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## State budget borrowing requirements' financing plan and its background:

in November 2011

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### THE MOST IMPORTANT INFORMATION:

	<i>(page)</i>
➤ Detailed issuance calendar in November.....	2
➤ Borrowing requirements in 2011 funded in 101%.....	3
➤ T-bills historically record low share in total domestic debt.....	6
➤ Issuance of bonds denominated in USD.....	8

**1 T-bond and BGK bond auctions**

Auction date	Settlement date	Series	Planned offer (PLN m)
16 NOV 2011	18 NOV 2011	PS1016	1,000-3,500
23 NOV 2011*	25 NOV 2011	Bonds issued by BGK for the National Road Fund	up to 1,000

\* conditional auction, depending on the situation of the National Road Fund

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 are 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)
10 NOV 2011*/ 15 NOV 2011	The choice depending on the market conditions, from the following T-bonds: OK0114 / WZ0115 / WZ0121 / DS1021 / WS0429	DZ1111	2.855
		OK0112	21.206
		PS0412	26.640

\* auction on Thursday

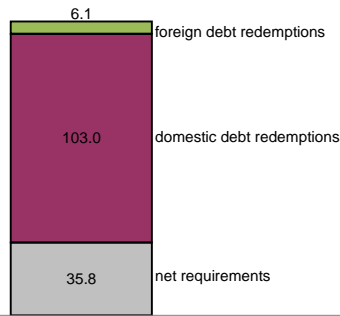
**3 Offer on the retail market**

T-bond	Issue price	Coupon
DOS1113	100.00 PLN (99.90 PLN for rolling-over)	Fixed, 4.50%
TZ1114	99.90 PLN	Floating (0.95 * WIBOR 6M), 4.65% in the first coupon period
COI1115	100.00 PLN (99.90 PLN for rolling-over)	Floating (inflation rate + 2.50%), 5.00% in the first coupon period
EDO1121	100.00 PLN	Floating (inflation rate + 3.00%), 5.75% in the first coupon period

**1 Gross borrowing requirements in 2011**

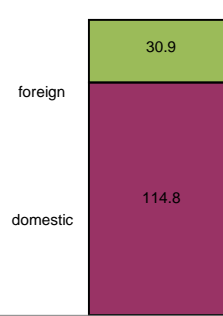
Gross borrowing requirements in 2011

Total PLN 144.9bn\*, of which:



Funding in the period of I-X:

Total PLN 145.7bn (101%)



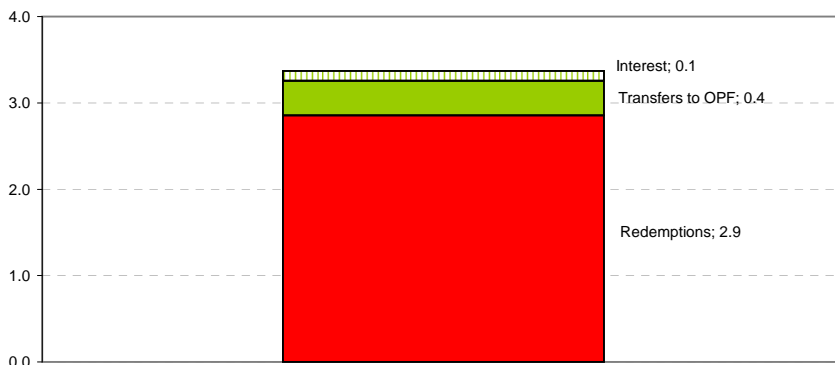
Funding of borrowing requirements of 2011 was a result of:

- 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 101.0bn,
- Treasury bonds issuance on foreign markets: PLN 19.8bn
- and loans incurred from IFIs: PLN 8.9bn.

\* the amount from the draft Budget Act for 2012, diminished by ca. PLN 10bn, i.e. predicted lower borrowing needs.

**2 Flows of funds into the market related to T-bonds and T-bills and transfers to Open Pension Funds in November 2011**

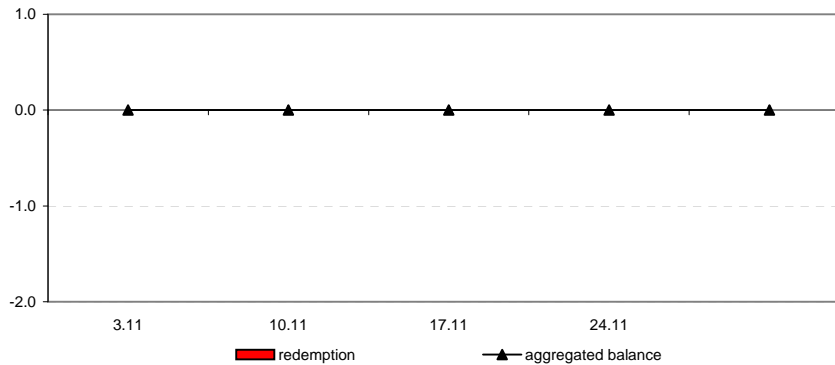
(PLN bn, as of November 31, 2011)



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 3.4bn (without switching auction of DZ111 as of 10.11.2011).

**3 Sale and redemption of T-bills in November 2011**

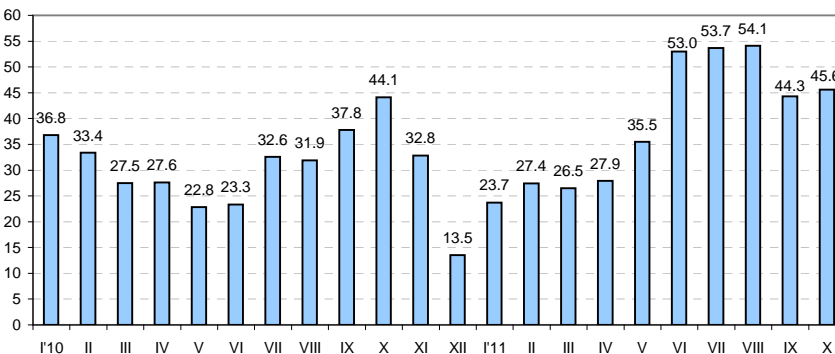
(settlement date, PLN bn)



No T-bills mature in November and no sale of T-bills is planned as a result of a good current budget standing. Thus no change in T-bills debt in November.

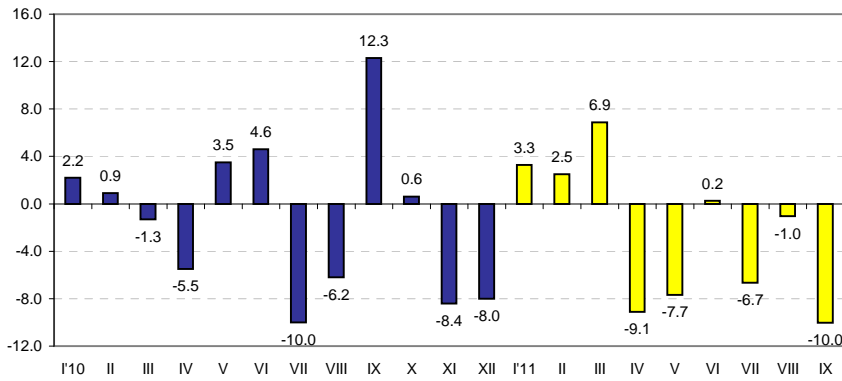
**4 Funds in PLN and in foreign currency held by MoF at the end of month**

(foreign currency funds include funds from debt issuance and received from the European Commission, PLN bn)



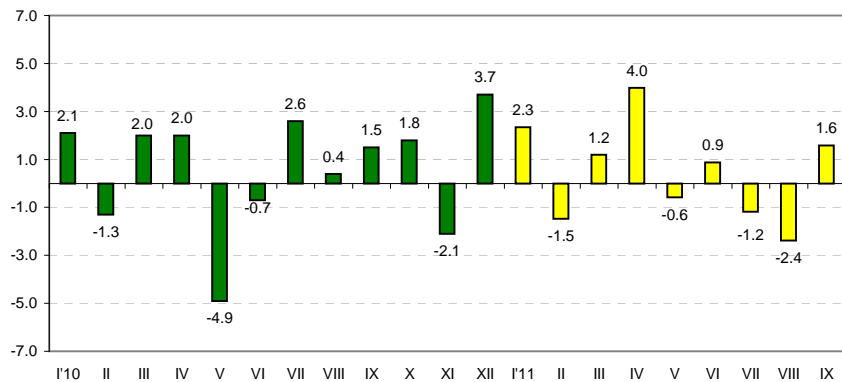
The funds ensure liquidity in borrowing needs financing.

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



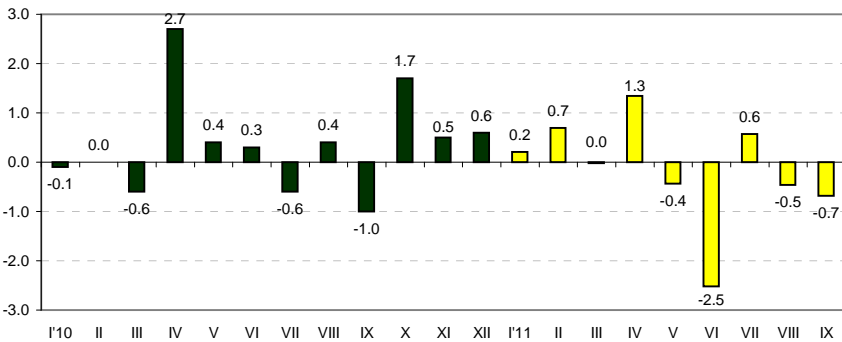
In the period of I-IX 2011 debt held by domestic banks decreased by PLN 21.6bn comparing to PLN 0.5bn increase during the same period of 2010.

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



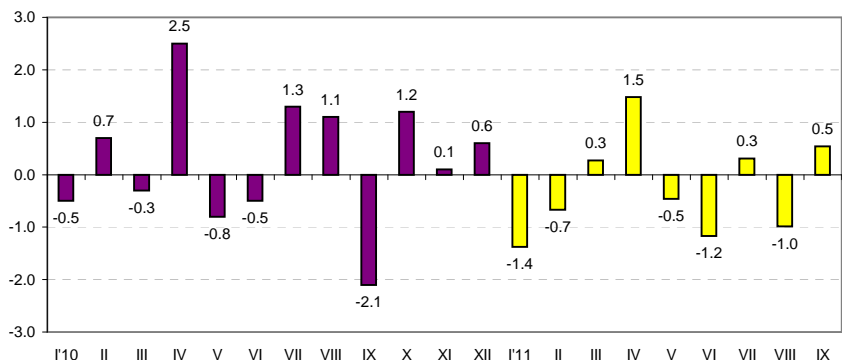
In the period of I-IX 2011 debt held by pension funds increased by PLN 4.4bn comparing to PLN 3.7bn decrease during the same period of 2010.

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



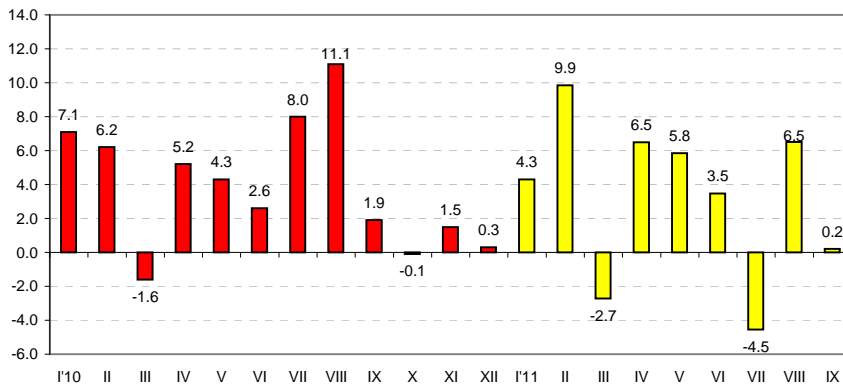
In the period of I-IX 2011 there was a decrease of PLN 1.3bn in debt held by insurance companies. During the same period of 2010 there was an increase of PLN 1.6bn.

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



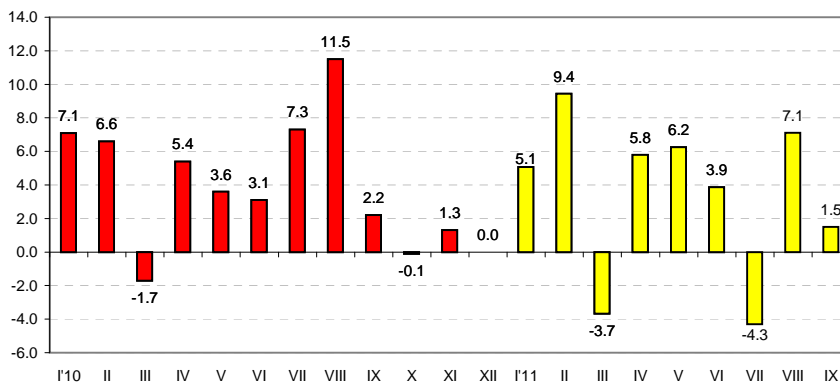
In the period of I-IX 2011 there was a decrease of PLN 2.1bn in debt held by investment funds. During the same period of 2010 there was an increase of PLN 1.4bn.

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



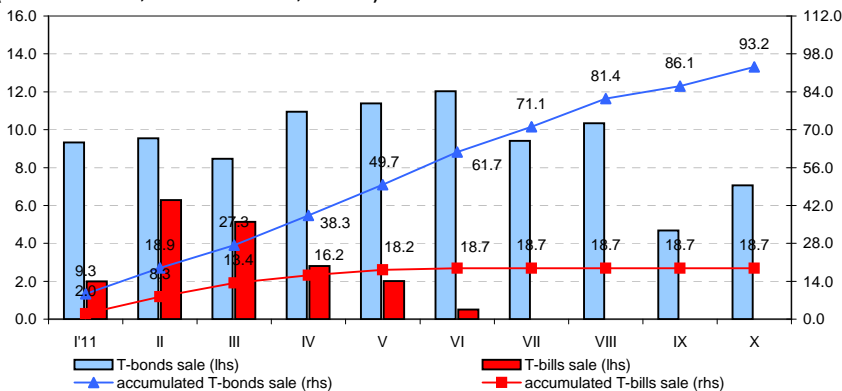
In the period of I-IX of 2011 inflow of foreign capital to the domestic TS market amounted to PLN 29.4bn comparing to PLN 44.8bn increase in the same period of 2010. Foreign investors' holdings reached the record high level of PLN of 157.7bn.

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



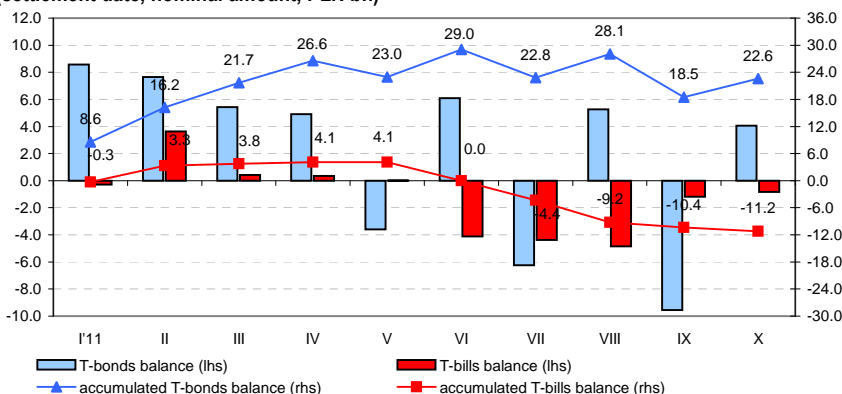
In the period of I-IX of 2011 inflow of foreign capital to domestic bonds market amounted to PLN 31.1bn comparing to PLN 45.1bn increase in the same period of 2010. Foreign investors' holdings reached the record high level of PLN 155.8bn.

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



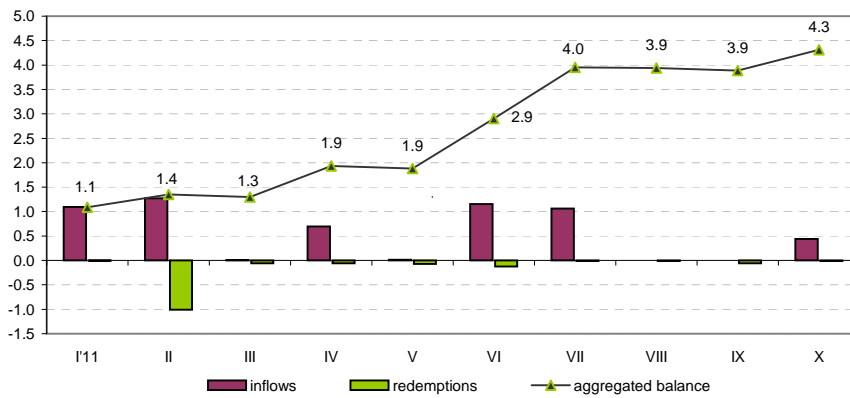
The structure of Treasury securities offered on domestic market in 2011 is dominated by T-bonds (83.3%).

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



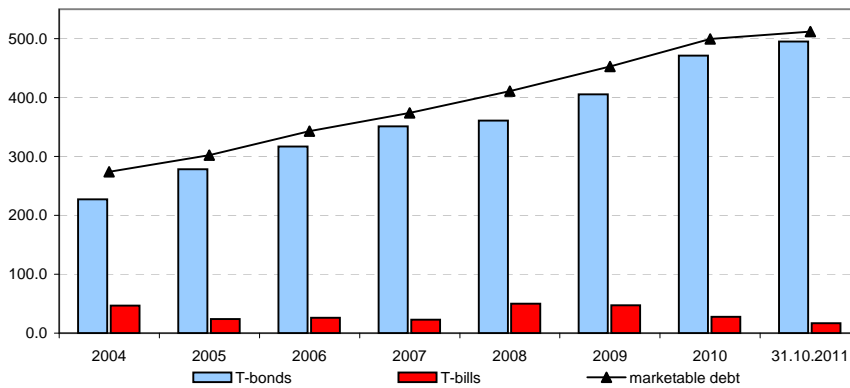
Indebtedness in T-bonds increased by PLN 22.6bn while indebtedness in T-bills decreased by PLN 11.2bn.

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



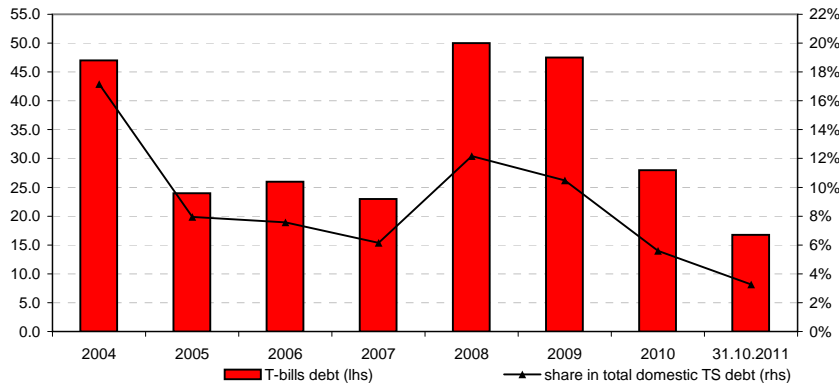
Net financing on foreign markets (bonds issuance and loans from IFIs) amounted to EUR 4.3bn. T-bonds issuance was EUR 3.5bn. Loans incurred from IFIs were at the level of EUR 2.2bn.

**14 Structure of marketable debt**  
(PLN bn)



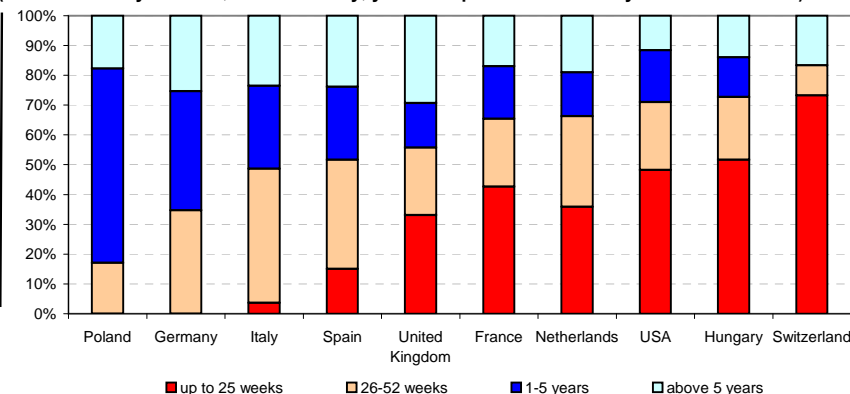
At the end of October 2011 the marketable domestic debt amounted to PLN 511.8bn comparing to PLN 499.3bn at the end of 2010.

**15 T-bills outstanding**  
(PLN bn)



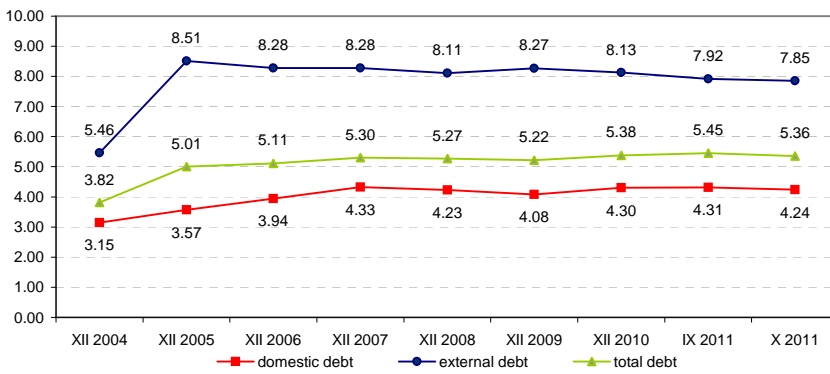
In the period of January - October 2011 indebtedness in T-bills decreased by PLN 11.2bn to the level of PLN 16.7bn. T-bills share in total domestic debt amounted to 3.3% which was historically record low level.

**16 Maturity breakdown of T-securities in Poland and other countries**  
(auctions and syndicates, local currency, ytd in the period of 1 January - 31 October 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 October 2011 the average maturity of domestic debt was at 5.36, a slight decrease in comparison with the end-2010 figure.

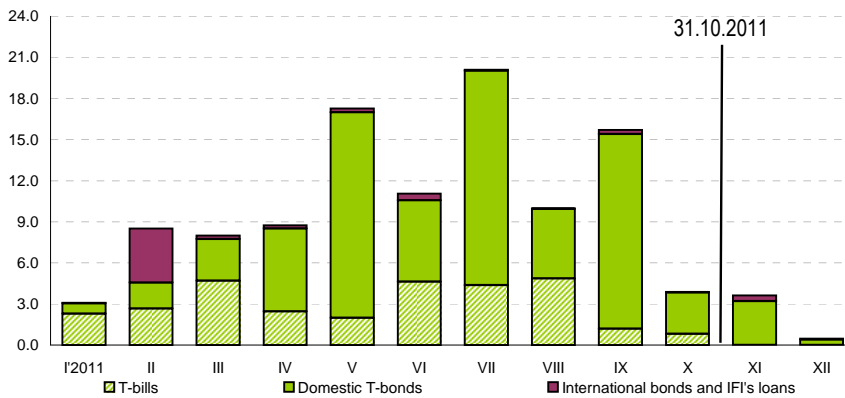
18 Reducing refinancing risk connected with T-bonds' redemptions maturing in 2011 (switch auctions, PLN bn, as of 31 October 2011)



Buy-back of T-bonds maturing in 2011:

- PS0511: PLN 12.1bn (51% of initial outstanding),
- OK0711: PLN 10.4bn (53% of initial outstanding),
- WZ0911: PLN 9.1bn (46% of initial outstanding)
- DZ1111: PLN 3.1bn (52% of initial outstanding).

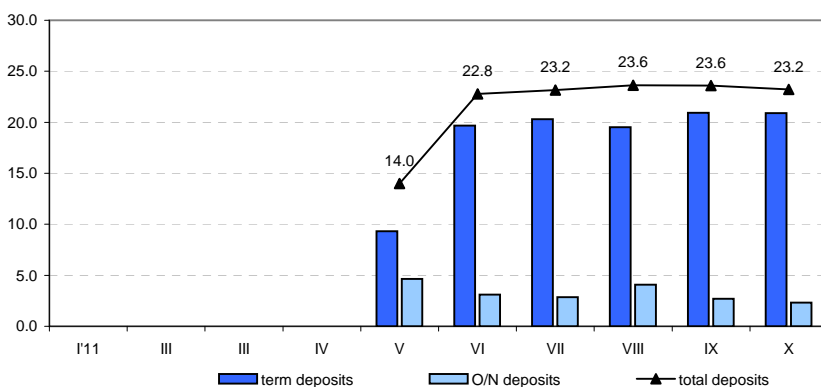
19 State Treasury debt redemptions in 2011 (nominal amount, PLN bn, as of 31 October 2011)



The nominal amount of debt to be redeemed in 2011 is equal to PLN 4.1bn, including:

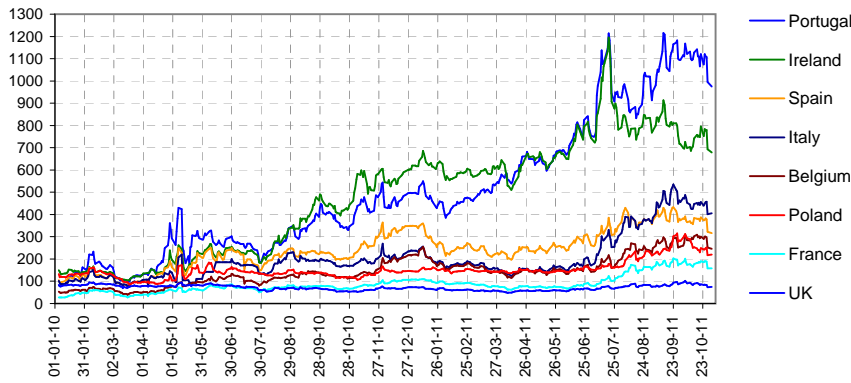
- T-bills: PLN 0.0bn
- T-bonds on domestic market: PLN 3.6bn
- bonds and loans incurred in foreign markets: PLN 0.5bn.

20 Consolidation of public finances liquidity management (PLN bn)



As a result of consolidation of public finances liquidity management there were PLN 23.2bn funds accumulated at the end of October, of which PLN 20.9bn was as term deposits and PLN 2.3bn on O/N deposits.

**21 CDS levels (5-year, bp)**



The level of Polish 5-year CDS contracts are traded at significantly lower levels than contracts for Spain, Italy or Belgium.

**21 T-bonds issue on the USD market**

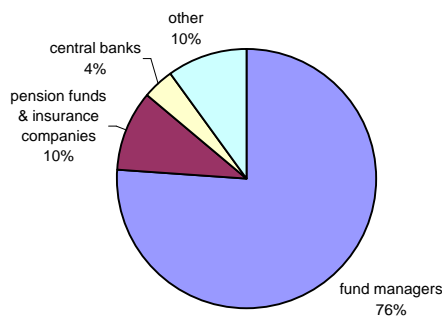
Issue summary:

Amount: USD 2bn  
 Maturity date: March 23, 2022  
 Coupon: 5.0%  
 Spread: 280 bps over Treasuries / 259.3 bps over mid-swaps  
 Yield: 5.176%  
 Launch date: October 27, 2011  
 Bookrunners: Citigroup, Deutsche Bank Securities oraz HSBC.

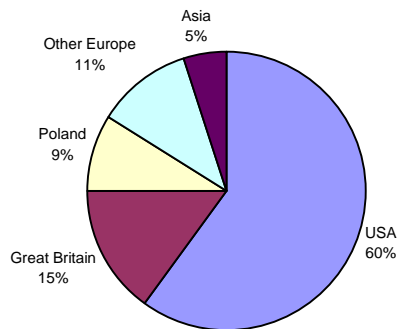
Execution highlights:

Orderbook open at 11:30 London time.  
 Initial guidance of CT10 + 290/300bps.  
 During the first hour, the orderbook reached US\$4bn size.  
 Final book size reached US\$8bn.  
 A tighter price guidance of CT10+280/285bps.  
 Orderbook closed at 2 pm London time.

Orderbook by investor type



Orderbook by geography



Market commentary:

**IFR, October 28, 2011:**

The Republic of Poland on Thursday swiftly executed a US\$2bn long 10-year issue (March 2022), having already completed this year's reduced €4.5bn borrowing needs. [...] "There was such a strong response, a flood of demand. Books reached US\$8bn in two and a half hours," said an official from one of the bookrunners. Outstanding Poland dollar paper due April 2021 was trading at Treasuries plus 247bp on the bid preannouncement, before widening out, but only a touch, to around plus 250bp. "Factoring in the curve, the new issue premium is around 10bp-15bp," said the official.

**Euroweek, October 28, 2011:**

The Republic of Poland took advantage of strong dollar demand and a relatively stable market environment in the wake of the European Union's delivery of its Grand Plan to price a \$2bn 10 year bond, slicing the price from initial guidance of 290bp-300bp to 280bp and the new issue premium from 20bp-30bp to 10bp. [...] "We have seen a massive rally in the market and the Poland deal ticked all the boxes for investors. Looking at central and eastern Europe, Poland is a name that everyone loves. Investors are differentiating between credits in Europe and they feel comfortable with Poland. The \$8bn plus book speaks for itself."

**Bondradar, October 28, 2011:**

Poland also hopped on the sovereign band wagon, quietly and efficiently printing a USD2bn 10.5 year deal, tying its record for Poland's largest USD issue ever... Guidance released at T+290/300bp was juicy enough to get investors seriously interested and solid bookbuilding saw Poland tighten this range to T+280/285bp around 12pm London time on Thursday. By the time books had closed, demand had reached a massive USD8bn.