

State budget borrowing requirements' financing plan and its background

September 2013

THE MOST IMPORTANT INFORMATION

• Monthly issuance calendar	2
• T-bills debt decreased to zero	3
• Comments	8



SUPPLY PLAN OF TREASURY SECURITIES IN SEPTEMBER 2013

Treasury bond auction

Auction date	Settlement date	Series	Planned offer (PLN m)
5 SEP 2013	9 SEP 2013	OK0116 / PS0718	5,000-7,000

*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.*

At today's auction the Ministry of Finance sold T-bond OK-series at the level of PLN 2.808bn and the yield of 3.474% and PS-series at the level of PLN 2.899bn and the yield of 4.219%.

Treasury bond switching auction

Auction date / Settlement date	Settlement T-bonds	Source T-bonds	Source T-bonds (PLN m)
25 SEP 2013/ 27 SEP 2013	offer depending on the market situation	DS1013	22,095
		OK0114	21,808

Offer on retail market

T-bond	Issue price	Coupon
DOS0915	PLN 100.00 (99.90 PLN for rolling-over)	Fixed, 3.00%
TOZ0916	PLN 100.00 (99.90 PLN for rolling-over)	Floating (1.00 * WIBOR 6M) 3.30% in the first coupon period
COI0917	PLN 100.00 (99.90 PLN for rolling-over)	Floating (inflation rate + 1.25%) 3.50% in the first coupon period
EDO0923	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:

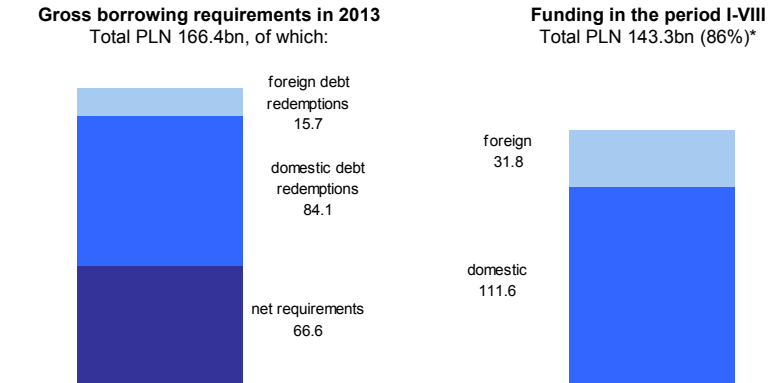
- switch auctions in 2012: PLN 13.2bn,
- T-bonds buyback on foreign markets in 2012: PLN 0.9bn,
- higher than planned financial resources at the end of 2012: PLN 24.5bn,
- T-securities sale on domestic market: PLN 92.0bn,
- T-bonds issuance on foreign markets: PLN 5.3bn,
- and loans incurred from IFIs: PLN 7.5bn.

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

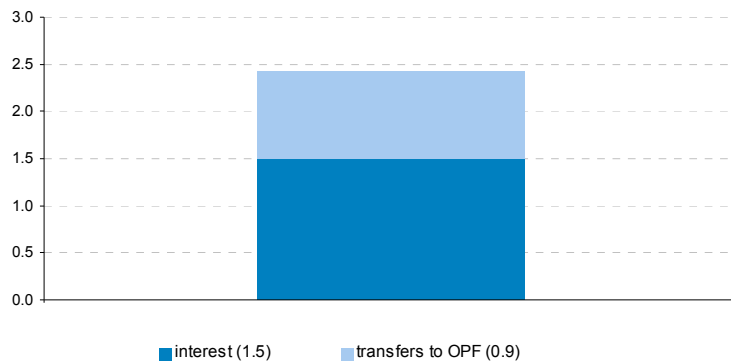
as of August 31, 2013, PLN bn

As of August 31, 2013 flow of funds due to servicing costs and transfers from State budget to Open Pension Funds shall amount to PLN 2.4bn.

Sale and redemption of T-bills in September 2013



* auction of Sept 5th, 2013 included

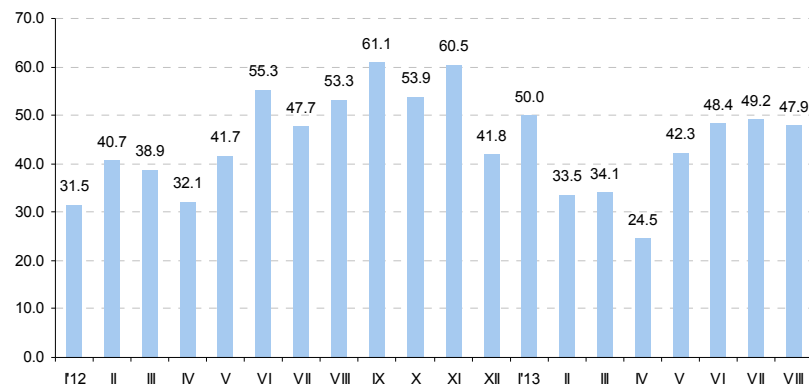


There is no T-bill debt at the moment. Simultaneously no T-bill auctions are planned in September.

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

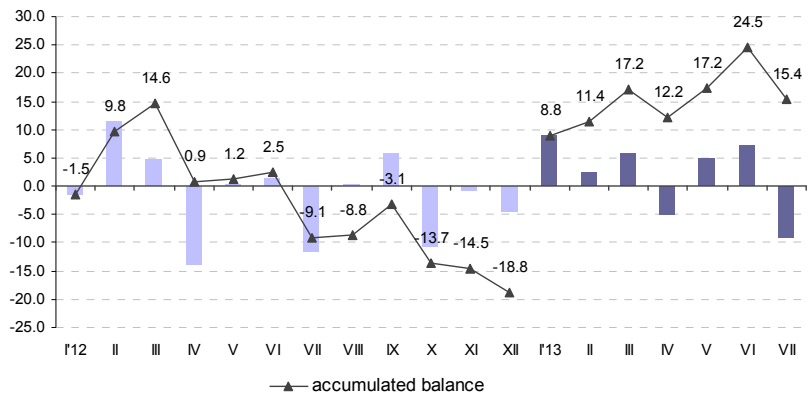
The funds ensure liquidity in borrowing needs financing.



Change of debt in domestic Treasury securities held by banks

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

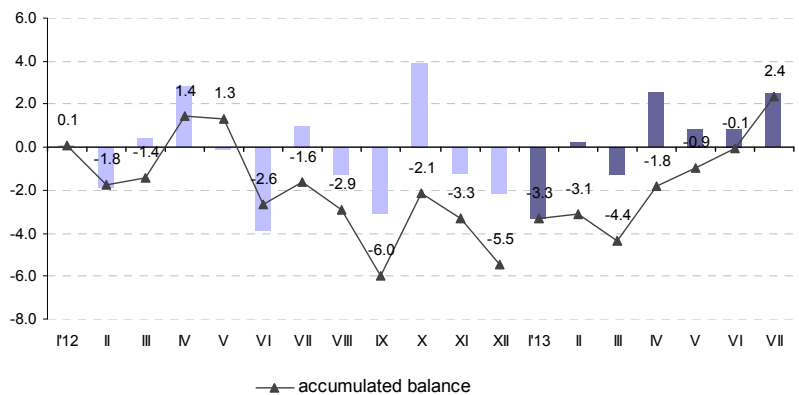
In the period of January - July 2013 debt held by domestic banks increased by PLN 15.4bn comparing to PLN 9.1bn decrease during the same period of 2012.



Change of debt in domestic Treasury securities held by pension funds

PLN bn

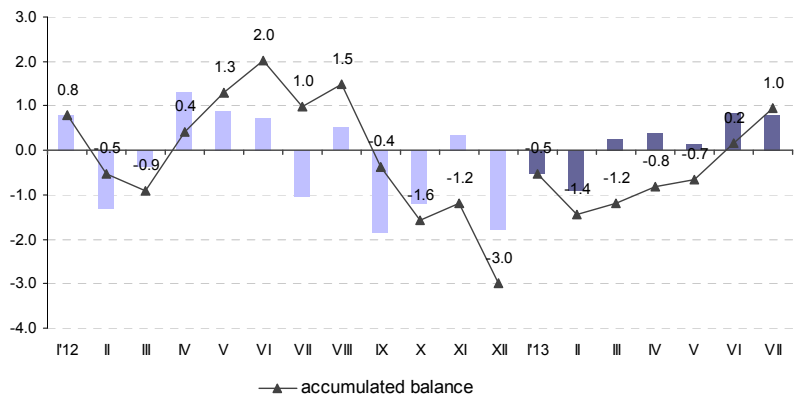
In the period of January - July 2013 debt held by pension funds increased by PLN 2.4bn comparing to PLN 1.6bn decrease during the same period of 2012.



Change of debt in domestic Treasury securities held by insurance companies

PLN bn

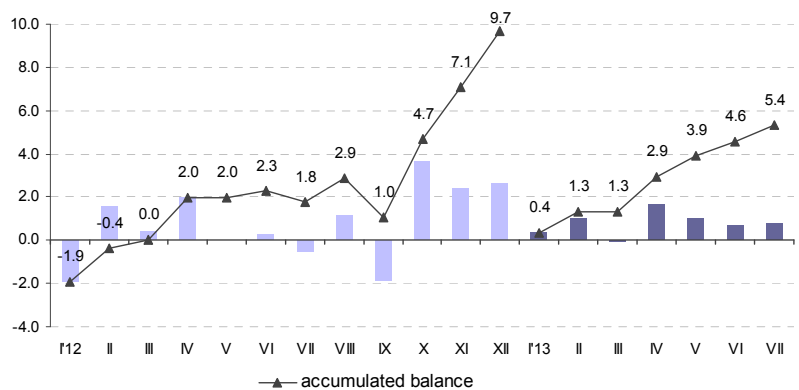
In the period of January - July 2013 there was an increase of PLN 1.0bn in debt held by insurance companies. During the same period of 2012 there was an increase of PLN 1.0bn.



Change of debt in domestic Treasury securities held by investment funds

PLN bn

In the period of January - July 2013 there was an increase of PLN 5.4bn in debt held by investment funds. During the same period of 2012 there was an increase of PLN 1.8bn.



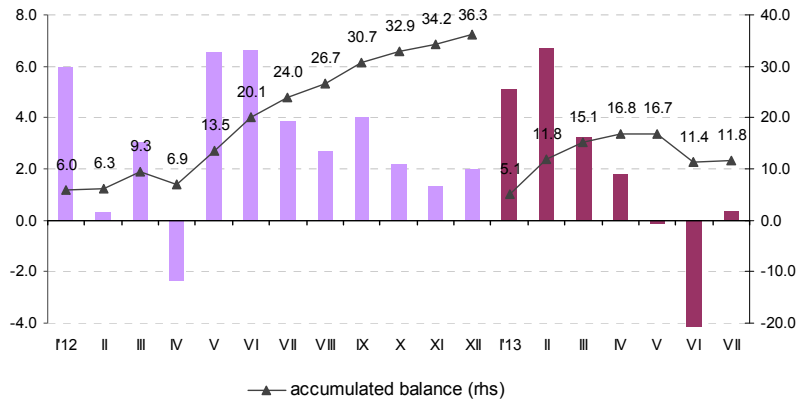


BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

Change of debt in domestic Treasury securities held by foreign investors

PLN bn

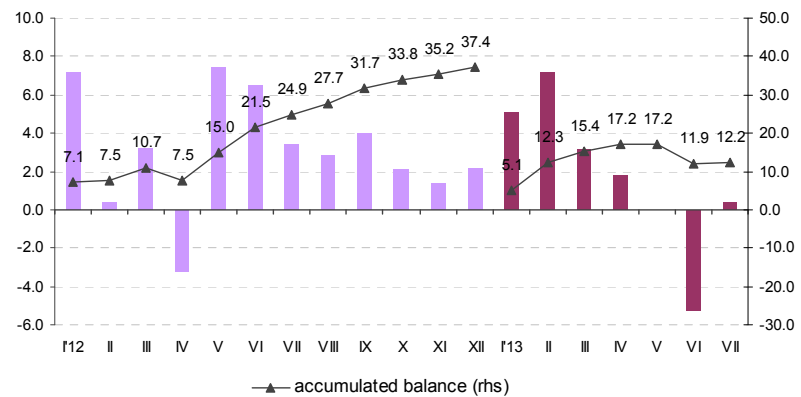
In the period of January - July 2013 inflow of foreign capital to the domestic TS market amounted to PLN 11.8bn comparing to PLN 24.0bn increase in the same period of 2012. Foreign investors' holdings reached the level of PLN of 202.2bn.



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

PLN bn

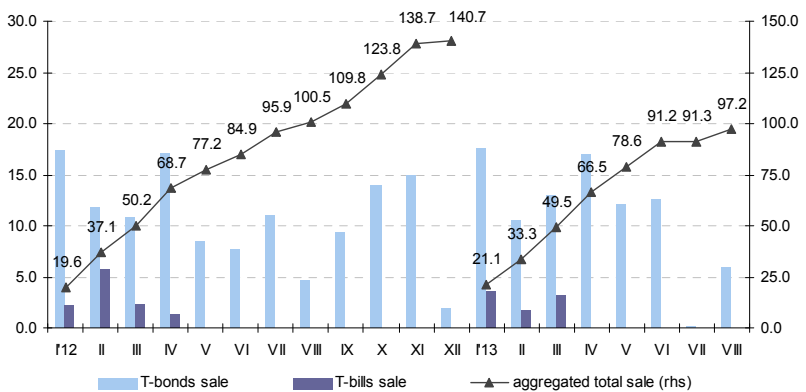
In the period of January - July 2013 inflow of foreign capital to domestic bonds market amounted to PLN 12.2bn comparing to PLN 24.9bn increase in the same period of 2012. Foreign investors' holdings reached the level of PLN 202.1bn.



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

settlement date, nominal amount, PLN bn

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

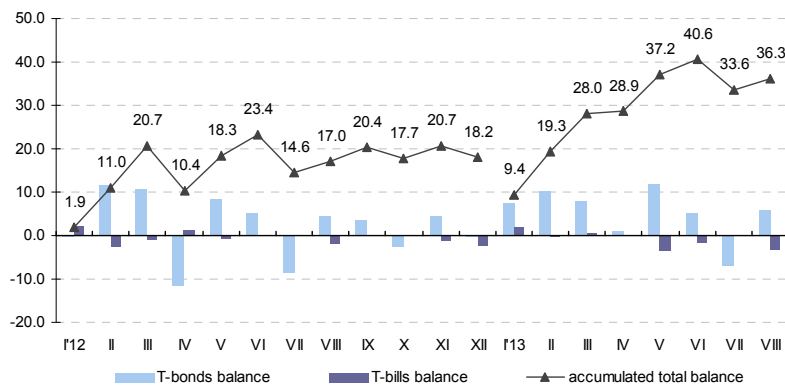


Balance of T-bonds and T-bills in the period of I-VIII 2013 and in 2012

settlement date, nominal amount, PLN bn

In the period of January - August 2013:

- indebtedness in T-bonds increased by PLN 42.4bn,
- indebtedness in T-bills decreased by PLN 6.1bn.





BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

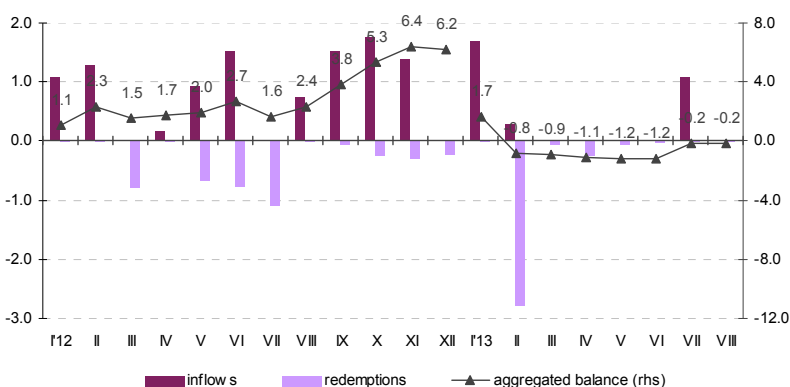
External financing in the period of I-VIII 2013 and in 2012

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 -0.2bn.

T-bonds issuance was EUR 1.3bn. Loans incurred from IFIs were at the level of EUR 1.8bn.

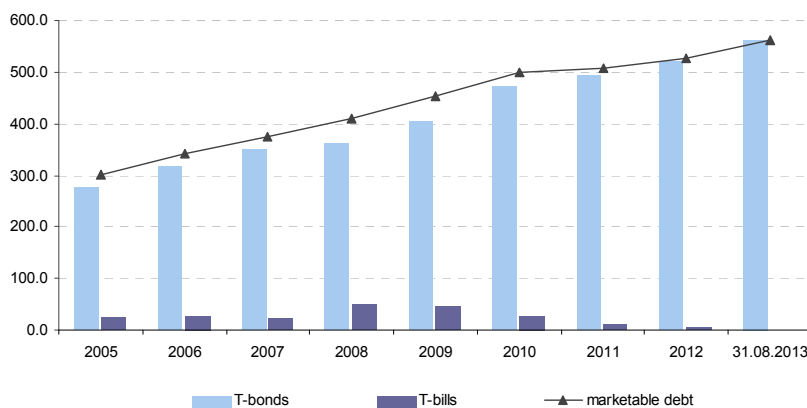
Apart from those, EUR 4.4bn on the FX budgetary accounts was available - the money related to the foreign debt management raised and not spent in 2012.



Structure of marketable debt

PLN bn

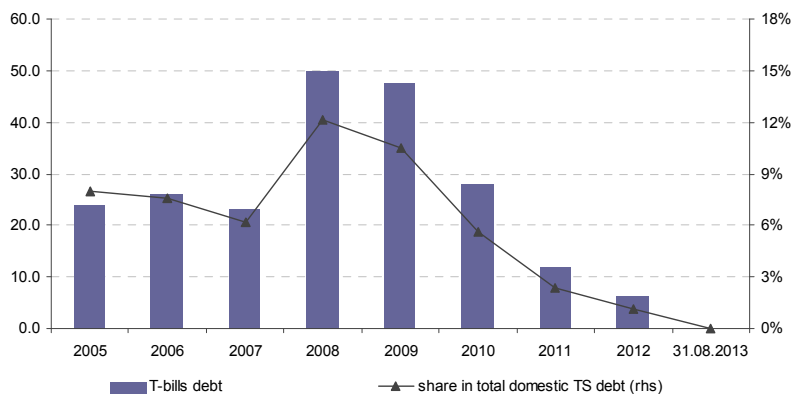
At the end of August 2013 the marketable domestic debt amounted to PLN 562.5bn comparing to PLN 526.1bn at the end of 2012.



T-bills outstanding

PLN bn

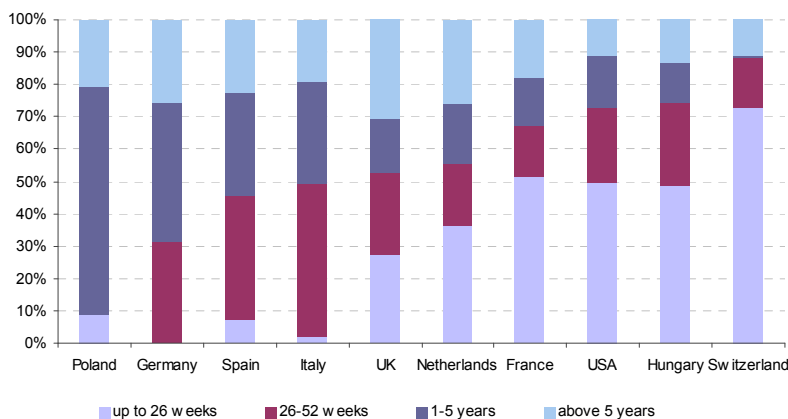
In August 2013 indebtedness in T-bills decreased by PLN 3.1bn to zero level.



Maturity breakdown of T-securities in Poland and other countries

auctions and syndicates, local currency, ytd in the period of January 1 - August 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 (January - March) in the Polish TS structure again.

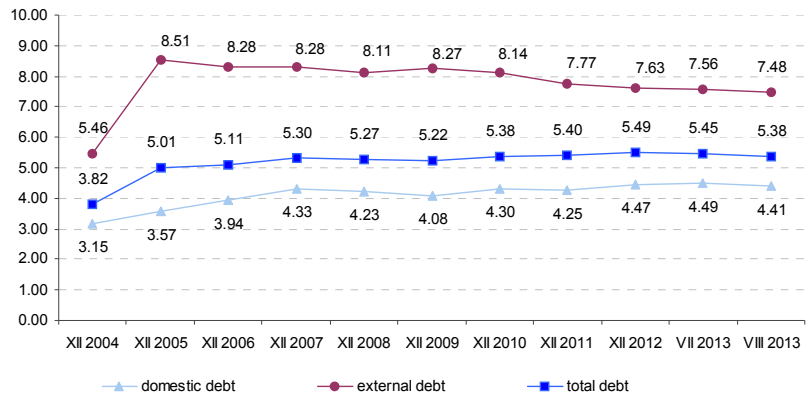




BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

Average maturity

At the end of August 2013 the average maturity of domestic debt decreased to 4.41 in comparison with the end-2012 figure (4.47).

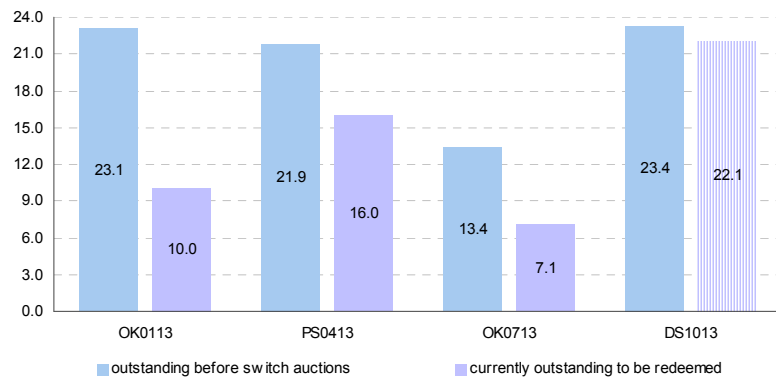


Reducing refinancing risk connected with T-bonds' redemptions maturing in 2013

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

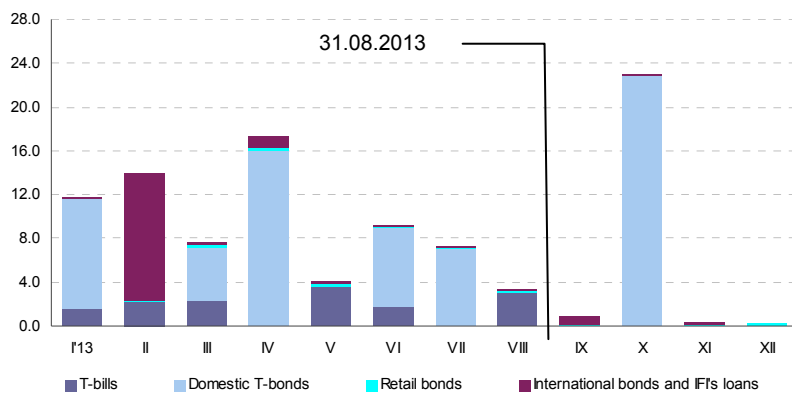


State Treasury debt redemptions in 2013

nominal amount, as of August 31, 2013
PLN bn

The nominal amount of debt to be redeemed in 2013 is equal to PLN 24.6bn, including:

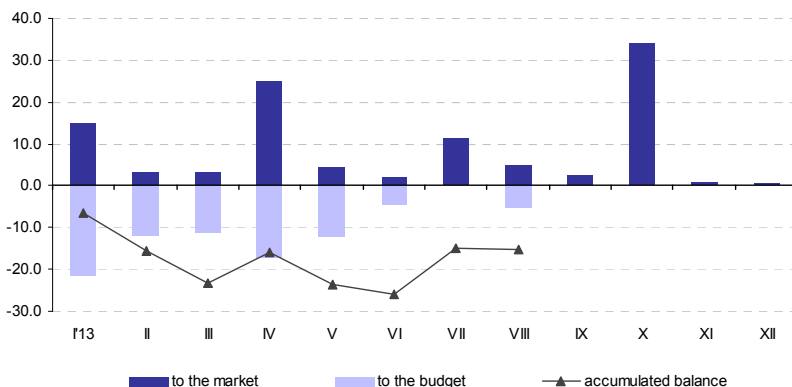
- T-bonds: PLN 22.8bn,
- T-retail bonds: PLN 0.6bn,
- loans incurred on foreign markets: PLN 1.2bn.



Flows of funds between the market and the budget*

as of August 31, 2013, PLN bn

As of August 31, 2013 to the end of the year the proceeds from the redemptions and interest payments to the market shall amount to PLN 34.2bn. Additionally PLN 3.5bn 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.

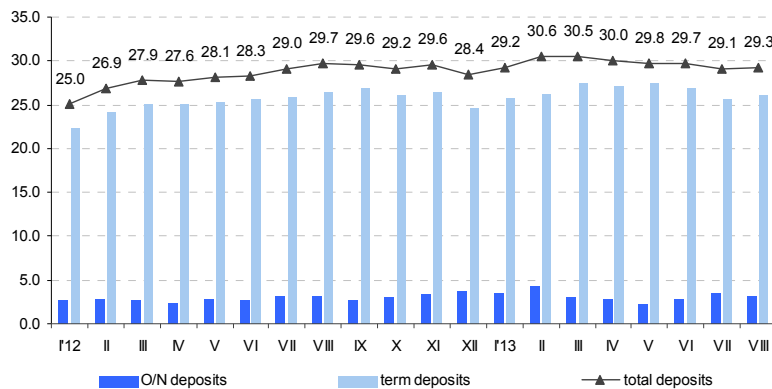


BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

Consolidation of public finances liquidity management

PLN bn

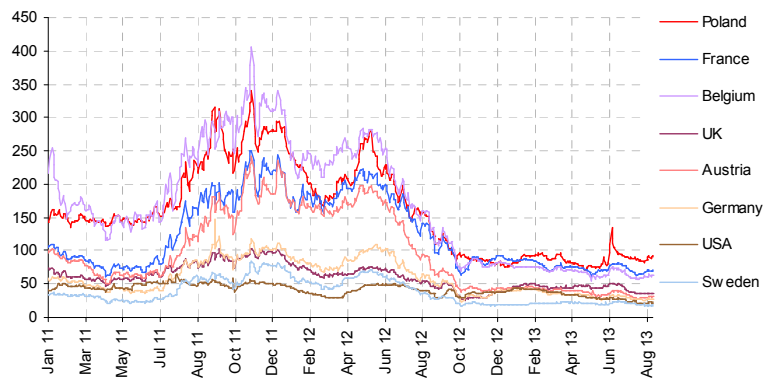
As a result of consolidation of public finances liquidity management there were PLN 29.3bn funds accumulated at the end of August, of which PLN 26.1bn was as term deposits and PLN 3.2bn on O/N deposits.



CDS levels

5-year, bp

Polish contracts are priced at the levels comparable to CDS of the higher rated countries.



Fitch revises Poland's outlook to stable; affirms at A- 23-08-2013

„Fitch Ratings has revised Poland's Outlook to Stable from Positive while simultaneously affirming its Long-term foreign and local currency Issuer Default Ratings (IDR) at 'A-' and 'A', respectively.

(...) The Stable Outlook reflects Fitch's assessment that upside and downside risks to the rating are currently well balanced. Nonetheless, the following risk factors individually, or collectively, could trigger a positive rating action:

- Material progress with fiscal consolidation that lowers the budget deficit and puts the public debt ratio on a clear downward path.
- A material reduction in external debt ratios.

The following risk factors individually, or collectively, could trigger a negative rating action:

- A pronounced fiscal loosening that endangers the achievement of medium-term budget deficit and debt reduction targets.
- Weak economic performance, resulting either from external or domestic shocks.”

Read full text [HERE](#)

FitchRatings' Comment

Moody's Issuer Comment: Poland: Favorable current account performance improves external finances 14-08-2013

“We expect favorable current account dynamics to persist through the end of 2013, increasing balance of payments sustainability and curbing external vulnerabilities, a credit positive.

(...) We expect the pace of improvement in the trade balance to slow in the second half of the year as domestic demand recovers. Nevertheless, given the notable shift in the trade balance, we are updating our 2013 current account deficit forecast to 2.0% of GDP from 2.7% previously. Should the external deficit continue to narrow or remain at low levels, the broader economy could benefit from a stronger external payments position that would further boost economic sentiment, and over the medium term, enhance Poland's creditworthiness.”

Moody's Comment