

State budget borrowing requirements' financing plan and its background

May 2013

THE MOST IMPORTANT INFORMATION

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- Record high level of foreign investors' portfolio 5
- Moody's confirms no impact to Poland's rating outlook from higher
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SUPPLY PLAN OF TREASURY SECURITIES IN MAY 2013

Treasury bond auctions

Auction date	Settlement date	Series	Planned offer (PLN m)
9 MAY 2013	13 MAY 2013	PS0718	3,500-5,500
16 MAY 2013	20 MAY 2013	Choice will depend on the market conditions among the following: WZ0119 / DS1023 / WZ0124 / WS0428	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.

Offer on retail market

T-bond	Issue price	Coupon
DOS0515	PLN 100.00 (99.90 PLN for rolling-over)	Fixed, 3.00%
TOZ0516	PLN 100.00 (99.90 PLN for rolling-over)	Floating (1.00 * WIBOR 6M) 3.30% in the first coupon period
COI0517	PLN 100.00 (99.90 PLN for rolling-over)	Floating (inflation rate + 1.25%) 3.50% in the first coupon period
EDO0523	PLN 100.00 (99.90 PLN for rolling-over)	Floating (inflation rate + 1.50%) 4.00% 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 24.5bn,
- T-securities sale on domestic market: PLN 57.1bn,
- 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 May 2013

as of April 30, 2013, PLN bn

As of April 30, 2013 flow of funds due to redemptions of T-securities and transfers from State budget to Open Pension Funds shall amount to PLN 4.4bn.

Sale and redemption of T-bills in May 2013

settlement / redemption date, PLN bn

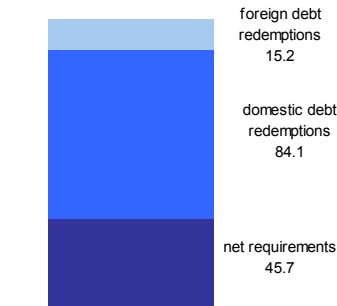
No T-bill auctions are planned in May. Securities maturing in the given month are at the level of PLN 3.6bn.

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

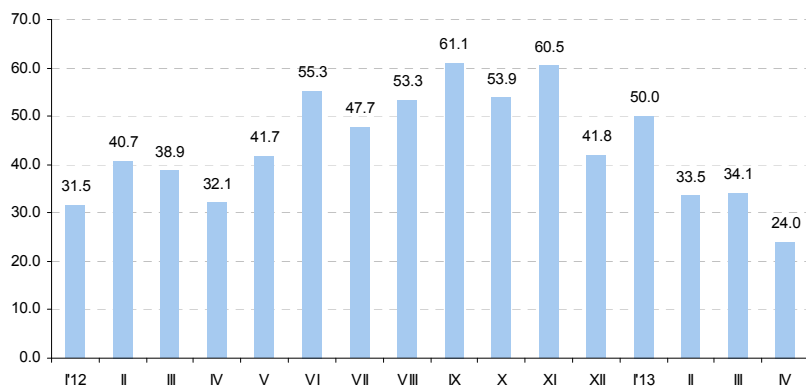
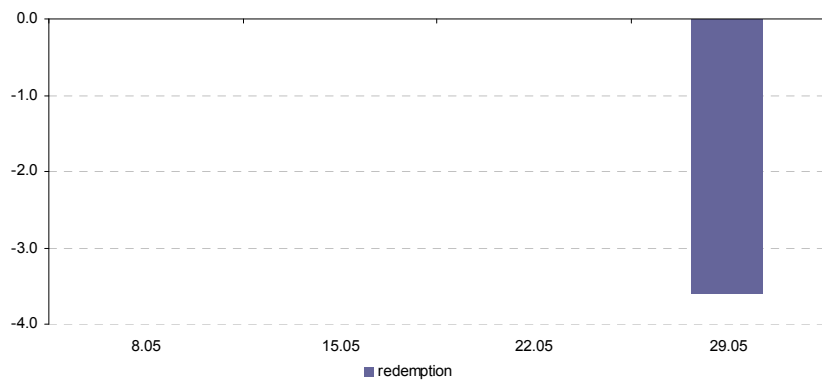
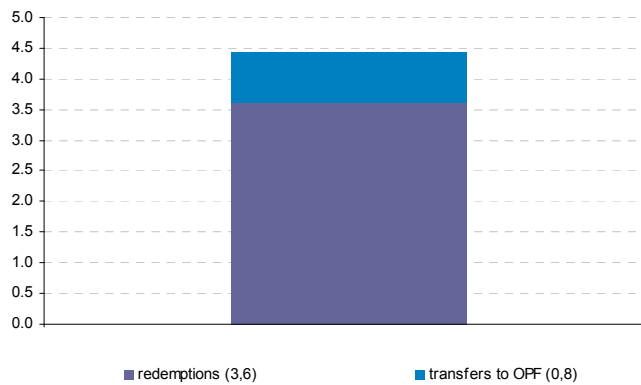
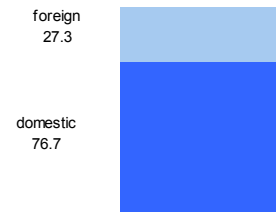
foreign currency funds include funds from debt issuance and received from the European Commission, PLN bn

The funds ensure liquidity in borrowing needs financing.

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



Funding in the period I-IV
Total PLN 104.0bn (72%)



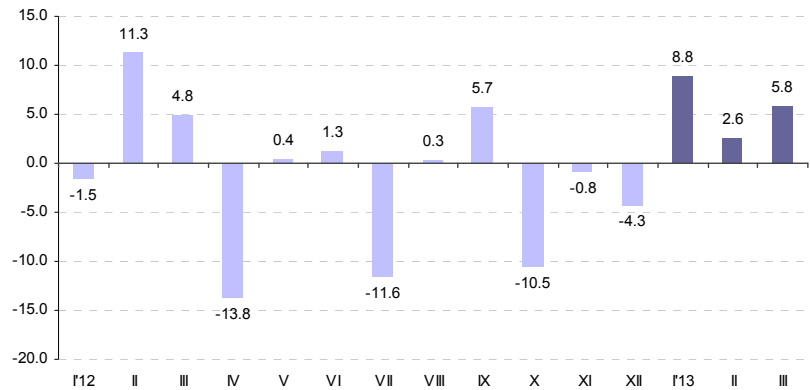


BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

Change of debt in domestic Treasury securities held by banks

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

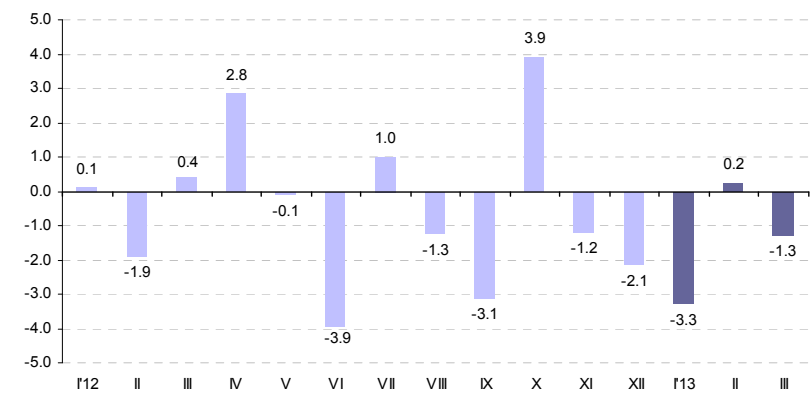
In the period of January - March 2013 debt held by domestic banks increased by PLN 17.2bn comparing to PLN 14.6bn increase during the same period of 2012.



Change of debt in domestic Treasury securities held by pension funds

PLN bn

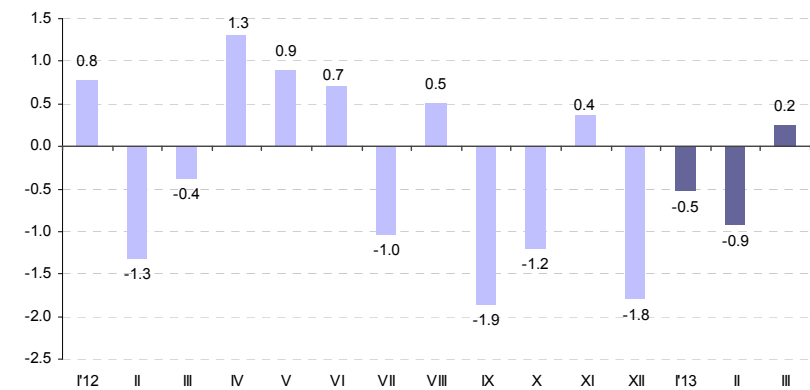
In the period of January - March 2013 debt held by pension funds decreased by PLN 4.4bn comparing to PLN 1.4bn decrease during the same period of 2012.



Change of debt in domestic Treasury securities held by insurance companies

PLN bn

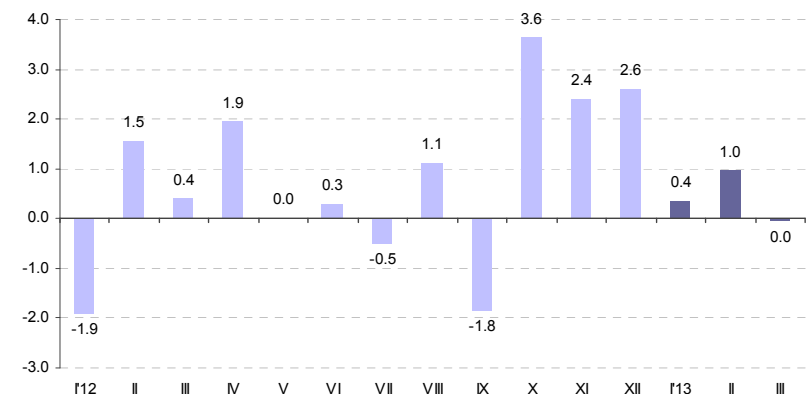
In the period of January - March 2013 there was a decrease of PLN 1.2bn in debt held by insurance companies. During the same period of 2012 there was a decrease of PLN 0.9bn.



Change of debt in domestic Treasury securities held by investment funds

PLN bn

In the period of January - March 2013 there was an increase of PLN 1.3bn in debt held by investment funds. During the same period of 2012 no change was noticed.



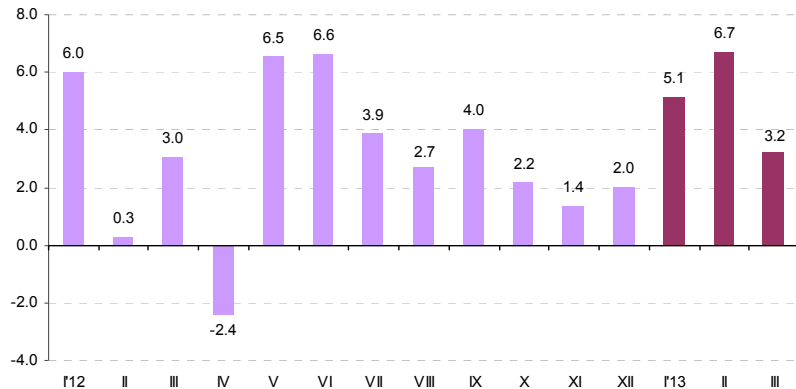


BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

Change of debt in domestic Treasury securities held by foreign investors

PLN bn

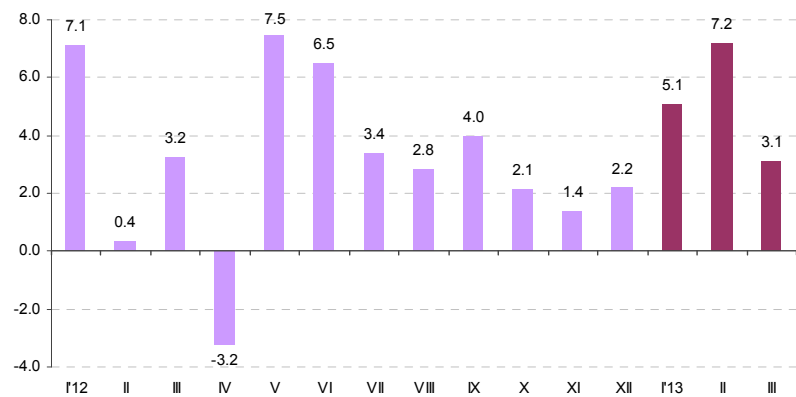
In the period of January - March 2013 inflow of foreign capital to the domestic TS market amounted to PLN 15.1bn comparing to PLN 9.3bn increase in the same period of 2012. Foreign investors' holdings reached the record high level of PLN of 205.5bn.



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

PLN bn

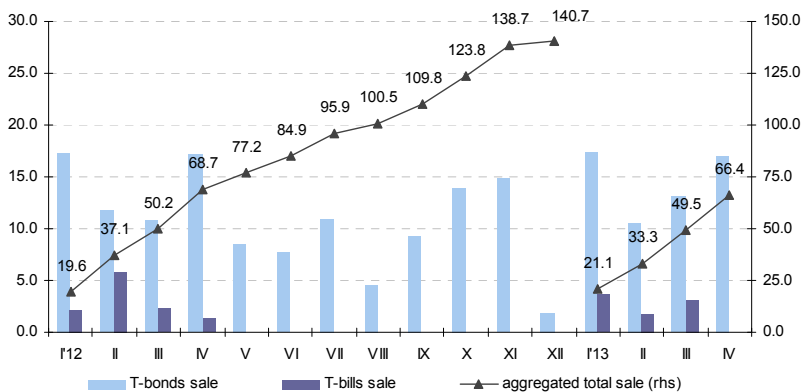
In the period of January - March 2013 inflow of foreign capital to domestic bonds market amounted to PLN 15.4bn comparing to PLN 10.7bn increase in the same period of 2012. Foreign investors' holdings reached the record level of PLN 205.3bn.



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

settlement date, nominal amount, PLN bn

The structure of Treasury securities offered in 2013 is dominated by T-bonds (87%).

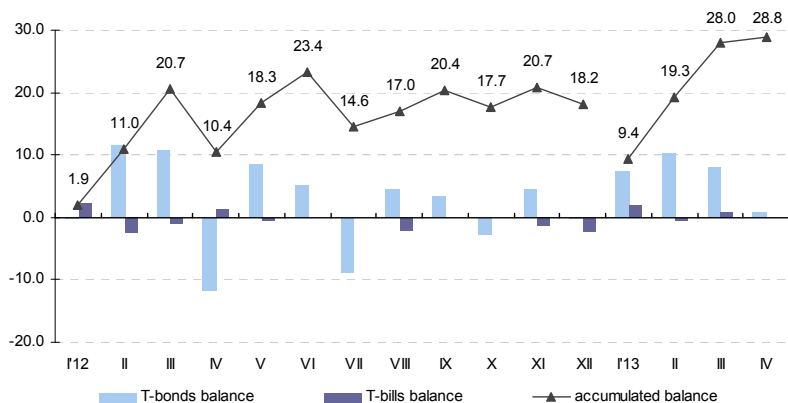


Balance of T-bonds and T-bills in the period of I-IV 2013 and in 2012

settlement date, nominal amount, PLN bn

In the period of January - April 2013:

- indebtedness in T-bonds increased by PLN 26.5bn,
- indebtedness in T-bills increased by PLN 2.3bn.



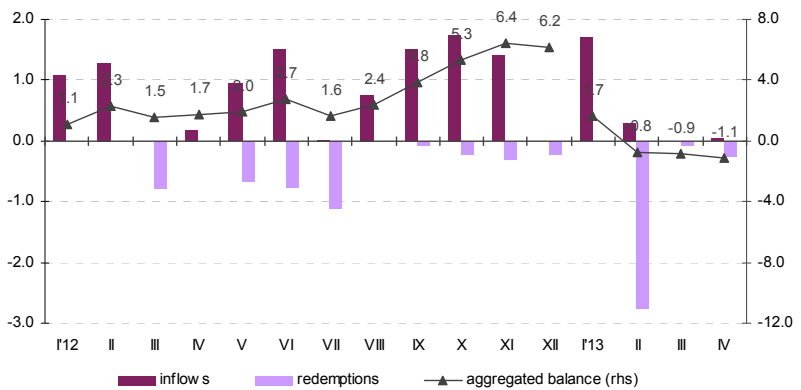


BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

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

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

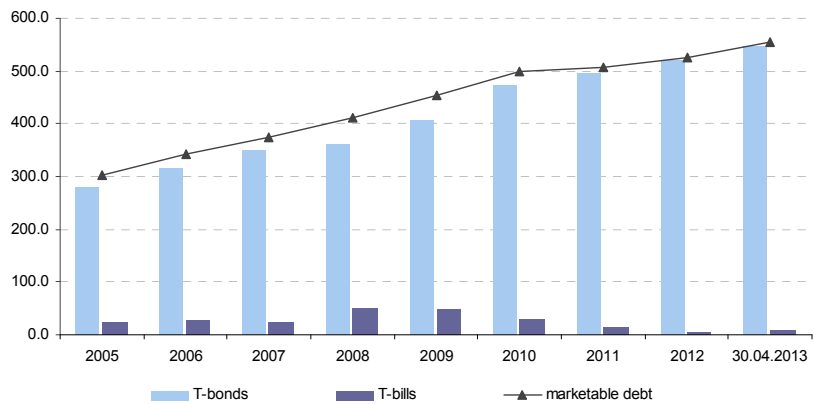
Net financing on foreign markets (bonds issuance and loans from IFIs) amounted to EUR -1.1bn. T-bonds issuance was EUR 1.3bn. Loans incurred from IFIs were at the level of EUR 0.7bn. Apart from those, EUR 4.4bn on the FX budgetary accounts was available - the money related to the foreign debt management raised and not spent in 2012.



Structure of marketable debt

PLN bn

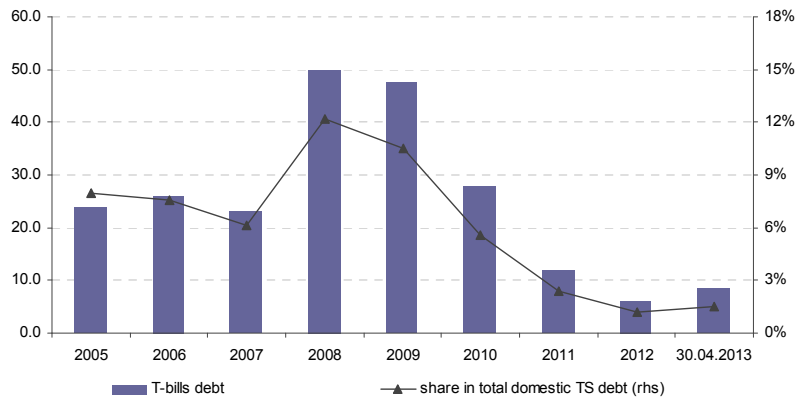
At the end of April 2013 the marketable domestic debt amounted to PLN 555.0bn comparing to PLN 526.1bn at the end of 2012.



T-bills outstanding

PLN bn

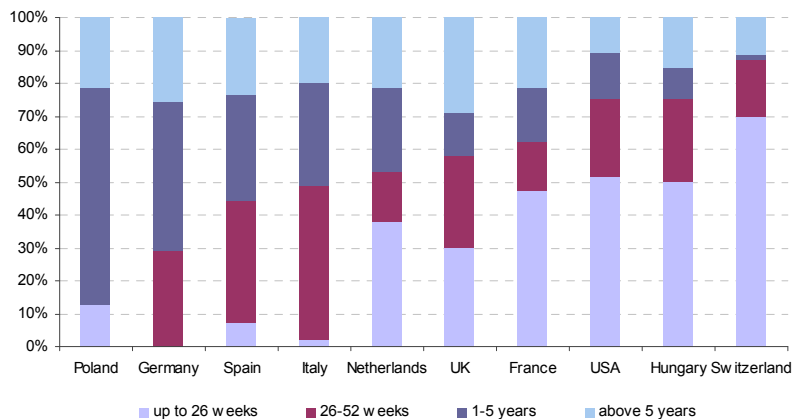
In April 2013 indebtedness in T-bills was stable. T-bills share in total domestic debt amounted to 1.5% at the end of the month.



Maturity breakdown of T-securities in Poland and other countries

auctions and syndicates, local currency, ytd in the period of January 1 - April 30, 2013

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

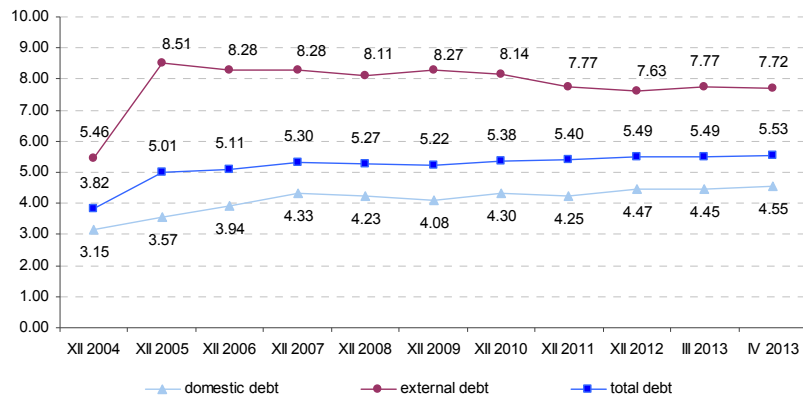




BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

Average maturity

At the end of April 2013 the average maturity of domestic debt increased to 4.55 in comparison with the end-2012 figure (4.47).

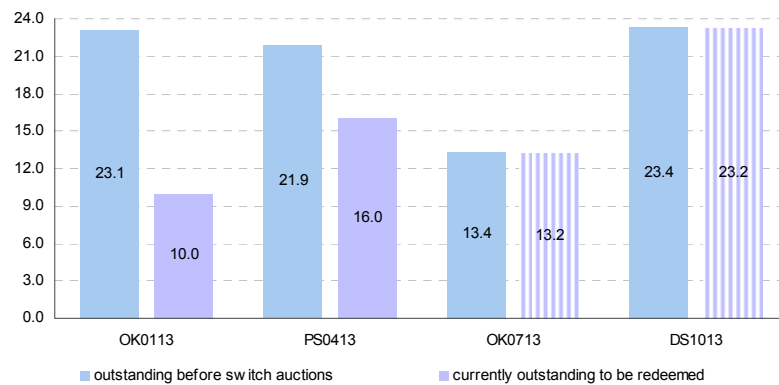


Reducing refinancing risk connected with T-bonds' redemptions maturing in 2013

switch auctions, as of April 30, 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).

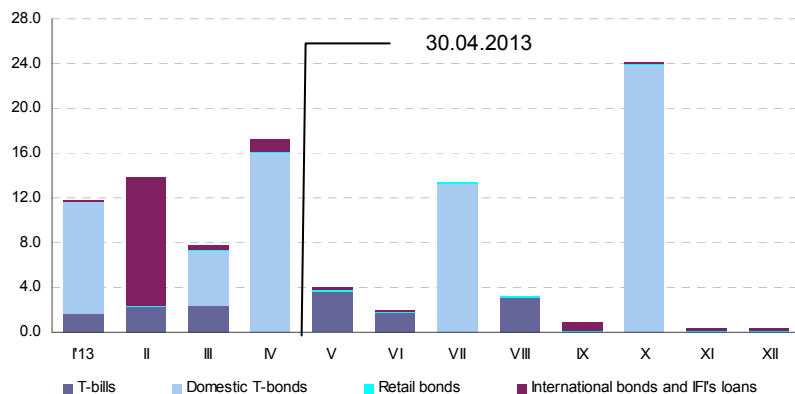


State Treasury debt redemptions in 2013

nominal amount, as of April 30, 2013, PLN bn

The nominal amount of debt to be redeemed in 2013 is equal to PLN 48.3bn, including:

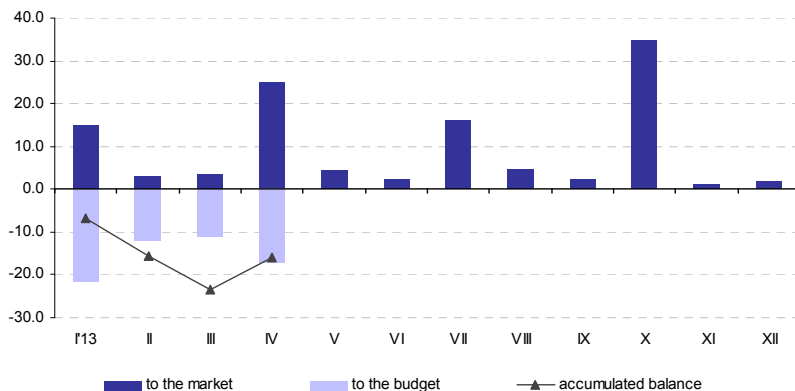
- T-bills: PLN 8.4bn,
- T-bonds: PLN 37.1bn,
- T-retail bonds: PLN 1.1bn,
- bonds and loans incurred on foreign markets: PLN 1.6bn.



Flows of funds between the market and the budget*

as of April 30, 2013, PLN bn

As of April 30, 2013 to the end of the year the proceeds from the redemptions and interest payments to the market shall amount to PLN 59.7bn. Additionally PLN 8.0bn 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.

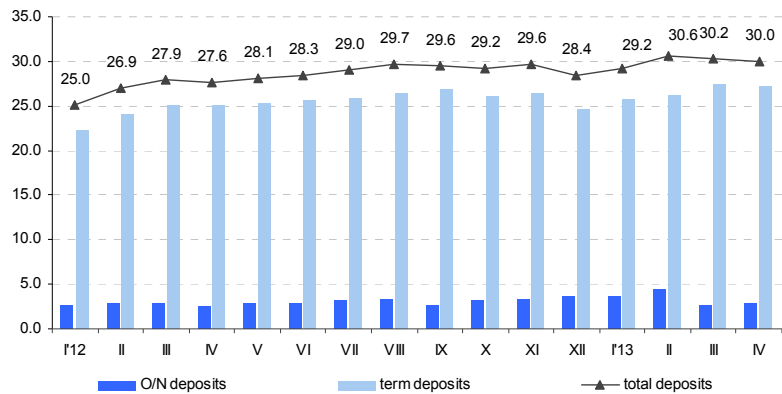


BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

Consolidation of public finances liquidity management

PLN bn

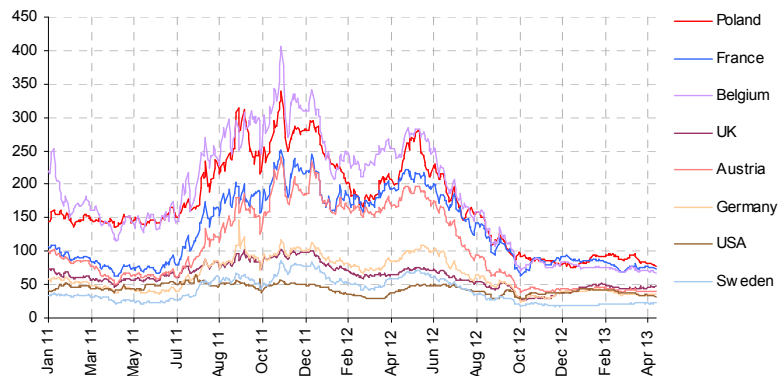
As a result of consolidation of public finances liquidity management there were PLN 30.0bn funds accumulated at the end of April, of which PLN 27.2bn was as term deposits and PLN 2.8bn on O/N deposits.



CDS levels

5-year, bp

Polish 5-year CDS contracts are traded at the levels close to CDS contracts of France and Belgium.



Jaime Reusche, Assistant Vice President - Analyst, Moody's Issuer Comment, *Poland: Fiscal Slippage Does Not Affect Stable Outlook on A2 Sovereign Rating, 29-04-2013*

"(...) The slippage in Poland's 2012 general government deficit to 3.9% of GDP from the targeted 3.5% will not affect the stable outlook on the sovereign's A2 rating. Although the slippage is the result of a stronger-than-expected economic slowdown, the current rating and outlook can tolerate this deviation, and are underpinned by the authorities' continued commitment to ensuring the sustainability of public finances.

Economic output growth slowed to 2% in 2012 from 4.3% in 2011, and as a result of the slowdown, the fiscal accounts did not respond as forcefully as the authorities intended. (...) The authorities opted for finding a balance between narrowing the deficit and supporting the economy, thereby slowing the pace of the adjustment.

Nevertheless, we note that the Polish government was able to achieve structural consolidation, and expect that it will continue to do so throughout 2013. (...)

The economy is beginning to show signs of stabilization, indicating that the slowdown is likely to bottom out in Q2 or Q3, and return to a favourable dynamic through the end of the year and into 2014. Over the medium term, Poland's growth prospects remain positive, and will help in mending the government's balance sheet through increased tax revenues and a lower debt burden relative to the size of the economy.

Economic resilience and a limited deterioration of the government's debt ratios since 2008 have made the Polish sovereign a regional safe haven in Central and Eastern Europe."

Moody's confirms no impact to Poland's rating outlook from the 2012 general government deficit



BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

Comment

**Piotr Marczak, Director of the Public Debt Department, MoF
30-04-2013**

“(…) High portion of the State budget borrowing requirements that were already financed as well as current situation on the debt market allows to suspend Treasury securities auctions of all short-term maturities. (…) While favourable market conditions are maintained, lack of supply of short-term securities may be continued in the following months of 2013. Lower supply of debt with shorter maturities would have a positive impact on State Treasury redemptions profile in the coming years and on debt parameters.

Only medium- and long-term T-bonds auctions are planned in May, including new issues of 5- and 15-year bonds with coupons adjusted to the current market conditions. (…)

Foreign investors' portfolio increased by PLN 3.2bn in March which established a new record – Polish Treasury securities in foreign investors holdings reached the level of PLN 205.5bn. Continued inflow was noted in April despite the redemption on April 25th, 2013 of PLN 5bn worth of T-bonds held by non-residents.

In recent months more significant participation by Polish investors in financing the State budget borrowing needs was marked. Their share in the increase of indebtedness on the domestic market amounted to over 40%.”