
Annual Report on the Management of Central Government Debt of the Republic of Malta – 2018

Ministry for Finance
Treasury Department



CONTENTS

Debt Management Directorate	1
Organisation and Resources.....	1
Objectives and Legal Framework	2
Mandate	2
Legal Framework	2
Sovereign Market Developments	3
Developments in the MGS Primary Market	3
Developments in the Euro Area	5
Malta Government Stocks and Debt Instruments Financing Remit in 2018	7
Other operations	7
Financing Instruments and Operations used in Debt and Cash Management	8
Issuance Strategy	8
Implementation of the long-term debt programme	9
Long-Term debt issuances out-turn for 2018	9
Malta Government Stocks	9
62+ Malta Government Savings Bond	10
MGS Holder Distribution by Investor	12
Maturity Profile	13
Malta Government Stocks Portfolio Composition	14
Cash Management	15
Treasury Bills	15
I. Issuance Strategy	15
II. Redemption Profile	16
III. Yields & cost of borrowing	17
Foreign Loans	18
Cost of Borrowing	19
Central Government Outstanding Debt	20

Risk Management	21
The EU Emissions Trading System (EU ETS)	24
Sinking Funds	25
Credit Rating of the Republic of Malta in 2018	26
Highlights of Results for Fiscal Year – 2018	27
Annex – Budgetary Central Government Outstanding Debt Securities and Debt Instruments as at 31/12/18	28

List of Tables

	Page
Table 1 – Spread over Bund in Primary Market (Fixed Coupon MGS)	5
Table 2 – Malta Government Stocks allocated during 2018	9
Table 3 – Demand vs. Allotment of Bids by institutional investors – December 2018 Issuance	10
Table 4 – Participation in the Malta Government Stocks during 2018	10
Table 5 – Participation and allotment in the 62+ Malta Government Savings Bond – Issue 2018 .	11
Table 6 – Early Redemptions 62+ Malta Government Savings Bonds	11
Table 7 – T-Bills issued by tenor in 2018	15
Table 8 – T-Bills borrowing rates	17
Table 9 – Foreign loans o/s by currency as at 31/12/18	18
Table 10 – Foreign loans outstanding as at 31 st December 2018	18
Table 11 – Budgetary Central Government Debt Interest Expense 2016 – 2018	19
Table 12 – Central Government Outstanding Debt as at 31 st December 2017 and 2018	20
Table 13 – Sinking Funds – Bank Balances and Investment in Government Debt	25
Table 14 – Credit Rating of the Republic of Malta as at 31/12/17 and 31/12/18	26

List of Charts

	Page
Chart 1 – Debt Management Directorate Organigram	1
Chart 2 – Primary Market Yields & Maturities	4
Chart 3 – MGS Holder Distribution by Investor Type as at 31 st December 2018	12
Chart 4 – Outstanding MGS Profile as at 31 st December 2018	13
Chart 5 – Malta Government Stocks Portfolio Composition as at 31 st December 2018	14
Chart 6 – T-Bills issued and redeemed per month in 2018	16
Chart 7 – Outstanding Treasury Bills as at end 2018	16
Chart 8 – 3-month Euribor vs. Accepted 3-month T-Bill rates	17
Chart 9 – Distribution of Monthly MGS & 62+ MGSB Interest Payments – 2018	19

Abbreviations

bps	Basis Point
CBM	Central Bank of Malta
DMD	Debt Management Directorate
ECB	European Central Bank
FRN	Floating Rate Note
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
ISP	Investment Service Provider
MGS	Malta Government Stock
MGRSB	Malta Government Retail Savings Bond
MSE	Malta Stock Exchange
PDMAC	Public Debt Management Advisory Committee
QE	Quantitative Easing
T-Bill	Treasury Bill
WAM	Weighted Average Maturity
WAR	Weighted Average Rate

DEBT MANAGEMENT DIRECTORATE

The Debt Management Directorate (DMD) was established within the Treasury Department in December 2006 with responsibilities for the management of central government debt and for providing specified funding requirements as authorised by Parliament. 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 DMD is 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 area of debt management.

The **Front Office** co-ordinates and manages the activities of the directorate related to the issuance of Government securities; the **Middle Office** undertakes market research and risk analysis activities; whilst the **Back Office** is responsible for the servicing, settlements and accounting of central government's debt and cash management transactions.

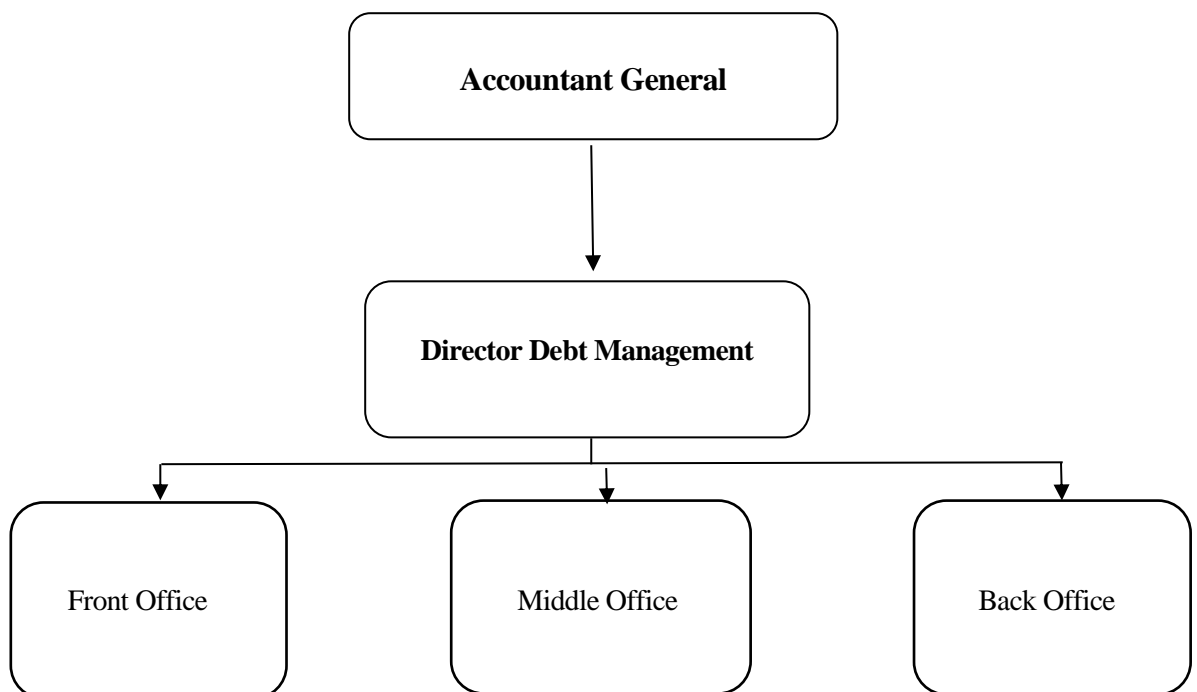


Chart 1: Debt Management Directorate Organigram

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, issuing securities or creating any other debt instruments, either in local and any foreign currency.

The principal policy objective of the directorate in its debt management and cash management mandate 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.”

In addition, other objectives include:

- ensuring that the financing needs of the Government including its debt service payment obligations are met in a timely manner such that funds are always available to meet any net daily central government cash shortfall; and
- support for the development and functioning of the domestic financial market.

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 Measure 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 (2018) Act, Cap. 577 of the Laws of Malta, during the year 2018 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

Developments in the MGS Primary Market

The year 2018 marked another reduction in the overall issuance of Malta Government Stocks in the primary market partly reflecting a much less need for government to borrow due to the improvement in its public finances. The year opened on the backdrop of a relatively calm and stable quarter ending on 31st December 2017. Yields climbed slowly higher during the first nine months of the year but declined again in the last quarter of 2018 settling close to the levels which they opened in 2018. During the last quarter of 2018 there was a significant flight to safety across the international financial markets which caused a significant decline in yields especially that of the German Bund.

In the first part of 2018 there was some uncertainty in the EU sovereign bond market which upset the financial markets. This mainly stemmed from a series of geopolitical risks mainly caused by (i) the populist challenge to the established parties notably in Italy, (ii) difficult coalition negotiation in Germany to form a new government as well as (iii) details on the ongoing Brexit negotiations regarding the future trading relationship between the UK and the EU. These uncertainties somewhat contributed to keep yields under pressure even in the domestic market given the sensitivity of the local market to such developments particularly in the Eurozone and beyond.

During 2018 the Treasury held only one auction which was conducted in the beginning of December, offering two new stocks in the short- and medium-term maturity: the 1.4% MGS which matures in 2024, and the 1.85% MGS which matures in 2029. The Treasury allotted €134,000,000 in the five-year stock at a weighted average yield of 0.6268% and a further €16,000,000 in the ten-year stock at a weighted average yield of 1.2372%, bringing the total amount of stocks allotted to €150,000,000. This issue was mainly intended for wholesale investors. More details about the outcome of this auction can be found on pages 9 and 10.

Chart 2 overleaf, illustrates the primary market yields in respect of each Fixed Rate MGS launched in the last three (3) years. Among other things this chart highlights the persisting low interest rate environment as well as declining issuance volumes of Malta Government Stock intended both for retail and wholesale investors. There has been also a decline in the frequency of MGS issuances with just one issuance in 2018 (December). This was held after an interval of more than one year from the previous stock issuance which was held in August 2017 through the auction system. In 2018 there were no MGS issuances targeted for retail investors; the last one was launched in February 2017.

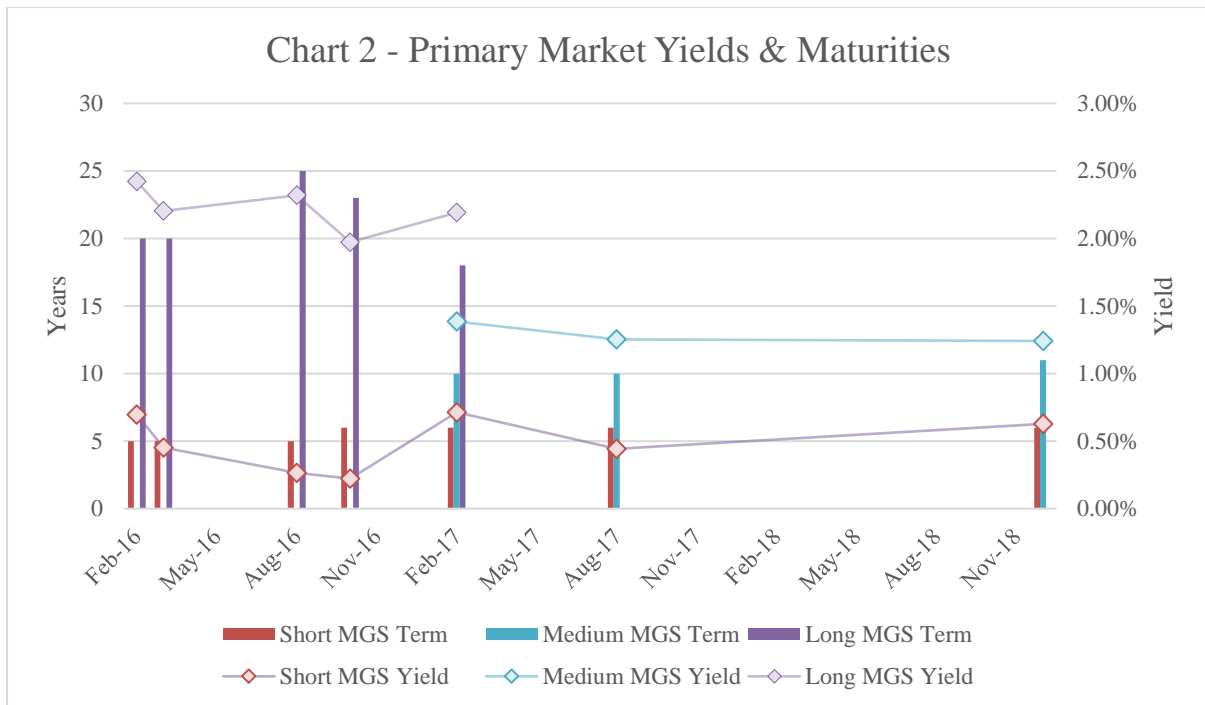


Table 1 overleaf shows the yield spreads for both retail & wholesale, against interpolated German bunds of identical maturity in primary issues of MGSs on the domestic market over the past three years between 2016 & 2018. An analysis of the short-term spreads (first), that is, the difference between domestic and the benchmark yield widened by 32bps from August 2017 to December 2018 (from 52bps to 85bps at the auction) reaching levels seen in February 2017. This increase was due to both a slight decrease in five-year Bund yield as well as a slight increase in MGS yield. The increase in spread was mainly due to a remarkable flight to safety towards the German Bund which lowered the yield of the bund amidst more cautious tones by the US Federal Reserve and the ECB towards monetary normalisation in the face of more uncertain outlook.

The movement in medium-term spreads was less pronounced when compared to the short-term stock, increasing by just 12bps from August 2017 to December 2018 (from 86bps to 98bps) but still at lower levels when compared to the spread of 103bps which emerged from the auction in February 2017.

Table 1 – Spread Over Bund in Primary Market (Fixed Coupon MGS)

Year	Issuance	Short		Medium		Long	
		Retail	Auction	Retail	Auction	Retail	Auction
2016	Feb	+91bps	-	-	-	+166bps	-
	Mar	-	+73bps	-	-	-	+156bps
	Aug	+78bps	-	-	-	+204bps	-
	Oct	+67bps	-	-	-	+147bps	-
2017	Feb	+97bps	+85bps	+124bps	+103bps	+142bps	+132bps
	Aug	-	+52bps	-	+86bps	-	-
2018	Dec	-	+85bps	-	+98bps	-	-

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

Developments in the Euro Area

The Euro area financial market environment proved to be resilient to a couple of geopolitical risks (mentioned on page 3) which mainly occurred in the first part of the year. The episode that mostly contributed to market volatility had only a limited spill over effect in just a couple of euro area member states markets. Moreover, the event was relatively short lived and there were no remarkable signs of contagion so much that volatility dropped back.

Another important theme in the European bond market during the year 2018 has been the possible impact of the ECB ending its QE bond purchases in December 2018. In June 2018, the ECB announced that it was going to halve its monthly purchases to €15bn between September and December, and at the same time signalled that it would cease buying them altogether by end of the year. On top of that interest rates were going to be left unchanged for at least through the summer of 2019, if not later the whole 2019.

After the summer break, following its September meeting, the ECB left its conventional and unconventional monetary policies untouched. Moreover, it revised down its inflation forecasts due to euro strength making the achievement of the inflation target more difficult. In a more dovish set of minutes, the ECB council expressed its preference for a gradual tapering of QE. This led Eurozone yields to fall further, with the 10-year Bund yield losing 6 basis points to 0.32%.

In December the ECB confirmed that it would halt quantitative easing (QE) at the end of the month whilst elaborated on its plans to maintain its stock of holdings. To this effect the ECB would continue to reinvest the proceeds from maturing securities for an extended period of time past the date of initial interest-rate rises.

Looking at other periphery countries, 2018 was a positive year for Portugal, as it auctioned 10-year debt at a record low of 1.94% in November, clearly reflecting upgrades to their credit rating. Spain on the other hand, had a tougher year, as a nervous market and fears of an early election reversed downward movements in yield during May/June, and matters worsened in October when the contagion of the Italy-Brussels clash spread to Spain with yields reaching 1.5%. However as was in Italy's case the yield fell slowly towards the

end of the year, to around 1.3%. At the end of the year, the 10-Year German Bund yield was at similar levels to what it was at the beginning of the year, falling once again to levels of around 0.25%.

Malta Government Stocks and Debt Instruments Financing Remit in 2018

In terms of *The Budget Measures Implementation (2018) Act, Cap. 577 of the Laws of Malta*, the total amount of Malta Government Stocks and debt instruments issuances for 2018 was set not to exceed €350 million mainly to finance:

- the redemption of seven (7) MGSs amounting to €391 million; and
- affect changes in Central Government's debt portfolio, in line with Government's debt management policies.

As highlighted in the Financial Estimates for 2019 published on 22nd October 2018, the funding programme was subsequently curtailed to €300 million. The long-term debt programme composed of Malta Government Stocks and Malta Government Retail Savings Bond was further reduced to €243.5 million mainly due to adequate cash positions prevailing for most part of the year.

Other operations

There were no plans to launch any bond switch operations in 2018 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 to strike a balance among a number of competing factors, in particular (i) offering MGSs where there is demand for them, (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 to the development of the domestic financial markets. Although the Treasury may change its funding strategy if the funding environment changes significantly, it will not change the core principles of transparency, predictability, consistency and even-handedness.

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.

As announced in the Indicative Issuance Calendar published on 30th January 2018, 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-negotiable 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 Treasury continued with its ongoing dialogue with the different financial market players and key stakeholders to understand better their investment needs and preserve transparency of its activities. The core principles of transparency, predictability, consistency and even-handedness continued to be viewed as the pillars of healthy and efficient public debt management and drivers for achieving desired results.

The Treasury issued two new fixed rate stocks under the updated and revamped set of regulations and prospectuses for Malta Government Stocks: (a) one new 6-year short term MGS and (b) one new 10-year long MGS. A part of the funding programme was covered by the issuance of the 62+ Malta Government Savings Bond. The 62+ Malta Government Savings Bond is a retail debt instrument which is non-negotiable and matures within 5 years. Pending the finalisation of the Euribor reform, during the year under review the Treasury did not issue Floating Rate Notes. Given that the issuance programme was the smallest from the year 2006, the medium to long term programme was covered over two issuances, one (1) Malta Government Stock issuances and one (1) Malta Government Retail Savings Bonds issuance.

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 the issuance of Treasury bills in different tenors by auction regularly on a weekly basis with a focus on the benchmarked 91-day Treasury bill.

Implementation of the long-term debt programme

In line with the announced issuance strategy, almost two thirds (61.6%) of the medium to long-term borrowing programme for 2018 was financed through the conventional fixed-rate MGS. The fixed-rate stocks were in the six (6) and ten (10) years maturity area. All MGSs are listed and traded on the Malta Stock Exchange. In 2018, the MGS issuance was offered via auction targeting banks, life insurances, investment funds and other financial institutions. The Malta Government Stocks issued in December 2018 were the first stocks to be issued under (i) the GBMPDA and under a (ii) revamped set of Malta Government Stocks Regulations and (iii) the new General Prospectus.

The remaining 38.4% of the borrowing programme was financed by a non-marketable debt instrument, the 62+ Malta Government Retail Savings Bond issued under the same Act, i.e. GBMPDA and the Malta Government Retail Savings Bonds regulations. The announcement of the launch of Malta Government Savings Bond targeting individuals born in 1956 or before was made by the Minister for Finance in the Budget Speech of October 2017.

Long-Term debt issuances out-turn for 2018

Malta Government Stocks

During 2018, the Treasury issued two new fixed rate stocks euro-denominated stocks of short to medium term maturities.

The new fixed rate MGSs issued during 2018 were:

- 1.4% MGS 2024 (III); and
- 1.85% MGS 2029 (III).

Table 2 – Malta Government Stocks allocated during the year 2018

Issuance month	Fixed Rate Stocks (€ million)		Total
	Short	Medium	
December*	134	16	150

* Issuance via an Auction only

In addition to the above, an MGS amounting to €260,500 was issued in partial settlement of transfer of ex-Church property to the government in terms of the Holy See and Malta Government Agreement of 1991.

The volume of MGS issuance during the year 2018 was the lowest in the past twelve years, mainly due to (1) lower funding requirements, (2) part of the funding requirements was raised via the 62 + Malta Government Savings Bond, the non-negotiable financial product targeting a segment of retail investors and (3) a strong cash position.

The MGS issuance was held in the first week of December via an auction mainly targeting institutional investors. In this issuance, the Treasury offered a new 6-year MGS with a coupon rate of 1.40% and a new MGS maturing in 2029 with a coupon of 1.85%.

The amount on issue was €100 million, with an over-allotment option of a further €50 million. In this issuance, the Treasury issued €150 million of which €134 million were allotted in the 1.4% MGS 2024 (III) and €16 million in the 1.85% MGS 2029 (III). The total participation in the December MGS issuance amounted to €236.6 million (€212.6 million in the 1.4% MGS 2024 (III) and €24 million in the 1.85% MGS

2029 (III)), translating into a bid-to-cover of 2.37x. More details on institutional investor activity is shown in Table 3.

Issuance	Security Issued	Total Amount of Bids Received € millions	Total Allotment € millions	% of bids accepted/all bids received
	1.4% MGS 2024	212.6	134.0	63%
Aug	1.85% MGS 2029	24	16.0	67%
	Total	236.6	150.0	

The published price guidance in the case of the 1.4% MGS 2024 (III) was around 37 bps over the euro mid-swap rate whilst that of the 1.85% MGS 2029 (III) was 60 bps over the euro mid-swap. The 1.4% MGS 2024 (III) was allotted at weighted-average ISMA yield of 0.628% resulting in a spread of 28 bps over the mid-swap whilst the 1.85% MGS 2029 was allotted at a weighted average ISMA yield of 1.241% resulting in a spread of 34 bps over the mid-swap. **Table 4** illustrates the amount offered, participation and bid-to-cover in the MGS issuance held in the year 2018.

Issuance month	(€ million)		
	Amount on offer	Participation	Bid-to-Cover
December	100+50	236.6	2.37x

62+ Malta Government Savings Bond

As announced in Budget Speech in October 2017, as part of its implementation of the long-term borrowing programme, the Treasury issued a non-marketable financial product similar to the one issued in 2017 specifically targeting a segment of retail investors. The bond was offered for individuals born in 1956 or before.

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. Most of the individuals in this segment rely on the interest receivable from their savings to supplement their income from pension. This bond, a non-negotiable and non-transferable debt instrument pays 3% interest over five years and the amount that can be invested was capped up to a maximum of €8,000 per eligible applicant and subject to a maximum outstanding amount of the bond of €100 million. The bond can be encashed by the investors before its maturity date subject to a penalty of 0.75% (three months interest) on the capital invested. Similar to the savings bond offered in 2017, this initiative was again favourably received by the public. The 62+ Malta Government Savings Bond – Issue 2018 was launched in June 2018 and the Treasury raised €93.5 million.

Table 5 overleaf illustrates the amount offered, participation and bid-to-cover in the 62+ Malta Government Savings Bond – Issue 2018.

Table 5 – Participation and allotment in the 62+ Malta Government Savings Bond – Issue 2018

<i>(€ million)</i>				
Issuance month	Amount on offer	Participation	Allotment	Bid-to-Cover
June	65+35	93.5.	93.5	1.44x

During the year 2018 there were €568,000 worth of bonds repaid and subsequently cancelled from the registers. These were in respect of bonds issued in 2017 and 2018. 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.

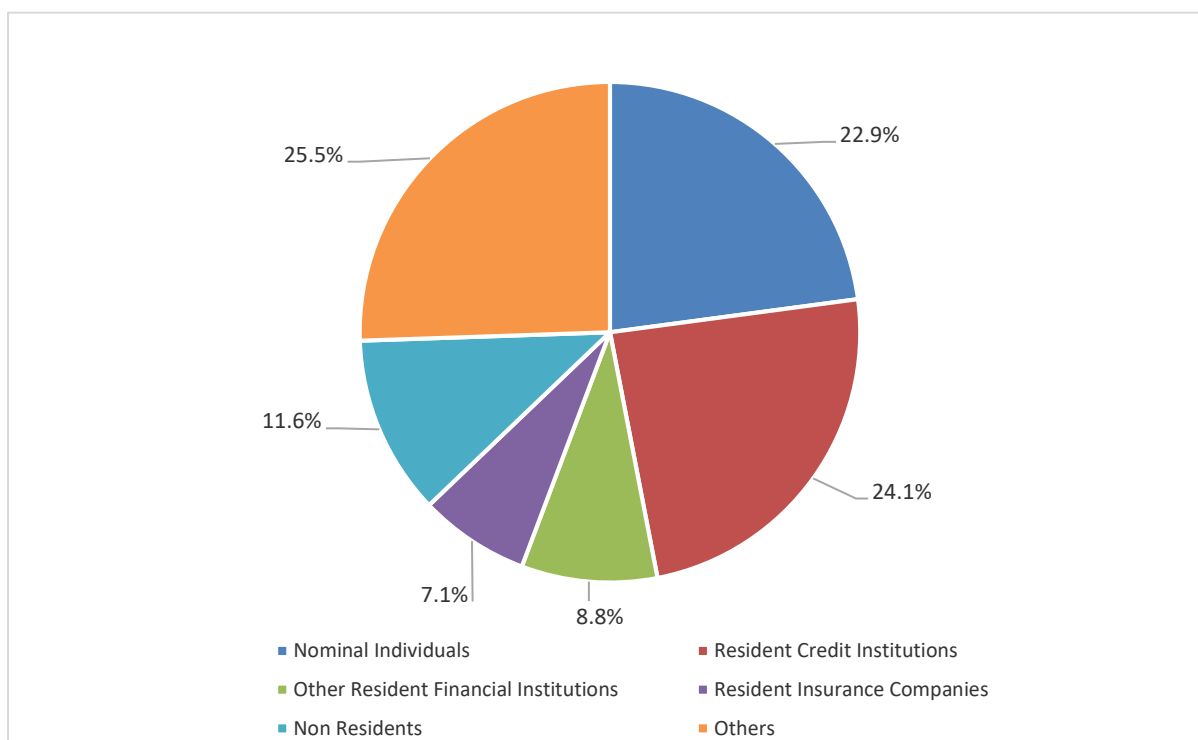
Table 6 - Early Redemptions of the 62+ Malta Government Savings Bonds in 2018

Early Redemptions	Causa Mortis	Total
€	€	€
114,600	453,400	568,000

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 91% of central government debt held in this category. The outstanding amount of MGS at the end of 2018 was lower than that at the end of 2017. The changes in the holdings of stocks at the end of the years 2017 and 2018 were relatively marginal across all the different classes of investors. The most significant change occurred in the holdings by *resident credit institutions* which at the end of 2018 decreased their share of MGS holdings by 2.2% when compared to the previous year (end 2017). The share held by *resident nominal individuals* decreased marginally by 0.9% and as at the end of 2018 stood at 22.9%. Between them resident credit institutions and resident nominal individuals held 47 % of the total outstanding MGS as at end 2018. Both *other resident financial institutions and resident insurance companies* registered a marginal decline in their share of holdings of the total MGS portfolio of 0.2% and 0.4% respectively. On the other hand, the share of holdings held by *non-residents* increased by 1.6% reaching 11.6% at the end of 2018. 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. also increased their ownership share in 2018 from 23.5% to 25.5%.

Chart 3 – MGS Holder Distribution by Investor Type as at 31st December 2018

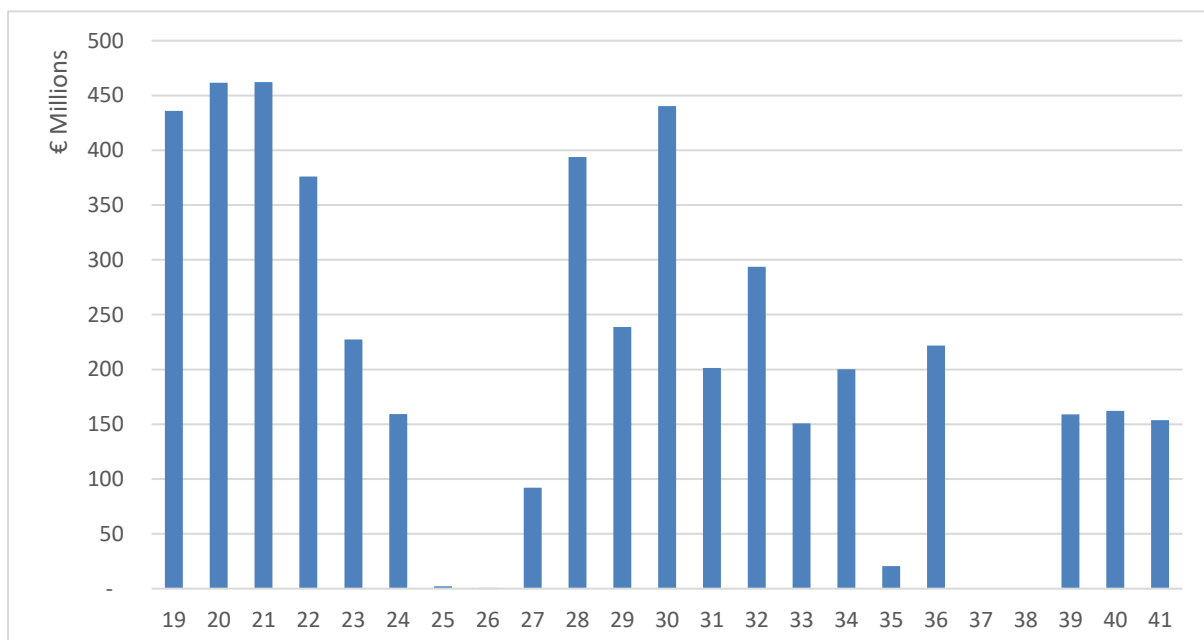


Maturity Profile

The gross outstanding nominal value of MGS as at 31st December 2018 stood at €4,852.7 million, a decrease of 4.7% over the outstanding balance of the previous year. It is worth noting that for the second consecutive year, there has been a decrease in the outstanding amount of Malta Government Stocks. **Chart 4** illustrates the distribution of outstanding MGSs by year of maturity.

At the beginning of the year the weighted average maturity of the MGS portfolio stood comfortably at 9.5 years. With most of the demand for MGS during 2018 coming from institutional investors, the DMD tapped the shorter-to-medium term of the yield curve with most of the amount allotted in the 6- year maturity bucket given that Institutional investors tend to prefer short dated maturities. This resulted in a marginal decrease in the weighted average maturity from 9.5 years to 9.1 years (8.9 years if the MGRSB is included). Skewness has increased slightly, from 34% to 36% of the MGS portfolio maturing within the next four years.

Chart 4 - Outstanding MGS Profile as at 31 December 2018

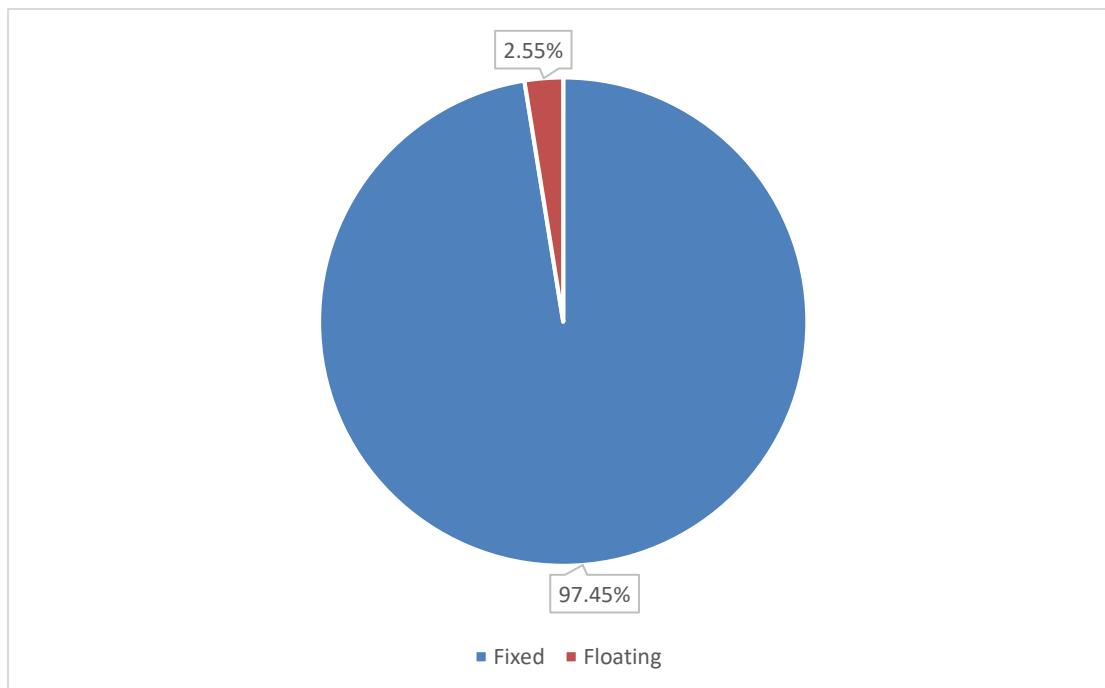


The weighted-average coupon of all new MGS (excluding the MGRSB) issued during 2018 was 1.46% on the back of a weighted-average maturity of 6.1 years. The entire portfolio's weighted average coupon stands at 3.9%, compared to 4.1% 12 months earlier.

Malta Government Stocks Portfolio Composition

Chart 5 below illustrates the composition of the Malta Government Stock Portfolio as at 31st December 2018. The main composition of the MGS portfolio was made up of fixed rate stocks (97.45%) MGS with the remaining 2.55% made up of Floating Rate Note MGS linked to the six-month Euribor plus a fixed spread. Malta Government Stocks make up 90.9% 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 2018



Cash Management

Treasury Bills

In a nutshell 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 into 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 7** below summarizes the aggregate issuances and redemptions per tenor for the year. On average Treasury issued €23.3 million per week and redeemed on average €21.1 million per week.

The implementation of the cash management plan mirrored last year's Treasury bills issuance strategy following a similar path. The issuance of Treasury bills was concentrated in the 91-day benchmark, with 71% of total issuance taken up in this tenor, a share more or less similar to that of last year (66% in 2017). Circa twelve percent (12%) of total issuance was in the form of 182-day bills (18% in 2017). The 28-day T-bill increased from 12% to 14% of total issued and the remaining 3% was shared between the 273- and 364-day bill.

As a result of higher amount of issuance in the 28-day tenor and in the 91-day tenor, the weighted-average maturity (WAM) on T-bills issued decreased by 10 days from 108 days in 2017 to 98 days in 2018. The bid-to-cover for the year (total participation vs total allotment) stood at 2.77x (2017: 5.2x) reflecting a higher take-up of T-bills during 2018.

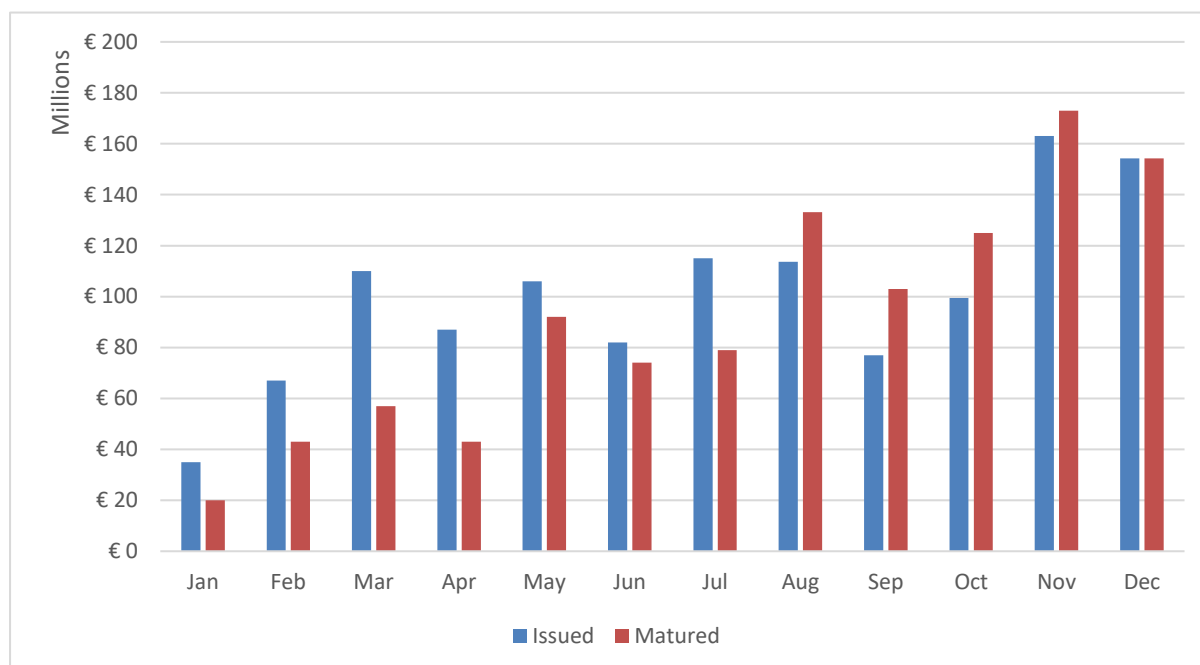
Table 7 - T-bills issued by tenor in 2018

Tenor	Issued (€ million)	% of Total	Redeemed (€ million)	% of Total
28	169.9	14.0	169.9	15.5
91	862.8	71.3	779.5	71.1
182	140.7	11.6	122.0	11.1
273	33.0	2.7	21.0	1.9
364	3.0	0.2	4.0	0.4
Total Issuance	1,209.4		1,096.4	

% total does not add up due to rounding.

Chart 6 below shows gross issuance and redemption on a monthly basis. Net issuance was negative in the last five months of the year. On a quarterly basis the net issuance pattern reveals that net issuance was negative in Q3 and Q4. Overall, on a yearly basis the outstanding amount of T-Bills increased by €113 million. Gross issuance of Treasury bills was almost 105.5% higher than in 2017 (€1,209.4 million vs €588.6 million).

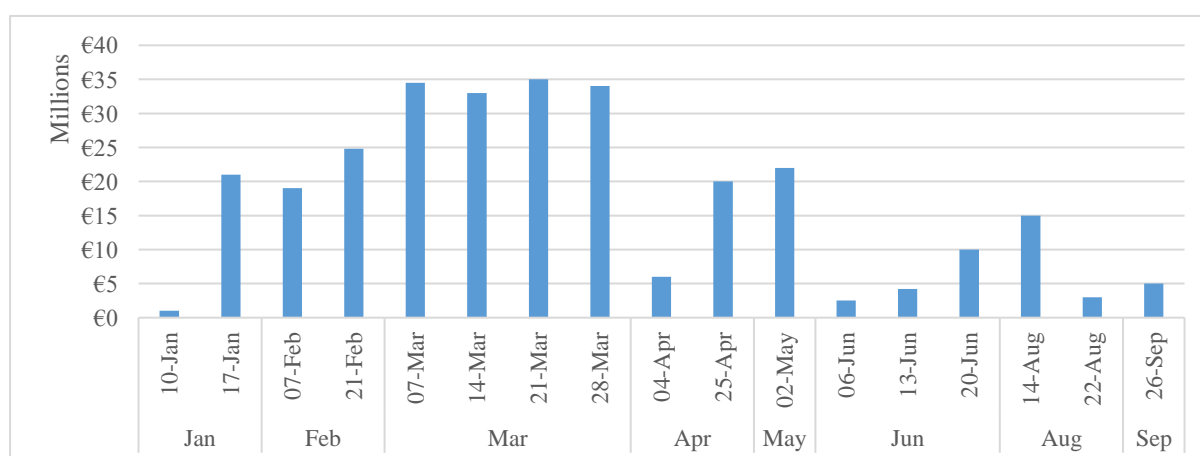
Chart 6 - T-bills issued and redeemed per month in 2018



II. Redemption Profile

The nominal outstanding balance of Treasury bills at the end of the year stood at €290.0 million. These instruments were entirely held by resident credit institutions. **Chart 7** shows how this balance will be redeemed throughout 2018.

Chart 7 - Outstanding Treasury Bills as at end 2018

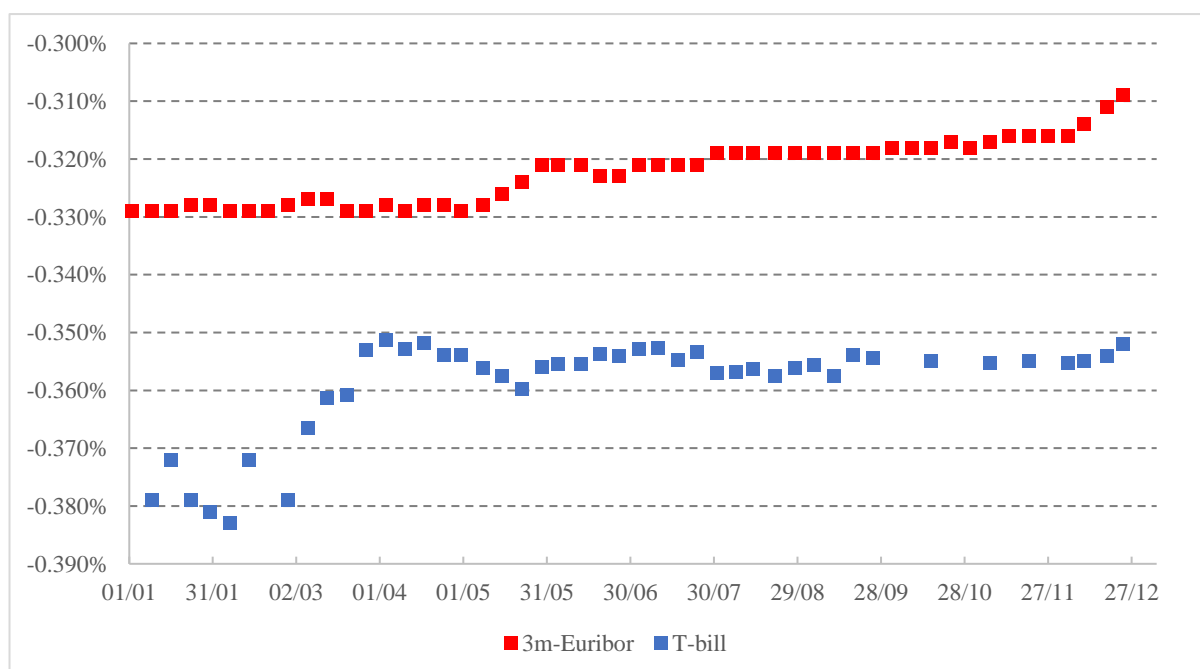


III. Yields & cost of borrowing

Similar to the past two years, all the Treasury bills issued throughout the year 2018 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 four months of the year hovering around -0.33%. As from the month of May, the Euribor rate increased by 1 bps and moved from minus 0.33% to minus 0.32%. Between June and November, the Euribor rate hovered around -0.32%. In December, the Euribor rate increased by 1bps and closed the year at 0.309%. Apart from the first two months of the year, the Treasury bill weighted average rate was steady hovering between -0.36% and -0.35% with all T-Bills allotted well below the 3-month Euribor rate. From peak to trough, the 3-month T-bill yield moved within a bracket of 3.2bps (-0.383% to -0.351%).

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 2018, the DMD received interest amounting to just above €1.176 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 0.357% (2017: minus 0.345%).

Table 8 below shows the maximum and minimum accepted rates together with the weighted-average rate for the most frequently issued tenors.

Tenor	Max	Date	Min	Date	WAY
1m	-0.353%	4-Oct-2018	-0.375%	28-Feb-2018	-0.355%
3m	-0.351%	3-Apr-2018	-0.383%	6-Feb-2018	-0.356%
6m	-0.285%	10-Jul-2018	-0.363%	20-Feb-2018	-0.356%

Foreign Loans

Bilateral loans with foreign official creditors were specifically undertaken by Government to finance large capital projects. In 2018, €7.86 million were repaid in accordance with the pre-established repayment schedules, resulting in an end-of year outstanding balance of €1.08million. No new borrowing from outside Malta through foreign bilateral loans was undertaken.

Total interest costs incurred during the year to service these loans amounted to €0.4 million. As shown in **Table 9** below, 92.6% of the outstanding amount out of foreign loans is held in Euro hence making any exchange rate risk insignificant. **Table 10** below provides a detailed analysis of the existing foreign loans due as at the end of 2018.

Table 9 - Foreign loans o/s by currency as at 31/12/2018 (€ Mn)

	Euro	CAD	Total
Amount (€ Millions)	1.0	0.08	1.08
%	92.6%	7.4%	100.0%

Exchange rate as at 31/12/2018

Table 10 - Foreign Loans outstanding as at 31st December 2018

Foreign Loan	Financing Purpose	Year of Issue	Amount Disbursed	Interest Rate	Date of Maturity	Balance due as at 31st December 2018
				%		€'000's
European Union Loan C	Solid Waste Composting Project	1987	€3 million	1.00	15/9/2027	996.3
Government of Canada	Telephone cables and equipment	1974	CAD 1 million	-	31/3/2024	88.1

Cost of Borrowing

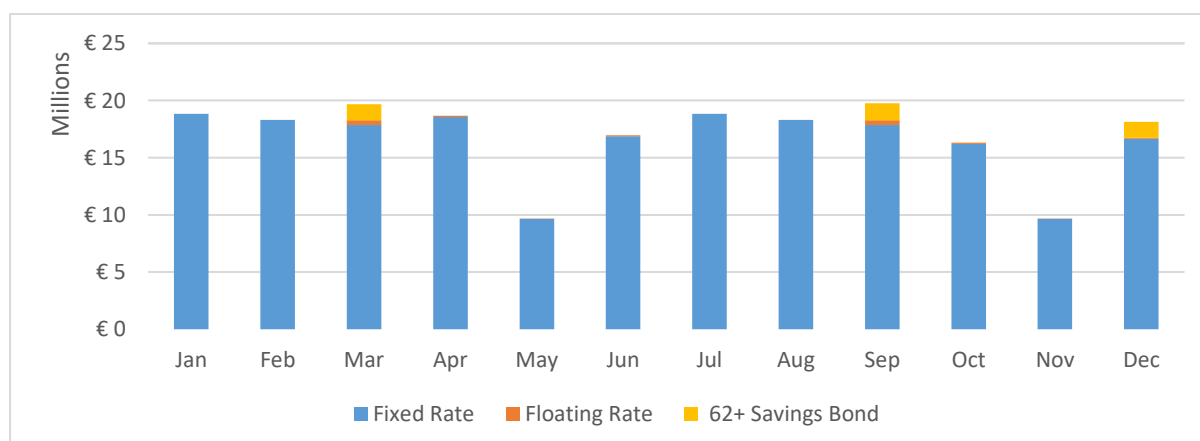
As displayed in **Table 11** below, the interest paid on MGS during the year amounted to €203.2 million, a decrease of 5.1% or €11.8 million less than the interest payments paid last year. In 2018, all Treasury bills were allotted at negative interest rates during which Treasury earned € 1,176,428 in 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. Lower issuance volumes of long-term debt during 2018 was also a contributing factor for lower interest expenditure. During 2018 the Treasury redeemed circa €147.5 million more than the amount of MGSs and MGRSB issued during that same year.

	€' million	€' million	€' million
	2016	2017	2018
Local Loans			
Treasury Bills	0.0*	0.0**	0.0***
Malta Government Stocks	221.0	214.2	198.9
Malta Government Retail Savings Bond	0.0	0.0	4.3
Ex-MDD/MSCL Loan °	1.1	0.0	0.0
Sub-total (Local)	222.1	214.2	203.2
Foreign Loans	1.3	0.8	0.4
Total (Local + Foreign)	223.4	215.0	203.6

* During 2016 total interest received on T-Bills issued at negative rates maturing in 2016 and 2017 amounted to €779,047.
 ** During 2017 total interest received on T-Bills issued at negative rates maturing in 2017 and 2018 amounted to €609,716.
 *** During 2018 total interest received on T-Bills issued at negative rates maturing in 2018 and 2019 amounted to €1,176,428.
 ° The Ex-MDD/MSCL Loan was repaid in full in 2016.

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

Chart 9 - Distribution of Monthly MGS & 62+ MGSB Interest Payments – 2018



Central Government Outstanding Debt ¹

Table 12 – Central Government Outstanding Debt as at 31st December 2017 and 2018		
	2017	2018
	€'000s	€'000s
Local Loans	Actual	Actual
Malta Government Stocks *	5,007,980	4,750,887
Malta Government Retail Savings Bonds	99,624	192,582
Treasury Bills	177,000	290,000
Sub-Total: Domestic	5,284,604	5,233,469
Foreign Loans	8,952	1,084
EFSF Debt Re-Routing	171,189	171,189
Total Debt	5,464,745	5,405,742
*Consolidated		

For the second consecutive year, the absolute amount of Central Government Debt decreased over the previous year. In the year 2018, the Central Government outstanding debt declined by €59 million (or (1.08%) when compared to the outstanding amount reported in the previous year (2017). The decrease in Central Government Debt was manifested in a lower outstanding level of MGSs and foreign loans. The decrease in the outstanding levels of these two components outpaced the increases registered in the outstanding balance of T-Bills and Malta Government Retail Savings Bonds.

¹ Excluding Extra Budgetary Units & Euro Coins issued in the name of the Treasury but including EFSF Debt (Re-routing).

Risk Management

Risk management is a strategic tool used by Debt Management Officers in their day-to-day management activities to achieve strategic debt targets. To the extent possible, the Treasury Department takes all steps possible to mitigate and limit the risks that arise in the course of its funding operations. The risks linked to debt management are the following: (1) Market Risk, (2) Interest rate risk, (3) Exchange rate risk, (4) Refinancing risk, (5) Credit Risk, (6) Settlement Risk, (7) Operational Risk, (8) Liquidity Risk and (9) Fraud Risk.

Considering the structure of the Malta's debt portfolio, special focus is made on the following risk - (1) Market Risk, (2) Interest rate risk, (3) Refinancing risk, (4) Settlement Risk, (5) Operational Risk. (6) Liquidity Risk and (7) Fraud Risk.

Market risk is defined as the risk of increase in cost of debt arising from changes in market variables, such as interest rates and exchange rates. The DMD's market risk mainly lies in that all MGS and T-Bills are being issued on the local market and therefore any change in the domestic market conditions can affect the demand for government paper. DMD's exposure is mainly related to the interest rate risk given that all marketable securities are issued in the domestic currency.

The interest rate exposure is managed in two main areas covering the issuance of MGS and T-Bills. The DMD monitors the interest rate exposure arising from (i) weekly cash management operations which are based on a cash flow profile covering a number of months in advance and (ii) on a daily basis monitors also the yields in the MGS secondary market.

Moreover, when possible the DMD avoids issuances of medium to long term debt during times of market stress or volatility. 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.

With regards to exchange rates, the DMD's exposure for exchange rates is limited to a small amount of foreign loan with the Government of Canada (Table 10 refers) and therefore such risk is insignificant.

Interest Rate (Refixing) Risk can be defined as the risk that the cost of debt arises following changes in interest rates. The re-fixing risk of Central Government Debt portfolio as at the end of the year 2018 for debt maturing/re-fixing (in respect of FRNs) within 1 year and 2 years respectively stood far below the Euro Area average. The re-fixing risk metrics calculate the amount of debt as a proportion of the total debt portfolio that will be exposed to the interest rate.

The outstanding level of Treasury Bills in the central government's debt portfolio is a major determinant of the re-fixing risk. However, the relevance of the re-fixing risk has to be viewed in the context of current domestic money market environment which during 2018 all T-Bills were allotted at negative interest rates and below the average corresponding EURIBOR rate and at a bid-to-cover 2.77x.

The DMD bases the coupon of its short, medium to long term securities to be issued in the primary market on the yields prevailing in the secondary market. The final decision on the coupon is taken by the PDMAC (for the Minister's approval) during meetings specifically conveyed to discuss new issues of MGSs. Moreover, 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 10%. As at 31st December 2018 such ratio stood at 2.55% (December 2017: 4.4%).

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. 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.

Exchange rate risk is the risk that the cost of debt will increase due to changes in exchange rates. At the end of 2018, all central government debt was denominated in domestic currency except for a small outstanding loan of €88,113 (C\$137,500) due to the Government of Canada.

Refinancing (Rollover) Risk is the risk associated with the roll-over of maturing debt or how much debt has to be re-financed. As at the end of 2018, the proportion of the total government debt portfolio maturing in five years' time is not only below the Euro Area average but even lower than countries which enjoy better credit rating than that of Malta.

The structure of the redemption profile of central government debt is not particularly challenging when it comes to refinancing given the comfortable WAM combined with a relatively smooth redemption profile (no redemption cliffs). The DMD monitors and reviews the MGS portfolio on a regular basis especially when planning for a new MGS issuance in order not exceed certain limits.

Roll-over risk is traditionally and conceptually assessed by the debt metric known as weighted average maturity, Over the past years the DMD has pursued a strategy of lengthening the average maturity of its debt portfolio as this implies the reduction of roll over risk. The WAM of Malta Government Stocks (the major debt component of the Central Government with just below 91% of total outstanding debt made up of MGS, T-Bills, MGRSB and Bi-lateral foreign loans) has risen in small steps but steadily from 6.6 years at the end of 2010 to 9.1 years at the end of the year 2018. 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 premium.

The weighted average maturity of central government portfolio as at 31st December 2018 compared very well with other Euro-area Member States.

Liquidity Risk is the risk of not being able to meet expected and unexpected cash flow needs. Every week the T-Bills take-up projections report is compiled to take into account (a) expected receipts from main revenue generation departments, (b) projected expenditure and (c) financing inflows and outflows for the week ahead. However, the DMD's assessment of liquidity needs is not limited to an intra week liquidity requirements but takes a broader time horizon of the cash flow projections based on information made available to and researched by the Directorate. These projections are analysed and fine-tuned every Tuesday before the Treasury bill take-up. This exercise also serves to smooth the take-up of T-bills over a longer period of time. At the same time, it would allow Treasury to manage better the re-fixing and re-financing risks of T-bills.

In the same vein the medium-term liquidity projections compiled by the DMD are used for the planning of the monthly T-Bills auction calendar. These projections are intended to highlight the liquidity needs for the proximate month ahead and are used in combination with other market information to determine the maturity tenors of T-Bills to be offered in the money market for the month ahead.

The approach adopted to determine the liquidity needs was critical to enable the DMD to perform strongly in carrying out its cash management function with all related objectives achieved despite the challenges posed by a small domestic money market like ours. This system helped the DMD to provide all funding needs week in week out covering all the expenditure whether expected or unexpected. The Treasury Department is committed continue to operate this system and upgrade it if necessary. In collaboration with the Cash and Banking Unit of the Treasury it shall strive to track other sources of revenue and expenditure with an acceptable degree of accuracy to obtain a better picture of the funding needs and try to anticipate any unexpected expenditure of a certain amounts.

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. The risk management associated with investments held by government does not fall within the remit of the Debt Management Directorate.

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.

Operational Risk is defined as the risk of loss (financial or non-financial) resulting from inadequate or failed internal processes, people and systems, or from external events that impact a company's ability to operate its on-going business processes. ²

In order to avoid any operational risks, the Debt Management Directorate keeps an 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 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 other (6) notices that needs to be sent to the Malta Stock Exchange.

Fraud Risk can be defined as “any behaviour by which one person intends to gain a dishonest advantage over another”. In other words, fraud is an act or omission which is intended to cause wrongful gain to one person and wrongful loss to the other, either by way of concealment of fact or otherwise³. The DMD systems and procedures include a number of functions inbound in all processes as a means of control such as approvals/authorisations from senior staff prior proceeding with a particular process. Moreover, a number of random checks are performed throughout all processes in order to avoid as much as possible errors and other risks. One has to point out also that the outcome of DMD's debt issuance processes are immediately published on the Treasury's website, thus are subject to scrutiny by external users.

When it comes to the external users, the DMD performs a number of checks on the data received from third parties such information received as from ISPs. Any discrepancies are highlighted and corrected.

² Basel II “International Convergence of Capital Measurement and Capital Standards: A Revised Framework”, published by the Bank for International Settlements in June 2004.

³ Dr K G Chakrabarty: Fraud in the banking sector – causes, concerns and cures – National Conference on Financial Fraud organized by ASSOCHAM, New Delhi, 26/7/13 - <http://www.bis.org/review/r130730a.pdf>

The EU Emissions Trading System (EU ETS)

During 2018 the Treasury continued to fulfil its role as auctioneer for Malta-based stationery installations' emission allowances (EUAs) and aviation emission allowances (EUAAAs) 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 2018 was 1,016,000, of which 988,500 allowances were in respect of EUAs (stationery installations) and 27,500 in respect of EUAAAs (aviation).

In 2018, 139 auctions in respect of EUA were held regularly on Monday, Tuesday and Thursday of every week, whilst another four EUAA auctions were held on Wednesdays. Malta's 2018 share of revenue generated from these auctions amounted to €15.7 million, €9.7 million more than the previous year. Most of the proceeds, that is €15.2 million, were generated from EUA auctions whilst the remaining €0.5 million were received from EUAA auctions.

Sinking Funds

In 2018, the Treasury transferred the budgeted contributions in the sinking funds for the year i.e. € 50 million in the Special Sinking Fund, €1.631 million in the Sinking Fund (local) and €56,000 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 2018, the Treasury invested part of the contributions and interest earned in Malta Government Debt. **Table 13** below depicts the bank balances of the local and foreign sinking funds as well as the investment made by the sinking funds in Government Debt.

Table 13 -Sinking Funds – Bank Balances and Investments in Government Debt		
	2017	2018
	€	€
Bank Balances with CBM (Local Currency) - €	170,759,995.22	105,732,413.72
Bank Balance with CBM (Foreign Currency) – C\$	100,375 (C\$150,955)	81,349 (C\$ 127,085)
Sinking Fund investments in Govt. Debt.	85,516,299	101,862,299

The Sinking Fund (Local) which was linked to the 7.8% MGS 2018 was liquidated on the redemption of the 7.8% MGS 2018 on 15th July 2018. On liquidation, the sinking fund accumulated €91 million which funds were used to partly redeem the 7.8% MGS 2018.

Credit Rating of the Republic of Malta in 2018

During 2018 the main credit-rating agencies conducted their annual reviews of the Maltese economy which included the developments and trends in public debt management.

On 23rd February 2018, **Moody's** upgraded the outlook on Malta's rating from 'Stable' to 'Positive'. The rating was confirmed on 21st August 2018.

On 23rd February 2018, **DBRS** upgraded Malta's long-term local and foreign currency issuer rating from A positive to A (High) with a 'Stable' outlook. The rating was confirmed on 17th August 2018.

On 3rd August 2018, **Fitch** confirmed Malta's long-term local and foreign currency issuer rating at 'A+'. The outlook was kept at 'stable'.

On 21st September 2018, **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 14 depicts the movement in credit rating of the Republic of Malta between 2017 and 2018.

Table 14 – Credit Rating of the Republic of Malta as at 31/12/17 and 31/12/18		
Rating Agency	2017	2018
Moody's	A3/Stable	A3/Positive
S&P Global Ratings	A-/Positive	A-/Positive
Fitch	A+/Stable	A+/Stable
DBRS	A/Positive	A (High)/Stable

Highlights of Results for Fiscal Year - 2018

- Budgetary Central Government Debt at the level of €5.4 billion (MGS figure is consolidated)
- Year-on-year Budgetary Central Government Debt decreased by €59 million
- Gross Issue of Malta Government Stocks amounted to €150 million
- Gross Issue of Malta Government Retail Savings Bonds amounted to €93.5 million
- Gross Issuance of Malta Treasury Bills amounted to €1.21 billion
- Malta Government Stocks Redemptions amounted to €391.0 million
- Malta Treasury Bills Redemptions amounted to €1.1 billion
- Repayment of Foreign Loans amounted to €7.86 million
- Year-on-year decrease in cash interest expenditure on Budgetary Central Government Debt amounted to €11.4 (excluding the interest earned on T-Bills allotted at negative interest rate)
- Weighted Average Maturity of the Malta Government Stocks Portfolio – 9.1 years
- Weighted Average Maturity of the Budgetary Central Government Debt Portfolio – 8.44 years (excluding foreign loans)
- Weighted Average Coupon of the Malta Government Stocks Portfolio – 3.9%
- Weighted Average Yield conceded on newly Malta Government Stocks issued – 1.46%
- Weighted Average Maturity on new Malta Government Stocks issued – 6.1 years
- Weighted Average Yield on Allotted T-Bills – minus 0.357%

Annex

Budgetary Central Government Outstanding Debt Securities and Debt Instruments as at 31/12/2018

Budgetary Central Government Outstanding Debt Securities & Debt Instruments as at 31/12/18

Fixed Rate Malta Government Stocks		Redemption Date	Nominal Capital
ISIN Code	Debt Security		€
MT0000012246	3.2% MGS 2019 (V)	31/07/2019	121,450,700
MT0000010901	6.6% MGS 2019 (I)	01/09/2019	102,493,253
MT0000012105	3% MGS 2019 (III)	22/09/2019	122,495,900
MT0000011545	7% MGS 2019 (II) *	31/12/2019	13,670,000
MT0000011602	4.6% MGS 2020 (II)	25/04/2020	158,327,200
MT0000011370	5.2% MGS 2020 (I)	10/06/2020	52,407,462
MT0000012253	3.35% MGS 2020 (IV)	31/07/2020	64,040,000
MT0000012428	2% MGS 2020 (V)	26/09/2020	138,484,400
MT0000011669	7% MGS 2020 (III) *	31/12/2020	430,700
MT0000011164	5% MGS 2021 (I)	08/08/2021	458,844,653
MT0000011750	7% MGS 2021 (II) *	31/12/2021	466,000
MT0000011768	7% MGS 2021 (III) *	31/12/2021	2,858,800
MT0000011891	4.3% MGS 2022 (II)	15/05/2022	240,169,400
MT0000012618	1.5% MGS 2022 (IV)	11/07/2022	63,396,700
MT0000011172	5.1% MGS 2022 (I)	16/08/2022	71,047,725
MT0000011982	7% MGS 2022 (III) *	31/12/2022	1,318,800
MT0000011123	5.5% MGS 2023 (I)	06/07/2023	78,811,283
MT0000012808	1.4% MGS 2023 (III)	11/11/2023	146,276,500
MT0000012238	7% MGS 2023 (II) *	31/12/2023	2,404,400
MT0000012915	1.4% MGS 2024 (III)	29/07/2024	134,000,000
MT0000012303	3.3% MGS 2024 (I)	12/11/2024	24,051,100
MT0000012394	7% MGS 2024 (II) *	31/12/2024	1,135,000
MT0000012543	7% MGS 2025 (I) *	31/12/2025	2,007,900
MT0000012675	7% MGS 2026 (I) *	31/12/2026	734,400
MT0000012832	1.5% MGS 2027 (I)	15/06/2027	90,954,500
MT0000012873	7% MGS 2027 (II) *	31/12/2027	1,096,800
MT0000012055	4.8% MGS 2028 (I)	11/09/2028	107,029,500
MT0000012139	4.5% 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	16,000,000
MT0000012535	2.3% MGS 2029 (II)	24/07/2029	143,518,400
MT0000011958	5.1% MGS 2029 (I)	01/10/2029	79,144,900
MT0000011651	5.25% MGS 2030 (I)	23/06/2030	440,165,700
MT0000011883	5.2% 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	4.3% MGS 2033 (I)	01/08/2033	150,699,900
MT0000012451	4.1% MGS 2034 (I)	18/10/2034	200,075,700
MT0000012865	2.2% MGS 2035 (I)	24/11/2035	20,539,100
MT0000012642	2.5% MGS 2036 (I)	17/11/2036	221,733,100
MT0000012774	2.1% MGS 2039 (I)	24/08/2039	159,102,100
MT0000012519	3% MGS 2040 (I)	11/06/2040	162,276,100
MT0000012725	2.4% MGS 2041 (I)	25/07/2041	153,669,800
		Total	4,729,149,376

Floating Rate Malta Government Stocks **		Redemption Date	Nominal Capital
ISIN Code	Debt Security		€
MT1000010081	FLTNG RT 6MTH EUR MGS 2019(IV)	25/03/2019	40,750,000
MT1000010115	FLTNG RT 6MTH EUR MGS 2019(VI)	27/11/2019	35,000,000
MT1000010107	FLTNG RT 6MTH EUR MGS 2020(VI)	29/10/2020	47,850,000
		Total	123,600,000

Malta Government Retail Savings Bonds		Redemption Date ***	Nominal Capital
ISIN Code	Debt Instrument		€
MT4000010010	62+ MGSB - Issue 2017	13/09/2022	99,084,900
MT4000010036	62+ MGSB - Issue 2018	19/06/2023	93,497,500
		Total	192,582,400

Malta Government Treasury Bills		Redemption Date	Nominal Capital
ISIN Code	Debt Security		€
MT3200012636	182 Day T-Bill (12.07.18 - 10.01.19)	10/01/2019	1,000,000
MT3100014799	91 Day T-Bill (18.10.18 - 17.01.19)	17/01/2019	21,000,000
MT3100014807	91 Day T-Bill (08.11.18 - 07.02.19)	07/02/2019	19,000,000
MT3100014815	91 Day T-Bill (22.11.18 - 21.02.19)	21/02/2019	24,800,000
MT3200012644	182 Day T-Bill (06.09.18 - 07.03.19)	07/03/2019	2,000,000
MT3100014823	91 Day T-Bill (06.12.18 - 07.03.19)	07/03/2019	32,500,000
MT3100014831	92 Day T-Bill (12.12.18 - 14.03.19)	14/03/2019	33,000,000
MT3100014849	91 Day T-Bill (20.12.18 - 21.03.19)	21/03/2019	35,000,000
MT3100014856	90 Day T-Bill (28.12.18 - 28.03.19)	28/03/2019	34,000,000
MT3300010803	273 Day T-Bill (05.07.18 - 04.04.19)	04/04/2019	2,000,000
MT3200012651	182 Day T-Bill (04.10.18 - 04.04.19)	04/04/2019	4,000,000
MT3200012669	182 Day T-Bill (25.10.18 - 25.04.19)	25/04/2019	20,000,000
MT3200012677	182 Day T-Bill (01.11.18 - 02.05.19)	02/05/2019	22,000,000
MT3200012685	182 Day T-Bill (06.12.18 - 06.06.19)	06/06/2019	2,500,000
MT3300010811	273 Day T-Bill (13.09.18 - 13.06.19)	13/06/2019	2,000,000
MT3200012693	183 Day T-Bill (12.12.18 - 13.06.19)	13/06/2019	2,200,000
MT3200012701	182 Day T-Bill (20.12.18 - 20.06.19)	20/06/2019	10,000,000
MT3300010829	272 Day T-Bill (15.11.18 - 14.08.19)	14/08/2019	15,000,000
MT3400010133	364 Day T-Bill (23.08.18 - 22.08.19)	22/08/2019	3,000,000
MT3300010837	272 Day T-Bill (28.12.18 - 26.09.19)	26/09/2019	5,000,000
		Total	290,000,000

* 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.