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

in February 2013

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### THE MOST IMPORTANT INFORMATION:

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**1 T-bond auctions**

Auction date	Settlement date	Series	Planned offer (PLN m)
7 FEB 2013*	11 FEB 2013	PS0418 / WZ0117	3,000-6,000
13 FEB 2013	15 FEB 2013	Choice will depend on the market conditions among T-bonds: OK0715 / DS1023 / WS0429 / WZ0124	2,000-6,000

\* auction on Thursday

Final offer and 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**

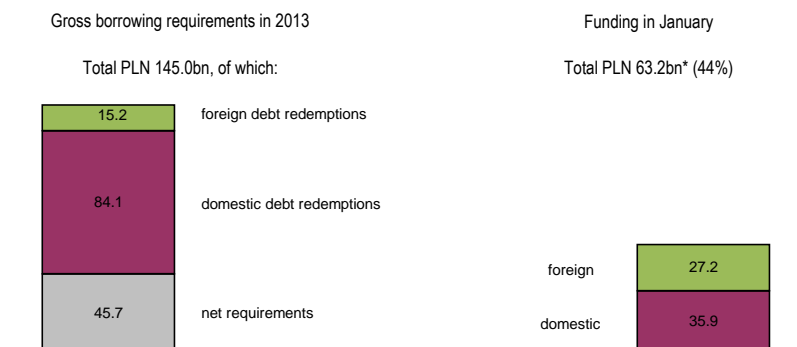
Auction date	Settlement date	T-bill	Maturity date	Planned offer (PLN m)
4 FEB 2013	6 FEB 2013	20 week	26 JUN 2013	1,000-2,000

At Monday auction the Ministry of Finance sold T-bills at the level of PLN 1.75bn (including PLN 300m at non-competitive auction).

**3 Offer on retail market**

T-bond	Issue price	Coupon
DOS0215	100.00 PLN (99.90 PLN for rolling-over)	Fixed, 3.50%
TOZ0216	100.00 PLN (99.90 PLN for rolling-over)	Floating (1.00 * WIBOR 6M), 4.00% in the first coupon period
COI0217	100.00 PLN (99.90 PLN for rolling-over)	Floating (inflation rate + 1.25%), 4.50% in the first coupon period
EDO0223	100.00 PLN (99.90 PLN for rolling-over)	Floating (inflation rate + 1.50%), 5.00% in the first coupon period

**1 Gross borrowing requirements in 2013**

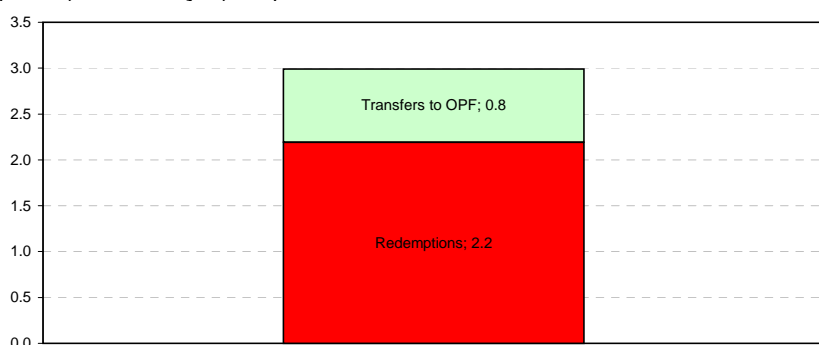


\* inflow to the budget from the issuance on the EUR market on Feb 4, 2013 included

Funding of borrowing requirements was a result of:

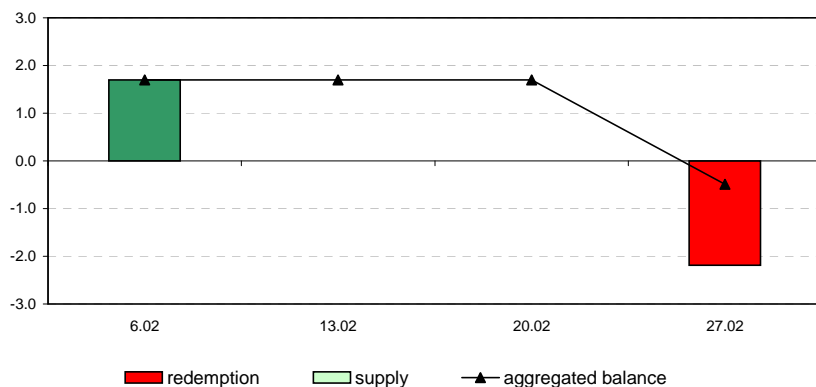
- rolling over of T-bonds by switch auctions in 2012: PLN 13.2bn,
- T-bonds buyback on foreign markets in 2012: PLN 0.9bn,
- higher than planned financial resources at the end of 2012: PLN 23.5bn,
- T-securities sale on domestic market: PLN 17.4bn,
- T-bonds issuance on foreign markets: PLN 5.3bn,
- and loans incurred from IFIs: PLN 2.9bn.

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



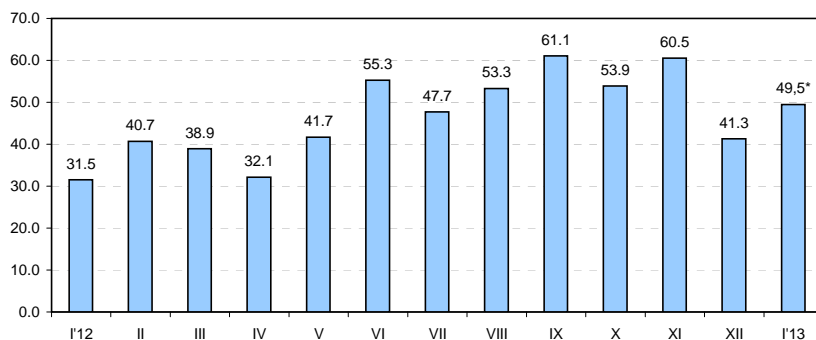
As of January 31, 2013 flow of funds due to redemptions of T-securities and transfers from State budget to Open Pension Funds shall amount to ca. PLN 3.0bn.

**3 Sale and redemption of T-bills in February 2013 (settlement / redemption date, PLN bn)**



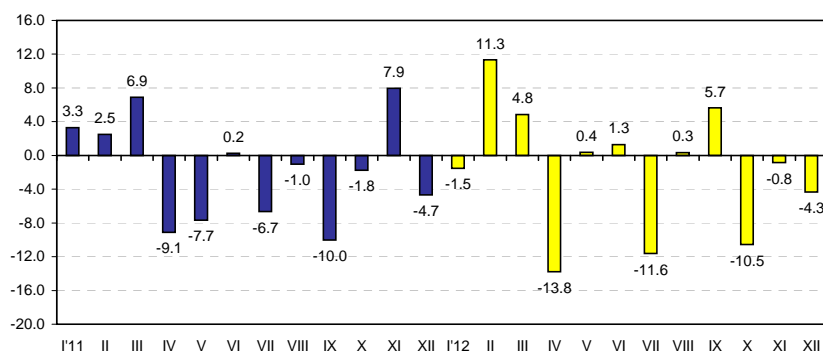
Assumed change of T-bills debt in February (by settlement date) will decrease by PLN 0.5bn.

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

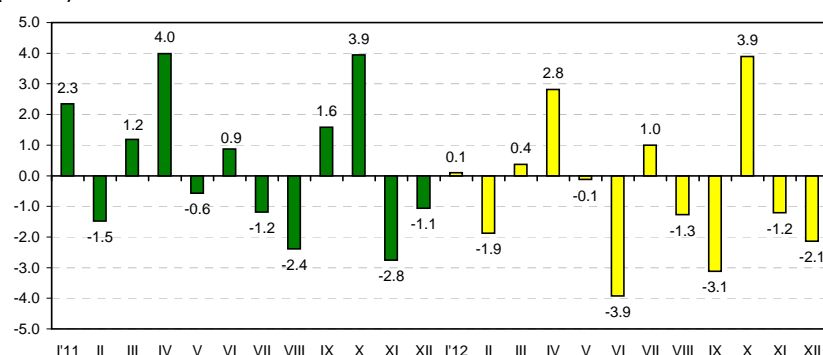


The funds ensure liquidity in borrowing needs financing.

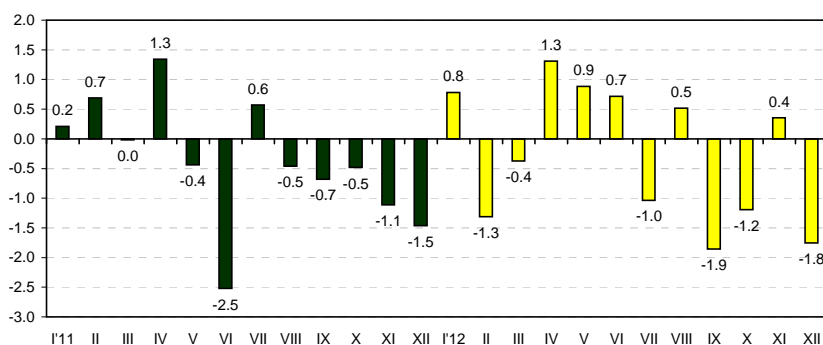
\* estimation

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


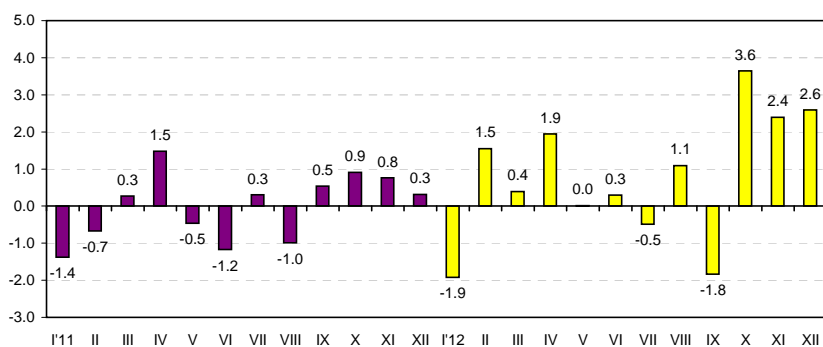
In the period of I-XII 2012 debt held by domestic banks decreased by PLN 18.8bn comparing to PLN 20.1bn decrease during the same period of 2011.

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


In the period of I-XII 2012 debt held by pension funds decreased by PLN 5.5bn comparing to PLN 4.5bn increase during the same period of 2011.

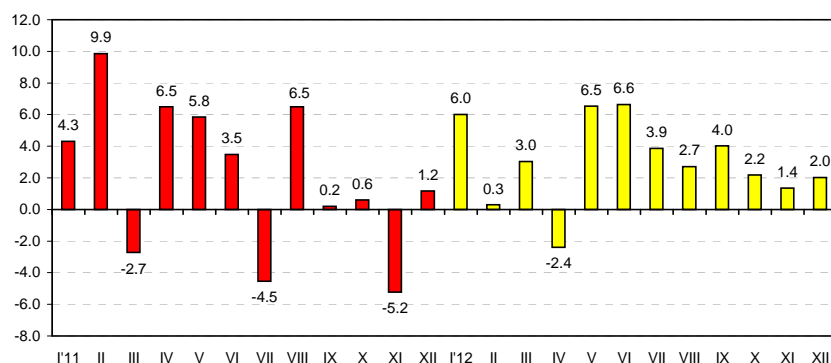
**7 Change of debt in domestic Treasury securities held by insurance companies  
(PLN bn)**


In the period of I-XII 2012 there was a decrease of PLN 3.0bn in debt held by insurance companies. During the same period of 2011 there was a decrease of PLN 4.4bn.

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


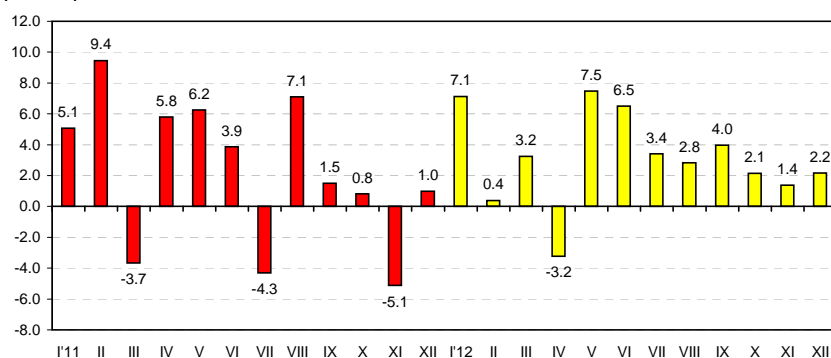
In the period of I-XII 2012 there was an increase of PLN 9.7bn in debt held by investment funds. During the same period of 2011 there was a decrease of PLN 0.1bn.

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



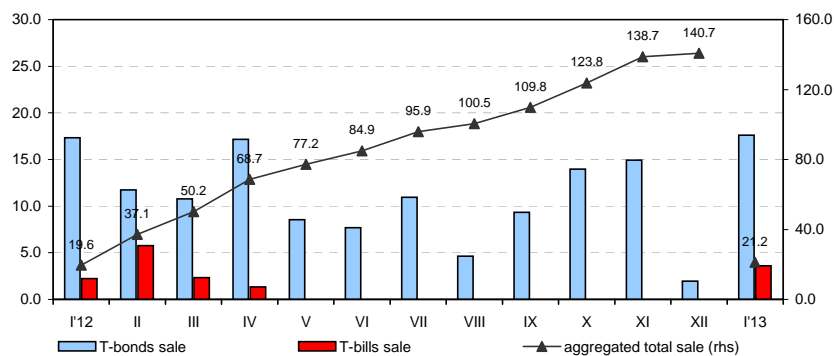
In the period of I-XII 2012 inflow of foreign capital to the domestic TS market amounted to PLN 36.3bn comparing to PLN 26.0bn increase in the same period of 2011. Foreign investors' holdings reached the record high level of PLN 190.5bn.

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



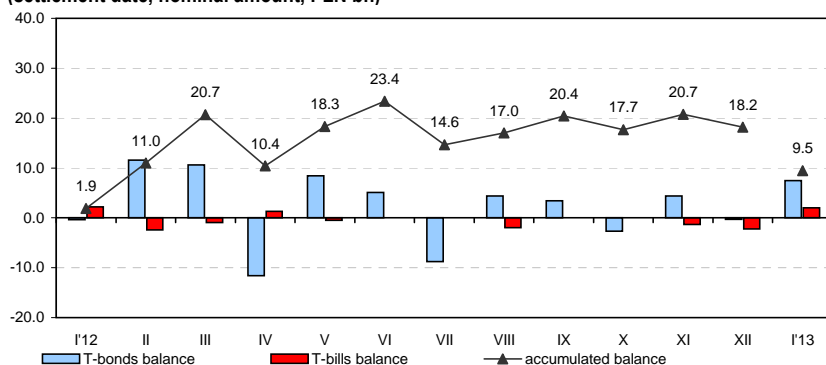
In the period of I-XII 2012 inflow of foreign capital to domestic bonds market amounted to PLN 37.4bn comparing to PLN 27.7bn increase in the same period of 2011. Foreign investors' holdings reached the record level of PLN 189.9bn.

### 11 Sale of T-bonds and T-bills in January 2013 and in 2012 (settlement date, nominal amount, PLN bn)



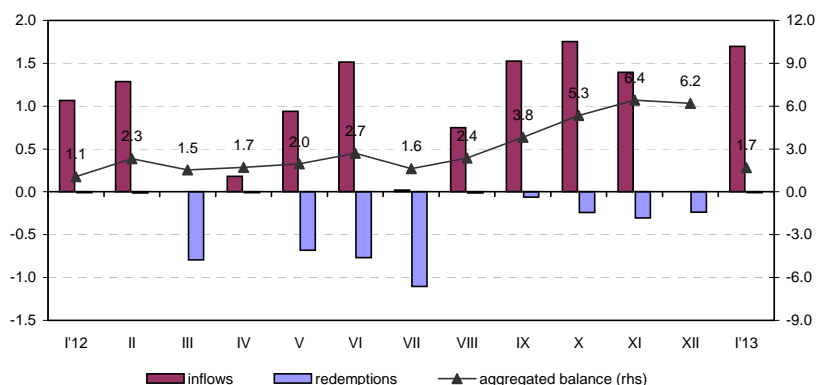
The structure of Treasury securities offered in 2013 is dominated by T-bonds (83%).

### 12 Balance of T-bonds and T-bills in January 2013 and in 2012 (settlement date, nominal amount, PLN bn)



In January 2013 indebtedness:  
 - in T-bonds increased by PLN 7.5bn  
 - in T-bills increased by PLN 2.0bn.

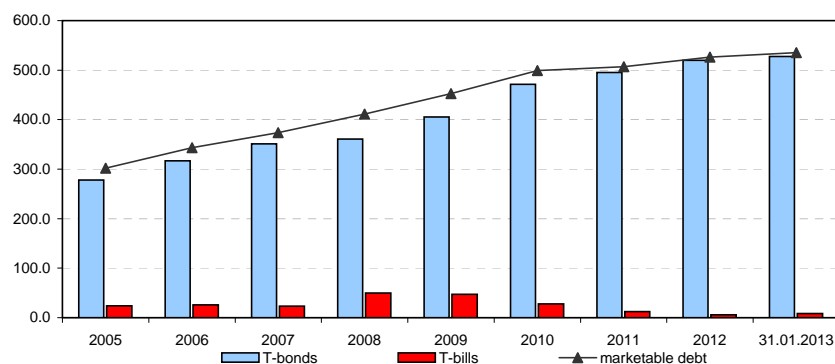
**13 External financing in January 2013 and in 2012**  
(bonds issued on foreign markets and loans received from IFIs, EUR bn)



Net financing on foreign markets (bonds issuance and loans from IFIs) amounted to EUR 1.7bn. T-bonds issuance was EUR 1.0bn. Loans incurred from IFIs were at the level of EUR 0.7bn.

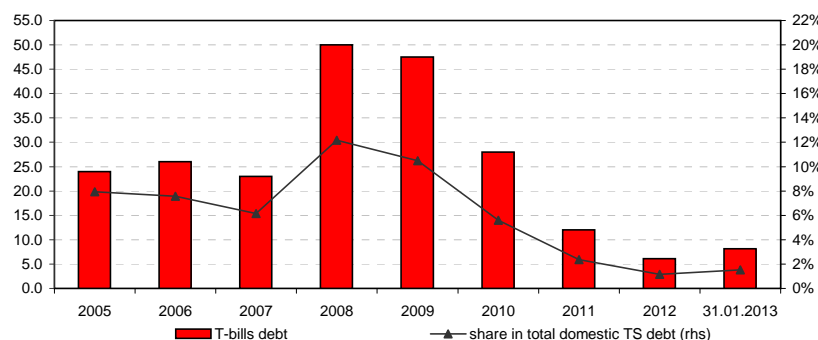
Apart from those, EUR 4.2bn on the FX budgetary accounts was available - the money related to the foreign debt management raised and not spent in 2012.

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



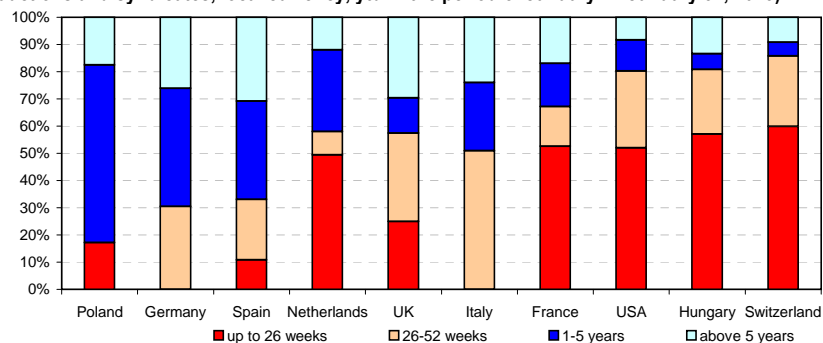
At the end of January 2013 the marketable domestic debt amounted to PLN 535.5bn comparing to PLN 526.1bn at the end of 2012.

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



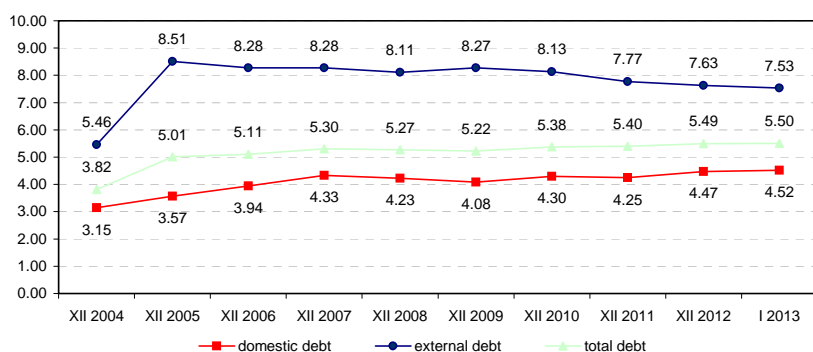
In January 2013 indebtedness in T-bills increased by PLN 2.0bn to the level of PLN 8.1bn. T-bills share in total domestic debt amounted to 1.5% at the end of the month.

**16 Maturity breakdown of T-securities in Poland and other countries**  
(auctions and syndicates, local currency, ytd in the period of January 1 - January 31, 2013)



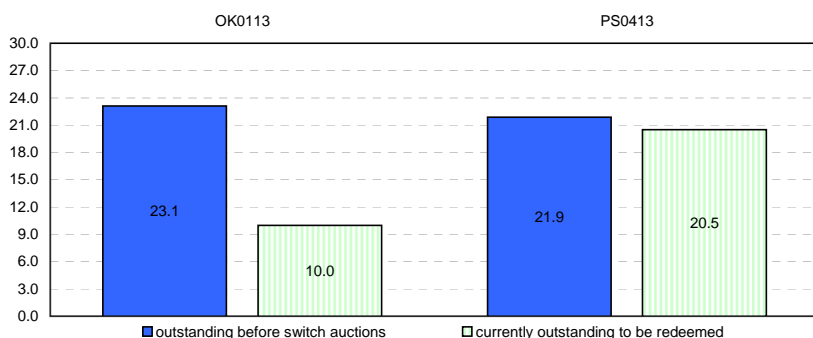
Short term T-bills have appeared again in the Polish TS structure in 2013.

17 Average maturity



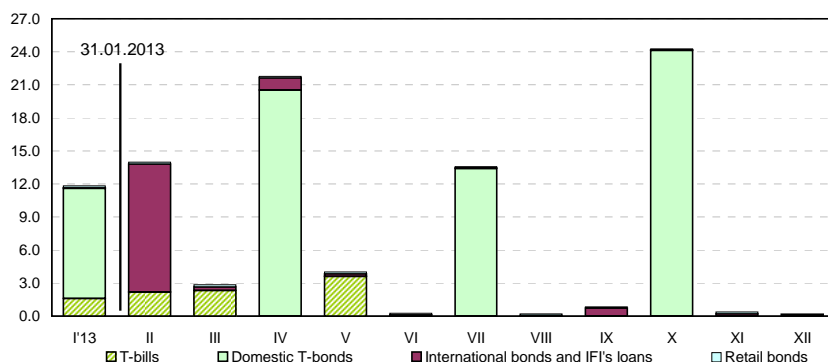
At the end of January 2013 the average maturity of domestic debt increased to 4.52 in comparison with the end-2012 figure (4.47).

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



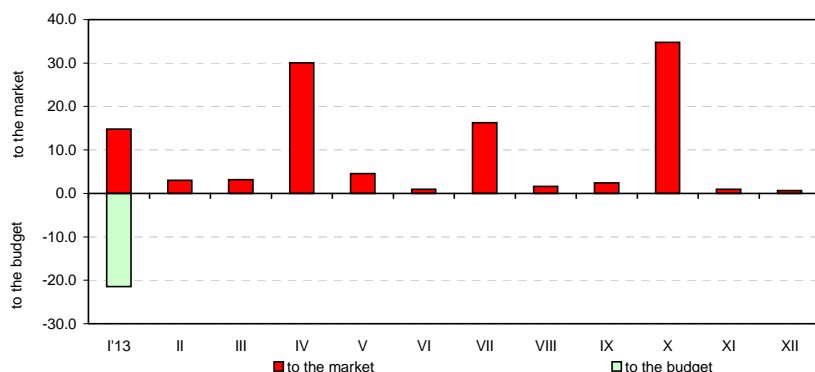
The following T-bonds maturing in 2013 were redeemed by switching auctions in 2012:  
 - OK0113: PLN 13.1bn (57% of initial outstanding),  
 - PS0413: PLN 1.3bn (6% of initial outstanding).

19 State Treasury debt redemptions in 2013 (nominal amount, PLN bn, as of January 31, 2013)



The nominal amount of debt to be redeemed in 2013 is equal to PLN 82.4bn, including:  
 - T-bills: PLN 8.1bn,  
 - T-bonds: PLN 58.0bn,  
 - T-retail bonds: PLN 1.6bn,  
 - bonds and loans incurred on foreign markets: PLN 14.7bn.

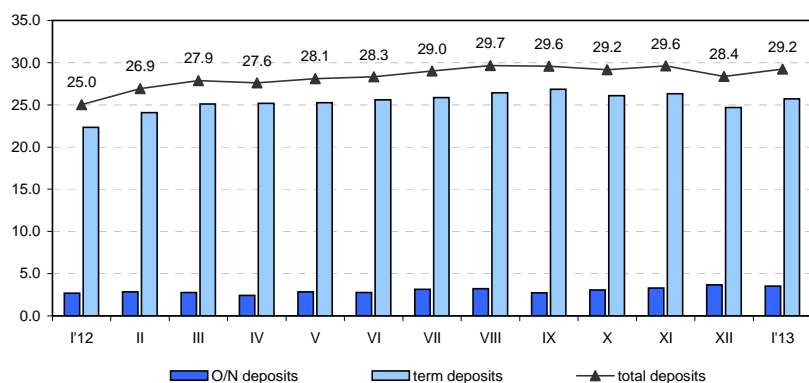
20 Flows of funds between the market and the budget\* (PLN bn, as of January 31, 2013)



As of January 31, 2013 to the end of the year the proceeds from the redemptions and interest payments to the market shall amount to PLN 87.8bn. Additionally PLN 10.6bn 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 will depend on market situation and feedback from investors thus the detailed schedule of monthly flows to budget in the following months is not presented.

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



As a result of consolidation of public finances liquidity management there were PLN 29.2bn funds accumulated at the end of January, of which PLN 25.7bn was as term deposits and PLN 3.5bn on O/N deposits.

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

Issue summary:

Amount: EUR 1.0bn  
 Maturity date: January 15, 2019  
 Coupon: 1.625%  
 Spread: 65 pb above mid-swap  
 Yield: 1.705%  
 Launch date: January 8, 2013  
 Bookrunners: BNP Paribas, Deutsche Bank, HSBC and UniCredit Bank

Market commentary:

**IFR (January 17, 2013)**  
 "Poland clearly benefits from being in the EU and the bonds being eligible for repo with the ECB. It's an issuer that continues to broaden its appeal outside emerging markets to global investors," said Nick Darrant, head of CEEMEA debt syndicate at BNP Paribas, which co-led the transaction with Deutsche Bank, HSBC and UniCredit.  
 "Each time Poland does a deal there is stronger investor sponsorship and more diverse demand, allowing the Republic to price tighter to the curve," said Maryam Khosrowshahi, head of CEEMEA public-sector origination at Deutsche Bank."

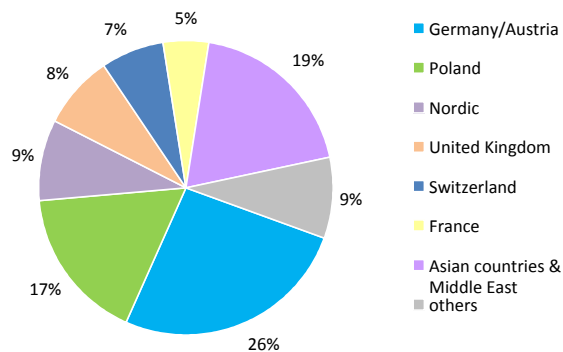
**Euroweek, 1287 (January 11, 2013)**

Poland kicked off its 2013 funding activities with a €1bn benchmark priced on Tuesday. The deal attracted unusually strong demand from investors in Asia and the Middle East, as well as an encouraging showing from central banks and government agencies.  
 "(...) early this week proved a particularly attractive window, given there's a lot of fresh cash available (...) While the going is good the savvy issuer goes ahead."  
 "The pricing is the lowest coupon Poland has achieved on a deal outside yen, said the leads. Despite a skinny new issue premium, books reached €1.9bn with 150 investors taking part."  
 "Asia and Middle East buyers like the fact that it is eligible for repo and it is an OECD country as well, so it ticks a lot of the high grade boxes, as well as it being a country they're getting more comfortable with," said Darrant. "The central bank demand was particularly pleasing. The six year maturity does have a broad appeal, central banks can stretch out to six years."

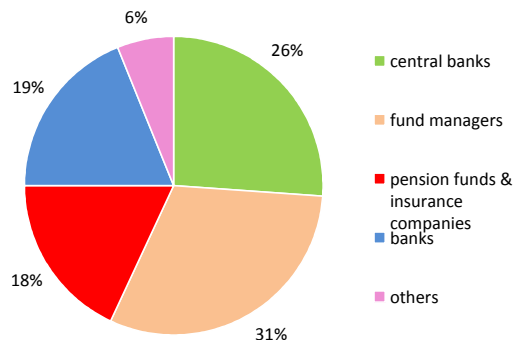
**BondRadar (January 9, 2013)**

"(...) book high quality was evident from the degree of participation of buy-and-hold investors, specifically central banks and agencies (...). This quality of the demand helped Poland achieve its smallest ever coupon, aside from its Japanese yen deals.  
 Away bankers also praised Poland's opening of the CEE market, noting the high quality book and the tight pricing. One estimated that the deal might have even come through the interpolated Poland curve (...)."

Orderbook by geography



Orderbook by investor type



**23 Registered Bonds issue**

Amount: EUR 300m  
 Maturity: February 4, 2033  
 Coupon: 3.300%  
 Spread: 104,8 bp above mid-swap  
 Yield: 3.359%  
 Launch date: January 23, 2013  
 Bookrunner: Deutsche Bank AG

The Registered Bonds were allocated to long-term investors from Germany representing pensions funds (23%) and insurance companies (77%).



**24 Comment****Piotr Marczak, Director of the Public Debt Department, Ministry of Finance (31-01-2013)**

In January funds in PLN and foreign currency was resorted to the level of PLN 50bn.

At the beginning of February proceeds from the issuance of a 20-year EUR denominated Registered Bonds, sold within private placement system, will supply the budget. T-bonds at the nominal amount of EUR 300m were priced 10 bp below the Poland's outstanding Euro July 2024 issue which translated into long-term financing on favourable conditions - the yield reached 3.359%. Those better conditions, than done within public offer, were available as the bond structure was tailored to investors' expectations. In return for this the latter paid higher price. The issue was allocated to long-term investors from Germany representing pensions funds (23%) and insurance companies (77%).

After January 44% of the annual borrowing requirements for 2013 is financed. If the market situation is favourable, then by the end of February we will have had half of the needs financed.

The funds in foreign currency completely cover our needs regarding foreign debt capital and interest payments. Further issuance in foreign currencies will let us decrease the supply on the domestic market. The offer for February is a result of the significant level of financing done so far and investors' interest as well. We set wide ranges of the offer so that we were able to diminish them having known the market situation just before the auction.

We keep on issuing limited amount of T-bills which ensure higher level of liquid funds reserve. According to the announcement, T-bills will be offered until the servicing cost is lower than proceeds from placing deposits.

In December the foreign investors' portfolio increased by PLN 2.0bn (including PLN 2.2bn in T-bonds), breaking the another record - PLN 190.5bn (including PLN 189.9bn in T-bonds). In whole 2012 the foreign entities enlarged their holdings by PLN 36.3bn (including PLN 37.4bn in T-bonds).

In January the inflow from abroad was significantly higher than a month earlier.