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

in November 2012

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### THE MOST IMPORTANT INFORMATION:

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**1 T-bond auctions**

Auction date	Settlement date	Series	Planned offer (PLN m)
8 NOV 2012*	12 NOV 2012	PS0418	2,000-4,000

\* 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)
21 NOV 2012 / 23 NOV 2012	DS1023 / WZ0117 / WZ0121	OK0113	21,139
		PS0413	21,860

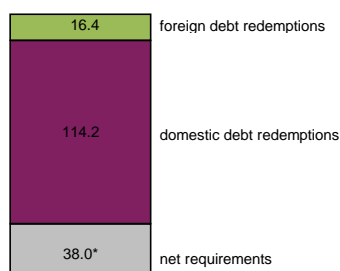
**3 Offer on retail market**

T-bond	Issue price	Coupon
DOS1114	100.00 PLN (99.90 PLN for rolling-over)	Fixed, 4,00%
TOZ1115	100.00 PLN (99.90 PLN for rolling-over)	Floating (1.00 * WIBOR 6M), 4,76% in the first coupon period
COI1116	100.00 PLN (99.90 PLN for rolling-over)	Floating (inflation rate + 1.75%), 5.00% in the first coupon period
EDO1122	100.00 PLN (99.90 PLN for rolling-over)	Floating (inflation rate + 2.00%), 5.80% in the first coupon period

**1 Gross borrowing requirements in 2012**

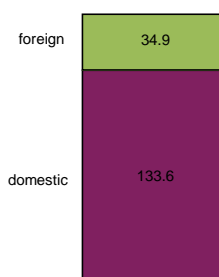
Gross borrowing requirements in 2012

Total PLN 168.5bn\*, of which:



Funding in the period of I-X

Total PLN 168.5bn (100%)

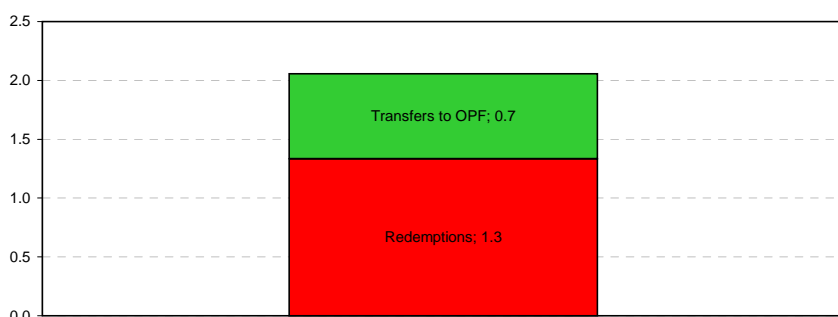


\* expected execution acc. to assumptions set in the draft Budget Act for 2013

Funding of borrowing requirements was a result of:

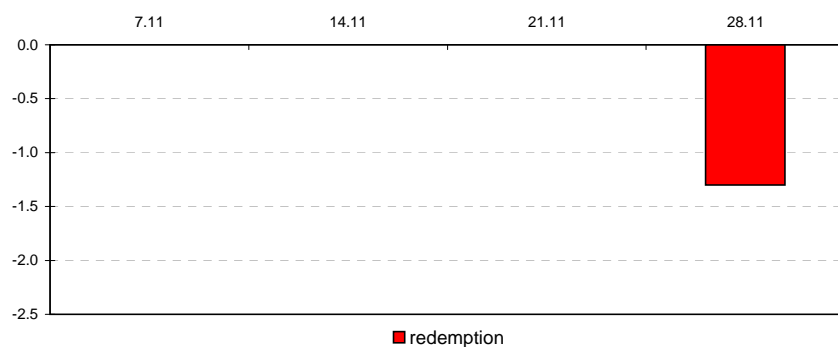
- T-bills buyback in 2011: PLN 4.5bn,
- rolling over of T-bonds by switch auctions in 2011: PLN 15.2bn,
- T-bonds buyback on foreign markets in 2011: PLN 0.2bn,
- higher than planned financial resources at the end of 2011: PLN 11.9bn,
- T-securities sale on domestic market: PLN 113.6bn,
- T-bonds issuance on foreign markets: PLN 19.1bn,
- and loans incurred from IFIs: PLN 3.9bn.

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



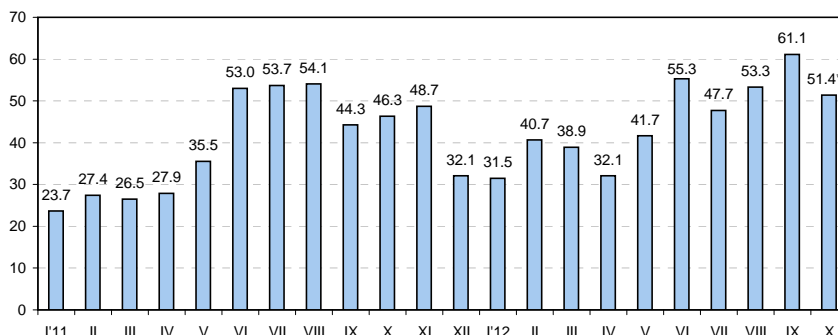
As of October 31, 2012 flow of funds due to redemptions of T-securities, interest payments and transfers from State budget to Open Pension Funds shall amount to ca. PLN 2.1bn.

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



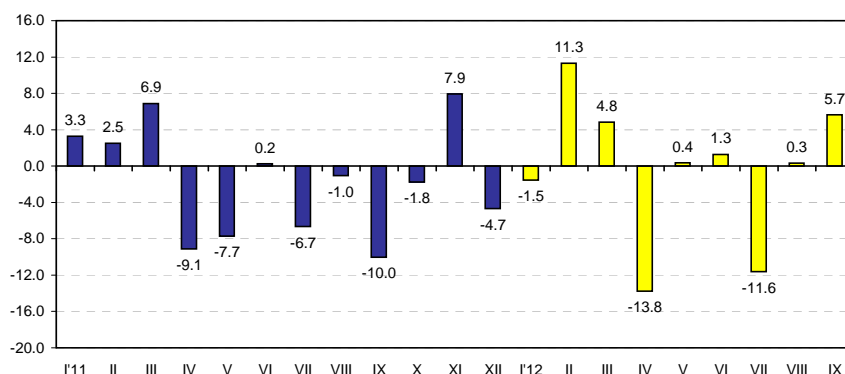
No T-bills auctions are planned in November. The amount of T-bills to be redeemed is PLN 1.3bn.

**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)**

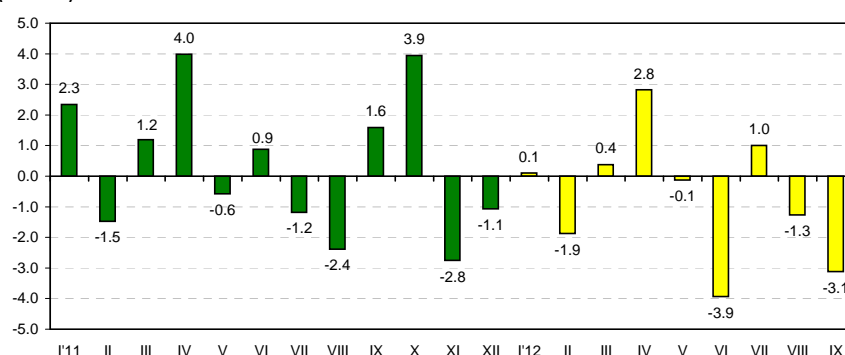


The funds ensure liquidity in borrowing needs financing.

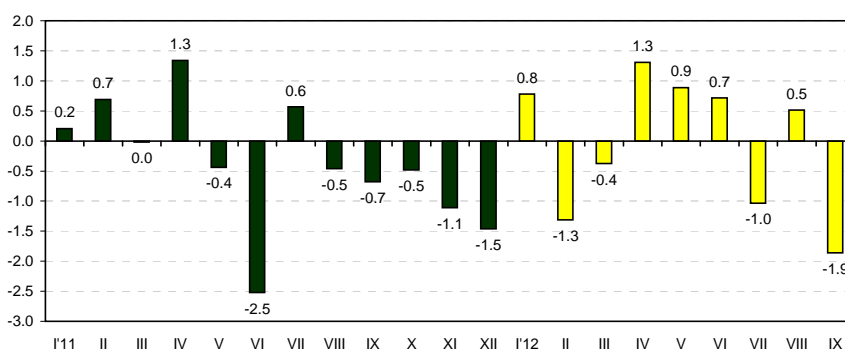
\* estimation

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


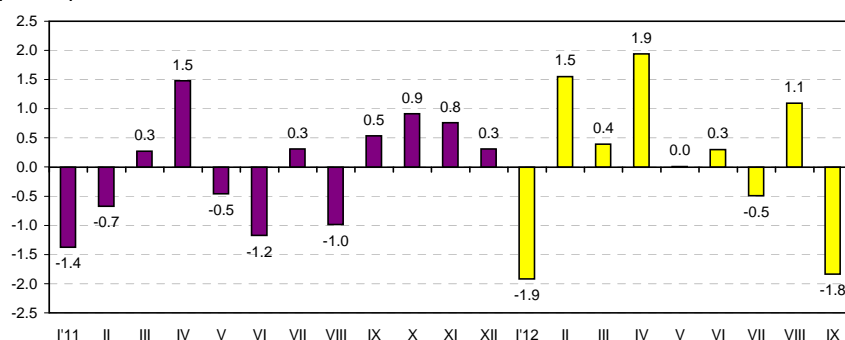
In the period of I-IX 2012 debt held by domestic banks decreased by PLN 3.1bn comparing to PLN 21.6bn decrease during the same period of 2011.

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


In the period of I-IX 2012 debt held by pension funds decreased by PLN 6.0bn comparing to PLN 4.4bn increase during the same period of 2011.

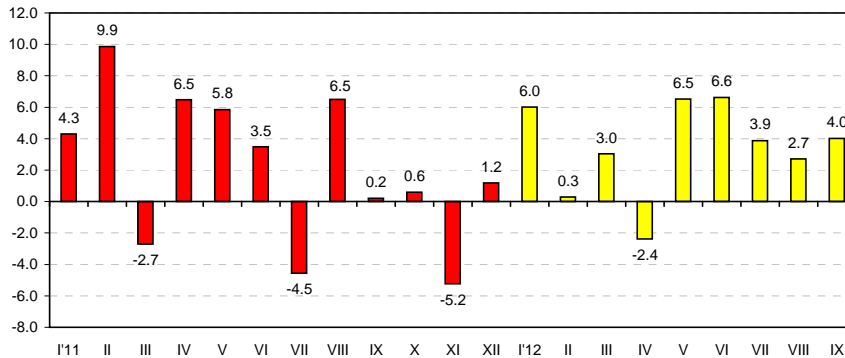
**7 Change of debt in domestic Treasury securities held by insurance companies  
(PLN bn)**


In the period of I-IX 2012 there was a decrease of PLN 0.4bn in debt held by insurance companies. During the same period of 2011 there was a decrease of PLN 1.3bn.

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


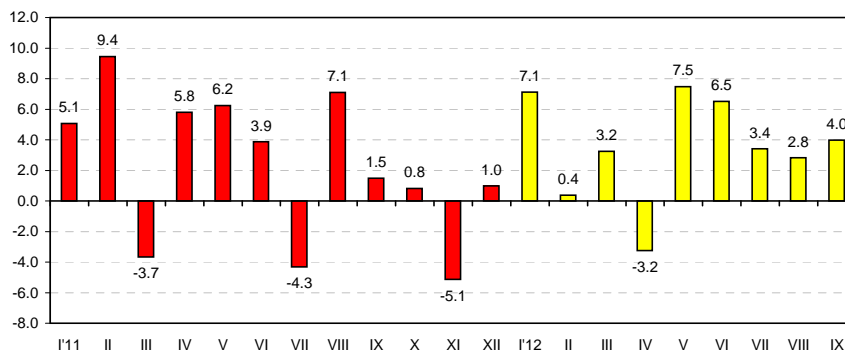
In the period of I-IX 2012 there was an increase of PLN 1.0bn in debt held by investment funds. During the same period of 2011 there was a decrease of PLN 2.1bn.

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



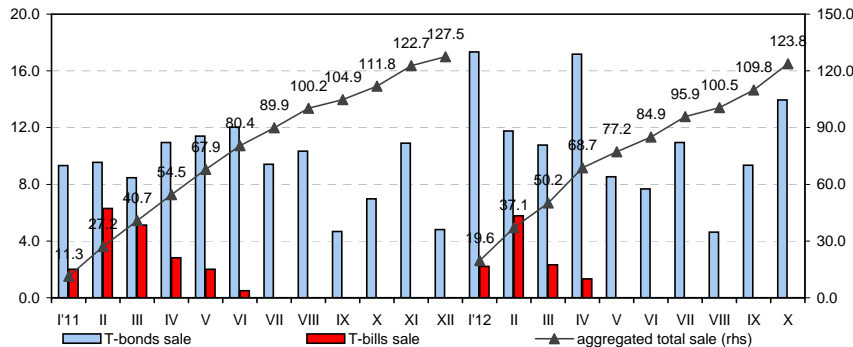
In the period of I-IX 2012 inflow of foreign capital to the domestic TS market amounted to PLN 30.7bn comparing to PLN 29.4bn increase in the same period of 2011. Foreign investors' holdings reached the record high level of PLN of 184.9bn.

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



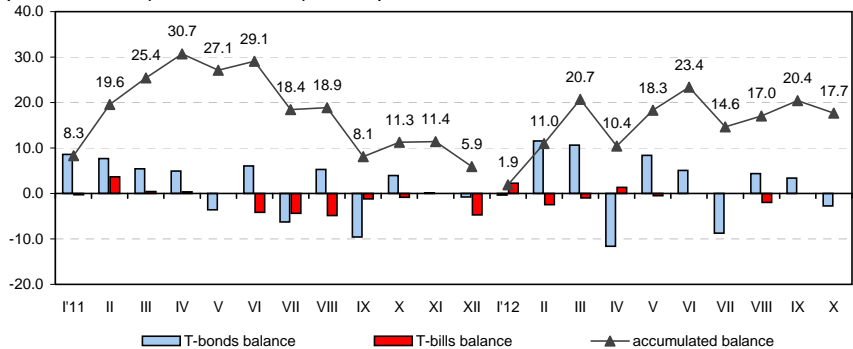
In the period of I-IX 2012 inflow of foreign capital to domestic bonds market amounted to PLN 31.7bn comparing to PLN 31.1bn increase in the same period of 2011. Foreign investors' holdings reached the record level of PLN 184.2bn.

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



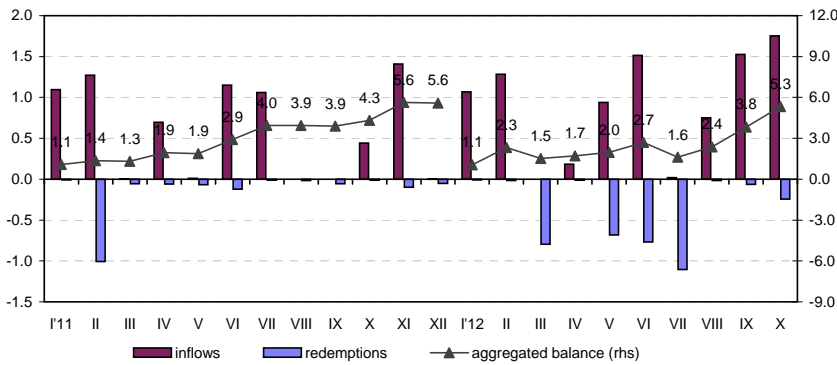
The structure of Treasury securities offered in 2012 is dominated by T-bonds (91% of total amount sold).

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



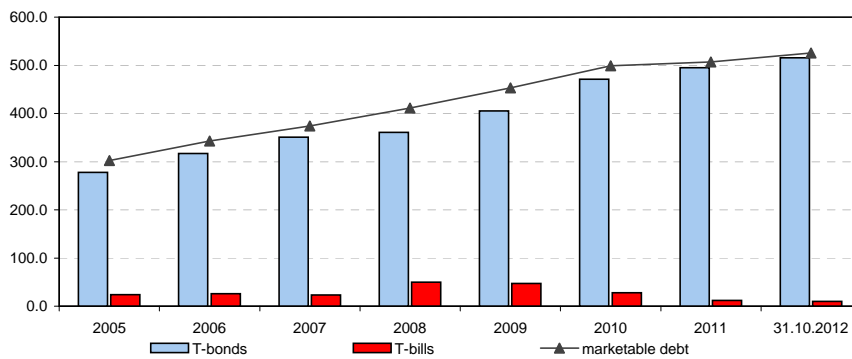
Indebtedness in T-bonds in the period of January - October 2012 increased by PLN 20.0bn while indebtedness in T-bills decreased by PLN 2.3bn.

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



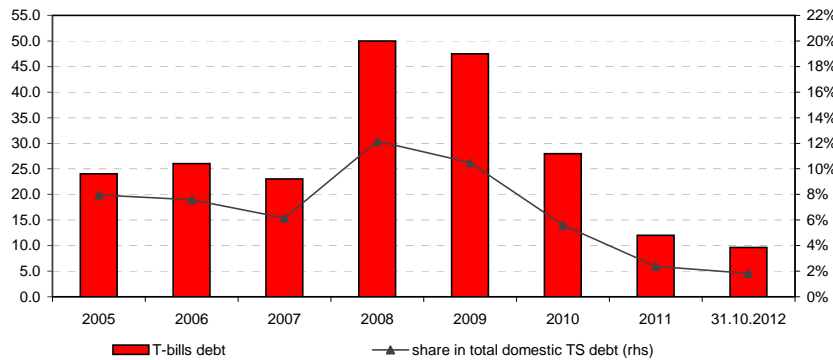
Net financing on foreign markets (bonds issuance and loans from IFIs) amounted to EUR 5.3bn. T-bonds issuance was EUR 7.7bn. Loans incurred from IFIs were at the level of EUR 1.3bn. Apart from those, EUR 2.7bn on the FX budgetary accounts was available - the money related to the foreign debt management raised and not spent in 2011.

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



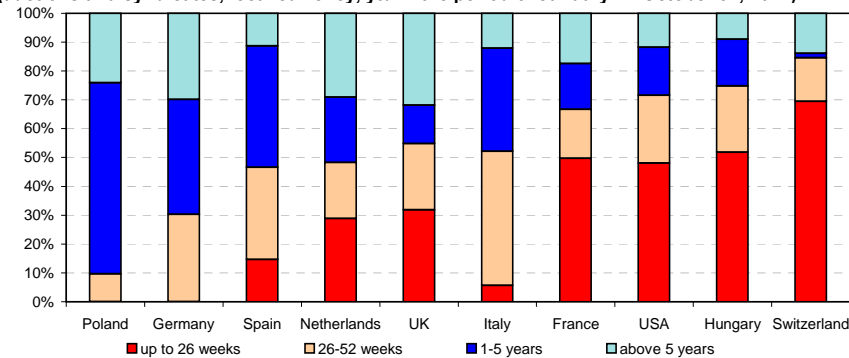
At the end of October 2012 the marketable domestic debt amounted to PLN 525.5bn comparing to PLN 507.2bn at the end of 2011.

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



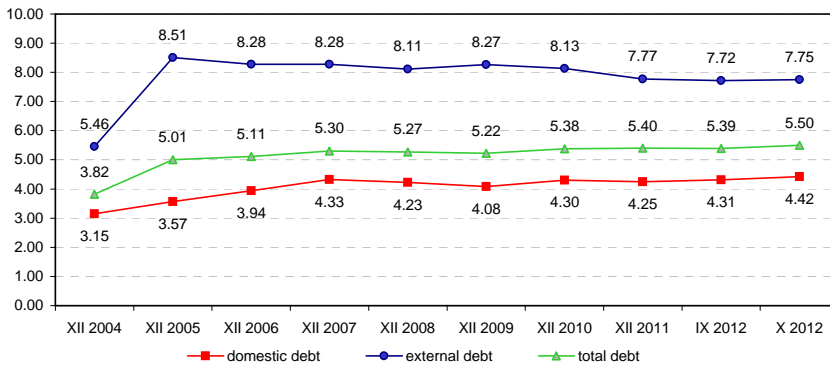
In October 2012 indebtedness in T-bills did not change. T-bills share in total domestic debt amounted to 1.8% at the end of the month.

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



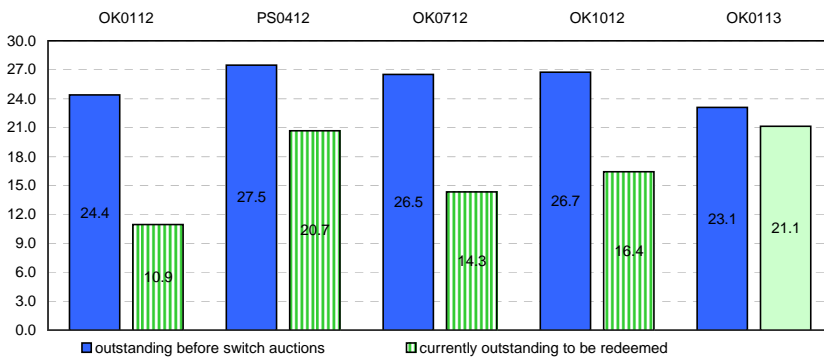
In terms of maturity, the sale of TS in Poland in 2012 is dominated by securities with maturity over 1 year.

**17 Average maturity**



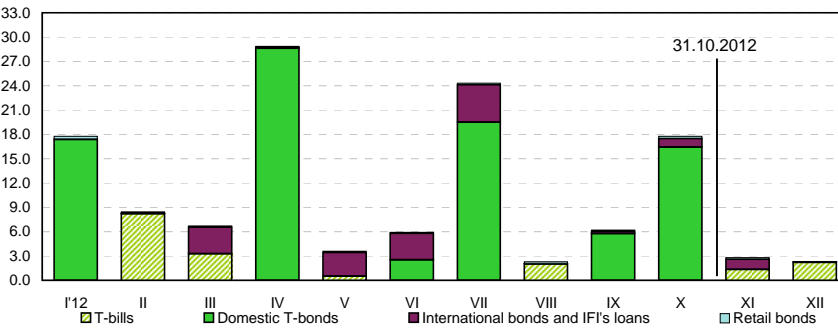
At the end of October 2012 the average maturity of domestic debt increased to 4.42 in comparison with the end-2011 figure (4.25).

**18 Reducing refinancing risk connected with T-bonds' redemptions maturing in 2012 and 2013 (switch auctions, PLN bn, as of October 31, 2012)**



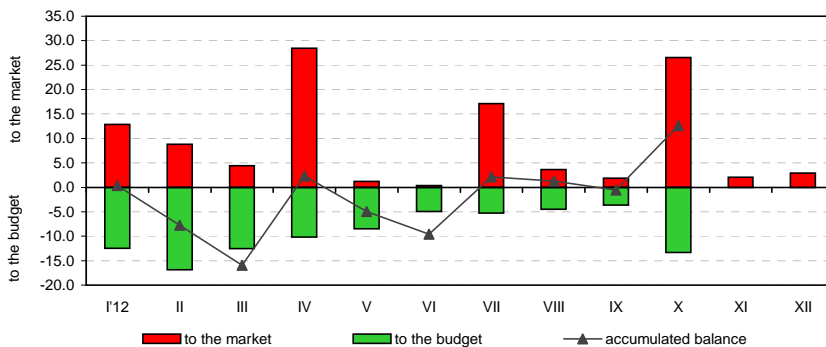
Buy-back of T-bonds maturing in 2012 and 2013:  
 - OK0112: PLN 13.5bn (55% of initial outstanding),  
 - PS0412: PLN 6.8bn (25% of initial outstanding),  
 - OK0712: PLN 12.2bn (46% of initial outstanding),  
 - OK1012: PLN 10.3bn (39% of initial outstanding)  
 - OK0113: PLN 2.0bn (9% of initial outstanding).

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



The nominal amount of debt to be redeemed in 2012 is equal to PLN 5.2bn, including:  
 - T-bills: PLN 3.6bn,  
 - T-retail bonds: PLN 0.3bn,  
 - bonds and loans incurred on foreign markets: PLN 1.3bn.

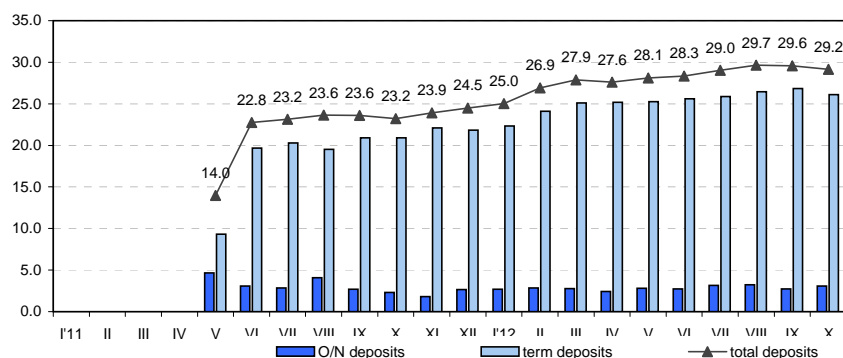
**20 Flows of funds between the market and the budget\* (PLN bn, as of October 31, 2012)**



As of October 31, 2012 to the end of the year the proceeds from the redemptions and interest payments to the market shall amount to PLN 3.6bn. Additionally PLN 1.5bn will be transferred to the Open Pension Funds.

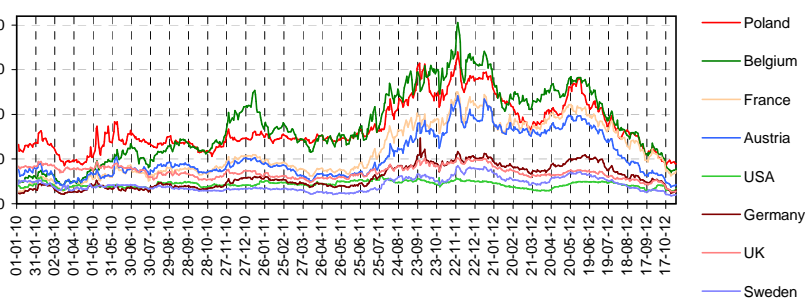
\* figures include sale, redemptions and interest payments on wholesale bonds and bills and transfers to Open Pension Funds; monthly financing plans depend on market situation and feedback from investors thus the detailed schedule of monthly flows to budget in the following months is not presented.

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



As a result of consolidation of public finances liquidity management there were PLN 28.9bn funds accumulated at the end of October, of which PLN 26.1bn 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 level close to Belgian and French CDS. Decreasing tendency has been still observed among analyzed countries.

## 23 T-bonds issue on the JPY market

On November 2, 2012 the Ministry of Finance priced a two-tranche bond denominated in Japanese yen for an aggregate nominal amount of JPY 66bn:  
 - 5-year bond of a nominal amount of JPY 56bn maturing on November 8, 2017 which was priced at 67 bp over the swap rate what implies a yield of 1.05%,  
 - 15-year bond of a nominal amount of JPY 10bn maturing on November 8, 2027 which was priced at 117 bp over the swap rate what implies a yield of 2.50%.  
 The issue price was set at par.

The bonds have been allocated mainly to Japanese institutional investors such as: banks, insurance companies, funds and public institutions. The lead managers on the transaction were Nomura and SMBC Nikko. The transaction will be settled on 8 November 2012.

### Wojciech Kowalczyk, Undersecretary of State, Ministry of Finance (02-11-2012)

The issuance on the JPY market has been a good conclusion for the series of meetings we held in Japan and South Korea in October when we were promoting all our Treasury securities – beginning with denominated in JPY, through those issued on the EUR and USD markets and ending with domestic zloty-denominated T-bonds.

Interest in our yen-denominated bonds allowed us to expand the initial offer of 5-year bonds with an additional tranche of 15-year bonds. We attracted good, stable and longterm investors, including those from outside the financial sector, and we gained attractive financing conditions. The yield of 5-year T-bonds slightly exceeds 1% and for 15-year bonds it is exactly at 2.5%.

There is very high interest amongst Asian investors including the biggest and the most reputable institutions. The issuance placed on demanding market, which surely the Japanese market is, constitute a strong recommendation for purchasing Polish bonds also by buyers from other Asian markets.

## 24 Comment

### Piotr Marczak, Director of Public Debt Department, Ministry of Finance (31-10-2012)

Having financed the borrowing requirements for this year, we are now prefinancing the requirements for next year (planned level of prefinancing at least 20%). This means we hold funds in PLN and in foreign currency at a significant level which shall amount ca. PLN 51bn by the end of October. Comparing to September some reserves in PLN have diminished, mainly due to redemption and interest payments in October in total of PLN 25.7bn. This was compensated by higher funds kept in foreign currency.

Auction calendar for November will be done in accordance with the quarterly plan – one sale auction and one switch auction will be held. Issuance on Japanese yen market will be finalized at the beginning of November.

Further financing, both on domestic and on foreign markets, will be determined by the current market situation and its possible changes in forthcoming future. Due to open issuance plan for December (conditional sale auction) a new 5-year benchmark will be issued in November.

Continuous inflow of foreign capital to the domestic Treasury securities market has been noticed. In September foreign investors' holdings increased by another PLN 4.0bn (including PLN 3.98bn in T-bonds) and reached the record high level of PLN of 184.9bn (including PLN 184.2bn in T-bonds). Inflow of foreign capital to domestic Treasury securities market will be limited by redemption of 2-year T-bonds at the level of PLN 6.5bn which will be done in November. Nevertheless the balance of foreign investors' holdings shall be significantly positive.