

# MINISTRY OF FINANCE

## ANNEX TO ANNUAL REPORT 2001 PUBLIC DEBT

WARSAW  
JUNE 2002

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## 1. LEGAL FRAMEWORK OF THE TREASURY SECURITIES (TS) ISSUE

The basic act governing the conditions of issuing Treasury Securities is the Public Finance Act of November 26<sup>th</sup>, 1998 (Journal of Laws No. 155, item 1014 as subsequently amended). Under this Act, only the Minister of Finance is authorized to issue Treasury Securities providing cash benefits - other TS can be issued by the Minister of Treasury in consultation with the Minister of Finance.

Treasury Securities are classified according their maturity as follows:

- a) short-term securities – Treasury bills offered for sale on the domestic market at a discount and redeemed at their face value – maturity of those is up to 364 days (inclusive);
- b) long-term securities – Treasury bonds offered for sale on the domestic and foreign markets, carrying a discount or/and interest – maturity of those is not shorter than one year (365 days).

Under the delegation laid down in Art. 55 of the Public Finance Act, the Minister of Finance issued in 1999 five ordinances governing the general conditions of issuing specific types of the Treasury Securities:

- a) Ordinance of the Minister of Finance of April 26<sup>th</sup>, 1999 on the general conditions of issuing of Treasury bonds offered at auctions (Journal of Laws No. 38, item 368, as subsequently amended);
- b) Ordinance of the Minister of Finance of April 26<sup>th</sup>, 1999 on the general conditions of issuing of Treasury bonds offered in the retail network (Journal of Laws No. 38, item 369, as subsequently amended);
- c) Ordinance of the Minister of Finance of August 26<sup>th</sup>, 1999 on the conditions of issuing of Treasury bills (Journal of Laws No. 74, item 831, as subsequently amended);
- d) Ordinance of the Minister of Finance of September 7<sup>th</sup>, 1999 on the conditions of issuing of Treasury bonds on the foreign markets (Journal of Laws No. 75, item 845, as subsequently amended);
- e) Ordinance of the Minister of Finance of September 8<sup>th</sup>, 1999 on the conditions of issuing of Treasury bonds designated for the conversion of the State Treasury debt (Journal of Laws No. 74, item 834, as subsequently amended).

The ordinances determine the Minister of Finance rights to define detailed conditions of the Treasury Securities issue. They set forth general conditions of instruments' design, sales procedures, investor groups to which Treasury Securities are offered and terms of their service and redemption (including buy-back and early redemption).

Detailed conditions of a particular issue of the Treasury Securities are determined in the Letters of Issue published by the Minister of Finance. Announcement of the Letter of Issue to the public, in the national press or on the Ministry of Finance Internet web site constitutes the condition under which the issue is effective.

## 2. PRIMARY MARKET OF TREASURY SECURITIES.

### 2.1. Sale of Treasury Securities on the domestic market

Sales methods of TS on the domestic market were worked out during first years of particular instruments offering and were evolving in years 1991 – 2000.

Sale of the Treasury Securities on the domestic market is effected by issue agents acting under separate agreements concluded with the Minister of Finance. The National Bank of Poland is in charge of the auction sale of TS – Treasury bills and Treasury bonds - for institutional investors. Issues of instruments dedicated for individual investors – retail and savings T-bonds belongs to the Central Brokerage House PeKaO S.A.

#### 2.1.1. Sale of Treasury Securities at auctions.

TS offered at auctions held by the National Bank of Poland are dedicated for the institutional investor groups and are commonly called "wholesale" instruments and they fulfill basic role meeting the State Budget borrowing needs. Relatively high face value of offered instruments of PLN 10,000 for a T-bill and PLN 1,000 for a T-bond issued at auctions is a characteristic feature of the wholesale market of the Treasury Securities. Direct access to auctions is granted to entities which have the status of a direct participant of the Treasury bonds auctions and which are direct participants of the National Depository for Securities.

There were altogether 87 auctions of TS in 2001 (51 auctions of Treasury bills and 36 of Treasury bonds). Total value of offered securities amounted to PLN 86.2 billion (T-bills PLN 49.6 billion; T-bonds PLN 36.6 billion), value of declared demand reached PLN 247.1 billion (PLN 139.4 billion and PLN 107.8 billion respectively) and total face value of the sale amounted at PLN 84.2 billion (PLN 48.5 billion and PLN 35.7 billion).

The following types of Treasury Securities were issued at auctions in 2001:

- a) Treasury bills,
- b) 2-year zero coupon bonds,
- c) 5-year fixed rate bonds,
- d) 10-year fixed rate bonds,
- e) 10-year floating rate bonds.

### 2.1.1.1. Sale of Treasury bills.

Treasury bills are issued as bearers securities, the face value of one bill amounts at PLN 10,000 and its maturity may vary from 1 to 52 weeks. Treasury bills are issued in a dematerialized form and, as magnetic entries, deposited with the Central Register of Treasury bills run by the National Bank of Poland.

Treasury bills are sold at a discount (purchase price is lower than face value) and an investor receives T-bill's face value on a redemption date – the difference between face value and purchase price is an investor's yield.

Residents and non-residents being legal entities, individuals and entities without legal status, can purchase Treasury bills. Those instruments may become objects of a free turnover among all mentioned investor groups but observing terms and conditions governing foreign exchange turnover and public turnover of securities.

Secondary turnover is effected on the interbank market arranged by about 15 biggest domestic banks.

Number of direct participants, due to the wholesale character of that market, is limited to those with significant financial potential. The group includes entities that purchased at least 0.2% of total face value of all Treasury bills sold on the primary market in the last quarter. Verification of eligible entities, according to that criterion is held after completion of each quarter.

About 40 entities enjoy the status of a direct participant. The group includes practically all banks of importance on the domestic financial market and few institutions from a non-banking sector. Investors that have no such a status can present their bids through an entity that is a direct participant of an auction.

Treasury bills auctions are held on Mondays, but in some reasoned cases the Minister of Finance is entitled to arrange an auction on some other day. An announcement of a forthcoming auction is published in the national daily "Rzeczpospolita" seven days before the auction date, in the REUTERS information net at an address PLMF01[Enter] and on the Polish TV teletext page 705. At the beginning of a month, together with publication of the Letter of Issue for a given month, the Ministry of Finance announces monthly plan of Treasury bills sale including the auction dates, projected sales value of specific types of securities and payment days for purchased bills.

Bids are submitted by direct participants of an auction to the National Bank of Poland by 11:00 hours on the auction date – minimum face value of a bid is PLN 100,000. Upon receipt a bid summary from the NBP the Minister of Finance takes a decision on accepted minimum price of bills with a given maturity. Bids with higher price are accepted in whole while bids presenting accepted minimum price can be accepted with reduction or in whole.

Auctions of Treasury bills are held in the multi-price auction system i.e., each of the bidders buys securities at a price submitted in his bid.

Results of a Treasury bills auction are announced on the day of the auction at about 14:30 in Internet, Reuters and in the TV teletext – the next day results are printed in "Rzeczpospolita" daily.

Payment for the Treasury bills is usually effected two days after an auction but in some cases may be effected on another day.

There were 51 auctions of Treasury bills in 2001 offering securities of total face value at PLN 49,600.0 mn. The bids reached the amount of PLN 139,392.4 mn and the sale of bills at their face value amounted to PLN 48,538.6 mn. Revenues on the sale of Treasury bills amounted to PLN 43,482.4 mn and in a break down according to a particular T-bill type were as follows:

Table 1. Sale of Treasury bills in 2001 (PLN mn)

Type of a bill	Supply	Demand	Sale, face value	Revenues
2-week	2,800.00	4,404.11	2,800.00	2,781.45
8-week	200.00	969.85	200.00	196.00
13-week	4,300.00	10,685.76	4,064.49	3,914.84
26-week	7,500.00	17,303.23	7,154.17	6,611.37
39-week	1,500.00	3,996.76	0.00	0.00
52-week	33,300.00	102,032.65	34,319.97	29,978.73
TOTAL:	49,600.00	139,392.36	48,538.63	43,482.40

File containing results of all auctions of Treasury bills since 1991 can be found on the Ministry of Finance website:

[http://www.mofnet.gov.pl/dlug\\_publiczny/pliki/bonyskarbowe.exe](http://www.mofnet.gov.pl/dlug_publiczny/pliki/bonyskarbowe.exe)



Upon receipt a bid summary from the NBP, the Minister of Finance takes a decision on accepted minimum price of a T-bond with a given maturity. Bids with higher price are accepted in whole while bids presenting accepted minimum price can be accepted with reduction or in whole.

As it is in the case of T-bills, auctions of Treasury bonds are held in the multi-price auction system i.e., each of the bidders buys securities at a price submitted in his bid. Auctions results are published on the day of the auction at about 15:00 hours in Internet and in REUTERS. Settlement of bonds auction is held on the date shown in the auction announcement.

There were 36 T-bonds auctions in 2001 at which securities of total face value of PLN 36,000.0 mn were offered. Declared demand amount reached PLN 107,753.1 mn while bonds sale at par value was PLN 35,711.3 mn. The revenues on the sale of T-bonds at auctions in 2001 totaled PLN 29,523.5 mn.

Table 3. Sale of Treasury bonds at auctions in 2001 (PLN mn)

Bond type	Supply	Demand	Sale, face value	Revenues
2-year zero coupon	15,500.00	46,292.70	15,028.00	11,785.70
5-year fixed rate	15,400.00	43,491.60	15,393.30	13,483.70
10-year fixed rate	3,900.00	12,575.80	3,900.00	2,864.10
10-year floating rate	1,800.00	5,392.90	1,390.00	1,390.00
<b>TOTAL:</b>	<b>36,600.00</b>	<b>107,753.10</b>	<b>35,711.30</b>	<b>29,523.50</b>

File containing results of all auctions of Treasury bonds and the issue of bonds arising from the conversion of the health care debts and liabilities to trade unions and social organizations can be found on the Ministry of Finance website:

[http://www.mofnet.gov.pl/dlug\\_publiczny/pliki/obligacjehurtowe.exe](http://www.mofnet.gov.pl/dlug_publiczny/pliki/obligacjehurtowe.exe)

#### 2.1.1.2.1. Sale of 2-year zero coupon bonds in 2001

Auctions of 2-year zero coupon bonds (OK series) were held on the first working Wednesday of a month together with auction of 5-year fixed rate bonds. Issue of each series lasted for four subsequent months and started in April, August and December. Zero coupon bonds similarly to T-bills do not bring an owner any coupon revenue - his yield is the difference between a face value paid at the redemption date and the purchase price.

Table 4. Auction results of zero coupon 2-year bonds in 2001 (PLN mn)

Auction date	Series	Settlement date	Demand	Supply	Sale	Minimum yield	Average yield	Maximum yield
01/03/2001	OK1202	01/12/2001	700.00	2,604.20	700.00	15.323%	15.425%	15.472%
02/07/2001	OK1202	02/12/2001	800.00	1,928.10	800.00	15.052%	15.297%	15.367%
03/07/2001	OK1202	03/12/2001	600.00	2,182.02	600.00	15.330%	15.443%	15.489%
04/04/2001	OK0403	04/12/2001	1,400.00	7,736.91	1,400.00	14.793%	14.818%	14.841%
05/09/2001	OK0403	05/12/2001	900.00	1,930.08	900.00	14.386%	14.524%	14.587%
06/06/2001	OK0403	06/12/2001	1,500.00	2,152.50	1,500.00	14.557%	14.774%	14.860%
07/04/2001	OK0403	07/12/2001	1,400.00	7,876.34	1,400.00	14.938%	14.989%	15.013%
08/01/2001	OK0803	08/12/2001	1,400.00	4,603.92	1,400.00	13.948%	14.058%	14.108%
09/05/2001	OK0803	09/12/2001	1,800.00	5,043.60	1,800.00	13.950%	13.992%	13.998%
10/03/2001	OK0803	10/12/2001	2,000.00	5,767.00	2,000.00	12.537%	12.741%	12.756%
11/07/2001	OK0803	11/12/2001	1,800.00	1,472.00	1,328.00	10.277%	10.402%	10.559%
12/05/2001	OK1203	12/12/2001	1,200.00	2,996.00	1,200.00	9.829%	10.021%	10.096%
<b>TOTAL:</b>	-	-	<b>15,500.00</b>	<b>46,292.67</b>	<b>15,028.00</b>	-	-	-



Chart 1. Supply, demand and sale of zero coupon bonds at auctions in 2001(PLN mn)

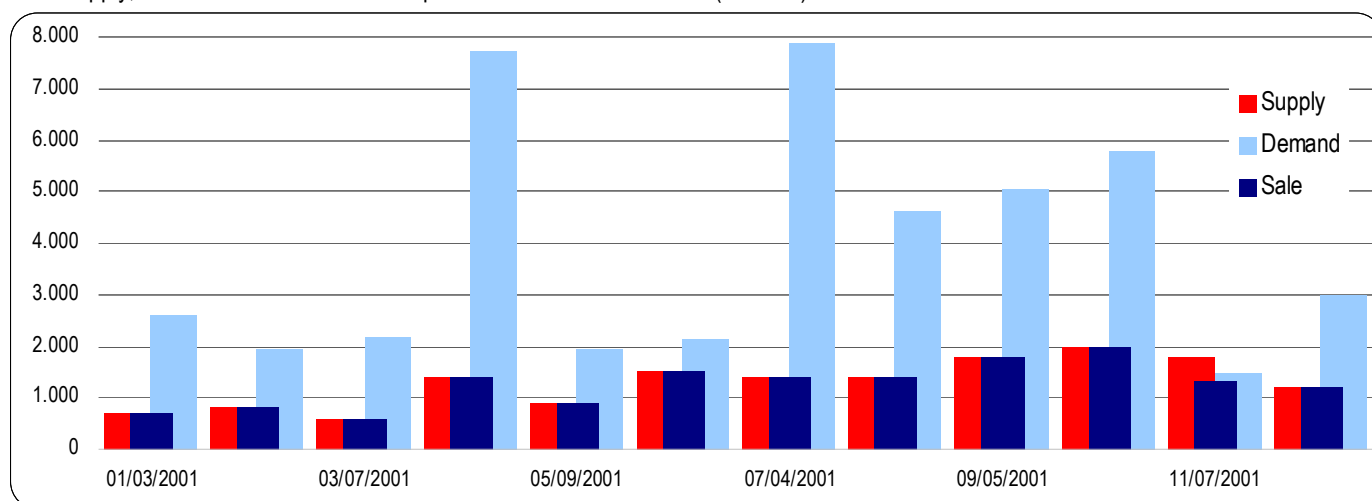
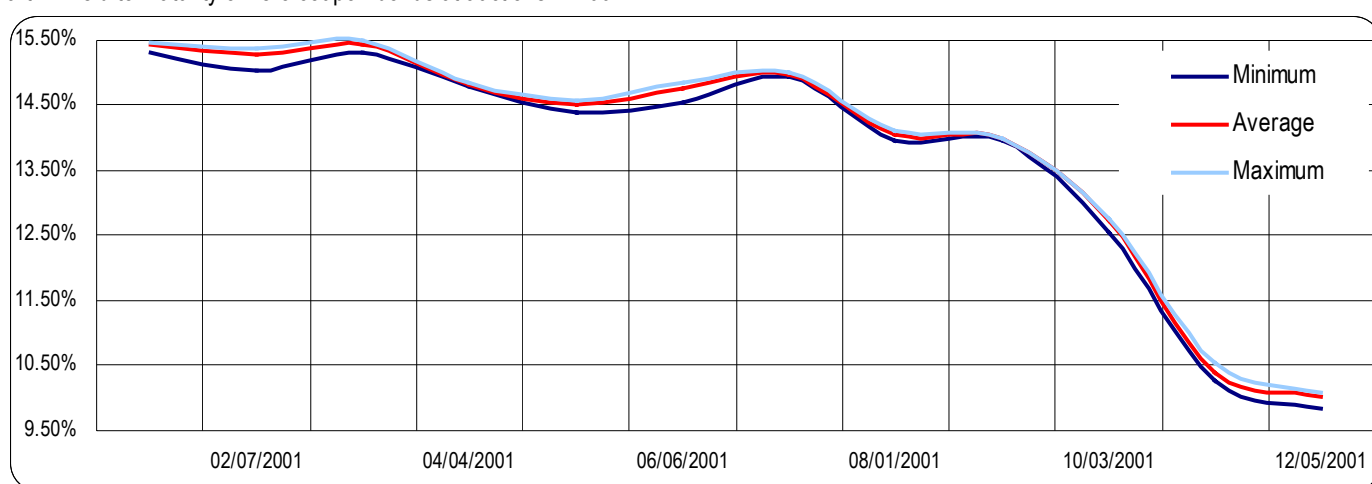


Chart 2. Yield to maturity of zero coupon bonds at auctions in 2001



#### 2.1.1.2.2. Sale of 5-year fixed rate bonds in 2001

Auction of 5-year fixed rate bonds (PS series) were held on the first working Wednesday of a month together with auctions of zero coupon bonds. Coupon interest rate of that type of bonds sold in 2001 was 8.5%. In 2001 the Ministry of Finance changed the sale schedule of 5-year tenor reducing the number of issues offered on the primary market. Issue of each of the series in previous years lasted for four subsequent months commencing in February, June and October. From May 2001 a new series are sold during six subsequent months and are introduced for sale in May and November. The decision to change the sales schedule of 5-year fixed rate bonds aimed at improvement of instrument's liquidity by increase of the face value of particular issues and reducing the number of the issues maturing in the same year.

Table 5. Results of 5-year fixed rate bonds auctions in 2001 (PLN mn)

Auction date	Series	Settlement date	Supply	Demand	Sale	Minimum yield	Average yield	Maximum yield
01/03/2001	PS1005	01/12/2001	1,600.00	4,871.49	1,600.00	12.365%	12.403%	12.422%
02/07/2001	PS0206	02/12/2001	2,500.00	10,611.86	2,500.00	12.322%	12.575%	12.605%
03/07/2001	PS0206	03/12/2001	1,900.00	5,810.46	1,900.00	12.291%	12.351%	12.388%
04/04/2001	PS0206	04/12/2001	1,000.00	4,174.71	1,000.00	12.424%	12.518%	12.551%
05/09/2001	PS0506	05/12/2001	1,500.00	3,007.00	1,500.00	12.632%	12.735%	12.774%
06/06/2001	PS0506	06/12/2001	800.00	1,873.00	800.00	12.982%	13.070%	13.128%
07/04/2001	PS0506	07/12/2001	800.00	1,050.39	800.00	13.247%	13.376%	13.482%
08/01/2001	PS0506	08/12/2001	900.00	2,810.08	900.00	13.030%	13.090%	13.125%
09/05/2001	PS0506	09/12/2001	500.00	686.04	497.76	12.908%	13.018%	13.108%
10/03/2001	PS0506	10/12/2001	600.00	3,082.50	600.00	11.919%	12.061%	12.096%
11/07/2001	PS1106	11/12/2001	2,100.00	2,939.59	2,100.00	9.272%	9.764%	9.883%
12/05/2001	PS1106	12/12/2001	1,200.00	2,574.49	1,195.49	9.622%	9.677%	9.715%
TOTAL:	-	-	15,400.00	43,491.60	15,393.25	-	-	-



Chart 3. Supply, demand and sale of 5-year fixed rate at auctions in 2001 (PLN mn)

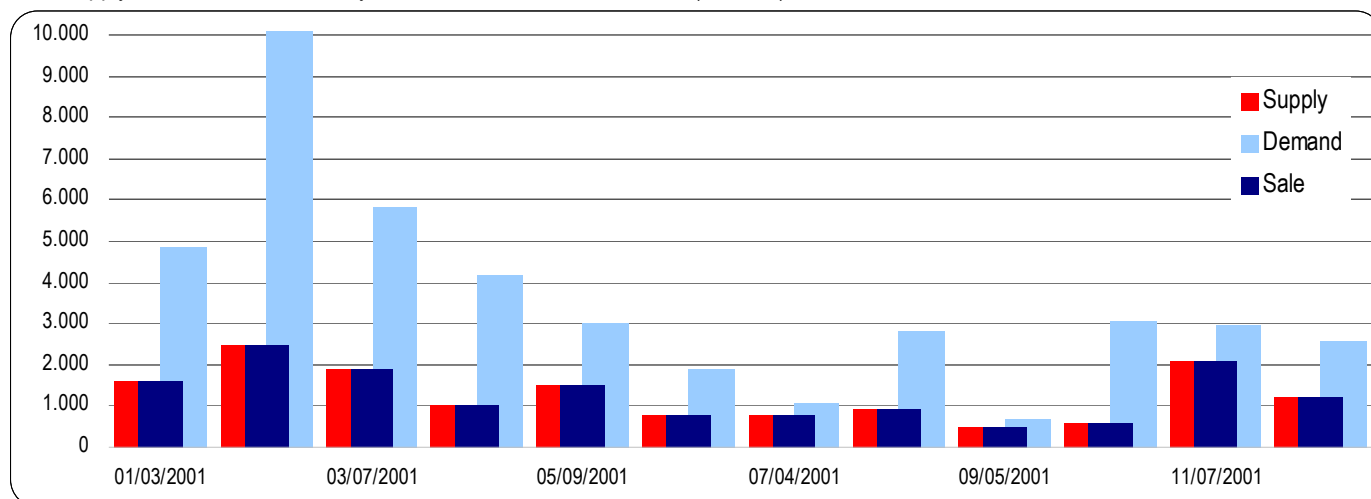
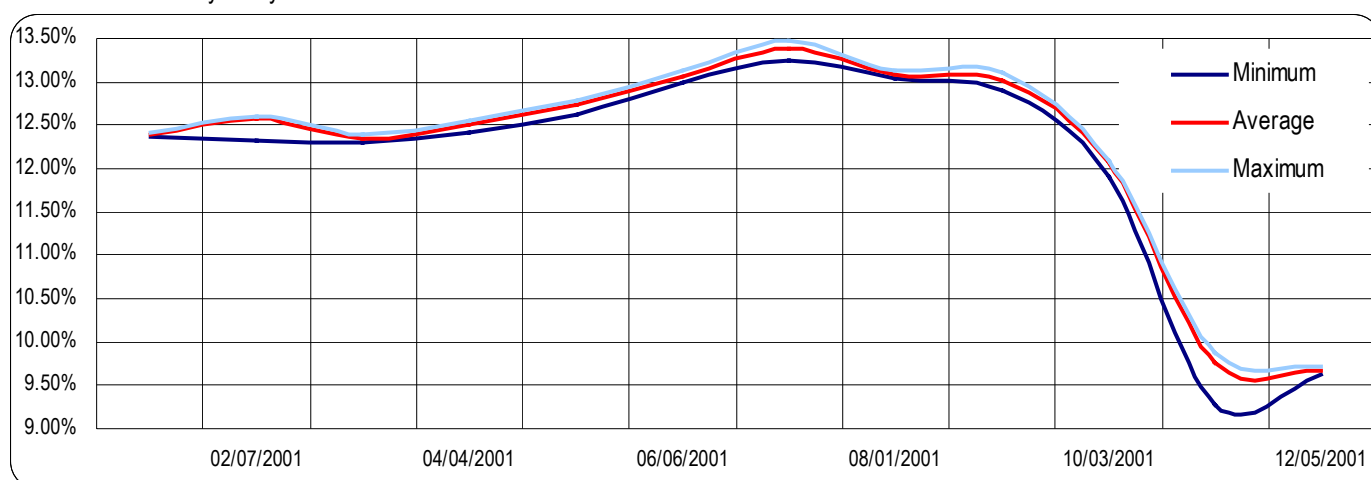


Chart 4. Yield to maturity of 5-year fixed rate bonds at auctions in 2001



#### 2.1.1.2.3. Sale of 10-year fixed rate bonds in 2001

Auctions of 10-year fixed rate bonds (DS series) were held every two months, on third working Wednesday of odd months. In 2001 the Ministry of Finance offered one series of securities of the type – DS1110 with a redemption date on 24 November 2010 and coupon interest rate of 6.0%. Sale of that series started in November 2000 and it should be completed in September 2002. As it was the case with 5-year fixed rate bonds the offer of one series of bonds within a longer period aimed at improvement of instrument's liquidity on the secondary market.

Table 6. Results of 10-year fixed rate bonds auctions in 2001 (PLN mn)

Auction date	Series	Settlement date	Supply	Demand	Sale	Minimum yield	Average yield	Maximum yield
01/17/2001	DS1110	01/24/2001	800.00	2,305.98	800.00	10.278%	10.360%	10.391%
03/21/2001	DS1110	03/24/2001	700.00	2,318.00	700.00	10.846%	10.868%	10.893%
05/16/2001	DS1110	05/24/2001	700.00	1,206.69	700.00	11.286%	11.388%	11.461%
07/18/2001	DS1110	07/24/2001	400.00	2,701.20	400.00	11.671%	11.693%	11.703%
09/19/2001	DS1110	09/24/2001	400.00	1,447.00	400.00	11.339%	11.416%	11.454%
11/21/2001	DS1110	11/24/2001	900.00	2,597.00	900.00	9.127%	9.149%	9.163%
<b>TOTAL:</b>	-	-	<b>3,900.00</b>	<b>12,575.87</b>	<b>3,900.00</b>	-	-	-

Chart 5. Supply, demand and sale of 10-year fixed rate bonds (PLN mn)

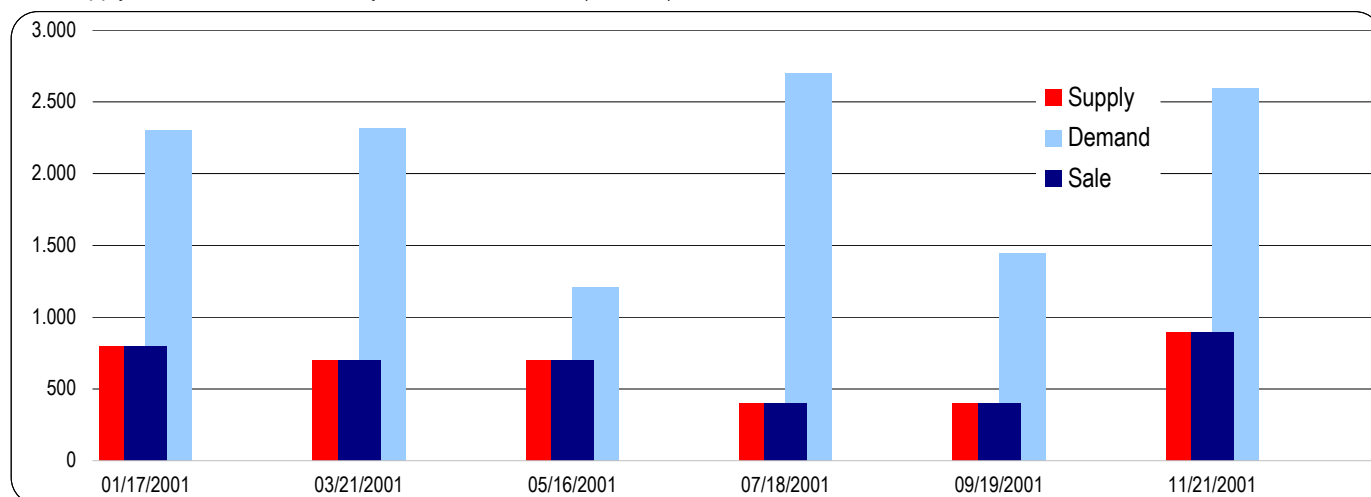
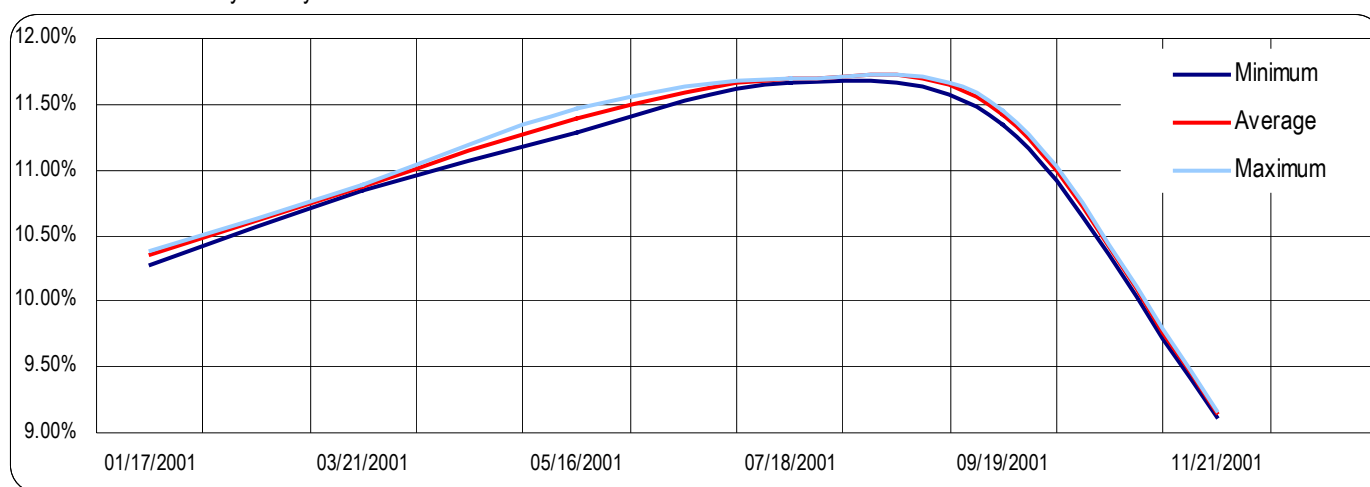


Chart 6. Yield to maturity of 10-year fixed rate bonds at auctions in 2001



#### 2.1.1.2.4. Sale of 10-year floating rate bonds in 2001

10-year floating rate bonds (DZ series) were sold at auctions held every two months, on second working Wednesday of even months. In 2001 the Ministry of Finance offered on the primary market two series of those instruments: DZ0110 and DZ0811 with redemption dates January 18<sup>th</sup>, 2010 and August 18<sup>th</sup>, 2011 respectively. Coupon interest rate changes every year and depends on the yield level of 52-week T-bills sold at auctions within the period of two months that directly precede the month commencing the yearly interest period of a given series.

Table 7. Results of 10-year floating rate bonds auctions in 2001 (PLN mn)

Auction date	Series	Settlement date	Supply	Demand	Sale	Current rate of return minimum	Current rate of return average	Current rate of return maximum
02/14/2001	DZ0110	02/18/2001	200.00	2,101.60	200.00	18.859%	18.884%	18.906%
04/11/2001	DZ0110	04/18/2001	200.00	727.19	200.00	18.807%	18.856%	18.872%
06/13/2001	DZ0110	06/18/2001	200.00	552.85	200.00	18.825%	18.888%	18.917%
08/08/2001	DZ0811	08/18/2001	300.00	850.30	300.00	15.317%	15.424%	15.432%
10/10/2001	DZ0811	10/18/2001	400.00	915.00	400.00	15.285%	15.349%	15.386%
12/12/2001	DZ0811	12/18/2001	500.00	246.00	90.00	15.136%	15.437%	15.518%
<b>TOTAL:</b>	-	-	<b>1,800.00</b>	<b>5,392.94</b>	<b>1,390.00</b>	-	-	-

Chart 7. Supply, demand and sale of 10-year floating rate bonds at auctions (PLN mn)

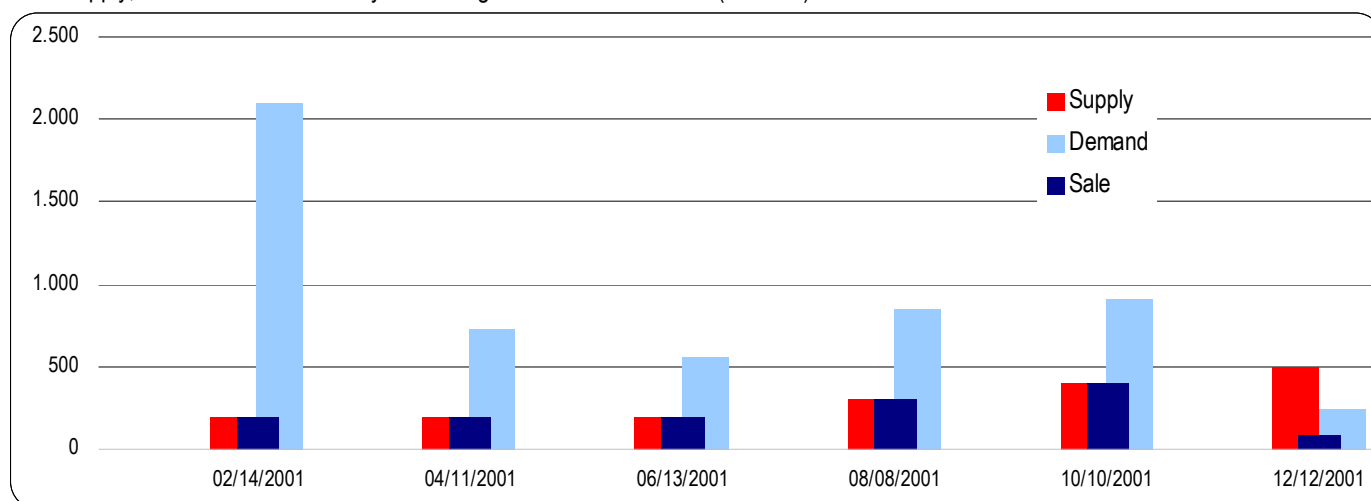
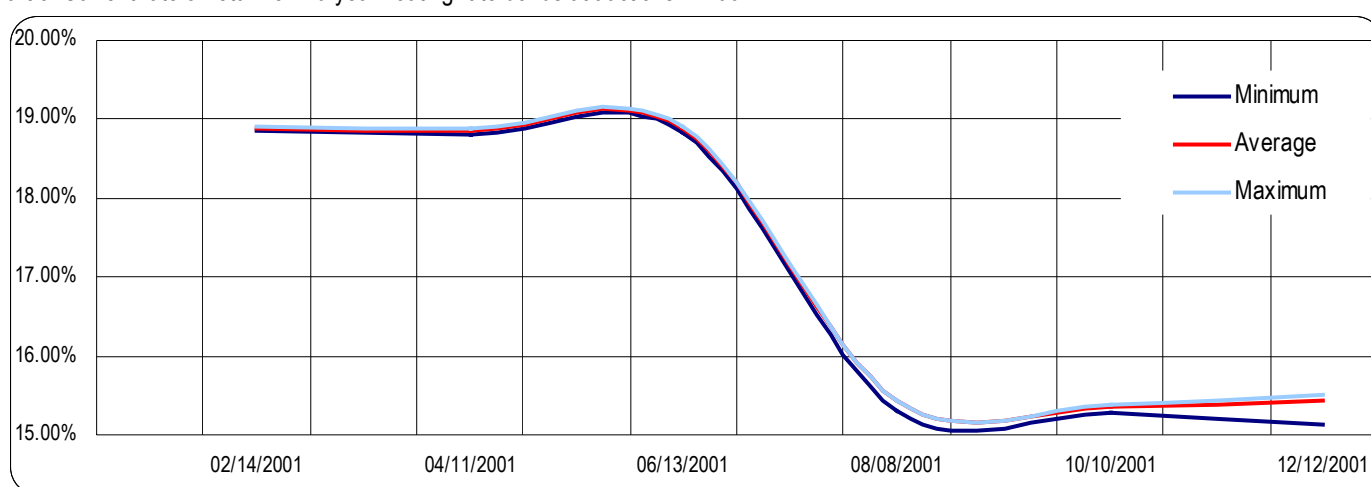


Chart 8. Current rate of return on 10-year floating rate bonds at auctions in 2001



### 2.1.1.3. Treasury bonds switching auctions

In November 2001 the Ministry of Finance has launched T-bonds switching auctions i.e., redemption of a bond series before its maturity date while settlement of the transaction is effected by giving the holder another series of bonds – bought-back securities are cancelled. The Ministry's of Finance goals of such an operation include, among others, reduction of debt refinancing risk, increase in the value of "benchmark" issues of bonds, closing of small and with low liquidity issues of marketable and non-marketable bonds issues and also managing the interest rate risk.

Switching auctions are arranged and handled by the National Bank of Poland. Direct participants of the National Depository of Securities are allowed to auction. Other investors intending to switch bonds must use intermediation of the NDS participants.

Switching auctions are held on dates specified in monthly schedules of the auctions that are published on the Ministry of Finance website. Two days before an auction, at about 14:00 hours, the Ministry of Finance releases a detailed communiqué on the auction to be held with following information:

- auction date,
- auction settlement date,
- face value of bonds to be redeemed,
- redemption date, abbreviated name, ISIN code and value of accrued interest of bonds redeemed at auction settlement date,
- redemption date, abbreviated name, ISIN code and value of accrued interest of bonds sold at auction settlement date,
- way and place of announcement by the Ministry of Finance of a "clean" price of a redeemed or sold bond – according to chosen variant of an auction.

The day before a switching auction, at about 15:00 hours the Minister of Finance informs the market about the "clean" prices of redeemed or sold bonds.

Bids are submitted to the NBP by 11:00 hours on the auction day. After the submission term expires the Minister of Finance determines accepted bid price for bonds with given maturity. Auction results are published at about 15:00 hours on the day of an auction.

Table 8. Results of switching auctions in 2001 (PLN mn)

Auction	Buy-back bonds					Settlement bonds		
	Series	Redemption date	Supply	Demand	Buy-back	Series	Redemption date	Sale
11/20/2001	OS0202	02/12/2002	1500-2000	159.539	0.720	PS0506	05/12/2006	0.799
	OK0402	04/21/2002	1000-1500	84.450	-	PS0506	05/12/2006	-
	KO0402	04/29/2002	500-1000	735.014	10.000	PS0506	05/12/2006	9.647
11/27/2001	OS0202	02/12/2002	1500-2000	75.418	5.240	PS0506	05/12/2006	5.706
	OK0402	04/21/2002	1000-1500	42.777	10.397	PS0506	05/12/2006	9.863
	KO0402	04/29/2002	500-1000	714.823	35.000	PS0506	05/12/2006	33.111
12/04/2001	OS0202	02/12/2002	1500-2000	632.479	173.000	PS1106	11/12/2006	197.425
	OK0402	04/21/2002	1000-1500	47.800	-	PS1106	11/12/2006	-
	KO0402	04/29/2002	500-1000	100.395	25.000	PS1106	11/12/2006	24.824
12/11/2001	OS0202	02/12/2002	1500-2000	329.621	77.260	PS1106	11/12/2006	89.738
	OK0402	04/21/2002	1000-1500	-	-	PS1106	11/12/2006	-
	KO0402	04/29/2002	500-1000	169.460	99.460	PS1106	11/12/2006	100.781
12/18/2001	OS0202	02/12/2002	1500-2000	328.806	56.280	PS1106	11/12/2006	64.672
	OK0402	04/21/2002	1000-1500	32.450	31.150	PS1106	11/12/2006	31.325
	KO0402	04/29/2002	500-1000	230.985	138.485	PS1106	11/12/2006	138.84
Total:	-	-	-	3,684.017	661.992	-	-	706.731

## 2.2. Sale of TS in retail network

Apart from the "wholesale" bonds, the Ministry of Finance offers securities dedicated for individual investors commonly referred to as "retail bonds". In 2001 the Ministry of Finance that group of instruments offer included the following securities:

- 2-year fixed rate savings bonds (DOS series)
- 4-year inflation rate indexed savings bonds (COI series)
- 3-year floating rate bonds (TZ series)
- 5-year fixed rate bonds (SP series)

The face value of Treasury bonds destined for individuals is PLN 100 and provides a possibility of an investment in Treasury Securities to persons with relatively low funds.

The sale of retail bonds is effected by about 550 units of Customer Service Outlets (CSOs) functioning in the branches of brokerage houses belonging to a consortium dealing with the sale of retail bonds. The Central Brokerage House PeKaO S.A. is in charge of efficient functioning of the consortium.

Savings bonds (DOS and COI series) can be purchased only by individuals domiciled in Poland. Those instruments are not listed on the regulated secondary market i.e., the Stock Exchange in Warsaw but they may be offered to the issuer for redemption before their maturity date. Interest on those securities accrue annually and is put at the investor's disposal at the redemption date (or pre-maturity redemption). The sale of each series of savings bonds lasts for one month.

3-year floating rate bonds (TZ series) give their holder a yield in a form of coupon paid every 3 months, interest rate of particular coupons changes and depends on the yield of 13-week T-bills.

5-year fixed rate bonds (SP series) give their holder a fixed annual income – the coupon interest for the first series of that type of bonds (SP1206) was determined at a level of 9.0%. Sale of new TZ and SP series last for three months and as distinct from savings bonds, they can be traded at the WSE.

The file containing sale results of Treasury bonds offered in the retail network may be found on the Ministry of Finance website: [http://www.mofnet.gov.pl/dlug\\_publiczny/pliki/obligacjedetaliczne.exe](http://www.mofnet.gov.pl/dlug_publiczny/pliki/obligacjedetaliczne.exe)

Table 9. Sale of retail bonds in 2001 (PLN mn)

Bond type	Supply	Sale, face value	Revenues
2-year savings bonds	5,000.00	4,089.87	4,089.87
4-year savings bonds	1,800.00	411.27	411.27
3-year floating rate bonds	2,800.00	2,665.28	2,662.56
5-year fixed rate bonds	500.00	384.76	369.37
TOTAL:	10,100.00	7,551.16	7,533.06

Table 10. Sale of floating rate retail bonds in 2001 (PLN mn)

Bond	Sale period		Supply	Sale		Price (PLN)	
	beginning	end		exchange	network	exchange	issue
TZ0204	02/01/2001	04/20/2001	400	156.42	243.58	99.80	100.00
TZ0504	05/04/2001	07/27/2001	400	238.15	161.85	99.80	100.00
TZ0804	08/01/2001	10/19/2001	1000	312.05	553.22	99.80	100.00
TZ1104	11/02/2001	01/25/2002	1000	259.90	740.10	99.50	100.00
COI0105	01/02/2001	01/31/2001	150	-	23.99	-	100.00
COI0205	02/01/2001	02/28/2001	150	-	10.50	-	100.00
COI0305	03/01/2001	03/30/2001	150	-	10.02	-	100.00
COI0405	04/02/2001	04/30/2001	150	-	10.80	-	100.00
COI0505	05/04/2001	05/31/2001	150	-	9.62	-	100.00
COI0605	06/01/2001	06/29/2001	150	-	6.90	-	100.00
COI0705	07/02/2001	07/31/2001	150	-	7.86	-	100.00
COI0805	08/01/2001	08/31/2001	150	-	24.14	-	100.00
COI0905	09/03/2001	09/28/2001	150	-	28.57	-	100.00
COI1005	10/01/2001	10/31/2001	150	-	112.12	-	100.00
COI1105	11/02/2001	11/30/2001	150	-	150.00	-	100.00
COI1205	12/03/2001	12/31/2001	150	-	16.74	-	100.00

Table 11. Sale of fixed rate retail bonds in 2001 (PLN mn)

Bond	Sale period		Supply	Sale	Issue price (PLN)	Interest rate
	beginning	end				
SP1206	12/03/2001	02/28/2002	500	384.76	96.00	9.0%
DOS0103	01/02/2001	01/31/2001	300	215.74	100.00	16.0%
DOS0203	02/01/2001	02/28/2001	300	289.62	100.00	16.0%
DOS0303	03/01/2001	03/30/2001	300	136.96	100.00	15.0%
DOS0403	04/02/2001	04/30/2001	300	219.99	100.00	15.0%
DOS0503	05/04/2001	05/31/2001	300	275.01	100.00	15.0%
DOS0603	06/01/2001	06/29/2001	500	335.69	100.00	15.0%
DOS0703	07/02/2001	07/31/2001	500	491.59	100.00	15.0%
DOS0803	08/01/2001	08/31/2001	500	500.00	100.00	15.0%
DOS0903	09/03/2001	09/28/2001	500	500.00	100.00	14.5%
DOS1003	10/01/2001	10/31/2001	500	500.00	100.00	13.5%
DOS1103	11/02/2001	11/30/2001	500	500.00	100.00	12.0%
DOS1203	12/03/2001	12/31/2001	500	125.33	100.00	10.0%

### 2.3. Sale of Treasury Securities on foreign markets

The basic objective of the sale of Polish securities on foreign markets is consolidation of Poland's position as a trustworthy issuer on international financial market. Significance of those issues for financing borrowing needs of the State Budget is of secondary importance.

Presence of Poland on international market allows to diversify the sources of the State Budget borrowing needs financing and provides access to foreign institutional investors disposing of substantial financial resources. Moreover, foreign issues of Polish governmental securities serve as a benchmark for Polish banks and enterprises that place their own issues of debt instruments on international markets.

#### 2.3.1. Classic issues of Treasury Securities on international market

Issues of bonds destined for foreign markets are arranged by consortia of foreign financial institutions consisting of reputable investment banks active on international market. The Minister of Finance appoints, in a formal competitive process, a lead manager whose basic duty is to place the bonds on the market. Consortium members underwrite the sale of securities – their task is to collect orders, by means of direct contact with potential investors, for bonds of a given issue. On that basis the bonds are priced i.e. the spread is fixed above the benchmark yield of the bonds issued by the Treasury of the State, in whose the issue is effected. The spread reflects the level of risk connected with investment in securities of a given issuer.

In 2001 the Ministry of Finance effected one issue of bonds on the foreign market. The securities denominated in EUR with maturity date February 14<sup>th</sup>, 2011 and annual coupon rate of 5.50%. The amount of that series totaled EUR 1 billion and was placed in two tranches: securities with face value of EUR 750 mn were issued on February 14<sup>th</sup>, 2001 and on December 14<sup>th</sup>, 2001 further EUR 250 mn were placed as a supplementary issue. Deutsche Bank AG London and Merrill Lynch were lead managers of the issue consortium.

Table 12. Bonds issued for international market by 2001

	7.75% bond denominated in USD, maturing in 2000	6.125% bond denominated in DEM maturing in 2001	7.125% bond denominated in USD maturing in 2004	7.75% bond denominated in USD maturing in 2017	6% bond denominated in EUR maturing in 2010	5.5% bond denominated in EUR maturing in 2011
Issue date	07/13/1995	07/31/1996	07/01/1997	07/01/1997	03/22/2000	01/29/2001
Issue Consortium Lead Manager	JP Morgan	Deutsche Morgan Grenfell, Credit Suisse First Boston	J.P. Morgan	J.P. Morgan	BNP Paribas, Credit Suisse, First Boston	Deutsche Bank AG London, Merrill Lynch International
Issue value/debt value at the end of 2001	USD 250 mn/redeemed in July 2000	DEM 250 mn/redeemed in July 2000	USD 300 mn	USD 100 mn	EUR 600 mn	EUR 1,000 mn
Interest rate annually (%)	fixed 7.75%	Fixed 6.125%	fixed 7.125%	fixed 7.75%	fixed 6.0%	fixed 5.5%
Maturity	5 years	5 years	7 years	20 years	10 years	10 years
Spread over underlying assets' quotation as of the issue date	185 bp	65 bp	75 bp	100 bp	82 bp	74 bp
Issue price (%)	99.967	101.777	99.491	99.299	98.300	98.950
Redemption date	07/13/2000	07/31/2001	07/01/2004	07/01/2017	03/22/2010	02/14/2012
Interest payments	semiannually	annually	semiannually	annually	annually	annually
Placement market	Euro+144a	Euro	Yankee	Yankee	Euro	Euro
Spread over underlying assets' quotation at the end of 2001	-	89bp	200bp	117bp	88.5bp	
Registration	-	-	U.S. Securities and Exchange Commission	U.S. Securities and Exchange Commission	-	-
Secondary market registration	Luxemburg Stock Exchange	Frankfurt am Main Stock Exchange	-	-	Luxemburg Stock Exchange	Luxemburg Stock Exchange

### 2.3.2. Polish Brady Bonds

The Polish Brady Bonds were issued subject to the agreement with London Club banks. The bonds were issued on October 27<sup>th</sup>, 1994 and covered six instrument types differing in design details. The total value of the issue amounted to USD 8.0 billion. At the end of 2001, the debt in respect of the bonds amounted to USD 4,048.1 mn.

Table 13. Polish Brady Bonds

	Collateralized Discount Bonds	Collateralized Par Bonds	Collateralized RSTA Bonds	PDI Bonds	DCB Bonds	New Money Bonds
Issue date	10/27/1994	10/27/1994	10/27/1994	10/27/1994	10/27/1994	10/27/1994
Issue value	USD 2,968.2 mn	USD 934.7 mn	USD 894.4 mn	USD 2,673.6 mn	USD 393.0 mn	USD 137.6 mn
Bond's abbreviated name	Discount	Par	RSTA	PDI	DCB	NMB
Coupon rate	6-month LIBOR + spread 13/16%	increasing from 2,75% to 5%; at the end of 2001 3,75%	increasing from 2,75% to 5%; at the end of 2001 4,5%	increasing from 3,25% to 7%; at the end of 2001 6,0%	increasing from 4,5% to 7,5%; at the end of 2001 6,0%	6-month LIBOR + spread 13/16%
Final maturity	30 years	30 years	30 years	20 years	25 years	15 years
Principal payment	bullet payment	bullet payment	bullet payment	in 27 step-up installments with 7-year grace period	in 11 step-up installments with 20-year grace period	in 11 equal installments with 10-year grace period
Final redemption date	10/27/2024	10/27/2024	10/27/2024	10/27/2014	10/27/2019	10/27/2009
Interest paid	semiannually	semiannually	semiannually	semiannually	semiannually	semiannually
Outstanding debt at the end of 2001.	0*	USD 744.7 mn	USD 448.6 mn	USD 2,461.8 mn	USD 393.0 mn	0*
Secondary market registration	Luxemburg Stock Exchange	Luxemburg Stock Exchange	Luxemburg Stock Exchange	Luxemburg Stock Exchange	Luxemburg Stock Exchange	Luxemburg Stock Exchange

\* Early redemption of the bonds

## 2.4. Special issues of TS

Apart from the above-described types of securities The Minister of Finance issues also debt instruments for conversion of outstanding debts. The issues are characterized with a particular feature – these issues do not have primary market and its role is played by original allocation.

### 2.4.1. Issue of Treasury Securities designated for conversion of State Treasury Debt to the NBP

On July 18<sup>th</sup>, 1999 an agreement between the National Bank of Poland and the Minister of Finance was signed on conversion of a non-marketable debt in the central bank's portfolio into marketable Treasury Securities. As a result, the NBP became a holder of five types of bonds with parameters comparable with other TS issues present on the domestic market. Total face value of securities issued for conversion of the debt to NBP amounted to PLN 16,439 mn.

The securities characteristics is presented below:

- a) KO0402 – maturing on 04/29/2002; total face value PLN 4,133.9 mn; a zero coupon bond,
- b) TK1202 – maturing on 12/22/2002; total face value PLN 3,076.3 mn; annual coupon 10.0%;
- c) CK0403 – maturing on 04/22/2003; total face value PLN 3,076.3 mn; annual coupon 10.0%;
- d) PK0704 – maturing on 07/22/2004; total face value PLN 3,076.3 mn; annual coupon 8.5%;
- e) DK0809 – maturing on 08/22/2009; total face value PLN 3,076.3 mn; annual coupon 6.0%.

"Conversion" bonds were used by the NBP for open market operations aiming at permanent limitation of excessive liquidity of banking system in a long-term perspective. Total value conversion securities sold by the central bank to participants of financial market in 2000-2001 is presented in the table below.

Table 14. Value of "conversion" bonds sold by the NBP at an outright auctions (PLN mn)

Series Year	KO0402	TK1202	CK0403	PK0704	DK0809	Total:
2000	853.00	354.00	343.00	171.00	501.00	2,222.00
2001	1,332.00	1,938.00	1,370.00	519.00	1,211.00	6,370.00
Total:	2,185.00	2,292.00	1,713.00	690.00	1,712.00	8,592.00

On December 31<sup>st</sup>, 2001 the Minister of Finance concluded an agreement with the NBP pursuant to which securities KO0402 held in the central bank's portfolio with face value of PLN 1,948.9 mn were converted into KK1002 series bonds with maturity date October 12<sup>th</sup>, 2002. Value of new series of bonds transferred to the NBP amounted to PLN 1,820.8 mn. On January 9<sup>th</sup>, 2002 those securities were funged with market bond OS1002 of identical maturity and coupon. Due to the above described operations the value of T-bonds resulting from the conversion and hold by the NBP at the end of 2001 amounted to PLN 7,728.9 mn.

### 2.4.2. Issue of Treasury bonds for the conversion of the debt incurred by the health care units

In December 2001 an operation, lasting since September 1999, of servicing the State Treasury debts resulting from due debts of the health care units was completed. The debts of the State Treasury that arose before December 31<sup>st</sup>, 1998 and were incurred by voivod and other public offices and also by state healthcare units before they obtained their administrative independence.

The registration of debts, conversion of debts into Treasury bonds and cash buy-out operations were held by Bank Handlowy in Warsaw S.A. acting under an agreement concluded with the Minister of Finance on April 1<sup>st</sup>, 1999.

The conversion of different debt types was carried out using three methods:

- a) through direct cash buy-outs of debts owned to direct suppliers of goods and services to health care units;
- b) in auctions for buy-out of debts owned to direct suppliers of goods and services to health care units;
- c) through organization of auctions for conversion of debts hold by banking sector into securities.

Until the end of 2001, health care units debt taken over by the State Treasury and totalling PLN 8.4 billion was paid for (including the banking sector debt totaling PLN 0.8 billion paid for in September 2000 from budget funds). The total face value of T-bonds issued for above purpose amounted to PLN 8.5 billion.



Table 15. Bonds for conversion of the health care liabilities issued in 1999-2001 (PLN mn)

Conversion date	Series	Maturity	Face value	Conversion date	Series	Maturity	Face value
09/24/1999	DS0509	05/24/2009	34.01	08/22/2000	PS0605	06/12/2005	109.10
10/24/1999	DS0509	05/24/2009	80.54	08/31/2000	OS0602	06/12/2002	41.31
11/24/1999	OK1201	12/21/2001	100.83	08/31/2000	OS0603	06/12/2003	383.02
12/12/1999	OK1201	12/21/2001	80.41	09/19/2000	PS0605	06/12/2005	98.37
01/24/2000	DS1109	11/24/2009	123.86	09/29/2000	OS0602	06/12/2002	286.38
02/15/2000	OS0202	02/12/2002	251.45	09/29/2000	OS0603	06/12/2003	457.62
02/15/2000	OS0203	02/12/2003	65.56	09/29/2000	OS0604	06/12/2004	889.86
02/15/2000	OS0204	02/12/2004	15.87	10/17/2000	PS1005	12/12/2005	153.48
02/21/2000	PS0205	02/12/2005	59.31	11/21/2000	PS1005	12/12/2005	153.04
03/16/2000	PS0205	02/12/2005	73.53	12/15/2000	PS1005	12/12/2005	134.06
03/31/2000	OS0202	02/12/2002	732.27	01/23/2001	PS1005	12/12/2005	89.30
03/31/2000	OS0203	02/12/2003	140.06	02/26/2001	PS0206	02/12/2006	46.55
03/31/2000	OS0204	02/12/2004	411.19	03/23/2001	PS0206	02/12/2006	28.15
04/18/2000	PS0205	02/12/2005	70.22	04/23/2001	PS0206	02/12/2006	34.43
04/28/2000	OS0202	02/12/2002	314.02	05/25/2001	PS0506	05/12/2006	28.18
04/28/2000	OS0204	02/12/2004	113.19	06/25/2001	PS0506	05/12/2006	23.31
05/24/2000	DS0509	05/24/2009	149.85	07/25/2001	PS0506	05/12/2006	41.44
05/31/2000	OS0202	02/12/2002	1,226.05	08/24/2001	PS0506	05/12/2006	14.95
05/31/2000	OS0203	02/12/2003	32.21	09/21/2001	PS0506	05/12/2006	10.30
05/31/2000	OS0204	02/12/2004	94.34	10/19/2001	PS0506	05/12/2006	11.82
06/21/2000	PS0605	06/12/2005	92.46	11/23/2001	PS1106	11/12/2006	24.47
06/30/2000	OS0602	06/12/2002	184.49	12/21/2001	PS1106	11/12/2006	29.80
06/30/2000	OS0603	06/12/2003	42.09		in 1999		295.78
07/21/2000	PS0605	06/12/2005	197.02		in 2000		7,845.85
07/31/2000	OS0602	06/12/2002	331.24		in 2001		382.69
07/31/2000	OS0603	06/12/2003	419.32		TOTAL:		8,524.31

#### 2.4.3. Issue of Treasury bonds for conversion of the debt towards trade unions

On August 13<sup>th</sup>, 2001, acting pursuant to the Act of March 29<sup>th</sup>, 2001 on principles and forms of setting the State Treasury Debt arising due to decisions of the Social Re-vindication Commission (Journal of Laws No. 42, item 470), the Minister of Finance issued 2-year zero coupon bonds KO0802 to compensate the assets lost by the trade unions and social organizations during the martial law. Organizations indebted to the State Treasury according to the decision of the Social Re-vindication Commission spoken about in Art.5 of the Law of October 25<sup>th</sup>, 1990 become entitled to those securities. A characteristic of the KO0802 was identical to the OK0802 bonds sold at auctions. Both series were funged and since August 15<sup>th</sup>, 2001 they functioned under the code OK0802. Total value of the securities issued for social organizations within the subject matter conversion amounted to PLN 190.9 mn.

#### 2.5. Issue of Non-marketable Treasury Securities

The issues of non-marketable Treasury securities are the issues designed to cover existing debts of the State Treasury and to enable the State Treasury to raise new debts outside the financial market. The State Treasury serviced three types of such issues at the end of 2001. their characteristic is presented in the table below.

Table 16. Non-marketable Treasury Securities serviced on the domestic market in 2001.

	USD-denominated bonds	Restructuring Bonds	Bonds to increase BGŻ S.A. own funds *
Issue date	01/01/1991	Series A – 07/30/1993 Series B – 12/16/1993 Series C – 12/29/1993 Series D – 11/21/1994	I tranche 09/23/1996 II tranche 12/19/1996
Issue face value	5,453 USD million	Series A – PLN 1,100 mn Series B – PLN 573.4 mn Series C – PLN 426.6 mn Series D – PLN 1,900 mn each of the series is made up of 28 principal installments	I tranche: PLN 600 mn II tranche: PLN 100 mn each of the tranches is made up of 28 principal installments
Face value of one bond	USD 1 mn and 10 mn, in 25 series	1,000 PLN	1,000 PLN
Maturity	From 1 to 13 years depending on the series number	From 1.5 to 15.5 years depending on the number of the principal installment	From 1.5 to 15.5 years depending on the number of the principal installment

Redemption date	from 1/04/1992 to 1/04/2004	A - from 01/31/1995 to 07/31/2008 B - from 06/17/1995 to 12/17/2008 C - from 06/30/1995 to 12/30/2008 D - from 05/22/1996 to 11/22/2009	I tranche from 03/24/1998 to 09/24/2011 II tranche from 06/20/1998 to 12/20/2011
Principal and interest paid	Semiannually	Semiannually	Semiannually
Interest form	Floating: reference rate (arithmetic average 6-month for USD credits in a given semi-annual interest period) + margin (2pp in 1991-1995 and 0.5 pp since 1996)	Floating: arithmetic average of NBP rediscount rate for a semi-annual interest period; paid interest – 5% buy-back principal, remaining accrued interest increases every time the principal subject to redemption (capitalization of interest)	Floating: arithmetic average of NBP rediscount rate for 6-month interest period; paid interest – ½ of the rate of accrued interest, remaining accrued interest increase every time the principal subject to redemption (capitalization of interest)
Issue form	paper (material), bearer	batch slip for an issue of a given series; registered within first 3 years since issue date, bearer afterwards	batch slip, registered within first 3 years since issue date, bearer afterwards
Availability to secondary market investors	No limitations, secondary market does not virtually exist	Available for purchase only for domestic banks and financial institutions and also to the State Treasury; secondary market does not exist virtually	Available for purchase only for domestic banks and financial institutions and also to the State Treasury; secondary market does not exist virtually
Debt value (nominal) at the end of 2001.	USD 1,093 mn (PLN 4,357 mn)	PLN 6,148.0 mn	PLN 795.2 mn

### 3. SECONDARY MARKET OF TREASURY SECURITIES

#### 3.1. Secondary market of Treasury bills

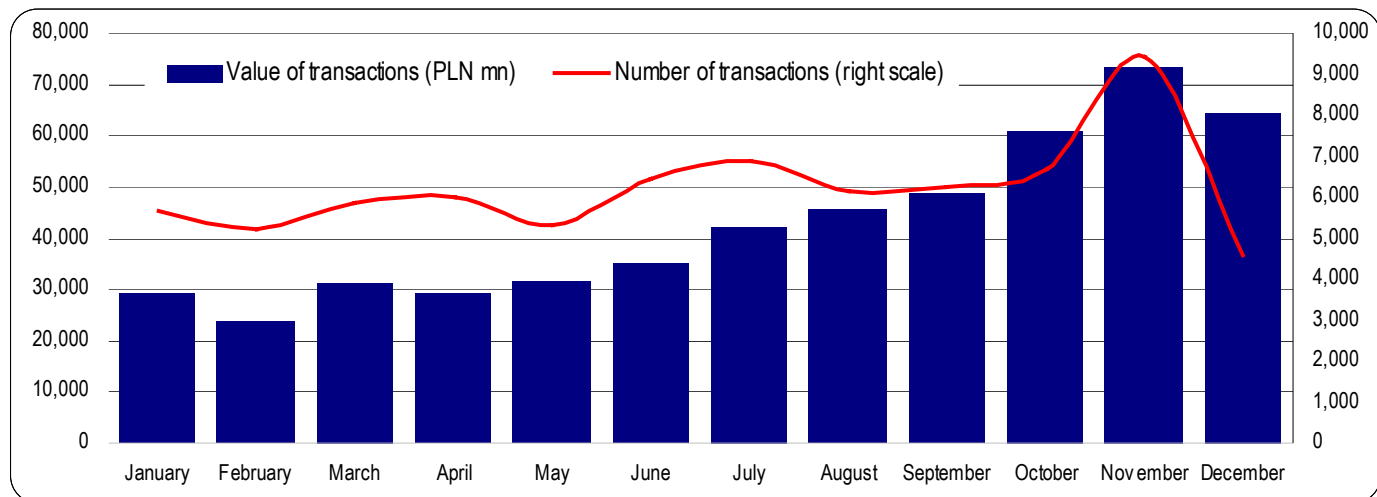
Secondary trading of T-bills is effected only on the non-regulated interbank market. Transactions register and their settlement are handled by the NBP Central Registry of Treasury bills (CRTB).

74,417 transactions of total face value PLN 516,327 mn were concluded on the secondary market in 2001.

Table 17. Value of transactions concluded on the T-bills secondary market in 2001 (PLN mn)

	January	February	March	April	May	June	July	August	September	October	November	December	Total
Value of transactions	29,413	23,887	31,207	29,440	31,544	35,304	42,196	45,814	48,900	60,808	73,394	64,420	516,327
Number of transactions	5,681	5,205	5,859	6,007	5,321	6,415	6,878	6,168	6,225	6,672	9,395	4,591	74,417

Chart 9. Value of transaction concluded on the T-bills secondary market in 2001 (PLN mn)



#### 3.2. Secondary market of Treasury bonds

Trading on the secondary market for Treasury bonds is performed on two markets: non-regulated interbank market and on regulated market of Warsaw Stock Exchange. Majority of the trading takes place on the non-regulated market. 5-year fixed rate bonds are objects of the majority of transactions.

Table 18. Value of transactions concluded on the Treasury bonds secondary market in 2001 (PLN mn)

	January	February	March	April	May	June	July	August	September	October	November	December	Total
Value of transactions	48,670	48,313	45,059	39,101	40,904	44,567	51,053	52,865	54,520	78,011	75,427	43,059	621,548
Number of transactions	4,646	4,216	3,812	5,802	3,148	3,681	4,396	4,567	4,678	6,480	6,713	3,402	55,541

Chart 10. Total value of transactions on the Treasury bonds secondary market in 2001 (PLN mn)

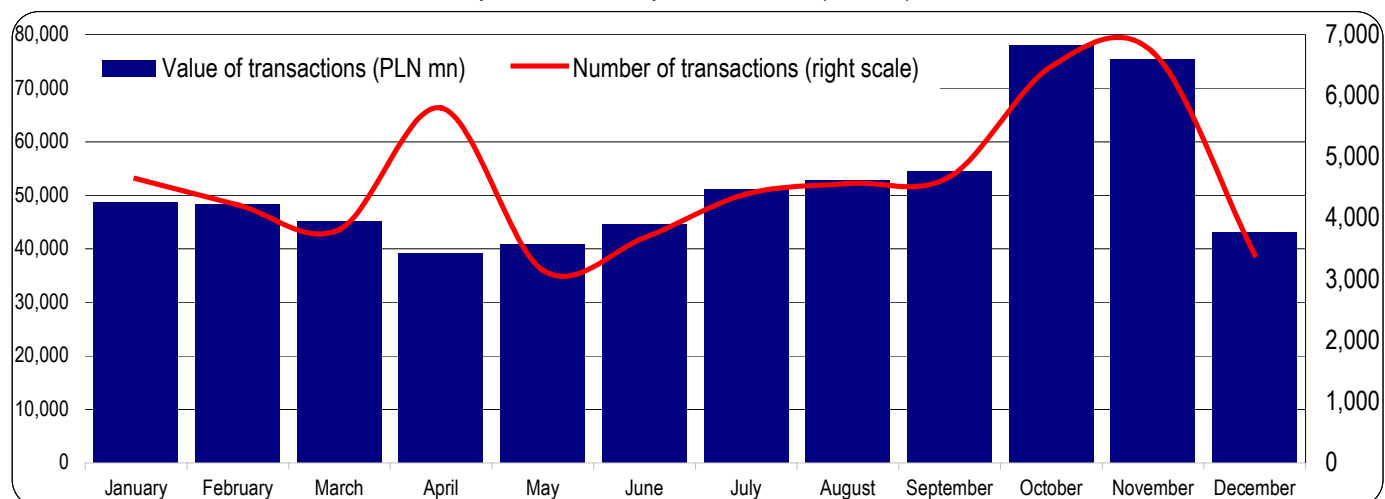


Table 19. Value of transactions on the fixed coupon Treasury bonds secondary market in 2001 (PLN mn)

		January	February	March	April	May	June	July	August	September	October	November	December	Total
2-year	Value	8,118	6,080	7,165	10,439	10,084	13,424	11,459	11,624	8,834	14,230	10,402	4,924	116,783
	Number	636	508	522	1,156	667	925	780	863	741	1,116	414	907	9,235
5-year	Value	32,972	36,683	30,277	23,770	25,186	24,923	33,760	36,743	39,466	50,191	51,167	29,109	414,246
	Number	3,468	3,277	2,725	3,912	2,074	2,340	3,166	3,262	3,420	4,533	4,867	2,479	39,523
10-year	Value	2,720	1,731	3,539	2,052	2,506	3,629	3,068	1,194	2,330	4,254	4,164	2,036	33,221
	Number	318	201	311	374	202	237	255	148	159	414	150	337	3,106

Chart 11. Value of transactions on the fixed coupon Treasury bonds in 2001 (PLN mn)

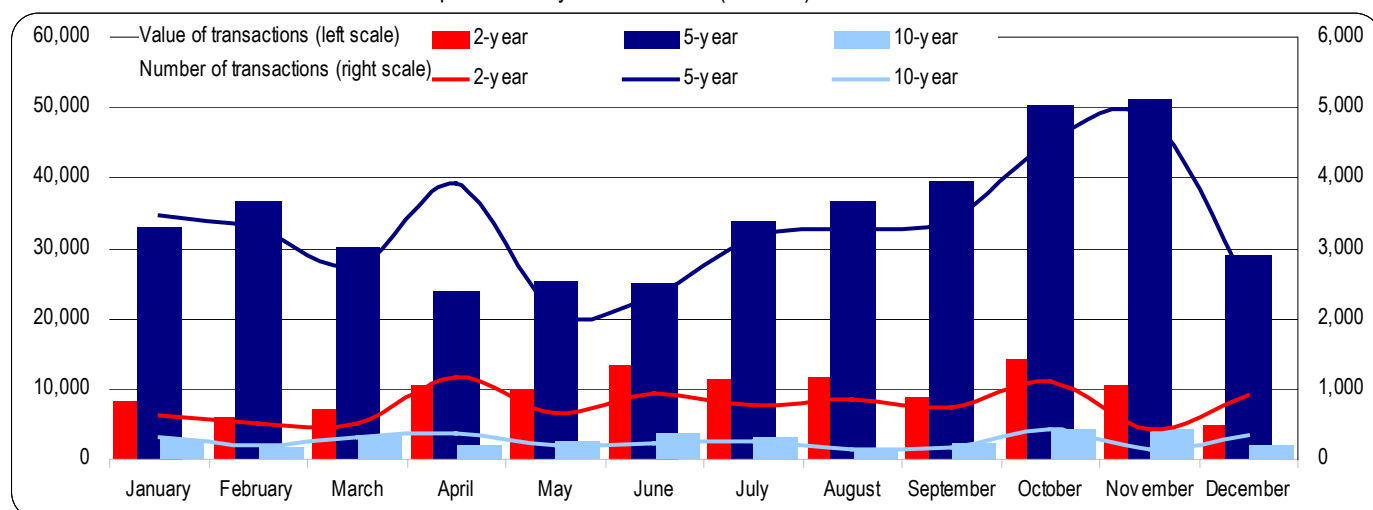
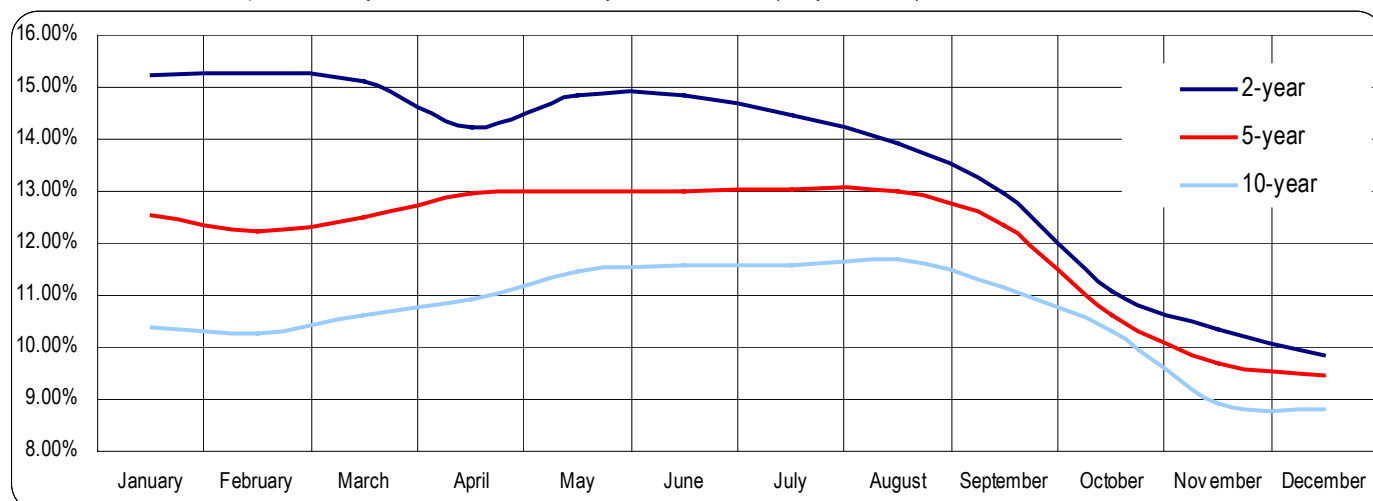


Chart 12. Yield on fixed coupon Treasury bonds on the secondary market in 2001 (bid yield, eom)

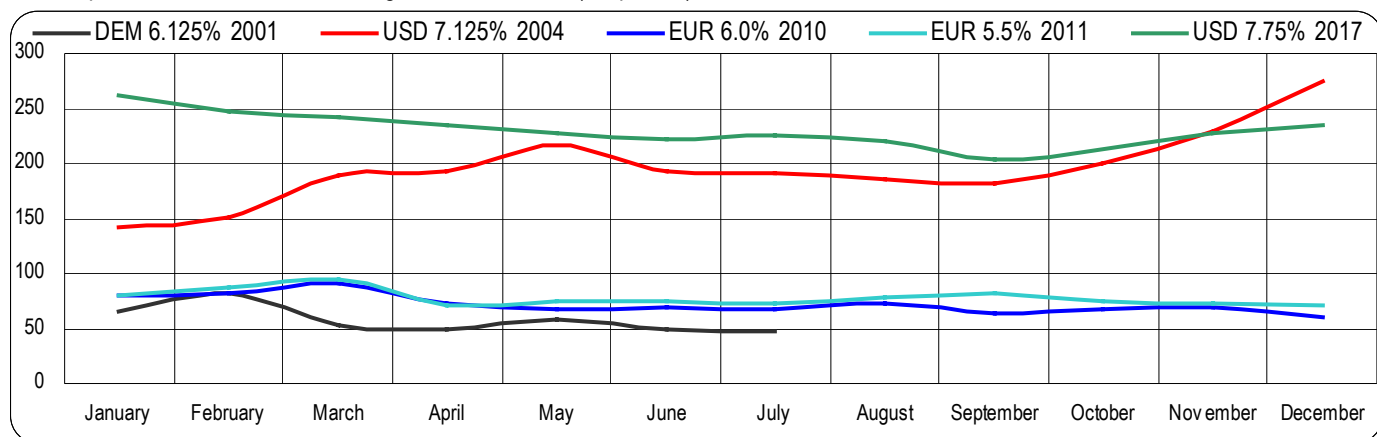


### 3.3. Secondary market for Treasury Securities issued on the international market

The foreign bonds issued by the State Treasury in 1995 –2001 as well as the Polish Brady Bonds are registered at the foreign stock exchanges. However, trading of those securities is concentrated on non-regulated interbank markets that are characterized by significant level of deregulation and decentralization and also by a big number of institutions actively participating in transactions. Those features of the interbank market makes it difficult to monitor and, in practice, the only bond parameter that can be observed and can be used to describe a bond's performance is the margin (so-called spread) above the base i.e., the yield of bonds of similar maturity as considered to be the safest.

Settlements of the Foreign Bonds transactions are effected in two systems: for the US investors by a specialized financial institution, the Depository Trust Company and in the case of investors from outside the US by two European clearing institutions: Euroclear and Clearstream.

Chart 13. Spread of bonds issued for foreign markets in 2001 (in bp, eom)



## 4. STATE TREASURY DEBT

Table 20. State Treasury debt by place of issue (PLN mn)

	December 1999	December 2000	December 2001
<b>State Treasury debt</b>	<b>264,370.3</b>	<b>266,816.8</b>	<b>283,937.5</b>
<b>I. Domestic debt of State Treasury</b>	<b>134,676.2</b>	<b>145,981.6</b>	<b>185,028.4</b>
1. Debt from TS	113,275.2	132,984.4	176,048.4
1.1. Marketable TS	97,557.1	117,505.2	158,689.9
1.1.1. Treasury bills	26,980.2	23,442.3	35,215.6
1.1.2. Treasury bonds issued on the domestic market	70,577.0	94,062.8	123,474.3
1.2. Saving bonds	494.0	1,953.4	6,058.3
1.3. Non-marketable TS	15,224.0	13,525.8	11,300.1
2. Other State Treasury debt	21,401.0	12,997.2	8,980.0
<b>II. Foreign debt of the State Treasury</b>	<b>129,694.1</b>	<b>120,835.2</b>	<b>98,909.1</b>
1. Debt from TS	25,239.1	22,536.9	23,366.4
2. Debt from loans	104,455.0	98,298.2	75,542.7

Table 21. State Treasury debt by resident (PLN mn)

	December 1999	December 2000	December 2001
<b>State Treasury debt</b>	<b>365,765.5</b>	<b>393,861.7</b>	<b>457,013.8</b>
<b>I. Domestic debt of State Treasury</b>	<b>204,129.8</b>	<b>219,154.0</b>	<b>298,933.6</b>
1. Debt from TS	188,905.7	205,628.2	287,633.5
1.1. Marketable TS	184,562.3	201,590.5	278,734.4
1.1.1. T-bills	94,205.9	101,837.4	140,787.6
1.1.2. Treasury bonds issued on the domestic market	26,380.5	22,786.2	34,283.0
1.1.3. Brady Bonds issued on the foreign market	63,975.9	76,966.9	103,663.8
1.2. Savings bonds	3,849.5	2,084.2	2,840.8
1.3. Non-marketable bonds	494.0	1,953.4	6,058.3
2. Other State Treasury debt	15,224.0	13,525.8	11,300.1
<b>II. Foreign debt of the State Treasury</b>	<b>161,635.7</b>	<b>174,707.7</b>	<b>158,080.1</b>
1. Debt from TS	35,791.1	55,956.7	62,011.8
1.1. Marketable TS	35,791.1	55,956.7	62,011.8
1.1.1. T-bills	28,590.4	38,204.7	41,268.7
1.1.2. Treasury bonds issued on the domestic market	599.6	656.1	932.6
1.1.3. Brady Bonds issued on the foreign market	6,601.1	17,095.9	19,810.5
2. Debt from loans	21,389.6	20,452.7	20,525.6
3. Other debt	104,455.0	98,298.2	75,542.7

Table 22. State Treasury debt by place of issue and by instrument (nominal, PLN mn)

	December 1999	December 2000	December 2001
<b>State Treasury debt</b>	<b>264,370.3</b>	<b>266,816.8</b>	<b>283,937.5</b>
<b>I. State Treasury Domestic debt</b>	<b>134,676.2</b>	<b>145,981.6</b>	<b>185,028.4</b>
<b>1. Debt from TS</b>	<b>113,275.2</b>	<b>132,984.4</b>	<b>176,048.4</b>
<b>1.1. Marketable TS</b>	<b>97,557.1</b>	<b>117,505.2</b>	<b>158,689.9</b>
Treasury bills	26,980.2	23,442.3	35,215.6
Treasury bonds	70,577.0	94,062.8	123,474.3
<b>Fixed-rate marketable bonds</b>	<b>52,681.1</b>	<b>75,411.8</b>	<b>97,526.0</b>
1-year fixed rate bonds	1,669.3	0.0	
2-year zero coupon bonds	1,681.2	11,711.7	21,973.8
fixed rate bonds up to 5-year	31,515.8	42,111.6	51,935.9
5-year fixed rate retail bonds			384.8
10-year fixed rate bonds	1,375.7	5,149.5	9,049.5
60% internal state loan bonds	0.1		
2-year zero coupon bonds – converted <sup>1)</sup>	4,133.9	4,133.9	1,877.1
3-year fixed rate bonds - converted <sup>1)</sup>	3,076.3	3,076.3	3,076.3
4-year fixed rate bonds - converted <sup>1)</sup>	3,076.3	3,076.3	3,076.3
5-year fixed rate bonds - converted <sup>1)</sup>	3,076.3	3,076.3	3,076.3
10-year fixed rate bonds – converted <sup>1)</sup>	3,076.3	3,076.3	3,076.3
<b>Floating-rate marketable bonds</b>	<b>17,895.9</b>	<b>18,651.1</b>	<b>25,948.3</b>
1-year floating rate bonds	263.9	0.0	
3-year floating rate bonds	10,918.4	10,684.9	8,061.5
floating rate bonds up to 10-year	6,712.3	7,966.1	9,356.1
so-called exchangeable for shares bonds	1.2	0.1	
USD-denominated bonds '01 <sup>2)</sup>			8,530.7
<b>1. 2. Saving bonds</b>	<b>494.0</b>	<b>1,953.4</b>	<b>6,058.3</b>
2-year savings bonds	471.2	1,460.9	5,168.7
4-year savings bonds	22.7	492.6	889.6
<b>1.3. Non-marketable bonds</b>	<b>15,224.0</b>	<b>13,525.8</b>	<b>11,300.1</b>
restructuring bond	6,161.1	6,402.6	6,148.0
bonds to increase BGŻ bank's own funds	911.6	788.3	795.2
USD-denominated bonds '91 <sup>3)</sup>	8,151.4	6,335.0	4,357.0
<b>2. Other State Treasury debt</b>	<b>21,401.0</b>	<b>12,997.2</b>	<b>8,980.0</b>
current settlements with banks <sup>4)</sup>	582.1	41.4	
advances on cars	4.2	3.7	3.6
due debts	9,144.2	2,484.1	728.0
debt from freezing of salaries in public sector	11,670.4	9,564.5	7,337.0
debts to trade unions <sup>5)</sup>	-	158.4	7.1
Labor Fund debt <sup>6)</sup>	-	745.1	904.3
<b>II. Foreign debt of the State Treasury</b>	<b>129,694.1</b>	<b>120,835.2</b>	<b>98,909.1</b>
<b>1. Debt from TS</b>	<b>25,239.1</b>	<b>22,536.9</b>	<b>23,366.4</b>
Brady Bonds	22,009.6	18,074.3	16,136.8
International Bonds	3,229.5	4,462.6	7,229.6
<b>2. Debt from loans</b>	<b>104,455.0</b>	<b>98,298.2</b>	<b>75,542.7</b>
Loans in exchangeable currencies	104,455.0	98,298.2	75,542.7
Paris Club creditors	94,579.6	87,724.8	64,987.7
International Financial Institutions, of which:	8,548.0	9,572.9	9,795.9
the World Bank	6,867.5	7,260.1	6,934.0
Other creditors	1,327.5	1,000.6	759.1
Exchange rate used for calculations (1PLN/1USD) ( fixing NBP)	4.1483	4.1432	3.9863

1) Resulting from conversion of non-marketable liabilities of Polish State Budget to NBP into marketable bonds, converted in September 1999 and December 1999.

2) Bonds issued (USD 2,140 mn) for premature redemption of Polish debt towards Brazil

3) This bond was issued in 1991 to formalize the State Budget debt in regards to four domestic banks, by virtue of the fact that these bank's' foreign currency deposits were used in 1980s to meet the needs associated with balance of payments.

4) Starting March 2001 r. State Treasury debt resulting from current settlements with banks is presented in "due debts" position;

5) Debt to trade unions and social organizations arising from compensation of possessions lost due to imposition of martial law;

6) For loan raised with commercial banks.

Table 23. State Treasury domestic debt by place of issue by holder (nominal, PLN mn)

	National Bank of Poland			Domestic commercial banks			Non-banking domestic sector			Foreign investors			Total:		
	XII 1999	XII 2000	XII 2001	XII 1999	XII 2000	XII 2001	XII 1999	XII 2000	XII 2001	XII 1999	XII 2000	XII 2001	XII 1999	XII 2000	XII 2001
Domestic debt of State Treasury	19,330.3	16,781.6	18,169.0	57,457.2	49,901.8	59,144.1	50,687.8	61,546.2	86,972.2	7,200.7	17,752.0	20,743.1	134,676.2	145,981.6	185,028.4
Debt from TS	19,330.3	16,781.6	18,169.0	51,349.9	48,371.3	58,239.1	35,394.1	50,079.6	78,897.2	7,200.7	17,752.0	20,743.1	113,275.1	132,984.4	176,048.4
Marketable TS	16,439.0	14,217.0	16,259.6	39,017.2	37,410.1	48,848.3	34,900.2	48,126.1	72,838.9	7,200.7	17,752.0	20,743.1	97,557.1	117,505.2	158,689.9
Treasury bills				16,828.8	11,838.9	19,722.8	9,551.7	10,947.3	14,560.3	599.6	656.1	932.6	26,980.2	23,442.3	35,215.6
1-year fixed rate bonds				47.3			1,617.8			4.2			1,669.3		
1-year floating rate bonds							263.9						263.9		
2-year zero coupon bonds				924.7	4,159.3	7,729.0	99.7	3,484.5	9,821.9	656.8	4,067.9	4,422.9	1,681.2	11,711.7	21,973.8
3-year floating rate bonds				3,275.5	1,761.3	898.9	7,642.0	8,888.5	7,128.6	0.9	35.1	34.0	10,918.4	10,684.9	8,061.5
fixed rate bonds up to 5-year			1,820.8	15,299.5	16,361.9	14,729.1	10,530.0	14,445.7	22,464.5	5,686.3	11,304.1	12,921.4	31,515.8	42,111.7	51,935.9
5-year fixed rate retail bonds						22.4			362.3			0.1			384.8
10-year fixed rate bonds				412.7	166.5	254.3	738.4	3,294.9	6,617.8	224.6	1,688.1	2,177.3	1,375.7	5,149.5	9,049.5
Floating rate bonds up to 10-year				2,228.8	2,247.2	1,923.0	4,455.2	5,718.2	7,178.4	28.4	0.8	254.7	6,712.3	7,966.1	9,356.1
2-year zero coupon bonds – converted	4,133.9	3,280.9			460.5	1,176.2		392.5	700.8				4,133.9	4,133.9	1,877.1
3-year fixed rate bonds - converted	3,076.3	2,722.3	784.3		194.0	1,539.7		160.0	752.3				3,076.3	3,076.3	3,076.3
4-year fixed rate bonds - converted	3,076.3	2,733.3	1,383.3		205.4	732.6		137.6	960.4				3,076.3	3,076.3	3,076.3
5-year fixed rate bonds - converted	3,076.3	2,905.3	2,366.3		15.0	100.4		156.0	609.6				3,076.3	3,076.3	3,076.3
10-year fixed rate bonds - converted	3,076.3	2,575.3	1,374.3			20.1		501.0	1,681.9				3,076.3	3,076.3	3,076.3
60% internal state loan bonds							0.1						0.1		
so-called exchangeable for shares bonds							1.2	0.1					1.2	0.1	
USD-denominated bonds '01			8,530.7												8,530.7
Savings bonds							494.0	1,953.4	6,058.3				494.0	1,953.4	6,058.3
2-year savings bonds							471.2	1,460.9	5,168.7				471.2	1,460.9	5,168.7
4-year savings bonds							22.7	492.6	889.6				22.7	492.6	889.6
Non-marketable TS	2,891.4	2,564.6	1,909.4	12,332.7	10,961.2	9,390.7							15,224.0	13,525.8	11,300.1
USD-denominated bonds '91	2,891.4	2,564.6	1,909.4	5,260.0	3,770.3	2,447.6							8,151.4	6,335.0	4,357.0
bonds to increase BGŻ bank's own funds				911.6	788.3	795.2							911.6	788.3	795.2
restructuring bond				6,161.1	6,402.6	6,148.0							6,161.1	6,402.6	6,148.0
Other State Treasury debt				6,107.3	1,530.5	905.0	15,293.7	11,466.7	8,075.0				21,401.0	12,997.2	8,980.0
Labor Fund debt					745.1	904.3								745.1	904.3
due debts				5,525.2	744.1	0.7	3,619.1	1,740.0	727.3				9,144.2	2,484.1	728.0
advances on cars							4.2	3.7	3.6				4.2	3.7	3.6
debt from freezing of salaries in public sector							11,670.4	9,564.5	7,337.0				11,670.4	9,564.5	7,337.0
debts to trade unions								158.4	7.1					158.4	7.1
Current settlements with banks				582.1	41.4								582.1	41.4	

On Ministry of Finance website you may find data on State Treasury debt in following files:

State budget debt, by place of issue by instrument:

[http://www.mofnet.gov.pl/public\\_debt/doc/debt/debt\\_by\\_issue.xls](http://www.mofnet.gov.pl/public_debt/doc/debt/debt_by_issue.xls)

Domestic debt, by place of issue by holder:

[http://www.mofnet.gov.pl/public\\_debt/doc/debt/debt\\_domestic\\_by\\_issue.xls](http://www.mofnet.gov.pl/public_debt/doc/debt/debt_domestic_by_issue.xls)

State budget debt, by resident:

[http://www.mofnet.gov.pl/public\\_debt/doc/debt/debt\\_by\\_residents.xls](http://www.mofnet.gov.pl/public_debt/doc/debt/debt_by_residents.xls)

Domestic debt of the State Treasury in Treasury Securities - by instrument:

[http://www.mofnet.gov.pl/public\\_debt/doc/debt/debt\\_st\\_instruments.xls](http://www.mofnet.gov.pl/public_debt/doc/debt/debt_st_instruments.xls)

Domestic debt of the State Treasury in Treasury Securities - by holder:

[http://www.mofnet.gov.pl/public\\_debt/doc/debt/debt\\_st\\_holder.xls](http://www.mofnet.gov.pl/public_debt/doc/debt/debt_st_holder.xls)

## 5. INSTITUTIONAL STRUCTURE OF THE TREASURY SECURITIES MARKET

The legal operational basis of the main institutions of the public capital market and mainly the regulated market in Poland is the Law on Public Trading of Securities binding since 1998. The Law regulates public turnover of securities and other instruments introduced for public trading and also provides the rules of establishing, organization and supervision of entities active in trading. In case of the non-regulated market the standards in force are those generally recognized by the institutions creating that market. The following entities are organizationally involved in the Polish Treasury Securities Market:

The Minister of Finance acting on behalf of the State Treasury – the issuer of Treasury Securities,

- The National Bank of Poland – the issue agent of Treasury Securities offered on the domestic wholesale market, providing also cash service of the state budget,
  - The Polish Securities and Exchange Commission (PSEC) – institution responsible for control and supervision of the public securities markets and its institutions,
  - The National Depository for Securities (NDS) - Depository and settlements institution for securities including Treasury bonds,
  - The Central Brokerage House PeKaO S.A. (CBH Pekao S.A.) – issue agent of retail bonds sold in the retail net,
  - Bank Handlowy in Warsaw S.A. (BH) – payment agent of a part of the State Treasury foreign debt (including T-bonds) and agent servicing State Treasury debt arising from outstanding liabilities of health care units,
  - Domestic banks – main participants of the Treasury Securities market,
- Brokerage houses – entities intermediating on primary and secondary markets for securities,



- g) Institutions participating in foreign bond issues,
- h) The Warsaw Stock Exchange S.A. (WSE) – institution organizing regulated secondary market of Treasury bonds,
- i) The Polish Financial Exchange S.A. (PFE) – organizer of a free non-regulated secondary market for trading fixed rate Treasury bills and Bonds of selected series.

#### 5.1. Useful addresses

Ministry of Finance  
12 Świętokrzyska St., 12  
00 - 916 Warszawa  
tel: (4822) 694-55-55  
[www.mofnet.gov.pl](http://www.mofnet.gov.pl)

Warsaw Stock Exchange  
4 Książęca St.  
00 - 498 Warszawa  
tel: (4822) 628-32-32  
[www.kdpw.com.pl](http://www.kdpw.com.pl)

Centralna Tabela Ofert S.A.  
01-192 Warszawa  
Ul. Leszno 14  
tel. (4822) 535-69-00  
[www.ceto.pl](http://www.ceto.pl)

National Bank of Poland  
11/21 Świętokrzyska St.,  
00 - 049 Warszawa  
tel: (4822) 653-10-00  
[www.nbp.pl](http://www.nbp.pl)

Central Brokerage House PeKao SA  
18 Wołoska St.,  
02 - 675 Warszawa  
tel: (4822) 640-28-40, 640-26-40  
[www.cdmpekao.com.pl](http://www.cdmpekao.com.pl)

Polish Securities and Exchange Commission  
1 Plac Powstańców Warszawy  
00 - 009 Warszawa  
tel: (4822) 826-10-31  
[www.kpwig.gov.pl](http://www.kpwig.gov.pl)

National Depository for Securities  
4 Książęca St.,  
00-498 Warszawa  
tel: (4822) 537-95-88  
[www.kdpw.com.pl](http://www.kdpw.com.pl)