
State budget borrowing requirements' financing plan and its background:

in December 2012

THE MOST IMPORTANT INFORMATION:

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1 T-bond switching auction

Auction / settlement date	Settlement T-bonds	Source T-bonds	Outstanding (PLN m)
6 DEC 2012 / 10 DEC 2012	WS0922 / WS0429	OK0113	11,208
		PS0413	21,438

2 Buy-back auction of EUR nominated T-bonds

Auction / settlement date	Buy-back T-bonds		Nominal value of buy-back (EUR m)
	Series	Maturity date	
17 DEC 2012 / 19 DEC 2012	EUR20130205	5 FEB 2013	up to 200

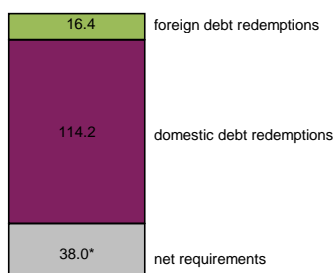
3 Offer on retail market

T-bond	Issue price	Coupon
DOS1214	100.00 PLN (99.90 PLN for rolling-over)	Fixed, 3.90%
TOZ1215	100.00 PLN (99.90 PLN for rolling-over)	Floating (1.00 * WIBOR 6M), 4.60% in the first coupon period
COI1216	100.00 PLN (99.90 PLN for rolling-over)	Floating (inflation rate + 1.75%), 5.00% in the first coupon period
EDO1222	100.00 PLN (99.90 PLN for rolling-over)	Floating (inflation rate + 2.00%), 5.50% in the first coupon period

1 Gross borrowing requirements in 2012

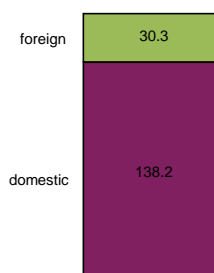
Gross borrowing requirements in 2012

Total PLN 168.5bn*, of which:



Funding in the period of I-XI

Total PLN 168.5bn (100%)

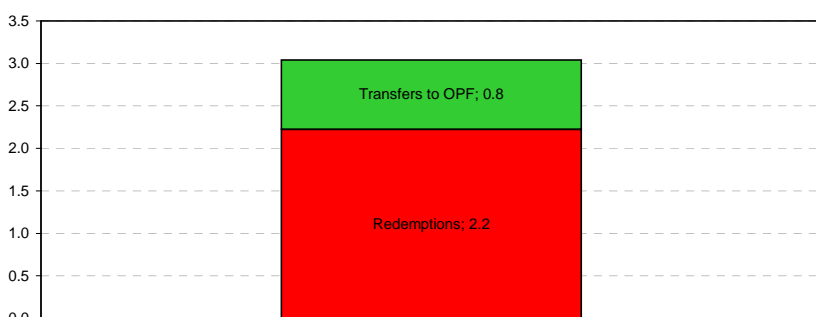


* expected execution acc. to assumptions set in the draft Budget Act for 2013

Funding of borrowing requirements was a result of:

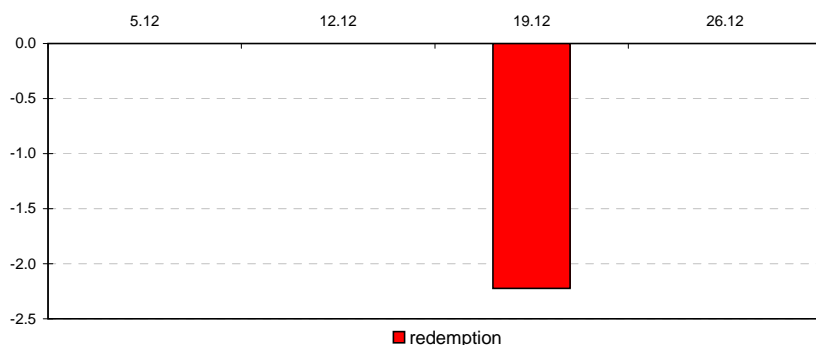
- T-bills buyback in 2011: PLN 4.5bn,
- rolling over of T-bonds by switch auctions in 2011: PLN 15.2bn,
- T-bonds buyback on foreign markets in 2011: PLN 0.2bn,
- higher than planned financial resources at the end of 2011: PLN 11.9bn,
- T-securities sale on domestic market: PLN 118.2bn,
- T-bonds issuance on foreign markets: PLN 16.2bn,
- and loans incurred from IFIs: PLN 2.2bn.

2 Flows of funds into the market related to T-bonds and T-bills and transfers to Open Pension Funds in December 2012 (PLN bn, as of November 30, 2012)



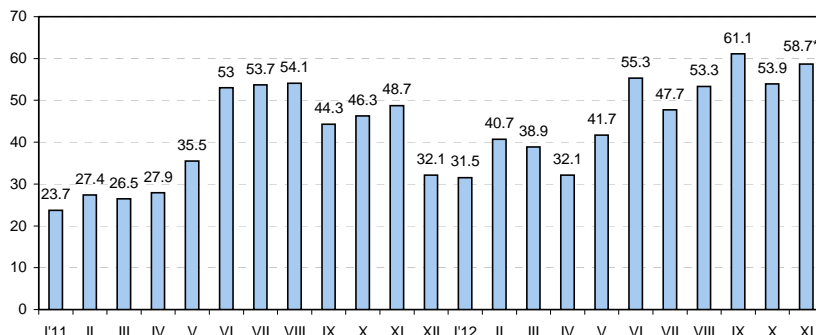
As of November 30, 2012 flow of funds due to redemptions of T-securities, interest payments and transfers from State budget to Open Pension Funds shall amount to ca. PLN 3.0bn.

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



No T-bills auctions are planned in December. The amount of T-bills to be redeemed is PLN 2.2bn.

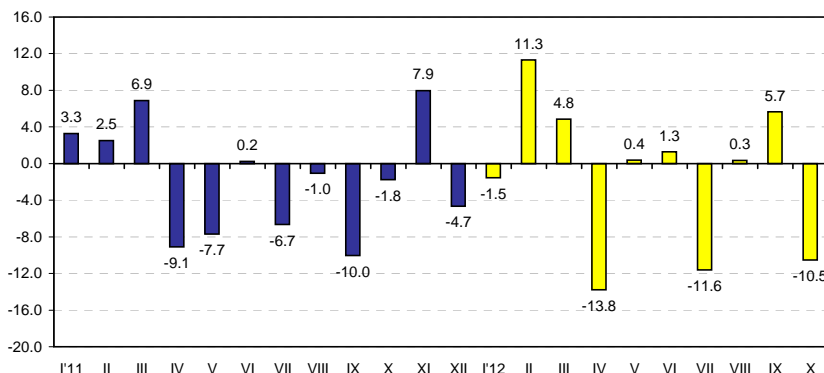
4 Funds in PLN and in foreign currency held by the MoF at the end of month (foreign currency funds include funds from debt issuance and received from the European Commission, PLN bn)



The funds ensure liquidity in borrowing needs financing.

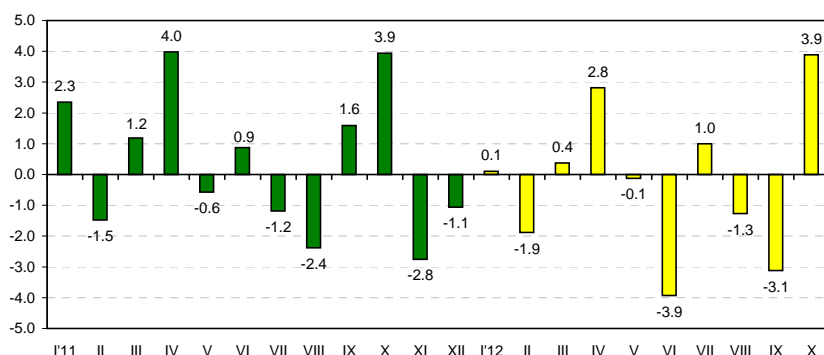
* estimation

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



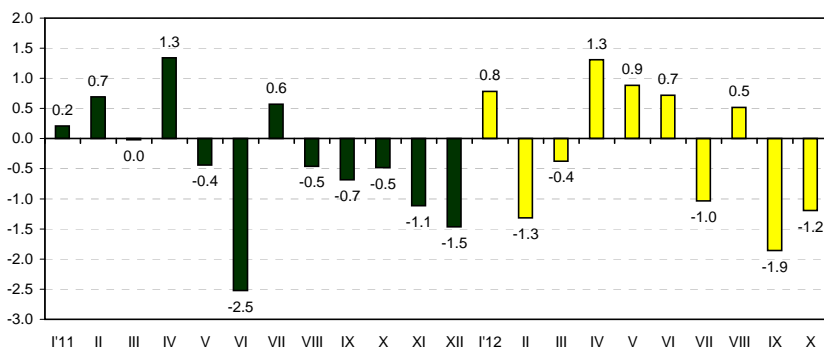
In the period of I-X 2012 debt held by domestic banks decreased by PLN 13.7bn comparing to PLN 23.4bn decrease during the same period of 2011.

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



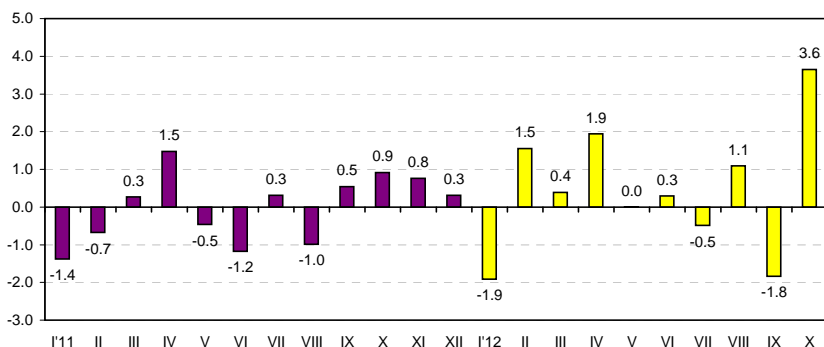
In the period of I-X 2012 debt held by pension funds decreased by PLN 2.1bn comparing to PLN 8.3bn increase during the same period of 2011.

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



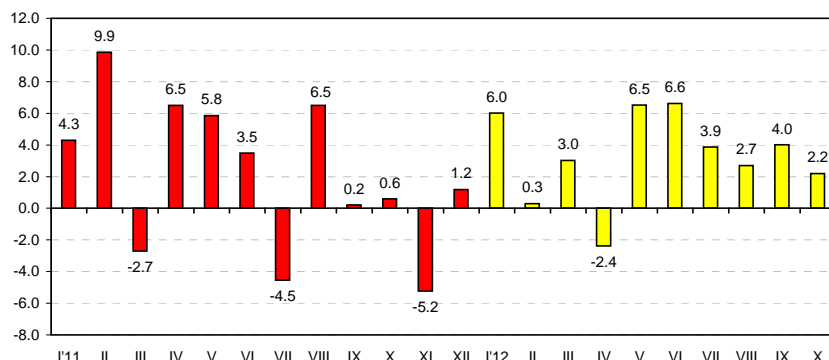
In the period of I-X 2012 there was a decrease of PLN 1.6bn in debt held by insurance companies. During the same period of 2011 there was a decrease of PLN 1.8bn.

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



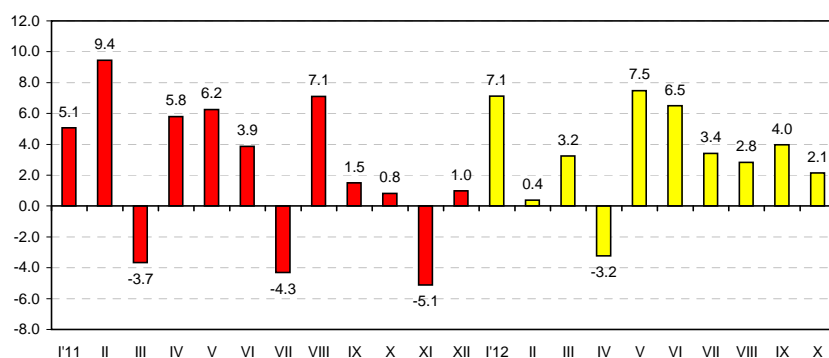
In the period of I-X 2012 there was an increase of PLN 4.7bn in debt held by investment funds. During the same period of 2011 there was a decrease of PLN 1.2bn.

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



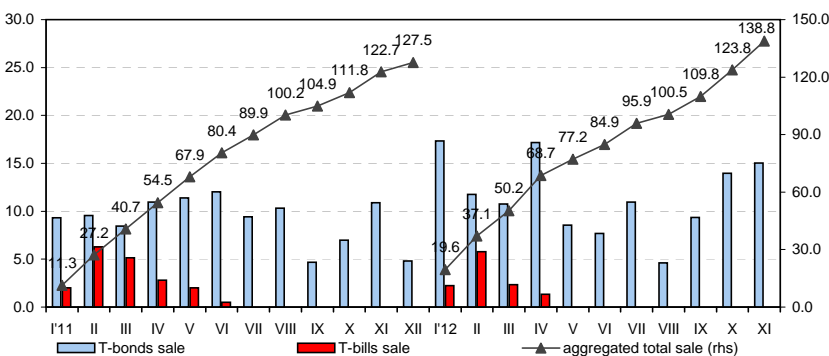
In the period of I-X 2012 inflow of foreign capital to the domestic TS market amounted to PLN 32.9bn comparing to PLN 30.0bn increase in the same period of 2011. Foreign investors' holdings reached the record high level of PLN of 187.1bn.

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



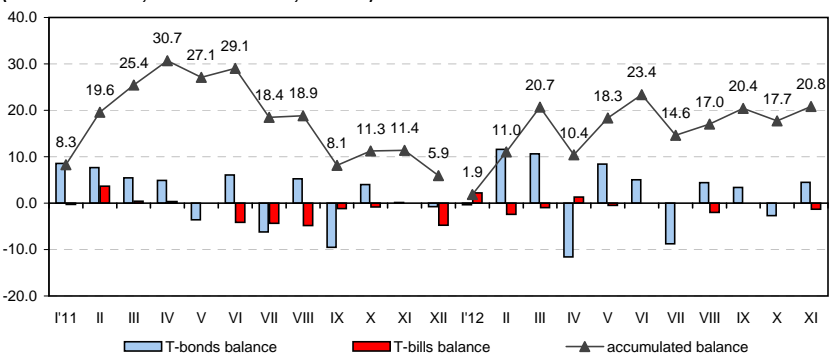
In the period of I-X 2012 inflow of foreign capital to domestic bonds market amounted to PLN 33.8bn comparing to PLN 31.9bn increase in the same period of 2011. Foreign investors' holdings reached the record level of PLN 186.3bn.

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



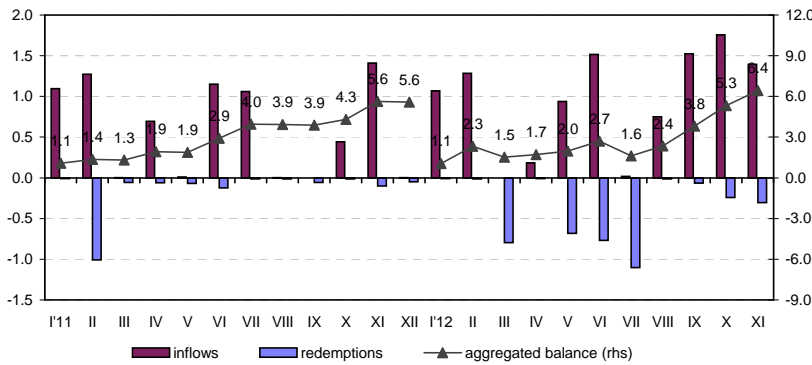
The structure of Treasury securities offered in 2012 is dominated by T-bonds (92% of total amount sold).

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



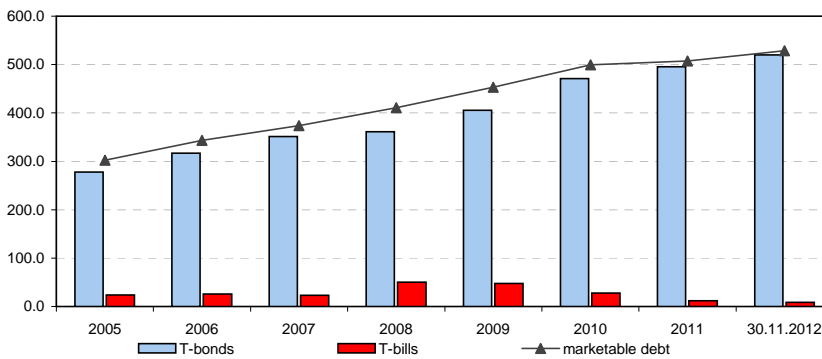
Indebtedness in T-bonds in the period of January - November 2012 increased by PLN 24.5bn while indebtedness in T-bills decreased by PLN 3.7bn.

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



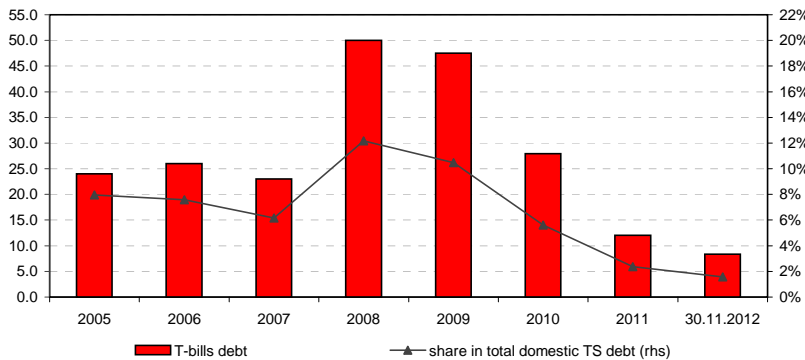
Net financing on foreign markets amounted to EUR 6.4bn. T-bonds issuance was EUR 9.1bn. Loans incurred from IFIs were at the level of EUR 1.3bn. Apart from those, EUR 2.7bn on the FX budgetary accounts was available - the money related to the foreign debt management raised and not spent in 2011.

14 Structure of marketable debt
(PLN bn)



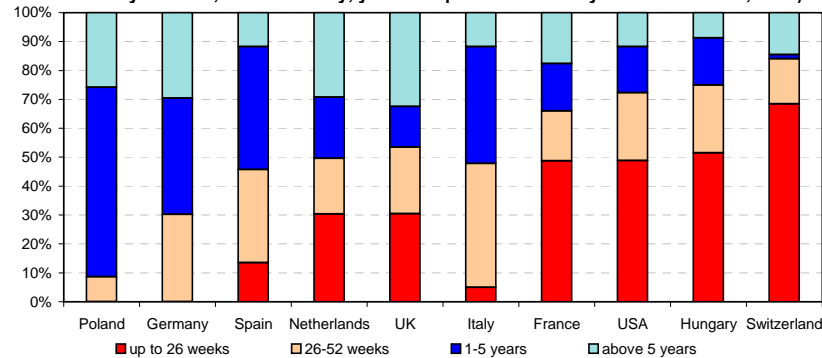
At the end of November 2012 the marketable domestic debt amounted to PLN 528.6bn comparing to PLN 507.2bn at the end of 2011.

15 T-bills outstanding
(PLN bn)



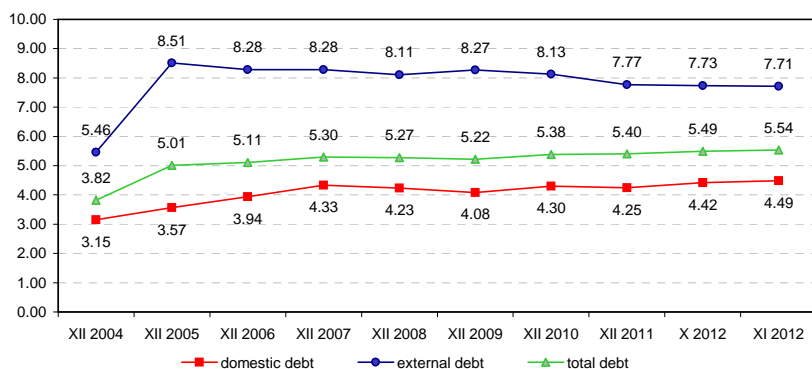
In November 2012 indebtedness in T-bills decreased by PLN 1.3bn to the historically record low level of PLN 8.3bn. T-bills share in total domestic debt amounted to 1.6% at the end of the month.

16 Maturity breakdown of T-securities in Poland and other countries
(auctions and syndicates, local currency, ytd in the period of January 1 - November 30, 2012)



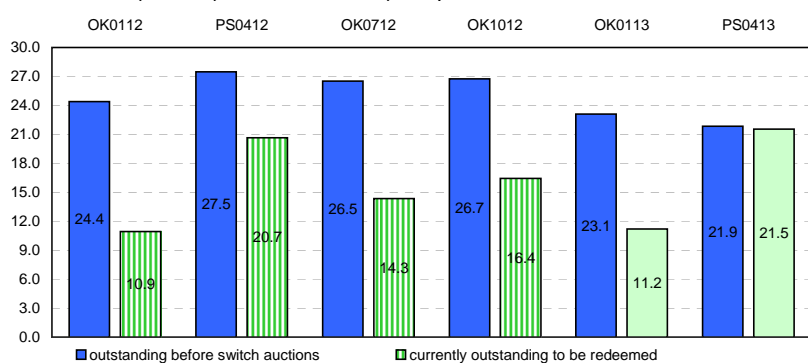
In terms of maturity, the sale of TS in Poland in 2012 is dominated by securities with maturity over 1 year.

17 Average maturity



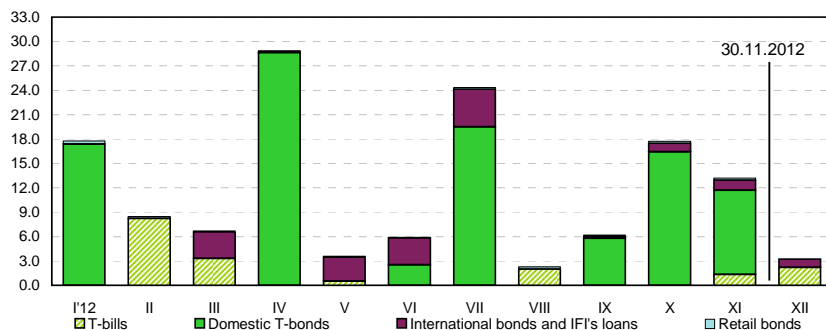
At the end of November 2012 the average maturity of domestic debt increased to 4.49 in comparison with the end-2011 figure (4.25).

18 Reducing refinancing risk connected with T-bonds' redemptions maturing in 2012 and 2013 (switch auctions, PLN bn, as of November 30, 2012)



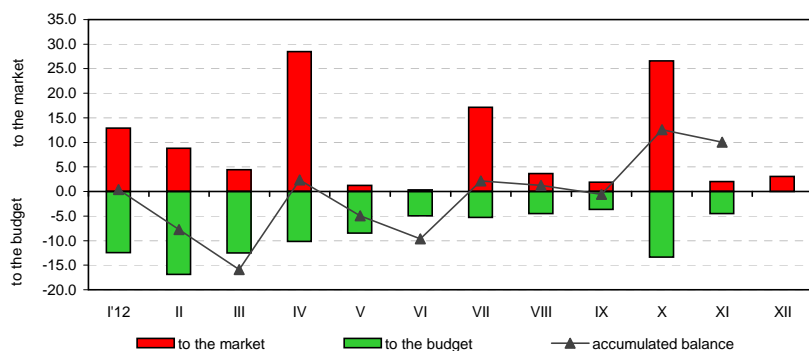
Buy-back of T-bonds maturing in 2012 and 2013:
 - OK0112: PLN 13.5bn (55% of initial outstanding),
 - PS0412: PLN 6.8bn (25% of initial outstanding),
 - OK0712: PLN 12.2bn (46% of initial outstanding),
 - OK1012: PLN 10.3bn (39% of initial outstanding)
 - OK0113: PLN 11.9bn (52% of initial outstanding)
 - PS0413: PLN 0.4bn (2% of initial outstanding).

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



The nominal amount of debt to be redeemed in 2012 is equal to PLN 3.4bn, including:
 - T-bills: PLN 2.2bn,
 - T-retail bonds: PLN 0.2bn,
 - bonds and loans incurred on foreign markets: PLN 1.0bn.

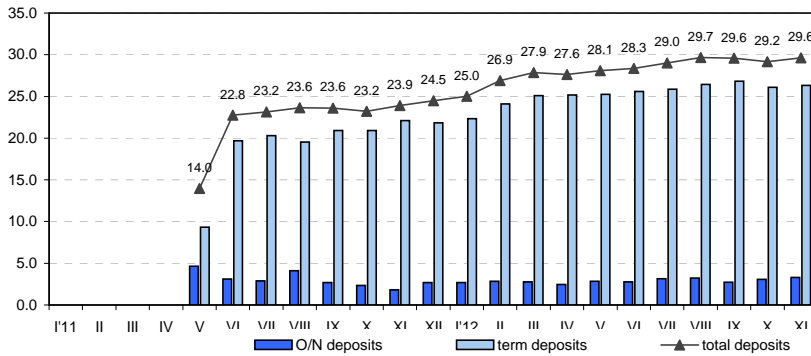
20 Flows of funds between the market and the budget* (PLN bn, as of November 30, 2012)



As of November 30, 2012 to the end of the year the proceeds from the redemptions and interest payments to the market shall amount to PLN 2.2bn. Additionally PLN 0.8bn will be transferred to the Open Pension Funds.

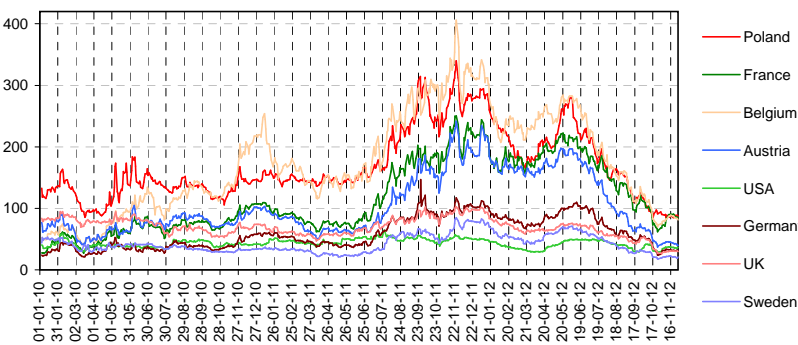
* figures include sale, redemptions and interest payments on wholesale bonds and bills and transfers to Open Pension Funds.

21 Consolidation of public finances liquidity management (PLN bn)



As a result of consolidation of public finances liquidity management there were PLN 29.6bn funds accumulated at the end of November, of which PLN 26.3bn was as term deposits and PLN 3.3bn on O/N deposits.

22 CDS levels (5-year, bp)



Polish 5-year CDS contracts are traded at level close to French and Belgian CDS.

23 Reopening of T-bonds issued on the EUR market

Issue summary:

Amount: EUR 750mn (total EUR 2.5bn)
 Maturity date: July 9, 2024
 Coupon: 3.375%
 Spread: 135 pb over the interpolated mid-swap
 Yield: 3.210%
 Launch date: November 19, 2012
 Bookrunners: Commerzbank, HSBC, ING, Societe Generale

Market commentary:

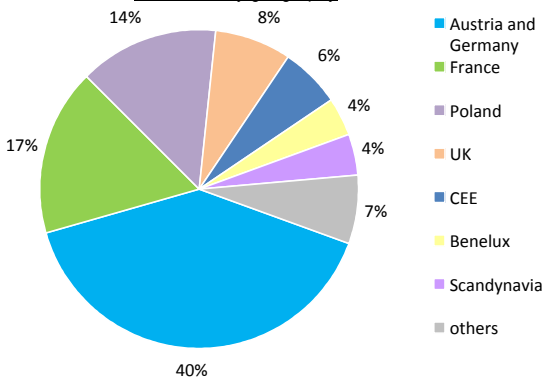
Euroweek, 23 November 2012:

"The deal was buoyed by interest from new investors, particularly those in France, according to one of the leads (...).
 <<Usually, French accounts are rather marginal, but with this deal we found French accounts participating in Poland's bonds for the first time. These investors are looking for yield. They had been invested in the periphery, then they withdrew and went to French, German and Dutch names, but now they are looking for yield to position themselves for the possibility that French yields could shoot up>> [a DCM banker said].

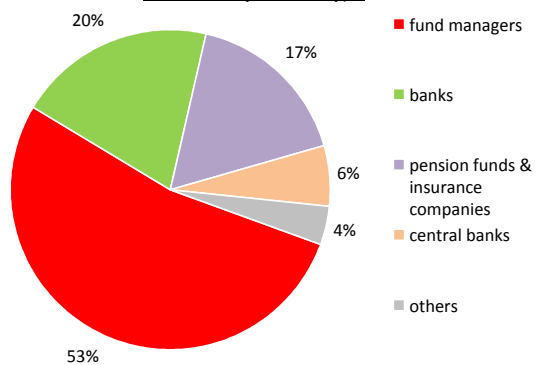
IFR, 24 November 2012:

The Republic of Poland (A2/A-/A-) continues to tackle its 2013 funding needs increasing its 3.375% July 2024 issue by EUR 750m. (...)
 Poland has now financed 75% of next year's borrowing needs in foreign currencies, deputy finance minister Wojciech Kowalczyk was quoted as saying by state press agency PAP last Monday.

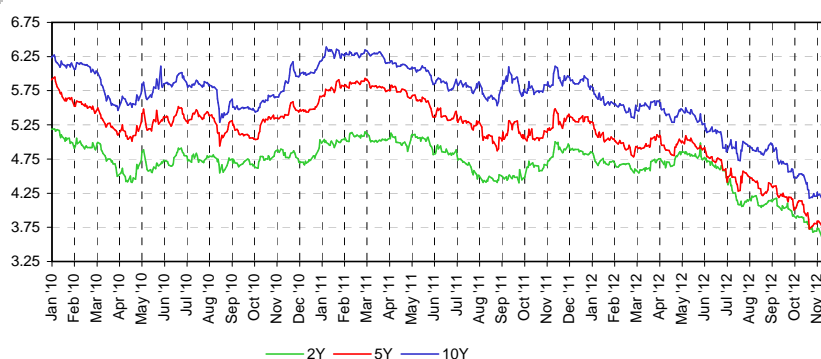
Orderbook by geography



Orderbook by investor type



24 Yields of T-bonds denominated in PLN



Continuous decreases in yields of Polish T-bonds are observed. On the last day of November yields for 2-, 5- and 10-year bonds reached the record low levels (temporarily, respectively, 3.42%, 3.58% i 4.00%).

25 Comments

Jaime Reusche, Moody's: Poland's Latest Eurobond Helps Sovereign Meet 2013 Pre-Funding Target (27-11-12)

Having financed all of this year's borrowing requirements in October, the government of Poland (A2) has now met its target of pre-funding 20% of its PLN146 billion (8.8% of GDP) financing needs for 2013. The EUR750 million 2024 bond auction which settled on 26 November, was instrumental in reaching the sovereign's target. The bond placement met with favorable conditions that brought the yield down to 3.21%, continuing the trend of decreasing funding costs for Poland. We expect the authorities will now take an opportunistic approach to any further financing based on market conditions. The sovereign's prudent approach to increasing its liquidity buffer decreases rollover risk, and the lower funding costs reflect its status as a regional safe haven in Central and Eastern Europe. (...)

Demand for Polish bonds remains strong, especially among foreign investors, and we expect that the favorable sentiment will continue to push yields lower through the end of the year, leaving the possibility of new issuance in December open.. (...)

The pre-funding measures, however, will increase the sovereign's total debt burden at the end of the year by about 1.7% of GDP. On a net basis, the liquidity held from the additional issuance offsets the gross increase in debt, and as such, only artificially increases the debt-to-GDP ratio that will be reported for 2012. Yet the small increase does not threaten the statutory debt limit which caps Poland's general government debt at 55% of GDP. The peak in the ratio was reached in 2011 when it rose to 56.4% under the accounting rules of the European System of Accounts (ESA'95), but only 53.5% under the national methodology for calculating debt which excludes the liabilities of the National Road Fund. As a result the ceiling was not breached.

The authorities are debating modifications to the rule, which include the possibility of netting out liquid assets if the level of debt were to reach the 55% mark under the national definition. While modifying the rule to prevent sanction mechanisms that constrain policy flexibility, constant adjustments to the rule would risk undermining the spirit of the ceiling. Nevertheless, the intrinsic strengths of the Polish economy are already having a beneficial effect on debt ratios, which have begun trending down. The resilient economic performance along with the fiscal consolidation effort that has substantially narrowed the deficit, are ensuring sustainable debt dynamics. Prudent liability management operations and a credible fiscal policy framework are key factors underpinning the sovereign's creditworthiness and will lead to further improvements in Poland's credit profile.

Piotr Marczak, Director of Public Debt Dept, Ministry of Finance (30-11-2012)

At the end of November the amount of PLN and foreign currencies funds reached the level of PLN 58bn and more than 20% of 2013 State borrowing requirements has been funded.

The pre-fund of next year's requirements and yields at the record low level allow us to adjust the T-bond offer to our preferences. In December one T-bonds switching auction will be held. We will offer then only two types of WS T-bond series with fixed rates and with the longest maturity. That will let us continue financing next year's requirements at the lowest yields, as well as increase the average maturity of debt without increasing its outstanding level.

December switching auction will be the last one of this type for a while. Only regular sale auctions will be held in first months of a new year.

In December we are going to hold the first buy-back auction of T-bonds denominated in EUR maturing in the beginning of February next year. (...) We assume this will let us use the available foreign currencies more efficiently than by making deposits. The auction formula will be the same as used for zloty-denominated bonds issued on Polish market.

Success of the buy-back and scheduled redemption of PLN 2.2bn of T-bills will result in decrease in outstanding debt (without taking into account of exchange rate differences).