

State budget borrowing requirements' financing plan and its background

June 2013

THE MOST IMPORTANT INFORMATION

- Monthly issuance calendar 2
- Record high level of foreign investors' portfolio 5
- Comment 8



SUPPLY PLAN OF TREASURY SECURITIES IN JUNE 2013

Treasury bond auction

Auction date	Settlement date	Series	Planned offer (PLN m)
6 JUN 2013	10 JUN 2013	PS0718 / WZ0119	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)
19 JUN 2013/ 21 JUN 2013	offer will depend on the market conditions*	OK0713	13,205
		DS1013	23,163

* excluding T-bonds offered at the sale auction, i.e. PS0718 and WZ0119

Offer on retail market

T-bond	Issue price	Coupon
DOS0615	PLN 100.00 (99.90 PLN for rolling-over)	Fixed, 3.00%
TOZ0616	PLN 100.00 (99.90 PLN for rolling-over)	Floating (1.00 * WIBOR 6M) 3.30% in the first coupon period
COI0617	PLN 100.00 (99.90 PLN for rolling-over)	Floating (inflation rate + 1.25%) 3.50% in the first coupon period
EDO0623	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 69.2bn,
- 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 June 2013

as of May 31, 2013, PLN bn

As of May 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 2.6bn.

Sale and redemption of T-bills in June 2013

settlement / redemption date, PLN bn

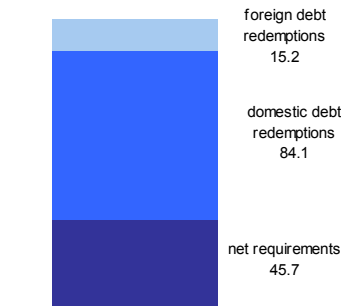
No T-bill auctions are planned in June. Securities maturing in the given month are at the level of PLN 1.7bn.

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

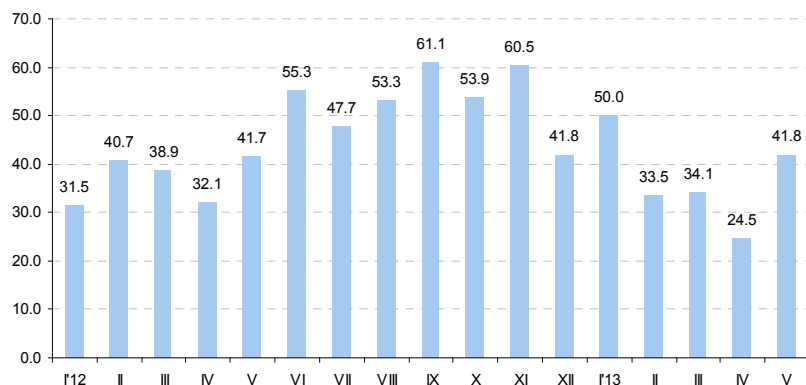
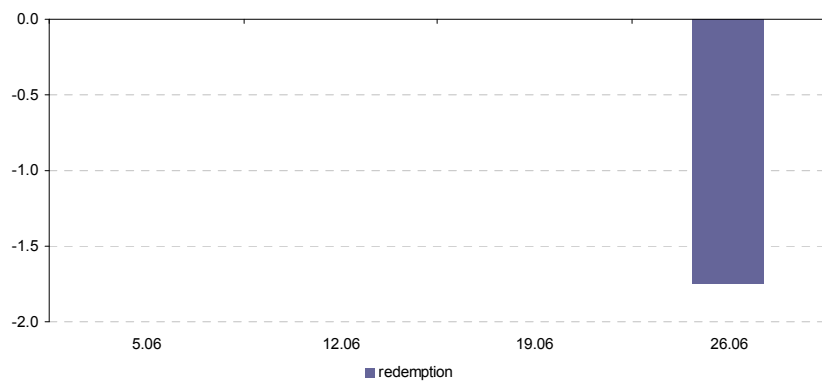
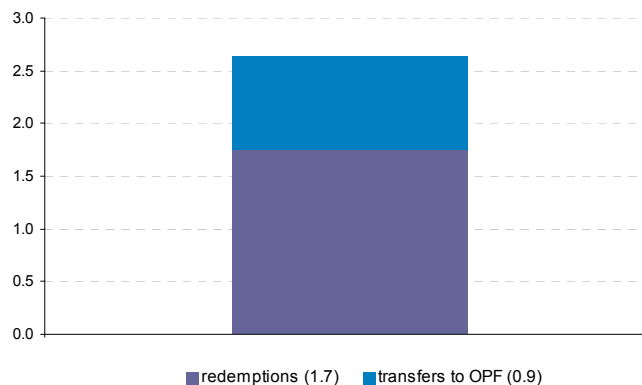
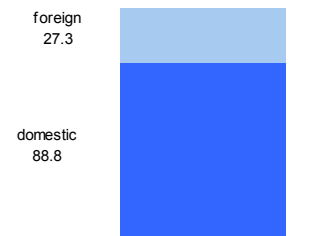
foreign currency funds include funds from debt issuance and received from the European Commission, PLN bn

The funds ensure liquidity in borrowing needs financing.

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



Funding in the period I-V
Total PLN 116.1bn (80%)



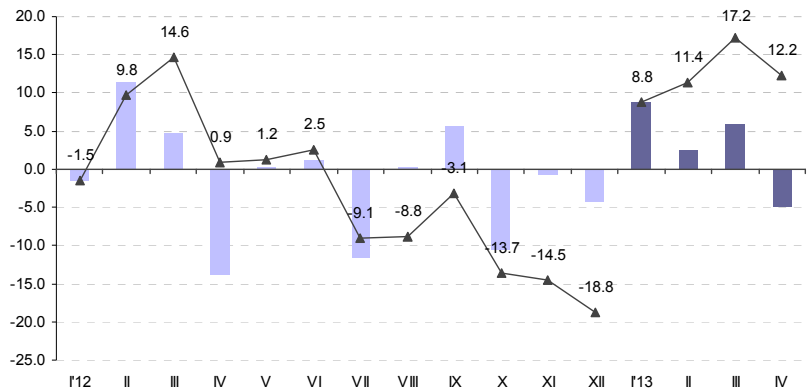


BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

Change of debt in domestic Treasury securities held by banks

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

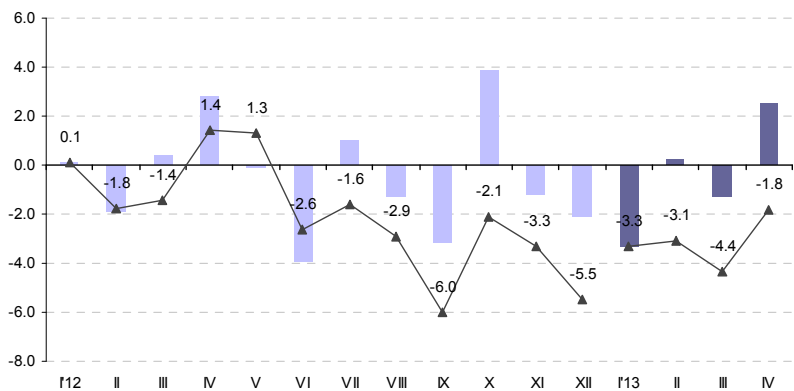
In the period of January - April 2013 debt held by domestic banks increased by PLN 12.2bn comparing to PLN 0.9bn increase during the same period of 2012.



Change of debt in domestic Treasury securities held by pension funds

PLN bn

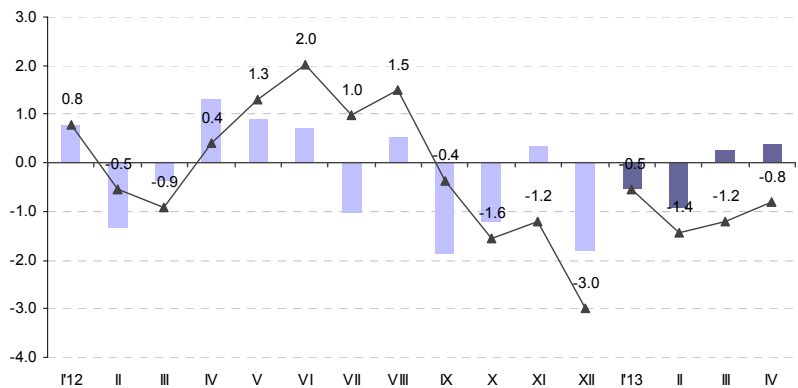
In the period of January - April 2013 debt held by pension funds decreased by PLN 1.8bn comparing to PLN 1.4bn increase during the same period of 2012.



Change of debt in domestic Treasury securities held by insurance companies

PLN bn

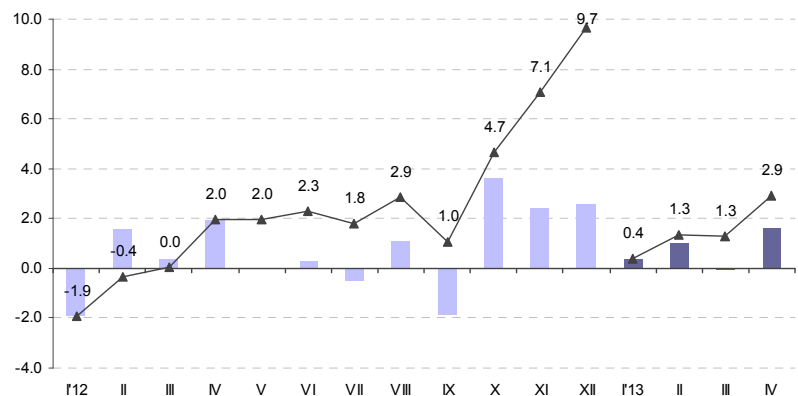
In the period of January - April 2013 there was a decrease of PLN 0.8bn in debt held by insurance companies. During the same period of 2012 there was an increase of PLN 0.4bn.



Change of debt in domestic Treasury securities held by investment funds

PLN bn

In the period of January - April 2013 there was an increase of PLN 2.9bn in debt held by investment funds. During the same period of 2012 there was an increase of PLN 2.0bn.



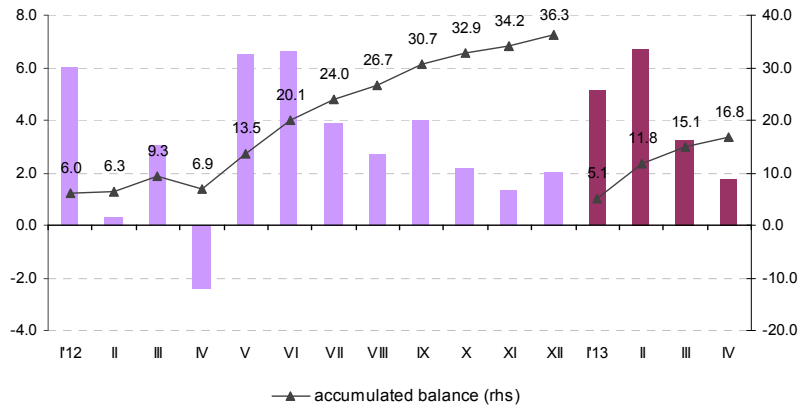


BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

Change of debt in domestic Treasury securities held by foreign investors

PLN bn

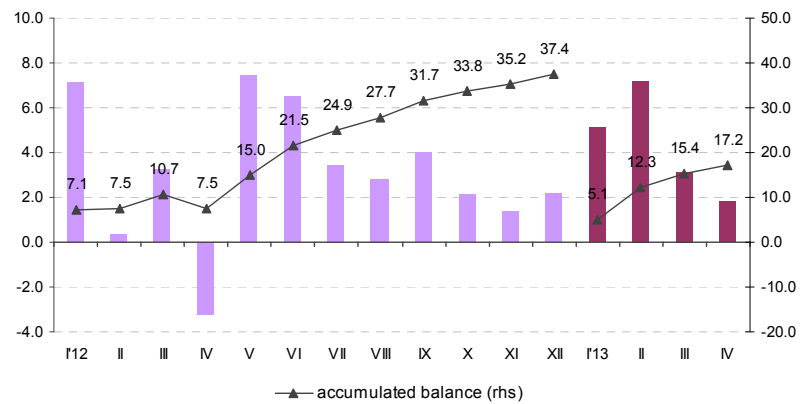
In the period of January - April 2013 inflow of foreign capital to the domestic TS market amounted to PLN 16.8bn comparing to PLN 6.9bn increase in the same period of 2012. Foreign investors' holdings reached the record high level of PLN of 207.3bn.



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

PLN bn

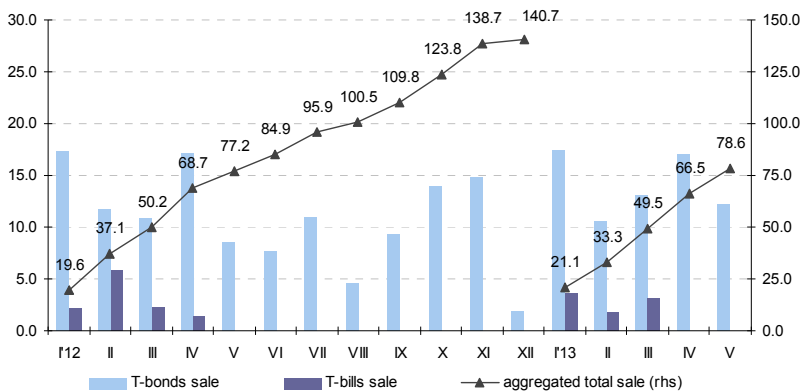
In the period of January - April 2013 inflow of foreign capital to domestic bonds market amounted to PLN 17.2bn comparing to PLN 7.5bn increase in the same period of 2012. Foreign investors' holdings reached the record level of PLN 207.1bn.



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

settlement date, nominal amount, PLN bn

The structure of Treasury securities offered in 2013 is dominated by T-bonds (89%).

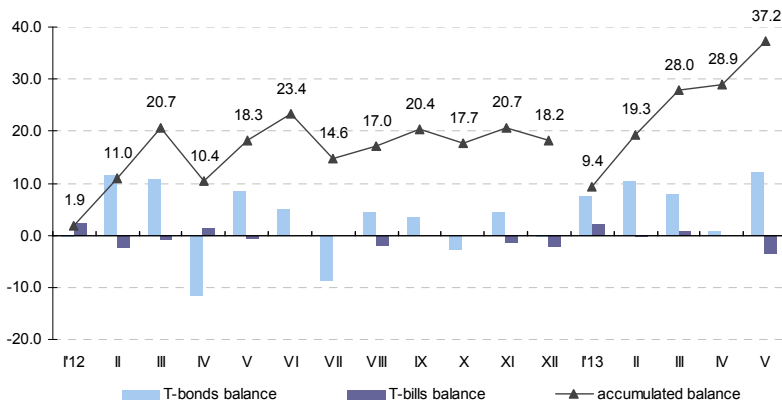


Balance of T-bonds and T-bills in the period of I-V 2013 and n 2012

settlement date, nominal amount, PLN bn

In the period of January - May 2013:

- indebtedness in T-bonds increased by PLN 38.5bn,
- indebtedness in T-bills decreased by PLN 1.3bn.



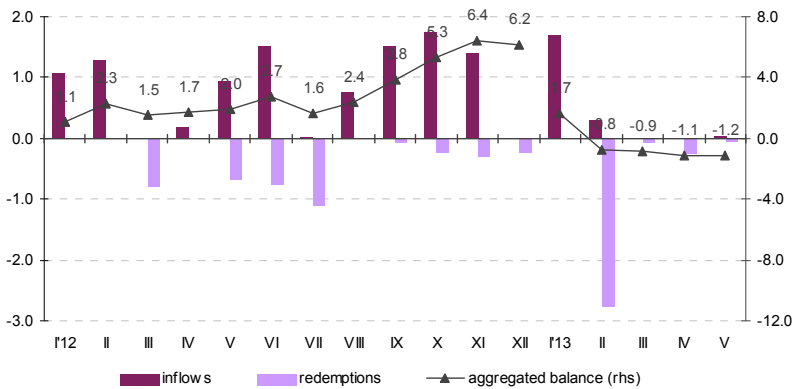


BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

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

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

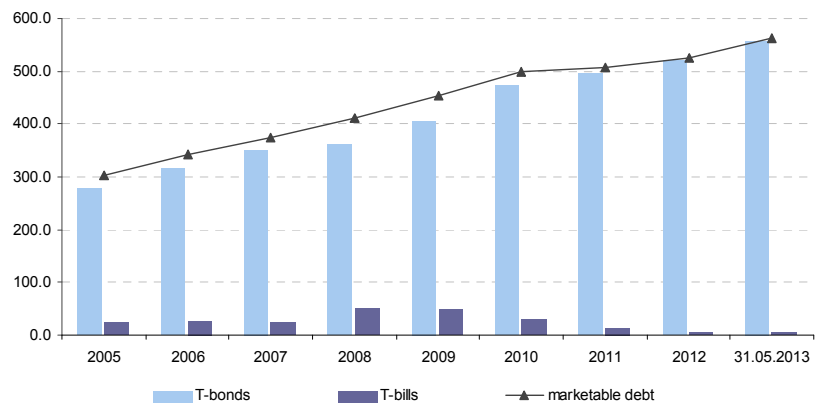
Net financing on foreign markets (bonds issuance and loans from IFIs) amounted to EUR -1.2bn. T-bonds issuance was EUR 1.3bn. Loans incurred from IFIs were at the level of EUR 0.8bn. Apart from those, EUR 4.4bn on the FX budgetary accounts was available - the money related to the foreign debt management raised and not spent in 2012.



Structure of marketable debt

PLN bn

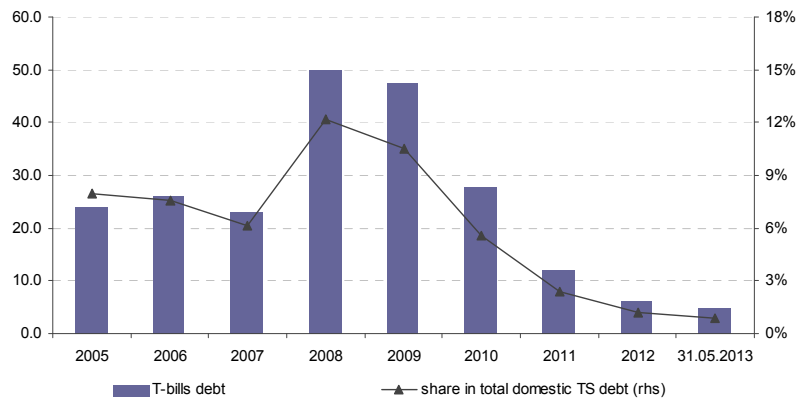
At the end of May 2013 the marketable domestic debt amounted to PLN 563.5bn comparing to PLN 526.1bn at the end of 2012.



T-bills outstanding

PLN bn

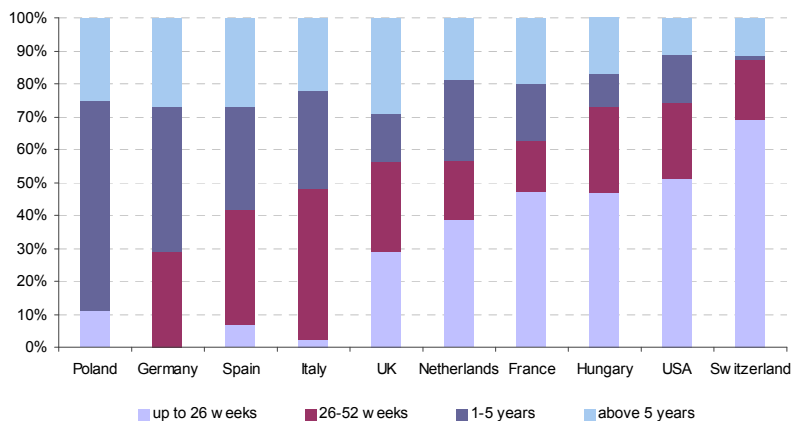
In May 2013 indebtedness in T-bills decreased by PLN 3.6bn to the level of PLN 4.8bn. T-bills share in TS on domestic market amounted to 0.9% at the end of the month.



Maturity breakdown of T-securities in Poland and other countries

auctions and syndicates, local currency, ytd in the period of January 1 - May 31, 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.

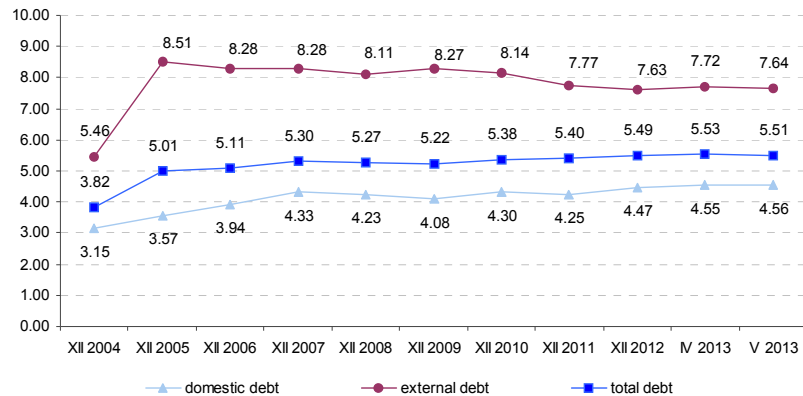




BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

Average maturity

At the end of May 2013 the average maturity of domestic debt increased to 4.56 in comparison with the end-2012 figure (4.47).

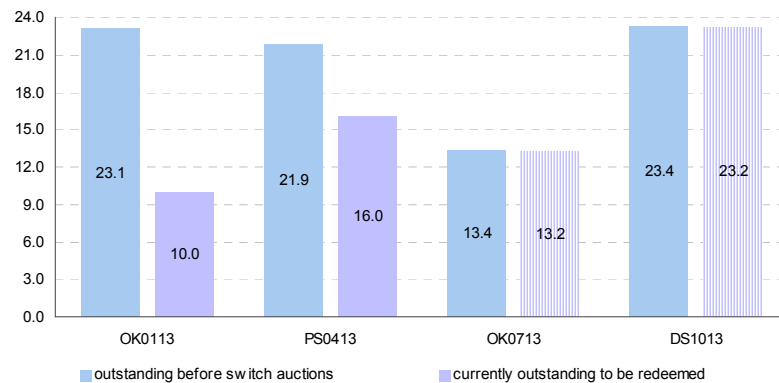


Reducing refinancing risk connected with T-bonds' redemptions maturing in 2013

switch auctions, as of May 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).

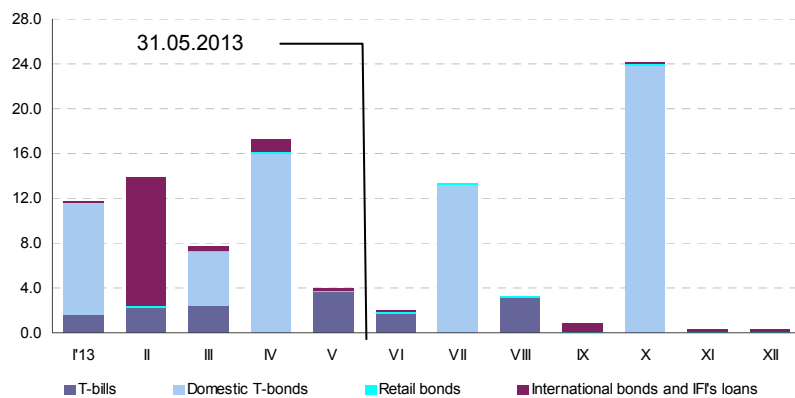


State Treasury debt redemptions in 2013

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

The nominal amount of debt to be redeemed in 2013 is equal to PLN 44.3bn, including:

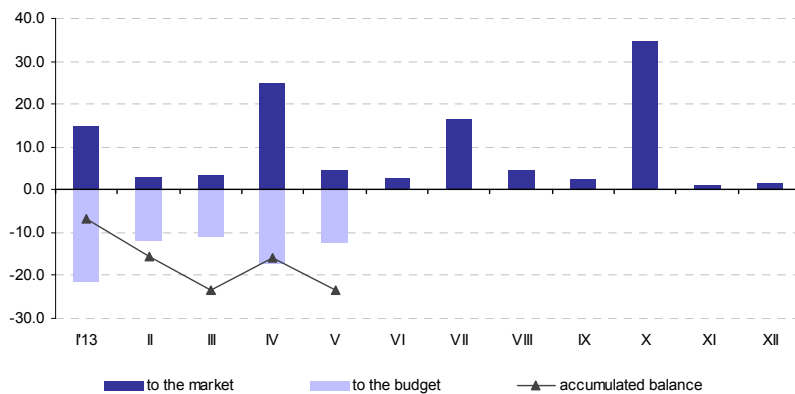
- T-bills: PLN 4.8bn,
- T-bonds: PLN 37.1bn,
- T-retail bonds: PLN 1,0bn,
- bonds and loans incurred on foreign markets: PLN 1.4bn.



Flows of funds between the market and the budget*

as of May 31, 2013, PLN bn

As of May 31, 2013 to the end of the year the proceeds from the redemptions and interest payments to the market shall amount to PLN 56.4bn. Additionally PLN 7.2bn 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

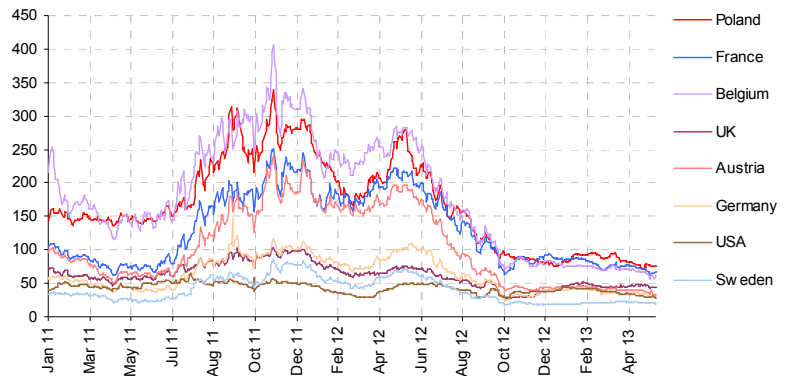
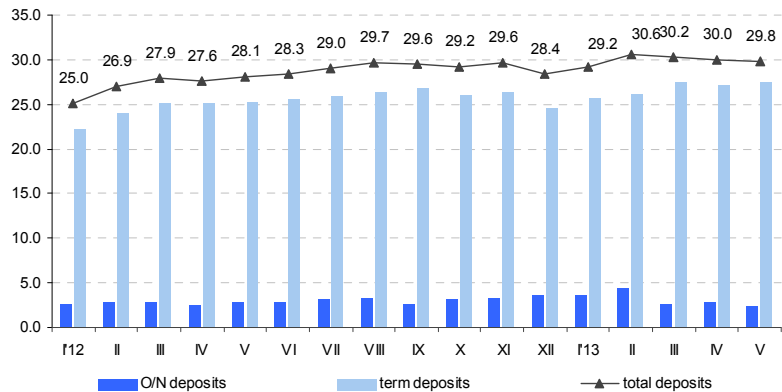
As a result of consolidation of public finances liquidity management there were PLN 29.8bn funds accumulated at the end of May, of which PLN 27.5bn was as term deposits and PLN 2.3bn on O/N deposits.

CDS levels

5-year, bp

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

Comment



**Piotr Marczak, Director of the Public Debt Department, MoF
31-05-2013**

“The high level of financing State budget borrowing needs and increased liquidity cushion by just over PLN 10bn permits to reduce debt of the shortest maturities (...).

Supply of Treasury securities during summer holidays will be significantly limited. In good market situation one Treasury bond auction per month will be held with limited supply. In case of significantly worse situation in the debt market, Poland may abandon T-bond auctions in favour of T-bills sales. Simultaneously another tranche of loan from the World Bank of EUR 1bn will have been incurred. By the end of the year value of T-securities subject to redemption as well as interest payments will be higher than new issuances on the domestic market.”