

State budget borrowing requirements' financing plan and its background

December 2013

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SUPPLY PLAN OF TREASURY SECURITIES IN DECEMBER 2013

Treasury bond switching auction

Auction/ settlement date	Settlement T-bonds	Source T-bonds	Outstanding (PLN m)
5 DEC 2013/ 9 DEC 2013	PS0416 / WZ0119	OK0114	19,695
		PS0414	25,970

Offer on retail market

T-bond	Issue price	Coupon
DOS1215	PLN 100.00 (99.90 PLN for rolling-over)	Fixed, 3.00%
TOZ1216	PLN 100.00 (99.90 PLN for rolling-over)	Floating (1.00 * WIBOR 6M) 3.30% in the first coupon period
COI1217	PLN 100.00 (99.90 PLN for rolling-over)	Floating (inflation rate + 1.25%) 3.50% in the first coupon period
EDO1223	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 111.0bn,
- T-bonds issuance on foreign markets: PLN 5.2bn,
- 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 December 2013

As of November 30, 2013 flow of funds due to transfers from State budget to Open Pension Funds (no redemptions of T-securities and no servicing costs) shall amount to PLN 0.9bn.

Flows of funds between the market and the budget*

as of November 30, 2013, PLN bn

As of November 30, 2013 to the end of the year PLN 0.9bn will be transferred to the market.

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.

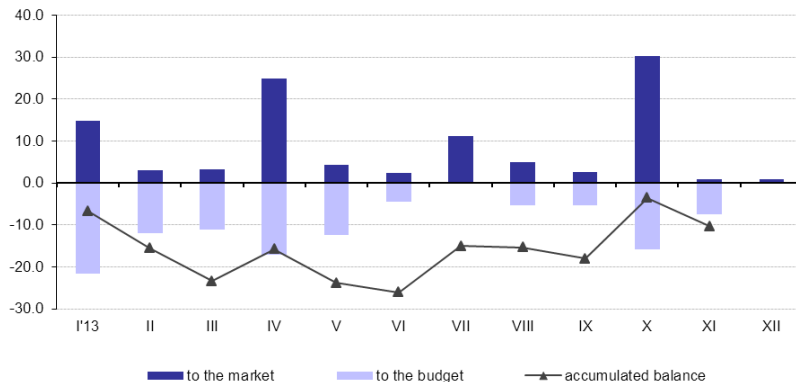
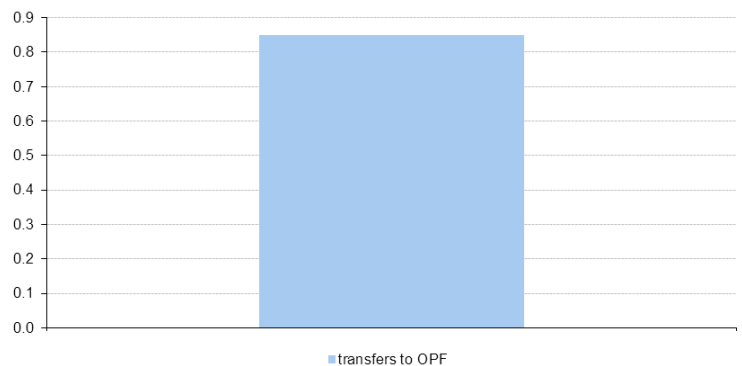
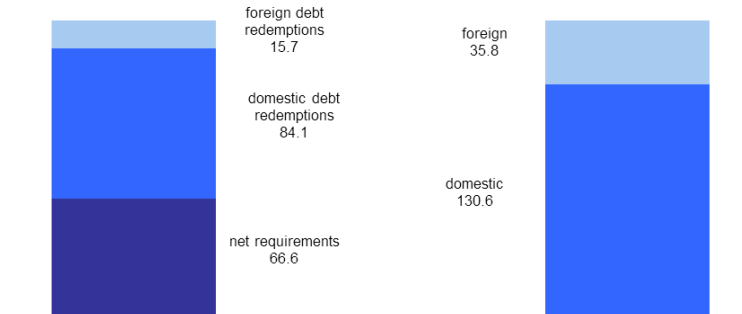
Gross borrowing requirements in 2013

Total PLN 166.4bn, of which:

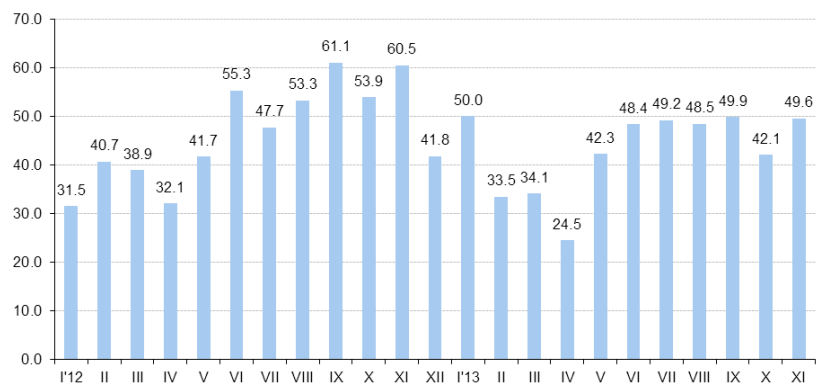


Funding in the period I-XI

Total PLN 166.4bn (100%)



* 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.



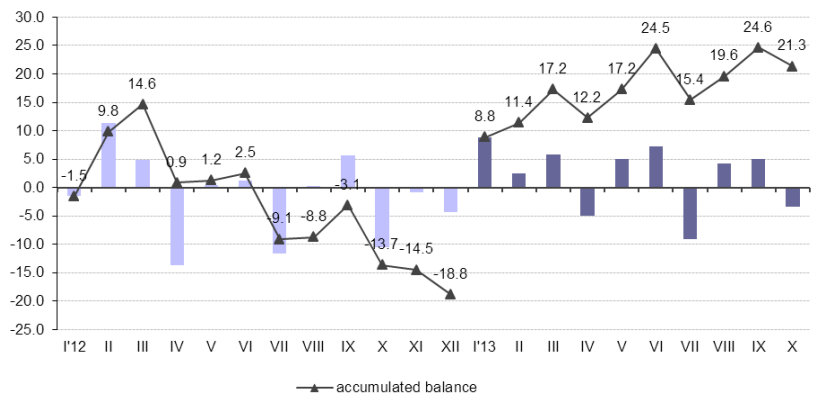


BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

Change of debt in domestic Treasury securities held by banks

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

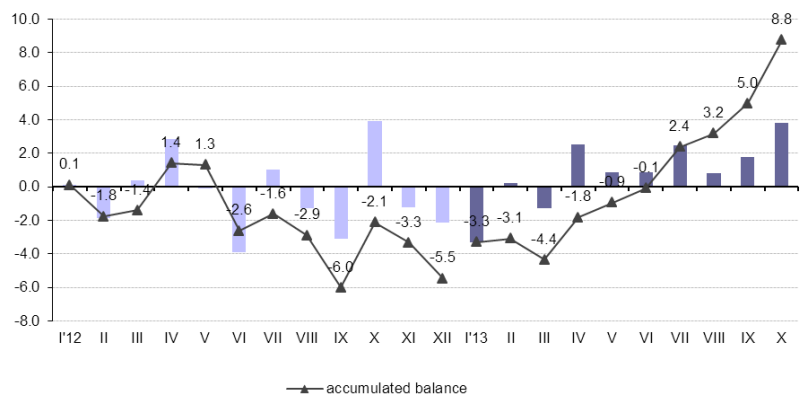
In the period of January - October 2013 debt held by domestic banks increased by PLN 21.3bn comparing to PLN 13.7bn decrease during the same period of 2012.



Change of debt in domestic Treasury securities held by pension funds

PLN bn

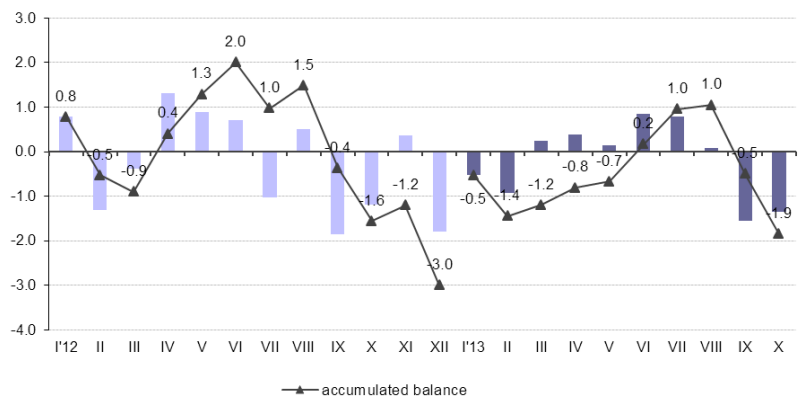
In the period of January - October 2013 debt held by pension funds increased by PLN 8.8bn comparing to PLN 2.1bn decrease during the same period of 2012.



Change of debt in domestic Treasury securities held by insurance companies

PLN bn

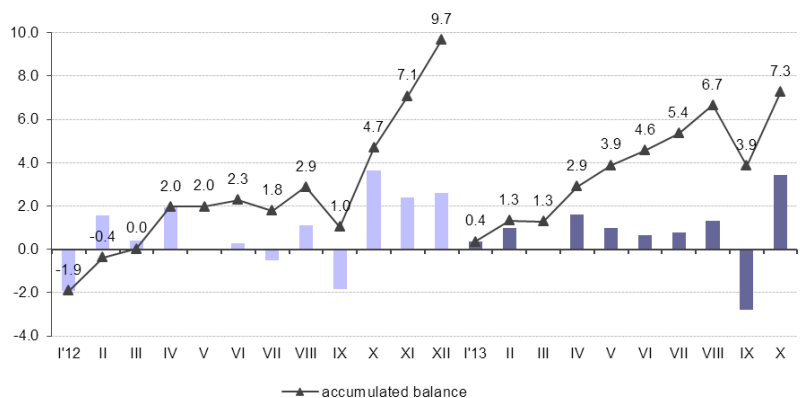
In the period of January - October 2013 there was a decrease of PLN 1.9bn in debt held by insurance companies. During the same period of 2012 there was a decrease of PLN 1.6bn.



Change of debt in domestic Treasury securities held by investment funds

PLN bn

In the period of January - October 2013 there was an increase of PLN 7.3bn in debt held by investment funds. During the same period of 2012 there was an increase of PLN 4.7bn.



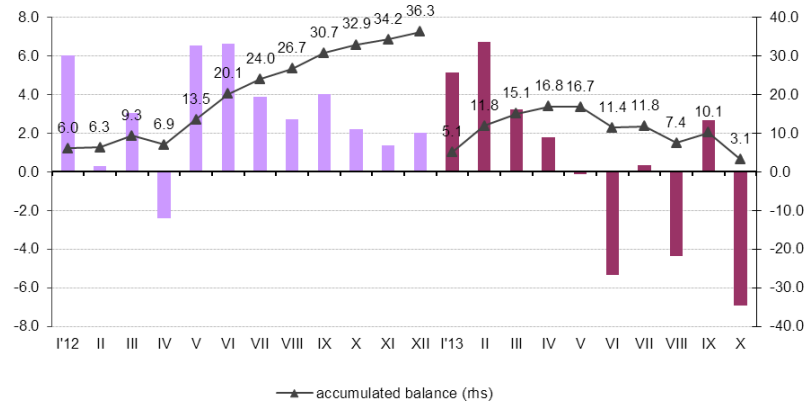


BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

Change of debt in domestic Treasury securities held by foreign investors

PLN bn

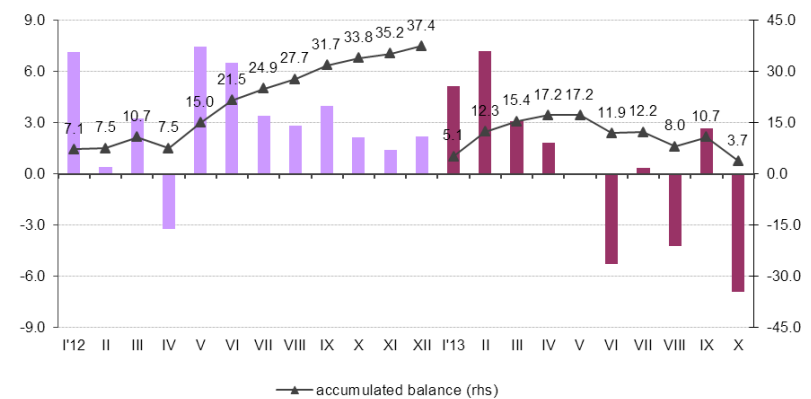
In the period of January - October 2013 inflow of foreign capital to the domestic TS market amounted to PLN 3.1bn comparing to PLN 32.9bn increase in the same period of 2012. Foreign investors' holdings reached the level of PLN of 193.6bn.



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

PLN bn

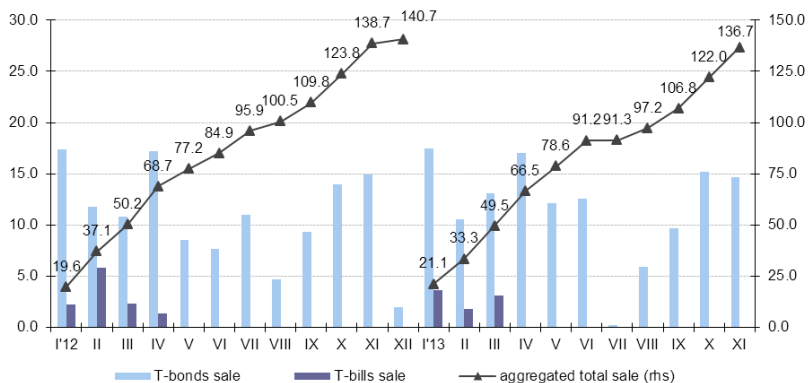
In the period of January - October 2013 inflow of foreign capital to domestic bonds market amounted to PLN 3.7bn comparing to PLN 33.8bn increase in the same period of 2012. Foreign investors' holdings reached the level of PLN 193.6bn.



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

settlement date, nominal amount, PLN bn

Since April 2012 T-bills have not been offered.

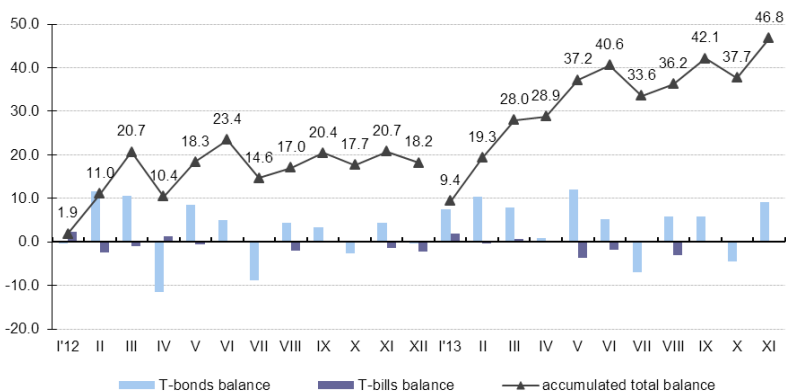


Balance of T-bonds and T-bills in the period of I-XI 2013 and in 2012

settlement date, nominal amount, PLN bn

In the period of January - November 2013:

- indebtedness in T-bonds increased by PLN 52.9bn,
- indebtedness in T-bills decreased by PLN 6.1bn.





BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

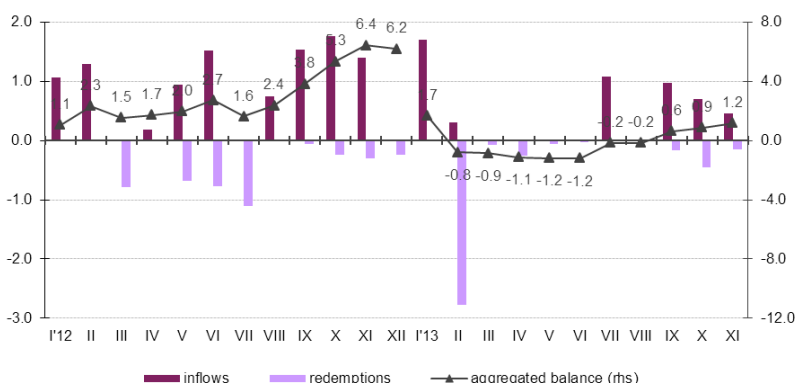
External financing in the period of I-XI 2013 and in 2012

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 2.4bn. Loans incurred from IFIs were at the level of EUR 2.8bn.

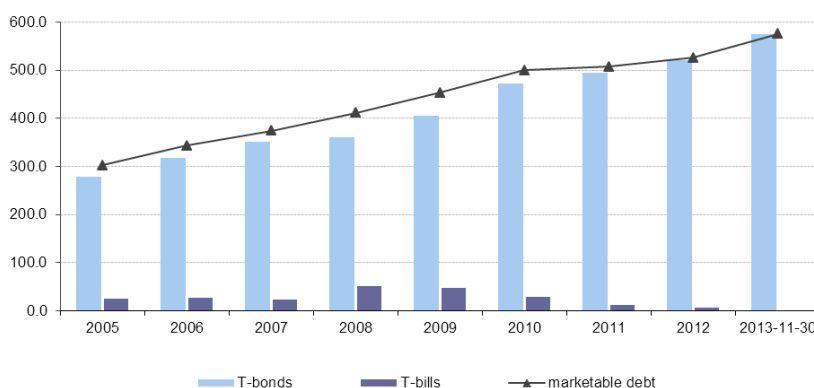
Apart from those, EUR 4.4bn on the FX budgetary accounts was available - the money related to the foreign debt management raised and not spent in 2012.



Structure of marketable debt

PLN bn

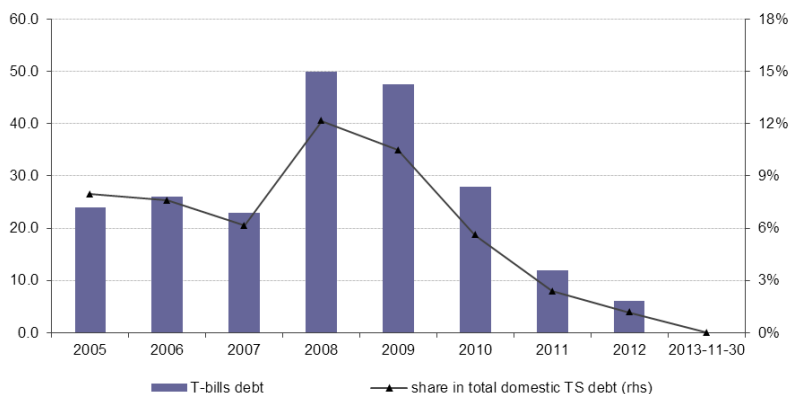
At the end of November 2013 the marketable domestic debt amounted to PLN 574,9bn comparing to PLN 526.1bn at the end of 2012.



T-bills outstanding

PLN bn

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

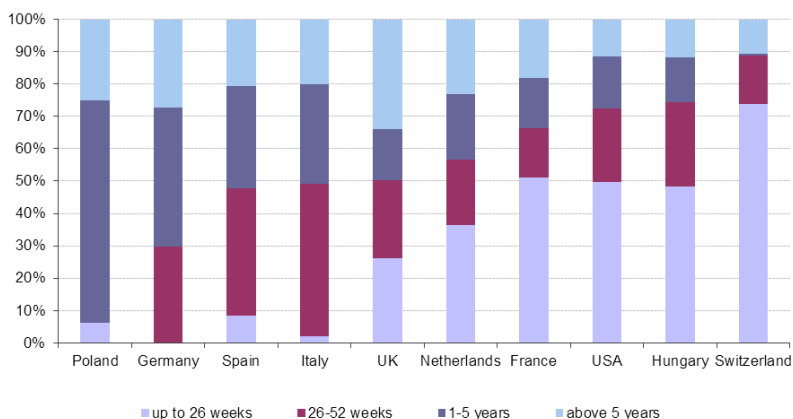


Maturity breakdown of T-securities in Poland and other countries

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

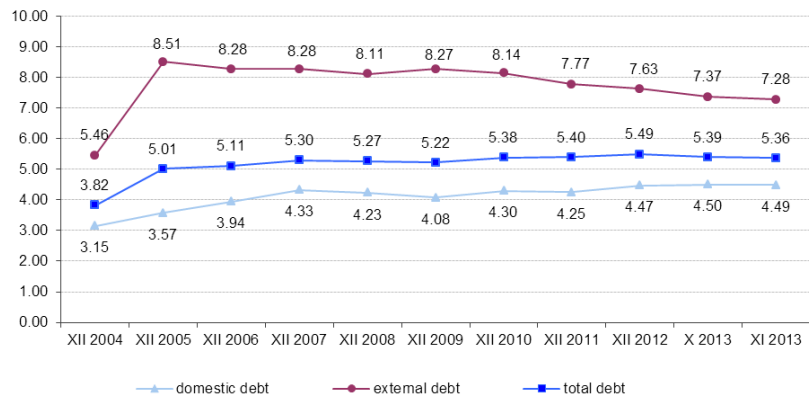




BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

Average maturity

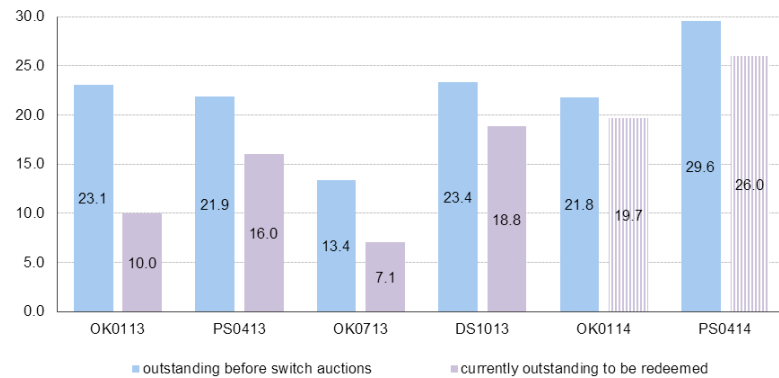
At the end of November 2013 the average maturity of domestic debt increased to 4.49 (4.47 at the end of 2012).



Reducing refinancing risk connected with T-bonds' redemptions maturing in 2013 and in 2014

switch auctions, as of November 30, 2013
PLN bn

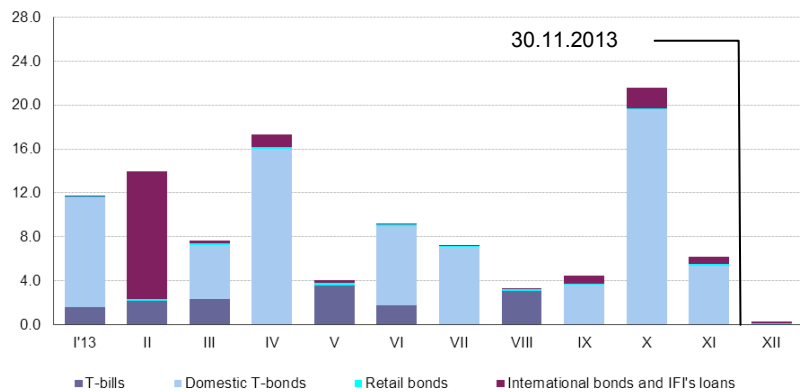
- Buy-back of T-bonds maturing in 2013:
- OK0113: PLN 13.1bn (57% of initial outstanding),
 - PS0413: PLN 5.8bn (27%),
 - OK0713: PLN 6.3bn (47%),
 - DS1013: PLN 4.5bn (19%),
 - OK0114: PLN 2.1bn (10%),
 - PS0414: PLN 3.6bn (12%).



State Treasury debt redemptions in 2013

nominal amount, as of November 30, 2013
PLN bn

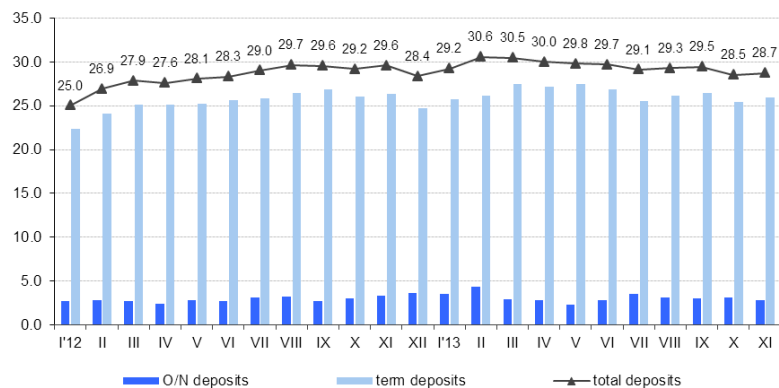
- The nominal amount of debt to be redeemed in 2013 is equal to PLN 0.3bn, including:
- T-retail bonds: PLN 0.2bn,
 - bonds and loans incurred on foreign markets: PLN 0.1bn.



Consolidation of public finances liquidity management

PLN bn

As a result of consolidation of public finances liquidity management there were PLN 28.7bn funds accumulated at the end of November, of which PLN 25.9bn was as term deposits and PLN 2.8bn on O/N deposits.

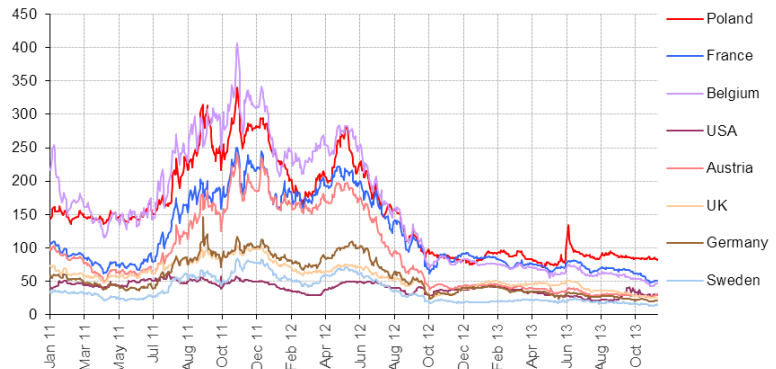




BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

CDS levels 5-year, bp

The prices of Polish CDS contracts were oscillating around 80 bp.



Wojciech Kowalczyk, Undersecretary of State, MoF 12-11-2013

"Besides the four major, from our perspective, markets – euro, dollar, Swiss franc and Japanese yen – we are looking at other markets. We will see which of the analysed projects are most effective and executable.

This year the issuance on the euro market is not planned but may be predicted for the beginning of next year.

As for the dollar issuance, we are not determined to conduct it as soon as possible. USD 1bn issuance will be redeemed in the beginning of next year but we have already exchanged some euro funds for dollars before the dollar appreciated. Thus we can cover the servicing costs of the whole USD-denominated issuance maturing in January and we can choose appropriate moment for possible USD issue.

(...) Till mid-2014 BGK has no need to issue bonds on the foreign markets. Simultaneously bond issuance in PLN of a limited amount may be done for BGK own purposes.

(...) Tax and non-tax revenues were higher than planned in November.

State budget execution for the current year may be lower by PLN 3-10bn compared to the plan. The November would be crucial and we will see whether the October tendency will stay the same.

We suppose the GDP growth for 2013 of 1.5 p.p. is possible and our forecast are quite close to the market consensus.

Exports is the main driver of growth. Also private consumption becomes of great importance. We expect an improvement also in investments.

Our forecast of draft budget act for 2014 may be perceived as a conservative one.

Piotr Marczak, Director of the Public Debt Department, MoF 7-11-2013

"Today's T-bond auction was spectacular and let us finished in grand style standard sale auctions for this year. The demand was twice as high as the upper range of supply and amounted to nearly PLN 15bn. Simultaneously such a great accumulation of single price offers resulted in the sale of PLN 8bn and no need for a supplementary auction. Most investors were domestic non-banking type. There was a noticeable number of banks and foreign investors as well."

MoF comments



BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

MoF comments

Piotr Marczak, Director of the Public Debt Department, MoF
29-11-2013

"A reserve of PLN funds and foreign currency funds increased to ca. PLN 50bn after November which let us enter the next year with quite a substantial level of the resources to finance the State borrowing requirements for the next year. The level of prefinancing 2014 needs will exceed 20%.

There is the last chance to purchase (Polish) T-bonds at the switch auction that is planned for the beginning of December. The offer will be specified on forthcoming Tuesday.

We will not be present on foreign financial markets till the end of the year however we still plan to finalize the conditions of next tranche of loan from the EIB of EUR 500m.

We sold saving bonds for more than PLN 1bn in November and set a new historical record in the highest monthly sales in this segment. The new 13-month bonds constituted the major share. The other saving bonds from the standard offer also hit the highest amounts.

The auction results proved that all intended goals connected with implementing the new bond issuance have been achieved. Attractive offer tailored to the purchasers' preferences and simultaneously supported by the informational and marketing effective campaign has unravelled the potential of saving bonds as a tool for debt management purposes."