

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

March 2013

### THE MOST IMPORTANT INFORMATION

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## SUPPLY PLAN OF TREASURY SECURITIES IN MARCH 2013

### Treasury bond auction

Auction date	Settlement date	Series	Planned offer (PLN m)
20 MAR 2013	22 MAR 2013	Choice will depend on the market conditions among the following: OK0715 / PS0418 / WZ0117	2,000-6,000

*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 auction where T-bonds will be sold at a minimum price of bids accepted at the sale auction.*

### Treasury bond switching auction

Auction date / Settlement date	Settlement T-bonds	Source T-bonds	Source T-bonds (PLN m)
7 MAR 2013* / 11 MAR 2013	DS1023 / WZ0124 / WS0429	PS0413	20,521
		OK0713	13,393
		DS1013	23,370

\* auction on Thursday

### Treasury bill auction

Auction date	Settlement date	T-bill	Maturity date	Planned offer (PLN m)
4 MAR 2013	6 MAR 2013	25-week	28 AUG 2013	2,000-3,000

*At Monday auction the Ministry of Finance sold T-bills at the level of PLN 3.084bn (including PLN 300m at non-competitive auction) and the yield of 3.485%.*

### Offer on retail market

T-bond	Issue price	Coupon
DOS0315	PLN 100.00 (99.90 PLN for rolling-over)	Fixed, 3.50%
TOZ0316	PLN 100.00 (99.90 PLN for rolling-over)	Floating (1.00 * WIBOR 6M) 4.00% in the first coupon period
COI0317	PLN 100.00 (99.90 PLN for rolling-over)	Floating (inflation rate + 1.25%) 4.50% in the first coupon period
EDO0323	PLN 100.00 (99.90 PLN for rolling-over)	Floating (inflation rate + 1.50%) 5.00% in the first coupon period



## BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

### Gross borrowing requirements in 2013

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 24.2bn,
- T-securities sale on domestic market: PLN 27.6bn,
- T-bonds issuance on foreign markets: PLN 5.3bn,
- and loans incurred from IFIs: PLN 2.9bn.

### Flows of funds into the market related to T-bonds and T-bills and transfers to Open Pension Funds in March 2013

as of February 28, 2013, PLN bn

As of February 28, 2013 flow of funds due to redemptions of T-securities and transfers from State budget to Open Pension Funds shall amount to PLN 3.3bn.

### Sale and redemption of T-bills in March 2013

settlement / redemption date, PLN bn

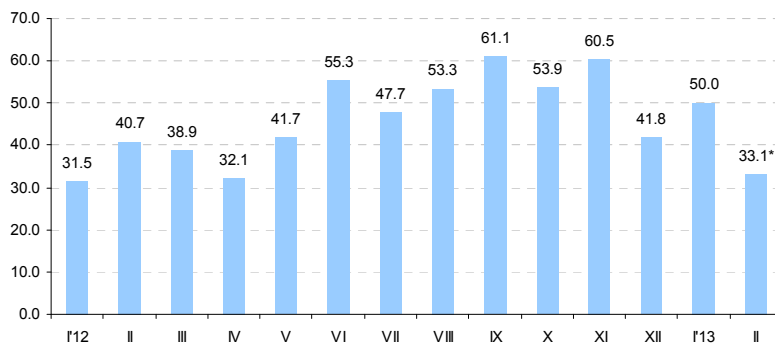
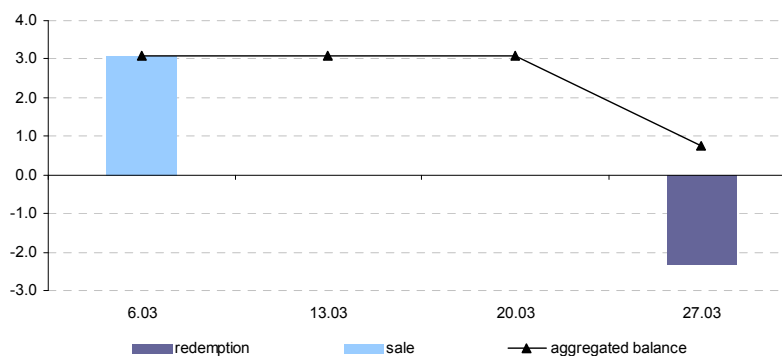
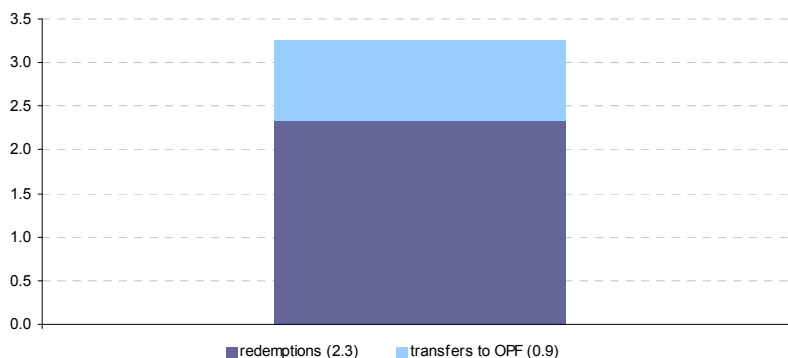
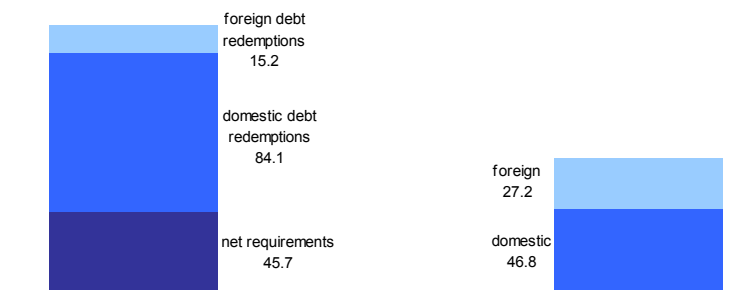
Assumed change of T-bills debt in March (by settlement date) will increase by PLN 0.8bn.

### 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.

Gross borrowing requirements in 2013  
Total PLN 145.0bn, of which:



\* estimation

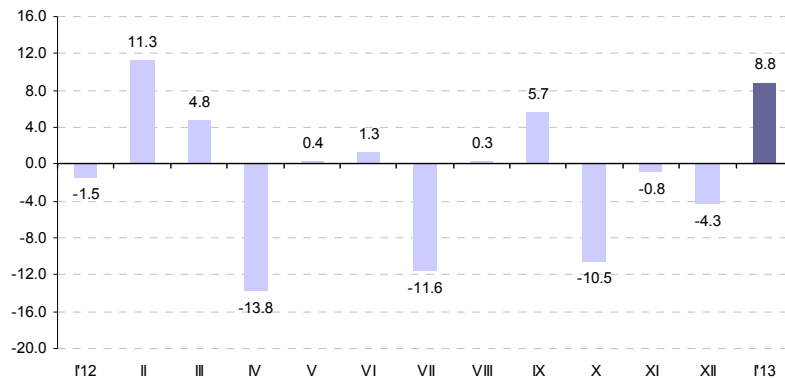


## BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

### Change of debt in domestic T-securities held by banks

without BSB transactions with MoF; PLN bn

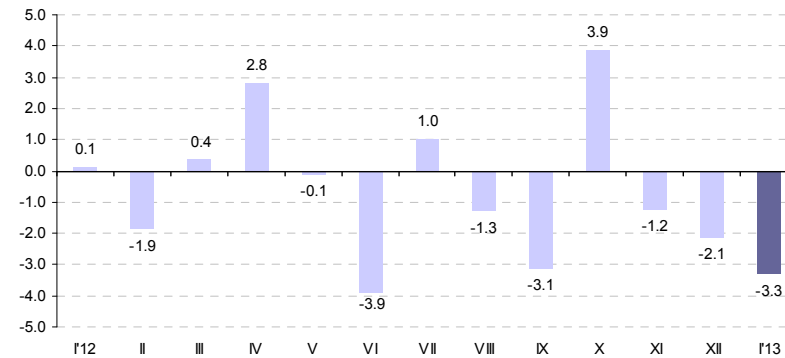
In January 2013 debt held by domestic banks increased by PLN 8.8bn comparing to PLN 1.5bn decrease during the same period of 2012.



### Change of debt in domestic Treasury securities held by pension funds

PLN bn

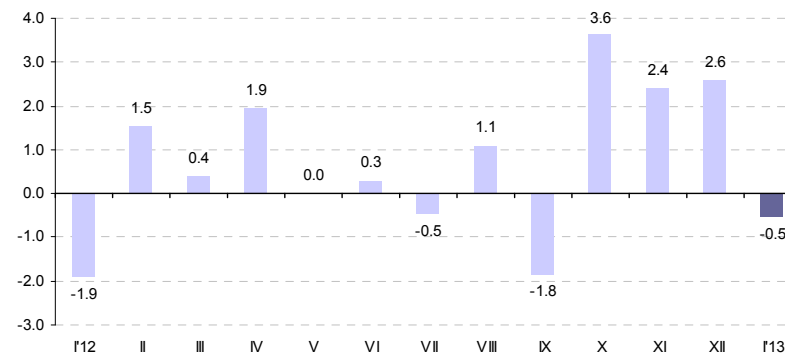
In January 2013 debt held by pension funds decreased by PLN 3.3bn comparing to PLN 0.1bn increase during the same period of 2012.



### Change of debt in domestic Treasury securities held by insurance companies

PLN bn

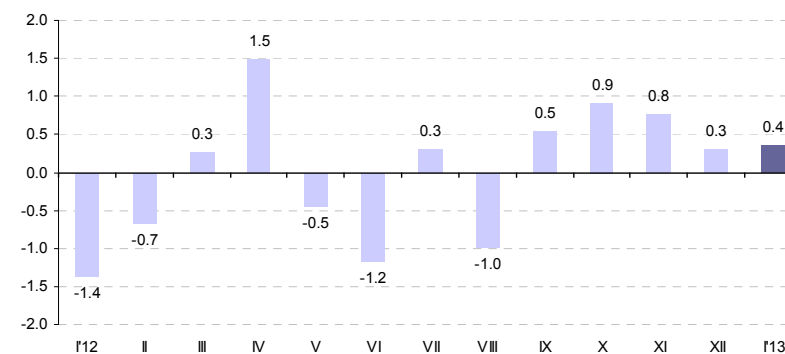
In January 2013 there was a decrease of PLN 0.5bn in debt held by insurance companies. During the same period of 2012 there was a decrease of PLN 1.9bn.



### Change of debt in domestic Treasury securities held by investment funds

PLN bn

In January 2013 there was an increase of PLN 0.4bn in debt held by investment funds. During the same period of 2012 there was a decrease of PLN 1.4bn.



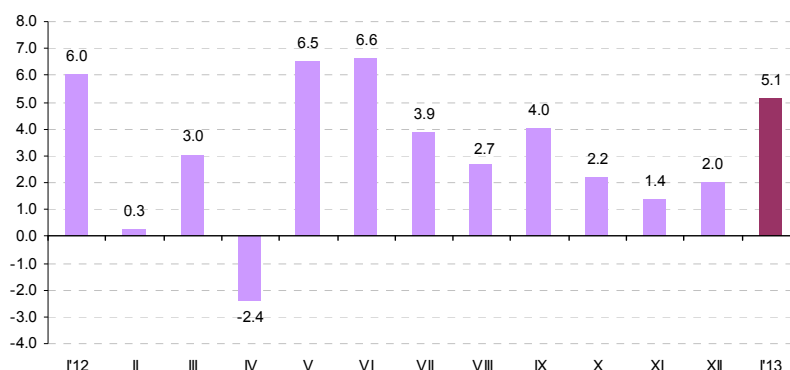


## BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

### Change of debt in domestic Treasury securities held by foreign investors

PLN bn

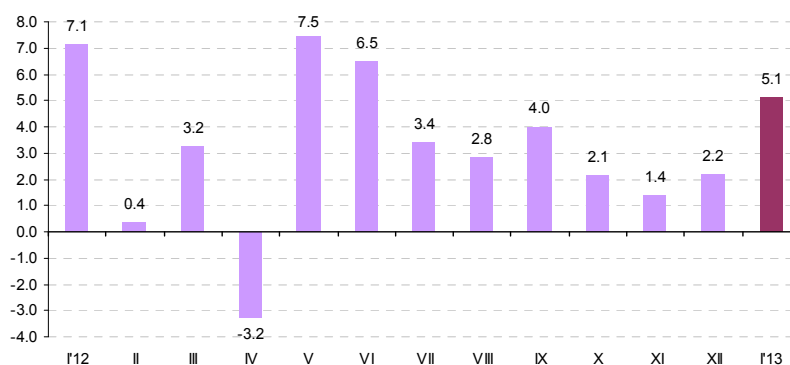
In January 2013 inflow of foreign capital to the domestic TS market amounted to PLN 5.1bn comparing to PLN 6.0bn increase in the same period of 2012. Foreign investors' holdings reached the record high level of PLN 195.6bn.



### Change of debt in domestic T-bonds held by foreign investors

PLN bn

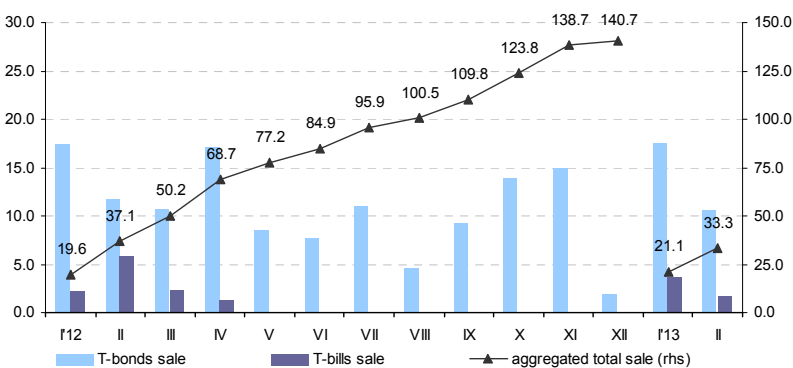
In January 2013 inflow of foreign capital to domestic bonds market amounted to PLN 5.1bn comparing to PLN 7.1bn increase in the same period of 2012. Foreign investors' holdings reached the record level of PLN 195.0bn.



### Sale of T-bonds and T-bills in the period of I-II 2013 and in 2012

settlement date, nominal amount, PLN bn

The structure of Treasury securities offered in 2013 is dominated by T-bonds (84%).

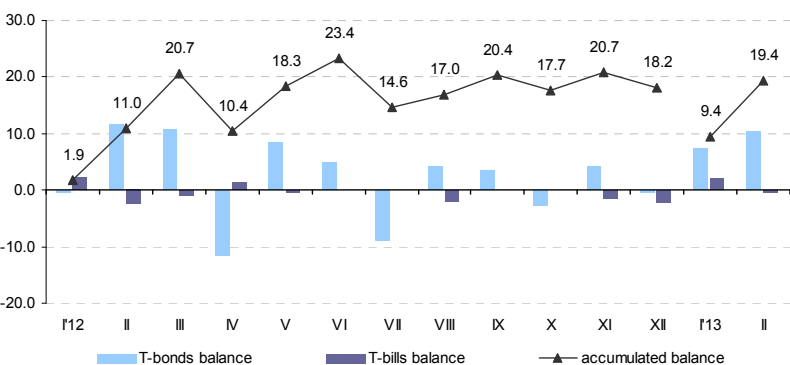


### Balance of T-bonds and T-bills in the period of I-II 2013 and in 2012

settlement date, nominal amount, PLN bn

In February 2013 there was:

- an increase in indebtedness in T-bonds of PLN 17.8bn
- an increase in indebtedness in T-bills of PLN 1.6bn.



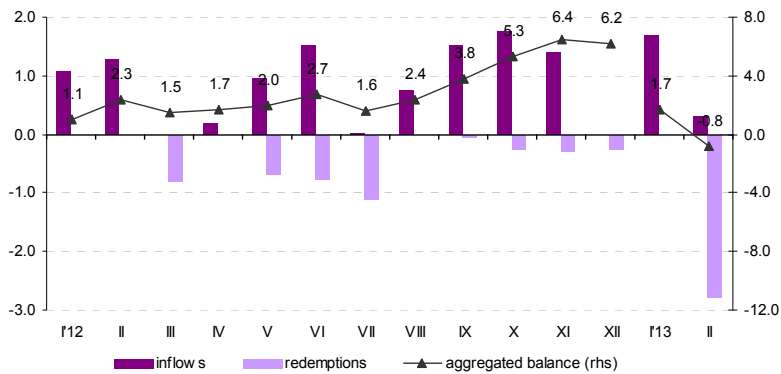


## BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

### External financing in the period of I-II 2013 and in 2012

bonds issued on foreign markets and loans received from IFIs, EUR bn

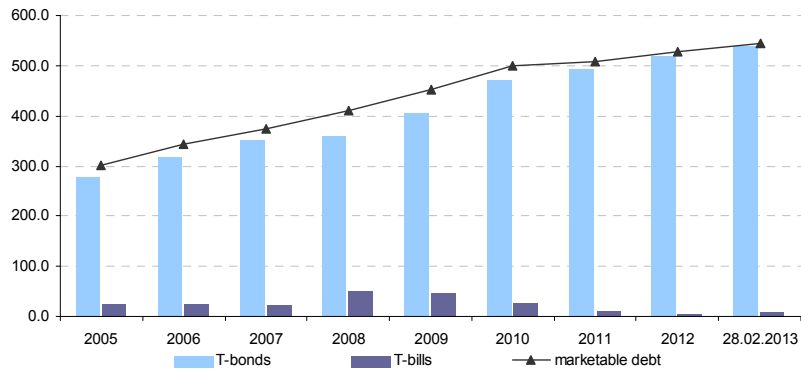
Net financing on foreign markets (bonds issuance and loans from IFIs) amounted to EUR -0.8bn. T-bonds issuance was EUR 1.3bn. Loans incurred from IFIs were at the level of EUR 0.7bn. Apart from those, EUR 4.4bn on the FX budgetary accounts was available - the money related to the foreign debt management raised and not spent in 2012. In February EUR 2.8bn was redeemed.



### Structure of marketable debt

PLN bn

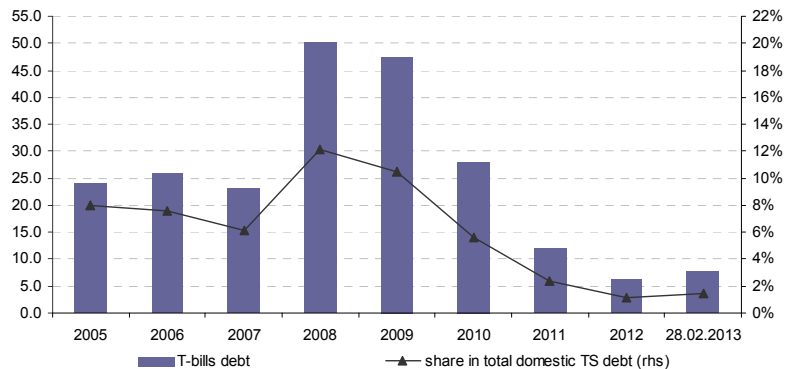
At the end of February 2013 the marketable domestic debt amounted to PLN 545.4bn comparing to PLN 526.1bn at the end of 2012.



### T-bills outstanding

PLN bn

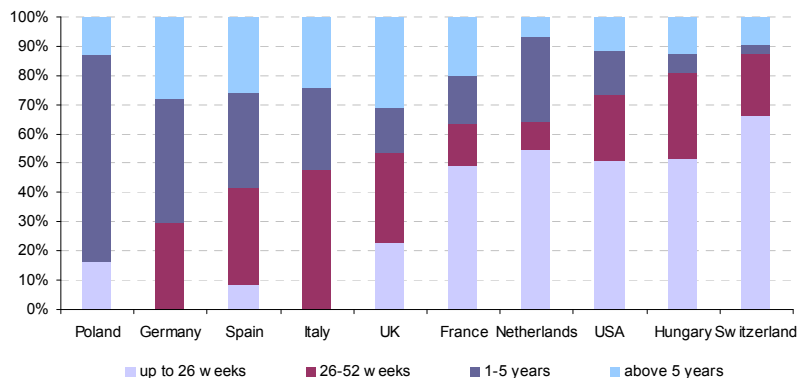
In February 2013 indebtedness in T-bills decreased by PLN 0.4bn to the level of PLN 7.7bn. T-bills share in total domestic debt amounted to 1.4% at the end of the month.



### Maturity breakdown of T-securities in Poland and other countries

auctions and syndicates, local currency, ytd in the period of January 1 - February 28, 2013

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

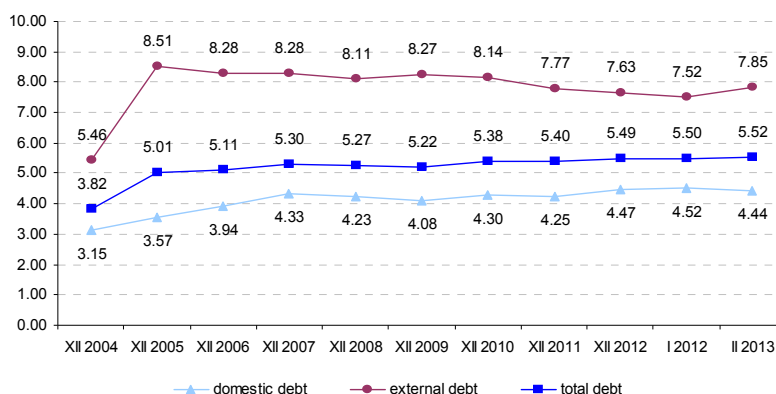




## BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

### Average maturity

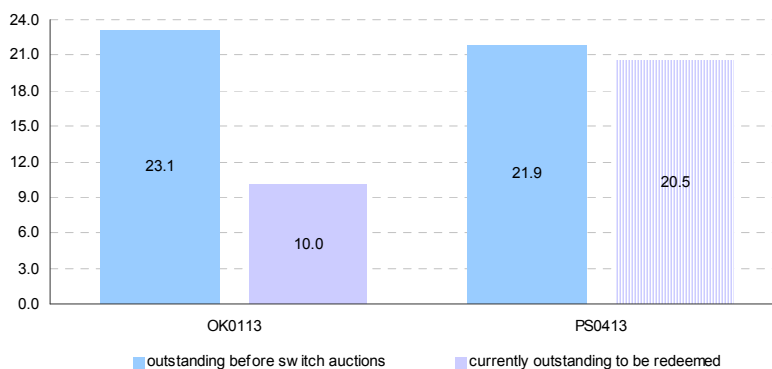
At the end of February 2013 the average maturity of domestic debt decreased to 4.44 in comparison with the end-2012 figure (4.47).



### Reducing refinancing risk connected with T-bonds' redemptions maturing in 2013

switch auctions, as of February 28, 2013, PLN bn

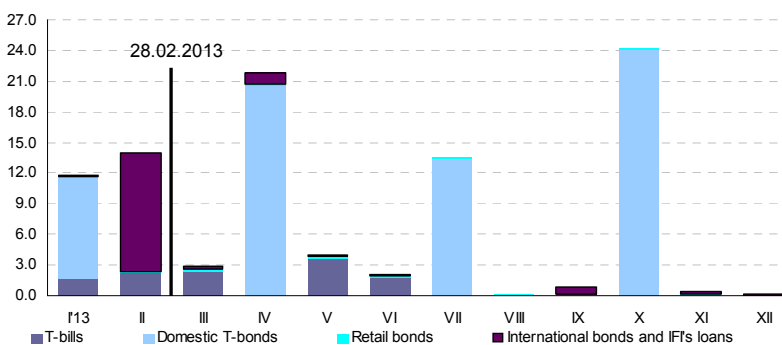
- Buy-back of T-bonds maturing in 2013:
- OK0113: PLN 13.1bn (57% of initial outstanding),
  - PS0413: PLN 1.3bn (6% of initial outstanding).



### State Treasury debt redemptions in 2013

nominal amount, as of February 28, 2013, PLN bn

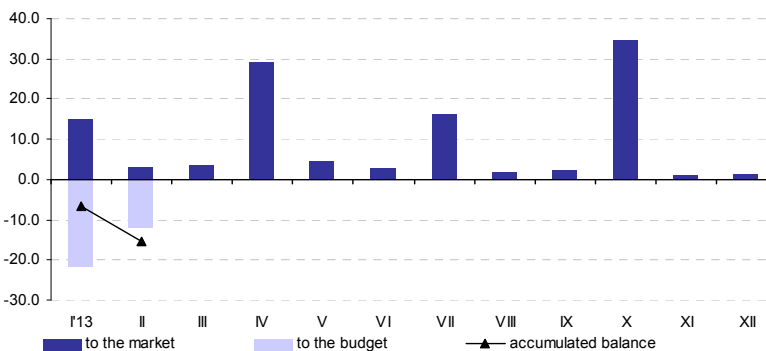
- The nominal amount of debt to be redeemed in 2013 is equal to PLN 70.2bn, including:
- T-bills: PLN 7.7bn,
  - T-bonds: PLN 58.0bn,
  - T-retail bonds: PLN 1.5bn,
  - bonds and loans incurred on foreign markets: PLN 3.0bn.



### Flows of funds between the market and the budget\*

as of February 28, 2013, PLN bn

As of February 28, 2013 to the end of the year the proceeds from the redemptions and interest payments to the market shall amount to PLN 87.5bn. Additionally PLN 9.7bn 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.

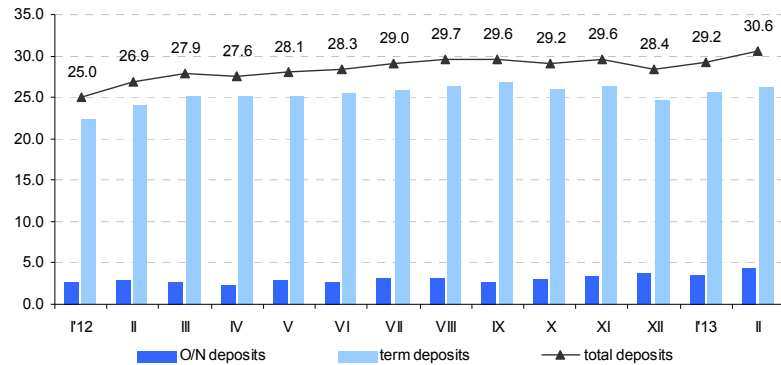


## BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

### Consolidation of public finances liquidity management

PLN bn

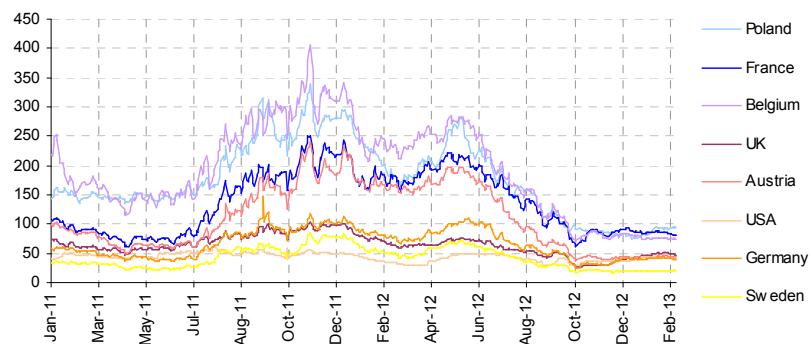
As a result of consolidation of public finances liquidity management there were PLN 30.6bn funds accumulated at the end of February, of which PLN 26.2bn was as term deposits and PLN 4.4bn on O/N deposits.



### CDS levels

5-year, bp

Polish 5-year CDS contracts are traded at the levels close to CDS contracts of the higher rated countries.



### Polish outlook rating upward revised by Fitch Ratings

**On February 21st, 2013 Fitch, the rating agency, has revised the outlook on Poland's long-term foreign and local currency Issuer Default Ratings to positive from stable and affirmed the IDRs at 'A-' and 'A', respectively.**

– We are so pleased to have the outlook revised from stable to positive by Fitch Ratings. It is an appreciation of the government's fiscal consolidation efforts. Nowadays when we observe downgrades of other countries' government debt ratings, such an outlook revision may be perceived the same as a rating upgrade - the Undersecretary of State - Wojciech Kowalczyk said.

### Polish rating upgraded by Japan Credit Rating Agency

**On March 1st, 2013 the Japan Credit Rating Agency (JCR) upgraded Poland's foreign currency rating from 'A-' to 'A' and for local currency - from 'A' to 'A+'. Outlook of both is stable.**

As a rationale for this, the Agency explains: "The upgrading primarily reflects the continued improvement in fiscal deficit, which was one of constraints for the ratings, on the effective consolidation measures taken by the government with maintaining commitment to the debt containment. (...) The ratings are also supported by the country's diversified economic structure that supports the largest economy in Central and Eastern Europe, stable economic prospects underpinned by appropriate economic and monetary policies, and its expanded production capacity rendered by robust investment backed by foreign direct investment inflows and EU subsidies".

Just after outlook upward revision by Fitch in the previous week, the rating upgrade by JCR is another proof that confirms increasing credibility of Poland on international financial markets. (...) The grade acknowledged by the JCR is the highest of all assigned to Poland by rating agencies. Both the grade and the Asian location of the agency shall be of significant importance for investors that are guided by issuer's credibility such as Asian institutions managing public funds - the Undersecretary of State - Wojciech Kowalczyk said.

**Piotr Marczak, Director of the Public Debt Department, Ministry of Finance**  
28-02-2013

We will hold a T-bond sale auction, a T-bills sale auction and one switch auction in March. The offer at the latter will include T-bonds of the highest demand at present, i.e.: long-term fixed rate, supplemented by long-term floating rate T-bonds. The supply at the regular sale auction will be determined by the current market situation.

### Comment

In January the foreign investors' portfolio increased by PLN 5.1bn breaking the record of June 2012. The increase of PLN 2.8bn was maintained despite the buyback of T-bonds from international investors done in January.