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

in the third quarter of 2012

in July 2012

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### THE MOST IMPORTANT INFORMATION:

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**1 General assumptions:**

- T-bond sale auctions are planned on the basis announced yearly issuance calendar with following modifications:
  - in a given month only one auction will be held,
  - in August – auction will be held instead of the scheduled switch auction,
- offer of T-bonds on the domestic market will depend on the budgetary situation and the consultations with investors,
- T-bill sale auctions are not planned,
- level of foreign financing will be determined by process of drawing loans from International Financial Institutions,
- announced plan may be modified depending on market situation.

**2 T-bond auctions on the domestic market:**

- sale auctions

Month	Auction date	Settlement date	Series	Planned offer (PLN m)
July	19-07-2012*	25-07-2012	OK0714	2,000-5,000
August	01-08-2012	03-08-2012	PS0417	2,000-4,000
September	12-09-2012 or 19-09-2012	14-09-2012 or 21-09-2012	PS / DS / WS / WZ / IZ **	2,000-4,000

\* auction on Thursday

\*\* choice depending on market situation

- switch auctions

Month	Auction date	Settlement date
July	05-07-2012*	09-07-2012
September	06-09-2012*	10-09-2012

\* auction on Thursday

- T-bonds to be repurchased may be securities maturing from July 2012 to January 2013,
- structure of sold T-bonds will result from market situation and the offer structure on the T-bond sale auctions in a given month.

**3 5. T-bill auctions:**

- T-bill sale auctions are not planned.

**4 Foreign financing:**

- loans from International Financial Institutions (EUR 0.75 bn loan from the World Bank),
- possibility of additional financing by structured coupon bonds' issuance in the private placement system.

**1 T-bond auctions**

Auction date	Settlement date	Series	Planned offer (PLN m)
19 JUL 2012	25 JUL 2012	OK0714	2,000-5,000

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 JUL 2012* / 9 JUL 2012	PS0417 / DS1021	OK0712	17,899
		OK1012	21,873

\* auction on Thursday

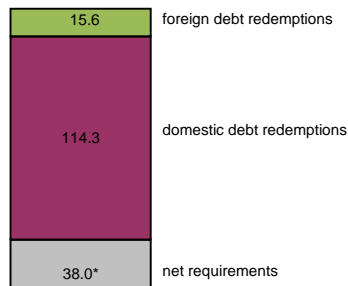
**4 Offer on retail market**

T-bond	Issue price	Coupon
DOS0714	100.00 PLN (99.90 PLN for rolling-over)	Fixed, 4.75%
TOZ0715	99.90 PLN	Floating (1.00 * WIBOR 6M), 5.14% in the first coupon period
COI0716	100.00 PLN (99.90 PLN for rolling-over)	Floating (inflation rate + 2.25%), 5.50% in the first coupon period
EDO0722	100.00 PLN	Floating (inflation rate + 2.50%), 6.00% in the first coupon period

**1 Gross borrowing requirements in 2012**

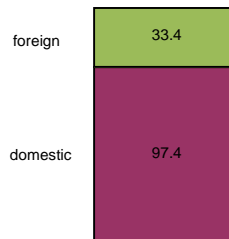
Gross borrowing requirements in 2012

Total PLN 167.9bn\*, of which:



Funding in the period of I-VI

Total PLN 130.7bn (78%)



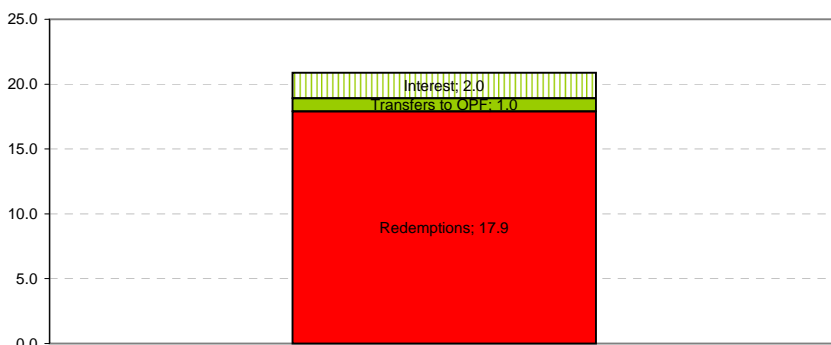
\* after PLN 8.2bn inflow from the NBP's profit

Funding of borrowing requirements was a result of:

- T-bills buyback in 2011: PLN 4.5bn,
- T-bonds buyback on foreign markets 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 11.9bn,
- T-securities sale on domestic market: PLN 77.4bn,
- T-bonds issuance on foreign markets: PLN 19.1bn,
- and loans incurred from IFIs: PLN 2.3bn.

**2 Flows of funds into the market related to T-bonds and T-bills and transfers to Open Pension Funds in July 2012**

(PLN bn, as of June 30, 2012)



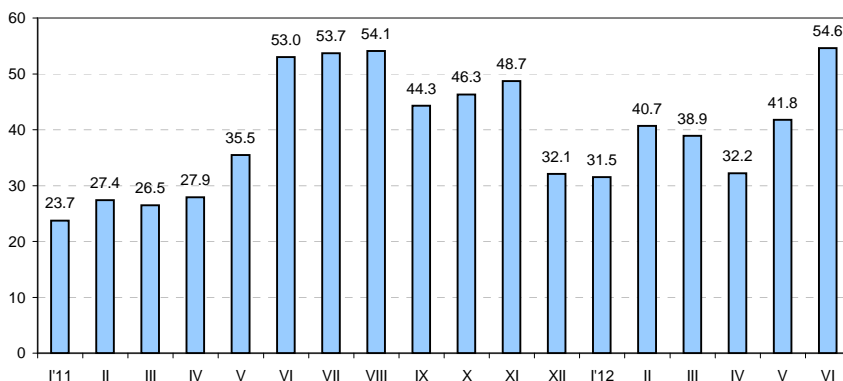
As of June 30, 2012 flow of funds due to redemptions of T-securities, interest payments and transfers from State budget to Open Pension Funds will amount to ca. PLN 20.9bn. The amount may be diminished due to T-bonds buyback maturing in July at switching auction on July, 5.

**3 Sale and redemption of T-bills in July 2012**

No T-bill auctions are planned in July. Simultaneously there are no such securities maturing in the given month - thus no change in T-bills outstanding. No T-bills sales result from the good actual State budget stance.

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

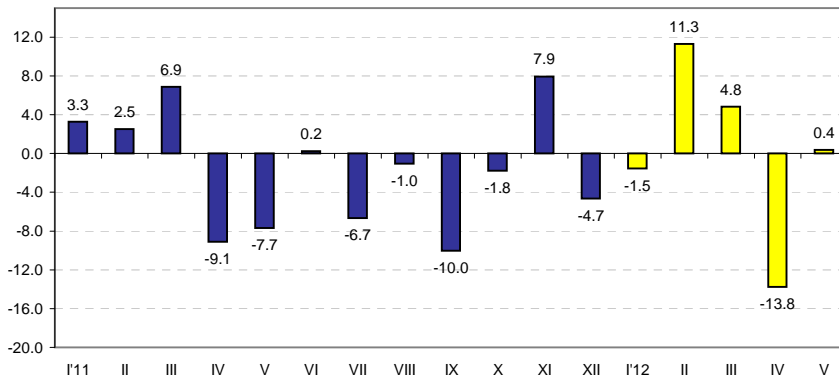
(foreign currency funds include funds from debt issuance and received from the European Commission, PLN bn)



The funds ensure liquidity in borrowing needs financing.

**5 Change of debt in domestic T-securities held by banks**

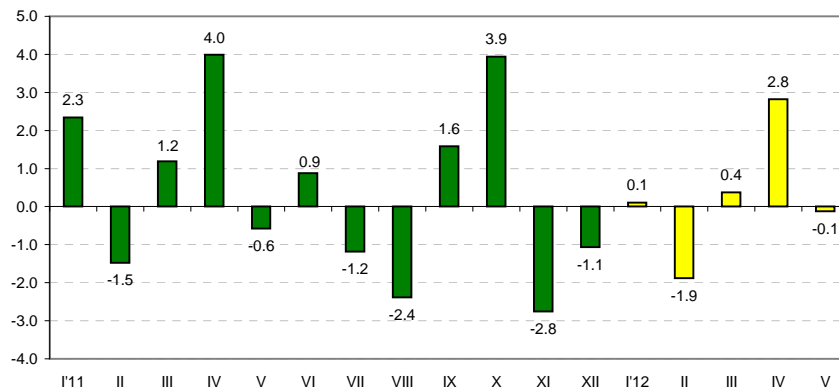
(without BSB transactions with MoF; PLN bn)



In the period of I-V 2012 debt held by domestic banks increased by PLN 1.2bn comparing to PLN 4.1bn decrease during the same period of 2011.

**6 Change of debt in domestic Treasury securities held by pension funds**

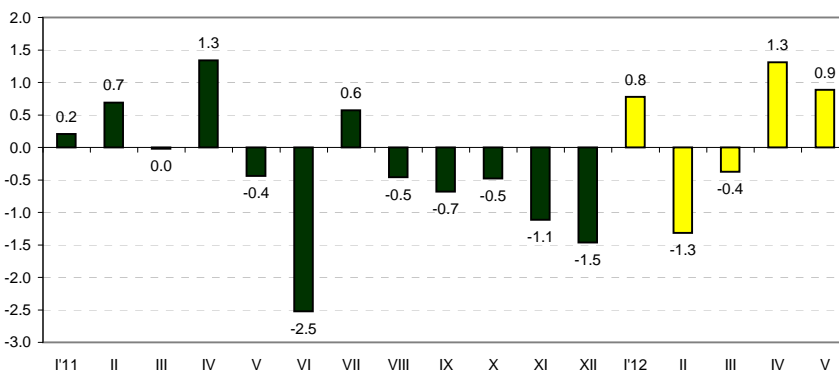
(PLN bn)



In the period of I-V 2012 debt held by pension funds increased by PLN 1.3bn comparing to PLN 5.5bn increase during the same period of 2011.

**7 Change of debt in domestic Treasury securities held by insurance companies**

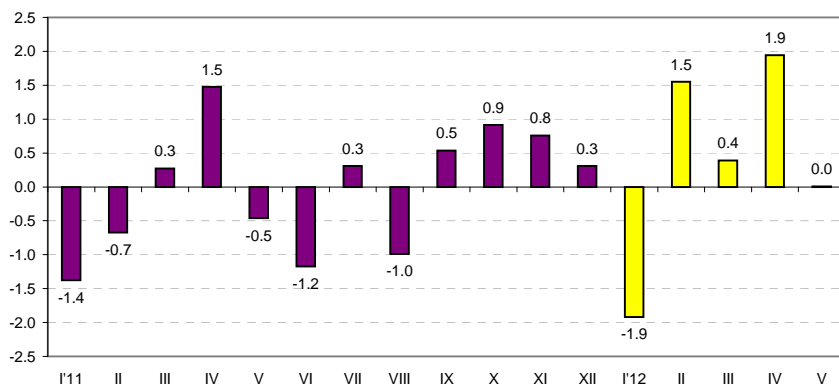
(PLN bn)



In the period of I-V 2012 there was an increase of PLN 1.3bn in debt held by insurance companies. During the same period of 2011 there was an increase of PLN 1.8bn.

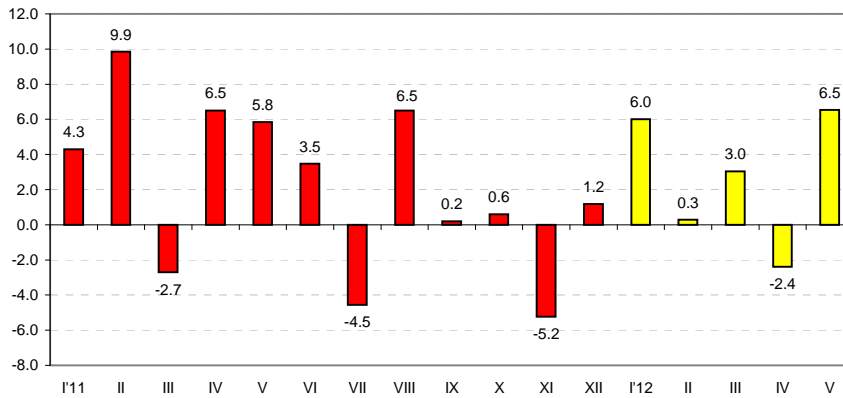
**8 Change of debt in domestic Treasury securities held by investment funds**

(PLN bn)



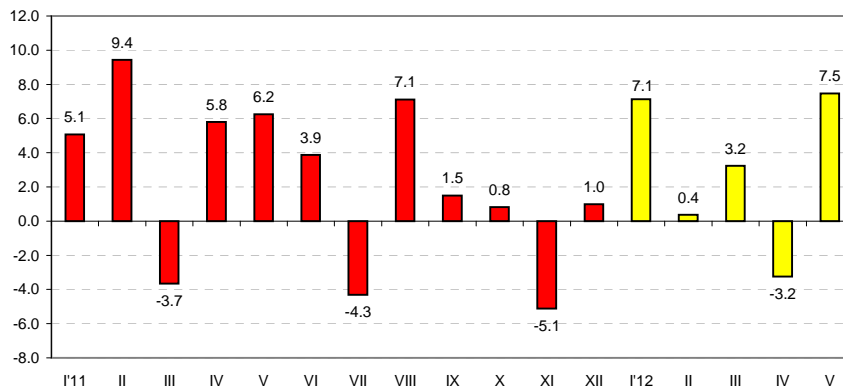
In the period of I-V 2012 there was an increase of PLN 2.0bn in debt held by investment funds. During the same period of 2011 there was a decrease of PLN 0.8bn.

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



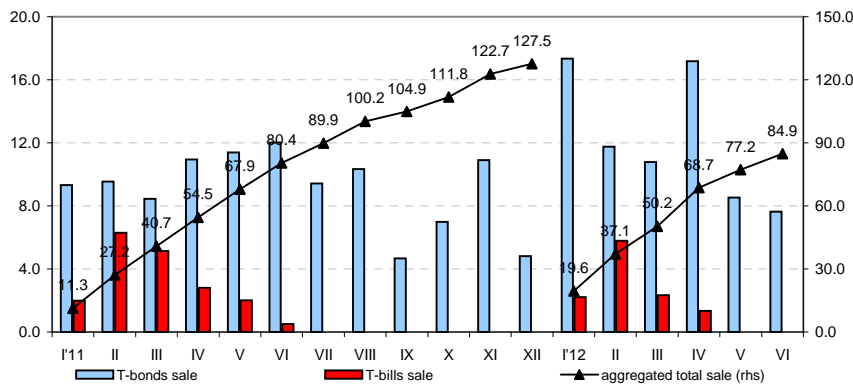
In the period of I-V 2012 inflow of foreign capital to the domestic TS market amounted to PLN 13.5bn comparing to PLN 23.8bn increase in the same period of 2011. Foreign investors' holdings reached the record high level of PLN of 167.7bn.

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



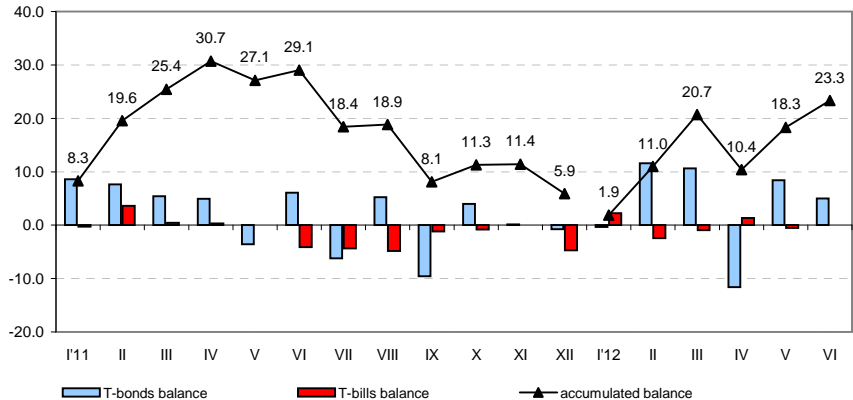
In the period of I-V 2012 inflow of foreign capital to domestic bonds market amounted to PLN 15.0bn comparing to PLN 22.9bn increase in the same period of 2011. Foreign investors' holdings reached the level of PLN 167.5bn.

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



The structure of Treasury securities offered in 2012 is dominated by T-bonds (86% of total amount sold).

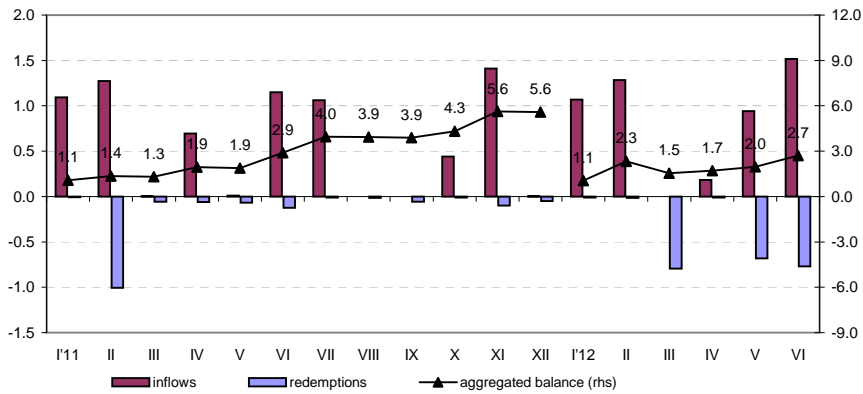
**12 Balance of T-bonds and T-bills in the period of January - June 2012 and in 2011 (settlement date, nominal amount, PLN bn)**



Indebtedness in T-bonds in the period of January - June 2012 increased by PLN 23.7bn while indebtedness in T-bills decreased by PLN 0.4bn.

**13 External financing in the period of January - June 2012 and in 2011**

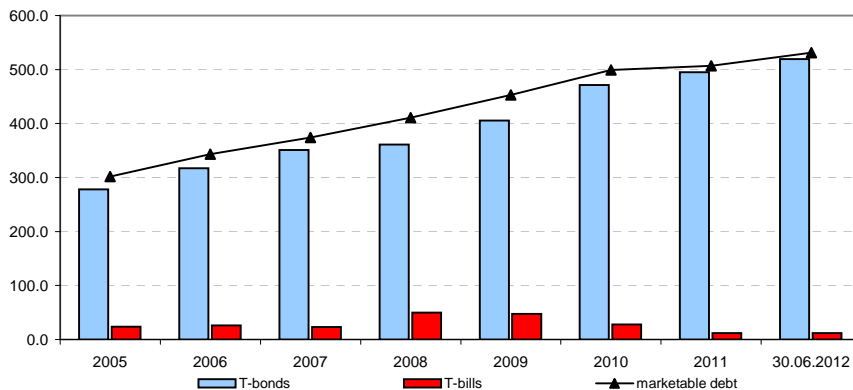
(bonds issued on foreign markets and loans received from IFIs, EUR bn)



Net financing on foreign markets (bonds issuance and loans from IFIs) amounted to EUR 2.7bn. T-bonds issuance was EUR 4.5bn. Loans incurred from IFIs were at the level of EUR 0.5bn. Apart from those, EUR 2.7bn on the FX budgetary accounts was available - the money related to the foreign debt management raised and not spent in 2011.

**14 Structure of marketable debt**

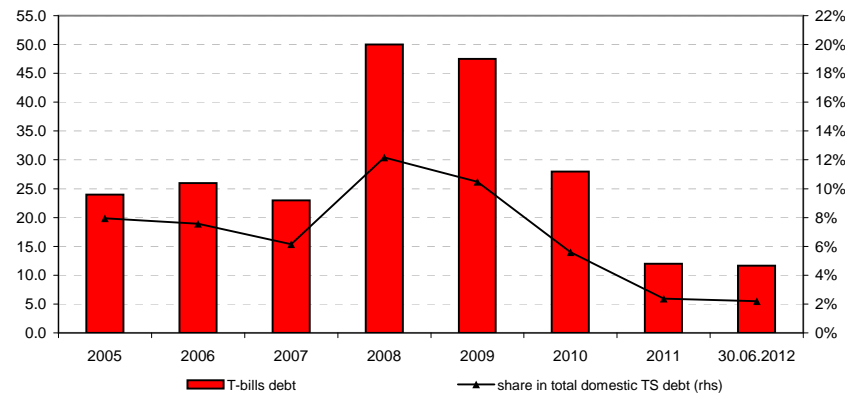
(PLN bn)



At the end of June 2012 the marketable domestic debt amounted to PLN 531.2bn comparing to PLN 507.2bn at the end of 2011.

**15 T-bills outstanding**

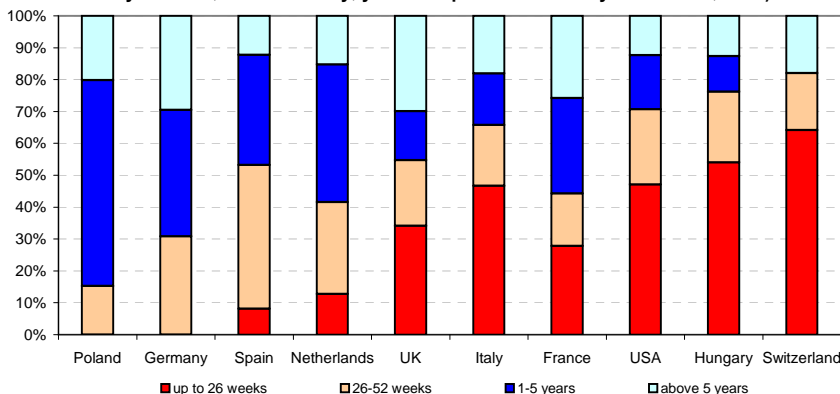
(PLN bn)



In June 2012 indebtedness in T-bills did not change. T-bills share in total domestic debt amounted to 2.2% at the end of the month.

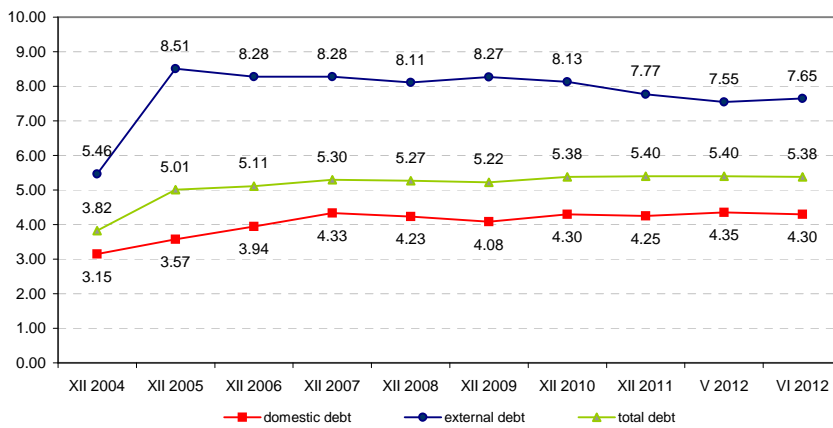
**16 Maturity breakdown of T-securities in Poland and other countries**

(auctions and syndicates, local currency, ytd in the period of January 1 - June 30, 2012)



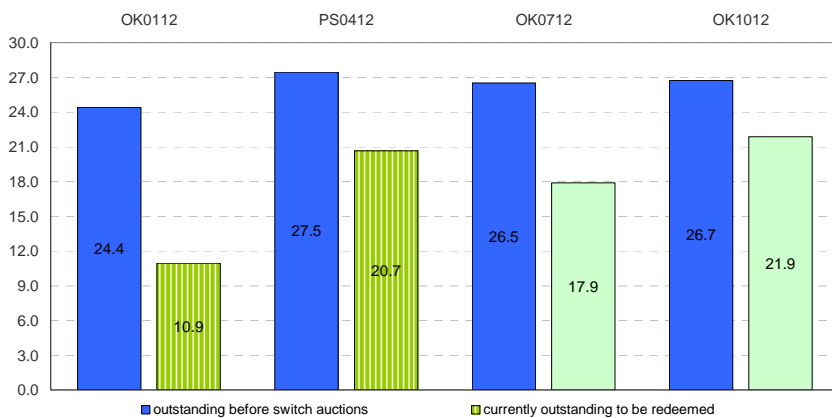
In terms of maturity, the sale of TS in Poland in 2012 is dominated by securities with maturity over 1 year.

**17 Average maturity**



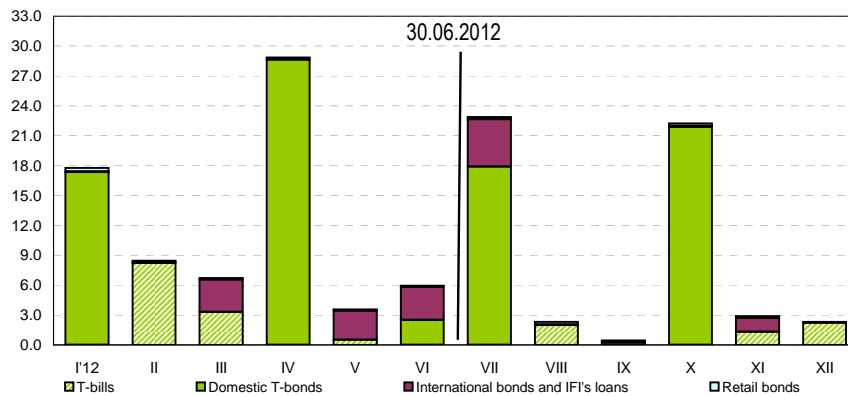
At the end of June 2012 the average maturity of domestic debt increased to 4.30 in comparison with the end-2011 figure.

**18 Reducing refinancing risk connected with T-bonds' redemptions maturing in 2012 (switch auctions, PLN bn, as of 30 June 2012)**



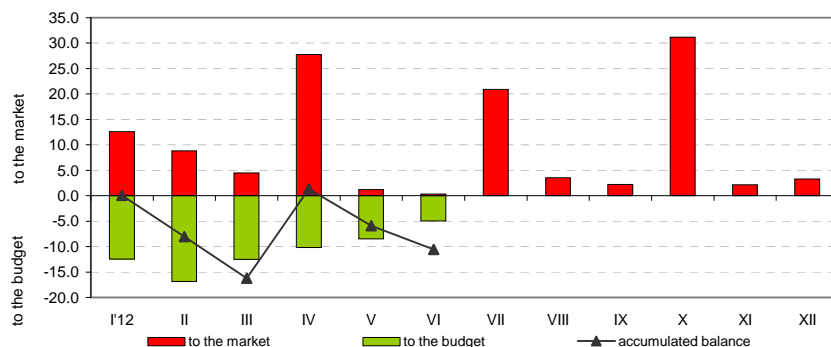
Buy-back of T-bonds maturing in 2012:  
 - OK0112: PLN 13.5bn (55% of initial outstanding),  
 - PS0412: PLN 6.8bn (25% of initial outstanding),  
 - OK0712: PLN 8.6bn (32% of initial outstanding),  
 - OK1012: PLN 4.9bn (18% of initial outstanding).

**19 State Treasury debt redemptions in 2012 (nominal amount, PLN bn, as of 30 June 2012)**



The nominal amount of debt to be redeemed in 2012 is equal to PLN 53.2bn, including:  
 - T-bills: PLN 5.6bn,  
 - T-bonds on domestic market: PLN 39.8bn,  
 - T-retail bonds: PLN 1.3bn,  
 - bonds and loans incurred on foreign markets: PLN 6.6bn.

**20 Flows of funds between the market and the budget\* (PLN bn, as of 30 June 2012)**

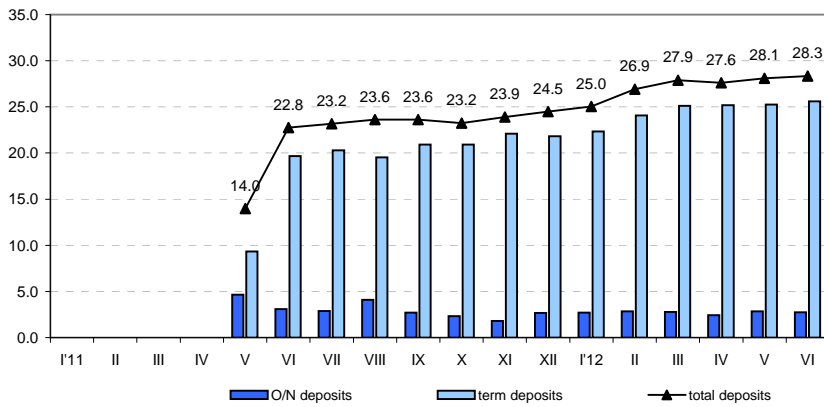


As of 30 June 2012 in the period of July-December 2012 the proceeds from the redemptions and interest payments to the market shall amount to PLN 57.9bn. Additionally PLN 5.3bn will be transferred to the Open Pension Funds. Proceeds from the TS issuance in the above-mentioned period shall bring ca. PLN 32.0bn to the budget.

\* figures include sale, redemptions and interest payments on wholesale bonds and bills and transfers to Open Pension Funds; monthly financing plans depend on market situation and feedback from investors thus the detailed schedule of monthly flows to budget

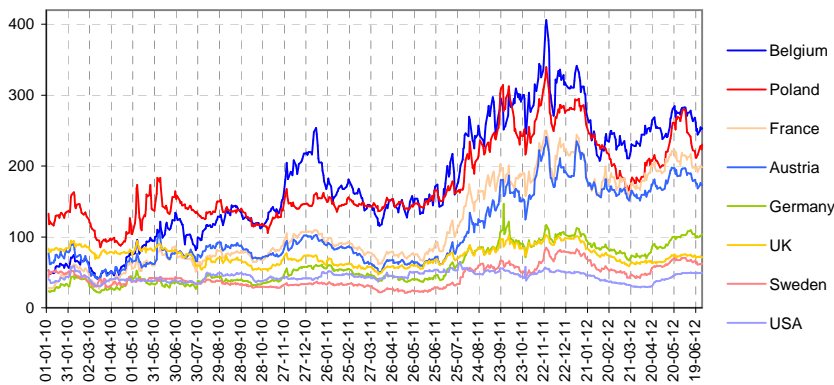


**21 Consolidation of public finances liquidity management (PLN bn)**



As a result of consolidation of public finances liquidity management there were PLN 28.3bn funds accumulated at the end of June, of which PLN 25.6bn was as term deposits and PLN 2.8bn on O/N deposits.

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



Polish 5-year CDS contracts are traded at the lower level than the Belgian CDS and at the levels close to CDS contracts of the higher rated countries.

**23 T-bonds issue on the EUR market**

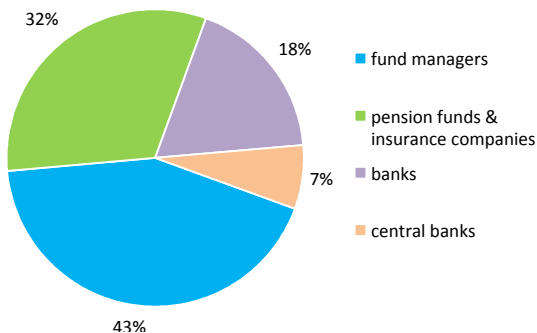
Issue summary:

Amount: EUR 1.5bn  
 Maturity date: January 19, 2023  
 Coupon: 3.750%  
 Spread: 195 bp over the interpolated mid-swap  
 Yield: 3.770%  
 Launch date: June 18, 2012  
 Bookrunners: Barclays, Citigroup, Erste Group and ING

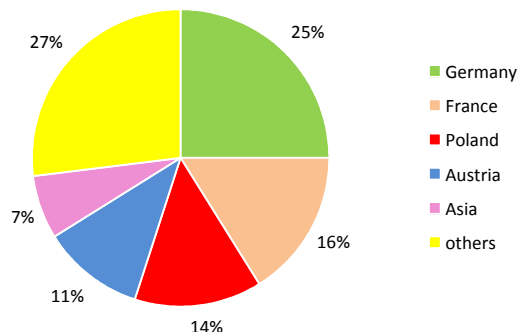
Market commentary:

IFR no.1938 (16 June 2012):  
 "The timing was right, it's a good size, it looks flat to the curve. You can't knock it - one banker away from the deal said."  
 "Its position outside the eurozone and its Single A rating is definitely a positive thing at the moment, and well regarded by

Orderbook by investor type



Orderbook by geography



**24 Euromoney award: Best Borrower for Emerging Market Sovereign**



Poland was awarded by Euromoney Magazine as the Best Borrower for Emerging Market Sovereign. The prize is a result of the investors' voting.

**25 Komentarze rynkowe****Piotr Marczak, Director of Public Debt Department, Ministry of Finance**

"The annual State budget borrowing requirements were financed after June in almost 80% and funds in foreign currency and PLN increased to the level of ca. PLN 54bn, what allows us to substantially reduce the indebtedness in July. The MoF will redeem almost PLN 18bn in T-bonds in July. Additionally, due to interest payments and funds transferred to Open Pension Funds, PLN 3bn shall flow into the market. In the second half of the year the proceeds from the TS issuance are expected to be lower than transfers to the market from the budget in the form of redemptions proceeds and interest payments.

T-bills sale auctions will still be suspended. There may be no T-bills auctions held till the end of the year, but it will depend on the situation in domestic T-bond market.

In the 3rd quarter there will be one regular T-bonds sale auction held per month and switching auctions. The market will be able to take a rest especially in August as on August 1st there will be the last and the only one auction held in that month which shall absorb a part of funds from T-bonds redemption of July 25th and interest payments.

The most significant increase in foreign investors' TS portfolios was recorded in May - inflow of PLN 6.5bn (including PLN 7.5bn in T-bonds). In June the foreign investors' appetite was still strong."

29-06-2012

**World Bank, EU11 Regular Economic Report**

*According to the World Bank's "EU11 Regular Economic Report"* Polish economy shall be fastest growing in 2012 among new EU member states and Croatia, which will access the EU on July 1, 2013. In 2013 Poland with economic growth of 3.2% (2.9% in 2012) will still be one of the growth leaders.

25-06-2012