

**State budget borrowing requirements'
financing plan and its background**
4th quarter 2013
October 2013

THE MOST IMPORTANT INFORMATION

• Quarterly issuance calendar	2
• Monthly issuance calendar	3
• Comments	9



SUPPLY PLAN OF TREASURY SECURITIES FOR THE 4TH QUARTER 2013

General assumptions

- T-bond auctions are planned according to yearly issuance calendar
- Offer of T-bonds on the domestic market will depend on the market situation and the 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
October	3 OCT 2013	7 OCT 2013	PS0718
	22 OCT 2013	24 OCT 2013	choice will depend on the market conditions among the following: OK0116, DS1023*, WS, WZ and IZ
November	7 NOV 2013	12 NOV 2013	offer will depend on the market conditions

* DS1023 will be settled on 25 OCT 2013.

Domestic financing

Switch auctions

Month	Auction date	Settlement date	Series
November	20 NOV 2013	22 NOV 2013	offer will depend on the market conditions
December	5 DEC 2013	9 DEC 2013	

* Securities offered to repurchase will be T-bonds maturing from January to April 2014.

T-bill auction

- not planned.

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
- Loans from International Financial Institutions
- Buy-back of foreign T-bonds maturing in 2014 is planned.



SUPPLY PLAN OF TREASURY SECURITIES IN OCTOBER 2013

Treasury bond auction

Auction date	Settlement date	Series	Planned offer (PLN m)
3 OCT 2013	7 OCT 2013	PS0718	2,500-4,500
22 OCT 2013	24 OCT 2013	choice will depend on the market conditions among the following: OK0116, DS1023*, WS, WZ and IZ	6,000-12,000

* DS1023 will be settled on 25 OCT 2013.

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 the auction on Oct, 3rd 2013 the Ministry of Finance sold T-bond PS-series at the level of PLN 3.008bn and the yield of 3.819%.

Buy-back auction of EUR nominated T-bond

Auction/ settlement date	Buy-back T-bonds Series	Maturity date	Nominal value of buy-back (EUR m)
16 OCT 2013/ 18 OCT 2013	EUR20140203	3 FEB 2014	up to 500

Offer on retail market

T-bond	Issue price	Coupon
DOS1015	PLN 100.00 (99.90 PLN for rolling-over)	Fixed, 3.00%
TOZ1016	PLN 100.00 (99.90 PLN for rolling-over)	Floating (1.00 * WIBOR 6M) 3.30% in the first coupon period
COI1017	PLN 100.00 (99.90 PLN for rolling-over)	Floating (inflation rate + 1.25%) 3.50% in the first coupon period
EDO1023	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 95.5bn,
- T-bonds issuance on foreign markets: PLN 5.3bn,
- and loans incurred from IFIs: PLN 11.6bn.

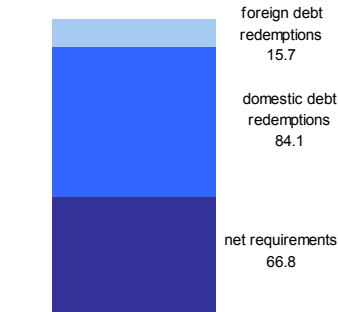
Flows of funds into the market related to T-bonds and T-bills and transfers to Open Pension Funds in October 2013

as of September 30, 2013, PLN bn

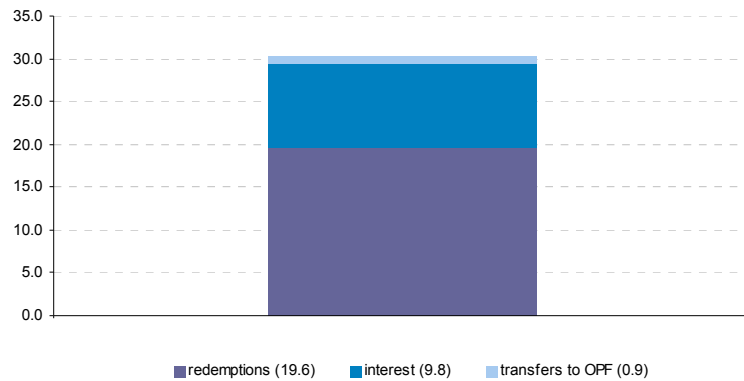
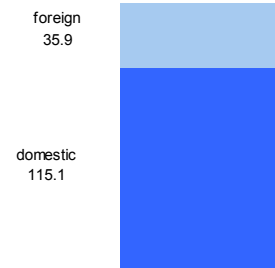
As of September 30, 2013 flow of funds due to servicing costs and transfers from State budget to Open Pension Funds shall amount to PLN 30.3bn.

Sale and redemption of T-bills in October 2013

Gross borrowing requirements in 2013
Total PLN 166.6bn, of which:



Funding in the period I-IX
Total PLN 151.0bn (91%)

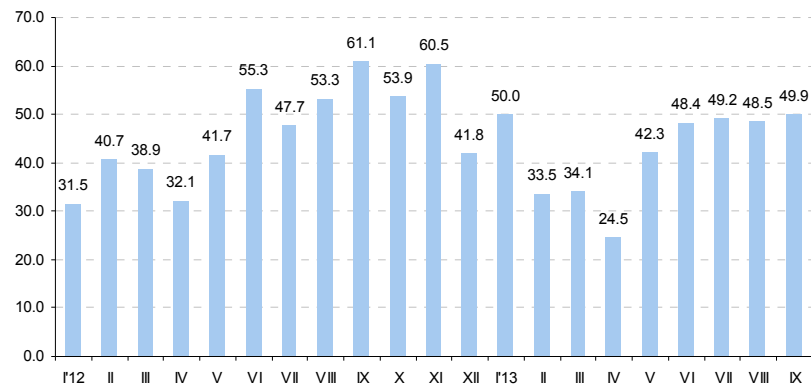


There is no T-bill debt at the moment. Simultaneously no T-bill auctions are planned in October.

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.



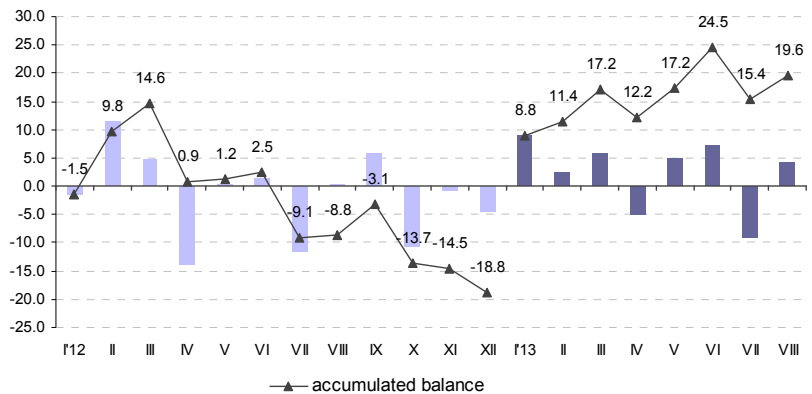


BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

Change of debt in domestic Treasury securities held by banks

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

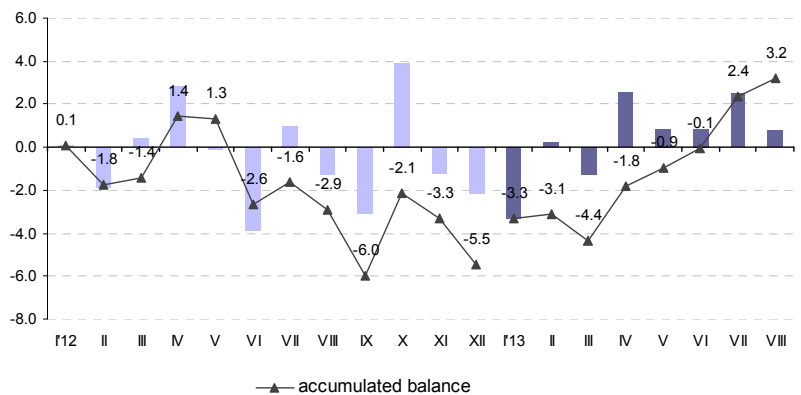
In the period of January - August 2013 debt held by domestic banks increased by PLN 19.6bn comparing to PLN 8.8bn decrease during the same period of 2012.



Change of debt in domestic Treasury securities held by pension funds

PLN bn

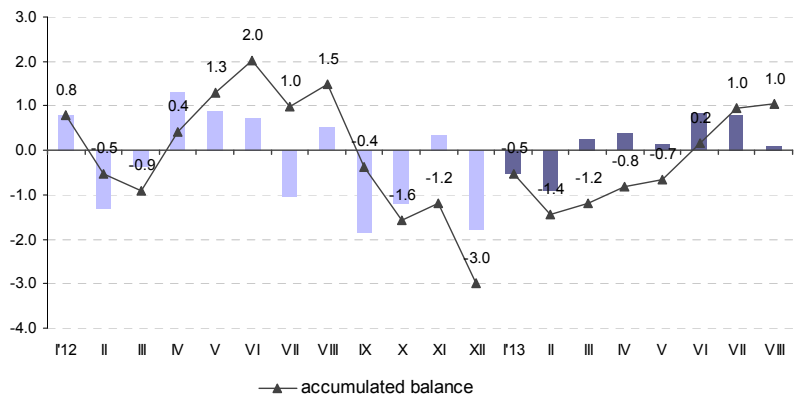
In the period of January - August 2013 debt held by pension funds increased by PLN 3.2bn comparing to PLN 2.9bn decrease during the same period of 2012.



Change of debt in domestic Treasury securities held by insurance companies

PLN bn

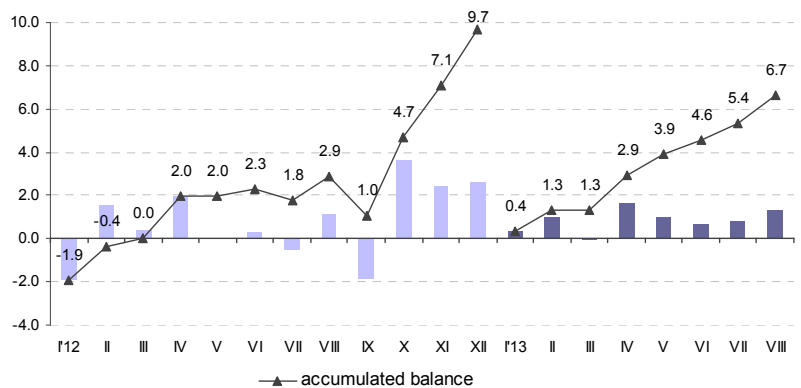
In the period of January - August 2013 there was an increase of PLN 1.0bn in debt held by insurance companies. During the same period of 2012 there was an increase of PLN 1.5bn.



Change of debt in domestic Treasury securities held by investment funds

PLN bn

In the period of January - August 2013 there was an increase of PLN 6.7bn in debt held by investment funds. During the same period of 2012 there was an increase of PLN 2.9bn.



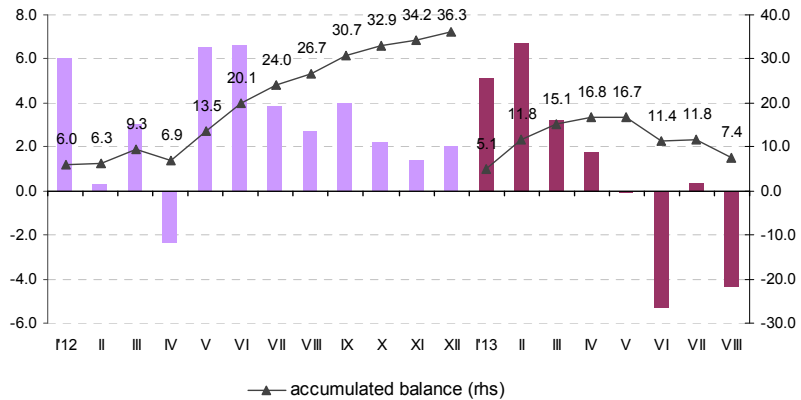


BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

Change of debt in domestic Treasury securities held by foreign investors

PLN bn

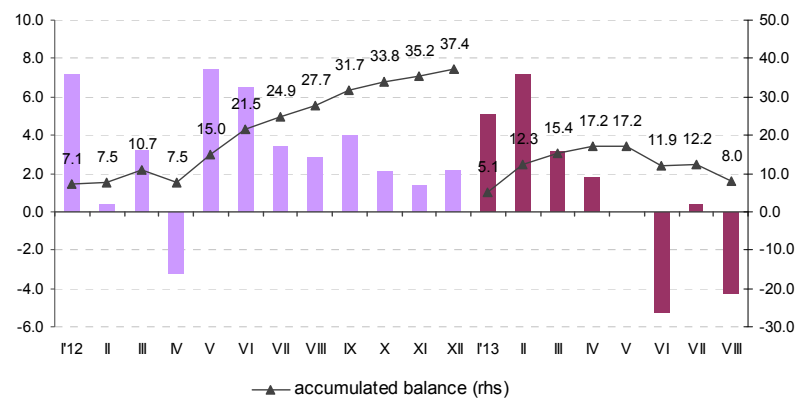
In the period of January - August 2013 inflow of foreign capital to the domestic TS market amounted to PLN 7.4bn comparing to PLN 26.7bn increase in the same period of 2012. Foreign investors' holdings reached the level of PLN of 197.9bn.



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

PLN bn

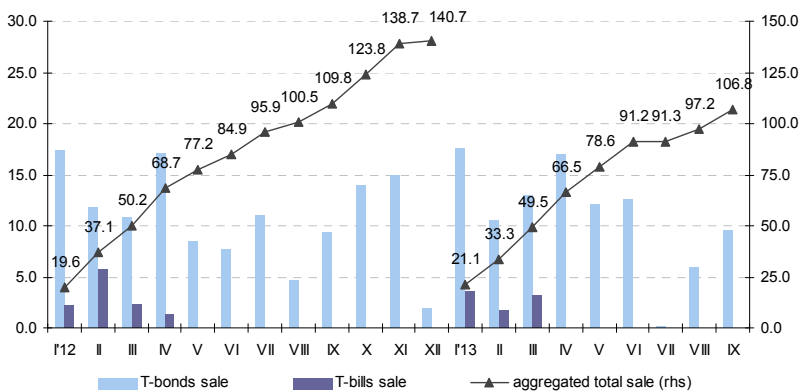
In the period of January - August 2013 inflow of foreign capital to domestic bonds market amounted to PLN 8.0bn comparing to PLN 27.7bn increase in the same period of 2012. Foreign investors' holdings reached the level of PLN 197.9bn.



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

settlement date, nominal amount, PLN bn

The structure of Treasury securities offered in 2013 is dominated by T-bonds (92%).

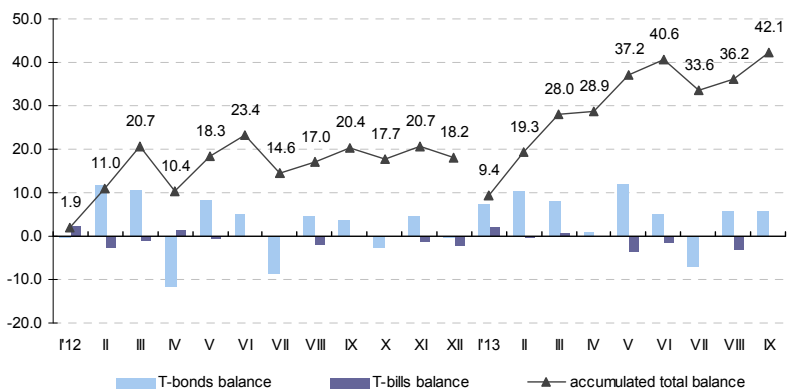


Balance of T-bonds and T-bills in the period of I-IX 2013 and in 2012

settlement date, nominal amount, PLN bn

In the period of January - September 2013:

- indebtedness in T-bonds increased by PLN 48.2bn
- indebtedness in T-bills decreased by PLN 6.1bn.





BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

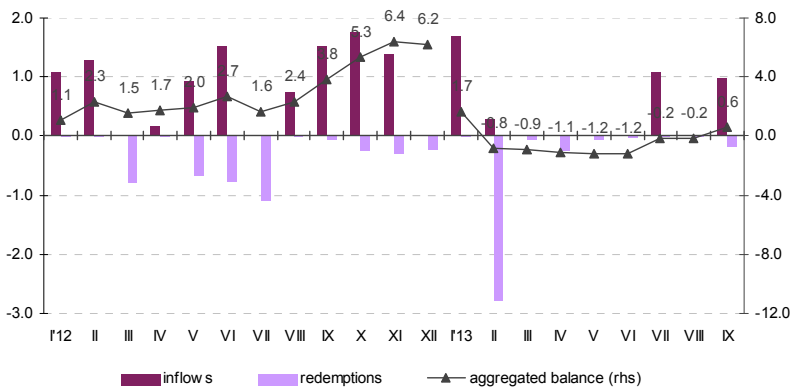
External financing in the period of I-IX 2013 and in 2012

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 0.6bn.

T-bonds issuance was EUR 1.3bn. Loans incurred from IFIs were at the level of EUR 2.8bn.

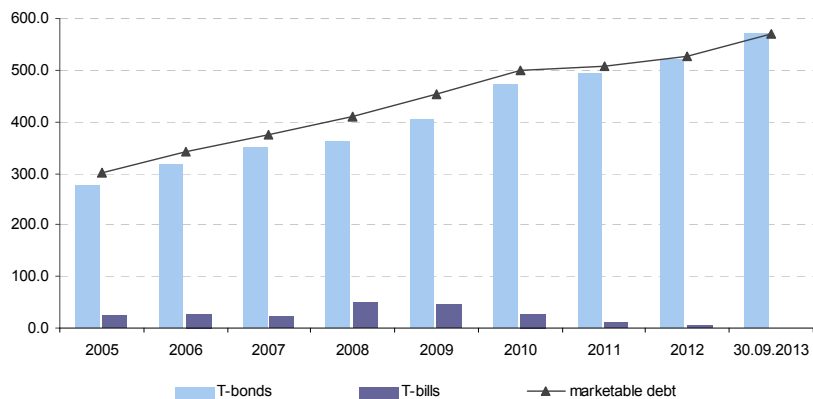
Apart from those, EUR 4.4bn on the FX budgetary accounts was available - the money related to the foreign debt management raised and not spent in 2012.



Structure of marketable debt

PLN bn

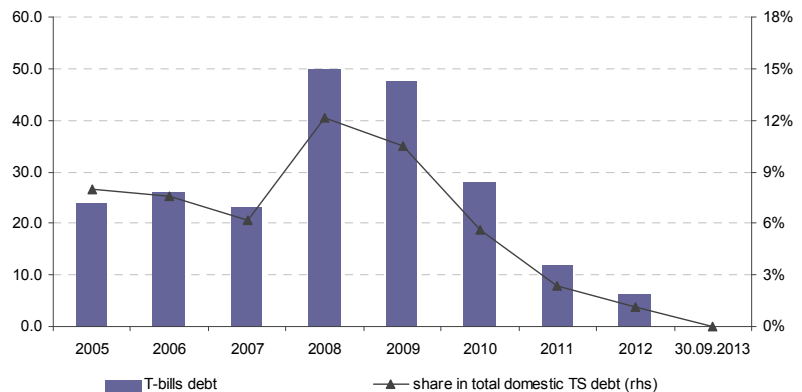
At the end of September 2013 the marketable domestic debt amounted to PLN 570.3bn comparing to PLN 526.1bn at the end of 2012.



T-bills outstanding

PLN bn

Since August 2013 there has been no indebtedness in T-bills.

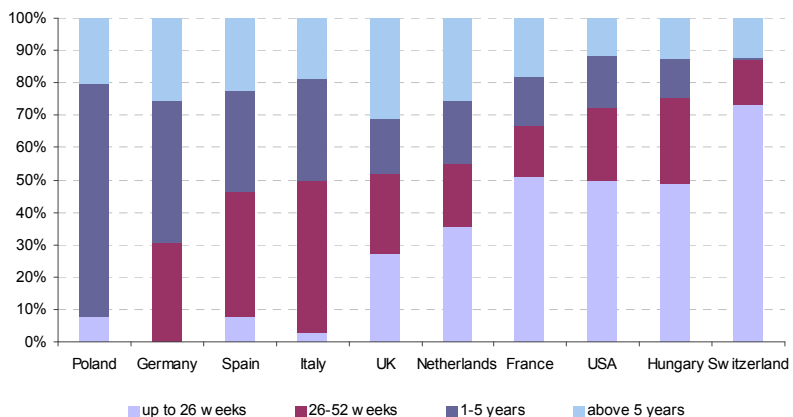


Maturity breakdown of T-securities in Poland and other countries

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

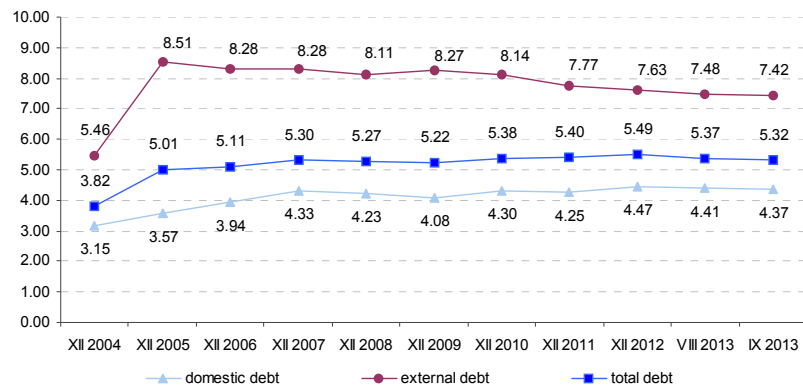




BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

Average maturity

At the end of September 2013 the average maturity of domestic debt decreased to 4.37 in comparison with the end-2012 figure (4.47).

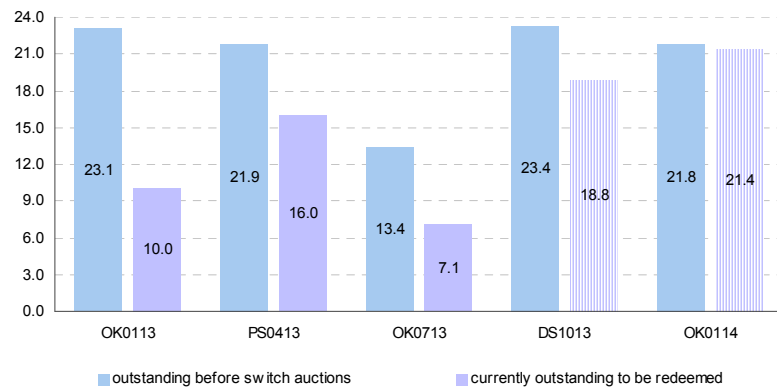


Reducing refinancing risk connected with T-bonds' redemptions maturing in 2013

switch auctions, as of September 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 4.5bn (19% of initial outstanding)
- OK0114: PLN 0.4bn (2% of initial outstanding).

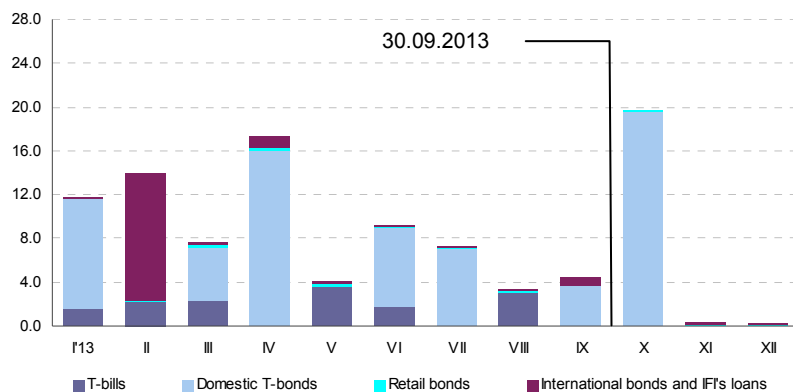


State Treasury debt redemptions in 2013

nominal amount, as of September 30, 2013
PLN bn

The nominal amount of debt to be redeemed in 2013 is equal to PLN 20.4bn, including:

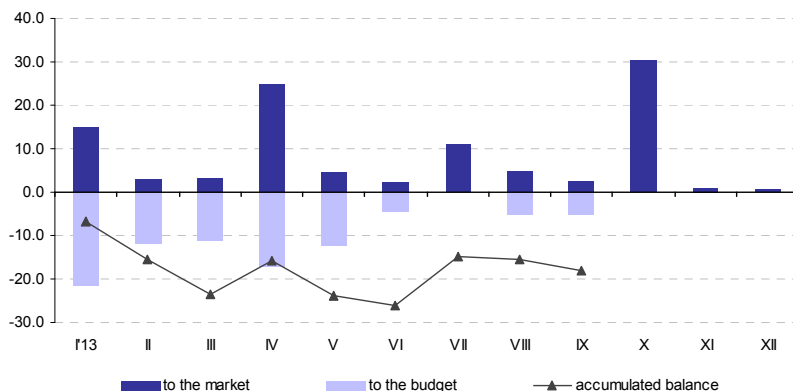
- T-bonds: PLN 19.6bn
- T-retail bonds: PLN 0.4bn
- bonds and loans incurred on foreign markets: PLN 0.4bn.



Flows of funds between the market and the budget*

as of September 30, 2013, PLN bn

As of September 30, 2013 to the end of the year the proceeds from the redemptions and interest payments to the market shall amount to PLN 29.4bn. Additionally PLN 2.4bn 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

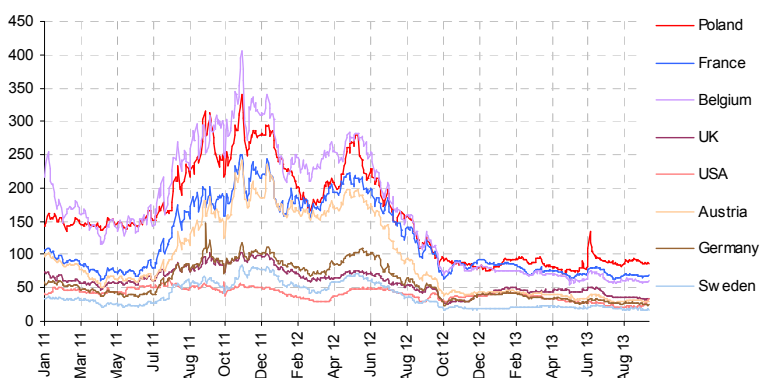
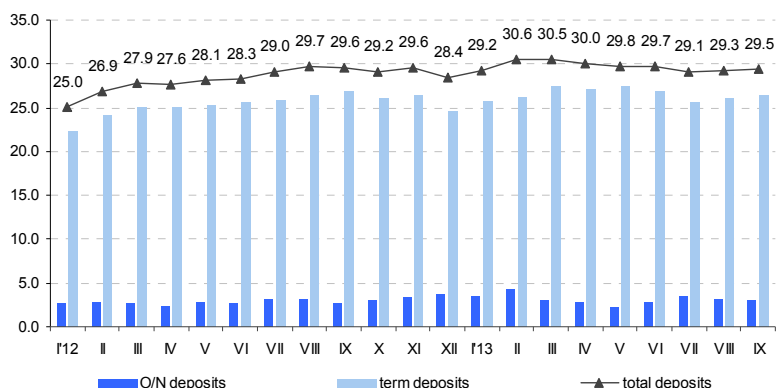
As a result of consolidation of public finances liquidity management there were PLN 29.5bn funds accumulated at the end of September, of which PLN 26.4bn was as term deposits and PLN 3.0bn on O/N deposits.

CDS levels

5-year, bp

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

Comments



Wojciech Kowalczyk, Undersecretary of State, MoF 30-09-2013

„In the 4th quarter we do not exclude issuance on any of the foreign markets that we were present in the last years. We consider issuing a new benchmark or tap issue as well. The final choice of market and maturity will be determined by the current market situation. (...)

Foreign investors are confused, first of all, by the external markets situation, especially Fed's decision. After an outflow of foreign capital in August, we observed a gradual restoring of foreign investors' positions in domestic T-securities. They seem to wait for further developments in the market situation. Polish securities are maybe not among investors' "favourites" in their portfolios but surely among the positively assessed among the other countries. Countries like Turkey, Republic of South Africa, India or Brazil suffered far more than Poland did in terms of debt and currency.

Economic foundations are of great support, including balance of payments in the first instance, as investors pay attention to turnover in current account balance. This is how investors perceive our currency and what protected the zloty against weakening in the last couple of months. (...)

Stable exchange rate is of our interest, excessive volatility is undesirable. In the middle and long term the exchange rate reflects foundations of the economy and these are firm. In the short term the zloty is exposed to different turbulences, however despite external situation and uncertainty, volatility of the zloty was not significant."

Piotr Marczak, Public Debt Department, MoF 30-09-2013

„(...) T-bonds supply in November was assumed on the level that would enable us to complete the financing of the 2013 State borrowing requirements. Wide ranges of supply at two sale auctions will be narrowed down according to the current market situation. In November almost PLN 30bn will flow to the market due to PLN denominated securities redemptions and servicing costs which implies decrease in indebtedness in domestic T-securities. (...)



BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

Comments

In September EUR 1.0bn loan from the European Investment Bank was drawn. Large amount of foreign currency funds held by the MoF and extremely low rates on the euro money market justify holding a buy-back auction of EUR nominated T-bonds maturing in the beginning of 2014. This will let us make the most of foreign currency funds, more than placing them on deposits. Last year we redeemed 7% of the euro issuance maturing the following year. Our aim is to double this value at least.

Due to continuously volatile and uncertain financial market situation the supply plan for the fourth quarter was prepared as a framework schedule. In case of completing financing of the 2013 State borrowing requirements in October, the November supply will be determined by the investors' appetite for Polish securities. There is only one switch auction planned for December. Thus, the progress in prefinancing next year borrowing needs will be a result of demand for our T-bonds and its quality.

Foreign currency funds and the possibility of holding T-bills auction provide the insurance to the financing on the domestic market. We assume we will come back to issuing T-bills in the 1st quarter next year with possibility of using that instrument earlier if the yield curve goes steeper.

In the 2nd half of October we will decide on holding pilot issuance of new series of retail bonds. The more stable the market situation will be, the more likely is the offering of the new series dedicated to individual investors.

In the 4th quarter we will undoubtedly make presence on international markets after many months of absence in order to continue prefinancing of the next year's borrowing needs in foreign currencies. Having the comfort of substantial foreign currency liquidity, we will decide on which market to issue subject to current market situation to ensure the most effective foreign issuance."