203.6**	**192.3**

* During 2017 total interest received on T-Bills issued at negative rates maturing in 2017 and 2018 amounted to €609,716. (In the year 2017, the Treasury issued €588.6 million T-Bills)
** During 2018 total interest received on T-Bills issued at negative rates maturing in 2018 and 2019 amounted to €1,176,429
*** During 2019 total interest received on T-Bills issued at negative rates maturing in 2019 and 2020 amounted to €1,172,394

The distribution of monthly aggregate semi-annual coupon payments is illustrated in **Chart 9**.

Chart 9 - Distribution of Monthly MGS & 62+ MGSB Interest Payments – 2019



Central Government Outstanding Debt [1]

Table 15 – Central Government Outstanding Debt as at 31st December 2018 and 2019		
	2018	**2019**
	€'000s	**€'000s**
Local Loans	**Actual**	**Actual**
Malta Government Stocks *	4,750,887	4,648,208
Malta Government Retail Savings Bonds	192,582	289,849
Treasury Bills	290,000	300,000
Sub-Total: Domestic	**5,233,469**	**5,238,057**
Foreign Loans	1,084	967
Total Debt	**5,234,553**	**5,239,024**
*Consolidated		

In 2019, absolute amount of Central Government Debt increased marginally (circa €4.5 million) over the previous years.

[1] Excluding Euro Coins issued in the name of the Treasury and ESA rerouted debt.

Risk Management

Risk management is a strategic tool used by the directorate within the Treasury in the day-to-day management of activities to achieve strategic debt targets. This risk control function is organised within the middle office. Keeping risks at an acceptable level is key to success in reaching the objectives of debt management and the long-term debt sustainability. Although there is much focus on seeking to optimize debt-financing decisions to balance borrowing costs with refinancing risks, other risks are not ignored. In pursuing the debt management activities, the DMD encounters and manages the following main types of risks; market risks, refinancing, funding risks, portfolio concentration risk and operational risk.

Market risk is the possibility that adverse changes in interest rates or foreign currency exchange rates could cause debt servicing costs to increase directly or could lead to miss an opportunity to reduce debt servicing costs. Market risk arises mainly (but not limited to) due to the need to roll-over (re-finance) maturing debt or re-fixing of interest rate of Floating Rate Notes. DMD's exposure to market risk is mainly grounded in the interest rate risk given that all marketable and non-marketable loans are issued in the domestic currency. In fact, the DMD's exposure for exchange rates is limited to a small foreign loan with the Government of Canada (Table 13 refers) and therefore such risk is insignificant.

The DMD encounters the interest rate risk from its exposure to borrow from the money and capital markets to (i) manage the government's cash flow and (ii) finance the public sector borrowing requirements respectively.

The outstanding level of Treasury Bills and weekly operations in the money market which are necessary to manage the government cashflow is a major determinant of the re-fixing risk. However, the relevance of this re-fixing risk has to be viewed in the context of current domestic money market realities whereby during 2019 all T-Bills were allotted at negative interest rates and below the average corresponding EURIBOR rate on the backdrop a comfortable bid-to-cover ratio of 2.97x.

The exposure to the interest rate risk arising from the weekly cash management activities is managed by smoothing financing need peaks over a period of weeks thus avoiding the need to borrow extensively at times when revenue falls short of expenditure. The desire to run a higher cash balance over a period of time as buffer to absorb expected future proximate shortfalls or variations in cash flows reflects prudent risk management as well as help keep bond issuance plans unchanged.

The market risk arising from re-issue of debt in the capital market is contained by prudent policies adopted over the years by different governments. Over the years issuance of conventional fixed rate debt in the domestic market has reduced market risk as refinancing of debt were rendered less prone to market volatility given the relatively more stable nature of the domestic investor base. While higher reliance on domestic debt can generate some vulnerabilities, risks may be mitigated by the benefits of a more developed domestic debt market which in recent years has been strengthened by increased interest from foreign institutions to hold domestic debt.

When possible the DMD avoids issuances of medium to long term debt during times of market stress or volatility. The DMD monitors the market conditions to identify the ideal time to tap the market offering securities where there is demand for them consistent with a prudent degree for risk. The fundamental notion of prudence is also manifested by the fact that the government debt portfolio is overwhelmingly held in domestic currency and in conventional fixed-rate nominal debt. Prudence is exercised when it comes to issuance of debt with a variable interest rate. In order to mitigate the risk from an increase in interest, the DMD keeps the level of floating rate (FRN) debt below the 10% threshold. As at 31st December 2019 such ratio stood at 1% (December 2018: 2.55%).

Any changes on market conditions can affect the demand for government paper and therefore the interest cost. The Government Borrowing and Management of Public Debt Act (Cap. 575 of the Laws of Malta) gives the Government the possibility to raise funds in the international market if such need arises.

It is to be noted that as a matter of policy, the DMD does not enter in any interest swap agreements and its portfolio does not include any derivatives instruments.

Refinancing Risk is the risk that debt will have to be rolled over at an unusually high cost or, in extreme cases, cannot be rolled over at all. To the extent that rollover risk is limited to the risk that debt might have to be rolled over at higher interest rates, including changes in credit spreads, it may be considered a type of market risk.[2] The DMD uses two important debt metrics to assess the structure of its portfolio and evaluate the risks associated with refinancing. These are the WAM which is used in combination with a metric that measures concentration risk. The latter calculates the percentage of outstanding debt maturing over a number of years. Higher WAM implies lower roll-over risk and the percentage of outstanding debt maturing over *n* years captures the near term concentration of roll-over risk.

The WAM of Malta Government Stocks (the major debt component of the Central Government with just below 89% of total outstanding debt made up of MGS, T-Bills, MGRSB and Bi-lateral foreign loans) has risen in small steps from 6.6 years at the end of 2010 to 8.8 years at the end of the year 2019. This was deliberate policy adopted over recent years mainly intended to bring about an easing in redemption profile thus limiting roll-over risk in a supportive domestic market environment. The aim of the strategy was also to achieve such goal at a reasonable cost in the backdrop of a low interest rate environment.

Yet, after a period of gradual but steady increase in the WAM during the past years, last year there has been a small decrease in the WAM when compared to a year earlier. This was mainly due to an increased proportion of issuance of short-term debt when compared to issuance of medium to long term debt. During the year 2019, there has been a strong institutional demand for short term government securities amid notable risk aversion to invest in long term debt that significantly influenced the DMD choices. Going forward, Treasury will continue to offer longer-dated tenors using long-term issuance as a prudent means of managing its maturity profile and limiting potential future issuance volatility. Treasury will take every opportunity to meet demand by market participants for long dated tenors.

Operational Risk is defined as the risk of loss (financial or non-financial) resulting from inadequate or failed internal processes, people and systems, or form external events that impact a company's ability to operate its on-going business processes.[3] Operational risk includes, among other things, the possibility of errors in transactions, and breaches of legal requirements,

In order to minimise operational risks, the DMD adopts an organizational structure that separates the borrowing function, the policy setting and control function, and the back office functions. It also adopts reporting policies that increase transparency of the operations.

The Debt Management Directorate keeps an electronic operational log-book whereby the main events are logged in. This log-book is accessed by all officers involved in the debt management operations. The main events included in this log-book are (1) the payments of interest whereby the whole process is recorded from the date from when the MSE is instructed to issue the interest payment (4 weeks before the interest due) up to the final confirmation received from the CBM that the payment data file was uploaded on their payment system; any reject or partial rejects/returns are followed up and payment

[2] 2003: International Monetary Fund and the World BankGuidelines for Public Debt Management

[3]Basel II "International Convergence of Capital Measurement and Capital Standards: A Revised Framework", published by the Bank for International Settlements in June 2004.

issued accordingly; (2) re-setting of interest rates of FRNs; (3) redemptions; (4) the due dates of interest and capital repayments on all foreign loans repayments; (5) mergers and fungibility issues, and (6) notices that needs to be sent to the MSE. Such log-book is also complemented by Gannt Charts.

Funding Risk presents the possibility that there may not be sufficient market demand for government securities or that government could not sell them at an acceptable price. The DMD seeks to keep a relatively flat debt maturity profile with approximately equal amount of debt in security issues across the maturity profile. An outstanding debt limit for each security as well as an overall yearly outstanding debt limit for each year is assigned to ensure that no redemption cliffs are created at any point during a financial year. This helps to reduce both the funding and market rate risk.

Credit Risk is the risk associated with non-performance borrowers on loans or other financial assets or by counterparty on financial contracts. The DMD is responsible for the liabilities side of the transactions which mainly involves the issuance of government securities. Since the Treasury does not have any interest rate swap agreements or any other financial contracts directly related to the risk management of its debt portfolio, such risks pertinent to counterparties do not arise.

Settlement Risk is the risk that the counterparty does not deliver a security as agreed in a contract, after the country (other counterparty) has already made the payment according to the agreement. The Maltese DMD does not have any counterparties as defined by IMF in its guidelines. In the case where investors who were successful at the auction and allotted Treasury bills or MGSs fail to pay the amounts due, the Treasury will not register the security in their name with the Malta Stock Exchange. Moreover, the retail investors who subscribe for the MGS are required to pay with the application for the Stocks applied.

The EU Emissions Trading System (EU ETS)

During 2019 the Treasury continued to fulfil its role as auctioneer for Malta-based stationary installations' emission allowances (EUAs) and aviation emission allowances (EUAAs) on behalf of the Government of Malta. The directorate within the Treasury Department participated in the auctions conducted by the European ENERGY Exchange (EEX). Under the EU Emissions Trading System, Malta's share of auctioned allowances for the year 2019 was 647,000, of which 619,000 allowances were in respect of EUAs (stationary installations) and 28,000 in respect of EUAAs (aviation).

In 2019, 140 auctions in respect of EUA were held regularly on Monday, Tuesday and Thursday of every week, whilst another 6 EUAA auctions were held on Wednesdays. Malta's 2019 share of revenue generated from these auctions amounted to €15.9 million, €0.2 million more than the previous year. Most of the proceeds, that is €15.2 million, were generated from EUA auctions whilst the remaining €0.7 million were received from EUAA auctions.

Sinking Funds

In 2019, the Treasury transferred the budgeted contributions in the sinking funds for the year i.e. € 50 million in the Special Sinking Fund and €50,000 in the Sinking Fund (Foreign). In terms of article 27 of the Local Loans (Registered Stock and Securities) Ordinance and article 59 of the Government Borrowing and Management of Public Debt Act, during 2019, the Treasury invested part of the contributions and interest earned in Malta Government Debt. **Table 16** below shows the bank balances of the local and foreign sinking funds as well as the investment made by the sinking funds in Government Debt.

Table 16 - Sinking Funds – Bank Balances and Investments in Government Debt

	2018	**2019**
	€	**€**
Bank Balance Special Sinking Fund-	105,732,413.72	133,336,924.33
Bank balance in SF linked to Foreign Loan held in Euro currency	648,520.72	590,520.72
Bank balance in SF linked to Foreign Loan held in foreign currency – C$	81,438 (C$ 127,085)	71,439 (C$ 104,286.16)
Sinking Fund investments in Govt. Debt.	101,862,299	121,203,499

Credit Rating of the Republic of Malta in 2019

During 2019 the main credit-rating agencies conducted their annual reviews of the Maltese economy which included the developments and trends in public debt management.

On 19th July 2019, **Moody's** upgraded Malta's long-term local and foreign currency sovereign credit rating from A3 'Positive' to A2 with a 'Stable' outlook.

On 9th August 2019, **DBRS** confirmed Malta's long-term local and foreign currency issuer rating at 'A (High)'. The outlook was kept at 'Stable'.

On 12th July 2019, **Fitch** upgraded the outlook on Malta's rating from A+ 'Stable' to A+ 'Positive'.

On 13th September 2019, **Standard & Poor's Global Ratings** confirmed Malta's long-term local and foreign currency issuer rating at 'A-'. The outlook was kept at 'Positive'.

Table 17 depicts the movement in credit rating of the Republic of Malta between 2018 and 2019.

Table 17 – Credit Rating of the Republic of Malta as at 31/12/18 and 31/12/19

Rating Agency	2018	2019
Moody's	A3/Positive	A2/Stable
S&P Global Ratings	A-/Positive	A-/Positive
Fitch	A+/Stable	A+/Positive
DBRS	A (High)/Stable	A (High)/Stable

Highlights of Results for Fiscal Year - 2019

- Central Government Debt (excluding coins & ESA rerouted debt) at the level of €5.2 billion (MGS figure is consolidated)
- Gross Issue of Malta Government Stocks (excluding ex-Church Stocks) amounted to €350 million
- Malta Government Stocks Redemptions amounted to €435.86 million
- Gross Issue of Malta Government Retail Savings Bonds amounted to €99.7 million
- Gross Issuance of Malta Treasury Bills amounted to €1.19 billion
- Malta Treasury Bills Redemptions amounted to €1.18 billion
- Repayment of Foreign Loans amounted to €0.12 million
- Foreign loans outstanding €0.97 million
- Year-on-year decrease in cash interest expenditure on Budgetary Central Government Debt amounted to €11.3 million (excluding the interest earned on T-Bills allotted at negative interest rate)
- Weighted Average Maturity of the Malta Government Stocks Portfolio – 8.8 years
- Weighted Average Maturity of the Budgetary Central Government Debt Portfolio – 8.01 years (excluding foreign loans)
- Weighted Average Coupon of the Malta Government Stocks Portfolio – 3.7%
- Weighted Average Coupon of the Malta Government Stocks issued in 2019 – 1.09%
- Weighted Average Yield conceded on newly Malta Government Stocks issued – 0.19%
- Weighted Average Maturity of new Malta Government Stocks issued – 7.1 years
- Weighted Average Yield on Allotted T-Bills – minus 0.372%

Annex

Budgetary Central Government Outstanding Debt Securities and Debt Instruments as at 31/12/2019

Budgetary Central Government Outstanding Debt Securities & Debt Instruments as at 31/12/2019

Fixed Rate Malta Government Stocks

ISIN Code	Debt Security	Redemption Date	Nominal Capital
			€
MT0000011602	4.60% MGS 2020 (II)	25/04/2020	158,327,200
MT0000011370	5.20% MGS 2020 (I)	10/06/2020	52,407,462
MT0000012253	3.35% MGS 2020 (IV)	31/07/2020	64,040,000
MT0000012428	2.00% MGS 2020 (V)	26/09/2020	138,484,400
MT0000011669	7.00% MGS 2020 (III) *	31/12/2020	430,700
MT0000011164	5.00% MGS 2021 (I)	08/08/2021	458,844,653
MT0000011768	7.00% MGS 2021 (III) *	31/12/2021	2,858,800
MT0000011750	7.00% MGS 2021 (II) *	31/12/2021	466,000
MT0000011891	4.30% MGS 2022 (II)	15/05/2022	240,169,400
MT0000012618	1.50% MGS 2022 (IV)	11/07/2022	63,396,700
MT0000011172	5.10% MGS 2022 (I)	16/08/2022	71,047,725
MT0000011982	7.00% MGS 2022 (III) *	31/12/2022	1,318,800
MT0000011123	5.50% MGS 2023 (I)	06/07/2023	78,811,283
MT0000012808	1.40% MGS 2023 (III)	11/11/2023	146,276,500
MT0000012238	7.00% MGS 2023 (II) *	31/12/2023	2,404,400
MT0000012915	1.40% MGS 2024 (III)	29/07/2024	201,000,000
MT0000012303	3.30% MGS 2024 (I)	12/11/2024	24,051,100
MT0000012394	7.00% MGS 2024 (II) *	31/12/2024	1,135,000
MT0000013004	0.50% MGS 2025 (II) (F.I.)	08/11/2025	90,000,000
MT0000012956	0.50% MGS 2025 (II)	08/11/2025	83,500,000
MT0000012543	7.00% MGS 2025 (I) *	31/12/2025	2,007,900
MT0000012675	7.00% MGS 2026 (I) *	31/12/2026	734,400
MT0000012832	1.50% MGS 2027 (I)	15/06/2027	90,954,500
MT0000012873	7.00% MGS 2027 (II) *	31/12/2027	1,096,800
MT0000012055	4.80% MGS 2028 (I)	11/09/2028	107,029,500
MT0000012139	4.50% MGS 2028 (II)	25/10/2028	286,651,500
MT0000012907	7.00% MGS 2028 (III) *	31/12/2028	260,500
MT0000012923	1.85% MGS 2029 (III)	30/05/2029	125,500,000
MT0000012535	2.30% MGS 2029 (II)	24/07/2029	143,518,400
MT0000011958	5.10% MGS 2029 (I)	01/10/2029	79,144,900
MT0000012998	7.00% MGS 2029 (VI) *	31/12/2029	2,522,400
MT0000011651	5.25% MGS 2030 (I)	23/06/2030	440,165,700
MT0000011883	5.20% MGS 2031 (I)	16/09/2031	201,343,600
MT0000012220	4.65% MGS 2032 (I)	22/07/2032	140,454,200
MT0000012337	4.45% MGS 2032 (II)	03/09/2032	153,111,700
MT0000012386	4.30% MGS 2033 (I)	01/08/2033	150,699,900
MT0000012451	4.10% MGS 2034 (I)	18/10/2034	200,075,700
MT0000012865	2.20% MGS 2035 (I)	24/11/2035	20,539,100
MT0000012642	2.50% MGS 2036 (I)	17/11/2036	221,733,100
MT0000012774	2.10% MGS 2039 (I)	24/08/2039	159,102,100
MT0000012519	3.00% MGS 2040 (I)	11/06/2040	162,276,100
MT0000012725	2.40% MGS 2041 (I)	25/07/2041	153,669,800
		Total	**4,721,561,923**

Floating Rate Malta Government Stocks **

ISIN Code	Debt Security	Redemption Date	Nominal Capital
			€
MT1000010107	FLTNG RT 6MTH EUR MGS 2020 (VI)	29/10/2020	47,850,000
		Total	**47,850,000**

Malta Government Retail Savings Bonds

ISIN Code	Debt Instrument	Redemption Date***	Nominal Capital
			€
MT4000010010	62+ MGSB - Issue 2017	13/09/2022	97,731,600
MT4000010036	62+ MGSB - Issue 2018	19/06/2023	92,661,400
MT4000010044	62+ MGSB - Issue 2019	20/03/2024	99,455,800
		Total	**289,848,800**

Malta Government Treasury Bills

ISIN Code	Debt Security	Redemption Date	Nominal Capital
			€
MT3200012859	182 Day T-Bill (11.07.19 - 09.01.20)	09/01/2020	2,000,000
MT3400010141	364 Day T-Bill (25.07.19 - 23.07.20)	23/07/2020	2,000,000
MT3300010860	273 Day T-Bill (01.08.19 - 30.04.20)	30/04/2020	2,000,000
MT3200012867	182 Day T-Bill (05.09.19 - 05.03.20)	05/03/2020	2,000,000
MT3200012875	181 Day T-Bill (19.09.19 - 18.03.20)	18/03/2020	4,000,000
MT3400010158	364 Day T-Bill (26.09.19 - 24.09.20)	24/09/2020	3,000,000
MT3100015259	91 Day T-Bill (03.10.19 - 02.01.20)	02/01/2020	19,000,000
MT3200012883	182 Day T-Bill (10.10.19 - 09.04.20)	09/04/2020	26,000,000
MT3300010878	273 Day T-Bill (17.10.19 - 16.07.20)	16/07/2020	20,000,000
MT3100015267	91 Day T-Bill (24.10.19 - 23.01.20)	23/01/2020	15,000,000
MT3100015275	91 Day T-Bill (07.11.19 - 06.02.20)	06/02/2020	12,000,000
MT3100015283	91 Day T-Bill (14.11.19 - 13.02.20)	13/02/2020	13,000,000
MT3200012891	182 Day T-Bill (21.11.19 - 21.05.20)	21/05/2020	10,000,000
MT3100015291	91 Day T-Bill (28.11.19 - 27.02.20)	27/02/2020	15,000,000
MT3100015309	91 Day T-Bill (05.12.19 - 05.03.20)	05/03/2020	30,000,000
MT3200012909	182 Day T-Bill (05.12.19 - 04.06.20)	04/06/2020	5,000,000
MT3100015317	91 Day T-Bill (12.12.19 - 12.03.20)	12/03/2020	38,000,000
MT3100015325	90 Day T-Bill (19.12.19 - 18.03.20)	18/03/2020	40,000,000
MT3100015333	90 Day T-Bill (27.12.19 - 26.03.20)	26/03/2020	42,000,000
		Total	**300,000,000**

*Redemption date on Ex-Church Property Stocks can take place between 1st January and 31st December of the year indicated.

**FRNs are tied to the 6-month EURIBOR

***Bondholders may redeem the whole amount invested prior to the redemption date set in the prospectus subject to conditions laid out in it.