

State budget borrowing requirements' financing plan and its background

1st quarter 2015

January 2015

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SUPPLY PLAN OF TREASURY SECURITIES FOR Q1 2015

General assumptions

- in the first quarter of 2015 T-bond auctions are planned according to the 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 markets and the domestic market,
- the announced plan may be modified depending on the market situation.

Offer of T-bonds on the domestic market

Sale auctions

- five or six auctions, total supply PLN 25.0-30.0bn, 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 in 2015.

Foreign financing

- possible issuance of bonds on the international markets (depending on the market situation),
- possibility of additional financing by structured coupon bonds' issuance in the private placement system.

Treasury bond auction

Auction date	Settlement date	Series	Planned offer (PLN m)
15 JAN 2015	19 JAN 2015	WZ0124/ DS0725/ WS0428	2,000-4,000
22 JAN 2015	26 JAN 2015	choice will depend on the market conditions, excluding bonds offered at the first auction	5,000-9,000

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
DOS0117	PLN 100.00 (99.90 PLN for rolling-over)	Fixed, 2.00%
TOZ0118	PLN 100.00 (99.90 PLN for rolling-over)	Floating (1.00 * WIBOR 6M) 2.40% in the first coupon period
COI0119	PLN 100.00 (99.90 PLN for rolling-over)	Floating (inflation rate + 1.25%) 2.60% in the first coupon period
EDO0125	PLN 100.00 (99.90 PLN for rolling-over)	Floating (inflation rate + 1.50%) 3.00% in the first coupon period



BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

Gross borrowing requirements in 2015

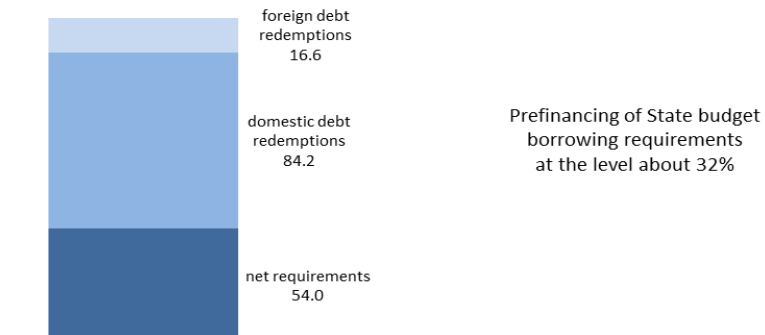
Prefinancing of 2015 borrowing requirements at the level about 32% was a result of:

- switch auctions in 2014: PLN 24.2bn,
- T-bonds buyback issued on foreign markets: USD 0.4bn,
- higher than planned financial resources at the end of 2014.

The level of prefinancing of 2015 borrowing requirements will be confirmed after settlement of the 2014 budget.

Gross borrowing requirements in 2015

Total: PLN 154.8bn, of which:

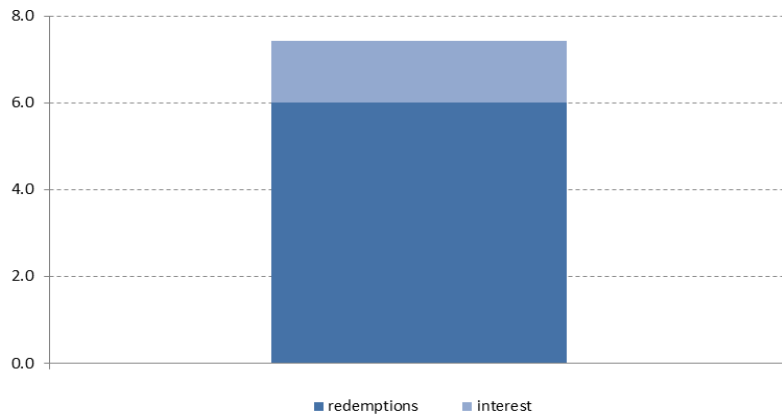


Flows of funds into the market related to T-securities transfers in January

as of December 31, 2014, PLN bn

As of December 31, 2014 flow of funds from State budget shall amount to PLN 7.4bn, of which:

- TS redemptions: PLN 6.0bn,
- interest payments: PLN 1.4bn.

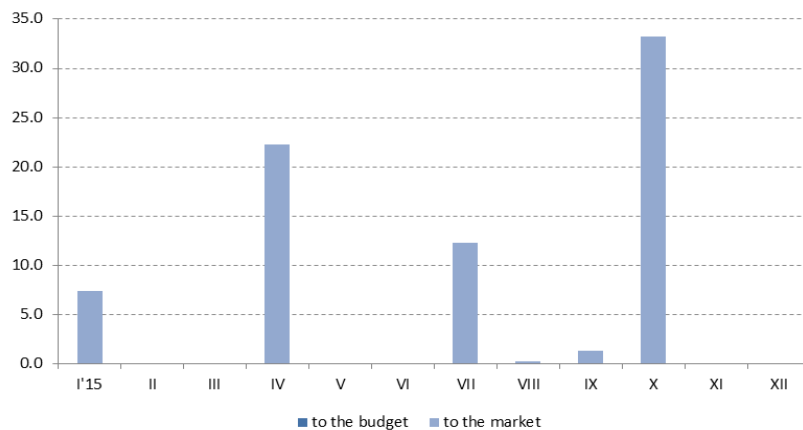


Flows of funds between the market and the budget*

as of December 31, 2014, PLN bn

As of December 31, 2014, to the end of 2015 the funds to be transferred to the market shall amount to PLN 76.9bn.

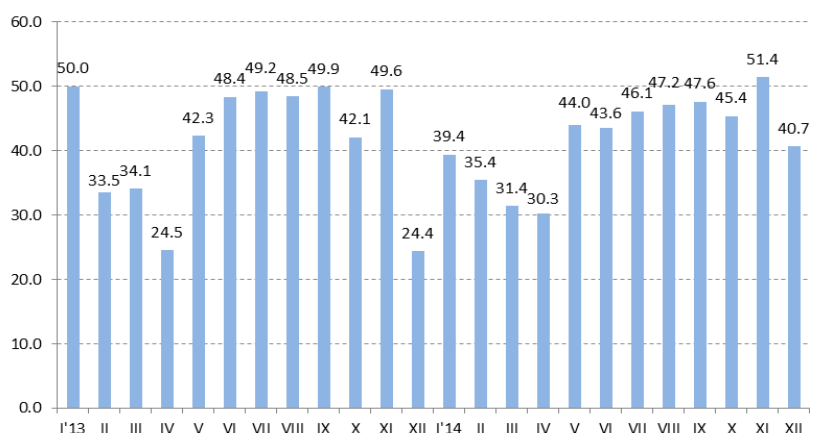
* figures include sale, redemptions and interest payments on wholesale bonds; monthly financing plans will depend on market situation and feedback from investors thus the detailed schedule of monthly flows to budget in the following months is not presented.



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.

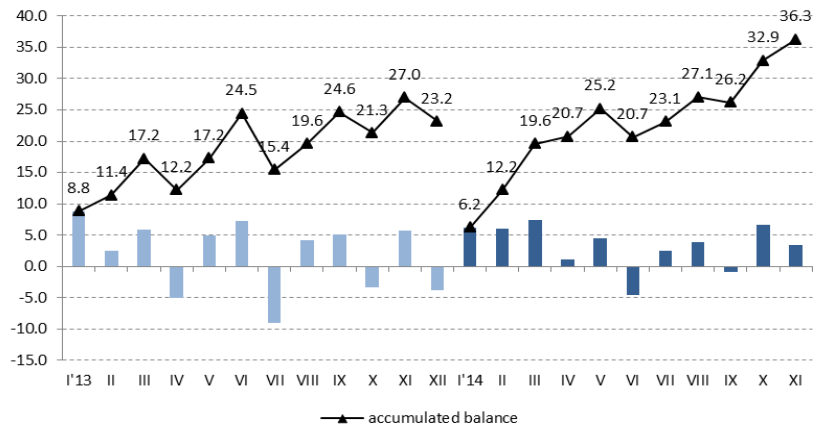




Change of debt in domestic Treasury securities held by banks

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

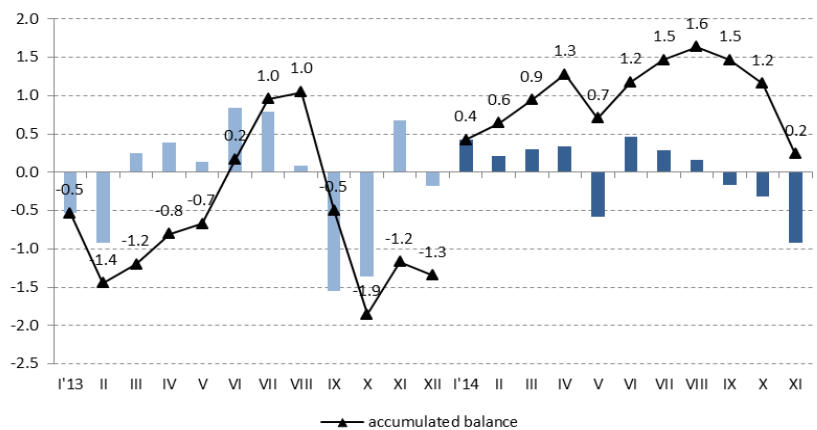
In the period of I-XI 2014 debt held by domestic banks increased by PLN 36.3bn comparing to PLN 27.0bn increase during the same period of 2013.



Change of debt in domestic Treasury securities held by insurance companies

PLN bn

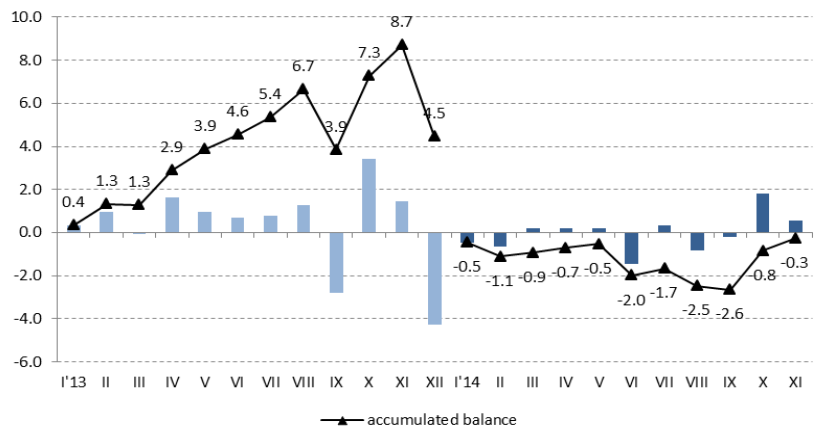
In the period of I-XI 2014 there was an increase of PLN 0.2bn in debt held by insurance companies. During the same period of 2013 there was a decrease of PLN 1.2bn.



Change of debt in domestic Treasury securities held by investment funds

PLN bn

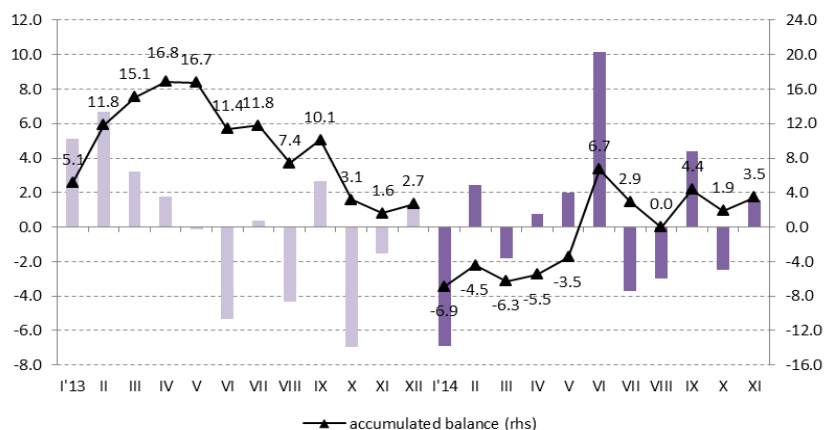
In the period of I-XI 2014 there was a decrease of PLN 0.3bn in debt held by investment funds. During the same period of 2013 there was an increase of PLN 8.7bn.



Change of debt in domestic Treasury securities held by foreign investors

PLN bn

In the period of I-XI 2014 inflow of foreign capital to the domestic TS market amounted to PLN 3.5bn comparing to inflow of PLN 1.6bn in the same period of 2013. Foreign investors' holdings reached the level of PLN of 196.6bn.



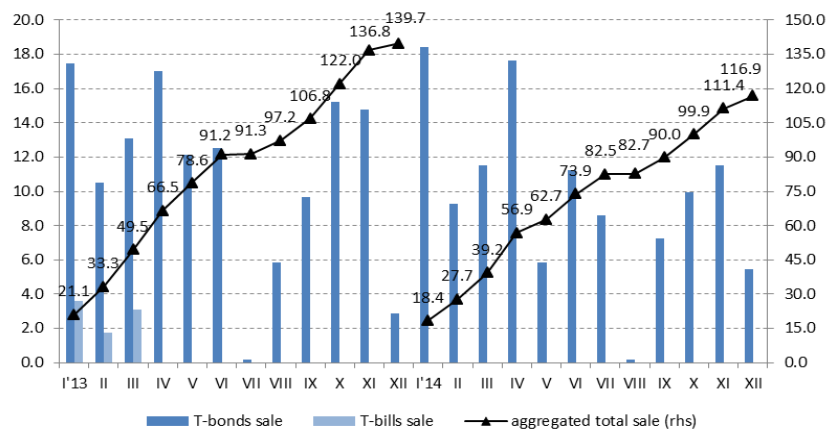


BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

Sale of T-bonds and T-bills in the period of I-XII 2014 and in 2013

settlement date, nominal amount, PLN bn

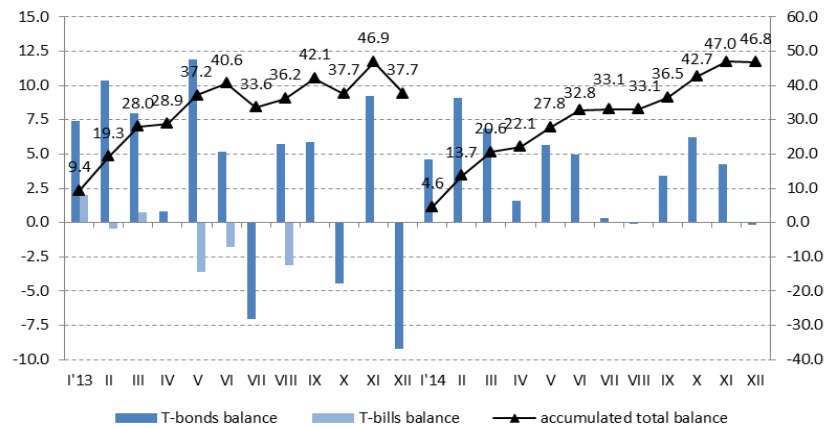
Since April 2013 T-bills have not been offered.



Balance of T-bonds and T-bills in the period of I-XII 2014 and in 2013

settlement date, nominal amount, PLN bn

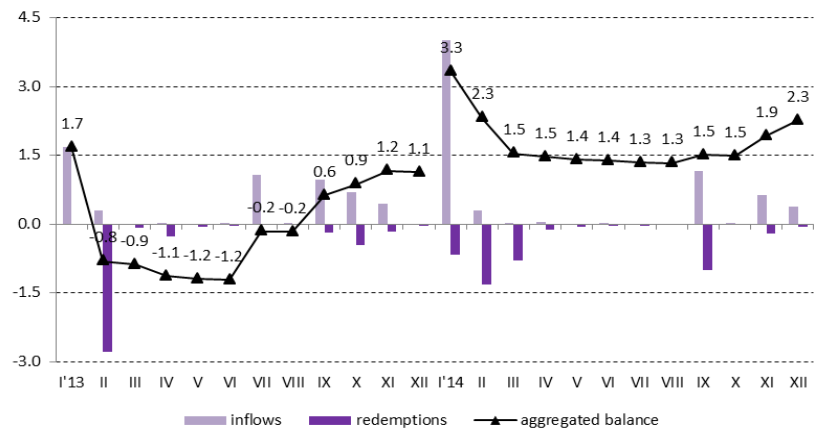
In the period of I-XII 2014 indebtedness in T-bonds increased by PLN 46.8bn.



External financing in the period of I-XII 2014 and in 2013

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

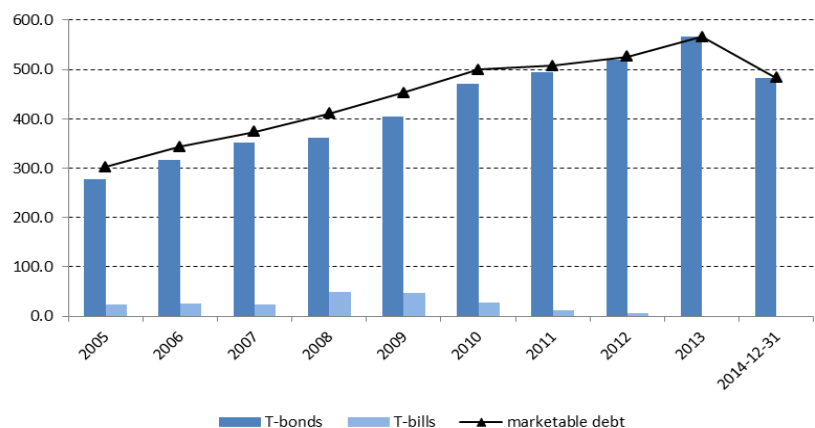
Net financing on foreign markets (bonds issuance and loans from IFIs) in the period of I-XII 2014 amounted to EUR 2.3bn. T-bonds issuance was EUR 4.2bn. Loans incurred from IFIs were at the level of EUR 2.4bn. Apart from those, EUR 3.0bn on the FX budgetary accounts was available - the money related to the foreign debt management raised and not spent in 2013.



Structure of marketable debt

PLN bn

At the end of December 2014 the marketable domestic debt amounted to PLN 482.9bn comparing to PLN 565.7bn at the end of 2013.

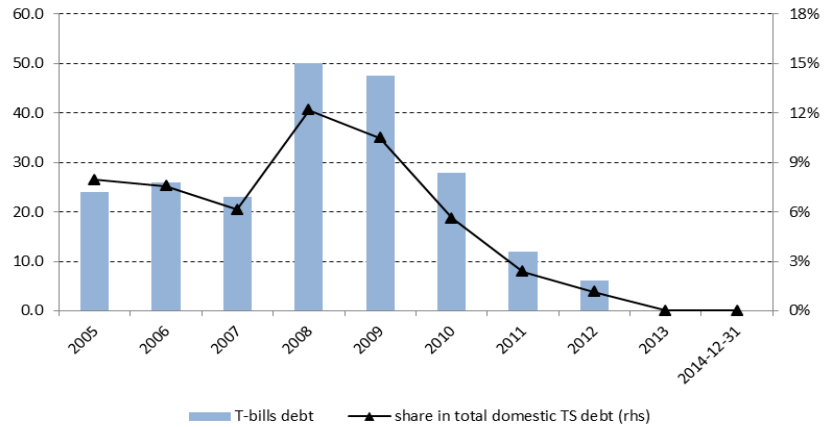




T-bills outstanding

PLN bn

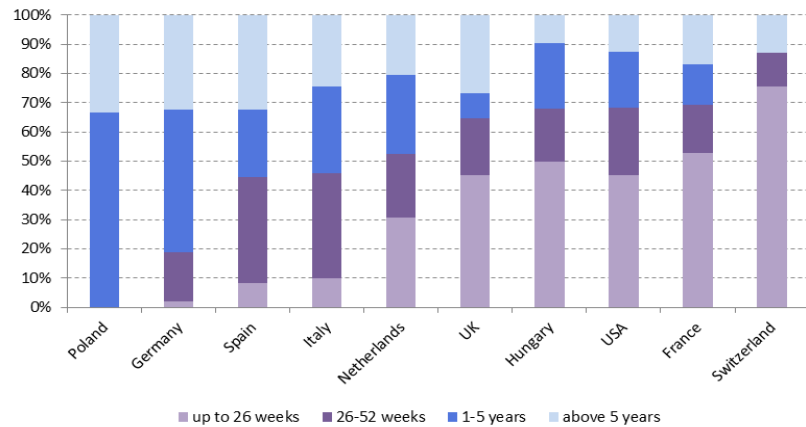
Since August 2013 there has been no T-bills outstanding.



Maturity breakdown of T-securities in Poland and other countries

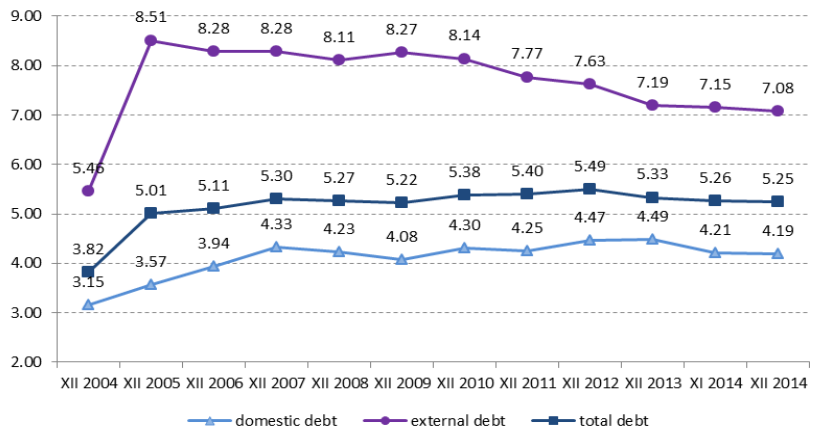
auctions and syndicates, local currency, ytd in the period of January 1 - December 31, 2014

In Poland only Treasury securities with maturity over 1 year have been offered in 2014.



Average maturity

At the end of December 2014 the average maturity of domestic debt decreased to 4.19 in comparison with the end-2013 figure (4.49).

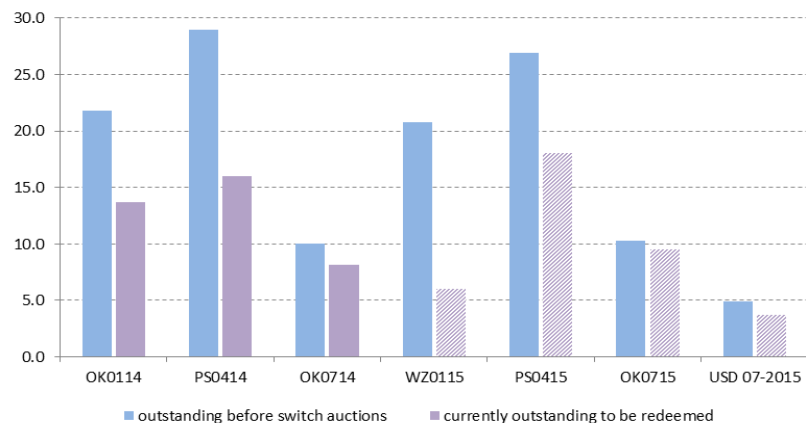


Reducing refinancing risk connected with T-bonds' redemptions maturing in 2014 and 2015

nominal amount, as of December 31, 2014, PLN bn

Buy-back of T-bonds maturing in 2014 and 2015 (by switch or cash settlement):

- OK0114: PLN 8.1bn (37% of initial outstanding),
- PS0414: PLN 13.0bn (45%),
- OK0714: PLN 1.8bn (18%),
- WZ0115: PLN 14.7bn (71%),
- PS0415: PLN 8.8bn (33%),
- OK0715: PLN 0.8bn (8%),
- USD 07-2015: PLN 1.2bn (USD 0.4bn) (24%).

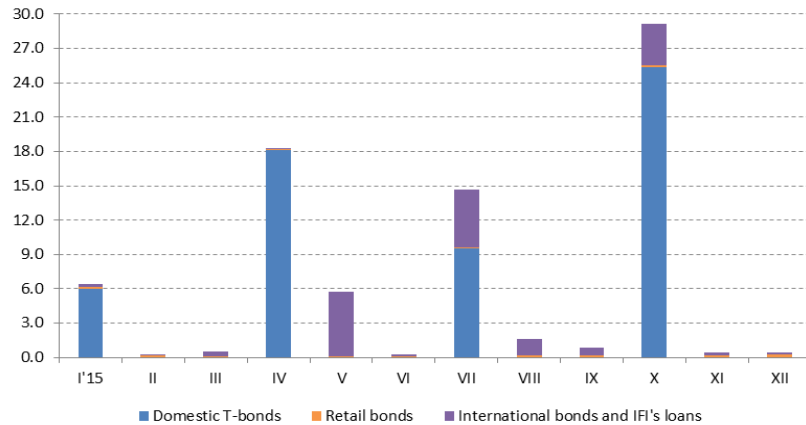


State Treasury debt redemptions in 2015

nominal amount, as of December 31, 2014;
PLN bn

The nominal amount of debt to be redeemed in 2014 is equal to PLN 78.5bn, including:

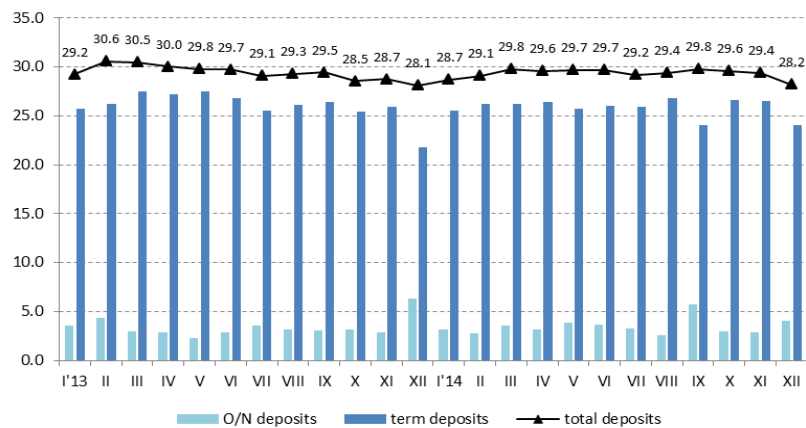
- T-bonds: PLN 59.0bn,
- T-retail bonds: PLN 1.8bn,
- bonds and loans incurred on foreign markets: PLN 17.7bn.



Consolidation of public finances liquidity management

PLN bn

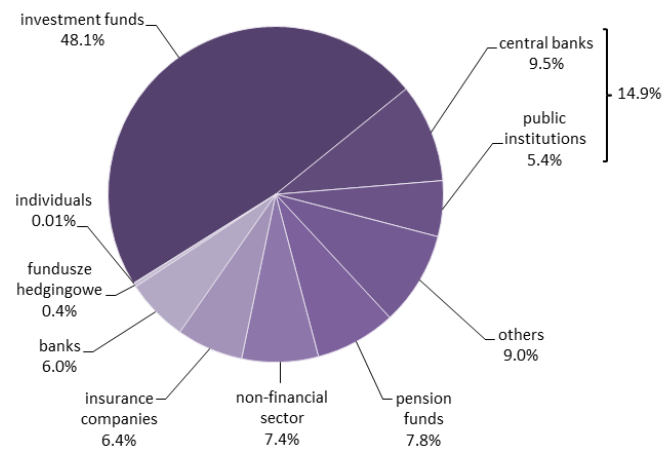
As a result of consolidation of public finances liquidity management there were PLN 28.2bn funds accumulated at the end of December, of which PLN 24.1bn was as term deposits and PLN 4.1bn on O/N deposits.



Institutional distribution of domestic Treasury securities held by non-residents

as of November 30, 2014, excluding omnibus accounts

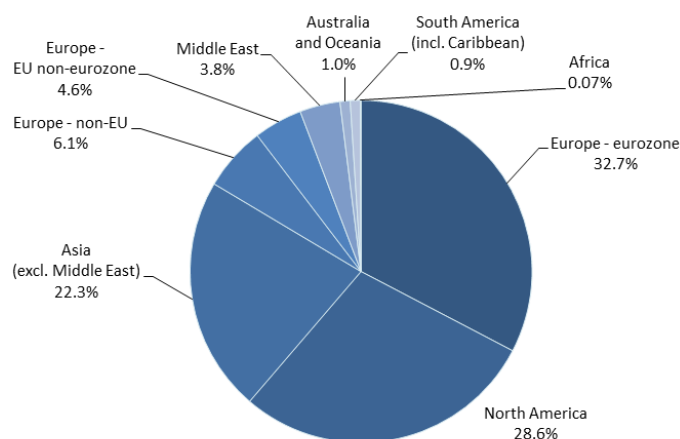
The share of non-residents in the domestic Treasury securities market amounted to 40.8% and was dominated by stable, long-term investors, including central banks and public institutions. The latter's holdings increased by 14.9% in total in the period of IV-XI 2014.



Geographical distribution of domestic Treasury securities held by non-residents

as of November 30, 2014, excluding omnibus accounts

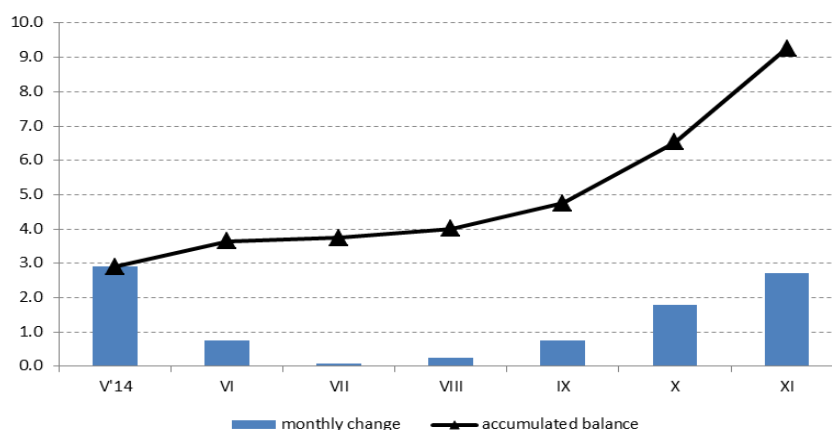
Well diversified geographical structure, with highest share of accounts from US, Europe and Japan (detailed breakdown by country available on www.mf.gov.pl).



Change of debt in domestic Treasury securities held by central banks and public institutions

as of November 30, 2014, PLN bn, excluding omnibus accounts

Involvement of central banks and public institutions in the Polish debt market in the period of IV-XI 2014, when the detailed information is available, increased by PLN 9.3bn. In XI the increase amounted to PLN 2.7bn.



MoF comment

Piotr Marczak, Director of the Public Debt Department, MoF

30-12-2014

By the end of December liquid funds available in PLN and foreign currencies will amount to about PLN 40bn. The level of prefinancing next year State budget borrowing requirements shall be equal to ca. 30%.

Such level of prefinancing and reserve held by the MoF allows us to continue the policy of moderate supply of T-bonds during the 1st quarter of the next year. The supply plan for January takes into account interest payments and redemption of PLN 7.4bn WZ0115 series maturing on January, 25th.

Due to no significant needs for foreign currency funds in the first months of 2015, any possible issuances on foreign markets in the first quarter will depend on the performance of the financing process both on the domestic and foreign markets. As in previous years, we allow for a possibility to finance the borrowing requirements by alternative issuance in the private placement format at the below-market financing cost.

The ratio expressed as the amount of public debt with its foreign part converted into PLN using the annual average foreign exchange rates and reduced by the amount of available funds at the end of the year will amount to above 43% but below 48% GDP. This means the first threshold of 43%, described in the public finance act, will be breached but the second one (48%) will stay untouched. Those new thresholds were introduced to the public finance act in 2014 due to decrease in debt level as a result of the changes in the pension system.

In November foreign investors' portfolio of domestic bonds increased by PLN 1.6bn. The biggest change in institutional structure statistics was connected with reclassification of a Norwegian sovereign fund that invests on Norwegian central bank's account from 'central bank' category to 'public institutions'. As a result the involvement of central banks in the Polish debt market decreased but simultaneously public institutions from Norway noted an increase by PLN 8.2bn (from zero level). Hence, Norway became the fourth biggest investor among non-residents. The portfolio of central banks and public institutions increased in November by PLN 2.7bn in total. The highest increase was recorded by central banks from Asia (PLN 2.3bn).

In December T-bond portfolio held by foreign investor did not change.