



MINISTRY OF FINANCE PUBLIC DEBT DEPARTMENT

JULY 2011

State budget borrowing requirements' financing plan and its background:

in the 3rd quarter of 2011

in July 2011

THE MOST IMPORTANT INFORMATION:

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The Ministry of Finance would like to inform that, as previously announced, on June 29th the National Bank of Poland released information on the revisions of the balance of payments.

Four balance of payments areas were identified as underlying reasons of persisting high negative errors and omissions and appropriate data for 2004-2010 were revised. The revisions were positively evaluated by the IMF (also involved in the revision process).

Above mentioned main revision areas are:

- current account: imports of used motor cars from EU and other revisions (incl. among others, damages, penalties, alimony, disability pensions, lottery winnings and data on income of foreigners employed in Poland),
- financial account: repurchase agreements (repo) and external assets of the nonfinancial sector.

Further details can be found here: http://www.nbp.pl/en/statystyka/bilans_platniczy/rev.pdf

Link to IMF's statement: <http://www.imf.org/external/np/sec/pr/2011/pr11263.htm>

1 General assumptions:

- in the third quarter of 2011 one T-bond sale auction each month is planned according to following agenda:
 - in July - auction of DS1021 series,
 - in August - auction of OK/PS series,
 - in September - auction of WS/WZ/IZ series,
- offer of T-bonds on the domestic market will depend on the market and budgetary situation and consultations with investors,
- T-bill sale auctions are not planned,
- offer and structure of T-bonds will take into account holding two auctions of bonds issued by BGK for the National Road Fund,
- this plan can be modified depending on the market situation.

2 Offer of T-bonds on the domestic market:

- sale auctions:

OK/PS T-bonds	DS T-bonds	WS / WZ / IZ T-bonds	Bonds issued by BGK
PLN 3.0-5.0bn (one auction)	PLN 1.0-3.0bn (one auction)	PLN 2.0-4.5bn (one auction)	up to PLN 5.0bn (two auctions)

- switch auctions: T-bonds to be repurchased are securities maturing from July 2011 to January 2012. The structure of sold T-bonds will result from the market situation and the offer structure on T-bond sale auctions in a given month.

3 Offer of T-bills:

- T-bill sale auctions are not planned,
- T-bill buy-back auctions: one auction is planned in July. T-bills to be repurchased are securities maturing in August 2011.

4 Retail bonds:

- As previously issued with yields equal to wholesale market yields less the spread.

5 Foreign financing:

- EUR 0.75bn loan from the World Bank, possibility of additional financing by loans from International Financial Institutions up to EUR 0.5bn,
- possibility of bond issuance on the core international markets in private placement system and in the public offering particularly as prefinancing of 2012 State budget foreign currency requirements.

6 T-bond and BGK bond auctions on the domestic market:

- sale auctions

Month	Auction date	Settlement date	Bond
July	21-07-2011*	2011-07-25	DS1021
	2011-07-27	2011-07-29	Bonds issued by BGK for the National Road Fund
August	2011-08-10	2011-08-12	OK / PS
	2011-08-24	2011-08-26	Bonds issued by BGK for the National Road Fund
September	22-09-2011*	2011-09-26	WS / WZ / IZ

* auction on Thursday

- switch auctions

Month	Auction date	Settlement date
July	07-07-2011*	2011-07-11
August	2011-08-03	2011-08-05
September	08-09-2011*	2011-09-12

* auction on Thursday

7 T-bill buy-back auction:

Month	Auction date	Settlement date
July	2011-07-11	2011-07-13

1 T-bond and BGK bond auctions

Auction date	Settlement date	Series	Planned offer (PLN m)
21 JUL 2011*	25 JUL 2011	DS1021	1,000-3,000
27 JUL 2011	29 JUL 2011	Bonds issued by BGK for the National Road Fund	1,000-2,500

* auction on Thursday

The final offer and the supply will be announced 2 days before the auction and will result from the market situation and consultations with investors.

The Minister of Finance and BGK is entitled to organize non-competitive auctions where bonds will be sold at auction average clean price.

2 T-bond switching auction

Auction/ settlement date	Settlement T-bonds	Source T-bonds	Outstanding (PLN m)
07 JUL 2011*/ 11 JUL 2011	WZ0115 / PS0416 / WZ0121	OK0711	12,770
		DZ0811	1,286
		WZ0911	15,837

* auction on Thursday

3 T-bill buy-back auction

Holding of T-bill buy-back auction is planned for July 11th, 2011. The list of repurchased T-bills will include securities maturing in August 2011. The face value of these T-bills amounts to PLN 5.6bn.

4 Oferta obligacji detalicznych

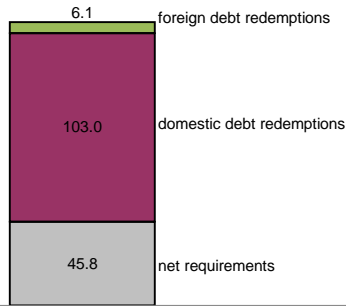
T-bond	Issue price	Coupon
DOS0713	100.00 PLN (99.90 PLN for rolling-over)	Fixed, 4.50%
TZ0514	99.90 PLN	Floating (0.95 * WIBOR 6M), 4.28% in the first coupon period
TZ0814*	99.80 PLN	Floating (0.95 * WIBOR 6M)
COI0715	100.00 PLN (99.90 PLN for rolling-over)	Floating (inflation rate + 2.50%), 5.00% in the first coupon period
EDO0721	100.00 PLN	Floating (inflation rate + 3.00%), 5.75% in the first coupon period

* T-bond exchange from July, 11-18

1 Gross borrowing requirements in 2011

Gross borrowing requirements in 2011

Total PLN 154.9bn*, of which:



Funding in the period of I-VI:

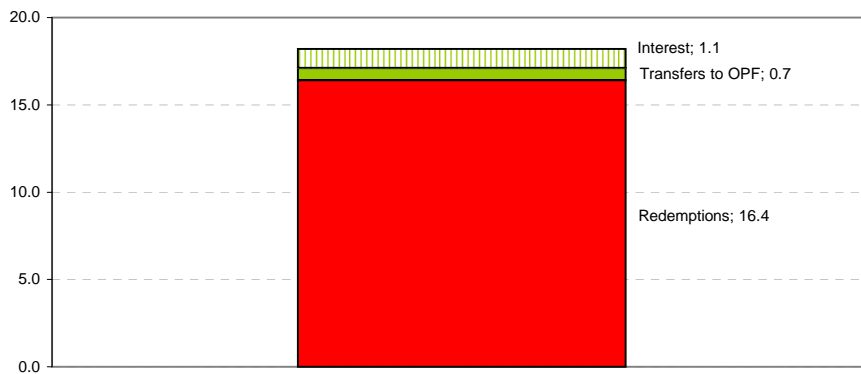
Total PLN 110.2bn (71%)**



Funding of borrowing requirements of 2011 reached 71%** which was a result of:

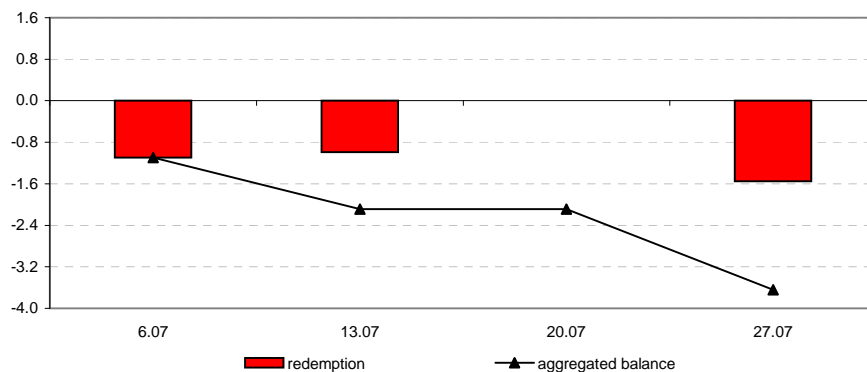
- Treasury bills buyback maturing in 2011: PLN 5.7bn,
 - rolling over of Treasury bonds by switch auctions in 2010: PLN 3.3bn,
 - higher than planned financial resources at the end of 2010: PLN 6.9bn
 - Treasury securities sale on domestic market: PLN 74.2bn,
 - Treasury bonds issuance on foreign markets: PLN 13.0bn
 - and loans incurred from IFIs: PLN 7.0bn.
- * the amount from the draft Budget Act for 2012, acc. to current estimations it is predicted to be significantly lower
 ** taking into account lower, borrowing requirements are are funded in more than 75%."

2 Flows of funds into the market related to T-bonds and T-bills and transfers to Open Pension Funds in July 2011 (PLN bn, as of June 30, 2011)



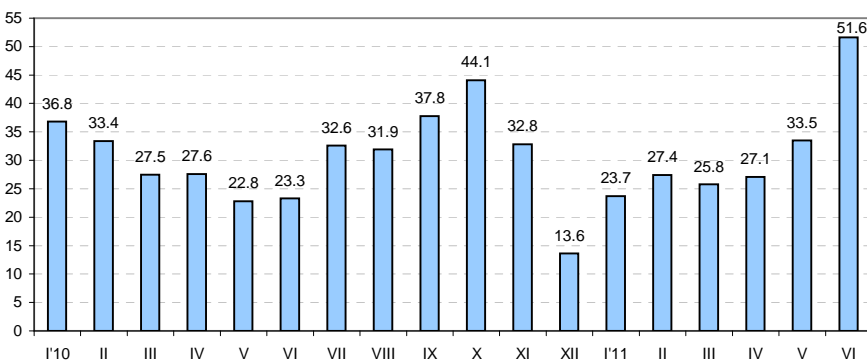
Flow of funds due to redemptions of Treasury Securities, interest payments and transfers from State budget to Open Pension Funds will amount to ca. PLN 18.2bn (OK0711 switching auction of July 7, 2011 is not included).

3 Sale and redemption of T-bills in July 2011 (settlement date, PLN bn)



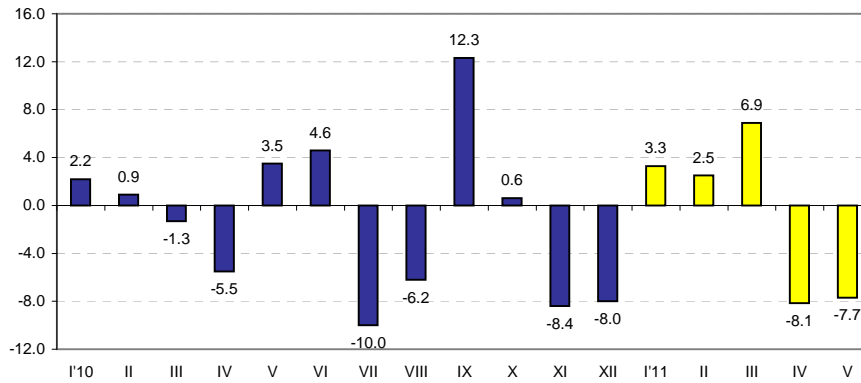
Assumed change of T-bills debt in July (by settlement date and with the buy-back auction excluded) will decrease by PLN 3.6bn.

4 Funds in PLN and in foreign currency held by MoF at the end of month (foreign currency funds include funds from debt issuance and received from the European Commission, PLN bn)



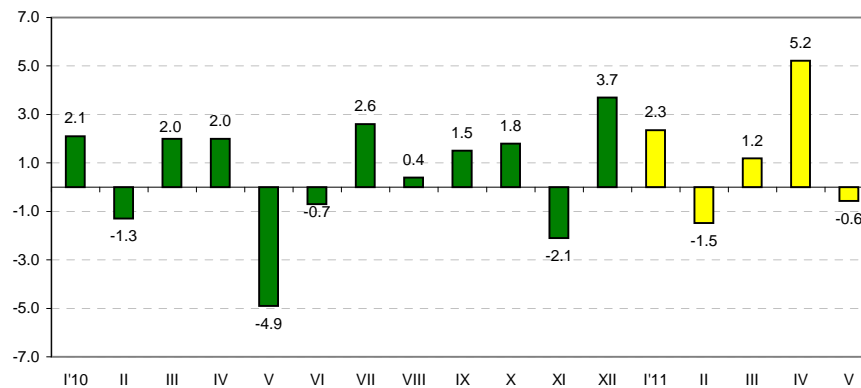
The funds ensure liquidity in borrowing needs financing.

5 Change of debt in domestic Treasury Securities held by banks (without BSB transactions with MoF; PLN bn)



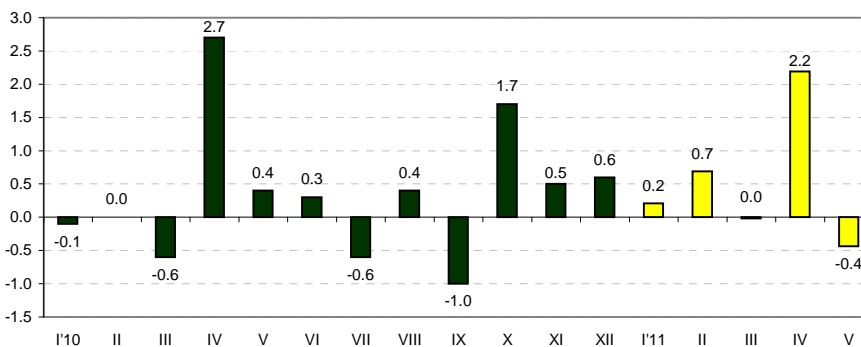
In the period of I-V 2011 debt held by domestic banks decreased by PLN 3.2bn comparing to PLN 0.2bn decrease during the same period of 2010.

6 Change of debt in domestic Treasury securities held by pension funds (PLN bn)



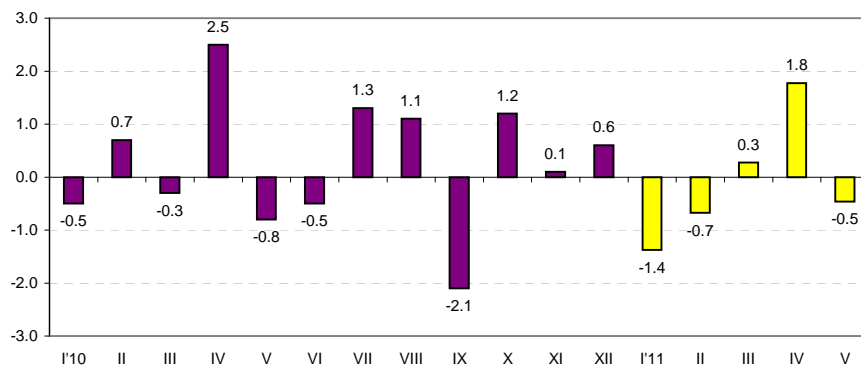
In the period of I-V 2011 debt held by pension funds increased by PLN 6.7bn comparing to PLN 0.1bn decrease during the same period of 2010.

7 Change of debt in domestic Treasury securities held by insurance companies (PLN bn)



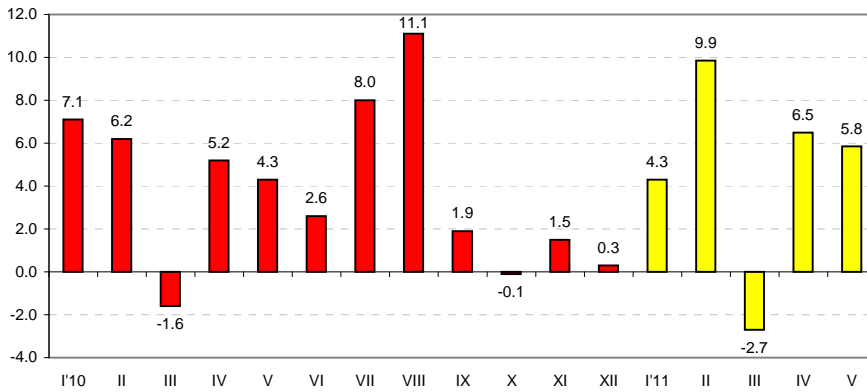
In the period of I-V 2011 there was an increase of PLN 2.6bn in debt held by insurance companies. During the same period of 2010 there was an increase of PLN 2.4bn.

8 Change of debt in domestic Treasury securities held by investment funds (PLN bn)



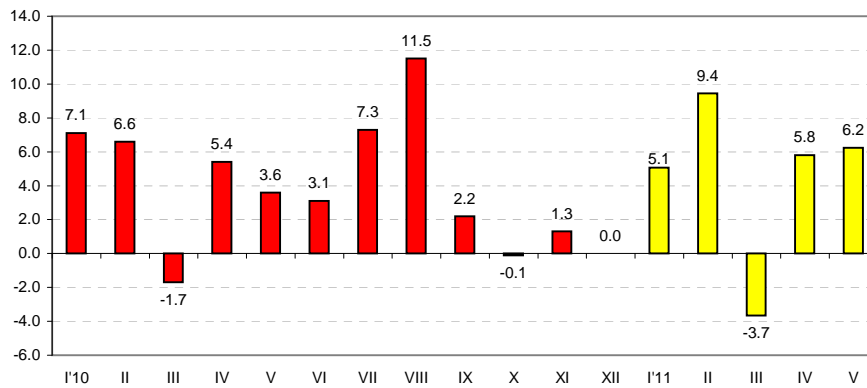
In the period of I-V 2011 there was a decrease of PLN 0.5bn in debt held by investment funds. During the same period of 2010 there was an increase of PLN 1.6bn.

9 Change of debt in domestic Treasury securities held by foreign investors (PLN bn)



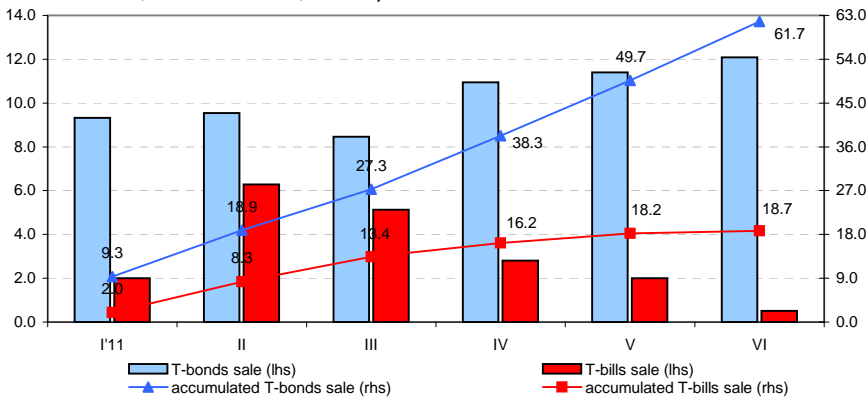
In the period of I-V of 2011 inflow of foreign capital to the domestic TS market amounted to PLN 23.8bn comparing to PLN 21.2bn increase in the same period of 2010. Foreign investors' holdings reached the record high level of PLN of 152.0bn.

10 Change of debt in domestic bonds held by foreign investors (PLN bn)



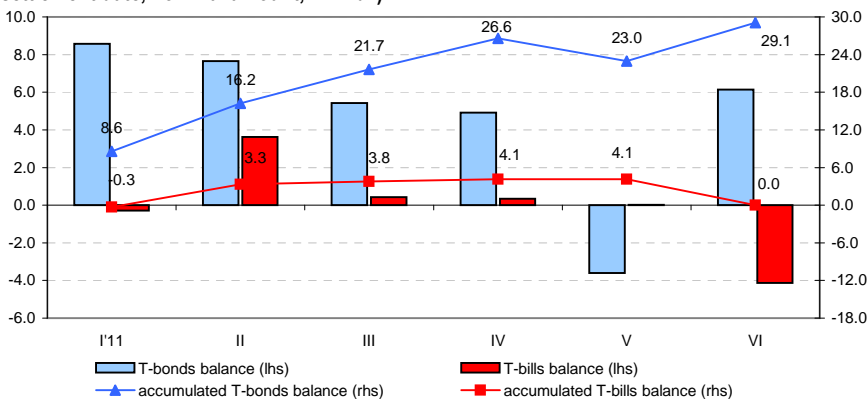
In the period of I-V of 2011 inflow of foreign capital to domestic bonds market amounted to PLN 22.9bn comparing to PLN 21.0bn increase in the same period of 2010. Foreign investors' holdings reached the record high level of PLN 147.6bn.

11 Sale of T-bonds and T-bills in the period of January - June 2011 (settlement date, nominal amount, PLN bn)



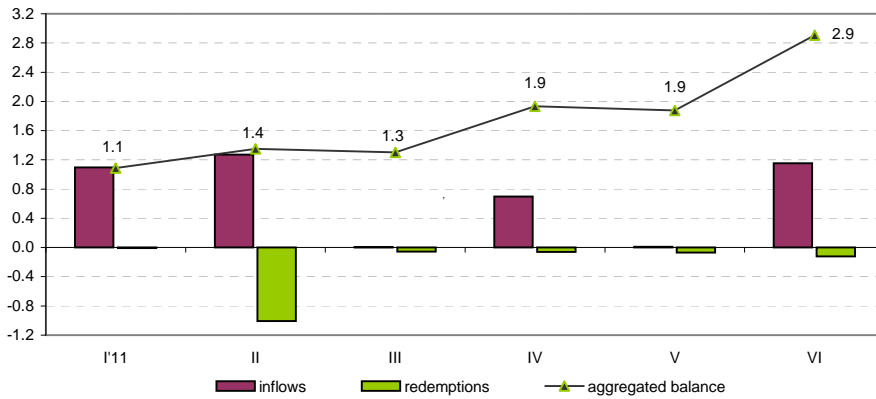
The structure of Treasury securities offered on domestic market in 2011 is dominated by T-bonds (76.7%).

12 Balance of T-bonds and T-bills in the period of January - June 2011 (settlement date, nominal amount, PLN bn)



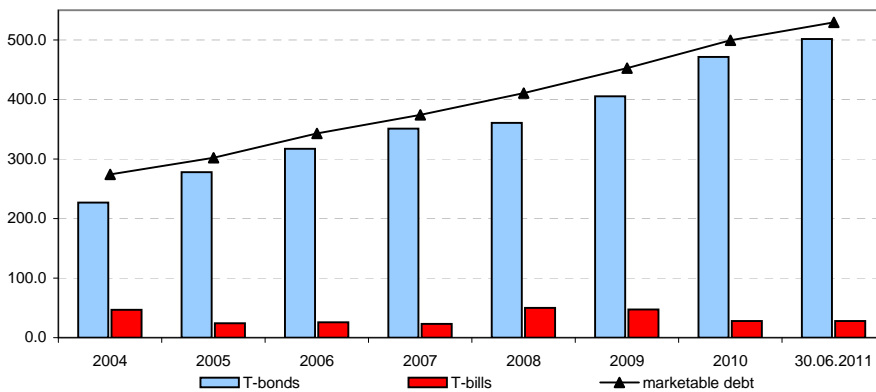
Indebtedness in T-bonds increased by PLN 29.1bn, whereas indebtedness in T-bills was stable.

13 External financing in the period of January - June 2011
(bonds issued on foreign markets and loans received from IFIs, EUR bn)



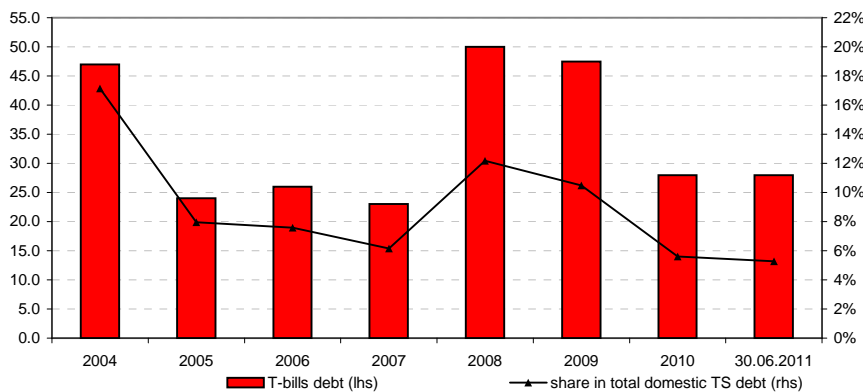
Net financing on foreign markets (bonds issuance and loans from IFIs) amounted to EUR 2.9bn. T-bonds issuance was EUR 3.2bn. Loans incurred from IFIs were at the level of EUR 1.0bn.

14 Structure of marketable debt in the years
(PLN bn)



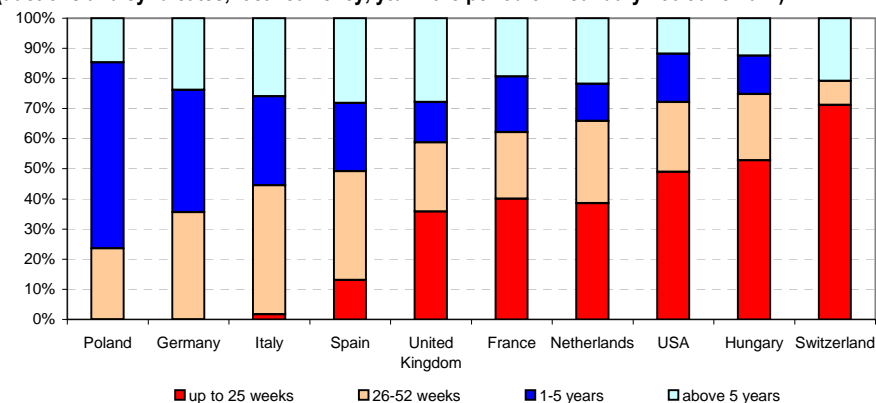
At the end of June 2011 the marketable domestic debt amounted to PLN 529.5bn comparing to PLN 499.3bn at the end of 2010.

15 T-bills outstanding
(PLN bn)



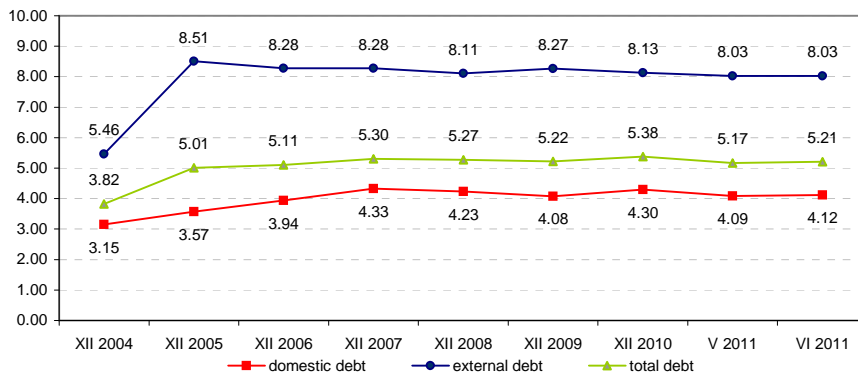
In the period of January - June 2011 indebtedness in T-bills was at the stable level. T-bills share in total domestic debt amounted to 5.3% which was historically record low level.

16 Maturity breakdown of T-securities sold in 2009 in Poland and other countries
(auctions and syndicates, local currency, ytd in the period of 1 January - 30 June 2011)



In terms of maturity, the sale of TS in Poland in 2011 is dominated by securities with maturity over 1 year.

17 Average maturity



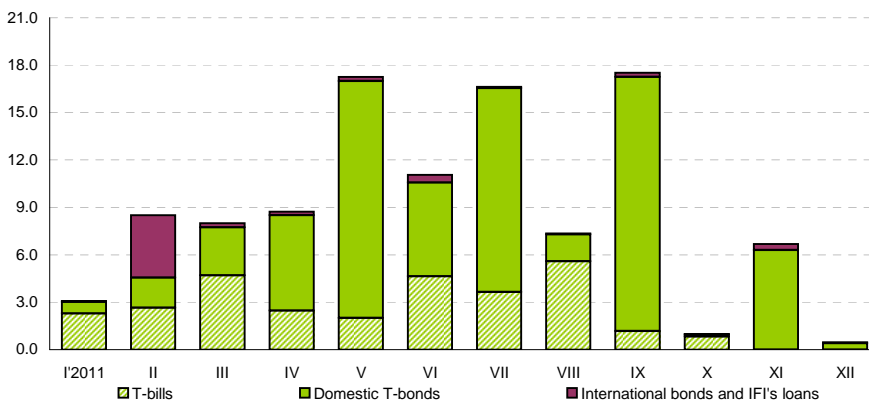
In June 2011 the average maturity of domestic debt was at 5.21, a slight decrease in comparison with the end-2010 figure.

18 Reducing refinancing risk connected with T-bonds' redemptions maturing in 2011 (switch auctions, PLN bn, as of 30 June 2011)



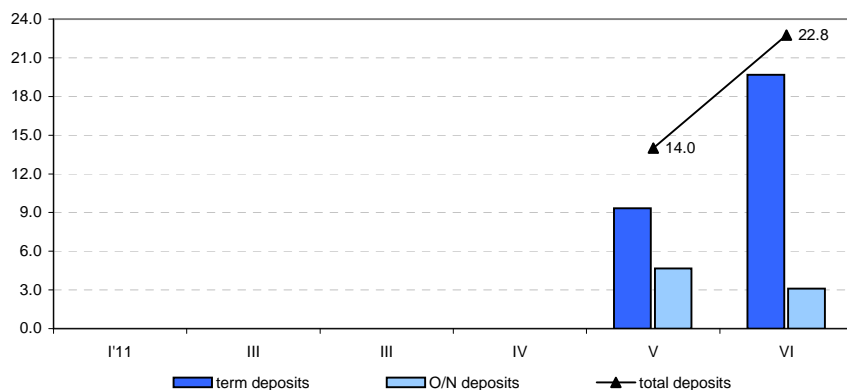
Buy-back of T-bonds maturing in 2011:
 - PS0511: PLN 12.1bn (51% of initial outstanding),
 - OK0711: PLN 6.8bn (35% of initial outstanding),
 - WZ0911: PLN 3.8bn (19% of initial outstanding).

19 State Treasury debt redemptions in 2011 (nominal amount, PLN bn, as of 30 June 2011)



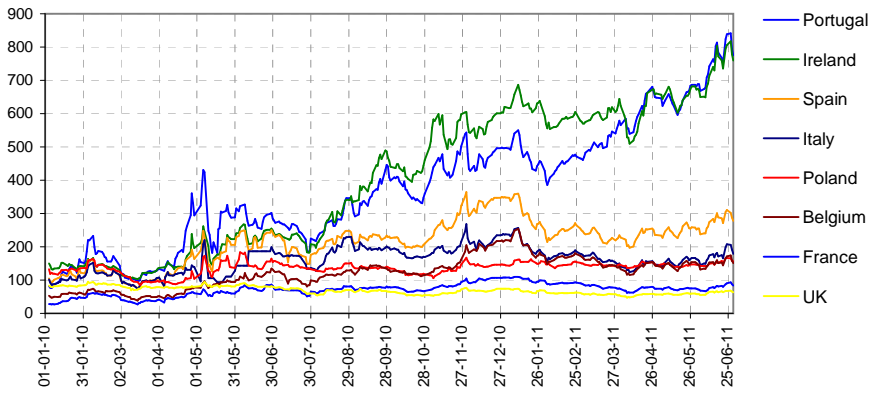
The nominal amount of debt to be redeemed in 2011 is equal to PLN 49.6bn, including:
 - T-bills: PLN 11.2bn
 - T-bonds on domestic market: PLN 37.5bn
 - bonds and loans incurred in foreign markets: PLN 0.9bn.

20 Consolidation of public finances liquidity management (PLN bn)



As a result of consolidation of public finances liquidity management there were PLN 22.8bn funds accumulated at the end of June, of which PLN 19.7bn was as term deposits and PLN 3.1bn on O/N deposits.

21 CDS levels (5-year, bp)



The level of Polish 5-year CDS contracts traded at the similar as the contracts for Italy or Belgium and still at essentially lower level in comparison to CDS contracts of the countries suffering financial troubles, e.g. Ireland or Portugal.

21 T-bonds issue on the USD market (reopening)

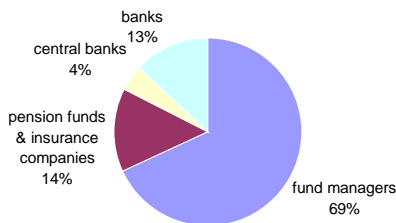
Issue summary:

Amount: USD 1bn (aggregate amount: USD 2bn)
 Maturity date: April 21, 2021
 Coupon: 5.125%
 Spread: 157.6 bp above the mid-swaps
 Yield: 4.713%
 Launch date: June 7, 2011
 Bookrunners: Citi, Goldman Sachs International and The Royal Bank of Scotland

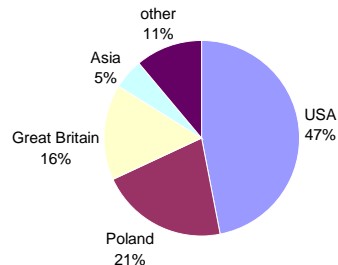
Market commentary:

IFR no 1887 (June 11, 2011):
 "Given the continued uncertainties in peripheral Europe, the demand for the tap underlines investors' perception of Poland as a strong and stable credit and demonstrates Poland's continued access to a receptive international investor base. It was an impressive trade given the market backdrop."
 EUROWEEK no 1208 (June 10, 2011):
 "The deal attracted a final book of US\$ 3.84bn, which comfortably allowed the deal to be priced at the tight end of the US Treasuries plus 170-175bp price range and 9bp tighter than original trade in late April."

Orderbook by investor type



Orderbook by geography



22 T-bonds issue on the JPY market (private placement reopening)

On June 27th, 2011 the Ministry of Finance priced a reopening of its 15-year Japanese Yen denominated bonds issued on January 26th, 2011. The value of the new issue amounts to JPY 10bn and therefore the aggregate nominal amount of the bond maturing on January 26th, 2026 reached JPY 28bn. The reopening yield was 3.00% which means the same level as the original issue in January.

The issue was executed under Republic of Poland's Euro Medium Term Note (EMTN) Programme as private placement. The lead manager on the transaction was Nomura International plc.