

MINISTRY OF FINANCE

ANNEX TO ANNUAL REPORT 2005 PUBLIC DEBT

WARSAW
NOVEMBER 2006

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1. LEGAL FRAMEWORK OF THE ISSUANCE OF TREASURY SECURITIES

The basic act governing the terms of issuing Treasury Securities (TS) in 2005 was the Public Finance Act of November 26th, 1998 (Journal of Laws No. 155, item 1014 as subsequently amended)¹.

Under this Act, only the Minister of Finance was authorized to issue monetary-type Treasury Securities (i.e. T-bonds and T-bills). Other TS (equity-type) can be issued by the Minister of Treasury in consultation with the Minister of Finance.

Treasury Securities are classified according to their maturity as follows:

- a) short-term securities – **Treasury bills** offered for sale on the domestic market at a discount and redeemed at their face value – with maturity up to 364 days (inclusive);
- b) long-term securities – **Treasury bonds** offered for sale on the domestic and foreign markets, carrying a discount or/and interest – with maturity of at least one year (365 days).

The general terms of issuing specific types of the Treasury Securities in 2005 were determined in five ordinances :

- a) Ordinance of the Minister of Finance of April 26th, 1999 on the general terms of issuing of Treasury bonds offered at auctions (Journal of Laws No. 38, item 368, as subsequently amended);
- b) Ordinance of the Minister of Finance of April 26th, 1999 on the general terms of issuing of Treasury bonds offered in the retail network (Journal of Laws No. 38, item 369, as subsequently amended);
- c) Ordinance of the Minister of Finance of August 26th, 1999 on the terms of issuing of Treasury bills (Journal of Laws No. 74, item 831, as subsequently amended);
- d) Ordinance of the Minister of Finance of September 7th, 1999 on the terms of issuing of Treasury bonds on the foreign markets (Journal of Laws No. 75, item 845, as subsequently amended);
- e) Ordinance of the Minister of Finance of September 8th, 1999 on the terms of issuing of Treasury bonds designated for the conversion of the State Treasury debt (Journal of Laws No. 74, item 834, as subsequently amended).

The ordinances determined the Minister of Finance's rights to define detailed terms of the Treasury Securities issue. They set forth general terms of securities' design, sales procedures, investor groups to which Treasury Securities are offered and terms of their service and redemption (including buy-back and early redemption).

Detailed conditions of a particular issue of the Treasury Securities are determined in the Letters of Issue published by the Minister of Finance. Announcement of the Letter of Issue to the public on the Ministry of Finance Internet web site constitutes the condition under which the issue is effective.

2. PRIMARY MARKET OF TREASURY SECURITIES.

2.1. Sale of Treasury Securities on the domestic market

Sale of the Treasury Securities on the domestic market is performed by issue agents acting under separate agreements concluded with the Minister of Finance. The National Bank of Poland is in charge of the auction sales of TS – Treasury bills and Treasury bonds - to institutional investors. Issuance of securities dedicated for individual investors – retail and savings T-bonds is performed by the PKO Bank Polski S.A.

2.1.1. Sale of Treasury Securities at auctions.

TS offered at auctions held by the National Bank of Poland are dedicated for the institutional investor groups and are commonly called "**wholesale**" instruments. They fulfil the basic role in meeting the State Budget borrowing requirements. Relatively high face value of the securities offered, at PLN 10,000 for a T-bill and PLN 1,000 for a T-bond, at auctions is a feature of the wholesale market of the Treasury Securities. The direct access to auctions is limited to Treasury Securities Dealers and Bank Gospodarstwa Krajowego (state owned bank).

There were altogether 87 auctions of TS in 2005: 37 auctions of Treasury bills and 50 of Treasury bonds (including 17 non-competitive auctions). Total value of securities offered amounted to PLN 101.83 billion (T-bills - PLN 27.00 billion and T-bonds - PLN 74.83 billion), the value of declared demand reached PLN 268.30 billion (PLN 82.98 billion and PLN 185.32 billion respectively) and the total face value of sale amounted to PLN 99.44 billion (PLN 26.93 billion and PLN 72.51 billion respectively).

¹ Since January 1st, 2006 the obliged law has been the Public Finance Act of June 30th, 2005 (Journal of Laws No. 249, item 2104 as subsequently amended) and the following ordinances:

- a) Ordinance of the Minister of Finance of June 26th, 2006 on the general terms of issuing of Treasury bills (Journal of Laws No. 113, item 771);
- b) Ordinance of the Minister of Finance of June 26th, 2006 on the general terms of issuing of Treasury bonds offered at auctions (Journal of Laws No. 113, item 772);
- c) Ordinance of the Minister of Finance of June 26th, 2006 on the terms of issuing of Treasury bonds on the foreign markets (Journal of Laws No. 113, item 773);
- d) Ordinance of the Minister of Finance of June 26th, 2006 on the terms of issuing of Treasury bonds offered in the retail network (Journal of Laws No. 113, item 774);
- e) Ordinance of the Minister of Finance of June 26th, 2006 on the terms of issuing of Treasury bonds designated for the conversion of the State Treasury debt (Journal of Laws No. 113, item 775).

The following types of Treasury Securities were offered at auctions in 2005:

- a) Treasury bills,
- b) 2-year zero coupon bonds,
- c) 5-year fixed rate bonds,
- d) 10-year fixed rate bonds,
- e) 20-year fixed rate bonds.
- f) 7-year floating rate bonds,
- g) 12-year inflation linked bonds.

2.1.1.1. System of Treasury Securities Dealers (TSD)

The System of Treasury Securities Dealers was introduced since the beginning of 2003. It limited the access to the TS primary market to entities with the status of TSD. The System of Treasury Securities Dealer was implemented in order to ensure financing of borrowing requirement of state budget and to improve liquidity, transparency and effectiveness of Treasury Securities market.

System participants

Participation in the TSD competition for 2006 (it took place from December 1, 2004 to September 30, 2005) was limited to Polish and foreign banks, which meet requirements stated in [Regulations of fulfilling the functions of TSD](#). The document set forth competition's rules and criteria for TSD selection.

TDS in 2005 & candidates for TSD in 2006:

The name of the bank	TSD in 2005	The candidate for TSD in 2006
ABN Amro Bank (Polska) S.A.	*	*
Bank Millennium S.A.	*	*
Bank Pekao S.A.	*	*
BGŻ S.A.		*
BPH S.A.	*	*
BRE Bank S.A.	*	*
Citibank Handlowy S.A.	*	*
Credit Swiss First Boston (Europe) Limited		*
Deutsche Bank Polska S.A.	*	*
Goldman Sachs International Ltd.		*
HSBC Bank plc		*
ING Bank Śląski S.A.	*	*
Kredyt Bank S.A.	*	*
Lehman Brothers International (Europe)		*
Morgan Stanley & Co. International Limited		*
PKO BP S.A.	*	*
Raiffeisen Bank Polska S.A.		*
Société Générale Oddział w Polsce S.A.	*	*
UBS Limited		*
WestLB Polska S.A.		*

TSD selection criteria for 2006:

1. share in secondary market transactions, including electronic platform (calculated for T-bonds and T-bills separately),
2. share in the turnover with non-banking sector entities (T-bonds and T-bills separately),
3. share in the turnover on FRA (Forward Rate Agreement) and IRS (Interest Rate Swap) market,
4. timely and sound fulfillment of depository and clearing system duties,
5. cooperation with the Issuer and NBP (especially concerning actions leading to development of transparent and effective TS market and advisory regarding issuing policies).

TSD duties in the year 2005:

1. TSD were obliged to participate in all auctions of T-bonds arranged by the NBP on behalf of the Issuer,
2. TSD were obliged to purchase each quarter no less than 4% of TS,
3. constant quotations of sell and buy price for TS on the organised electronic secondary market,
4. TSD were obliged to participate in everyday fixing sessions of TS, arranged by the NBP through MTS-CeTO S.A. – electronic platform organizer, in order to set the fixing and informational rates for TS in accordance with the TS Fixing Regulations,
5. acting to increase participation of the non-banking domestic investors in the TS market,
6. cooperation with the Issuer towards development of the transparent and effective market for TS,
7. timely and fair fulfilment of depository and clearing systems duties.

TSD in the year 2005 were entitled to:

1. exclusive submission of bids at all auctions of TS arranged by the NBP,
2. purchasing TS at non-competitive auctions at average auction prices,
3. purchasing special issues of TS,
4. regular meetings with representatives of the Issuer in order to solve material, organisational and technical problems connected with organisation and functioning of the TS market, to discuss issuing policy, plans for financing state budget borrowing needs and financial market conditions,
5. conducting of individual operations with the Issuer,
6. using the title of a Treasury Securities Dealer.

The competition for candidates for Primary Dealers in 2007

The competition for candidates for Primary Dealers in 2007 has begun in October 1, 2005. The rules of the competition are specified in Rules and Regulations Governing the Activities of the Treasury Securities Dealer as of August 24, 2005. The most important differences between actual and previous Rules and Regulations concern duties of the TSD on primary market and selection criteria for TSD (in framework of the Dealer's Activity Index).

The changes concerning duties on the primary market include:

- increasing the purchase of TS within a quarter from 4% to 5%,
- introducing weights for particular types of TS – for TS with maturity less than 4 years – 0.5, for TS with maturity equal or above 4 years – 1.5. It was connected with the promotion of TS of longer maturity.
- increasing the range of negative points (from 5 to 10 points).

The changes in the construction of the dealer's Activity Index include:

- eliminating division in criteria on bills and bonds (the category of TS was introduced),
- reducing the share of MTS Poland in the total quantity of points scoring,
- expanding the category "banks" and "non-banking entities" for foreign entities,
- introducing weights for transactions of particular types of TS (for TS with maturity less than 3 years – 0.5, for TS with maturity equal or above 3 years – 1.5),
- eliminating the criterion concerning the possibility of receiving additional points for transactions of bonds other than benchmarks, which are traded on MTS Poland.

More detailed information about System of Treasury Securities Dealers can be found at the following address:

<http://mf.gov.pl/index.php?wysw=4&sql=2&dzial=168>

2.1.1.1.1. Electronic Treasury Securities Market (ETSM)

From March 1, 2002 Centralna Tabla Ofert S.A. under the agreement signed with the Ministry of Finance became an organizer of the secondary market on the electronic platform. Since November 2004 as a result of a strategic alliance with MTS Group the Electronic Treasury Securities Market has been continuing its operations, based on Telematico technology, under the name "MTS Poland". This enables foreign banks to conduct transactions on electronic market.

On December 31, 2005 there were 25 entities on the MTS Poland: 20 as the Market Maker and 5 as the Market Taker.

2.1.1.2. Sales of Treasury bills.

Treasury bills are issued as bearers securities, the face value of one bill amounts to PLN 10,000 and its maturity may vary from 1 to 52 weeks. Treasury bills are issued in a dematerialized form and, deposited in the electronic form with the Securities Register run by the National Bank of Poland.

Treasury bills are sold at a discount (purchase price is lower than face value) and an investor receives T-bill's face value on a redemption date – the difference between face value and purchase price is an investor's yield.

Direct access to auction is limited to Treasury Securities Dealers. Investors that have no such a status can place their bids through an entity that is a direct participant of an auction. Residents and non-residents being legal entities, individuals and entities without legal status, may invest in Treasury bills. T-bills may be freely traded among all those investors, as long as the foreign exchange regulations and laws on public trading of securities are observed.

Secondary trading is performed on the interbank market arranged by biggest domestic banks and on the ETSM run by MST- CeTO S.A.

Preliminary information on dates of planned auctions for a given year is published on the Ministry of Finance www pages, in REUTERS (page PLMINFIN) and TELERATE (page 16200). Moreover, at the beginning of a month, along with publication of the Letter of Issue for a given month, the Ministry of Finance announces monthly plan including auction dates, projected sales value of specific types of securities and payment dates for purchased bills.

Treasury bills auctions are held on Mondays, but under some reasonable circumstances the Minister of Finance is entitled to arrange an auction on some other days. An announcement of a forthcoming auction is published one working day before the auction date on the Ministry of Finance www pages (<http://www.mf.gov.pl>), in REUTERS and TELERATE.

Bids are submitted by direct participants of an auction to the National Bank of Poland by 11 a.m. on the auction date – minimum face value of a bid is PLN 100,000. Upon receipt a bid summary from the NBP the Minister of Finance takes a decision on the minimum price of bills accepted for each maturity. Bids with higher price are accepted in whole while bids presenting accepted minimum price can be accepted with a reduction or in whole.

Auctions of Treasury bills are held in the multi-price auction system i.e., each of the bidders buys securities at a price submitted in his bid. Results of a Treasury bills auction are announced on the day of the auction at about 12:00 a.m. in the Internet on the Ministry of Finance WWW pages, in Reuters and Telerate.

The Minister of Finance may not later than on the following day organize non-competitive auction of T-bills with offer not exceeding 20% of initial auction offer. Participation in non-competitive auction is limited to successful bidders at the auction. During a non-competitive auction T-bills are sold at average auction price. Auction participants purchase T-bills in proportion to the amount of T-bills purchased at normal auction. The Minister of Finance has not used this possibility so far. The payment for the T-bills is usually made on Wednesday, two days after an auction but in some cases may be made on another day.

There were 37 auctions of Treasury bills in 2005 offering securities of total face value at PLN 27,000 million. The bids reached the amount of PLN 82,982 million and the sale of T-bills at their face value amounted to PLN 26,928 million. Revenues from the sale of T-bills amounted to PLN 25,709 million and in a break down according to a particular T-bill type were as follows:

Table 1. Sales of Treasury bills in 2005 (PLN million)

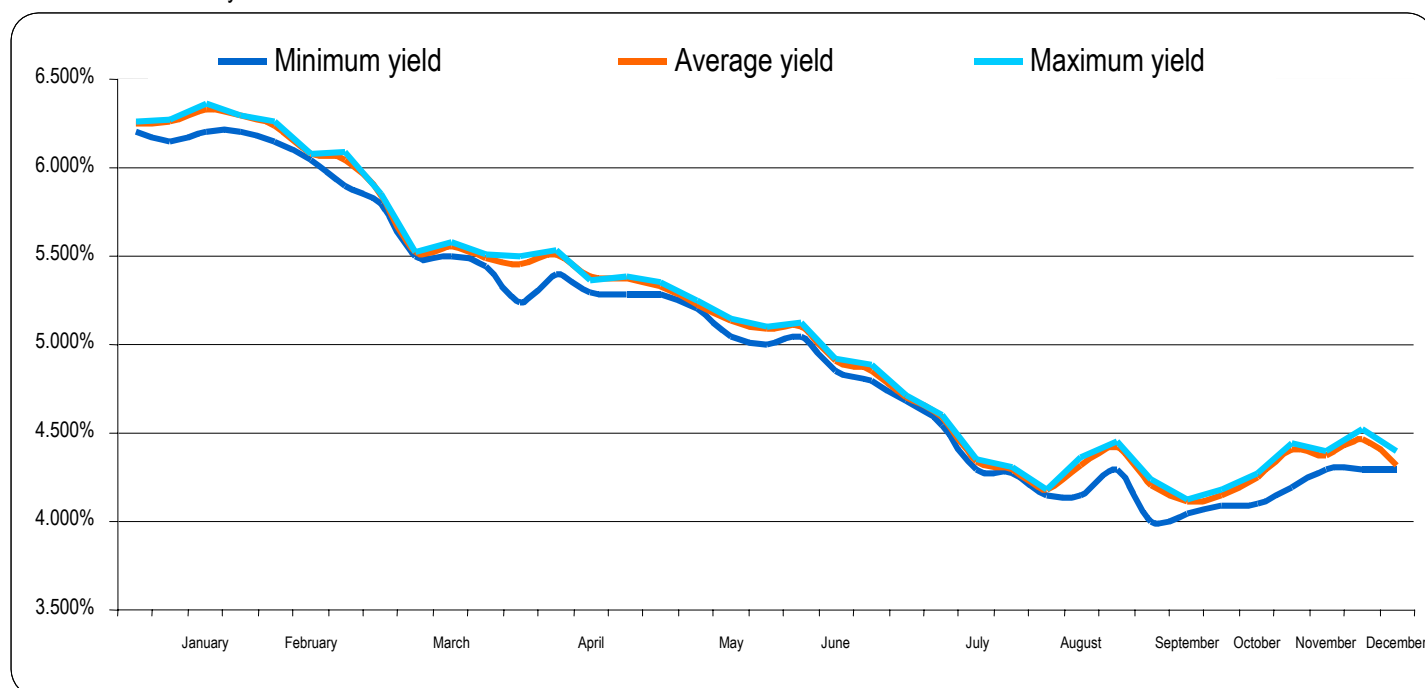
Type of a bill	Offer	Demand	Sales, face value	Sales, principal
1-week	1,300	6,160	1,300	1,299
13-week	1700	7,375	1,628	1,608
52-week	24,000	69,446	24,000	22,803
TOTAL:	27,000	82,982	26,928	25,709

File containing results of all auctions of Treasury bills since 1991 can be found on the Ministry of Finance website: http://www.mf.gov.pl/files/_dlug_publiczny/obligacje_hurtowe/pliki_do_pobrania/bonyskarbowe.exe

Table 2. Results of Treasury bills auctions in 2005 (PLN million)

Auction date	Bill type	Redemption date	Offer	Demand	Sales	Min. price (PLN)	Average price (PLN)	Max. yield	Average yield.	Auction date	Bill type	Redemption date	Offer	Demand	Sales	Min. price (PLN)	Average price (PLN)	Max. yield	Average yield.	
01/03/2005	13	04/06/2005	100	464	100	9,845.56	9,845.68	6.206%	6.201%	06/06/2005	52	06/07/2006	600	1,727	600	9,525.60	9,527.33	4.926%	4.907%	
01/03/2005	52	01/04/2006	700	3,441	700	9,404.25	9,405.58	6.265%	6.250%	06/13/2005	52	06/14/2006	600	1,168	600	9,528.89	9,532.29	4.890%	4.853%	
01/10/2005	13	04/13/2005	100	76	64	9,843.27	9,844.33	6.299%	6.256%	06/20/2005	52	06/21/2006	600	2,312	600	9,544.50	9,546.21	4.720%	4.701%	
01/10/2005	52	01/11/2006	600	2,122	600	9,403.11	9,404.76	6.278%	6.260%	06/27/2005	13	09/28/2005	100	554	100	9,881.92	9,882.54	4.727%	4.702%	
01/17/2005	13	04/20/2005	100	71	63	9,841.53	9,842.53	6.370%	6.329%	06/27/2005	52	06/28/2006	400	843	400	9,555.56	9,556.15	4.600%	4.594%	
01/17/2005	52	01/18/2006	600	2,109	600	9,395.86	9,397.98	6.359%	6.335%	07/04/2005	13	10/05/2005	100	342	100	9,886.33	9,887.21	4.549%	4.513%	
01/24/2005	52	01/25/2006	600	3,049	600	9,401.26	9,401.90	6.299%	6.292%	07/04/2005	52	07/05/2006	600	3,356	600	9,578.71	9,579.79	4.350%	4.338%	
01/31/2005	52	02/01/2006	600	2,042	600	9,404.91	9,406.19	6.258%	6.244%	07/11/2005	13	10/12/2005	100	699	100	9,888.52	9,888.69	4.460%	4.453%	
02/07/2005	52	02/08/2006	900	2,596	900	9,421.03	9,421.07	6.078%	6.078%	07/11/2005	52	07/12/2006	400	1,625	400	9,582.42	9,583.98	4.310%	4.293%	
02/14/2005	52	02/15/2006	900	1,682	900	9,420.02	9,423.47	6.089%	6.051%	07/18/2005	13	10/19/2005	100	643	100	9,891.86	9,892.23	4.325%	4.310%	
02/21/2005	52	02/22/2006	800	3,990	800	9,441.53	9,442.03	5.850%	5.844%	07/18/2005	52	07/19/2006	400	2,137	400	9,594.56	9,594.59	4.179%	4.179%	
02/28/2005	52	03/01/2006	800	2,244	800	9,471.37	9,471.43	5.520%	5.519%	08/08/2005	52	08/09/2006	500	671	500	9,577.95	9,581.22	4.358%	4.323%	
03/07/2005	52	03/08/2006	800	1,721	800	9,465.97	9,467.65	5.580%	5.561%	08/22/2005	52	08/23/2006	500	1,110	500	9,569.52	9,571.93	4.449%	4.423%	
03/14/2005	52	03/15/2006	800	1,670	800	9,472.27	9,473.94	5.510%	5.492%	09/05/2005	13	12/07/2005	100	554	100	9,893.22	9,893.64	4.270%	4.253%	
03/21/2005	52	03/22/2006	800	1,178	800	9,473.32	9,476.94	5.499%	5.459%	09/05/2005	52	09/06/2006	400	1,182	400	9,589.11	9,592.11	4.238%	4.206%	
03/24/2005	13	06/29/2005	100	373	100	9,859.27	9,859.95	5.647%	5.619%	09/19/2005	13	12/21/2005	100	723	100	9,896.27	9,896.76	4.147%	4.127%	
03/24/2005	52	03/29/2006	800	1,940	800	9,469.63	9,472.57	5.539%	5.507%	09/19/2005	52	09/20/2006	400	906	400	9,599.17	9,600.55	4.130%	4.115%	
04/04/2005	13	07/06/2005	100	281	100	9,861.49	9,861.57	5.556%	5.553%	10/03/2005	13	01/04/2006	100	265	100	9,895.20	9,895.72	4.190%	4.169%	
04/04/2005	52	04/05/2006	1,000	2,482	1,000	9,483.09	9,483.43	5.391%	5.387%	10/03/2005	52	10/04/2006	400	919	400	9,594.49	9,597.25	4.180%	4.150%	
04/11/2005	1	04/20/2005	1,300	6,160	1,300	9,988.55	9,988.64	5.895%	5.849%	10/17/2005	13	01/18/2006	100	397	100	9,894.71	9,895.54	4.210%	4.176%	
04/11/2005	13	07/13/2005	100	462	100	9,862.39	9,862.79	5.520%	5.504%	10/17/2005	52	10/18/2006	400	1,234	400	9,586.12	9,588.30	4.270%	4.247%	
04/11/2005	52	04/12/2006	1,000	1,875	1,000	9,483.22	9,484.93	5.390%	5.371%	11/07/2005	52	11/08/2006	400	1,018	400	9,569.75	9,572.76	4.447%	4.414%	
04/18/2005	13	07/20/2005	100	717	100	9,864.33	9,865.06	5.441%	5.411%	11/21/2005	52	11/22/2006	500	1,935	500	9,574.25	9,576.48	4.398%	4.374%	
04/18/2005	52	04/19/2006	800	1,890	800	9,487.10	9,488.63	5.347%	5.330%	12/05/2005	13	03/08/2006	100	342	100	9,892.47	9,892.68	4.300%	4.292%	
04/25/2005	52	04/26/2006	800	2,627	800	9,495.92	9,497.65	5.250%	5.231%	12/05/2005	52	12/06/2006	1,200	2,058	1,200	9,562.95	9,567.58	4.520%	4.470%	
05/16/2005	52	05/17/2006	600	1,770	600	9,505.05	9,506.11	5.150%	5.138%	12/19/2005	13	03/22/2006	100	413	100	9,893.28	9,893.72	4.267%	4.250%	
05/23/2005	52	05/24/2006	400	1,166	400	9,509.62	9,510.82	5.100%	5.087%	12/19/2005	52	12/20/2006	900	2,528	900	9,574.06	9,581.27	4.400%	4.322%	
05/30/2005	52	05/31/2006	500	1,125	500	9,507.79	9,509.73	5.120%	5.099%	TOTAL:			27.000	82.982	26.928					

Chart 1 Yield to maturity of 52-week T-bills sold at auctions in 2005.



2.1.1.3. Sales of Treasury bonds at auctions

Treasury bonds offered at auctions are issued as bearer securities, and the face value of one T-bond is PLN 1,000. Bonds are issued in a dematerialized form and deposited in as magnetic entries in the National Depository for Securities S.A. T-bonds may be sold at a discount, at par value or above par. Purchase price of one bond includes the bid price for its face value and accrued interest bought out on the auction payment date. Residents and non-residents being legal entities, individuals and entities without legal status, can purchase T- bonds. Those instruments may be entered into a free turnover among all mentioned investor groups subject to terms and conditions governing foreign exchange turnover and public turnover of securities.

Direct access to auction is limited to Treasury Securities Dealers. Investors that have no such a status can place their bids through an entity that is a direct participant of an auction.

Secondary turnover of wholesale bonds is concentrated on the interbank non-regulated market and on the ETSM. Moreover, all bonds traded at auctions are listed on the Warsaw Stock Exchange (WSE).

Auction dates, as well as their value dates are specified in the Issue Letters. Auctions are organized and handled, as in the case of T-bills by the National Bank of Poland. Treasury bond auctions are held on business Wednesdays.

Preliminary information on bond auctions planned for a given year and containing series of offered securities and dates of auctions is published on the Ministry of Finance www pages, in REUTERS and TELERATE. Moreover Ministry of Finance announces quarterly financing plan and monthly plan of T-bonds including projected sales value of specific types of securities and payment dates for purchased bills.

Auction announcement, containing in particular the supply amount of bonds is released to the public at noon, on two working days before the auction.

Bids are submitted by auction participants to the NBP by 11 a.m. on the auction day. Minimum value of a bid is PLN 1 million. Upon receipt a bid summary from the NBP, the Minister of Finance takes a decision on accepted minimum price of a T-bond with a given maturity. Bids with higher price are accepted in whole while bids presenting accepted minimum price can be accepted with reduction or in whole. As it is in case of T-bills, auctions of Treasury bonds are held in the multi-price auction system i.e., each of the bidders buys securities at a price submitted in the bid. Auction results are published on the day of the auction at noon on the Ministry of Finance www pages, in REUTERS and TELERATE. Settlement of bonds auction is held on the date specified in the auction announcement.

The Minister of Finance may, no later than the on the following day, organize a non-competitive auction of T-bonds with offer not exceeding 20% of initial auction offer. Participation in the non-competitive auction is limited to successful bidders at the auction. During such non-competitive auctions T-bonds are sold at average auction price. Auction participants purchase T-bonds in proportion to amount of T-bonds purchased at normal auction. Since August 2004 non-competitive auctions have been organized on the same day as regular auctions. Auction announcement is released to the public at 1.00 p.m., and bids are submitted by 2.00 p.m. Auction results are published at 2.15 p.m. on the Ministry of Finance www pages and in REUTERS and TELERATE.

Since April 2006 settlement dates for T-bonds auctions has been changed. The settlement dates for T-bond auctions and T-bond switching auctions are set using T+2 convention. For T-bonds that pay full coupon in a month of the auction settlement is executed on the first day of new coupon period.

There were altogether 50 T-bonds auctions (including 17 non-competitive tenders) in 2005. The total face value of papers offered reached PLN 74,830 million. Declared demand amount reached PLN 185,316 million while bonds sales at face value were PLN 72,510 million. The revenues on T-bonds sold at auctions in 2005 totalled PLN 69,576 million.

Table 3. Sales of Treasury bonds at auctions in 2005 (PLN million)

Bond type	Offer	Demand	Sales, face value	Sales, principal
2-year zero coupon	28,320	75,452	28,320	25,443
5-year fixed rate	27,150	68,931	26,510	26,430
10-year fixed rate	8,760	11,605	8,089	8,089
20-year fixed rate	2,600	5,495	2,600	2,600
7-year floating rate bonds,	5,040	16,975	5,040	5,036
12-year inflation linked bonds.	2,960	6,858	1,952	1,978
TOTAL:	74,830	185,316	72,510	69,576

File containing results of all auctions of Treasury bonds and the issue of bonds arising from the conversion of Social Insurance Institution liabilities to open pension funds, the conversion of the health care debts and liabilities to trade unions and social organizations can be found on the Ministry of Finance website: http://www.mf.gov.pl/files/dlug_publiczny/obligacje_hurtowe/pliki_do_pobrania/obligacjehurtowe.exe

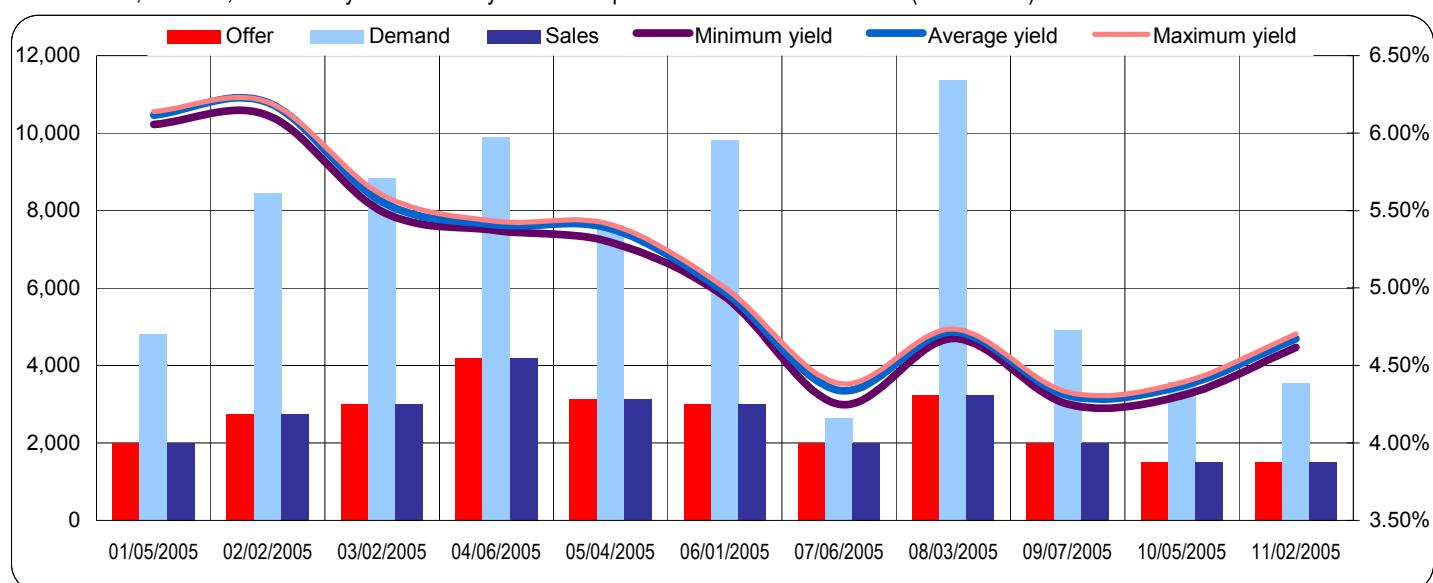
2.1.1.3.1. Sales of 2-year zero coupon bonds in 2005

Auctions of 2-year zero coupon bonds (OK series) are held on the first working Wednesday of the month. Issue of each series lasted for four subsequent months. Zero coupon bonds similarly to T-bills do not bring coupon revenue - yield is the difference between face value paid at the redemption date and the purchase price. In 2005 Ministry of Finance held 11 regular and 6 non-competitive auctions of 2-year zero coupon bonds (series sold in 2005: OK0407, OK0807 and OK1207).

Table 4. Auction results of zero coupon 2-year bonds in 2005 (PLN million)

Auction								Non-competitive auction			Total sales
Auction date	Series	Settlement date	Coupon	Offer	Demand	Sales	Average yield	Offer	Demand	Sales	
01/05/2005	OK0407	01/12/2005	0.00%	2,000	4,799	2,000	6.115%	not organized			2,000
02/02/2005	OK0407	02/12/2005	0.00%	2,300	7,876	2,300	6.196%	460	560	460	2,760
03/02/2005	OK0407	03/12/2005	0.00%	2,500	5,111	2,500	5.555%	500	3,730	500	3,000
04/06/2005	OK0407	04/12/2005	0.00%	3,500	8,836	3,500	5.408%	700	1,055	700	4,200
05/04/2005	OK0807	05/12/2005	0.00%	2,600	4,965	2,600	5.383%	520	2,660	520	3,120
06/01/2005	OK0807	06/12/2005	0.00%	2,500	8,168	2,500	4.972%	500	1,637	500	3,000
07/06/2005	OK0807	07/12/2005	0.00%	2,000	2,651	2,000	4.338%	not organized			2,000
08/03/2005	OK0807	08/12/2005	0.00%	2,700	8,625	2,700	4.716%	540	2,755	540	3,240
09/07/2005	OK1207	09/12/2005	0.00%	2,000	4,922	2,000	4.308%	not organized			2,000
10/05/2005	OK1207	10/12/2005	0.00%	1,500	3,563	1,500	4.368%	not organized			1,500
11/02/2005	OK1207	11/12/2005	0.00%	1,500	3,541	1,500	4.674%	not organized			1,500
TOTAL:				25,100	63,055	25,100	-	3,220	12,397	3,220	28,320

Chart 2. Offer, demand, sales and yield to maturity of zero coupon bonds at auctions in 2005 (PLN million)



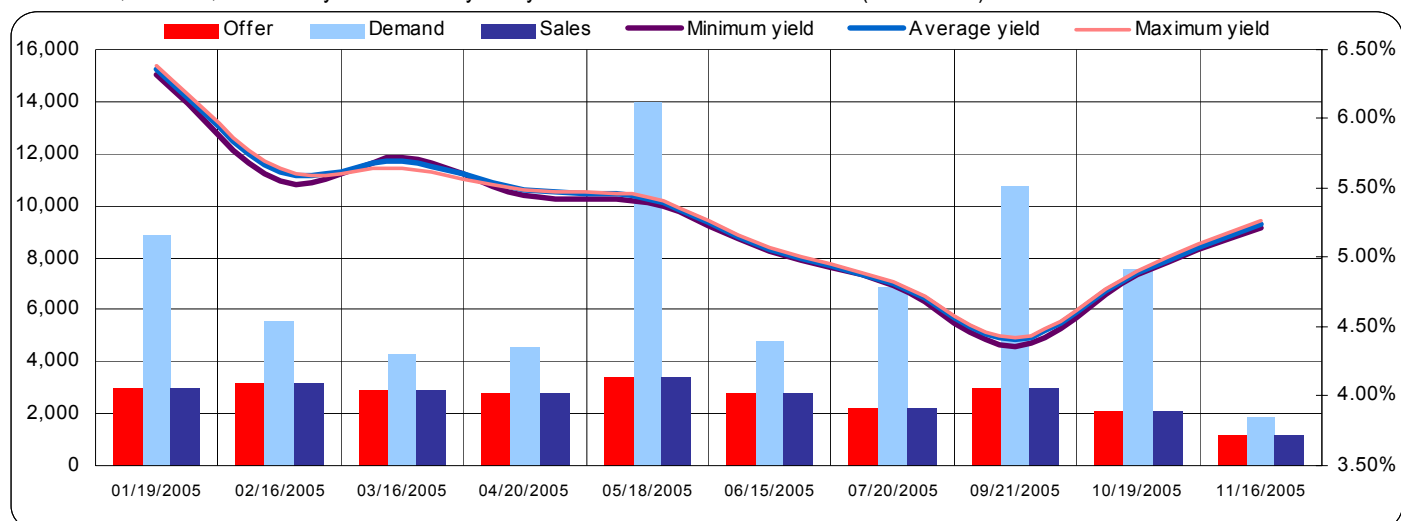
2.1.1.3.2. Sales of 5-year fixed rate bonds in 2005

Auctions of 5-year benchmark bonds are held on the third working Wednesday of the month. In 2005 Ministry of Finance started the sale of PS0310 series, which was continued during following 9 auctions. In November 2005 there was a reopening of DS1110, which used to be 10-year benchmark five years earlier. Reopening helped to increase the DS110 liquidity in the secondary market. According to EU financial markets' standards Ministry of Finance planned to continue the sale of the benchmark until it reaches the value equivalent to 5 billion Euro. In 2005 Ministry of Finance held 10 regular and 6 non-competitive auctions of 5-year fixed rate bonds.

Table 5. Results of 5-year fixed rate bonds auctions in 2005 (PLN million)

Auction								Non-competitive auction			Total sales
Auction date	Series	Settlement date	Coupon	Offer	Demand	Sales	Average yield	Offer	Demand	Sales	
01/19/2005	PS0310	01/24/2005	5.75%	2,500	6,365	2,500	6.360%	500	2,474	500	3,000
02/16/2005	PS0310	02/24/2005	5.75%	3,200	5,515	3,200	5.621%	640	0	0	3,200
03/16/2005	PS0310	03/24/2005	5.75%	2,900	4,264	2,900	5.691%	not organized			2,900
04/20/2005	PS0310	04/24/2005	5.75%	2,500	3,962	2,500	5.481%	250	603	250	2,750
05/18/2005	PS0310	05/24/2005	5.75%	2,800	8,921	2,800	5.427%	560	5,080	560	3,360
06/15/2005	PS0310	06/24/2005	5.75%	2,800	4,765	2,800	5.061%	not organized			2,800
07/20/2005	PS0310	07/24/2005	5.75%	2,200	6,888	2,200	4.815%	not organized			2,200
09/21/2005	PS0310	09/24/2005	5.75%	2,500	7,966	2,500	4.412%	500	2,740	500	3,000
10/19/2005	PS0310	10/24/2005	5.75%	2,100	7,546	2,100	4.891%	not organized			2,100
11/16/2005	DS1110	11/24/2005	6.00%	1,000	1,631	1,000	5.235%	200	212	200	1,200
TOTAL:				24,500	57,823	24,500	-	2,650	11,109	2,010	26,510

Chart 3. Offer, demand, sales and yield to maturity of 5-year fixed rate at auctions in 2005 (PLN million)



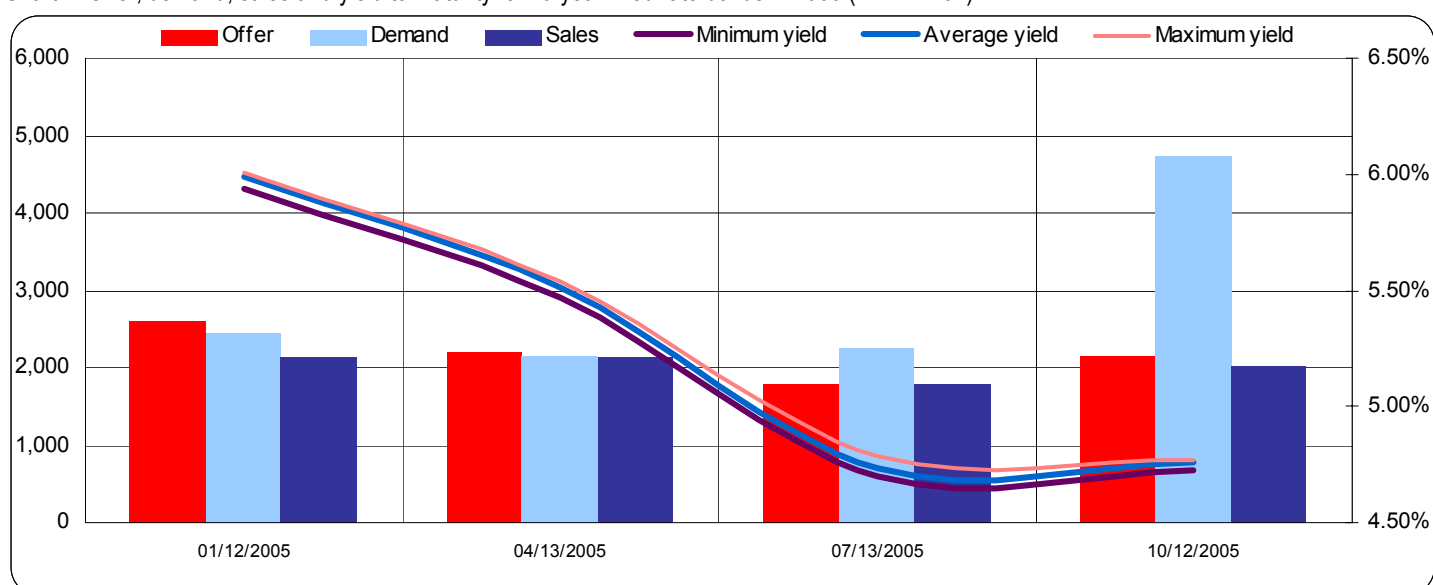
2.1.1.3.3. Sales of 10-year fixed rate bonds in 2005

In 2005 the Ministry of Finance continued sales of DS1015 series introduced in 2004. 10-year fixed rate bonds were offered at 4 regular & 1 non-competitive auctions.

Table 6. Results of 10-year fixed rate bonds auctions in 2005 (PLN million)

Auction date	Series	Settlement date	Coupon	Auction				Non-competitive auction			Total sales
				Offer	Demand	Sales	Average yield	Offer	Demand	Sales	
01/12/2005	DS1015	01/24/2005	6.25%	2,600	2,443	2,130	5.988%	not organized			2,130
04/13/2005	DS1015	04/24/2005	6.25%	2,200	2,159	2,134	5.516%	not organized			2,134
07/13/2005	DS1015	07/24/2005	6.25%	1,800	2,270	1,800	4.731%	not organized			1,800
10/12/2005	DS1015	10/24/2005	6.25%	1,800	4,509	1,800	4.756%	360	225	225	2,025
TOTAL:				8,400	11,380	7,864	-	360	225	225	8,089

Chart 4. Offer, demand, sales and yield to maturity of 10-year fixed rate bonds in 2005 (PLN million)



2.1.1.3.4. Sales of 20-year fixed rate bonds in 2005

In 2005 the Ministry of Finance held 2 regular & 1 non-competitive auctions of 20-year fixed rate bond (WS0922 series).

Table 7. Results of 20-year fixed rate bonds auction in 2005 (PLN million)

Auction								Non-competitive auction			Total sales
Auction date	Series	Settlement date	Coupon	Offer	Demand	Sales	Average yield	Offer	Demand	Sales	
03/09/2005	WS0922	03/23/2005	5.75%	1,400	1,646	1,400	5.487%	not organized			1,400
09/14/2005	WS0922	09/23/2005	5.75%	1,000	3,136	1,000	4.745%	200	713	200	1,200
TOTAL:				2,400	4,782	2,400	-	200	713	200	2,600

2.1.1.3.5. Sales of 7-year floating rate bonds in 2005

In 2005 the Ministry of Finance continued, introduced in 2004, the sales of 7-year floating rate bonds (WZ0911 series). The interest on these bonds is based on 6-month Warsaw Interbank Offer Rate (WIBOR). The coupon is paid semiannually: in March and September. In 2005 the Ministry of Finance held 2 regular and 2 non-competitive auctions of this series.

Table 8. Results of 7-year floating rate bonds auction in 2005 (PLN million)

Auction								Non-competitive auction			Total sales
Auction date	Series	Settlement date	Coupon	Offer	Demand	Sales	Average price	Offer	Demand	Sales	
06/08/2005	WZ0911	06/24/2005	5.92%	1,200	7,202	1,200	1,001.08	240	240	240	1,440
12/07/2005	WZ0911	12/24/2005	4.39%	3,000	8,345	3,000	998.97	600	1,188	600	3,600
TOTAL:				4,200	15,547	4,200	-	840	1,428	840	5,040

2.1.1.3.6. Sales of 12-year inflation linked bonds in 2005

In 2005, the Ministry of Finance continued, begun in 2004 the sales of inflation linked T-bond (IZ0816). These bonds are linked to monthly CPI announced by Central Statistical Office of Poland. The paper has fixed coupon of 3.00% and interest is paid annually on indexed nominal value. In 2005 the Ministry of Finance held 4 regular and 1 non-competitive auctions of CPI-linked bonds.

Table 9. Results of 12-year inflation linked bonds auction in 2005 (PLN million)

Auction									Non-competitive auction			Total sales
Auction date	Series	Settlement date	Coupon	Offer	Demand	Sales	Average price	Real rate of return	Offer	Demand	Sales	
02/09/2005	IZ0816	02/24/2005	3.00%	800	2,328	800	1002.10	2.973%	160	166	160	960
05/11/2005	IZ0816	05/24/2005	3.00%	1,000	1,095	0	-	-	not organized			0
08/10/2005	IZ0816	08/24/2005	3.00%	500	2,450	500	1027.32	2.707%	not organized			500
11/09/2005	IZ0816	11/24/2005	3.00%	500	819	492	1004.72	2.944%	not organized			492
TOTAL:				2,800	6,692	1,792	-		160	166	160	1,952

2.1.1.4. Treasury bonds switching auctions

Switching auctions are arranged and handled by the National Bank of Poland. Direct participation in switching auctions is limited to TSD. Other investors intending to switch bonds must use intermediation of the TSD.

Two days prior to the auction, at noon, the Ministry of Finance releases a detailed communiqué about an auction on www pages at www.mf.gov.pl, in Reuters and Telerate.

At switching auction the Ministry of Finance buys back bonds with near redemption dates before their maturity date, while the settlement of the transaction is effected by giving the bondholder new bonds of a different series. Bought-back securities are cancelled. Operation is conducted without cash flows. The Ministry's of Finance goals of such an operation include reduction of debt refinancing risk, increase in the value of benchmark issues of bonds, closing of small and with low liquidity issues of marketable and non-marketable bonds and also managing the interest rate risk.

The day before a switching auction, at 3 p.m. the Minister of Finance informs the market about the "clean" prices of redeemed or sold bonds.

Bids are submitted to the NBP by 11 a.m. on the auction day. After the submission term expires the Minister of Finance determines accepted bid price for bonds with given maturity. Auction results are published at 12:30 p.m. on the day of an auction.

In 2005 the Ministry of Finance held 10 T-bonds switching auctions.

Table 10. Results of switching auctions in 2005 (PLN million)

Auction date	Buy-back bonds					Settlement bonds			Auction date	Buy-back bonds					Settlement bonds																																									
	Series	Redemption date	Offer*	Demand	Buy-back	Series	Redemption date	Sales		Series	Redemption date	Offer	Demand	Buy-back	Series	Redemption date	Sales																																							
01/27/2005	PS0205	02/12/2005	3,444	751	404	DS1110	11/24/2010	438	09/29/2005	PS1005	10/12/2005	2,618	204	199	WZ0911	09/24/2011	216																																							
	PS0205	02/12/2005		48	-	DS1013	10/24/2013	-		PS1005	10/12/2005		262	10	DS1013	10/24/2013	10																																							
	OK0405	04/12/2005	9,583	682	307	DS1110	11/24/2010	303		PS1005	10/12/2005		214	41	WS0922	09/23/2022	40																																							
	OK0405	04/12/2005		1,670	150	WZ0911	09/24/2011	145		PS0206	02/12/2006	4,838	120	70	WZ0911	09/24/2011	75																																							
	OK0405	04/12/2005		192	76	DS1015	10/24/2015	73		PS0206	02/12/2006		129	39	DS1013	10/24/2013	39																																							
	PS0605	06/12/2005	3,175	85	65	DS1110	11/24/2010	69		PS0206	02/12/2006		15	-	WS0922	09/23/2022	-																																							
	PS0605	06/12/2005		224	20	DS1015	10/24/2015	21		OK0406	04/12/2006	14,140	737	200	WZ0911	09/24/2011	195																																							
	OK0805	08/12/2005	10,753	146	29	DS1110	11/24/2010	28		OK0406	04/12/2006		837	556	DS1013	10/24/2013	509																																							
	OK0805	08/12/2005		162	80	DS1013	10/24/2013	82		OK0406	04/12/2006		309	170	WS0922	09/23/2022	149																																							
02/23/2005	OK0405	04/12/2005	9,050	741	403	PS0310	03/24/2010	379	11/23/2005	PS0206	02/12/2006	4,729	253	140	OK1207	12/12/2007	166																																							
	OK0405	04/12/2005		125	-	IZ0816	08/24/2016	-		PS0206	02/12/2006		5	5	DS1110	11/24/2010	5																																							
	PS0605	06/12/2005	3,090	60	-	PS0310	03/24/2010	-		OK0406	04/12/2006	13,215	399	64	OK1207	12/12/2007	69																																							
	PS0605	06/12/2005		827	480	WZ0911	09/24/2011	498		OK0406	04/12/2006		2,291	2,083	DS1110	11/24/2010	1,985																																							
	OK0805	08/12/2005	10,644	316	96	PS0310	03/24/2010	88		PS0506	05/12/2006	5,837	125	100	OK1207	12/12/2007	117																																							
	OK0805	08/12/2005		283	66	DS1015	10/24/2015	61		PS0506	05/12/2006		638	389	DS1110	11/24/2010	401																																							
03/23/2005	OK0405	04/12/2005	8,647	1,024	27	OK0407	04/12/2007	31	12/14/2005	PS0206	02/12/2006	4,584	113	-	OK1207	12/12/2007	-																																							
	OK0405	04/12/2005		591	4	PS0310	03/24/2010	3		PS0206	02/12/2006		777	776	DS1110	11/24/2010	805																																							
	OK0405	04/12/2005	611	311	WZ0911	09/24/2011	311	PS0206		02/12/2006	368		354	DS1015	10/24/2015	352																																								
	PS0605	06/12/2005	2,610	267	5	PS0310	03/24/2010	5		OK0406	04/12/2006	11,067	609	97	OK1207	12/12/2007	104																																							
	PS0605	06/12/2005		-	-	WZ0911	09/24/2011	-		OK0406	04/12/2006		560	247	DS1110	11/24/2010	235																																							
	OK0805	08/12/2005	10,482	793	36	PS0310	03/24/2010	35		OK0406	04/12/2006	958	813	DS1015	10/24/2015	740																																								
	OK0805	08/12/2005		612	472	WZ0911	09/24/2011	463		PS0506	05/12/2006	5,347	2	2	OK1207	12/12/2007	3																																							
04/28/2005	PS0605	06/12/2005	2,605	769	545	PS0310	03/24/2010	579	PS0506	05/12/2006	160		105	DS1110	11/24/2010	108																																								
	PS0605	06/12/2005		106	-	WZ0911	09/24/2011	-	PS0506	05/12/2006	91	78	DS1015	10/24/2015	77																																									
	OK0805	08/12/2005	9,974	1,169	338	PS0310	03/24/2010	328	<table border="1"> <thead> <tr> <th colspan="2">buy-back (face value)</th> <th colspan="2">sales (face value)</th> </tr> </thead> <tbody> <tr> <td>OK0405</td> <td>1,279</td> <td>DS1013</td> <td>1,010</td> </tr> <tr> <td>OK0406</td> <td>4,229</td> <td>DS1015</td> <td>2,370</td> </tr> <tr> <td>OK0805</td> <td>4,480</td> <td>DS1110</td> <td>4,376</td> </tr> <tr> <td>PS0205</td> <td>404</td> <td>OK0407</td> <td>31</td> </tr> <tr> <td>PS0206</td> <td>2,055</td> <td>OK1207</td> <td>459</td> </tr> <tr> <td>PS0506</td> <td>675</td> <td>PS0310</td> <td>4,324</td> </tr> <tr> <td>PS0605</td> <td>1,115</td> <td>WS0922</td> <td>407</td> </tr> <tr> <td>PS1005</td> <td>1,974</td> <td>WZ0911</td> <td>2,893</td> </tr> <tr> <td>total</td> <td>16,211</td> <td>total</td> <td>15,870</td> </tr> </tbody> </table>								buy-back (face value)		sales (face value)		OK0405	1,279	DS1013	1,010	OK0406	4,229	DS1015	2,370	OK0805	4,480	DS1110	4,376	PS0205	404	OK0407	31	PS0206	2,055	OK1207	459	PS0506	675	PS0310	4,324	PS0605	1,115	WS0922	407	PS1005	1,974	WZ0911	2,893	total	16,211	total	15,870
	buy-back (face value)			sales (face value)																																																				
	OK0405	1,279	DS1013	1,010																																																				
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OK0805	08/12/2005	9,974	357	100	WZ0911	09/24/2011	98																																																	
PS1005	10/12/2005		4,342	251	126	PS0310	03/24/2010	131																																																
PS1005	10/12/2005	182		100	WZ0911	09/24/2011	105																																																	
06/22/2005	OK0805	08/12/2005	9,536	2,217	2,088	PS0310	03/24/2010	1,977																																																
	OK0805	08/12/2005		551	313	DS1015	10/24/2015	271																																																
	OK0805	08/12/2005	398	213	WS0922	09/23/2022	188																																																	
	PS1005	10/12/2005	4,116	236	221	PS0310	03/24/2010	226																																																
	PS1005	10/12/2005		90	90	DS1015	10/24/2015	83																																																
	PS1005	10/12/2005	90	32	WS0922	09/23/2022	30																																																	
07/28/2005	OK0805	08/12/2005	6,895	377	317	WZ0911	09/24/2011	310																																																
	OK0805	08/12/2005		1,032	332	DS1013	10/24/2013	316																																																
	PS1005	10/12/2005	3,773	91	86	WZ0911	09/24/2011	91																																																
	PS1005	10/12/2005		66	52	DS1013	10/24/2013	53																																																
08/24/2005	PS1005	10/12/2005	3,636	408	378	PS0310	03/24/2010	384																																																
	PS1005	10/12/2005		389	89	WZ0911	09/24/2011	93																																																
	PS1005	10/12/2005		572	551	DS1015	10/24/2015	511																																																
	PS0206	02/12/2006	5,509	261	188	PS0310	03/24/2010	188																																																
	PS0206	02/12/2006		282	282	WZ0911	09/24/2011	293																																																
PS0206	02/12/2006	255	200	DS1015	10/24/2015	183																																																		

*the amount of the debt outstanding on the day of the auction announcement

2.1.1.5. Treasury bonds buy-back auctions

On July 21st the Minister of Finance organized the only T-bond buy-back auction in year 2005. Such an operation is held rather seldom in the situation of temporary surplus in budget current account. Minister of Finance may offer to buyback existing bonds what will result in lowering debt servicing costs.

Table 11. Results of buy-back auction in 2005 (PLN million)

Auction date	Buy-back bonds				
	Series	Redemption date	Offer	Demand	Buy-back
07/21/2005	OK0805	08/12/2005	6,922	191	26

2.2. Sales of Treasury Securities in retail network

In 2005 the Ministry of Finance offered the following instruments to individual investors:

- 2-year fixed rate savings bonds (**DOS series**)
- 3-year floating rate bonds (**TZ series**)
- 4-year inflation rate indexed savings bonds (**COI series**)
- 5-year fixed rate bonds (**SP series**)
- 10-year inflation rate indexed saving bonds (**EDO series**)

The face value of Treasury bonds offered to individuals is PLN 100 and provides an opportunity for investing in Treasury Securities by people with relatively low income. Retail bonds are sold by issue agent (PKO Bank Polski S.A) in over 1000 Customer Service Outlets but also can be purchased through internet, "Inteligo" account and telephone.

Current information about T-bonds for individual investors can be found at <http://www.obligacjeskarbowe.pl> and <http://www.mf.gov.pl/> in section Public Debt (Polish language only).

Until May 2004 the savings bonds (**DOS**, **COI** and **EDO** series) could have been purchased only by resident individuals, since then also non-residents have this right. Those instruments are not listed on the regulated secondary market i.e., the Stock Exchange in Warsaw but they may be offered to the issuer for redemption before their maturity date. Interests on DOS, EDO and COI series (issued before August 2003) accrue annually and are put at the investor's disposal at the redemption date (or pre-maturity redemption), in case of COI series issued after 2003 interest is paid annually. Sale of each series lasts for one month. EDO series can be purchased as part of the Individual Retirement Account system, which provides for capital gains tax exemption.

3-year floating rate bonds (**TZ** series) gave their holder a yield in a form of coupon paid every 3 months and depends on the yield of 13-week T-bills. Interest rate of series issued after August 1, 2003 is based on 6M WIBOR and the coupons are paid semiannually. Sales of new TZ series lasts for three consecutive months and as distinct from savings bonds, they can be traded at the WSE and MTS CeTO.

5-year fixed rate bonds (**SP** series) pay a fixed annual coupon. The December 2005 issue (SP1210) was the last one to be offered by the Ministry of Finance. From the beginning of March 2006 these instruments are no longer sold.

The file containing sale results of Treasury bonds offered in the retail network may be found on the Ministry of Finance website: http://www.mf.gov.pl/files/dlug_publiczny/obligacje_hurtowe/pliki_do_pobrania/obligacjedetaliczne.exe

Table 12. Sales of retail bonds in 2005 (PLN million)

Bond type	Offer	Sales	Revenues
2-year savings bonds	7,300	3,144	3,143
3-year floating rate bonds	5,000	1,814	1,812
4-year savings bonds	1,550	116	116
5-year fixed rate bonds	2,700	611	610
10-year saving bonds	1,200	78	78
TOTAL:	17,750	5,763	5,760

Table 13. Sales of floating rate retail bonds in 2005 (PLN million)

Bond	Sales period		Offer	Sales	Price (PLN)
	Beginning	end			
TZ1107*	11/02/2004	01/31/2005	1,000	43	99.9
TZ0208	02/01/2005	04/30/2005	1,000	897	99,9 / 100,4
TZ0508	05/02/2005	07/31/2005	1,000	591	99,9 / 100,1
TZ0808	08/01/2005	10/31/2005	1,000	182	99.9
TZ1108**	11/02/2005	01/31/2006	1,000	102	99.9
TOTAL			5,000	1,814	
COI0109	01/03/2005	01/31/2005	150	11	100
COI0209	02/01/2005	02/28/2005	150	25	100
COI0309	03/01/2005	03/31/2005	150	8	100
COI0409	04/01/2005	04/30/2005	150	6	100
COI0509	05/02/2005	05/31/2005	150	11	100
COI0609	06/01/2005	06/30/2005	150	10	100
COI0709	07/01/2005	07/31/2005	150	4	100
COI0809	08/01/2005	08/31/2005	100	7	100
COI0909	09/01/2005	09/30/2005	100	7	100
COI1009	10/01/2005	10/31/2005	100	6	100
COI1109	11/02/2005	11/30/2005	100	8	100
COI1209	12/01/2005	12/31/2005	100	13	100
TOTAL			1,550	116	-
EDO0115	01/03/2005	01/31/2005	100	13	100
EDO0215	02/01/2005	02/28/2005	100	19	100
EDO0315	03/01/2005	03/31/2005	100	7	100
EDO0415	04/01/2005	04/30/2005	100	8	100
EDO0515	05/02/2005	05/31/2005	100	7	100
EDO0615	06/01/2005	06/30/2005	100	5	100
EDO0715	07/01/2005	07/31/2005	100	2	100
EDO0815	08/01/2005	08/31/2005	100	2	100
EDO0915	09/01/2005	09/30/2005	100	4	100
EDO1015	10/01/2005	10/31/2005	100	2	100
EDO1115	11/02/2005	11/30/2005	100	4	100
EDO1215	12/01/2005	12/31/2005	100	7	100
TOTAL			1200	78	-

*sales in period from January 1, 2005

**sales in period to December 31, 2005

Table 14. Sales of fixed rate retail bonds in 2005 (PLN million)

Bond	Sales period		Offer	Sales	Price (PLN)			Coupon
	beginning	end						
DOS0107	01/03/2005	01/31/2005	700	188	100			6.10%
DOS0207	02/01/2005	02/28/2005	700	289	100			6.00%
DOS0307	03/01/2005	03/31/2005	700	168	100			5.40%
DOS0407	04/01/2005	04/30/2005	700	166	100			5.10%
DOS0507	05/02/2005	05/31/2005	700	246	100			5.10%
DOS0607	06/01/2005	06/30/2005	500	266	100			5.00%
DOS0707	07/01/2005	07/31/2005	500	175	100			4.50%
DOS0807	08/01/2005	08/31/2005	500	224	100/99,90			4.25%
DOS0907	09/01/2005	09/30/2005	500	287	100/99,90			4.25%
DOS1007	10/01/2005	10/31/2005	500	173	100/99,90			4.00%
DOS1107	11/01/2005	11/30/2005	500	331	100/99,90			4.00%
DOS1207	12/01/2005	12/31/2005	800	630	100/99,90			4.25%
TOTAL			7,300	3,144				
					1st month of sale	2nd month of sale	3rd month of sale	
SP1209*	12/01/2004	02/28/2005	500	24	99,9 / 101,5 / 101,9	101.9	101,9 / 102,9 / 104,5	6.50%
SP0310	03/01/2005	05/31/2005	500	37	99,9 / 101,2	101.2	101.2	5.50%
SP0610	06/01/2005	08/31/2005	700	515	99,5 / 100,9	100,9 / 102,5	102.5	5.00%
SP0910	09/01/2005	11/30/2005	500	21	99,0 / 100,0 / 100,9	100.9	100,9 / 97,4	4.40%
SP1210**	12/01/2005	02/28/2006	500	14	98.9	98,9 / 99,9	99,9 / 101,2	4.50%
TOTAL			2,700	611				

*sales in period from January 1, 2004

** sales in period to December 31, 2004

2.3. Sales of Treasury Securities on foreign markets

The basic objective of the sale of Polish securities on foreign markets is consolidation of Poland's position as a trustworthy issuer on international financial market. Significance of those issues for financing borrowing needs of the State Budget is of importance as well.

Poland's presence on the international market allows diversifying the sources of the State Budget borrowing requirement financing and provides access to foreign institutional investors with substantial financial resources. Moreover, foreign issues of Polish governmental securities serve as a benchmark for Polish banks and enterprises that issue their own debt securities on international markets.

2.3.1. Classic issues of Treasury Securities on international market

Issues of bonds destined for foreign markets are arranged by consortia of foreign financial institutions consisting of reputable investment banks active on international market. The Minister of Finance appoints, in a formal competitive process, a lead manager whose basic duty is to place the bonds on the market. Consortium members underwrite the sale of securities – their task is to collect orders, by means of direct contact with potential investors, for bonds of a given issue. On that basis the bonds are priced i.e. the spread is fixed above the benchmark yield of the bonds issued by the State Treasury, in whose name the issue is done. The spread reflects the level of risk connected with investment in securities of a given issuer.

In 2005 the Ministry of Finance placed 14 issues of bonds on the foreign markets (including reopenings). All details are in table below.

Table 15. Bonds issued for international market in 2005

	Issue date	Maturity	Nominal value	Issue price (%)	Coupon p.a. (%)	Interest payments frequency	Yield (%)	Market	Registration	Lead Manager(s)
4.2% bond denominated in EUR maturing in 2020 XS0210314299	01/18/2005 / 04/06/2005* / 05/24/2005*	04/15/2020	5,250 million EUR (3000 + 1500* + 750*)	99.375 / 99.221* / 102.643*	4.200%	annually	4.250 / 4.262* / 3.961*	Euro	Luxembourg Stock Exchange	BNP Paribas, Citigroup, DrKW
4.45% bond denominated in EUR maturing in 2035 XS0211389753	02/04/2005	02/02/2035	500 million EUR	99.364	4.450%	annually	4.489	Private placement	Luxembourg Stock Exchange	ABN Amro
1.875% bond denominated in CHF maturing in 2010 CH0021260952	05/12/2005	05/12/2010	400 million CHF	100.270	1.875%	annually	1.934	Euro	Swiss Stock Exchange	UBS
2.625% bond denominated in CHF maturing in 2015 CH0021260978	05/12/2005 / 05/12/2005** / 07/07/2005*	05/12/2015	1,500 million CHF (600 + 500** + 400*)	100.830 / 101.845** / 102.409*	2.625%	annually	2.6158 / 2.500** / 2.433*	Euro	Swiss Stock Exchange	UBS
1.00% bond denominated in JPY maturing in 2012 JP561600A566	06/20/2005	06/20/2012	75,000 million JPY	100.000	1.000%	semi-annually	1.000	Samurai		Daiwa, Nomura
4.25% bond denominated in EUR maturing in 2055 XS0224427160	07/20/2005	07/20/2055	500 million EUR	98.999	4.250%	annually	4.299	Private placement	Luxembourg Stock Exchange	Dexia, HSBC
3M USD Libor + 0.115% bond denominated in USD maturing in 2015 XS0230703679	09/23/2005	09/23/2015	81.81 million USD	100.000	3M USD Libor + 0.115%	quarterly	-	Private placement	Luxembourg Stock Exchange	Depfa
5.00% bond denominated in USD maturing in 2015 US731011AP73	10/19/2005	10/19/2015	1,000 million USD	99.899	5.000%	semi-annually	5.013	Global	SEC + Luxembourg Stock Exchange	JP Morgan, Lehman Brothers
5.408% bond denominated in USD maturing in 2035 US731011AQ56	10/19/2005	10/19/2035	100 million USD	100.000	5.408%	semi-annually	5.408	Global	SEC + Luxembourg Stock Exchange	JP Morgan, Lehman Brothers
2.24% bond denominated in JPY maturing in 2021 JP561600A5B9	11/18/2005	02/18/2021	50,000 million JPY	100.000	2.240%	semi-annually	2.240	Samurai		Daiwa, Mizuho

* reopening of the previous issue

** tranche's pricing date different from the pricing date of initial tranche (the same issue date)

Table 16. Bonds issued for international market till the end of 2004

	Issue date	Maturity	Nominal value	Issue price (%)	Coupon p.a. (%)	Interest payments frequency	Yield (%)	Market	Registration	Lead Manager(s)
7.75% bond denominated in USD maturing in 2000 US731011AF91	07/13/1995	07/13/2000	250 million USD/ matured in July 2000	99.967	7.750%	semi-annually	7.758	Euro+144a	Luxembourg Stock Exchange	JP Morgan
6,125% bond denominated in DEM maturing in 2001 DE0001333656	07/31/1996	07/31/2001	250 million DEM/ matured in July 2001	101.777	6.125%	annually	5.700	Euro	Frankfurt Stock Exchange	Deutsche Bank, CSFB
7,125% bond denominated in USD maturing in 2004 US731011AK86	07/03/1997	07/01/2004	300 million USD/ matured in July 2004	99.491	7.125%	semi-annually	7.219	Yankee	SEC	JP Morgan
7,75% bond denominated in USD maturing in 2017 US731011AL69	07/03/1997	07/01/2017	100 million USD	99.299	7.750%	semi-annually	7.820	Yankee	SEC	JP Morgan
6% bond denominated in EUR maturing in 2010 XS0109070986	03/22/2000	03/22/2010	600 million EUR	98.300	6.000%	annually	6.234	Euro	Luxembourg Stock Exchange	BNP Paribas, CSFB
5,5% bond denominated in EUR maturing in 2011 DE0006101652	02/12/2001 / 12/14/2001*	02/14/2011	1,000 million EUR (750 + 250*)	98.950 / 100.902*	5.500%	annually	5.640 / 5.370*	Euro	Frankfurt Stock Exchange, Luxembourg Stock Exchange	Deutsche Bank, Merrill Lynch**
5,5% bond denominated in EUR maturing in 2012 XS0144238002	03/12/2002	03/12/2012	750 million EUR	98.320	5.500%	annually	5.725	Euro	Luxembourg Stock Exchange	CSFB, SSSB
6,25% bond denominated in USD maturing in 2012 US731011AM43	07/02/2002 / 09/12/2002*	07/03/2012	1,400 million USD (1,000+400*)	99.209 / 106.000*	6.250%	semi-annually	6.358 / 5.451*	Global	SEC + Luxembourg Stock Exchange	JP Morgan, SSSB
5,625% bond denominated in GBP maturing in 2010 XS0157642793	11/18/2002	11/18/2010	400 million	99.060	5.625%	annually	5.775	Euro	Luxembourg Stock Exchange	UBS Warburg
4,5% bond denominated in EUR maturing in w 2013 XS0162316490	02/05/2003 / 02/05/2003*** / 05/23/2003* / 03/23/2004	02/05/2013	3,000 million EUR (1,250 + 250*** + 800* + 700*)	98.993 / 98.744*** / 99.733* / 100.827*	4.500%	annually	4.628 / 4.660*** / 4.532* / 4.384*	Euro	Luxembourg Stock Exchange	Deutsche Bank, JP Morgan
0,84% bond denominated in JPY maturing in w 2010 JP561600A376	07/09/2003	07/09/2010	25,000 million JPY	100.000	0.840%	semi-annually	0.840	Samurai		Daiwa, Mizuho
3M Euribor + 0,125% bond denominated in EUR maturing in 2006 XS0176094836	09/18/2003	09/18/2006	500 million EUR	99.868	3M Euribor + 0.125%	quarterly	-	Euro	Luxembourg Stock Exchange	Dresdner Kleinwort Wasserstein
5,25% bond denominated in USD maturing in 2014 US731011AN26	10/29/2003	01/15/2014	1,000 million USD	99.871	5.250%	semi-annually	5.264	Global	SEC + Luxembourg Stock Exchange	Citigroup, Morgan Stanley
6M USD Libor + 0,325% bond denominated in USD maturing in 2010. XS0182802214	12/18/2003	12/18/2010	400 million USD	99.730	6M USD Libor + 0.325%	semi-annually	-	Private placement	Luxembourg Stock Exchange	PEKAO SA
3,875% bond denominated in EUR maturing in 2009 XS0183959914	01/15/2004	01/15/2009	1,500 million EUR	99.721	3.875%	annually	3.9375	Euro	Luxembourg Stock Exchange	CSFB, DrKW
2,125% bond denominated in CHF maturing in 2009 CH0018041530	03/25/2004	03/25/2009	400 million CHF	100.380	2.125%	annually	2.160	Euro	Swiss Stock Exchange	UBS
2,6475% bond denominated in JPY maturing in 2034 XS0189021099	03/29/2004	03/29/2034	6,800 million JPY	100.000	2.6475%	semi-annually	2.6475	Private placement		Mizuho
1,02% bond denominated in JPY maturing in 2009 JP561600A467	06/09/2004	06/09/2009	50,000 million JPY	100.000	1.020%	semi-annually	1.020	Samurai		Daiwa, NikkoCiti
3,22% bond denominated in JPY maturing in 2034 XS0197118465	08/04/2004	08/04/2034	16,800 million JPY	100.000	3.220%	semi-annually	3.220	Private placement		Mizuho

* reopening of the previous issue

**only for the first tranche

*** tranche's pricing date different from the pricing date of initial tranche (the same issue date)

2.3.2. Polish Brady Bonds

The Polish Brady Bonds were issued subject to the agreement with London Club banks. The bonds were issued on October 27th, 1994 and included six various securities with specific terms. At the end of 2005, the outstanding Brady bonds amounted to USD 1,193 million.

Table 17. Polish Brady Bonds

	Collateralized Discount Bonds	Collateralized Par Bonds	Collateralized RSTA Bonds	PDI Bonds	DCB Bonds	New Money Bonds
Issue date	10/27/1994	10/27/1994	10/27/1994	10/27/1994	10/27/1994	10/27/1994
Issue value	USD 2,968.2 million	USD 934.7 million	USD 894.4 million	USD 2,673.6 million	USD 393.0 million	USD 137.6 million
Bond's abbreviated name	Discount	Par	RSTA	PDI	DCB	NMB
Coupon rate	6-month LIBOR + spread 13/16%	increasing from 2.75% to 5%; at the end of 2005 r. 4%	increasing from 2.75% to 5%; at the end of 2005 4.75%	increasing from 3.25% to 7%; at the end of 2001 r. 6.0%	increasing from 4.5% to 7.5%; at the end of 2001 r. 6.0%	6-month LIBOR + spread 13/16%
Final maturity	30 years	30 years	30 years	20 years	25 years	15 years
Principal payment	bullet payment	bullet payment	bullet payment	in 27 step-up installments with 7-year grace period	in 11 step-up installments with 20-year grace period	in 11 equal installments with 10-year grace period
Final redemption date	10/27/2024	10/27/2024	10/27/2024	10/27/2014 (final installment)	10/27/2019 (final installment)	10/27/2009 (final installment)
Interest payments frequency	semi-annually	semi-annually	semi-annually	semi-annually	semi-annually	semi-annually
Outstanding debt at the end of 2005	0*	USD 745 million	USD 449 million	0*	0*	0*
Secondary market registration	Luxemburg Stock Exchange	Luxemburg Stock Exchange	Luxemburg Stock Exchange	Luxemburg Stock Exchange	Luxemburg Stock Exchange	Luxemburg Stock Exchange

* Early redemption of the bonds

2.4. Special issues of Treasury Securities

Apart from the above-described types of securities The Minister of Finance issues also debt instruments for conversion of outstanding debts. The issues are characterized with a particular feature – they do not have primary market and its role is played by original allocation.

2.4.1. Issue of Treasury Securities designated for conversion of State Treasury Debt to the NBP

On July 18th, 1999 an agreement between the National Bank of Poland and the Minister of Finance was signed on conversion of a non-marketable debt in the central bank's portfolio into marketable Treasury Securities. As a result, the NBP became a holder of five types of bonds with parameters comparable with other TS issues present on the domestic market. Total face value of securities issued for conversion of the debt to NBP amounted to PLN 16,439 million.

The securities characteristics is presented below:

- KO0402 – maturing on 04/29/2002; total face value PLN 4,133.9 million; zerocoupon bond,
- TK1202 – maturing on 12/22/2002; total face value PLN 3,076.3 million; annual coupon 10.0%;
- CK0403 – maturing on 04/22/2003; total face value PLN 3,076.3 million; annual coupon 10.0%;
- PK0704 – maturing on 07/22/2004; total face value PLN 3,076.3 million; annual coupon 8.5%;
- DK0809 – maturing on 08/22/2009; total face value PLN 3,076.3 million; annual coupon 6.0%.

Till the end of 2003 NBP sold all "conversion" bonds to banks therefore eliminating the debt towards the NBP. In 2004 the series PK0704 was redeemed. At the end of 2004 there was only one series - DK0809 2,568 million PLN in face value left to mature.

2.4.2. Issue of Treasury bonds for conversion of the debt towards pension funds

Acting pursuant to the Act of July 23rd, 2003 on taking over by State Treasury Social Insurance Institution liabilities arising from non-transferred payments to open pension funds the Ministry of Finance issued floating rate bonds with its redemption date on November 24, 2011. The conversion procedure started in November 2003.

Table 18. Bonds issued for conversion of the debt towards pension funds in 2005 (PLN million)

Conversion date	Series	Maturity	Face value
01/31/2005	DZ1111	11/24/2011	100
02/28/2005	DZ1111	11/24/2011	57
03/31/2005	DZ1111	11/24/2011	45
04/29/2005	DZ1111	11/24/2011	109
05/31/2005	DZ1111	11/24/2011	86
06/30/2005	DZ1111	11/24/2011	37
07/29/2005	DZ1111	11/24/2011	154
08/31/2005	DZ1111	11/24/2011	256
09/30/2005	DZ1111	11/24/2011	84
10/31/2005	DZ1111	11/24/2011	98
11/30/2005	DZ1111	11/24/2011	208
12/30/2005	DZ1111	11/24/2011	135
TOTAL:			1,367

Till the end of 2005 total face value bonds issued for conversion has reached PLN 2,546 million and the value of converted liabilities amounted to PLN 2,600 million.

2.5. Issue of non-marketable Treasury Securities

The issues of non-marketable Treasury securities are the issues designed to cover existing debts of the State Treasury and to enable the State Treasury to raise new debts outside the financial market. The State Treasury serviced three types of such issues at the end of 2002. Their characteristic is presented in the table below.

Table 19. Non-marketable Treasury Securities serviced on the domestic market in 2005

	Restructuring Bonds	Bonds to increase BGŻ S.A. own funds
Issue date	Series B – 12/16/1993 Series C – 12/29/1993 Series D – 11/21/1994	I tranche 09/23/1996
Issue face value	Series B – PLN 573 million Series C – PLN 427 million Series D – PLN 1,900 million each of the series is made up of 28 principal installments	I tranche: PLN 600 million each of the tranches is made up of 28 principal installments
Face value of one bond	1,000 PLN	1,000 PLN
Maturity	From 1.5 to 15.5 years depending on the number of the principal installment	From 1.5 to 15.5 years depending on the number of the principal installment
Redemption date	B - from 06/17/1995 to 12/17/2008 C - from 06/30/1995 to 12/30/2008 D - from 05/22/1996 to 11/22/2009	I tranche from 03/24/1998 to 09/24/2011
Principal and interest payments frequency	Semiannually	Semiannually
Interest form	Floating: arithmetic average of NBP rediscount rate for a semi-annual interest period; paid interest – 5% buy-back principal, remaining accrued interest increases every time the principal subject to redemption (capitalization of interest)	Floating: arithmetic average of NBP rediscount rate for 6-month interest period; paid interest – ½ of the rate of accrued interest, remaining accrued interest increase every time the principal subject to redemption (capitalization of interest)
Issue form	batch slip for an issue of a given series; registered within first 3 years since issue date, bearer afterwards	batch slip, registered within first 3 years since issue date, bearer afterwards
Availability to secondary market investors	Available for purchase only for domestic banks and financial institutions and also to the State Treasury; secondary market does not exist	Available for purchase only for domestic banks and financial institutions and also to the State Treasury; secondary market does not exist
Debt value (nominal) at the end of 2005.	0 (Early redemption of the bonds)	PLN 566 million

3. SECONDARY MARKET OF TREASURY SECURITIES

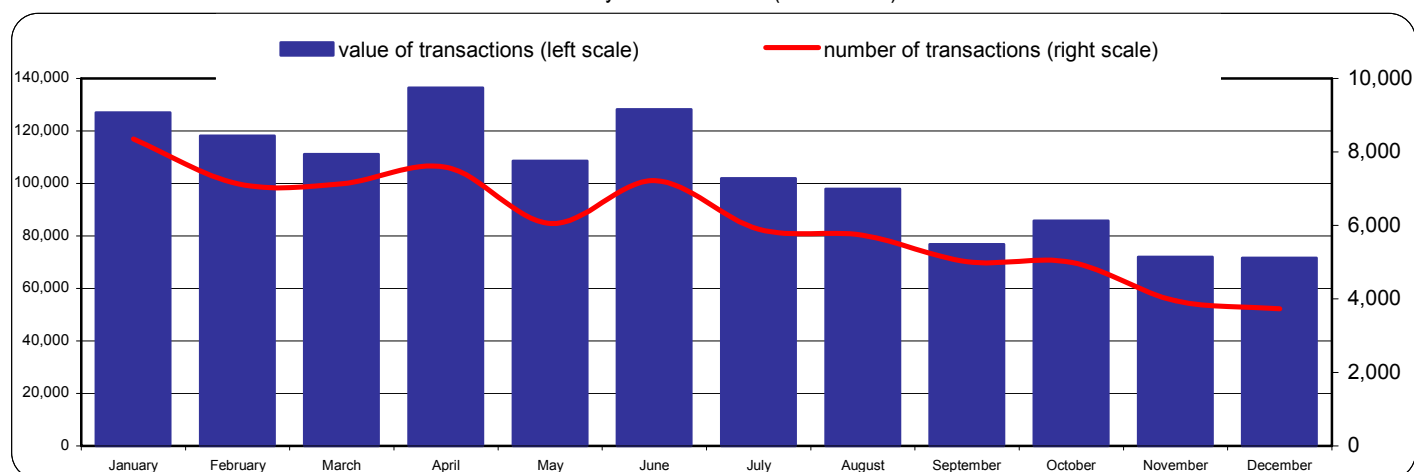
3.1. Secondary market of Treasury bills

Secondary trading of T-bills is effected only on the non-regulated interbank market and on MTS Poland (the electronic platform for Treasury securities). Transactions register and their settlement are handled by the NBP Registry of Securities (RPW). 72,794 transactions of total face value PLN 1,235,703 million were concluded on the secondary market in 2005.

Table 20. Value of transactions concluded on the T-bills secondary market in 2005 (PLN million)

	January	February	March	April	May	June	July	August	September	October	November	December	Total
Value of transactions	127,030	118,212	111,123	136,479	108,583	128,255	101,960	97,926	76,790	85,784	71,955	71,606	1,235,703
Number of transactions	8,359	7,131	7,138	7,583	6,051	7,220	5,893	5,735	5,010	4,998	3,944	3,732	72,794

Chart 5. Value of transaction concluded on the T-bills secondary market in 2005 (PLN million)



3.2. Secondary market of Treasury bonds

Trading on the secondary market for Treasury bonds is performed on the markets: non-regulated interbank market, MTS Poland and on regulated markets of Warsaw Stock Exchange and MTS-Ceto S.A. Turnover on MTS Poland amounted about 3%, while trading at WSE did not exceed 0.1%. In 2005 majority of the trading took place on the non-regulated interbank market (over 97%). 5-year fixed rate bonds were objects of the majority of transactions conducted on the secondary market (DS0509 series – 19%, PS0310 series – 17%).

Table 21. Value and number of transactions concluded on the Treasury bonds secondary market in 2005 (PLN million)

		January	February	March	April	May	June	July	August	September	October	November	December	Total
TOTAL	Value	241,725	263,077	340,575	222,659	308,757	366,283	349,092	388,612	430,248	438,514	434,308	362,872	4,146,723
	Number	14,514	15,583	20,750	13,867	14,174	16,897	18,275	17,042	19,414	20,931	21,587	16,024	209,058
Interbank	Value	233,918	256,705	332,320	216,836	301,674	352,326	338,935	375,029	410,356	426,402	423,453	351,367	4,019,320
	Number	13,853	15,064	20,107	13,513	13,706	16,045	17,499	16,084	18,419	20,097	20,859	15,579	200,825
MTS Poland	Value	7,808	6,373	8,255	5,823	7,083	13,958	10,158	13,583	19,893	12,113	10,855	11,505	127,403
	Number	661	519	643	354	468	852	776	958	995	834	728	445	8,233

Chart 6. Total value of transactions on the Treasury bonds secondary market in 2005 (PLN million)

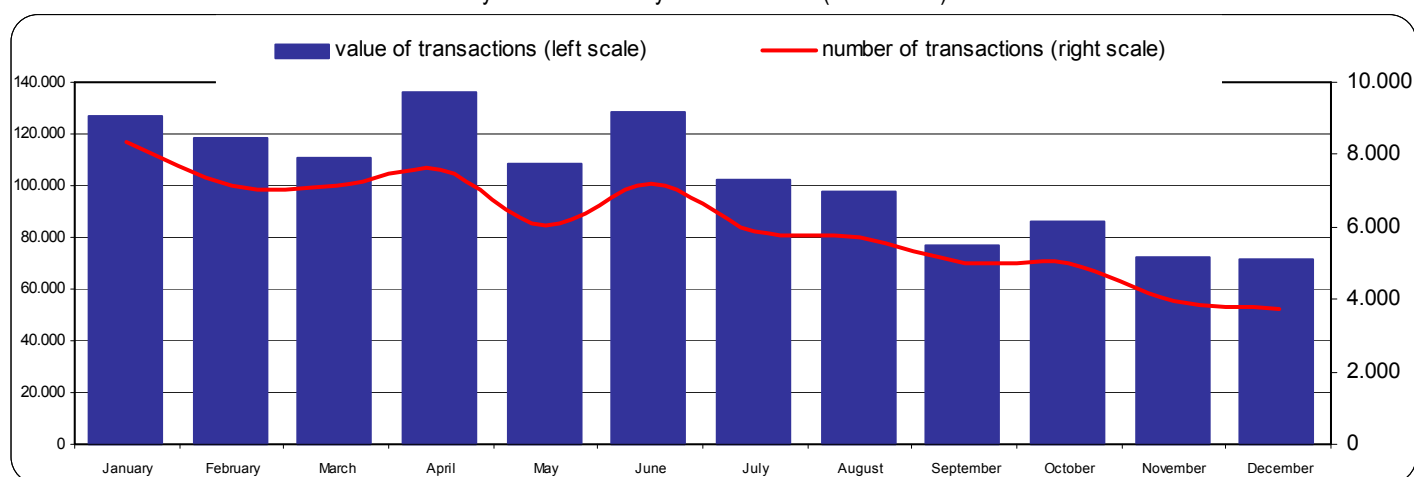


Table 22. Value and number of transactions on the fixed coupon Treasury bonds secondary market in 2005 (PLN million)

Bond type		January	February	March	April	May	June	July	August	September	October	November	December	Total	
2-year	Interbank	Value	67,586	73,419	80,127	56,863	99,623	105,019	76,581	113,639	121,016	110,564	125,774	102,631	1,132,842
		Number	2,101	2,534	3,393	2,242	2,641	2,797	2,589	3,106	3,338	3,373	3,999	3,884	35,997
	MTS Poland	Value	1,565	1,865	1,775	2,375	1,713	4,230	2,593	3,230	5,025	1,295	1,328	1,500	28,493
		Number	94	145	136	77	60	174	165	154	124	65	66	63	1,323
	TOTAL	Value	69,151	75,284	81,902	59,238	101,336	109,249	79,174	116,869	126,041	111,859	127,102	104,131	1,161,335
		Number	2,195	2,679	3,529	2,319	2,701	2,971	2,754	3,260	3,462	3,438	4,065	3,947	37,320
5-year	Interbank	Value	35,404	56,350	92,455	55,239	88,113	109,753	120,811	117,569	128,608	154,995	135,621	93,699	1,188,619
		Number	3,021	3,520	5,439	3,946	4,440	5,696	5,626	5,791	6,332	7,863	7,408	4,874	63,956
	MTS Poland	Value	2,205	1,615	2,975	1,318	2,693	4,805	3,885	5,298	9,383	6,565	5,268	4,585	50,593
		Number	181	119	223	109	195	332	308	406	478	505	346	194	3,396
	TOTAL	Value	37,609	57,965	95,430	56,557	90,806	114,558	124,696	122,866	137,991	161,560	140,889	98,284	1,239,211
		Number	3,202	3,639	5,662	4,055	4,635	6,028	5,934	6,197	6,810	8,368	7,754	5,068	67,352
10-year	Interbank	Value	109,968	95,290	137,372	84,776	88,634	107,413	95,962	103,065	112,572	121,550	117,267	91,187	1,265,057
		Number	8,076	7,669	9,715	6,203	5,487	6,019	6,423	5,569	6,128	6,754	7,642	5,064	80,749
	MTS Poland	Value	4,003	2,878	3,490	2,040	2,573	4,783	3,670	5,030	5,045	4,178	4,205	5,390	47,283
		Number	383	252	281	167	209	341	302	393	382	258	308	183	3,459
	TOTAL	Value	113,971	98,167	140,862	86,816	91,206	112,195	99,632	108,095	117,617	125,728	121,472	96,577	1,312,340
		Number	8,459	7,921	9,996	6,370	5,696	6,360	6,725	5,962	6,510	7,012	7,950	5,247	84,208

Chart 7. Value of transactions on the fixed coupon Treasury bonds in 2005 (PLN million)

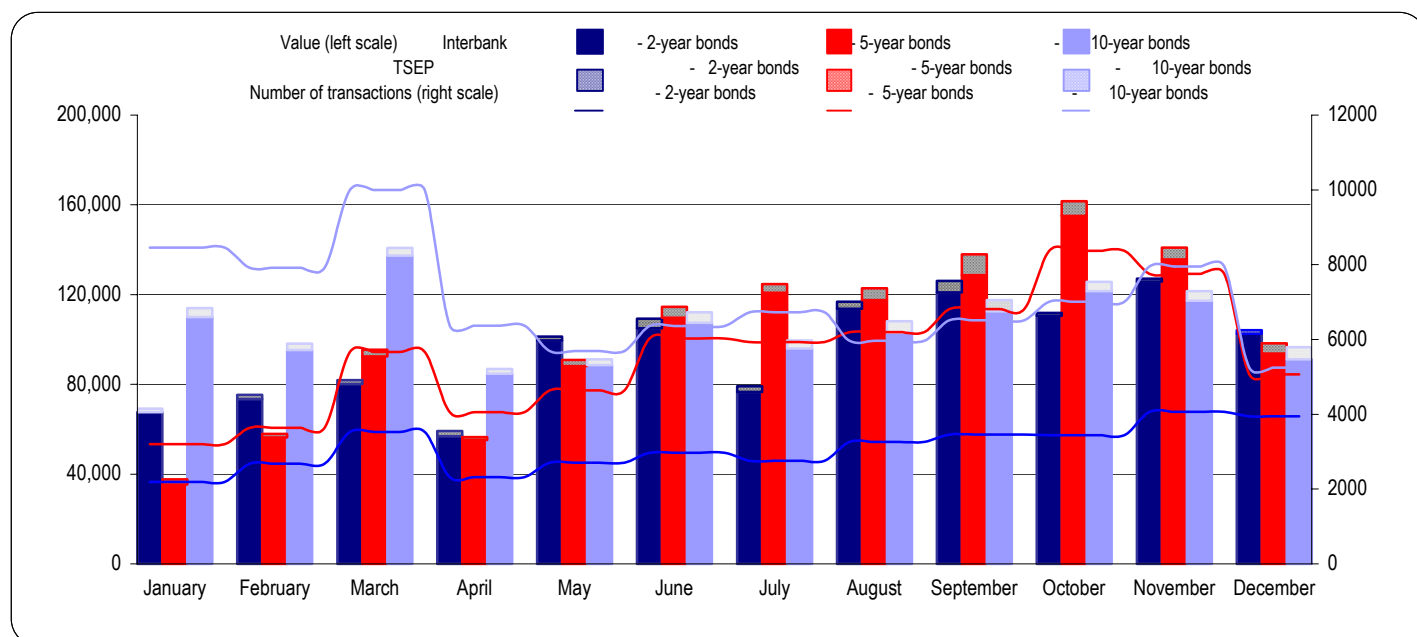
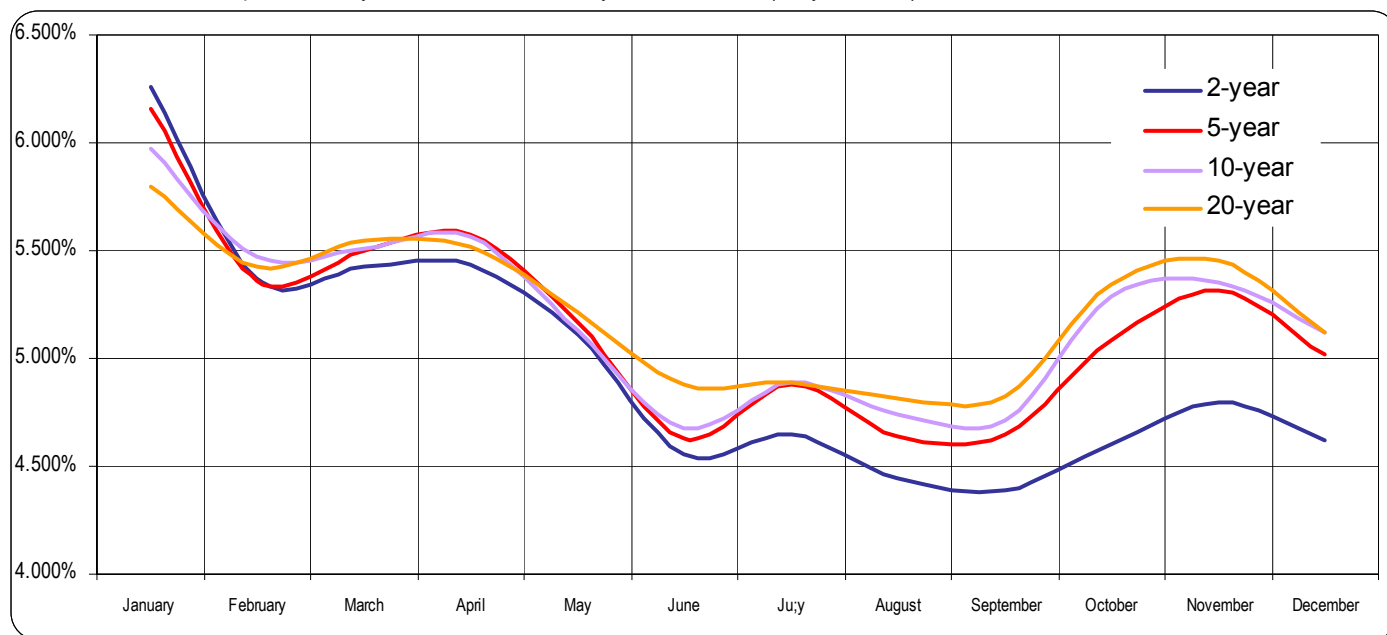


Chart 8. Yield on fixed coupon Treasury bonds on the secondary market in 2005 (bid yield, eom)



3.3. Secondary market for Treasury Securities issued on the international market

The foreign bonds issued by the State Treasury in 1995 – 2005 as well as the Polish Brady Bonds are registered at the foreign stock exchanges. However, trading of those securities is concentrated on non-regulated interbank markets that are characterized by significant level of deregulation and decentralization and also by a large number of institutions actively participating in transactions. Those features of the interbank market make it difficult to monitor and, in practice, the only bond parameter that can be observed and can be used to describe a bond's performance is the yield spread above the benchmark, i.e. the yield of bonds of similar maturity considered to be the safest (relatively over adequate swap rate).

Settlements of the Foreign Bonds transactions are effected in two systems: for the US investors by a specialized financial institution, the Depository Trust Company and in the case of investors from outside the US by two European clearing institutions: Euroclear and Clearstream.

4. STATE TREASURY DEBT

Table 23. State Treasury debt according to the place of issue criterion (PLN million)

	December 2003	December 2004	December 2005
State Treasury debt	378,944	402,860	440.167
I. State Treasury domestic debt	251,166	291,659	315.479
1. Treasury Securities	245,979	286,888	311.966
1.1. Marketable Treasury Securities	232,564	273,501	302.781
- Treasury bills	48,067	46,900	24.400
- Treasury bonds issued on the domestic market	184,497	226,601	278.381
1.2. Saving bonds	7,450	9,054	8.620
1.3. Non-marketable TS	5,965	4,333	565
2. Other State Treasury debt	5,187	4,771	3.513
II. State Treasury foreign debt	127,778	111,202	124.689
1. Treasury Securities	44,267	48,462	83.862
2. Loans	83,511	62,740	40.827

Table 24. State Treasury debt according to the residency criterion (PLN million)

	December 2003	December 2004	December 2005
State Treasury debt	378,944	402,860	440.167
I. State Treasury domestic debt	213,999	232,352	251.468
1. Treasury Securities	208,940	227,583	247.955
1.1. Marketable Treasury Securities	195,525	214,200	238.777
- T-bills	47,265	46,633	24.126
- Treasury bonds issued on the domestic market	144,183	164,555	209.731
- Brady Bonds and treasury bonds issued on the foreign market	4,077	3,013	4.921
1.2. Savings bonds	7,450	9,049	8.613
1.3. Non-marketable bonds	5,965	4,333	565
2. Other State Treasury debt	5,059	4,770	3.513
II. State Treasury foreign debt	164,945	170,508	188.700
1. Treasury Securities	81,307	107,767	147.873
1.1. Marketable Treasury Securities	81,307	107,762	147.866
- T-bills	802	268	274.29
- Treasury bonds issued on the domestic market	40,314	62,046	68.650
- Brady Bonds and treasury bonds issued on the foreign market	40,190	45,449	78.941
1.2. Savings bonds	0	5	7
2. Loans	83,511	62,740	40.827
3. Other debt	127	1	0

Table 25. State Treasury debt by place of issue and by instrument (PLN million)

	December 2003	December 2004	December 2005
State Treasury debt	378,944	402,860	440.167
I. State Treasury domestic debt	251,166	291,659	315.479
1. Treasury Securities ¹⁾	245,979	286,888	311.966
1.1. Marketable Treasury Securities	232,564	273,501	302.781
Treasury bills	48,067	46,900	24.400
Fixed-rate marketable bonds	168,951	200,906	241.756
2-year zero coupon bonds	52,414	52,904	57.148
5-year fixed rate bonds	81,096	70,785	86.728
5-year fixed rate retail bonds	2,081	2,589	3.200
10-year fixed rate bonds	26,259	68,655	85.700
20-year fixed rate bonds	1,545	3,404	6.411
5-year fixed rate bonds - converted ²⁾	2,987	-	-
10-year fixed rate bonds - converted ²⁾	2,568	2,568	2.568
Floating-rate marketable bonds	15,546	23,049	31.945
3-year floating rate retail bonds	5,307	3,400	3.496
3-year floating rate bonds		6,738	6.738
7-year floating rate bonds		1,131	9.064
10-year floating rate bonds	10,239	11,030	11.897
private placements		750	750
Index-linked bonds	-	2,646	4.679
12-year inflation linked bonds	-	2646	4.679
1. 2. Savings bonds	7,450	9,054	8.620
2-year savings bonds	6,338	8,147	7.928
4-year savings bonds	1,111	853	561
10-year savings bonds		55	130
1.3. Non-marketable bonds	5,965	4,333	565
USD-denominated bonds '91	815	-	-
restructuring bond	4,444	3,696	-
bonds to increase BGŻ bank's own funds	705.738	637.146	565
2. Other State Treasury debt	5,187	4,771	3.513
II. State Treasury foreign debt	127,778	111,202	124.689
1. Treasury Securities	44,267	48,462	83.862
Brady Bonds	4,463	3,568	3.891
International Bonds	39,804	44,894	79.970
2. Loans	83,511	62,740	40.827
Paris Club creditors	67,122	50,255	25.153
International Financial Institutions,	15,279	12,033	15.261
of which the World Bank	7,477	4,390	4.390
Other creditors	1,110	453	413
<i>Exchange rate used for calculations (PLN/USD) (fixing NBP)</i>	<i>3.7405</i>	<i>2.9904</i>	<i>3.2613</i>
<i>Exchange rate used for calculations (PLN/EUR) (fixing NBP)</i>	<i>4.7170</i>	<i>4.0790</i>	<i>3.8598</i>

1) original maturity

2) Resulting from conversion of non-marketable liabilities of Polish State Budget to NBP into marketable bonds, converted in September 1999 and December 1999.

Table 26. State Treasury domestic debt by holder (PLN million)

	National Bank of Poland			Domestic commercial banks			Non-banking domestic sector			Foreign investors			TOTAL		
	December 2003	December 2004	December 2005	December 2003	December 2004	December 2005	December 2003	December 2004	December 2005	December 2003	December 2004	December 2005	December 2003	December 2004	December 2005
Domestic debt of State Treasury	382	0	0	85.720	85.762	75.018	123.948	143.578	171.529	41.116	62.318	68.931	251.166	291.659	315.479
1. Treasury Securities	382	0	0	82.620	81.462	71.718	121.861	143.107	171.317	41.116	62.318	68.931	245.980	286.888	311.966
1.1 Marketable Treasury Securities	0	0	0	77.036	77.129	71.152	114.412	134.058	162.704	41.116	62.313	68.925	232.564	273.501	302.781
Treasury bills				23.879	19.456	9.757	23.386	27.176	14.369	802	267	274	48.067	46.900	24.400
2-year zero coupon bonds				23.004	20.788	17.049	17.844	22.093	33.586	11.566	10.024	6.514	52.414	52.904	57.148
3-year floating rate retail bonds				321	228	627	4.966	3.164	2.863	20	9	5	5.307	3.400	3.496
3-year floating rate bonds				0	5.267	4.107	0	1.469	2.627	0	2	4	0	6.738	6.738
fixed rate bonds up to 5-year				21.212	19.856	21.326	40.802	32.316	41.574	19.082	18.614	23.828	81.096	70.785	86.728
5-year fixed rate retail bonds				8	10	92	2.071	2.576	3.102	1	2	6	2.081	2.589	3.200
7-year floating rate bonds				0	126	2.529	0	1.002	6.528	0	3	7	0	1.131	9.064
10-year fixed rate bonds				3.228	7.427	12.366	13.584	31.057	41.761	9.446	30.172	31.573	26.259	68.655	85.700
10-year floating rate bonds				2.988	3.302	2.826	7.084	7.515	8.860	168	213	211	10.239	11.030	11.897
5-year fixed rate bonds - converted				2.233	0	0	755	0	0				2.987	0	0
10-year fixed rate bonds - converted				162	147	79	2.406	2.422	2.489				2.568	2.568	2.568
private placements					15	15		585	735		150	0	0	750	750
12-year inflation linked					216	16		215	508		2.215	4.155	0	2.646	4.679
20-year fixed rate bonds				1	292	363	1.513	2.470	3.701	31	643	2.348	1.545	3.404	6.411
1. 2. Savings bonds	0	0	0	0	0	0	7.450	9.049	8.613	0	5	7	7.450	9.054	8.620
2-year savings bonds							6.338	8.143	7.922	0	4	6	6.338	8.147	7.928
4-year savings bonds							1.111	852	561	0	1	1	1.111	853	561
10-year savings bonds								55	130		0	0	0	55	130
1.3 Non-marketable TS	382	0	0	5.584	4.333	565	0	0	0	0	0	0	5.966	4.333	565
USD-denominated bonds '91	382		0	434	0	0			0			0	816	0	0
restructuring bond				4.444	3.696	0							4.444	3.696	0
bonds to increase BGŻ bank's own funds				706	637	565							706	637	565
2. Other State Treasury debt	0	0	0	3.100	4.300	3.300	2.087	471	213	0	0	0	5.187	4.771	3.513

Table 27. Residual maturity of Treasury Securities issued on the domestic market (PLN million)

	December 2003	December 2004	December 2005
Treasury Securities	245,979	286,888	311,966
up to 1 year (included)	93,162	84,836	83,293
1 to 3 years (included)	77,346	87,303	82,532
3 to 5 years (included)	38,221	65,637	86,182
over 5 years	37,250	49,112	59,958
T-bills	48,067	46,900	24,400
Marketable bonds	184,497	226,601	278,381
Fixed rate bonds	168,951	200,906	241,756
up to 1 year (included)	37,697	31,298	50,867
1 to 3 years (included)	66,109	69,547	68,070
3 to 5 years (included)	34,772	60,030	81,411
over 5 years	30,372	40,031	41,410
Floating rate bonds	15,546	23,049	31,945
up to 1 year (included)	2,665	2,218	2,952
1 to 3 years (included)	5,158	10,709	10,880
3 to 5 years (included)	1,581	3,924	4,469
over 5 years	6,142	6,198	13,645
Index-linked bonds	-	2,646	4,679
over 5 years	-	2,646	4,679
Savings bonds	7,450	9,054	8,620
up to 1 year (included)	3,034	3,525	4,981
1 to 3 years (included)	4,313	5,255	3,394
3 to 5 years (included)	102	220	114
over 5 years	-	55	130
Non-marketable bonds	5,965	4,333	565
up to 1 year (included)	1,698	896	94
1 to 3 years (included)	1,766	1,792	188
3 to 5 years (included)	1,766	1,464	188
over 5 years	736	182	94

Table 28. Public Debt according to the place of issue criterion - after consolidation (PLN million, at nominal value, eop)

	December 2003	December 2004	December 2005
Public debt	408,576	432,284	467.733
Domestic debt	280,020	319,499	340.706
1. Debt securities	248,225	289,312	314.660
2. Loans	19,548	20,614	20.424
3. Other domestic liabilities	12,247	9,573	5.622
Foreign debt	128,556	112,786	127.028
1. Debt securities	44,431	48,601	83.862
2. Loans	84,095	64,164	43.159
3. Other foreign liabilities	30	21	7

Table 29. Public Debt according to the residency criterion - after consolidation (PLN million, at nominal value, eop)

	December 2003	December 2004	December 2005
Public debt	408,576	432,284	467.733
Domestic debt	242,854	260,193	276.695
1. Debt securities	211,186	230,007	250.649
2. Loans	19,548	20,614	20.424
3. Other domestic liabilities	12,120	9,572	5.622
Foreign debt	165,722	172,092	191.038
1. Debt securities	81,470	107,906	147.873
2. Loans	84,095	64,164	43.159
3. Other foreign liabilities	157	22	7

Table 30. Public Debt - before consolidation (PLN million, at nominal value, eop)

	December 2003	December 2004	December 2005
Public debt	415,874	440,541	477,085
1. Central government debt	382,847	406,001	442,694
1.1. State Treasury	378,944	402,860	440,167
1.2. National Health Fund	1,047	758	401
1.3. Earmarked State funds	95	1	0
1.4. State institutions of higher education	178	215	185
1.5. Research and development units	278	259	276
1.6. Independent public health units	723	938	953
1.7. State institutions of culture	7	38	35
1.8. Polish Academy of Science and units established by it	19	19	8
1.9. Other central government legal entities	1,556	913	670
2. Social insurance debt	11,225	10,061	7,095
2.1. Social Insurance Institution and funds managed by it	11,225	10,061	7,095
3. Local government debt	21,801	24,479	27,296
3.1. Local government units	17,277	19,105	21,269
3.2. Earmarked local government funds	39	76	187
3.3. Independent public health units	4,413	5,231	5,770
3.4. Local institutions of culture	45	29	34
3.5. Other local government legal entities	27	38	37

Table 31. Public Debt - after consolidation (PLN million, at nominal value, eop)

	December 2003	December 2004	December 2005
Public debt	408,576	432,284	467,733
1. Central government debt	380,803	403,827	440,484
1.1. State Treasury	378,465	402,233	439,567
1.2. National Health Fund	152	6	0
1.3. Earmarked State funds	95	1	0
1.4. State institutions of higher education	155	162	146
1.5. Research and development units	181	146	153
1.6. Independent public health units	498	633	526
1.7. State institutions of culture	3	34	34
1.8. Polish Academy of Science and units established by it	8	12	3
1.9. Other central government legal entities	1,246	601	55
2. Social insurance debt	11,225	10,061	7,095
2.1. Social Insurance Institution and funds managed by it	11,225	10,061	7,095
3. Local government debt	16,547	18,396	20,154
3.1. Local government units	13,798	15,359	17,156
3.2. Earmarked local government funds	0	3	1
3.3. Independent public health units	2,704	2,981	2,935
3.4. Local institutions of culture	20	16	25
3.5. Other local government legal entities	26	37	37

Table 32. Public Debt at nominal value (PLN million, eop) and its ratio to GDP

ITEM	2002		2003		2004		2005	
	Value in m PLN	Ratio to GDP (%)	Value in m PLN	Ratio to GDP (%)	Value in m PLN	Ratio to GDP (%)	Value in m PLN	Ratio to GDP (%)
State Treasury debt	327.904	40,6%	378.944	45,0%	402.860	43,6%	440.167	44,9%
State Treasury debt plus risk-weighted contingent liabilities arising from granted ST guarantees	339.960	42,1%	390.281	46,3%	414.630	44,9%	450.568	45,9%
Public debt	352.578	43,6%	408.576	48,5%	432.284	46,8%	467.733	47,7%
Public debt plus risk-weighted contingent liabilities arising from granted public sector guarantees	364.702	45,1%	419.985	49,9%	444.139	48,1%	478.273	48,8%
General Government debt*	321.446	39,8%	369.786	43,9%	386.303	41,8%	411.410	41,9%
GDP	807.860		842.120		923.248		980.884	

*General Government (GG)- European System of Accounts 1995 (ESA95) definition

Monthly data on the State Treasury debt are available on the Ministry of Finance website:

http://www.mf.gov.pl/files/english/public_dept/public_finance_sector_debt/state_treasury_debt.exe

5. INSTITUTIONAL STRUCTURE OF THE TREASURY SECURITIES MARKET

The legal operational basis of the main institutions of the public capital market until October 23rd, 2005 was the Law on Public Trading of Securities. The Law regulated public turnover of securities and other instruments introduced for public trading and also provided the rules of establishing, organization and supervision of entities active in trading. Since October 24th, 2005 the following laws have been obliged:

- The Law of July 29th, 2005 on public offer, the rules of introducing financial instruments for public trading and public companies;
- The Law of July 29th, 2005 on turnover of financial instruments;
- The Law of July 29th, 2005 on supervision of the capital market.

The following entities are organizationally involved in the Polish Treasury Securities market:

- a) The Minister of Finance acting on behalf of the State Treasury – the issuer of Treasury Securities, managing of public debt,
- b) The National Bank of Poland – the issue agent of Treasury Securities offered on the domestic wholesale market. The NBP also keeps the accounts of the state budget (treasury),
- c) The Polish Securities and Exchange Commission (PSEC) – responsible for the supervision of the public securities market and its participants,
- d) The National Depository for Securities (NDS) - Depository and settlements institution for securities including Treasury bonds,
- e) The Warsaw Stock Exchange S.A. (WSE) – institution running the regulated secondary market of Treasury bonds,

- f) Treasury Securities Dealers – banks participating in the primary TS market
- g) The Central Brokerage House PeKaO S.A. (CBH Pekao S.A.) – issue agent of retail bonds sold in the retail net till July 31, 2003,
- h) Powszechna Kasa Oszczędności Bank Polski S.A (PKO BP S.A.) – issue agent of retail bonds sold in the retail net from August 1, 2003,
- i) MTS-CeTO S.A) – organizer of secondary market (ETSM) for T-bills and T-bonds offered at auctions).
- j) Bank Gospodarstwa Krajowego – payment agent of a part of the State Treasury foreign debt (including T-bonds) ,
- k) Domestic banks – major participants of the Treasury Securities market,
- l) Brokerage houses – intermediaries on the primary and secondary markets for securities,
- m) Institutions participating in foreign bond issues.

5.1. Useful addresses

Ministry of Finance
12 Świętokrzyska St.,
00 - 916 Warszawa
tel: (4822) 694-55-55
www.mf.gov.pl

National Bank of Poland
11/21 Świętokrzyska St.,
00 - 049 Warszawa
tel: (4822) 653-10-00
www.nbp.pl

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Warsaw Stock Exchange
4 Książęca St.
00 - 498 Warszawa
tel: (4822) 628-32-32
www.gpw.com.pl

National Depository for Securities
4 Książęca St.,
00-498 Warszawa
tel: (4822) 537-95-88
www.kdpw.com.pl

Page about T-bonds destined for individual investors (in Polish only)
www.obligacjeskarbowe.pl

Polish Securities and Exchange Commission
1 Plac Powstańców Warszawy
00 - 009 Warszawa
tel: (4822) 826-10-31
www.kpwig.gov.pl

Powszechna Kasa Oszczędności Bank Polski S.A.
15 Puławska St,
02-515 Warszawa
tel. 0-800 120-139 (hotline)
tel. 0-801 124-365 (hotline)
tel. (4822) 639-66-00
www.pkobp.pl

MTS-Centralna Tabela Ofert S.A.
14 Leszno St,
01-192 Warszawa
tel. (4822) 535-69-00
www.cefo.pl

Central Brokerage House PeKao SA
18 Wołoska St.,
02 - 675 Warszawa
tel: (4822) 640-28-40, 640-26-40
www.cdmpekao.com.pl