

State budget borrowing requirements' financing plan and its background

3rd quarter 2013

July 2013

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SUPPLY PLAN OF TREASURY SECURITIES FOR THE 3RD QUARTER 2013

General assumptions

- T-bonds auctions in July and August are planned to be suspended. They may be held in the event of further stabilization of the market situation and declared high demand. In September one sale auction is planned.
- Offer of T-bonds on the domestic market will depend on the market situation and consultations with investors.
- T-bill auctions are not planned.
- Foreign financing will be determined by the situation on the international financial market and the domestic market.
- Announced plan may be modified depending on the market situation.

Sale auctions

Month	Auction date	Settlement date	Series
July	23 JUL 2013	25 JUL 2013	conditional auction - offer depending on the market situation
August	7 AUG 2013	9 AUG 2013	
September	5 SEP 201	9 SEP 201	offer depending on the market situation

Domestic financing

Switch auctions

- In July and August auctions are not planned, possible auction in September (holding subject to the market situation) – securities offered to repurchase would be T-bonds maturing in October 2013 and January 2014.

T-bill auctions

- Not planned.

Foreign financing

- Loans from International Financial Institutions in the amount of up to EUR 2.0bn.
- 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 JULY 2013

Treasury bond auction

Auction date	Settlement date	T-bond
23 JUL 2013	25 JUL 2013	<i>conditional auction</i> <i>- offer depending on the market conditions</i>

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
DOS0715	PLN 100.00 (99.90 PLN for rolling-over)	Fixed, 3.00%
TOZ0716	PLN 100.00 (99.90 PLN for rolling-over)	Floating (1.00 * WIBOR 6M) 3.30% in the first coupon period
COI0717	PLN 100.00 (99.90 PLN for rolling-over)	Floating (inflation rate + 1.25%) 3.50% in the first coupon period
EDO0723	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 81.1bn,
- T-bonds issuance on foreign markets: PLN 5.3bn,
- and loans incurred from IFIs: PLN 2.9bn.

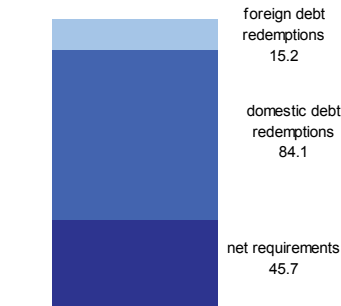
Flows of funds into the market related to T-bonds and T-bills and transfers to Open Pension Funds in July 2013

as of June 30, 2013, PLN bn

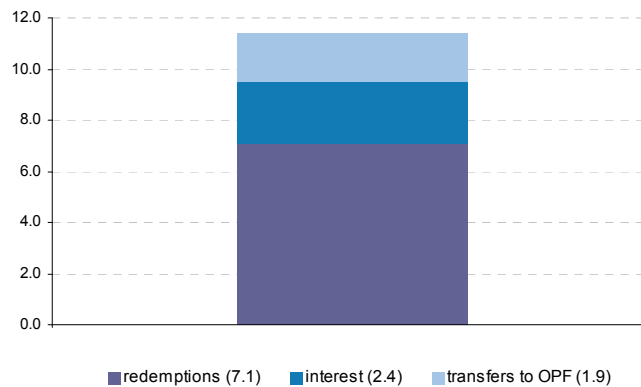
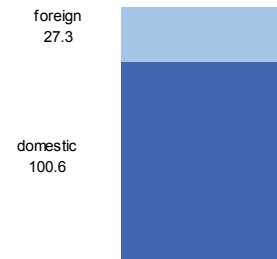
As of June 30, 2013 flow of funds due to redemptions of T-securities, servicing costs and transfers from State budget to Open Pension Funds shall amount to PLN 11.4bn.

Sale and redemption of T-bills in July 2013

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



Funding in the period I-VI
Total PLN 127.9bn (88%)

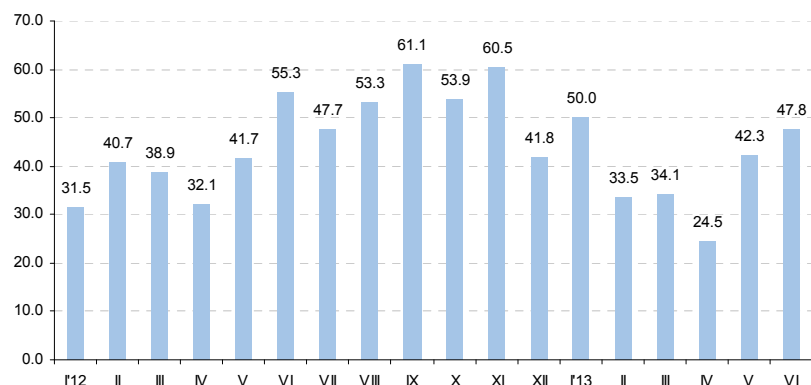


No T-bill auctions are planned in July. Simultaneously there are no such securities maturing in the given month - thus no change in T-bills outstanding. No T-bills sales result from the good actual State budget stance.

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.



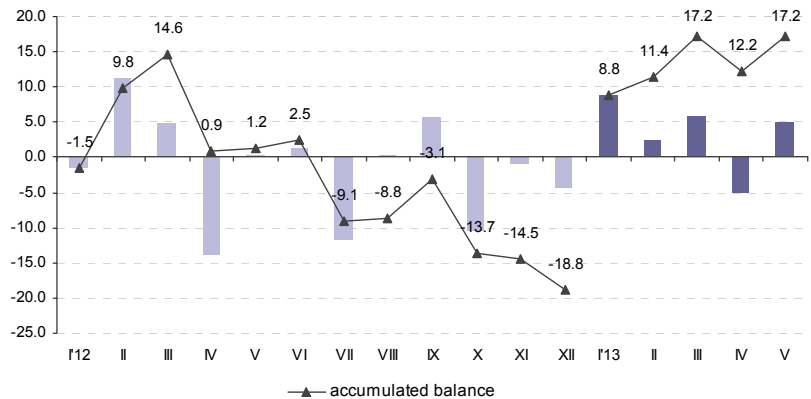


BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

Change of debt in domestic Treasury securities held by banks

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

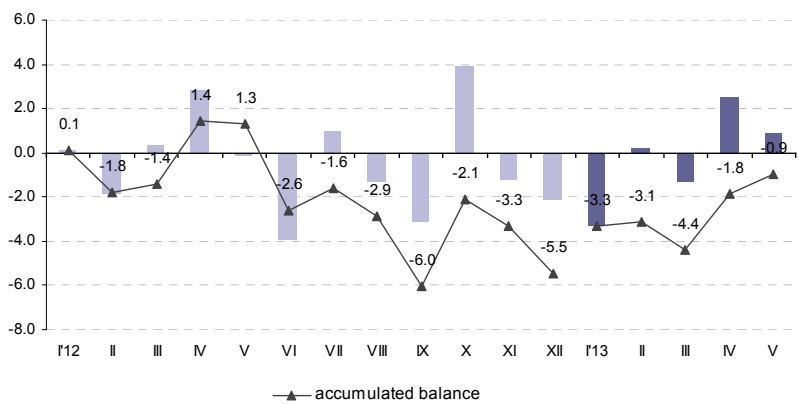
In the period of January - May 2013 debt held by domestic banks increased by PLN 17.2bn comparing to PLN 1.2bn increase during the same period of 2012.



Change of debt in domestic Treasury securities held by pension funds

PLN bn

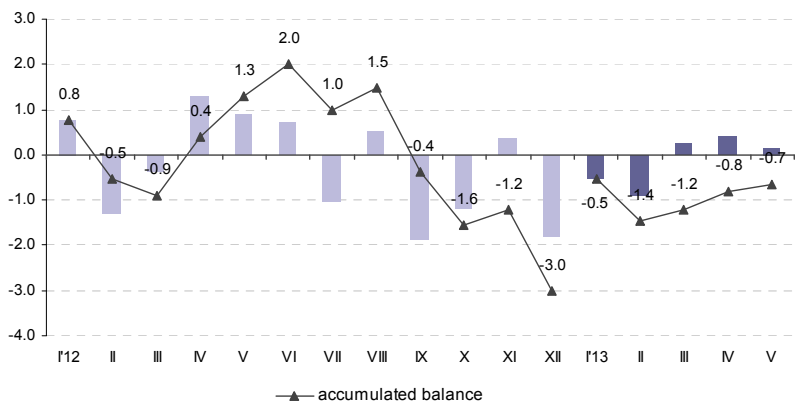
In the period of January - May 2013 debt held by pension funds decreased by PLN 0.9bn comparing to PLN 1.3bn increase during the same period of 2012.



Change of debt in domestic Treasury securities held by insurance companies

PLN bn

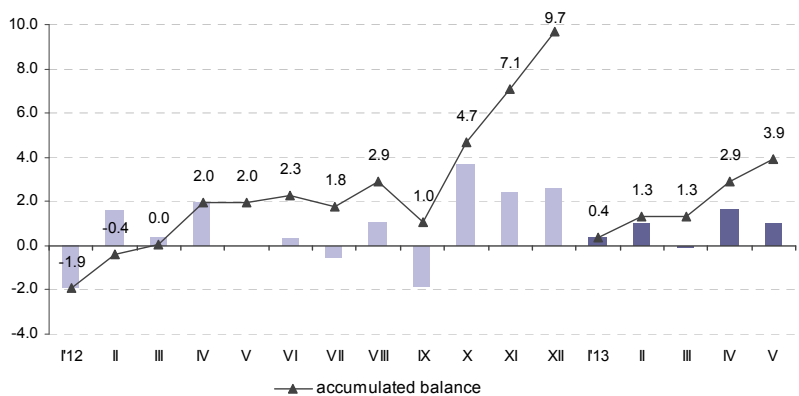
In the period of January - May 2013 there was a decrease of PLN 0.7bn in debt held by insurance companies. During the same period of 2012 there was an increase of PLN 1.3bn.



Change of debt in domestic Treasury securities held by investment funds

PLN bn

In the period of January - May 2013 there was an increase of PLN 3.9bn in debt held by investment funds. During the same period of 2012 there was an increase of PLN 2.0bn.



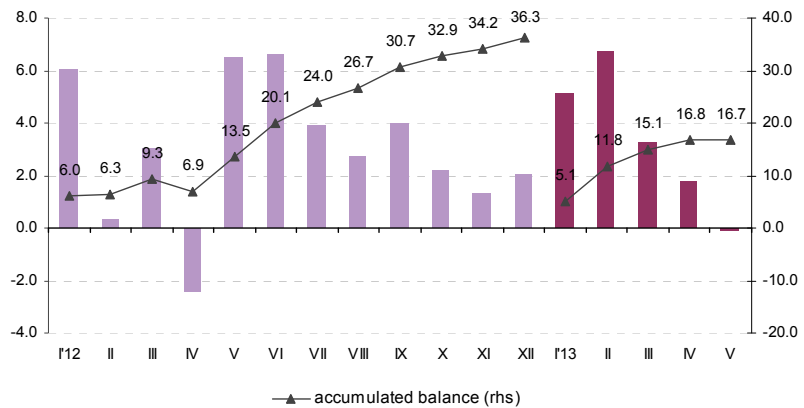


BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

Change of debt in domestic Treasury securities held by foreign investors

PLN bn

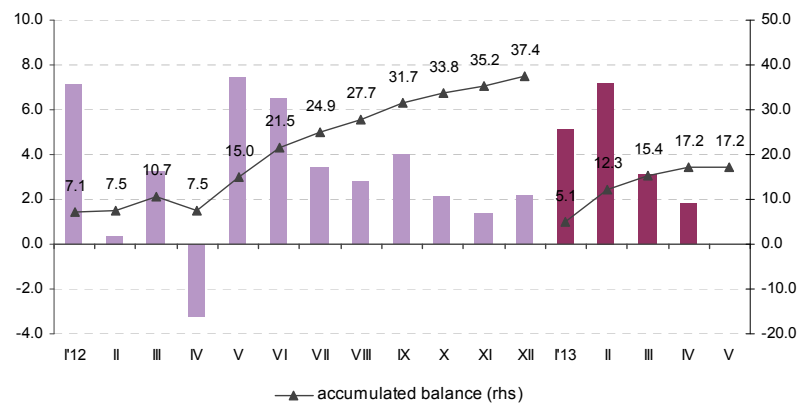
In the period of January - May 2013 inflow of foreign capital to the domestic TS market amounted to PLN 16.7bn comparing to PLN 13.5bn increase in the same period of 2012. Foreign investors' holdings reached the level of PLN of 207.2bn.



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

PLN bn

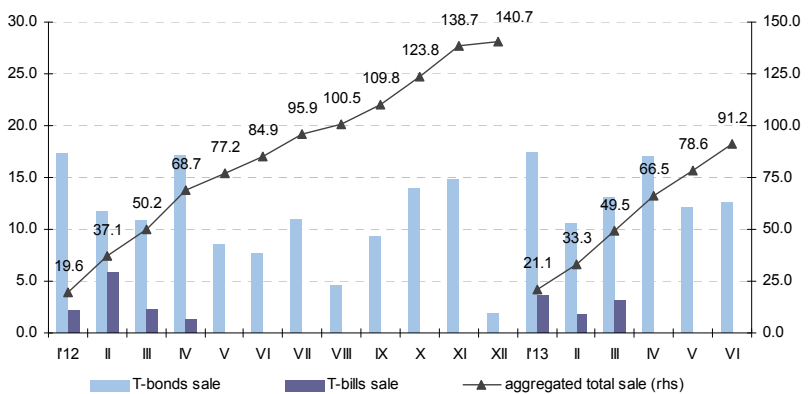
In the period of January - May 2013 inflow of foreign capital to domestic bonds market amounted to PLN 17.2bn comparing to PLN 15.0bn increase in the same period of 2012. Foreign investors' holdings reached the level of PLN 207.0bn.



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

settlement date, nominal amount, PLN bn

The structure of Treasury securities offered in 2013 is dominated by T-bonds (91%).

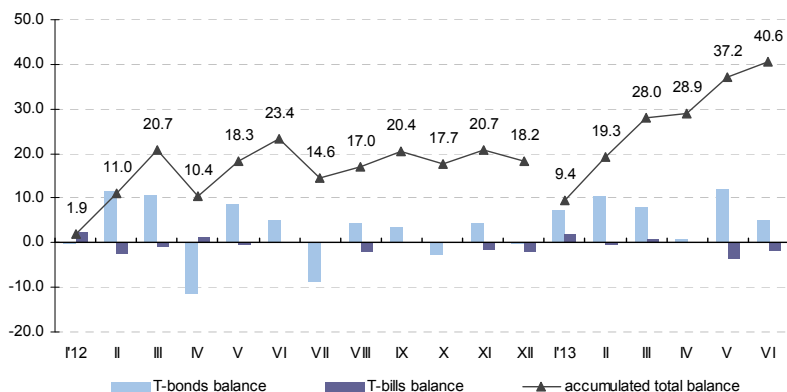


Balance of T-bonds and T-bills in the period of I-VI 2013 and in 2012

settlement date, nominal amount, PLN bn

In the period of January - June 2013:

- indebtedness in T-bonds increased by PLN 43.6bn,
- indebtedness in T-bills decreased by PLN 3.0bn.



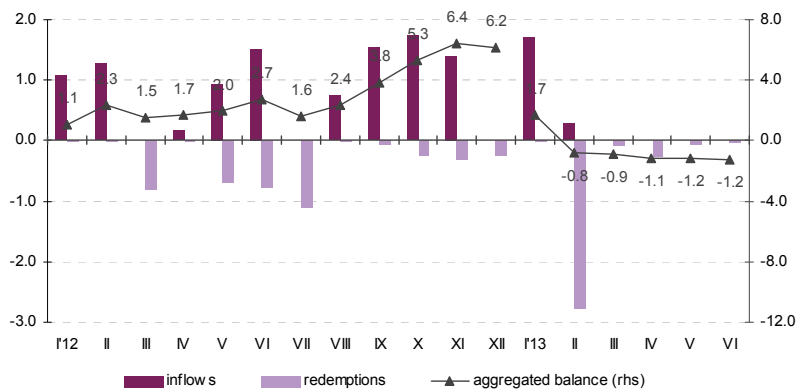


BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

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

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

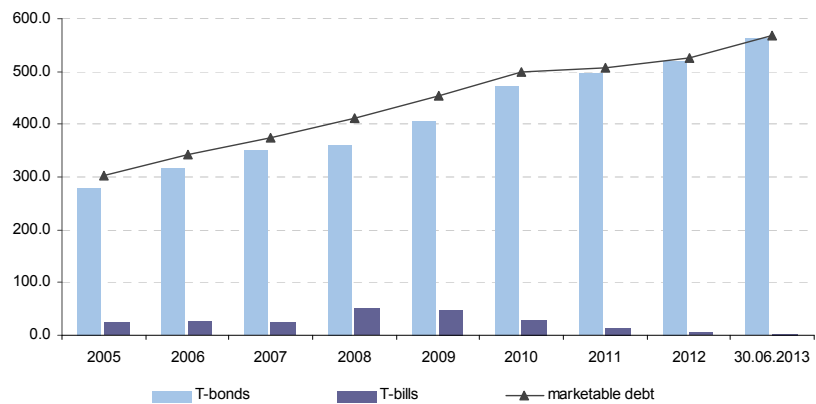
Net financing on foreign markets (bonds issuance and loans from IFIs) amounted to EUR -1.2bn. T-bonds issuance was EUR 1.3bn. Loans incurred from IFIs were at the level of EUR 0.7bn. Apart from those, EUR 4.4bn on the FX budgetary accounts was available - the money related to the foreign debt management raised and not spent in 2012.



Structure of marketable debt

PLN bn

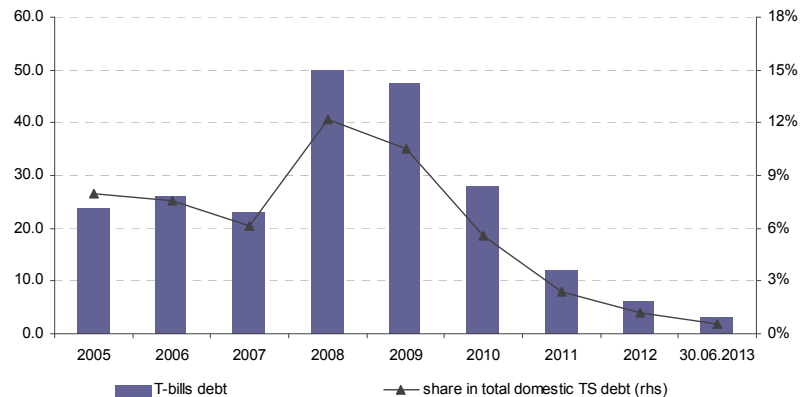
At the end of June 2013 the marketable domestic debt amounted to PLN 567.0bn comparing to PLN 526.1bn at the end of 2012.



T-bills outstanding

PLN bn

In June 2013 indebtedness in T-bills decreased by PLN 1.7bn to the level of PLN 3.1bn. T-bills share in total domestic debt amounted to 0.5% 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 - June 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 (January-March) in the Polish TS structure again.

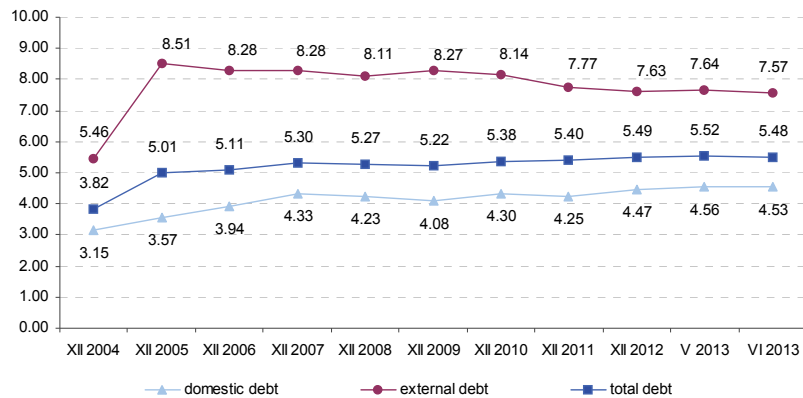




BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

Average maturity

At the end of June 2013 the average maturity of domestic debt increased to 4.53 in comparison with the end-2012 figure (4.47).

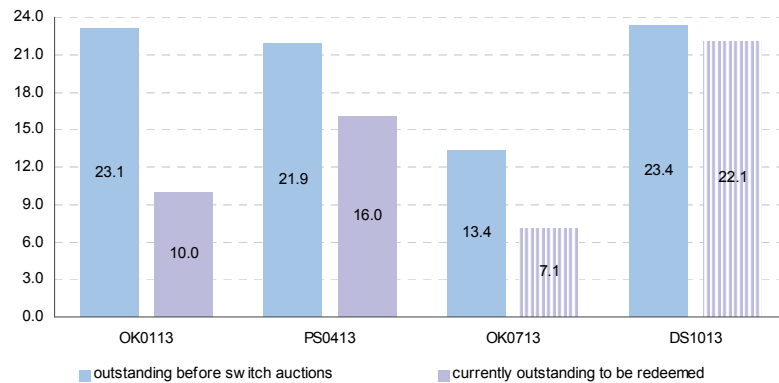


Reducing refinancing risk connected with T-bonds' redemptions maturing in 2013

switch auctions, as of June 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 6.3bn (47% of initial outstanding),
- DS1013: PLN 1.3bn (6% of initial outstanding).

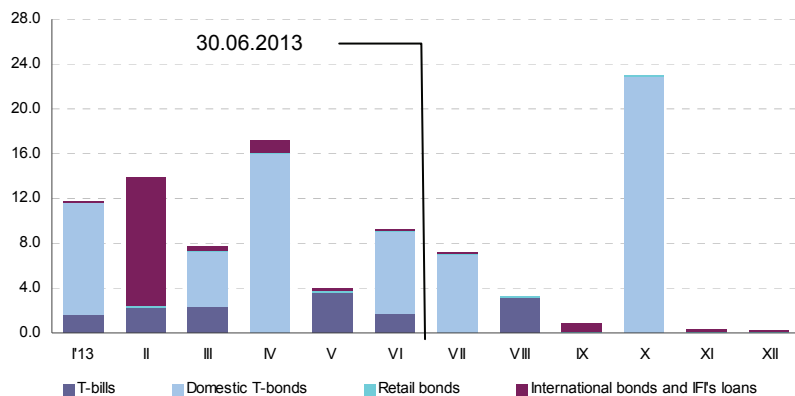


State Treasury debt redemptions in 2013

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

The nominal amount of debt to be redeemed in 2013 is equal to PLN 35.1bn, including:

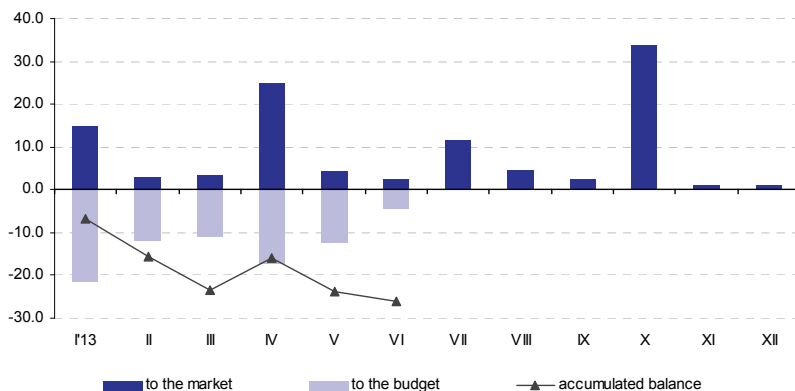
- T-bills: PLN 3.1bn,
- T-bonds: PLN 29.9bn,
- T-retail bonds: PLN 0.8bn,
- bonds and loans incurred on foreign markets: PLN 1.3bn.



Flows of funds between the market and the budget*

as of June 30, 2013, PLN bn

As of June 30, 2013 to the end of the year the proceeds from the redemptions and interest payments to the market shall amount to PLN 47.5bn. Additionally PLN 6.6bn 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.



BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

Consolidation of public finances liquidity management

PLN bn

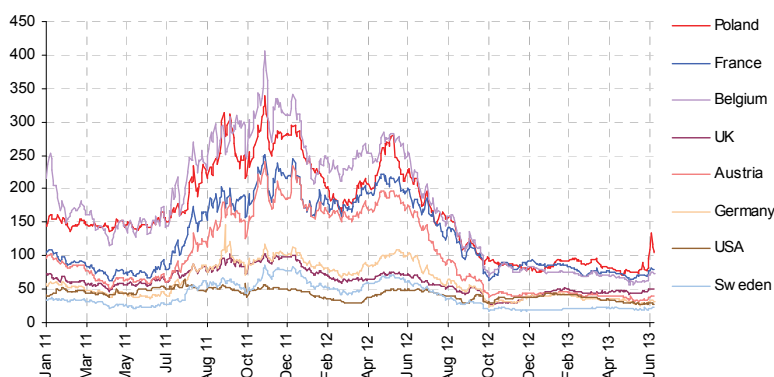
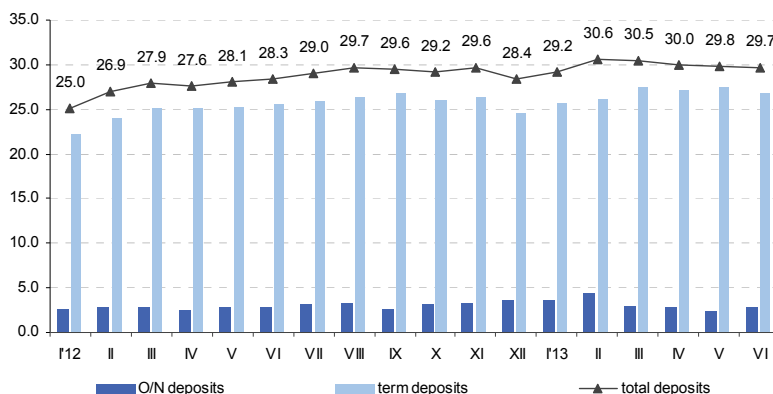
As a result of consolidation of public finances liquidity management there were PLN 29.7bn funds accumulated at the end of June, of which PLN 26.9bn was as term deposits and PLN 2.9bn on O/N deposits.

CDS levels

5-year, bp

Ben Bernanke's comment on tapering off QE3 negatively affected emerging markets including their CDS levels. Polish contracts reached the maximum level in the 2nd part of 2013. Currently the contracts are decreasing, approaching gradually the levels of CDS of the higher rated countries.

Comment



**Piotr Marczak, Director of the Public Debt Department, MoF
26-06-2013**

"In July EUR 1bn loan from the World Bank will be drawn. Including this loan, 91% of the annual State budget borrowing requirements will have been financed. Taking into consideration scheduled non-marketable financing, there will be about PLN 7bn to be financed yet. (...)

High portion of the State budget borrowing requirements already financed, further liquid funds increase, volatile situation on the financial markets as well as summer holidays time justify the decrease of Treasury securities supply in the forthcoming months. Thus Treasury securities auctions will be suspended in July and August. Simultaneously, subject to market feedback, i.e. further stabilization in financial markets and a substantial demand for Polish Treasury securities, we allow the possibility of organizing auction during the summer break. Hence the supply plan for the 3rd quarter shows summer auctions as conditional ones.

In July PLN 9.5bn will be transferred from the budget to the market as interest payments and bonds redemptions. Additionally, almost PLN 2bn will be transferred to Open Pension Funds. Nearly PLN 11.5bn of funds flowing to the market will contribute to further stabilization on Polish debt market. In August we will redeem the last outstanding T-bills, thereby for the first time ever the indebtedness in T-bills will drop to zero.

Foreign investors' portfolio in May practically did not changed, as the result of net sale of T-bonds by foreign investors in the last days of May. In June foreign investors holdings decreased by ca. 2%. Domestic entities benefited from the T-bonds sale by few foreign investors and bought the securities at favourable prices."