

**State budget borrowing requirements'  
financing plan and its background**  
1st quarter 2014  
January 2014

**THE MOST IMPORTANT INFORMATION**

• Quarterly issuance calendar .....	2
• Monthly issuance calendar .....	3
• MoF comments .....	9-10



## SUPPLY PLAN OF TREASURY SECURITIES FOR THE 1ST QUARTER 2014

### General assumptions

- In the first quarter of 2014 T-bond auctions are planned according to announced yearly issuance calendar.
- Offer of T-bonds on the domestic market will depend on the market situation and the consultations with investors.
- Possible auctions of Treasury bills will be held within the confines of the level of State budget liquidity funds management.
- 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.

### Offer of T-bonds on the domestic market

#### Sale auctions

- 5-6 auctions, total supply PLN 25.0-35.0bn, the structure of the sold T-bonds will be subject to the market situation.

#### Switch auctions

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

### Foreign financing

- Loans from International Financial Institutions of EUR 0.5-0.6bn.
- Possible issuance of bonds on the international markets (in EUR, USD and other currencies) 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 JANUARY 2014

### Treasury bond auction

Auction date	Settlement date	Series	Planned offer (PLN m)
9 JAN 2014	13 JAN 2014	PS0718 / WZ0124	3,000-5,000
23 JAN 2014	27 JAN 2014	choice will depend on the market conditions among the following: OK0716 / WZ0119 / off-the-run T-bonds	5,000-10,000

*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 auctions where bonds will be sold at a minimum clean price.*

### Offer on retail market

T-bond	Issue price	Coupon
DOS0116	PLN 100.00	Fixed, 3.00%
TOZ0117	PLN 100.00 (99.90 PLN for rolling-over)	Floating (1.00 * WIBOR 6M) 3.30% in the first coupon period
COI0118	PLN 100.00 (99.90 PLN for rolling-over)	Floating (inflation rate + 1.25%) 3.50% in the first coupon period
EDO1224	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 2014

Prefinancing of 2014 borrowing requirements at the level of 25-30% was a result of:

- switch auctions in 2013: PLN 8.1bn,
- T-bonds buyback on domestic markets in 2012: PLN 8.8bn,
- T-bonds buyback issued on foreign markets: PLN 2.2bn,
- higher than planned financial resources at the end of 2013.

The level of prefinancing of 2014 borrowing requirements will be confirmed after settlement of the 2013 budget.

### Flows of funds into the market related to T-bonds and T-bills and transfers to Open Pension Funds in January 2014

As of December 31, 2013 flow of funds from State budget to Open Pension Funds shall amount to PLN 16.1bn, of which:

- TS redemptions: PLN 13.7bn,
- interest payments: PLN 1.5bn,
- transfers to OPF: PLN 0.9bn.

### Flows of funds between the market and the budget\*

as of December 31, 2013, PLN bn

As of December 31, 2013 to the end of the year the funds to be transferred to the market shall amount to PLN 74.6bn.

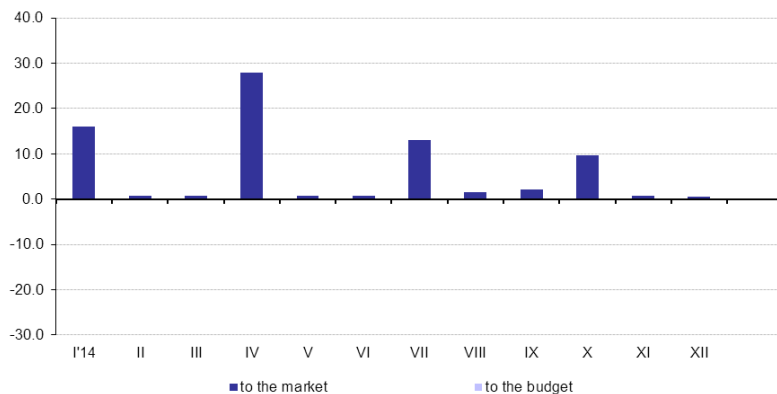
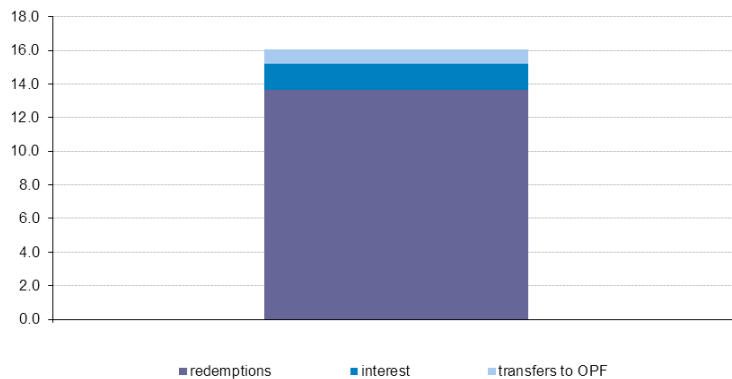
### Funds in PLN and in foreign currency held by the MoF at the end of month

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

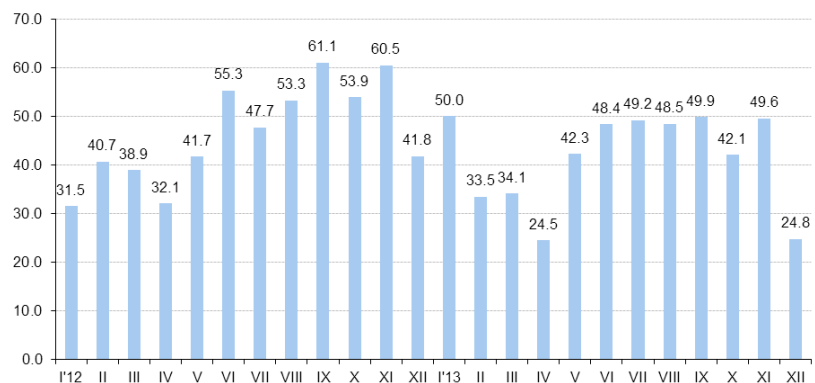
The funds ensure liquidity in borrowing needs financing.

### Gross borrowing requirements in 2014

Total PLN 132.5bn, of which:



\* 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.



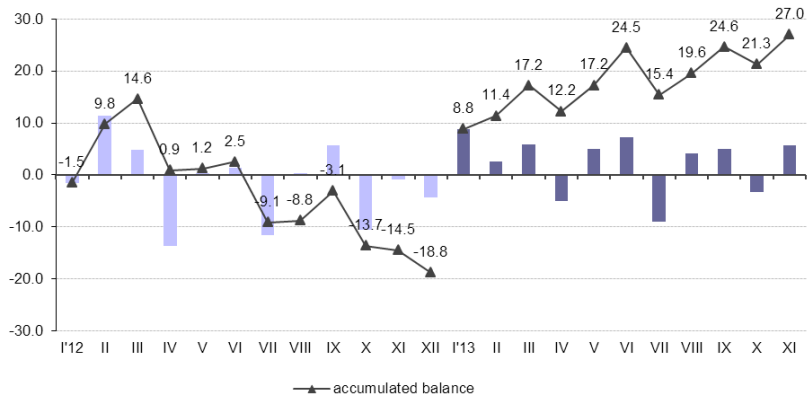


## BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

### Change of debt in domestic Treasury securities held by banks

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

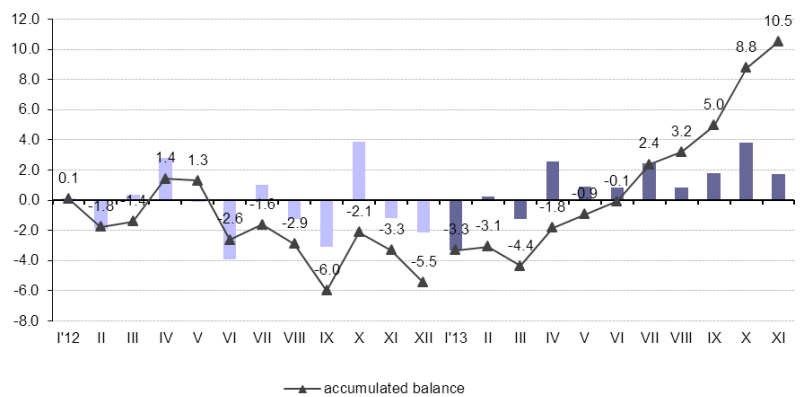
In the period of January - November 2013 debt held by domestic banks increased by PLN 27.0bn comparing to PLN 14.5bn decrease during the same period of 2012.



### Change of debt in domestic Treasury securities held by pension funds

PLN bn

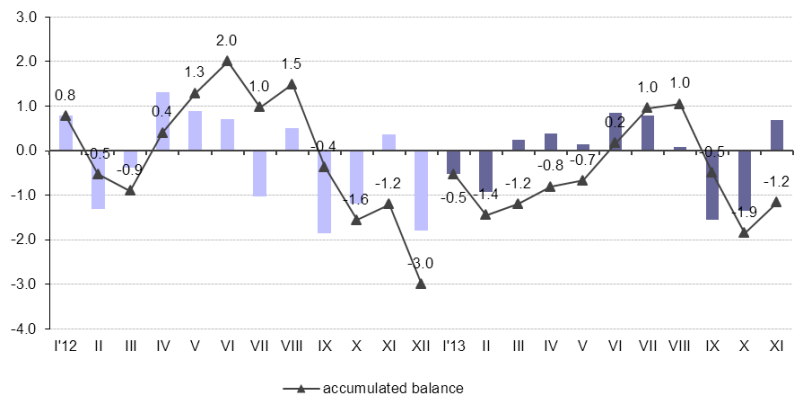
In the period of January - November 2013 debt held by pension funds increased by PLN 10.5bn comparing to PLN 3.3bn decrease during the same period of 2012.



### Change of debt in domestic Treasury securities held by insurance companies

PLN bn

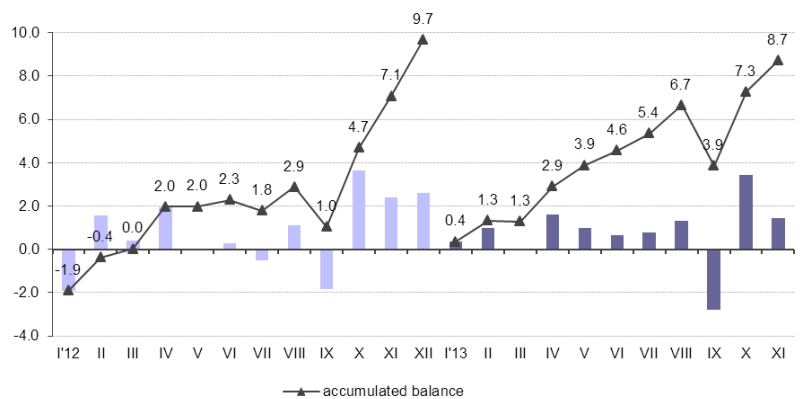
In the period of January - November 2013 there was a decrease of PLN 1.2bn in debt held by insurance companies. During the same period of 2012 there was a decrease of PLN 1.2bn.



### Change of debt in domestic Treasury securities held by investment funds

PLN bn

In the period of January - November 2013 there was an increase of PLN 8.7bn in debt held by investment funds. During the same period of 2012 there was an increase of PLN 7.1bn.



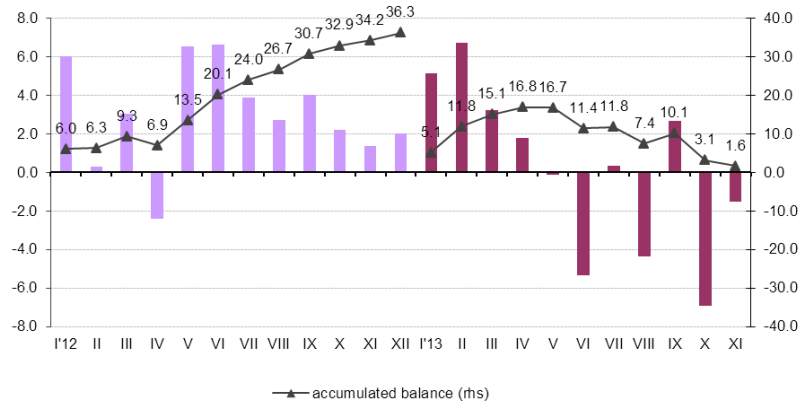


## BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

### Change of debt in domestic Treasury securities held by foreign investors

PLN bn

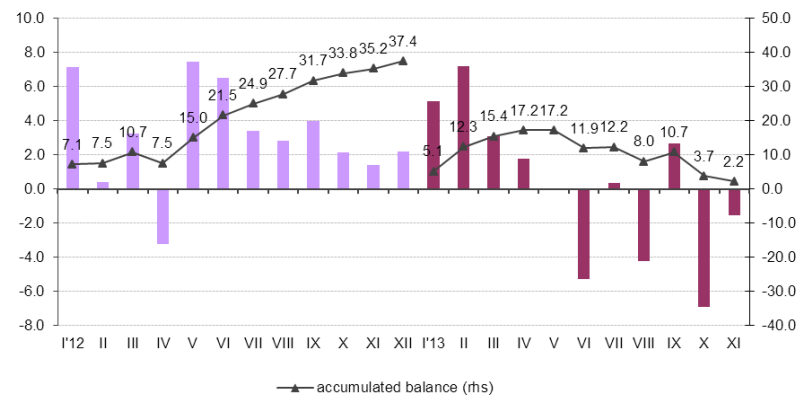
In the period of January - November 2013 inflow of foreign capital to the domestic TS market amounted to PLN 1.6bn comparing to PLN 34.2bn increase in the same period of 2012. Foreign investors' holdings reached the level of PLN of 192.1bn.



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

PLN bn

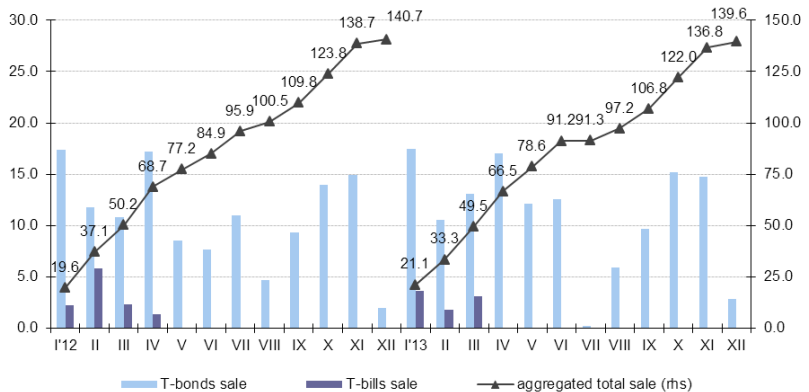
In the period of January - November 2014 inflow of foreign capital to domestic bonds market amounted to PLN 2.2bn comparing to PLN 35.2bn increase in the same period of 2012. Foreign investors' holdings reached the level of PLN 192.1bn.



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

settlement date, nominal amount, PLN bn

Since April 2013 T-bills have not been offered.

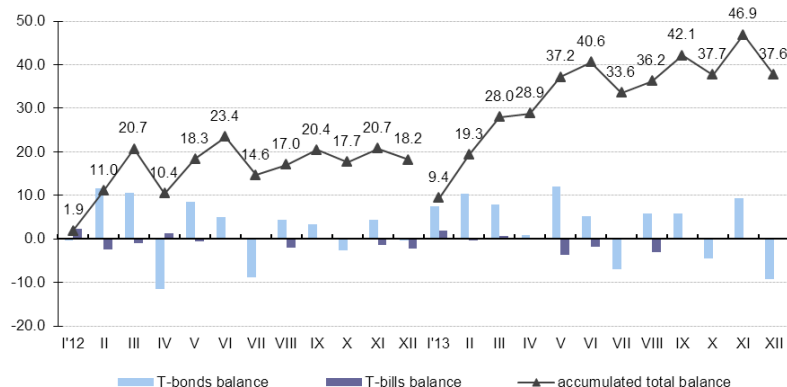


### Balance of T-bonds and T-bills in the period of I-XII 2013 and in 2012

settlement date, nominal amount, PLN bn

In the period of January - December 2013:

- indebtedness in T-bonds increased by PLN 43.7bn,
- indebtedness in T-bills decreased by PLN 6.1bn.





## BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

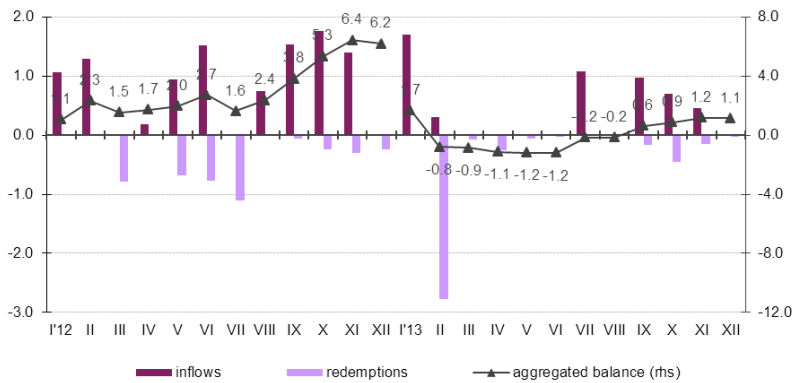
### External financing in the period of I-XII 2013 and in 2012

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 1.1bn.

T-bonds issuance was EUR 2.4bn. Loans incurred from IFIs were at the level of EUR 2.8bn.

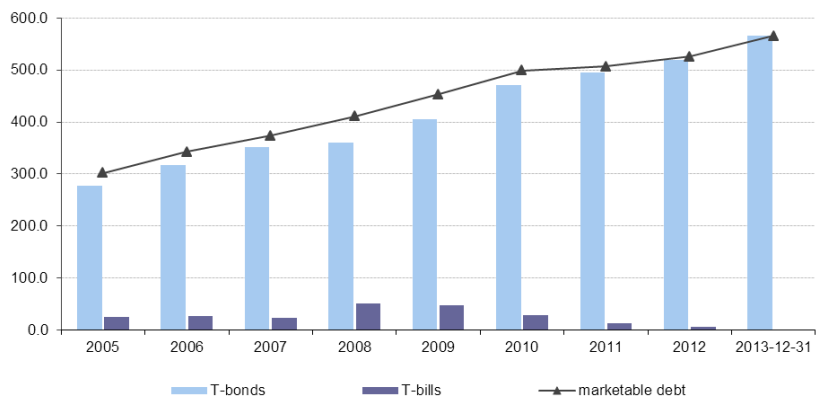
Apart from those, EUR 4.4bn on the FX budgetary accounts was available - the money related to the foreign debt management raised and not spent in 2012.



### Structure of marketable debt

PLN bn

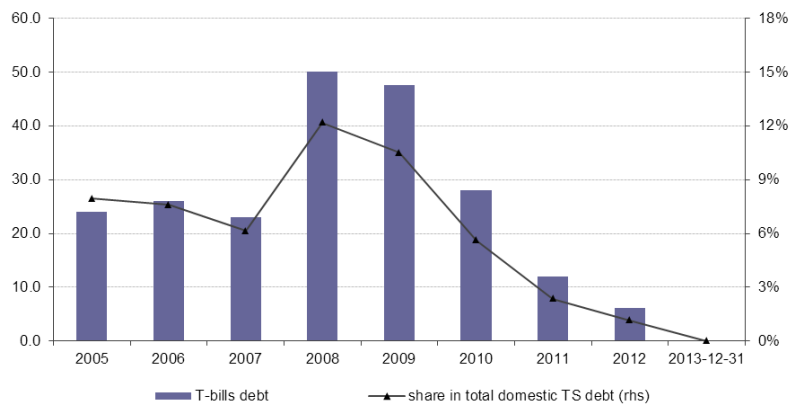
At the end of December 2013 the marketable domestic debt amounted to PLN 565.7bn comparing to PLN 526.1bn at the end of 2012.



### T-bills outstanding

PLN bn

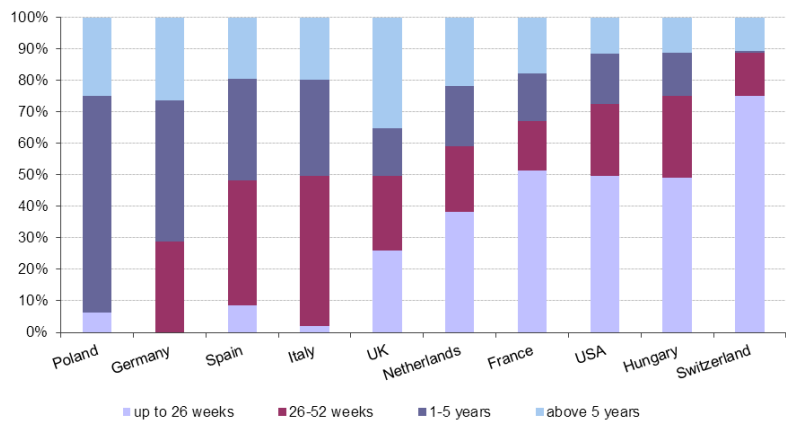
Since August 2013 there has been no indebtedness in T-bills.



### Maturity breakdown of T-securities in Poland and other countries

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

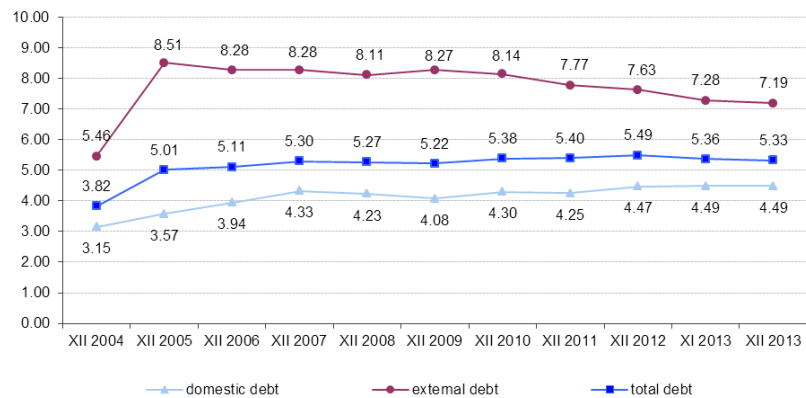




## BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

### Average maturity

At the end of December 2013 the average maturity of domestic debt increased to 4.49 in comparison with the end-2012 figure (4.47).

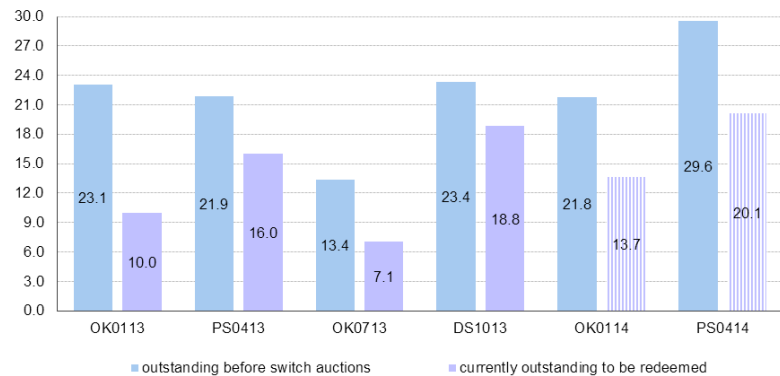


### Reducing refinancing risk connected with T-bonds' redemptions maturing in 2013 and in 2014

nominal amount, as of December 31, 2013  
PLN bn

Buy-back of T-bonds maturing in 2013 and 2014 (by switch or cash settlement):

- 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 8.1bn (37%),
- PS0414: PLN 9.5bn (32%).

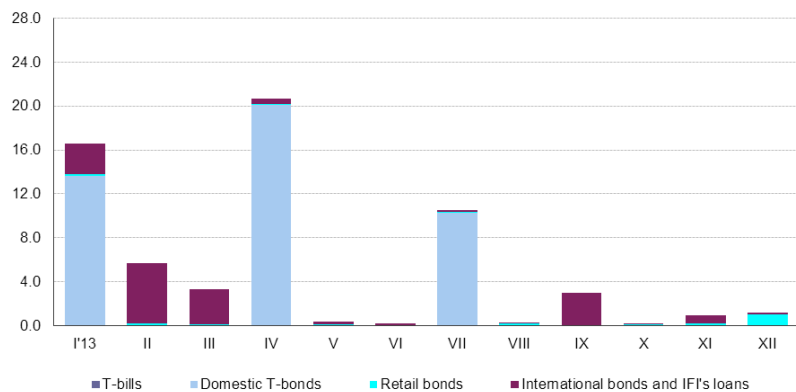


### State Treasury debt redemptions in 2014

nominal amount, as of December 31, 2013  
PLN bn

The nominal amount of debt to be redeemed in 2014 is equal to PLN 63.0bn, including:

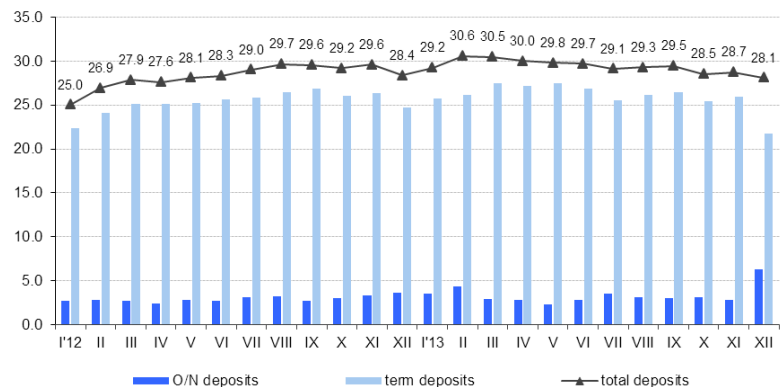
- T-bonds: PLN 44.0bn,
- T-retail bonds: PLN 2.4bn,
- bonds and loans incurred on foreign markets: PLN 16.5bn.



### Consolidation of public finances liquidity management

PLN bn

As a result of consolidation of public finances liquidity management there were PLN 28.1bn funds accumulated at the end of December, of which PLN 21.8bn was as term deposits and PLN 6.3bn on O/N deposits.





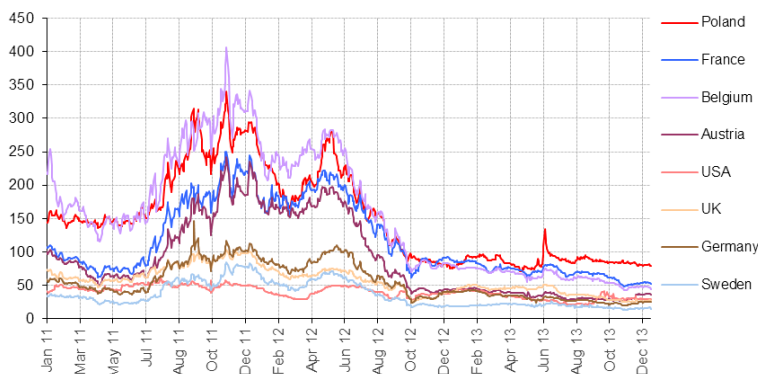


## BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

### CDS levels

5-year, bp

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



### Wojciech Kowalczyk, Undersecretary of State, MoF 30-12-2013

"Based on today's zloty exchange rate, we estimate the public debt to GDP ratio according Polish methodology to run below 55% and below 58% according to European methodology.

The public debt amount calculated using the average exchange rates and diminished by free funds served as financing source of 2014 State budget borrowing requirements as a ratio to GDP shall come below 54%.

The final 2013 public debt to GDP ratio will be announced in May 2014 when outstanding data of all public finance sector units have been collected and nominal GDP announced by GUS (Polish Central Statistical Office).

By the end of 2013 the risk measures connected to State Treasury debt structure will be improved. According to estimations at the end of 2013, foreign investors share in State Treasury debt amounted to 51.6% compared with 54.5% at the end of 2012 and debt denominated on foreign currencies decreased to ca. 30.3% from 31.6% a year earlier. Simultaneously foreign investors share in domestic debt was at the level of 33.0% compared to 35.1% at the end of 2012."

### MoF comments

### Piotr Marczak, Director of the Public Debt Department, MoF 30-12-2013

"In December debt in Treasury securities decreased which was mainly a result of T-bond buyback of PLN 9.4bn. The redemption, and the budget deficit as well, were financed from previously collected liquidity reserves.

By the end of 2013 we will have ca. PLN 25bn in PLN and foreign currency funds. Additional PLN 0.54bn will be drawn from the EIB in a form of loans at the beginning of January. 25% of next year borrowing needs will be financed in total. Thus prefinancing level of 2014 will be similar to the one from 2013.

With unchanged good market conditions, we can sell a substantial amount of TS. The sum of upper supply ranges of T-bonds equals to redemption value increased by TS interest payments and transfers to OPF this month. Simultaneously, due to transfer of TS from OPFs to ZUS, we consider offering the "old " benchmark T-bonds at auction at the end of January. This would increase the liquidity of T-bond series the highest share of which is held by OPFs. The final offer will be determined by investors' demand.

At present we can see no need for T-bills issues, nevertheless we do not exclude such. In case of turbulences in the financial markets or in order to increase liquid funds reserve, T-bills may be offered at non-regular auctions.

Similarly to 2013, in the first quarter of 2014 we plan to offer PLN 25-35bn T-bonds at five auctions. Switching auction is intended in March as well.

It is possible to issue T-bonds in euro, as well as dollar markets in the first quarter of 2014. Simultaneously we are working on less typical issuances.



## BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

### MoF comments

Completion of financing the State budget borrowing needs allows for financing of 50-60% of 2014 requirements, which are accumulated in the first seven months of 2014.

In November the foreign investors' holdings fell down by PLN 1.5bn. In December a slight increase in foreign capital interest in Polish debt market."