
State budget borrowing requirements' financing plan and its background:

in the first quarter of 2013

in January 2013

THE MOST IMPORTANT INFORMATION:

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1 General assumptions

- in the first quarter of 2013 T-bond auctions are planned according to announced yearly issuance calendar,
- offer of T-bonds on the domestic market will depend on the market situation and the consultations with investors,
- offer of T-bills will be determined within the confines of the level of budget liquidity funds management,
- foreign financing will be determined by the situation on the international financial market and domestic market,
- auctions of bonds issued by BGK for the National Road Fund are not planned,
- announced plan may be modified depending on the market situation.

2 Offer of T-bonds on the domestic market

- sale auctions:
five or six auctions, total supply PLN 25.0-35.0 bn, the structure of the sold T-bonds will be subject to the market situation,
- switch auctions:
in January and February auctions are not planned, possible auction in March (holding subject to the market situation) – securities offered to repurchase would be T-bonds maturing from April to July 2013.

3 Foreign financing:

- loans from International Financial Institutions of EUR 0.7-1.0 bn,
- possible issuance of bonds on the core international markets depending on the market situation,
- possibility of additional financing by structured coupon bonds' issuance in the private placement system.

1 T-bond auctions

Auction date	Settlement date	Series	Planned offer (PLN m)
3 JAN 2013*	7 JAN 2013	DS1023 / WS0429	3,000-5,000
23 JAN 2013	25 JAN 2013	OK0715 / PS0418	5,000-10,000

* auction on Thursday

The final offer and the supply will be announced 2 days before the auction and will result from the market situation and consultations with investors.

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

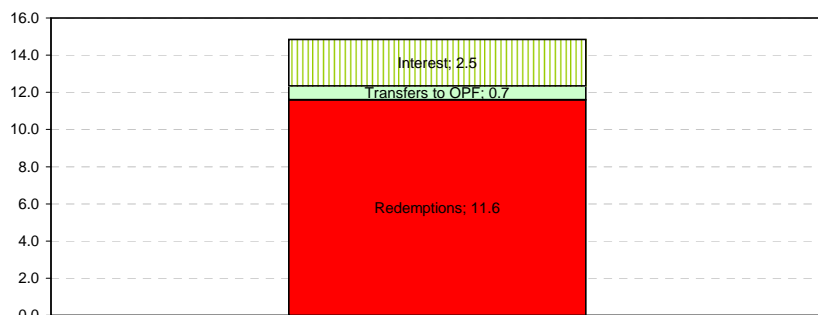
2 T-bill auction

Auction date	Settlement date	T-bill	Maturity date	Planned offer (PLN m)
7 JAN 2013	9 JAN 2013	20 week	29 MAY 2013	2,000-3,000

3 Offer on retail market

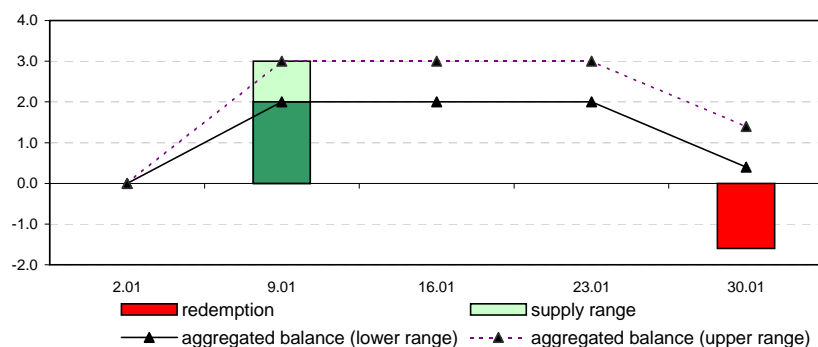
T-bond	Issue price	Coupon
DOS0115	100.00 PLN (99.90 PLN for rolling-over)	Fixed, 3.50%
TOZ0116	100.00 PLN (99.90 PLN for rolling-over)	Floating (1.00 * WIBOR 6M), 4.15% in the first coupon period
COI0117	100.00 PLN (99.90 PLN for rolling-over)	Floating (inflation rate + 1.50%), 4.50% in the first coupon period
EDO0123	100.00 PLN (99.90 PLN for rolling-over)	Floating (inflation rate + 1.75%), 5.00% in the first coupon period

1 Flows of funds into the market related to T-bonds and T-bills and transfers to Open Pension Funds in January 2013
(PLN bn, as of December 31, 2012)



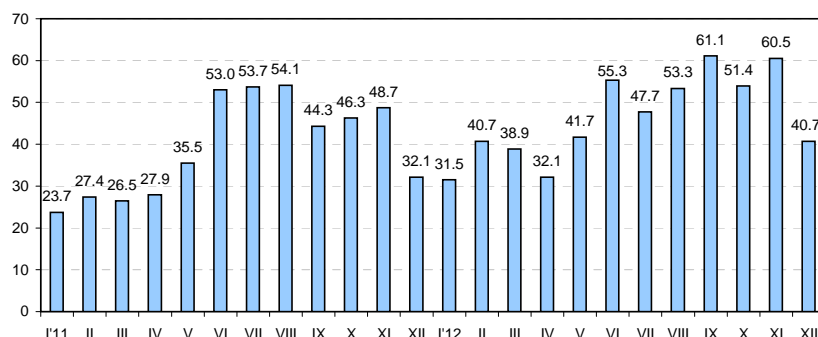
As of December 31, 2012 flow of funds due to redemptions of T-securities, interest payments and transfers from State budget to Open Pension Funds shall amount to ca. PLN 14.8bn.

2 Sale and redemption of T-bills in January 2013
(settlement/redemption date, PLN bn)



In January, an increase by PLN 0.4bn - 1.4bn in T-bonds outstanding is assumed.

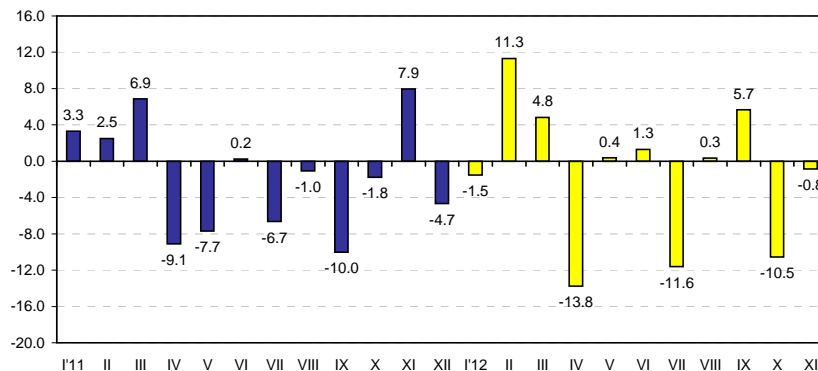
3 Funds in PLN and in foreign currency held by the MoF at the end of month
(foreign currency funds include funds from debt issuance and received from the European Commission, PLN bn)



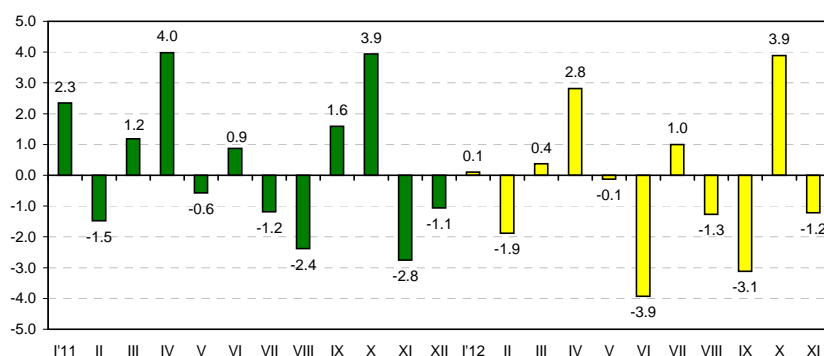
The funds ensure liquidity in borrowing needs financing.

* estimation

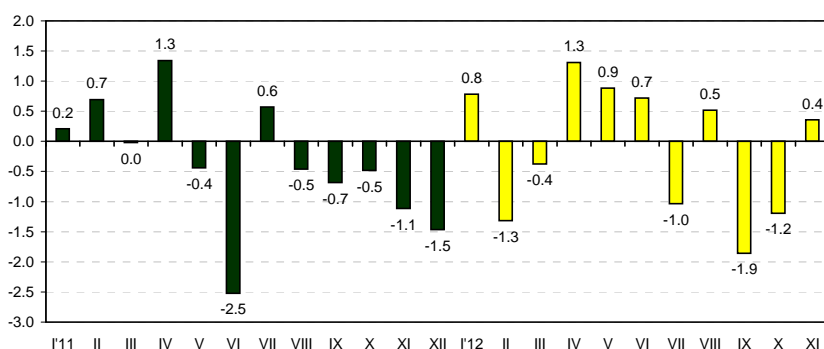
4 Change of debt in domestic T-securities held by banks
(without BSB transactions with MoF; PLN bn)



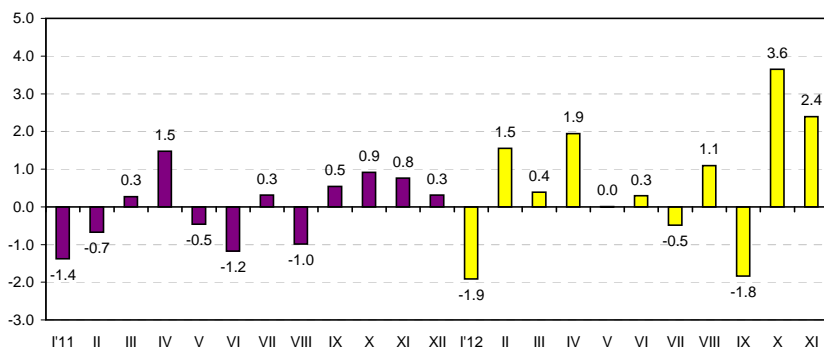
In the period of I-XI 2012 debt held by domestic banks decreased by PLN 14.5bn comparing to PLN 15.4bn decrease during the same period of 2011.

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


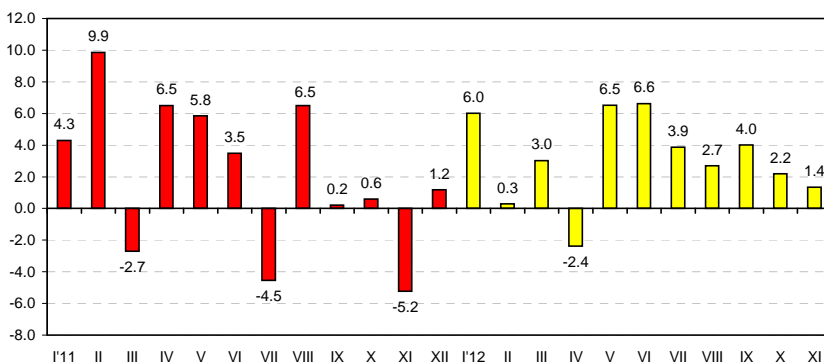
In the period of I-XI 2012 debt held by pension funds decreased by PLN 3.3.0bn comparing to PLN 5.6bn increase during the same period of 2011.

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


In the period of I-XI 2012 there was a decrease of PLN 1.2bn in debt held by insurance companies. During the same period of 2011 there was a decrease of PLN 2.9bn.

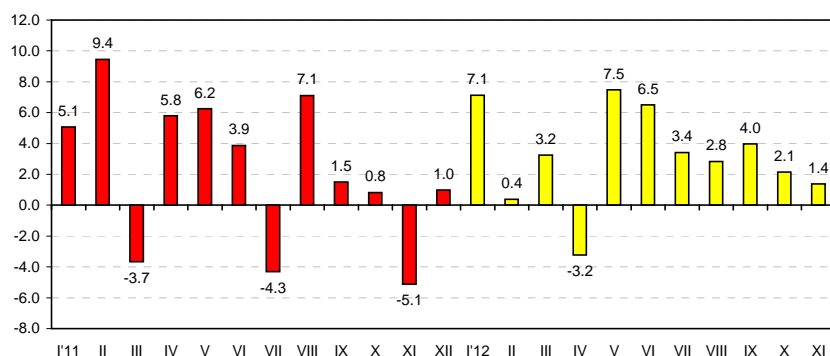
7 Change of debt in domestic Treasury securities held by investment funds (PLN bn)


In the period of I-XI 2012 there was an increase of PLN 7.1bn in debt held by investment funds. During the same period of 2011 there was a decrease of PLN 0.4bn.

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


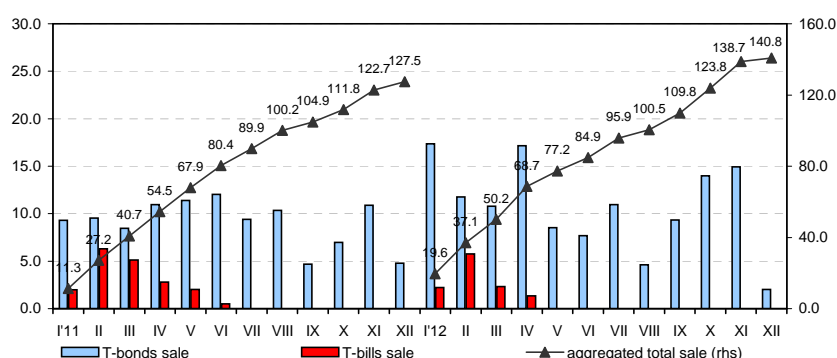
In the period of I-XI 2012 inflow of foreign capital to the domestic TS market amounted to PLN 34.2bn comparing to PLN 24.8bn increase in the same period of 2011. Foreign investors' holdings reached the record high level of PLN 188.5bn.

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



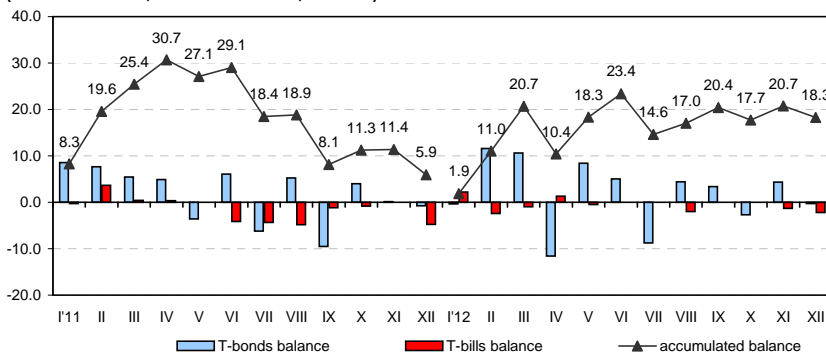
In the period of I-XI 2012 inflow of foreign capital to domestic bonds market amounted to PLN 35.2bn comparing to PLN 26.7bn increase in the same period of 2011. Foreign investors' holdings reached the record level of PLN 187.7bn.

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



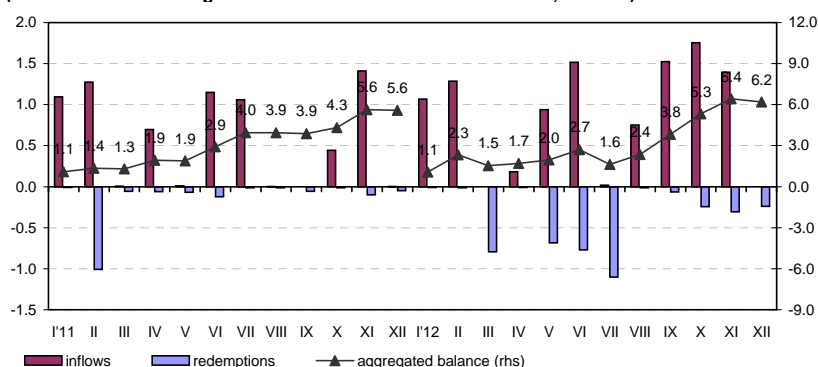
The structure of Treasury securities offered in 2012 is dominated by T-bonds (92% of total amount sold).

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



Indebtedness in T-bonds in the period of January - December 2012 increased by PLN 24.2bn while indebtedness in T-bills decreased by PLN 5.9bn.

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

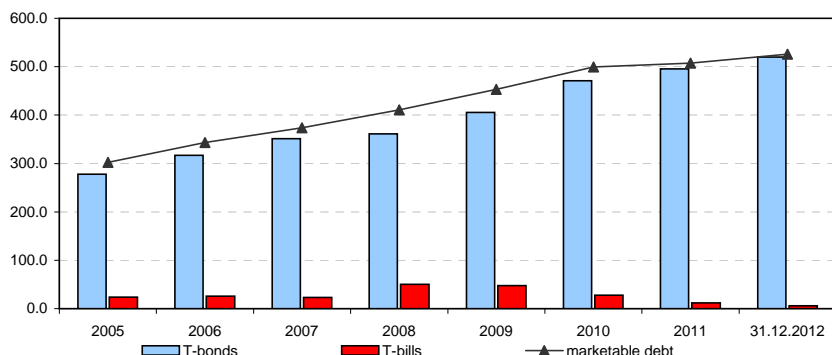


Net financing on foreign markets (bonds issuance and loans from IFIs) amounted to EUR 6.2bn.

T-bonds issuance was EUR 9.1bn. Loans incurred from IFIs were at the level of EUR 1.3bn.

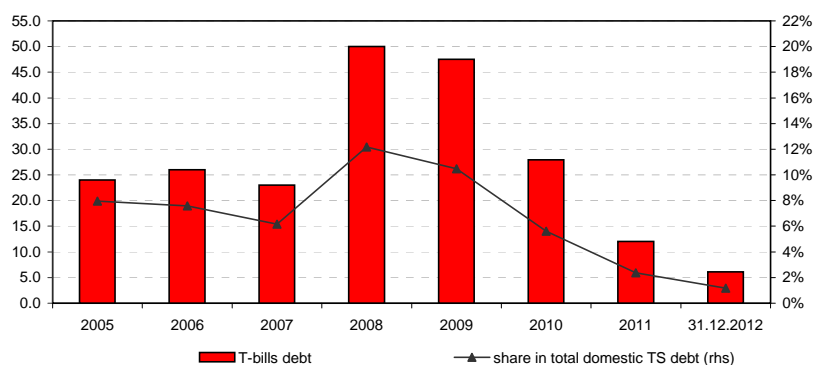
Apart from those, EUR 2.7bn on the FX budgetary accounts was available - the money related to the foreign debt management raised and not spent in 2011.

13 Structure of marketable debt (PLN bn)



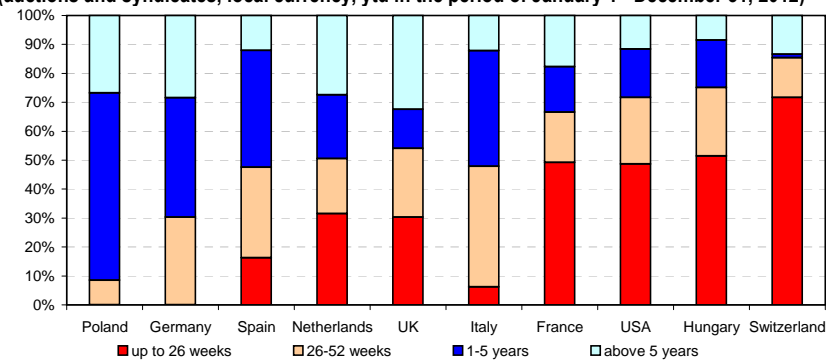
At the end of December 2012 the marketable domestic debt amounted to PLN 526.1bn comparing to PLN 507.2bn at the end of 2011.

14 T-bills outstanding (PLN bn)



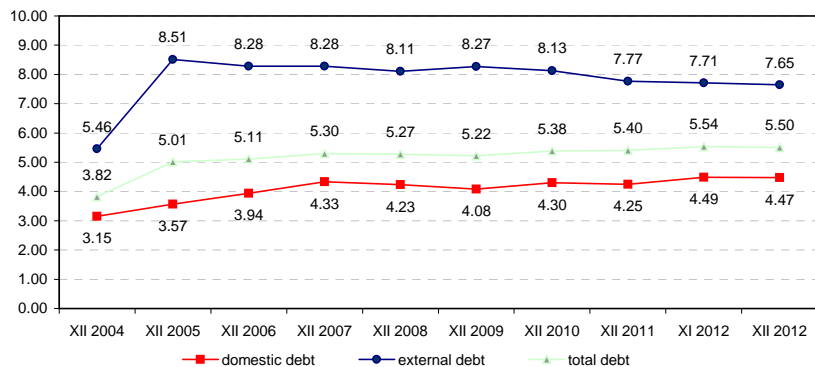
In December 2012 indebtedness in T-bills decreased by 2.2 to the level of 6.1. T-bills share in total domestic debt amounted to 1.2% at the end of the month.

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



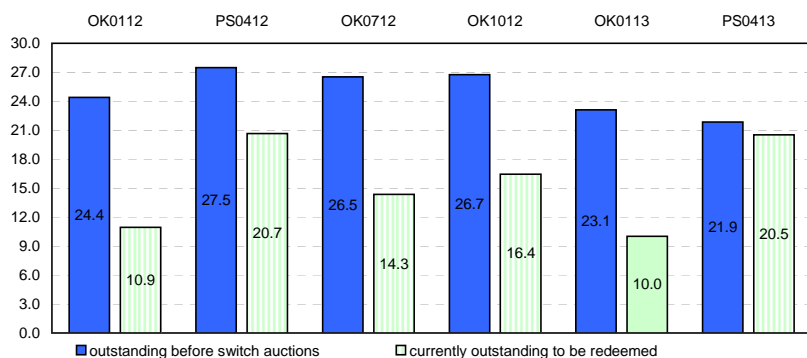
In terms of maturity, the sale of TS in Poland in 2012 is dominated by securities with maturity over 1 year.

16 Average maturity



At the end of December 2012 the average maturity of domestic debt increased to 4.47 in comparison with the end-2011 figure (4.25).

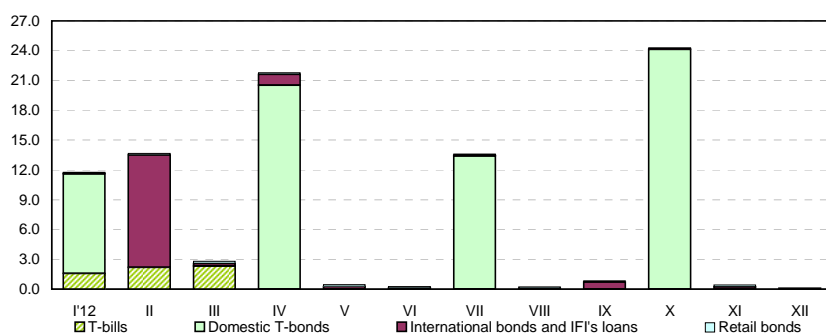
17 Reducing refinancing risk connected with T-bonds' redemptions maturing in 2012 and 2013 (switch auctions, PLN bn, as of December 31, 2012)



Buy-back of T-bonds maturing in 2012 and 2013:

- OK0112: PLN 13.5bn (55% of initial outstanding),
- PS0412: PLN 6.8bn (25% of initial outstanding),
- OK0712: PLN 12.2bn (46% of initial outstanding),
- OK1012: PLN 10.3bn (39% of initial outstanding)
- OK0113: PLN 13.1bn (57% of initial outstanding)
- PS0413: PLN 1.3bn (6% of initial outstanding).

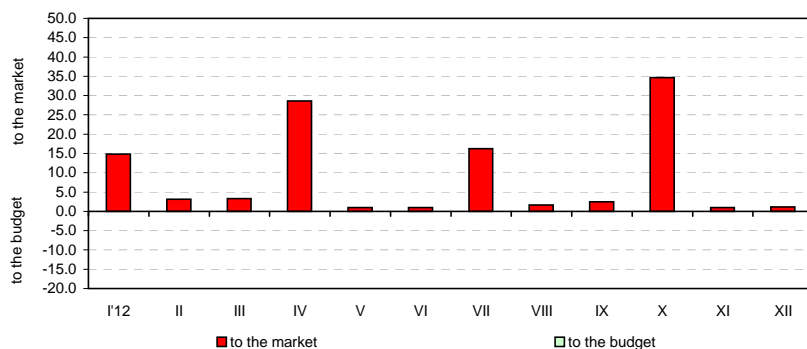
18 State Treasury debt redemptions in 2012 (nominal amount, PLN bn, as of December 31, 2012)



The nominal amount of debt to be redeemed in 2013 is equal to PLN 90.2bn, including:

- T-bills: PLN 6.1bn,
- T-bonds: PLN 68.0bn,
- T-retail bonds: PLN 1.8bn,
- bonds and loans incurred on foreign markets: PLN 14.3bn.

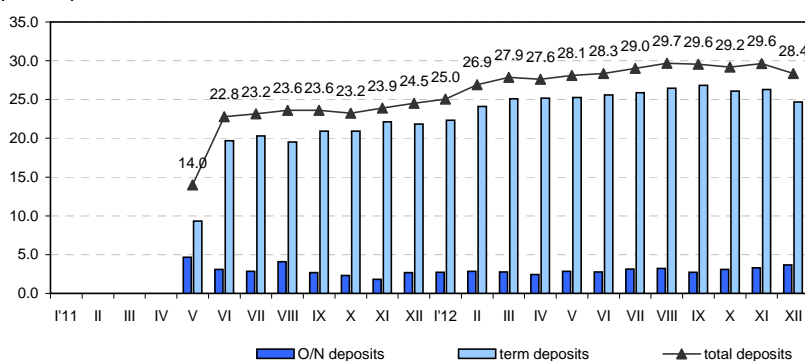
19 Flows of funds between the market and the budget* (PLN bn, as of December 31, 2012)



As of December 31, 2012 to the end of the year the proceeds from the redemptions and interest payments to the market shall amount to PLN 97.4bn. Additionally PLN 11.3bn will be transferred to the Open Pension Funds.

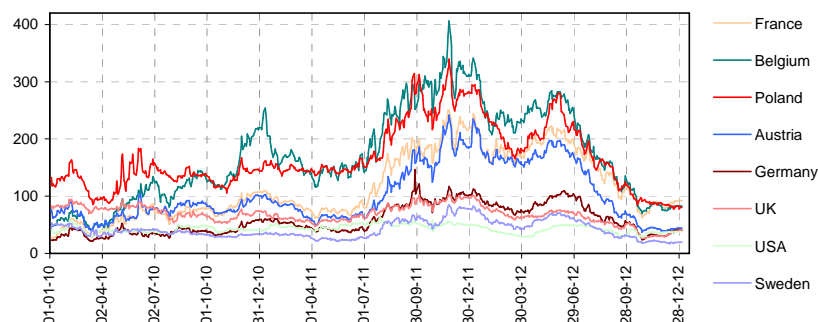
* figures include sale, redemptions and interest payments on wholesale bonds and bills and transfers to Open Pension Funds; monthly financing plans depend on market situation and feedback from investors thus the detailed schedule of monthly flows to budget in the following months is not presented.

20 Consolidation of public finances liquidity management (PLN bn)



As a result of consolidation of public finances liquidity management there were PLN 28.4bn funds accumulated at the end of December, of which PLN 24.7bn was as term deposits and PLN 3.7bn on O/N deposits.

22 CDS levels (5-year, bp)



Polish 5-year CDS contracts are traded at level close to Belgian and French CDS. Decreasing tendency has been still observed among analyzed countries.

23 Buy-back of bonds denominated in EUR

Date of buy-back auction:	17.12.2012
Bonds redeemed:	XS0162316490, EUR 3bn due on 05.02.2013
Face value of T-bonds bought-back:	EUR 220.5m
Face value of T-bonds offered for buy-back:	EUR 223.5m

Comment before the auction:

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

In December [... there was] the first ever buy-back auction of euro-denominated bonds, maturing in early February 2013. We would be happy with the redemption of 5% (EUR 150 million) of bonds maturing in February with a value of EUR 3 billion.

We assume that the repurchase of bonds will allow us to more efficiently use the accumulated currency than their placement on deposits. Auction formula [.is] analogous to the one used in our domestic market. So it will be a test of effectiveness of national auction formula for bonds denominated in a currency other than PLN.

24 Comments

Wojciech Kowalczyk, Undersecretary of State, Ministry of Finance (28-12-2012)

We want to keep the 30% share of foreign debt in total State Treasury indebtedness. Some deviations from this value are, of course, possible depending on yields achievable in foreign markets and foreign exchange levels.

We want to finance at least half of this year's borrowing needs already by the end of first quarter. In the second half of the year, after summer break, we can start prefinancing of next year's requirements and this may result in our return to foreign markets.

In August, I expressed the opinion that the yield on the 10-year bonds have the potential to fall below 3.5%. I stand by that opinion. We are dealing right now with different type of foreign investors, compared with the situation a few years ago, when the majority of these were banks and players with opportunistic attitude. Now, there are long-term investors, such as German pension funds and entities managing public funds, which do not change their exposure suddenly.

In addition, we have a strong domestic market, including the liquidity of banking sector capable to absorb the potential supply from foreign investors.

Wojciech Kowalczyk, Undersecretary of State, Ministry of Finance (31-12-2012)

Considering today's [31.12.2012] exchange rate, we estimate that the ratio of public debt to GDP according to the Polish methodology in 2012 should be below 53 percent, and according to the EU definition below 56 percent.

The year 2012 is the first in which the growing trend of public debt to GDP ratio was reversed. Compared to 2011, the ratio of public debt is expected to fall by at least 0.5 percentage points.

Decline in the ratio of public debt to GDP occurred despite a significant level of funds in the accounts of the Ministry of Finance (MoF) for prefinancing of next year's needs. The level of these funds in relation to GDP reached, at the end of 2012, at least 1.7 percent of GDP and increased the public debt to GDP ratio by this amount.

Without collecting funds for prefinancing of next year's borrowing needs, the debt-to-GDP at the end of 2012 would be according to the Polish methodology close to 51 percent, and according to the EU definition close to 54 percent.

Piotr Marczak, Director of the Public Debt Department, Ministry of Finance (28-12-2012)

In December, the level of Treasury Securities outstanding decreased, which together with the budget deficit was financed by previously accumulated reserves. At the end of the year we will have about PLN 40bn of funds, including local and foreign currency, but most of them are funds in foreign currencies. In addition, in the first decade of January will receive next tranches of loans from the EIB worth EUR 700 million. So we funded a total of approximately 27% of next year's borrowing needs.

If the good market conditions will hold also in January, we can sell large pool of securities. Perhaps it will be, like in 2012, the highest monthly sale of Treasury securities in 2013. We will offer all types of fixed rate bonds, including a new series of zero-coupon bonds. Such a supply is to a large extent in response to the feedback we receive from the market. The sum of the upper ranges of supply of bonds in January corresponds to the sum of redemptions and interest payments on Treasury securities and transfers to pension funds this month.

After eight months of break we return in January to selling Treasury bills. They are custom bills with maturity of 20 weeks. Treasury bills will no longer serve as a financing vehicle and will be rather used as an instrument of state budget liquidity management. The sale of short-term bills is supposed to provide an additional level of liquidity reserve. This reserve will be maintained until the cost of servicing bills will be lower than income from deposits of budget funds.

Throughout the first quarter of next year we are planning to sell bonds for PLN 25-35bn on five/six auctions. Depending on market conditions, it is also possible a switching auction in March. Implementation of the plan will allow us to fund in the first quarter more than 50% of full-year borrowing needs.

We do not rule out issuing bonds in one of the major international markets in the first quarter of 2013, although it is not our priority. Any issue would not be large. The final decision will depend on the situation on foreign markets and the domestic market. In November, the portfolio of Treasury securities held by foreign investors increased by PLN 1.4bn reaching a new record high PLN 188.4bn, including PLN 187.7bn in bonds. In December we see a further influx of foreign capital into our market.