

**State budget borrowing requirements'
financing plan and its background**
2nd quarter 2013
April 2013

THE MOST IMPORTANT INFORMATION

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SUPPLY PLAN OF TREASURY SECURITIES FOR THE 2ND QUARTER 2013

General assumptions

- In the second quarter of 2013 T-bond auctions will be held 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.

Offer of T-bonds on the domestic market

Sale auctions:

- five or six auctions, total supply of PLN 25.0-35.0bn, the structure of the sold T-bonds will be subject to the market situation.

Switch auctions:

- in April and May auctions are not planned, possible auction in June (depending on the market situation) – securities offered to repurchase would be T-bonds maturing in July and October 2013.

Foreign financing

- 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.



SUPPLY PLAN OF TREASURY SECURITIES IN APRIL 2013

Treasury bond auctions

Auction date	Settlement date	Series	Planned offer (PLN m)
11 APR 2013*	15 APR 2013	Choice will depend on the market conditions among the following: DS1023 / WZ0124	2,000-5,000
23 APR 2013**	25 APR 2013	Choice will depend on the market conditions among the following: OK0715 / WZ0117 / PS0418	5,000-10,000

* auction on Thursday

** auction on Tuesday

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.

Offer on retail market

T-bond	Issue price	Coupon
DOS0415	PLN 100.00 (99.90 PLN for rolling-over)	Fixed, 3.50%
TOZ0416	PLN 100.00 (99.90 PLN for rolling-over)	Floating (1.00 * WIBOR 6M) 4.00% in the first coupon period
COI0417	PLN 100.00 (99.90 PLN for rolling-over)	Floating (inflation rate + 1.25%) 4.50% in the first coupon period
EDO0423	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:

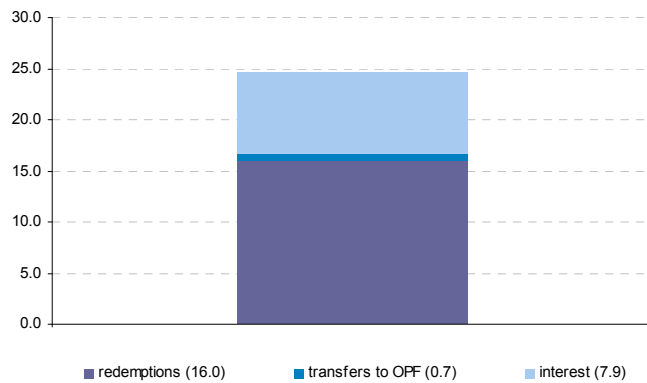
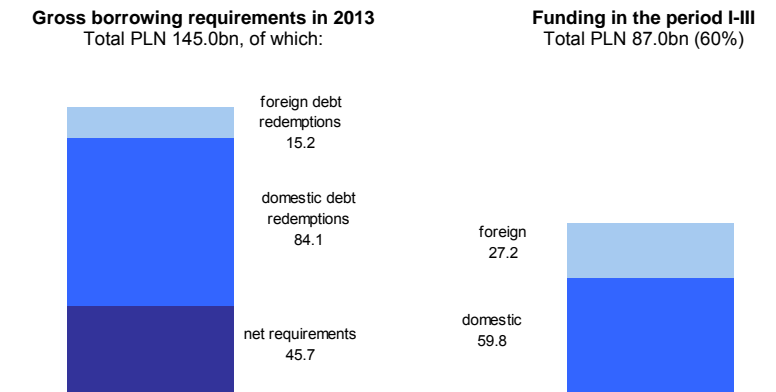
- switch auctions in 2012: PLN 13.2bn,
- T-bonds buyback on foreign markets in 2012: PLN 0.9bn,
- higher than planned financial resources at the end of 2012: PLN 24.4bn,
- T-securities sale on domestic market: PLN 40.3bn,
- T-bonds issuance on foreign markets: PLN 5.3bn,
- and loans incurred from IFIs: PLN 2.9bn.

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

as of March 31, 2013, PLN bn

As of March 31, 2013 flow of funds due to redemptions of T-securities, servicing costs and transfers from State budget to Open Pension Funds shall amount to PLN 24.6bn.

Sale and redemption of T-bills in April 2013

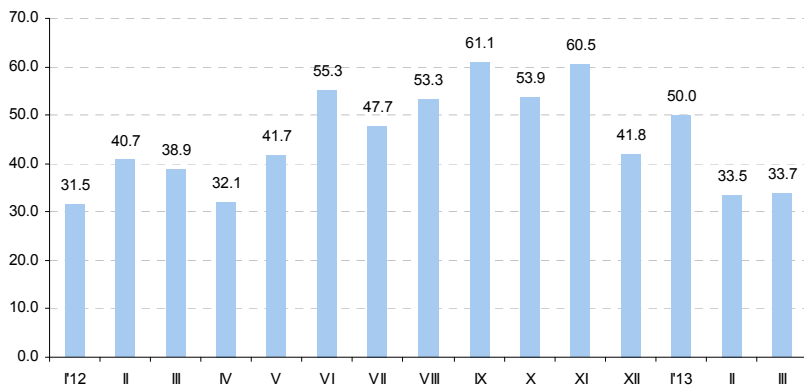


Funds in PLN and in foreign currency held by the MoF at the end of month

foreign currency funds include funds from debt issuance and received from the European Commission, PLN bn

The funds ensure liquidity in borrowing needs financing.

No T-bill auctions are planned in April. Simultaneously there are no such securities maturing in the given month - thus no change in T-bills outstanding.



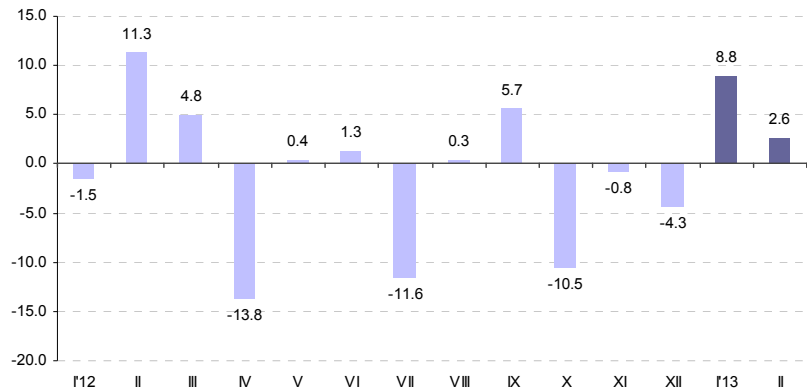


BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

Change of debt in domestic Treasury securities held by banks

without buy-sell-back transactions with MoF;
PLN bn

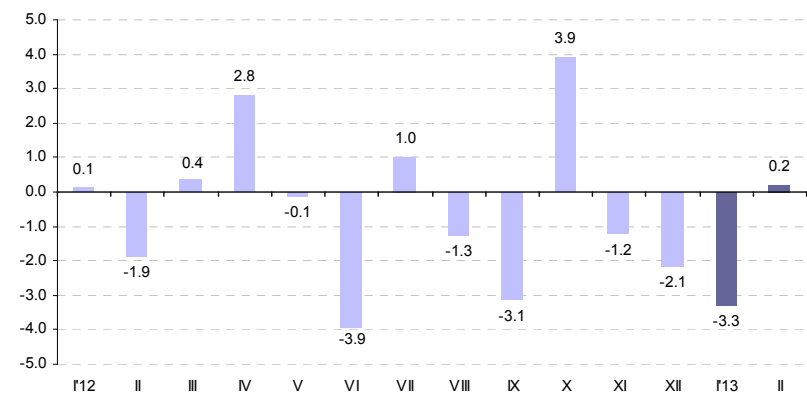
In the period of January - February 2013 debt held by domestic banks increased by PLN 11.4bn comparing to PLN 9.8bn increase during the same period of 2012.



Change of debt in domestic Treasury securities held by pension funds

PLN bn

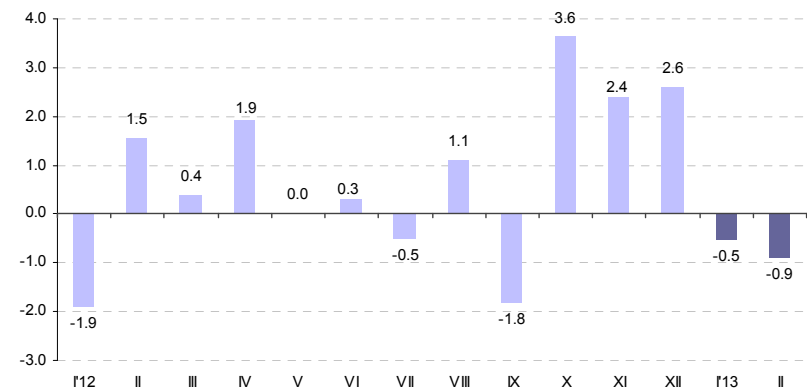
In the period of January - February 2013 debt held by pension funds decreased by PLN 3.1bn comparing to PLN 1.8bn decrease during the same period of 2012.



Change of debt in domestic Treasury securities held by insurance companies

PLN bn

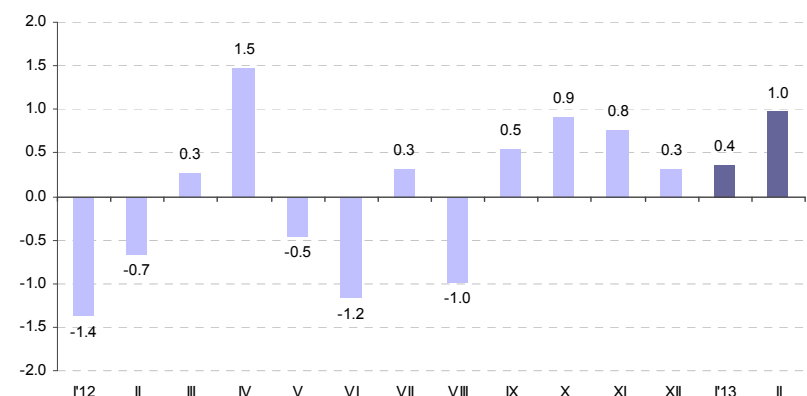
In the period of January - February 2013 there was a decrease of PLN 1.4bn in debt held by insurance companies. During the same period of 2012 there was a decrease of PLN 0.4bn.



Change of debt in domestic Treasury securities held by investment funds

PLN bn

In the period of January - February 2013 there was an increase of PLN 1.3bn in debt held by investment funds. During the same period of 2012 there was a decrease of PLN 2.0bn.



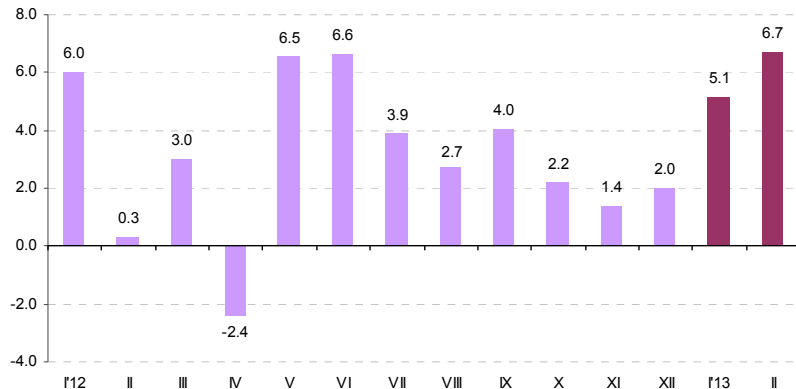


BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

Change of debt in domestic Treasury securities held by foreign investors

PLN bn

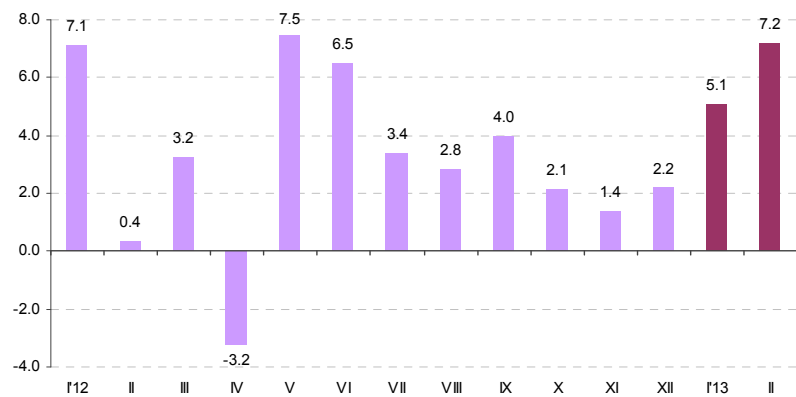
In the period of January - February 2013 inflow of foreign capital to the domestic TS market amounted to PLN 11.8bn comparing to PLN 6.3bn increase in the same period of 2012. Foreign investors' holdings reached the record high level of PLN 202.3bn.



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

PLN bn

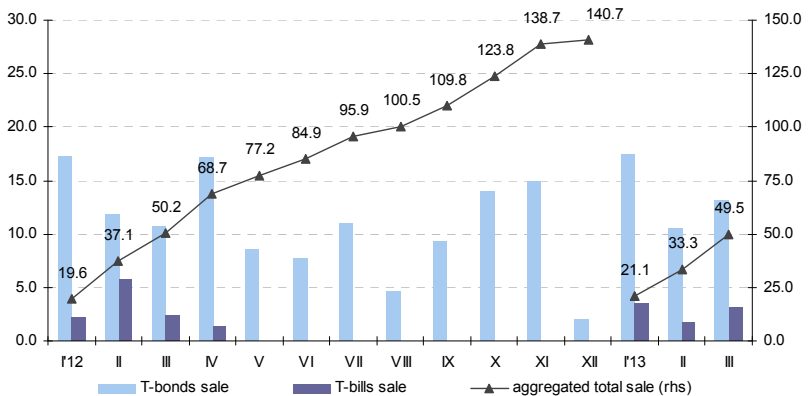
In the period of January - February 2013 inflow of foreign capital to domestic bonds market amounted to PLN 12.3bn comparing to PLN 7.5bn increase in the same period of 2012. Foreign investors' holdings reached the record level of PLN 202.2bn.



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

settlement date, nominal amount, PLN bn

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

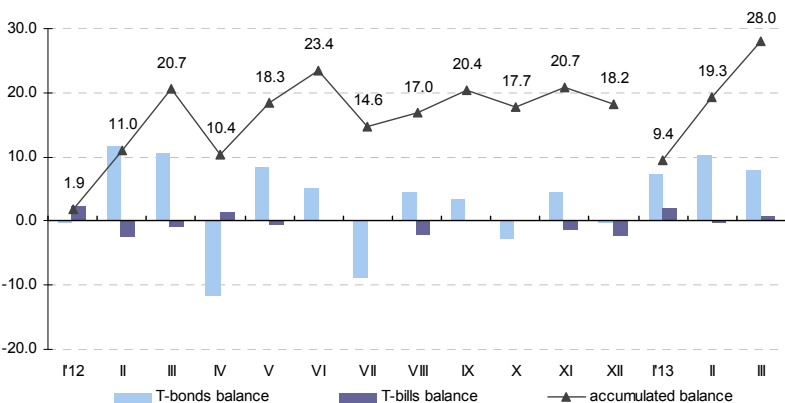


Balance of T-bonds and T-bills in the period of I-III 2013 and in 2012

settlement date, nominal amount, PLN bn

In the period of January - March 2013:

- indebtedness in T-bonds increased by PLN 25.7bn,
- indebtedness in T-bills increased by PLN 2.3bn.



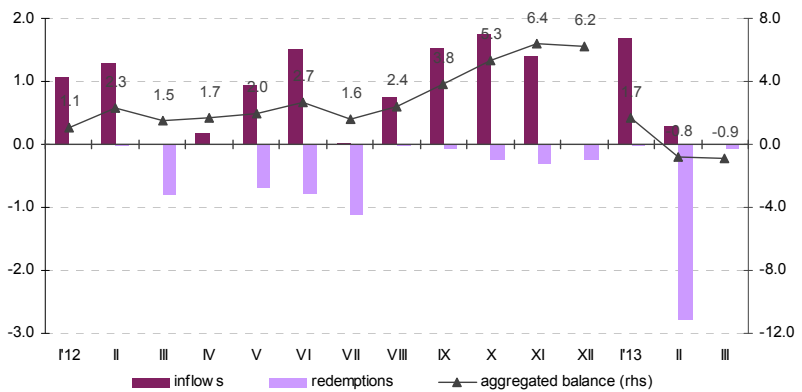


BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

External financing in the period of I-III 2013 and in 2012

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

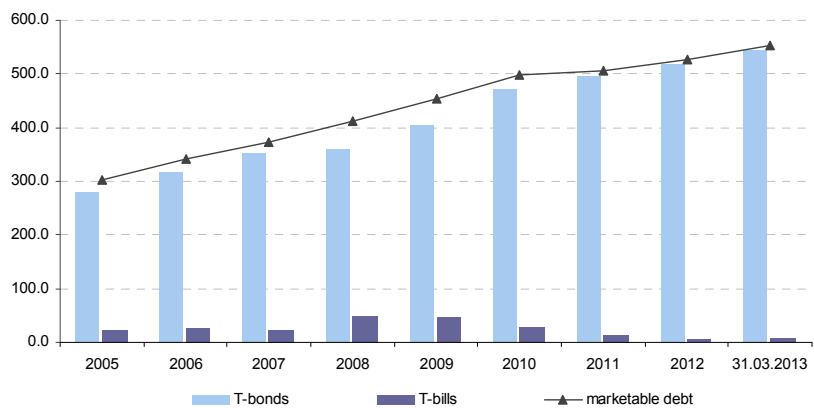
Net financing on foreign markets (bonds issuance and loans from IFIs) amounted to EUR -0.9bn. T-bonds issuance was EUR 1.3bn. Loans incurred from IFIs were at the level of EUR 0.7bn. Apart from those, EUR 4.4bn on the FX budgetary accounts was available - the money related to the foreign debt management raised and not spent in 2012.



Structure of marketable debt

PLN bn

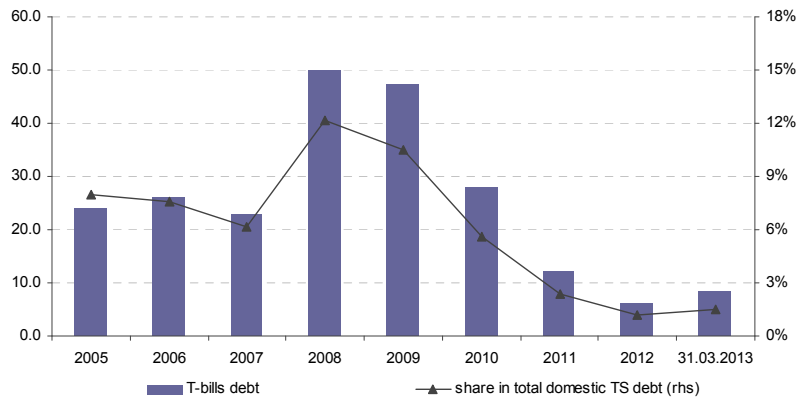
At the end of March 2013 the marketable domestic debt amounted to PLN 554.2bn comparing to PLN 526.1bn at the end of 2012.



T-bills outstanding

PLN bn

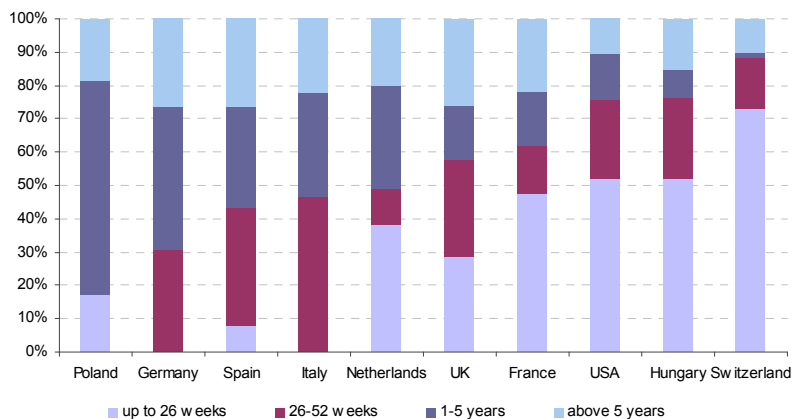
In March 2013 indebtedness in T-bills increased by PLN 0.8bn to the level of PLN 8.4bn. T-bills share in total domestic debt amounted to 1.5% at the end of the month.



Maturity breakdown of T-securities in Poland and other countries

auctions and syndicates, local currency, ytd in the period of January 1 - March 31, 2013

In terms of maturity, the sale of TS in Poland in 2013 is dominated by securities with maturity over 1 year. Furthermore T-bills have appeared temporary in the Polish TS structure.

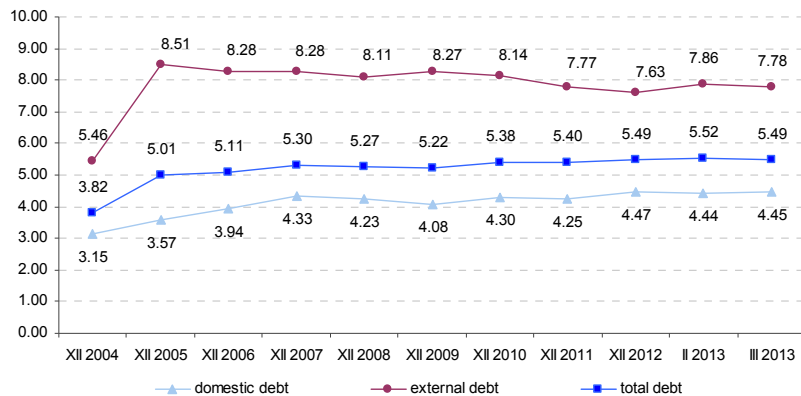




BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

Average maturity

At the end of March 2013 the average maturity of domestic debt stabilized at the level of 4.45.

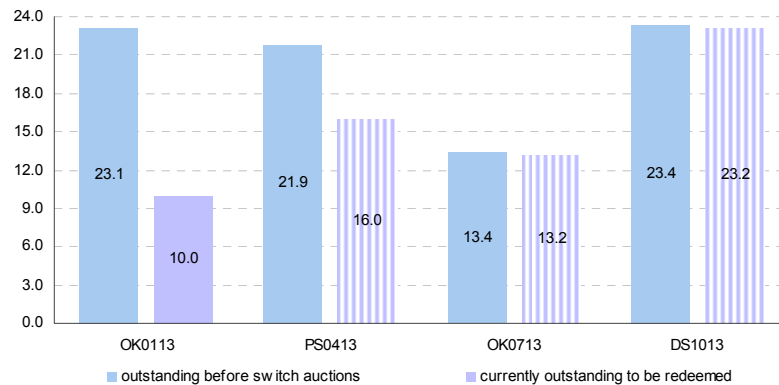


Reducing refinancing risk connected with T-bonds' redemptions maturing in 2013

switch auctions, as of March 31, 2013, PLN bn

Buy-back of T-bonds maturing in 2013:

- OK0113: PLN 13.1bn (57% of initial outstanding),
- PS0413: PLN 5.8bn (27% of initial outstanding),
- OK0713: PLN 0.2bn (1% of initial outstanding),
- DS1013: PLN 0.2bn (1% of initial outstanding).

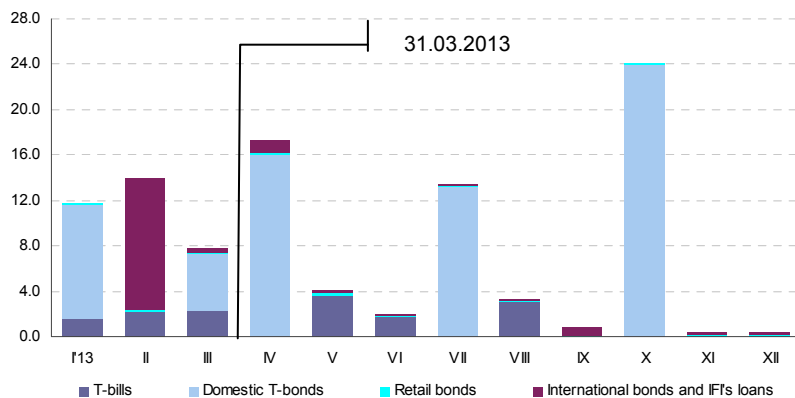


State Treasury debt redemptions in 2013

nominal amount, as of March 31, 2013, PLN bn

The nominal amount of debt to be redeemed in 2013 is equal to PLN 65.6bn, including:

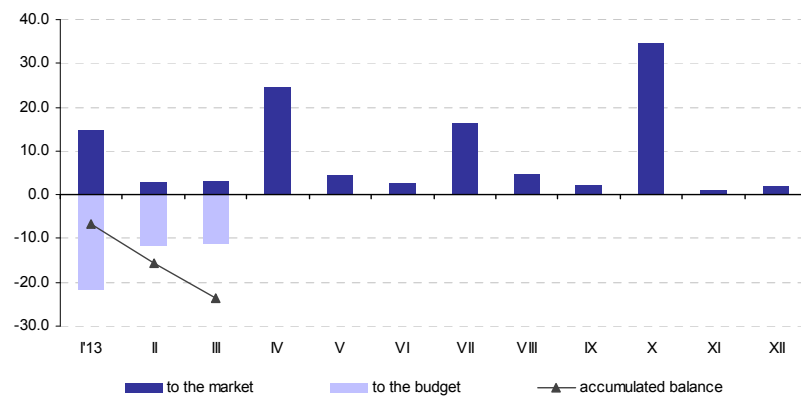
- T-bills: PLN 8.4bn,
- T-bonds: PLN 53.1bn,
- T-retail bonds: PLN 1.3bn,
- bonds and loans incurred on foreign markets: PLN 2.7bn.



Flows of funds between the market and the budget*

as of March 31, 2013, PLN bn

As of March 31, 2013 to the end of the year the proceeds from the redemptions and interest payments to the market shall amount to PLN 83.5bn. Additionally PLN 8.8bn will be transferred to the Open Pension Funds.



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

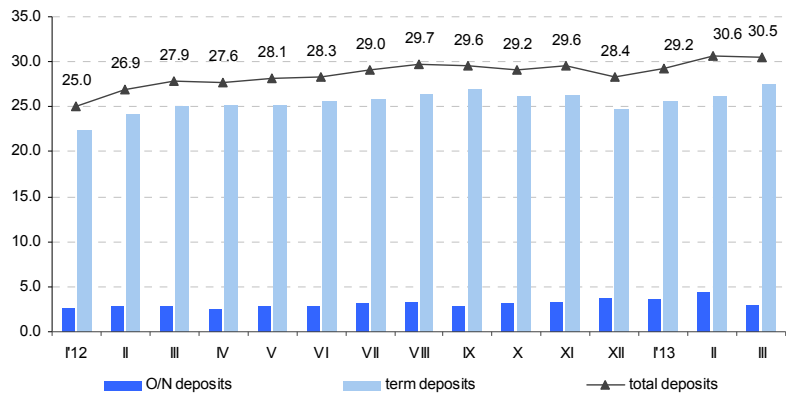


BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

Consolidation of public finances liquidity management

PLN bn

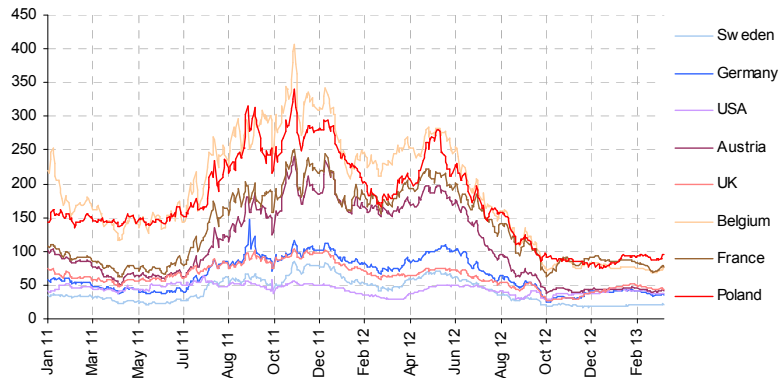
As a result of consolidation of public finances liquidity management there were PLN 30.5bn funds accumulated at the end of March, of which PLN 27.5bn was as term deposits and PLN 3.0bn on O/N deposits.



CDS levels

5-year, bp

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



	2012		2011	
	PLN bn	% GDP	PLN bn	% GDP
Public debt	840.5	52.7	815.3	53.5
GG debt	886.8	55.6	859.1	56.4

The decrease in public debt to GDP ratio in 2012 is the first one since 2007. Comparison of the above data with the European Commission forecasts for the EU member states leads to the conclusion that in 2012 the decrease in public debt to GDP

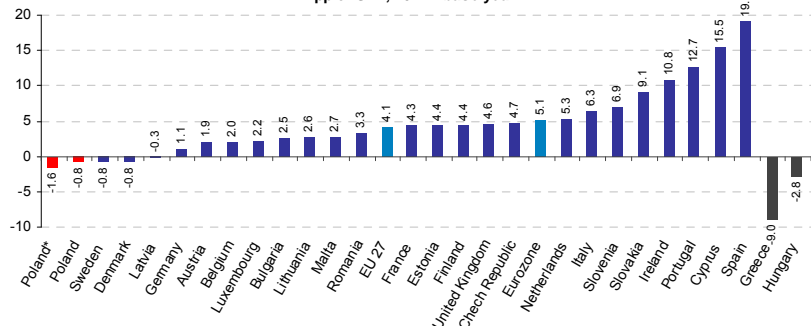
ratio in Poland was the highest in the European Union (excluding Greece, that had its debt restructured and Hungary, where pension funds were nationalized). In only 6 out of 27 EU member states a decrease of public debt to GDP took place.

After deducting an increase of liquid funds raised to prefinance the borrowing requirements of 2013, the public debt to GDP ratio at the end of 2012 would be still lower, at 51.9% (Polish definition) and 54.8% (EU definition) respectively.

Decrease in public debt to GDP ratio

Public debt change in 2012

pp of GDP, 2011 - base year



* excluding prefinancing
source: European Commission, MoF



BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

Moody's prides Poland's pace of borrowing needs financing

Jaime Reusche, Assistant Vice President - Analyst, Moody's Issuer Comment, 02-04-2013

"On 29 March, Poland's (A2 stable) Finance Ministry released its financing plan for the second quarter of 2013 and announced that 80% of 2013 borrowing requirements are likely to be met by the end of the second quarter. We estimate that the sovereign has covered approximately 60% of its financing needs for the current year. The quick start to fulfilling funding requirements is credit positive for Poland given the current financial market volatility stemming from the intensification of the euro area debt crisis.

(...) Poland's resilience and solid policy framework have made the sovereign a regional safe haven in CEE, attracting investor demand for its securities".

Piotr Marczak, Director of the Public Debt Department, MoF 28-03-2013

"Approximately PLN 24bn will be transferred from the budget for redemptions and debt servicing. This amount will be significantly higher than planned proceeds from the T-bonds auctions.

(...) Having favourable market conditions, T-bonds of PLN 25-35bn will be sold throughout the whole 2nd quarter. This would translate into about 80% of the annual State budget borrowing requirements financed. In worse market conditions, financing process will be spread out. T-bills auctions are also possible – close to PLN 8.5bn will be redeemed in May. Financing on foreign markets is conceivable.

(...) In February foreign investors portfolio noted significant increase and amounted finally to PLN 6.7bn, including PLN 7.2bn in T-bonds, which was the highest inflow for last 2 years. T-securities portfolio in foreign investors' holdings exceeded PLN 200.0bn level for the first time and reached PLN 202.3bn. In March the tendency was continued".

Comment