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

in the second quarter of 2012

in April

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### THE MOST IMPORTANT INFORMATION:

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**1 General assumptions**

- in the second quarter of 2012 T-bond and T-bill auctions are planned on the basis of the announced annual issuance calendar with reduction in number of auctions,
- offer of T-bonds on the domestic market will depend on the budget situation and consultations with investors,
- offer of T-bills will result from the budgetary situation and the level of T-bonds issuance,
- level of foreign financing will be determined by the situation on the international financial market and process of receiving loans from International Financial Institutions,
- holding of one auction of bonds issued by BGK for the National Road Fund is planned.

**2 Offer of T-bonds on the domestic market**

- sale auctions

OK / PS T-bonds	DS / WS / WZ / IZ T-bonds	Bonds issued by BGK
PLN 11.0-16.0 bn (three auctions)	PLN 2.0-4.0 bn (one auction)	up to PLN 2.0 bn (one auction)

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

**3 Offer of T-bills**

- holding of two auctions is planned, total supply of T-bills with term to maturity of 31-51 weeks PLN 3.0-6.0bn (April, June), possibility of holding the third auction in May (conditional auction).

**4 T-bond auctions on the domestic market**

- sale auctions

Month	Auction date	Settlement date	Bond
April	19-04-2012*	25-04-2012	OK0714 / PS1016
May	16-05-2012	18-05-2012	OK / PS
	23-05-2012	25-05-2012	DS / WS / WZ / IZ
June	20-06-2012	22-06-2012	OK / PS
	27-06-2012	29-06-2012	bonds BGK for NRF

\* auction on Thursday

- switch auctions

Month	Auction date	Settlement date
April	05-04-2012	10-04-2012
June	14-06-2012*	18-06-2012

\* auction on Thursday

**5 T-bill auctions**

Month	Auction date	Settlement date	T-bill	Maturity date
April	23-04-2012	25-04-2012	31 week	28-11-2012
May (conditional auction)	07-05-2012	09-05-2012		
June	04-06-2012	06-06-2012	51 week	29-05-2012

**6 Foreign financing**

- possible issuance on the core international markets depending on the market situation,
- possibility of additional financing by structured coupon bonds' issuance in the private placement system,
- loans from International Financial Institutions of EUR 0.6bn.

**1 T-bond auction**

Auction date	Settlement date	Series	Planned offer (PLN m)
19 APR 2012*	25 APR 2012	OK0714 / PS1016	5,000-9,000

\* 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 is entitled to organize non-competitive auctions where bonds will be sold at a minimum price of bids accepted at the sale auction.

**2 T-bond switching auction**

Auction/settlement date	Settlement T-bonds	Source T-bonds	Outstanding (PLN m)
5 APR 2012*/ 10 APR 2012	WZ0117 / WZ0121	PS0412	23,071
		OK0712	21,090
		OK1012	26,749

\* auction on Thursday

**3 T-bill auction**

Auction date	Settlement date	T-bill	Maturity date	Planned offer (PLN m)
23 APR 2012	25 APR 2012	31 week	28 NOV 2012	1,000-3,000

**4 Offer on retail market**

T-bond	Issue price	Coupon
DOS0414	100.00 PLN (99.90 PLN for rolling-over)	Fixed, 4.75%
TZ0215	99.90 PLN	Floating (1.00 * WIBOR 6M), 5.01% in the first coupon period
COI0416	100.00 PLN (99.90 PLN for rolling-over)	Floating (inflation rate + 2.25%), 5.50% in the first coupon period
EDO0422	100.00 PLN	Floating (inflation rate + 2.75%), 6.50% in the first coupon period

**5 Press comment****Piotr Marczak - Director of Public Debt Dept., Ministry of Finance**

By the end of March we have at disposal PLN 40bn of funds in PLN and in foreign currency. Part of those funds will help to decrease the T-securities indebtedness. Coupon payments and T-securities to be redeemed in April will amount to ca. PLN 30bn. Significant share of the T-bonds maturing in April is held by foreign investors who are replacing them with new T-bonds. T-securities that are to be sold in April will let investors to roll-over only a part of maturing debt.

Half of State Treasury borrowing requirements was financed after March. Sale of T-securities on the domestic market and possible issuances on overseas markets in April will mean that significant part of the annual borrowing requirements shall be covered. Since May T-securities offer will be limited, as well as the number of T-bonds and T-bills auctions, so the market will be able to take a rest, especially from long-term fixed-rate bonds, which will be again in offer at earliest in May or when interest for the securities arises. We estimate that funds from T-securities issuance will be lower than servicing costs and redemptions of T-securities. In June, after a half year break, the auction of bonds issued by BGK for the National Road Fund is planned. BGK's activity in fund raising shall be lower than in the previous year.

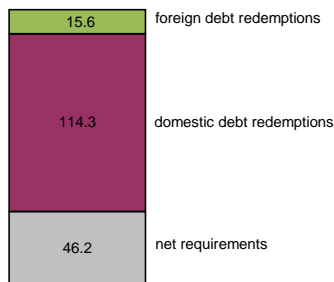
In February foreign investors' portfolio reached the record high level of PLN 160.5bn (including PLN 160.0bn of T-bonds) and was higher by PLN 0.3bn (including PLN 0.4bn of T-bonds). We observed more significant inflow of foreign capital to the Polish debt market in March comparing to the previous month.

March 30, 2012

**1 Gross borrowing requirements in 2012**

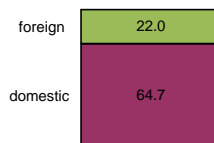
Gross borrowing requirements in 2012

Total PLN 176.1bn, of which:



Funding in the period of I-III

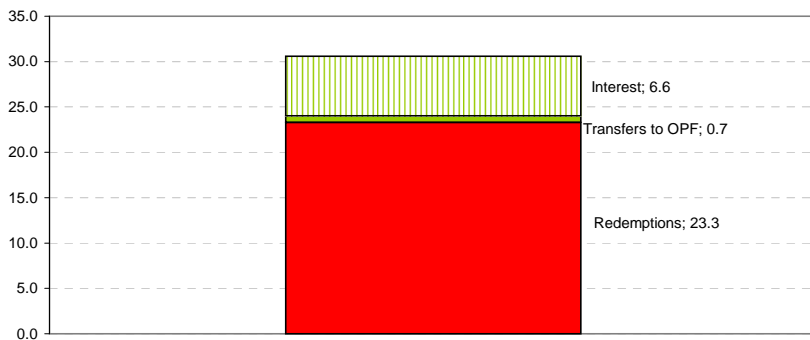
Total PLN 86.7bn (49%)



Funding of borrowing requirements was a result of:

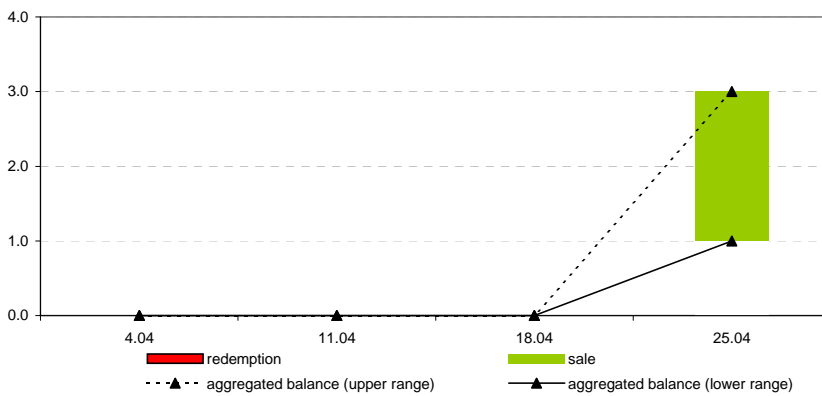
- T-bills buyback in 2011: PLN 4.5bn,
- T-bonds buyback in 2011: PLN 0.2bn,
- rolling over of T-bonds by switch auctions in 2011: PLN 15.2bn,
- higher than planned financial resources at the end of 2011: PLN 12.3bn,
- T-securities sale on domestic market: PLN 44.5bn,
- T-bonds issuance on foreign markets: PLN 8.7bn,
- and loans incurred from IFIs: PLN 1.4bn.

**2 Flows of funds into the market related to T-bonds and T-bills and transfers to Open Pension Funds in April 2012 (PLN bn, as of March 31, 2012)**



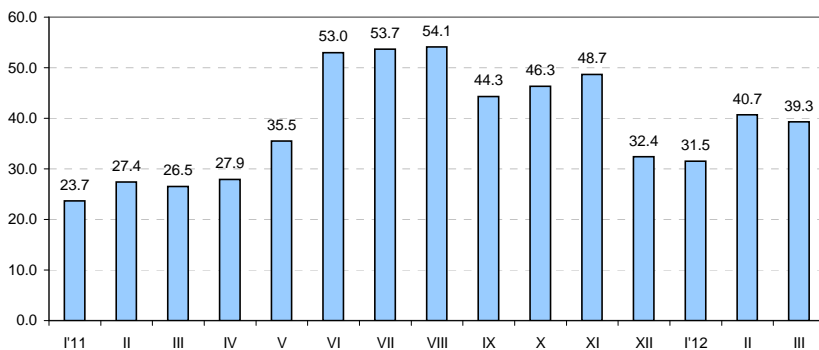
Flow of funds due to redemptions of T-securities, interest payments and transfers from State budget to Open Pension Funds will amount to ca. PLN 30.5bn as of March 31, 2012. The amount may be diminished due to T-bonds buyback maturing in April at switching auction on April, 5.

**3 Sale and redemption of T-bills and T-bonds in April 2012 (settlement date, PLN bn)**



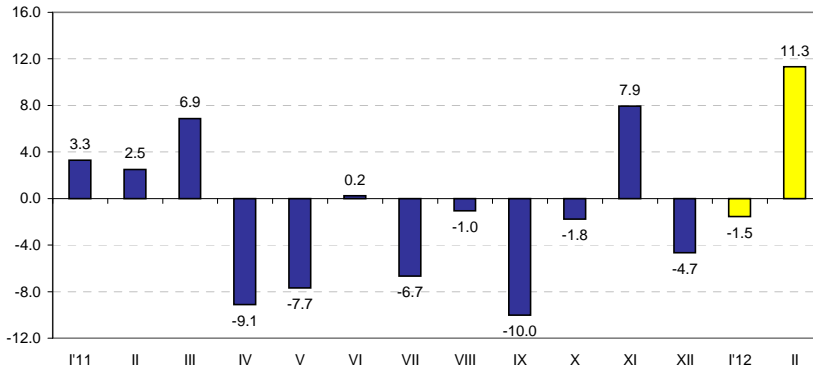
Assumed change of T-bills debt in April (by settlement date) will increase in range of PLN 1.0 - 3.0bn.

**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)**



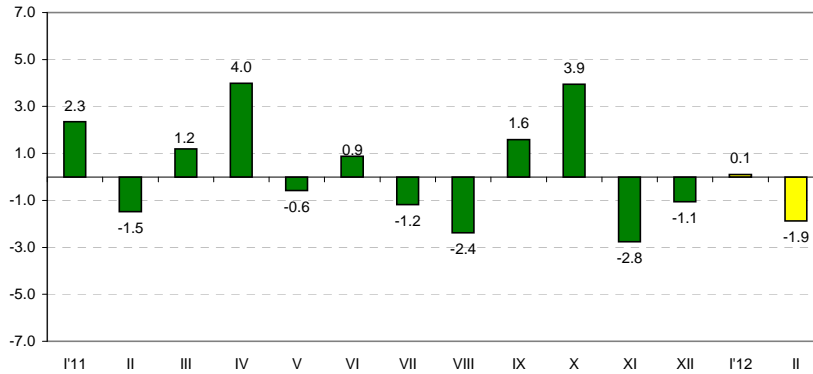
The funds ensure liquidity in borrowing needs financing.

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



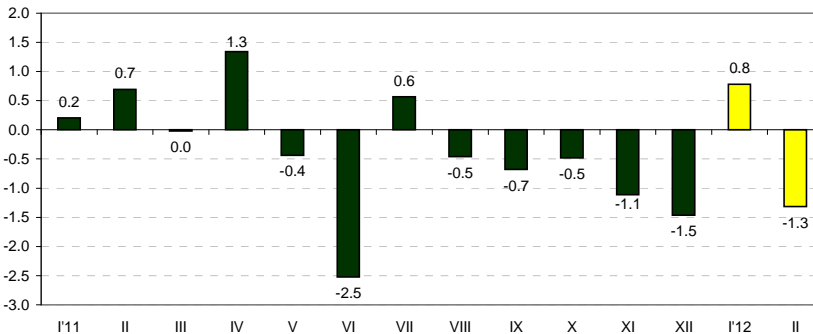
In the period of I-II 2012 debt held by domestic banks increased by PLN 9.8bn comparing to PLN 5.8bn increase during the same period of 2011.

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



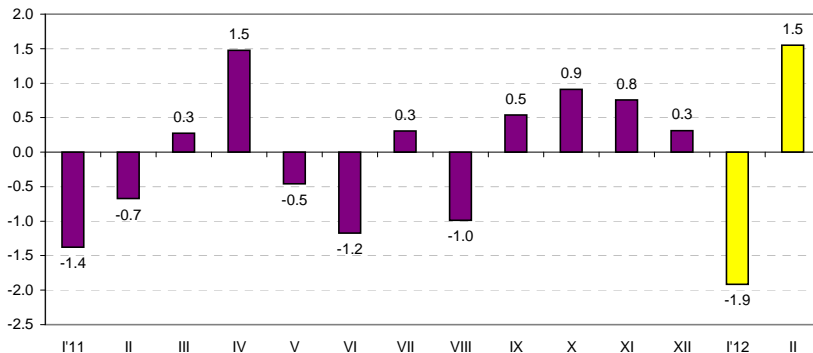
In the period of I-II 2012 debt held by pension funds decreased by PLN 1.8bn comparing to PLN 0.9bn increase during the same period of 2011.

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



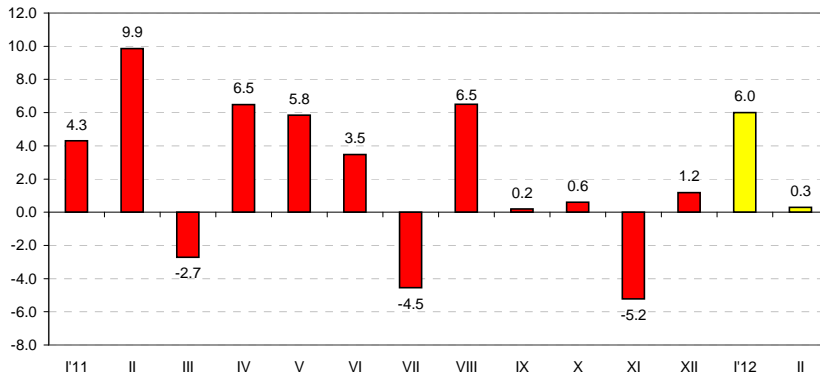
In the period of I-II 2012 there was a decrease of PLN 0.5bn in debt held by insurance companies. During the same period of 2011 there was an increase of PLN 0.9bn.

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



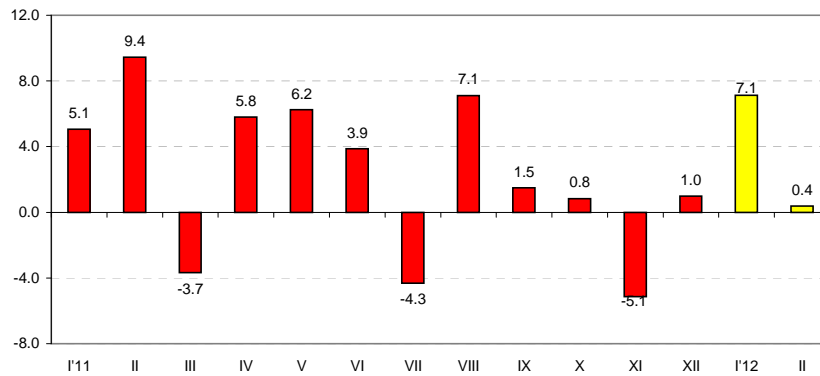
In the period of I-II 2012 there was a decrease of PLN 0.4bn in debt held by investment funds. During the same period of 2011 there was a decrease of PLN 2.0bn.

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



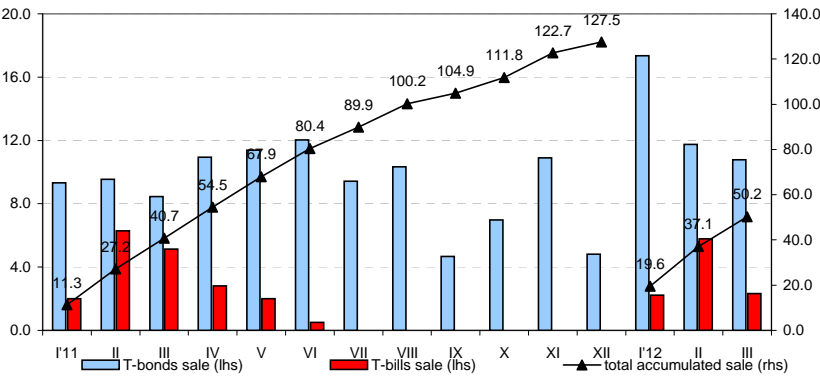
In the period of I-II 2012 inflow of foreign capital to the domestic TS market amounted to PLN 6.3bn comparing to PLN 14.2bn increase in the same period of 2011. Foreign investors' holdings reached the record high level of PLN of 160.5bn.

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



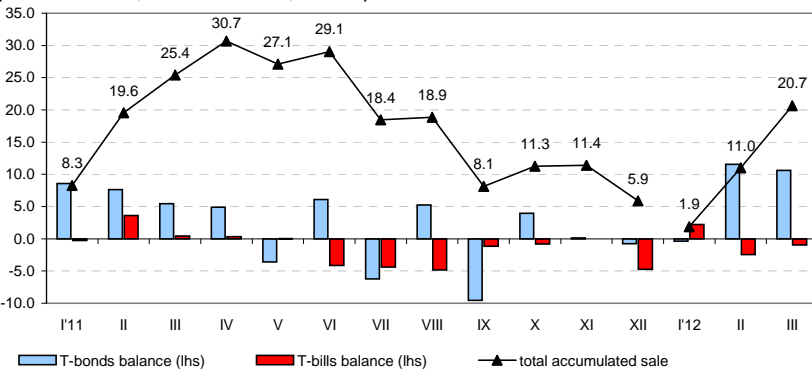
In the period of I-II 2012 inflow of foreign capital to domestic bonds market amounted to PLN 7.5bn comparing to PLN 14.5bn in the same period of 2011. Foreign investors' holdings reached the record high level of PLN 160.0bn.

**11 Sale of T-bonds and T-bills in the period of January - March 2012 and in 2011 (settlement date, nominal amount, PLN bn)**



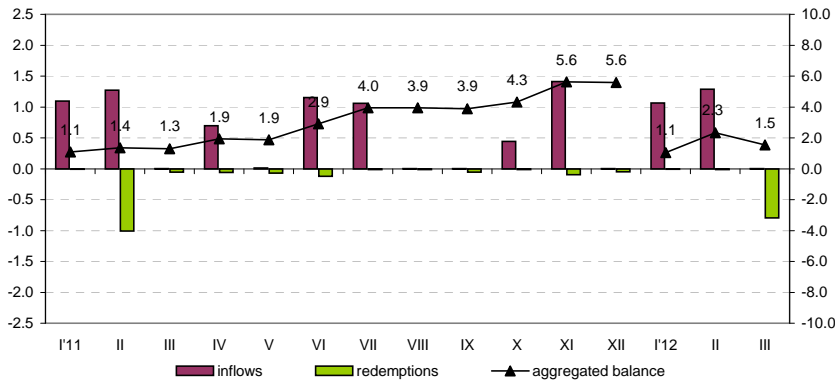
The structure of Treasury securities offered on domestic market in 2012 is dominated by T-bonds (79%).

**12 Balance of T-bonds and T-bills in the period of January - March 2012 and in 2011 (settlement date, nominal amount, PLN bn)**



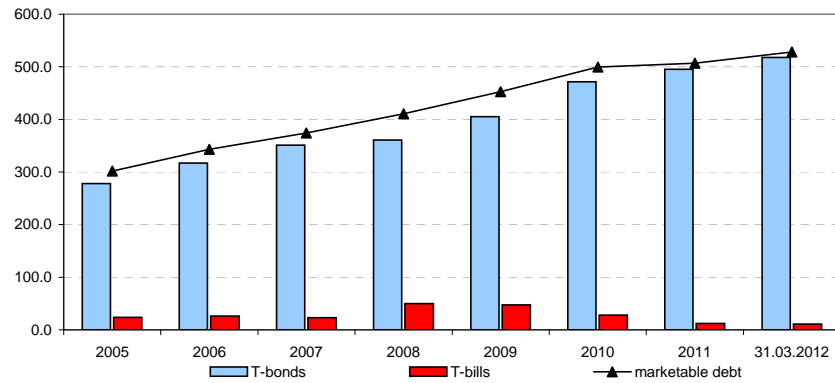
Indebtedness in T-bonds increased by PLN 21.8bn while indebtedness in T-bills decreased by PLN 1.2bn.

**13 External financing in the period of January - March 2012 and in 2011**  
(bonds issued on foreign markets and loans received from IFIs, EUR bn)



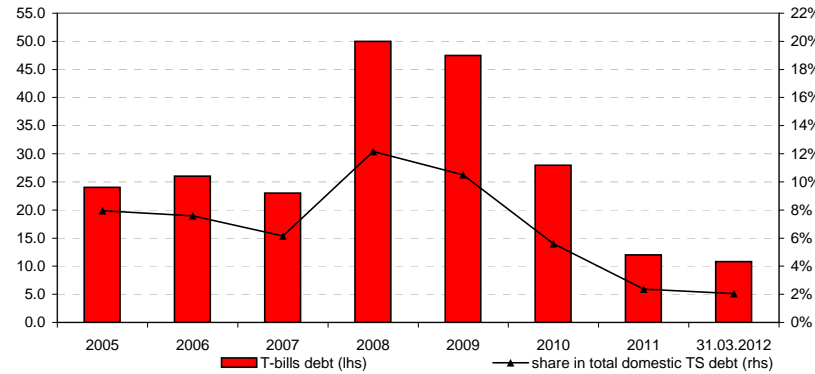
Net financing on foreign markets (bonds issuance and loans from IFIs) amounted to EUR 1.5bn. T-bonds issuance was EUR 2.0bn. Loans incurred from IFIs were at the level of EUR 0.3bn.

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



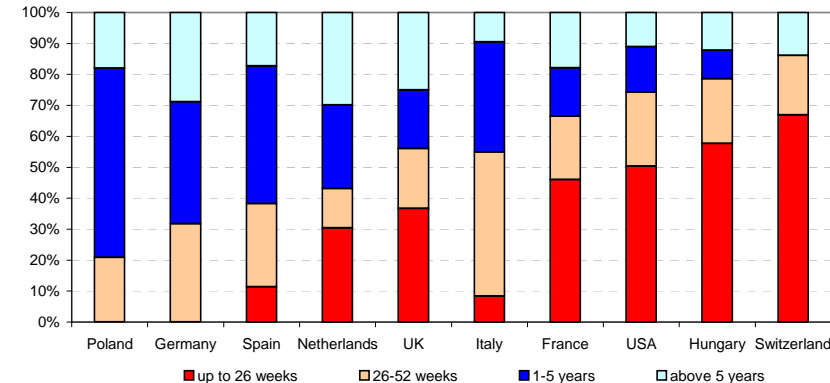
At the end of March 2012 the marketable domestic debt amounted to PLN 528.4bn comparing to PLN 507.2bn at the end of 2011.

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



In the period of January - March 2012 indebtedness in T-bills decreased by PLN 1.2bn to the level of PLN 10.8bn. T-bills share in total domestic debt amounted to 2.0% at the end of the month which was historically record low level.

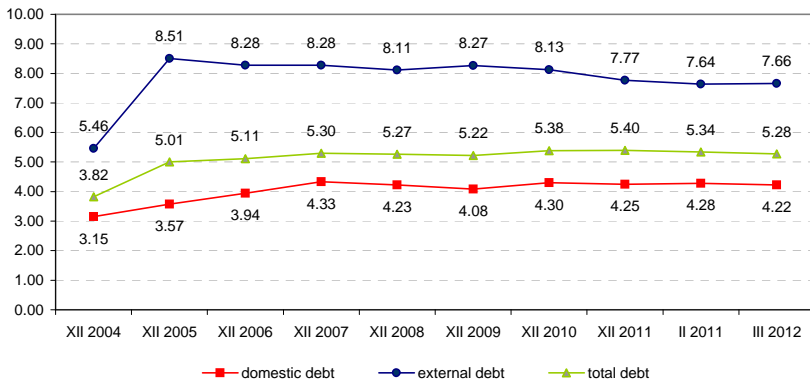
**16 Maturity breakdown of T-securities in Poland and other countries**  
(auctions and syndicates, local currency, ytd in the period of 1 January - 31 March 2012)



In terms of maturity, the sale of TS in Poland in 2012 is dominated by securities with maturity over 1 year.

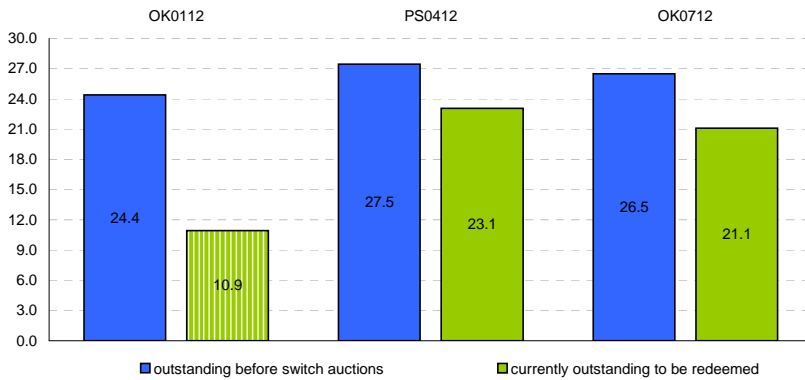


**17 Average maturity**



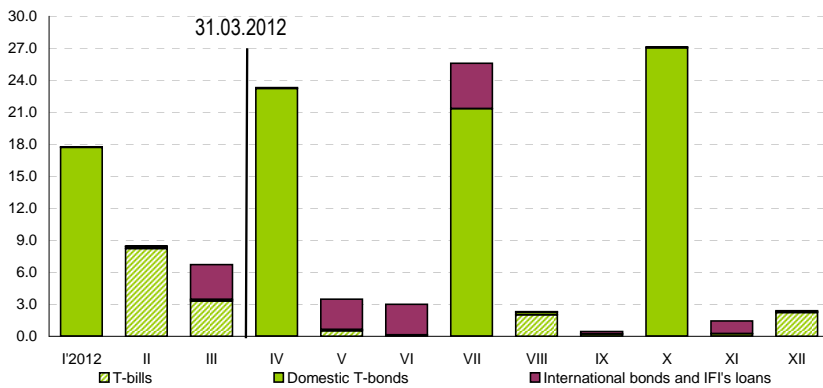
At the end of March 2012 the average maturity of domestic debt decreased to 4.22 in comparison with the end-2011 figure.

**18 Reducing refinancing risk connected with T-bonds' redemptions maturing in 2012 (switch auctions, PLN bn, as of 31 March 2012)**



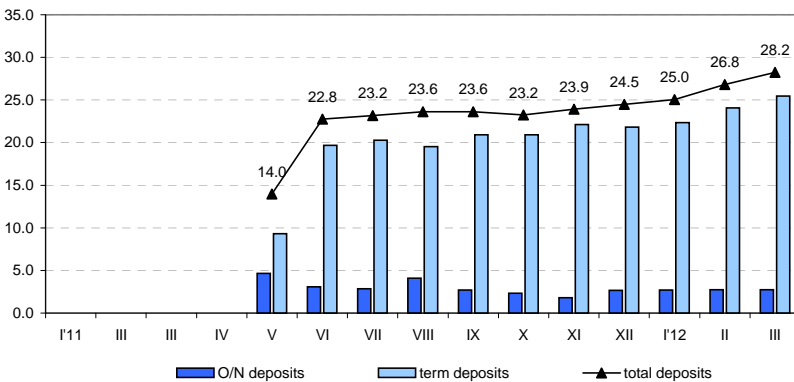
Buy-back of T-bonds maturing in 2012:  
 - OK0112: PLN 13.5bn (55% of initial outstanding),  
 - PS0412: PLN 4.4bn (16% of initial outstanding),  
 - OK0712: PLN 5.4bn (20% of initial outstanding).

**19 State Treasury debt redemptions in 2012 (nominal amount, PLN bn, as of 31 March 2012)**

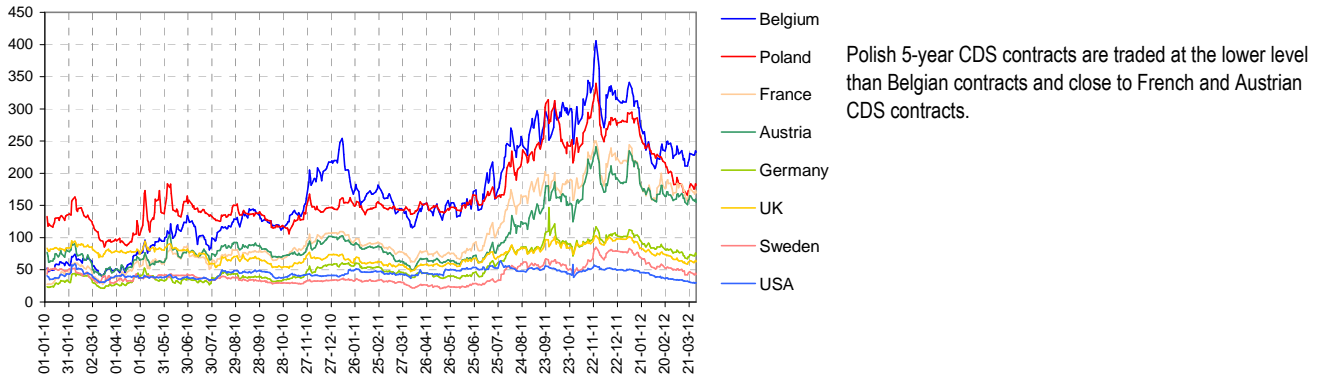


The nominal amount of debt to be redeemed in 2012 is equal to PLN 89.1bn, including:  
 - T-bills: PLN 4.7bn,  
 - T-bonds on domestic market: PLN 72.6bn,  
 - bonds and loans incurred in foreign markets: PLN 11.8bn.

**20 Consolidation of public finances liquidity management (PLN bn)**



As a result of consolidation of public finances liquidity management there were PLN 28.2bn funds accumulated at the end of March, of which PLN 25.5bn was as term deposits and PLN 2.8bn on O/N deposits.

**21 CDS levels  
(5-year, bp)****22 Long-term government debt rating in foreign currency of EU Member States and its changes in 2011-2012**

	S&P			Moody's			Fitch		
	rating	change	outlook	rating	change	outlook	rating	change	outlook
Austria	AA+	↓	negative	Aaa		negative	AAA		stable
Belgium	AA	↓	negative	Aa3	↓↓	negative	AA	↓	negative
Bulgaria	BBB		stable	Baa2	↑	stable	BBB-		stable
Cyprus	BB+	↓↓↓↓↓	negative	Ba1	↓↓↓↓↓	negative	BBB-	↓↓↓↓↓	negative
Czech Rep.	AA-	↑↑	stable	A1		stable	A+		stable
Denmark	AAA		stable	Aaa		stable	AAA		stable
Estonia	AA-	↑↑	negative	A1		stable	A+	↑	stable
Finland	AAA		negative	Aaa		stable	AAA		stable
France	AA+	↓	negative	Aaa		negative	AAA		negative
Germany	AAA		stable	Aaa		stable	AAA		stable
Greece	D	↓↓↓↓↓↓↓↓↓	negative	C	↓↓↓↓↓↓↓↓↓	negative	B-	↓↓↓↓↓	stable
Hungary	BB+	↓	negative	Ba1	↓	negative	BB+	↓	negative
Ireland	BBB+	↓↓	negative	Ba1	↓↓↓	negative	BBB+		negative
Italy	BBB+	↓↓↓	negative	A3	↓↓↓	negative	A-	↓↓↓	negative
Latvia	BBB		positive	Baa1		positive	BBB	↑	stable
Lithuania	BBB		stable	Baa1		stable	BBB		stable
Luxembourg	AAA		negative	AAA		stable	AAA		stable
Malta	A-	↓	negative	A3	↓↓	negative	A+		stable
Netherlands	AAA		negative	Aaa		stable	AAA		stable
<b>Poland</b>	<b>A-</b>		<b>stable</b>	<b>A2</b>		<b>stable</b>	<b>A-</b>		<b>stable</b>
Portugal	BB	↓↓↓↓↓	negative	Ba3	↓↓↓↓↓↓↓	negative	BB+	↓↓↓↓↓	negative
Romania	BB+		stable	Baa3		stable	BBB-	↑	stable
Slovakia	A	↓	stable	A2	↓	negative	A+		stable
Slovenia	A+	↓↓	negative	A2	↓↓↓	negative	A	↓↓↓	negative
Spain	A	↓↓↓	negative	A3	↓↓↓↓↓	negative	A	↓↓↓	negative
Sweden	AAA		stable	Aaa		stable	AAA		stable
United Kingdom	AAA		stable	Aaa		negative	AAA		stable

**23 Initial information on public debt in 2011**

	2010		2011		change YoY	
	PLN bn	% GDP*	PLN bn	% GDP*	PLN bn	pp of GDP*
State Treasury debt	701.8	49.6	771.1	50.6	69.3	1.0
Public debt	747.9	52.8	815.3	53.5	67.4	0.7
General government debt	776.8	54.9	858.9	56.4	82.1	1.5

\* GDP for 2011 was at the level of PLN 1 522.7bn according to data published by the Polish Central Statistical Office on March 1st, 2012.

FX impact on debt levels (percentage point of GDP)	2010	2011
State Treasury debt	+0.03	+1.88
Public debt	+0.02	+1.91
General government debt	+0.01	+1.97