

MINISTRY OF FINANCE

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1. LEGAL FRAMEWORK OF THE ISSUANCE OF TREASURY SECURITIES

The basic act governing the terms of issuing Treasury Securities (TS) is the Public Finance Act of November 26th, 1998 ([Journal of Laws No. 155, item 1014](#) as subsequently amended). Under this Act, only the Minister of Finance is authorized to issue monetary-type Treasury Securities (i.e. t-bonds and t-bills). Other TS (equity-type) can be issued by the Minister of Treasury in consultation with the Minister of Finance.

Treasury Securities are classified according to their maturity as follows:

- a) short-term securities – **Treasury bills** offered for sale on the domestic market at a discount and redeemed at their face value – with maturity up to 364 days (inclusive);
- b) long-term securities – **Treasury bonds** offered for sale on the domestic and foreign markets, carrying a discount or/and interest – with maturity of at least one year (365 days).

In line with Art. 55 of the Public Finance Act, the Minister of Finance issued in 1999 five ordinances governing the general terms of issuing specific types of the Treasury Securities:

- a) Ordinance of the Minister of Finance of April 26th, 1999 on the general terms of issuing of Treasury bonds offered at auctions (Journal of Laws No. 38, item 368, as subsequently amended);
- b) Ordinance of the Minister of Finance of April 26th, 1999 on the general terms of issuing of Treasury bonds offered in the retail network (Journal of Laws No. 38, item 369, as subsequently amended);
- c) Ordinance of the Minister of Finance of August 26th, 1999 on the terms of issuing of Treasury bills (Journal of Laws No. 74, item 831, as subsequently amended);
- d) Ordinance of the Minister of Finance of September 7th, 1999 on the terms of issuing of Treasury bonds on the foreign markets (Journal of Laws No. 75, item 845, as subsequently amended);
- e) Ordinance of the Minister of Finance of September 8th, 1999 on the terms of issuing of Treasury bonds designated for the conversion of the State Treasury debt (Journal of Laws No. 74, item 834, as subsequently amended).

The ordinances determine the Minister of Finance's rights to define detailed terms of the Treasury Securities issue. They set forth general terms of securities' design, sales procedures, investor groups to which Treasury Securities are offered and terms of their service and redemption (including buy-back and early redemption).

Detailed conditions of a particular issue of the Treasury Securities are determined in the Letters of Issue published by the Minister of Finance. Announcement of the Letter of Issue to the public, in the national press or on the Ministry of Finance Internet web site constitutes the condition under which the issue is effective.

2. PRIMARY MARKET OF TREASURY SECURITIES.

2.1. Sale of Treasury Securities on the domestic market

Sale of the Treasury Securities on the domestic market is performed by issue agents acting under separate agreements concluded with the Minister of Finance. The National Bank of Poland is in charge of the auction sales of TS – Treasury bills and Treasury bonds - to institutional investors. Issuance of securities dedicated for individual investors – retail and savings T-bonds is performed by the PKO Bank Polski S.A.

2.1.1. Sale of Treasury Securities at auctions.

TS offered at auctions held by the National Bank of Poland are dedicated for the institutional investor groups and are commonly called "**wholesale**" instruments. They fulfill the basic role in meeting the State Budget borrowing requirement. Relatively high face value of the securities offered, at PLN 10,000 for a T-bill and PLN 1,000 for a T-bond, at auctions is a feature of the wholesale market of the Treasury Securities. In 2003 direct access to auctions was limited to Treasury Securities Dealers and Bank Gospodarstwa Krajowego (state owned bank).

There were altogether 85 auctions of TS in 2003 (51 auctions of Treasury bills and 34 of Treasury bonds, including 13 non-competitive auctions). Total value of securities offered amounted to PLN 120.2 billion (T-bills - PLN 57.0 billion and T-bonds - PLN 63.2 billion), the value of declared demand reached PLN 302.1 billion (PLN 134.8. billion and PLN 167.3 billion respectively) and the total face value of sale amounted to PLN 110.4 billion (PLN 57.0 billion and PLN 53.4 billion respectively).

The following types of Treasury Securities were offered at auctions in 2003:

- a) Treasury bills,
- b) 2-year zero coupon bonds,
- c) 5-year fixed rate bonds,
- d) 10-year fixed rate bonds,
- e) 20-year fixed rate bonds.

2.1.1.1. System of Treasury Securities Dealers (TSD)

The System of Treasury Securities Dealers was introduced since the beginning of 2003. It limited the access to the TS primary market to banks with the status of TSD. The System of Treasury Securities Dealer was implemented in order to ensure financing of borrowing requirement of state budget and to improve liquidity, transparency and effectiveness of Treasury Securities market.

System participants

Participation in the TSD system is limited to banks, which participate in the system of mandatory reserve, are subject to domestic supervision of Commission of Banking Supervision and have appropriate financial strength. Furthermore banks must operate in Poland and have accounts with the National Bank of Poland – a current account and T-bills depository account and with National Depository for Securities (KDPW) – T-bonds

depository account. The selection of TSD is conducted once a year and the competition period is based on the procedures stated in Regulations of fulfilling the functions of TSD.

TSD selection criteria (in 2003):

1. share in primary market transactions (share in the gross amount, T-bonds and T-bills separately)
2. share in secondary market transactions, including electronic platform (T-bonds and T-bills separately)
3. share in the turnover with non-banking sector entities (T-bonds and T-bills separately)
4. settlement strength (amount of monthly turnover with the current account with NBP)
5. timely and sound fulfillment of reporting duties to the Issuer and NBP,
6. cooperation with the Issuer and NBP (especially concerning actions leading to development of transparent and effective TS market and advisory regarding issuing policies)

Duties and rights of the issuer:

TSD duties in the year 2003:

1. TSD are obliged to participate in all auctions of TS arranged by the NBP on behalf of the Issuer
2. TSD are obliged to purchase each quarter no less than: 2 % of T-bonds and 2 % of T-bills of the nominal value sold in a quarter (in 2004 this amount increased to 3%),
3. constant quotations of sell and buy price for TS on the organised electronic secondary market
4. TSD are obliged to participate in everyday fixing sessions of TS at 3:30 p.m. arranged by the NBP through CeTO S.A. – electronic platform organizer, in order to set the fixing and informational rates for TS in accordance with the TS Fixing Regulations,
5. act to increase participation of the non-banking domestic investors in the TS market,
6. co-operate with the Issuer towards development of the transparent and effective market for TS,
7. timely and fair fulfilment of depository and clearing systems duties
8. promote the TS instruments

TSD were entitled to:

1. exclusive submission of bids at all auctions of TS arranged by the NBP
2. purchasing TS at non-competitive auctions at average auction prices,
3. purchasing special issues of TS,
4. regular meetings with representatives of the Issuer in order to solve material, organisational and technical problems connected with organisation and functioning of the TS market, to discuss issuing policy, plans for financing state budget borrowing needs and financial market conditions,
5. conducting of individual operations with the Issuer,
6. participation in everyday TS fixing sessions,
7. using the title of a Treasury Securities Dealer

The following banks had the Treasury Securities Dealer status in the year 2003:

- 1) ABN Amro Bank (Polska) S.A.,
- 2) Citibank Handlowy w Warszawie S.A.,
- 3) Bank PEKAO S.A.,
- 4) Bank BPH S.A.,
- 5) Bank Zachodni WBK S.A.,
- 6) Bank Millennium S.A.,
- 7) BRE Bank S.A.,
- 8) Deutsche Bank Polska S.A.,
- 9) ING Bank Śląski S.A.,
- 10) Kredyt Bank S.A.,
- 11) Powszechna Kasa Oszczędności Bank Polski S.A.,
- 12) Societe Generale S.A. Oddział w Polsce

Minister of Finance granted the status of Treasury Securities Dealer for the year 2004 to the following banks:

- 1) ABN Amro Bank (Polska) S.A.,
- 2) Citibank Handlowy w Warszawie S.A.,
- 3) Bank PEKAO S.A.,
- 4) Bank BPH S.A.,
- 5) Bank Zachodni WBK S.A. (lost this status April 9, 2004),
- 6) Bank Millennium S.A.,
- 7) BRE Bank S.A.,
- 8) Deutsche Bank Polska S.A.,
- 9) ING Bank Śląski S.A.,
- 10) Kredyt Bank S.A.,
- 11) Powszechna Kasa Oszczędności Bank Polski S.A.,
- 12) Societe Generale S.A. Oddział w Polsce

More detailed information about System of Treasury Securities Dealers can be found at the internet address:

<http://mf.gov.pl/index.php?wysw=4&sgl=2&dzial=168>

2.1.1.1.1. Treasury Securities Electronic Platform (TSEP)

The electronic platform run by Centralna Tabla Ofert S.A., for secondary market transactions is a relevant component of TS market. The non-regulated market guarantees: equality of investors, anonymity, and automatic transaction matching and automatic settlement system. Thanks to market-making role of banks-candidates for TSD, the electronic platform helps to develop liquid, transparent and efficient secondary TS market. Since April 26, 2002 T-bonds sold at auctions have been traded. In October 2002 T-bills were included in the trading platform, and finally the possibility of repo transactions was added in May 2003.

2.1.1.1.2. Sales of Treasury bills.

Treasury bills are issued as bearers securities, the face value of one bill amounts to PLN 10,000 and its maturity may vary from 1 to 52 weeks. Treasury bills are issued in a dematerialized form and, deposited in the electronic form with the Securities Register (former Central Register of Treasury bills) run by the National Bank of Poland.

Treasury bills are sold at a discount (purchase price is lower than face value) and an investor receives T-bill's face value on a redemption date – the difference between face value and purchase price is an investor's yield.

Direct access to auction is limited to Treasury Securities Dealers. Investors that have no such a status can place their bids through an entity that is a direct participant of an auction.

Residents and non-residents being legal entities, individuals and entities without legal status, may invest in Treasury bills. T-bills may be freely traded among all those investors, as long as the foreign exchange regulations and laws on public trading of securities are observed.

Secondary trading is performed on the interbank market arranged by biggest domestic banks and from October 7, 2002 on the TSEP.

Treasury bills auctions are held on Mondays, but under some reasonable circumstances the Minister of Finance is entitled to arrange an auction on some other days. An announcement of a forthcoming auction is published seven days before the auction date on the Ministry of Finance WWW pages (<http://www.mf.gov.pl/>) and in REUTERS. At the beginning of a month, along with publication of the Letter of Issue for a given month, the Ministry of Finance announces monthly plan of Treasury bills sale including auction dates, projected sales value of specific types of securities and payment days for purchased bills.

Bids are submitted by direct participants of an auction to the National Bank of Poland by 11 a.m. on the auction date – minimum face value of a bid is PLN 100,000. Upon receipt a bid summary from the NBP the Minister of Finance takes a decision on the minimum price of bills accepted for each maturity. Bids with higher price are accepted in whole while bids presenting accepted minimum price can be accepted with a reduction or in whole.

Auctions of Treasury bills are held in the multi-price auction system i.e., each of the bidders buys securities at a price submitted in his bid. Results of a Treasury bills auction are announced on the day of the auction at about 12:00 a.m. in the Internet and in Reuters.

The Minister of Finance may not later than the on the following day organize non-competitive auction of T-bills with offer not exceeding 20% of initial auction offer. Participation in non-competitive auction is limited to successful bidders at the auction. During a non-competitive auction T-bills are sold at average auction price. In case of demand exceeding offer a proportional reduction of bids is applied.

Payment for the Treasury bills is usually made two days after an auction but in some cases may be made on another day.

There were 51 auctions of Treasury bills in 2003 offering securities of total face value at PLN 57,000.0 million. The bids reached the amount of PLN 134,773.6 million and the sale of bills at their face value amounted to PLN 56,967.4 million. Revenues from the sale of Treasury bills amounted to PLN 54,351.9 million and in a break down according to a particular T-bill type were as follows:

Table 1. Sales of Treasury bills in 2003 (PLN million)

Type of a bill	Offer	Demand	Sales, face value	Sales, principal
10-week	3,500.00	6,243.20	3,500.00	3,464.92
13-week	2,800.00	7,811.00	2,800.00	2,762.49
26-week	3,800.00	9,246.31	3,455.50	3,356.92
52-week	46,900.00	111,473.11	47,211.94	44,767.61
TOTAL:	57,000.00	134,773.62	56,967.44	54,351.93

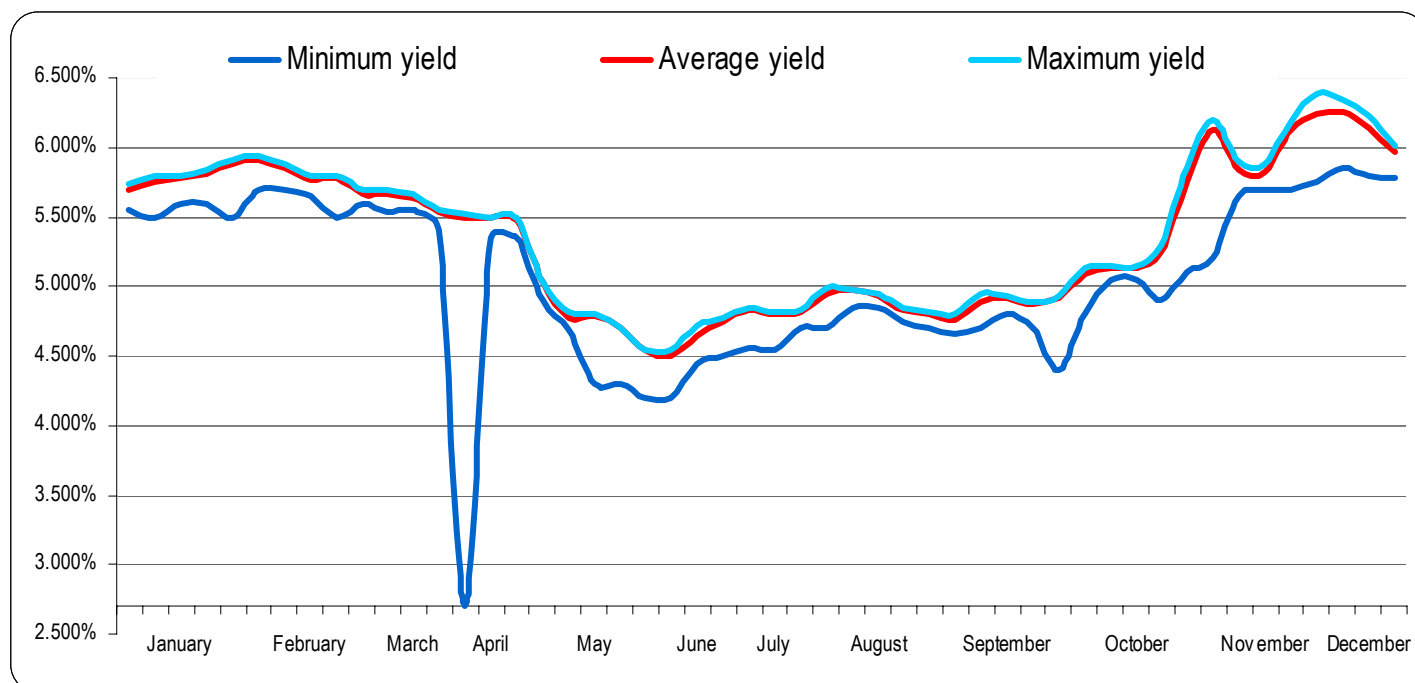
File containing results of all auctions of Treasury bills since 1991 can be found on the Ministry of Finance website: http://www.mf.gov.pl/files/dlug_publiczny/obligacje_hurtowe/pliki_do_pobrania/bonyskarbowe.exe

Table 2. Results of Treasury bills auctions in 2003 (PLN million)

Auction date	Bill type	Redemption date	Offer	Demand	Sales	Min. price	Average price	Max. yield	Average yield.	Auction date	Bill type	Redemption date	Offer	Demand	Sales	Min. price	Average price	Max. yield	Average yield.
01/06/2003	13	04/09/2003	100.00	425.46	100.00	9846.94	9848.62	6.149%	6.081%	06/16/2003	52	06/16/2004	800.00	1,049.49	595.49	9545.00	9550.91	4.715%	4.650%
01/06/2003	26	07/09/2003	400.00	1,218.55	400.00	9700.98	9703.04	6.097%	6.054%	06/23/2003	52	06/23/2004	800.00	1,240.37	800.00	9539.89	9542.33	4.770%	4.744%
01/06/2003	52	01/07/2004	900.00	1,387.72	900.00	9451.46	9456.01	5.740%	5.690%	06/30/2003	13	10/01/2003	100.00	489.09	100.00	9871.85	9872.49	5.135%	5.110%
01/13/2003	13	04/16/2003	100.00	373.92	100.00	9847.29	9849.30	6.135%	6.053%	06/30/2003	52	06/30/2004	800.00	2,649.48	800.00	9532.57	9534.32	4.850%	4.831%
01/13/2003	26	07/16/2003	300.00	865.05	300.00	9701.81	9702.71	6.080%	6.061%	07/07/2003	13	10/08/2003	100.00	468.04	100.00	9874.56	9875.31	5.026%	4.995%
01/13/2003	52	01/14/2004	900.00	1,008.38	873.16	9446.05	9450.69	5.800%	5.749%	07/07/2003	52	07/07/2004	800.00	2,089.04	800.00	9535.49	9536.82	4.818%	4.803%
01/20/2003	26	07/23/2003	200.00	747.50	200.00	9703.72	9704.93	6.039%	6.014%	07/14/2003	13	10/15/2003	100.00	343.32	100.00	9873.98	9874.86	5.049%	5.013%
01/20/2003	52	01/21/2004	1,000.00	2,213.09	1,000.00	9446.04	9447.60	5.800%	5.783%	07/14/2003	52	07/14/2004	800.00	1,519.13	800.00	9534.49	9536.21	4.829%	4.810%
01/27/2003	26	07/30/2003	300.00	699.52	300.00	9704.18	9705.21	6.030%	6.008%	07/21/2003	13	10/22/2003	100.00	276.57	100.00	9872.72	9873.66	5.100%	5.062%
01/27/2003	52	01/28/2004	1,000.00	1,679.77	1,000.00	9442.43	9445.18	5.840%	5.810%	07/21/2003	52	07/21/2004	800.00	1,195.60	800.00	9519.70	9524.24	4.990%	4.940%
02/03/2003	26	08/06/2003	100.00	194.58	100.00	9703.31	9704.70	6.048%	6.019%	07/28/2003	52	07/28/2004	900.00	3,446.42	900.00	9520.61	9521.60	4.980%	4.969%
02/03/2003	52	02/04/2004	800.00	1,169.45	800.00	9435.86	9438.87	5.913%	5.880%	08/04/2003	52	08/04/2004	700.00	2,919.29	700.00	9524.28	9524.72	4.940%	4.935%
02/10/2003	26	08/13/2003	100.00	264.54	100.00	9703.31	9705.03	6.048%	6.012%	08/11/2003	52	08/11/2004	600.00	2,146.85	600.00	9532.64	9534.16	4.849%	4.832%
02/10/2003	52	02/11/2004	800.00	1,856.78	800.00	9433.51	9435.51	5.939%	5.917%	08/18/2003	52	08/18/2004	900.00	2,564.44	900.00	9535.32	9537.25	4.820%	4.799%
02/17/2003	26	08/20/2003	300.00	473.07	300.00	9704.27	9705.65	6.028%	5.999%	08/25/2003	52	08/25/2004	1,000.00	1,649.70	1,000.00	9537.16	9541.13	4.800%	4.757%
02/17/2003	52	02/18/2004	900.00	3,309.20	900.00	9439.03	9441.68	5.878%	5.848%	09/01/2003	52	09/01/2004	900.00	1,090.81	900.00	9523.46	9528.68	4.949%	4.892%
02/24/2003	26	08/27/2003	400.00	469.19	400.00	9703.23	9704.69	6.050%	6.019%	09/08/2003	13	12/10/2003	400.00	763.17	400.00	9874.42	9875.44	5.031%	4.990%
02/24/2003	52	02/25/2004	900.00	3,747.87	900.00	9446.94	9448.96	5.790%	5.768%	09/08/2003	52	09/08/2004	800.00	2,475.33	800.00	9525.25	9526.76	4.929%	4.913%
03/03/2003	26	09/03/2003	200.00	1,060.53	200.00	9706.60	9707.23	5.979%	5.966%	09/15/2003	13	12/17/2003	400.00	1,043.35	400.00	9875.22	9875.44	4.999%	4.990%
03/03/2003	52	03/03/2004	900.00	2,252.53	900.00	9446.05	9448.17	5.800%	5.776%	09/15/2003	52	09/15/2004	800.00	2,898.40	800.00	9529.22	9530.43	4.866%	4.873%
03/10/2003	26	09/10/2003	200.00	1,149.68	200.00	9716.10	9716.10	5.780%	5.780%	09/22/2003	26	03/24/2004	200.00	452.59	200.00	9755.38	9756.27	4.960%	4.941%
03/10/2003	52	03/10/2004	900.00	3,742.87	900.00	9456.18	9457.74	5.688%	5.670%	09/22/2003	52	09/22/2004	900.00	2,315.24	1,094.24	9525.25	9526.89	4.929%	4.911%
03/17/2003	26	09/17/2003	200.00	728.00	200.00	9717.54	9719.27	5.750%	5.713%	09/29/2003	26	03/31/2004	700.00	375.50	355.50	9746.28	9750.75	5.149%	5.056%
03/17/2003	52	03/17/2004	1,000.00	2,053.21	1,000.00	9455.10	9458.35	5.700%	5.664%	09/29/2003	52	09/29/2004	1,500.00	2,414.05	1,849.05	9506.05	9510.86	5.139%	5.086%
03/24/2003	26	09/24/2003	200.00	548.01	200.00	9718.51	9719.39	5.729%	5.711%	10/02/2003	10	12/12/2003	3,500.00	6,243.20	3,500.00	9899.01	9899.77	5.247%	5.207%
03/24/2003	52	03/24/2004	1,100.00	3,329.26	1,100.00	9458.71	9460.33	5.660%	5.642%	10/06/2003	13	01/07/2004	100.00	330.95	100.00	9871.99	9872.68	5.130%	5.102%
03/31/2003	13	07/02/2003	200.00	280.37	200.00	9856.74	9857.81	5.750%	5.706%	10/06/2003	52	10/06/2004	900.00	1,516.91	900.00	9504.78	9506.45	5.153%	5.135%
03/31/2003	52	03/31/2004	1,000.00	3,041.36	1,000.00	9468.34	9469.94	5.533%	5.537%	10/13/2003	13	01/14/2004	100.00	418.66	100.00	9872.48	9872.85	5.110%	5.095%
04/07/2003	13	07/09/2003	300.00	653.24	300.00	9857.01	9857.88	5.739%	5.703%	10/13/2003	52	10/13/2004	900.00	2,265.72	1,000.00	9505.25	9506.61	5.148%	5.133%
04/07/2003	52	04/07/2004	1,000.00	2,332.89	1,000.00	9471.40	9474.30	5.520%	5.488%	10/20/2003	52	10/20/2004	1,000.00	1,952.40	1,000.00	9492.28	9496.64	5.290%	5.242%
04/14/2003	13	07/16/2003	300.00	626.51	300.00	9857.25	9857.72	5.729%	5.710%	10/27/2003	52	10/27/2004	1,000.00	1,502.91	1,000.00	9441.70	9449.80	5.848%	5.758%
04/14/2003	52	04/14/2004	1,000.00	2,535.61	1,000.00	9473.19	9473.85	5.500%	5.493%	11/03/2003	52	11/03/2004	1,400.00	2,266.99	1,400.00	9410.10	9416.58	6.200%	6.128%
04/17/2003	13	07/23/2003	300.00	826.97	300.00	9857.98	9858.46	5.699%	5.680%	11/07/2003	52	11/10/2004	1,000.00	2,491.79	1,000.00	9437.93	9442.89	5.890%	5.835%
04/17/2003	52	04/21/2004	1,000.00	3,546.00	1,000.00	9474.11	9474.59	5.490%	5.485%	11/17/2003	52	11/17/2004	1,000.00	1,984.50	1,000.00	9438.90	9443.57	5.879%	5.827%

Auction date	Bill type	Redemption date	Offer	Demand	Sales	Min. price	Average price	Max. yield	Average yield	Auction date	Bill type	Redemption date	Offer	Demand	Sales	Min. price	Average price	Max. yield	Average yield
05/05/2003	52	05/05/2004	800.00	4,157.25	800.00	9515.16	9515.16	5.039%	5.039%	11/24/2003	52	11/24/2004	1,000.00	1,446.72	1,000.00	9411.01	9416.79	6.190%	6.125%
05/12/2003	52	05/12/2004	700.00	1,777.90	700.00	9535.98	9539.94	4.813%	4.769%	12/01/2003	52	12/01/2004	1,100.00	1,647.56	1,100.00	9393.93	9406.57	6.381%	6.239%
05/19/2003	52	05/19/2004	800.00	1,536.15	800.00	9536.56	9538.46	4.806%	4.786%	12/08/2003	52	12/08/2004	1,100.00	2,095.68	1,100.00	9397.64	9405.63	6.339%	6.250%
05/26/2003	52	05/26/2004	900.00	1,899.45	900.00	9546.36	9546.37	4.700%	4.700%	12/15/2003	13	03/17/2004	100.00	491.38	100.00	9865.34	9867.55	5.400%	5.310%
06/02/2003	52	06/02/2004	700.00	1,833.02	700.00	9560.21	9560.22	4.550%	4.550%	12/15/2003	52	12/15/2004	1,500.00	3,038.56	1,500.00	9407.51	9414.87	6.229%	6.147%
06/09/2003	52	06/09/2004	700.00	1,012.93	700.00	9560.18	9564.82	4.550%	4.500%	12/22/2003	52	12/22/2004	1,500.00	4,177.04	1,500.00	9427.17	9430.59	6.010%	5.972%

Chart 1. Yield to maturity of 52-week T-bills sold at auctions in 2003.



2.1.1.3. Sales of Treasury bonds

Treasury bonds offered at auctions are issued as bearer securities, and the face value of one T-bond is PLN 1,000. Bonds are issued in a dematerialized form and deposited in as magnetic entries in the National Depository for Securities S.A. T-bonds may be sold at a discount, at par value or above par. Purchase price of one bond includes the bid price for its face value and accrued interest bought out on the auction payment date. Residents and non-residents being legal entities, individuals and entities without legal status, can purchase T-bonds. Those instruments may be entered into a free turnover among all mentioned investor groups subject to terms and conditions governing foreign exchange turnover and public turnover of securities.

From the beginning of 2003 direct access to auction is limited to Treasury Securities Dealers. Investors that have no such a status can place their bids through an entity that is a direct participant of an auction.

Secondary turnover of wholesale bonds is concentrated on the interbank non-regulated market and on the TSEP. Moreover, all bonds traded at auctions are listed on the Warsaw Stock Exchange (WSE).

Dates of auctions are specified in the Letter of Issue. Auctions are organized and handled, as in the case of T-bills by the National Bank of Poland.

Preliminary information on bond auctions planned for a given year and containing series of offered securities, dates of auctions and payment dates for purchased bonds is published by the Ministry of Finance in Internet and in Reuters at PLMF07 page.

Auction announcement, containing in particular **the supply amount of bonds** is released to the public at noon two working days before the auction.

Bids are submitted by auction participants to the NBP by 11 a.m. on the auction day. Minimum value of a bid is PLN 1 million.

Upon receipt a bid summary from the NBP, the Minister of Finance takes a decision on accepted minimum price of a T-bond with a given maturity. Bids with higher price are accepted in whole while bids presenting accepted minimum price can be accepted with reduction or in whole.

As it is in case of T-bills, auctions of Treasury bonds are held in the multi-price auction system i.e., each of the bidders buys securities at a price submitted in the bid. Auction results are published on the day of the auction at about noon in Internet and in REUTERS. Settlement of bonds auction is held on the date specified in the auction announcement.

The Minister of Finance may, no later than the on the following day, organize a non-competitive auction of T-bonds with offer not exceeding 20% of initial auction offer. Participation in the non-competitive auction is limited to successful bidders at the auction. During such non-competitive auctions T-bonds are sold at average auction price. In case of demand exceeding offer proportional reduction of bids is used.

There were 21 T-bonds regular auctions and 13 non-competitive ones in 2003 at which securities of total face value of PLN 63,210.0million were offered. Declared demand amount reached PLN 167,338.4 million while bonds sales at face value were PLN 56,349.9 million. The revenues on the sales of T-bonds at auctions in 2003 totaled PLN 53,913.1 million.

Table 3. Sales of Treasury bonds at auctions in 2003 (PLN million)

Bond type	Offer	Demand	Sales, face value	Sales, principal
2-year zero coupon	34,610.00	100,591.16	32,813.53	29,715.69
5-year fixed rate	21,900.00	50,857.43	17,836.33	18,730.33
10-year fixed rate	5,700.00	14,965.91	5,700.00	5,467.08
20-year fixed rate	1,000.00	923.90	0.00	0.00
TOTAL:	63,210.00	167,338.40	56,349.85	53,913.10

File containing results of all auctions of Treasury bonds and the issue of bonds arising from the conversion of the health care debts and liabilities to trade unions and social organizations can be found on the Ministry of Finance website:

http://www.mf.gov.pl/files/dlug_publiczny/obligacje_hurtowe/pliki_do_pobrania/obligacjehurtowe.exe

2.1.1.3.1. Sales of 2-year zero coupon bonds in 2003

Auctions of 2-year zero coupon bonds (OK series) are held on the first working Wednesday of the month, with its settlement on 12th day of the month. Issue of each series lasted for four subsequent months and started in April, August and December. Zero coupon bonds similarly to T-bills do not bring coupon revenue - yield is the difference between face value paid at the redemption date and the purchase price.

Table 4. Auction results of zero coupon 2-year bonds in 2003 (PLN million)

Auction date	Series	Settlement date	Offer	Demand	Sales	Minimum yield	Average yield	Maximum yield
01/08/2003	OK1204	01/12/2003	2,500.00	9,297.13	2,500.00	5.507%	5.513%	5.519%
02/05/2003		02/12/2003	2,800.00	6,647.28	2,114.28	5.629%	5.764%	5.814%
03/05/2003		03/12/2003	2,500.00	9,427.65	2,500.00	5.451%	5.543%	5.570%
03/06/2003*		03/12/2003	250.00	2,500.00	250.00	5.543%		
04/02/2003	OK0405	04/12/2003	3,500.00	15,096.00	3,500.00	5.163%	5.201%	5.230%
04/03/2003*		04/12/2003	700.00	2,705.00	700.00	5.201%		
05/07/2003		05/12/2003	2,800.00	7,524.00	2,800.00	4.698%	4.812%	4.843%
06/04/2003		06/12/2003	2,800.00	8,433.00	2,800.00	4.670%	4.741%	4.761%
06/05/2003*		06/12/2003	500.00	52.24	52.24	4.741%		
07/02/2003		07/12/2003	2,500.00	6,631.50	2,500.00	4.753%	4.807%	4.825%
07/03/2003*		07/12/2003	500.00	336.00	336.00	4.807%		
08/06/2003	OK0805	08/12/2003	2,800.00	6,966.77	2,800.00	4.821%	4.894%	4.943%
08/07/2003*		08/12/2003	560.00	3,302.00	560.00	4.894%		
09/03/2003		09/12/2003	2,500.00	6,192.08	2,500.00	4.883%	4.982%	4.998%
09/04/2003*		09/12/2003	500.00	1.00	1.00	4.982%		
10/01/2003		10/12/2003	2,900.00	5,584.00	2,900.00	5.107%	5.246%	5.297%
11/05/2003		11/12/2003	1,500.00	3,661.50	1,500.00	6.095%	6.237%	6.250%
11/06/2003*		11/12/2003	300.00	1,800.00	300.00	6.237%		
12/03/2003	OK0406	12/12/2003	2,000.00	2,484.00	2,000.00	6.753%	7.078%	7.183%
12/04/2003*		12/12/2003	200.00	1,950.00	200.00	7.078%		
TOTAL:	-	-	34,610.00	100,591.16	32,813.53	-	-	-

*non-competitive auction

Chart 2. Supply, demand and sales of zero coupon bonds at auctions in 2003 (PLN million)

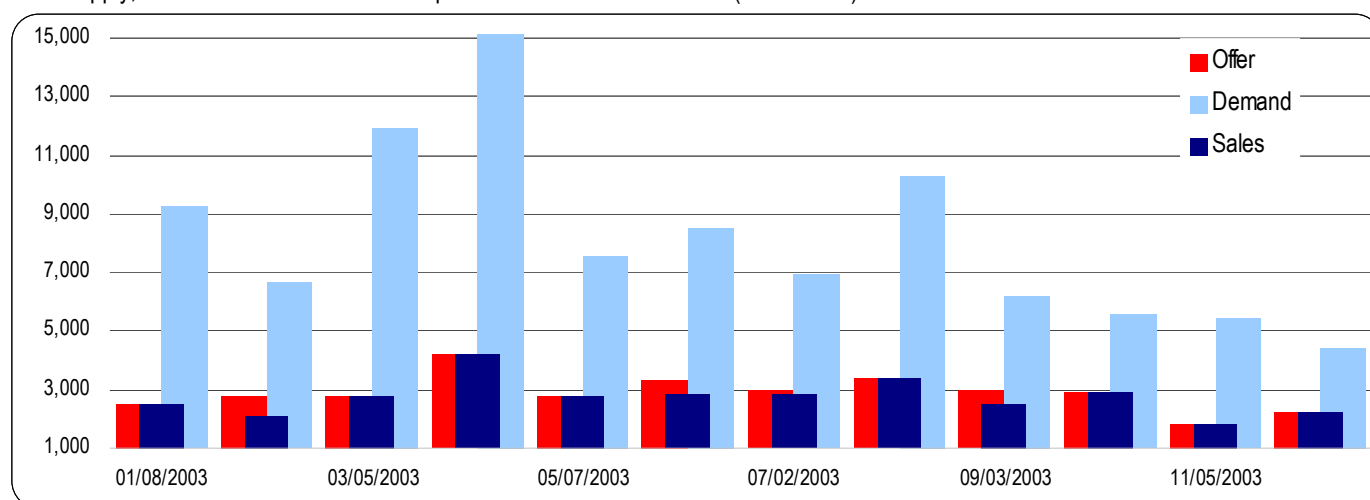
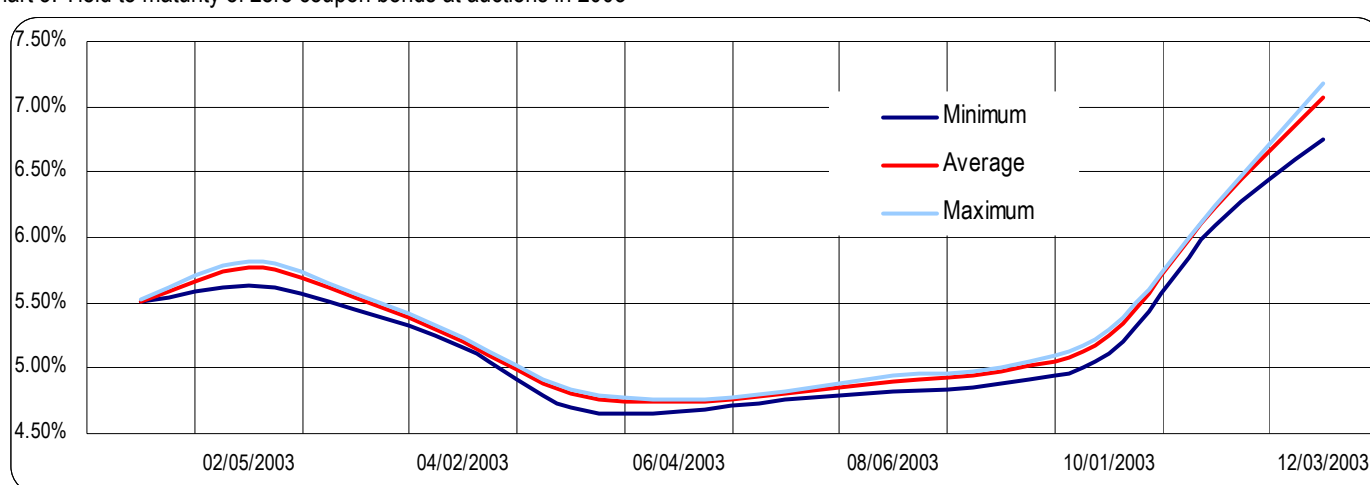


Chart 3. Yield to maturity of zero coupon bonds at auctions in 2003



2.1.1.3.2. Sales of 5-year benchmark fixed rate bonds in 2003

Auctions of 5-year benchmark bonds are held on the third working Wednesday of the month, with settlement on 24th day of the month. For the most of 2003 Ministry of Finance continued sales PS0608 series. Aiming to significantly increase liquidity at domestic secondary market and meet EU financial markets' standards Ministry of Finance continued the selling process until the issue reached value equivalent to 5 billion Euro. In November the Ministry of Finance reopened DS0509 series (initially a 10-year bond), which in 2004 constitutes 5-year benchmark.

Table 5. Results of 5-year fixed rate bonds auctions in 2003 (PLN million)

Auction date	Series	Coupon	Settlement date	Offer	Demand	Sales	Minimum yield	Average yield	Maximum yield
01/22/2003	PS0608	5.75%	01/24/2003	2,200.00	3,272.07	1,959.07	5.453%	5.559%	5.583%
02/19/2003			02/24/2003	2,000.00	5,222.68	2,000.00	5.349%	5.420%	5.427%
02/20/2003*			02/24/2003	400.00	0.00	0.00	-	-	-
03/19/2003			03/24/2003	2,400.00	5,174.76	2,236.76	5.486%	5.536%	5.544%
04/16/2003			04/24/2003	3,000.00	11,411.00	3,000.00	5.180%	5.218%	5.523%
04/17/2003			04/24/2003	600.00	7,200.00	600.00	5.218%	5.218%	5.218%
05/21/2003			05/24/2003	3,000.00	7,241.30	3,000.00	4.790%	4.869%	4.861%
05/22/2003*			05/24/2003	600.00	555.00	555.00	4.869%	4.869%	4.869%
06/18/2003			06/24/2003	2,000.00	4,356.83	2,000.00	4.776%	4.851%	4.863%
09/17/2003			09/24/2003	2,700.00	1,933.30	0.00	-	-	-
10/15/2003			10/24/2003	1,000.00	2,725.00	1,000.00	5.753%	5.805%	5.810%
11/19/2003	DS0509	6.00%	11/24/2003	2,000.00	1,765.50	1,485.50	6.574%	6.689%	6.774%
TOTAL:	-	-	-	21,900.00	50,857.43	17,836.33	-	-	-

*non-competitive auction

Chart 4. Supply, demand and sales of 5-year fixed rate at auctions in 2003 (PLN million)

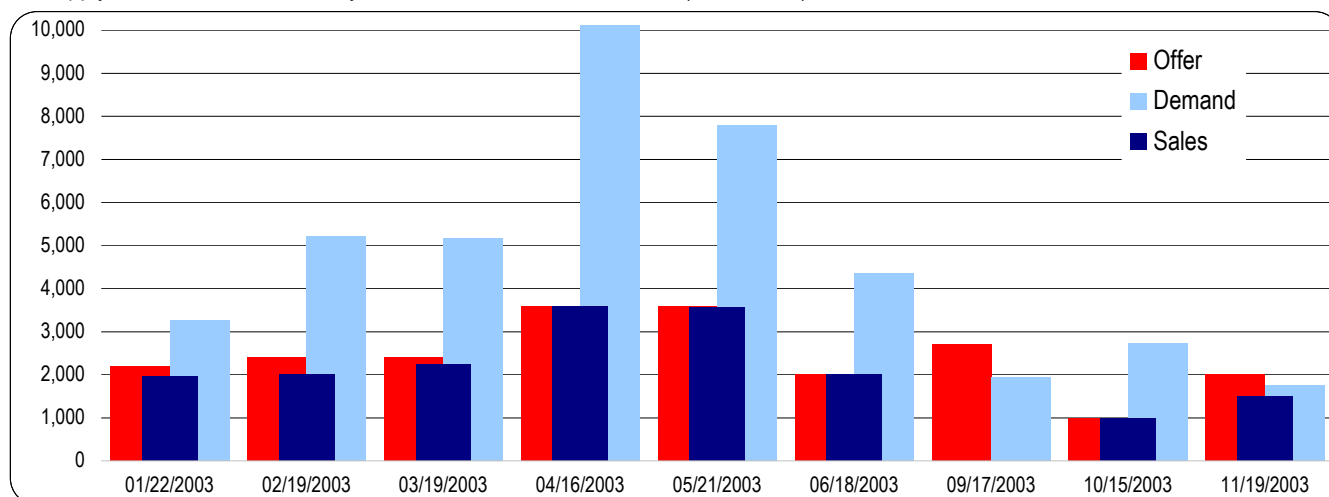
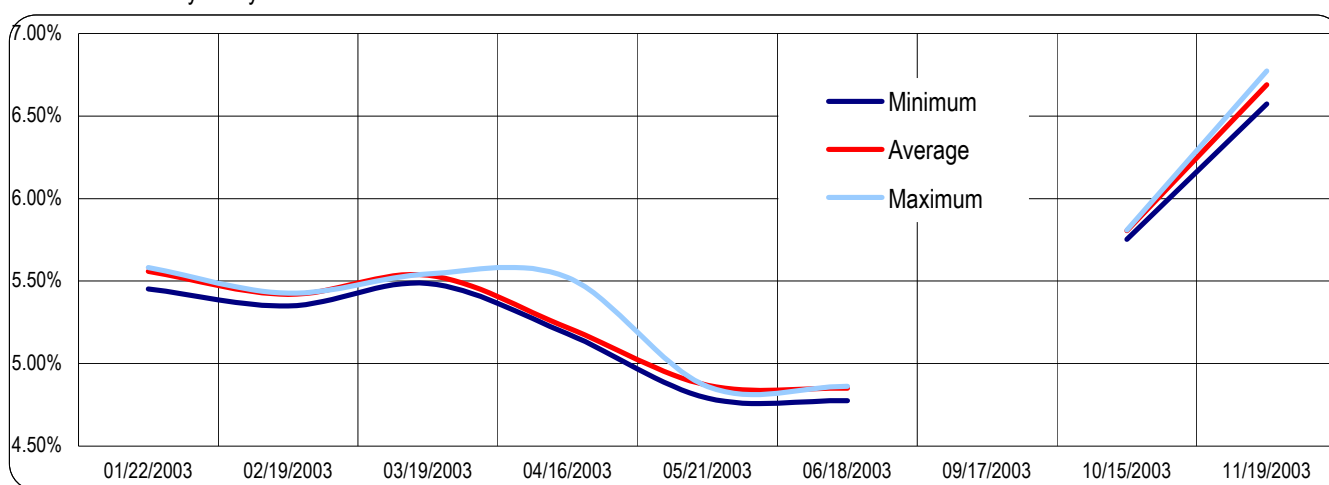


Chart 5. Yield to maturity of 5-year fixed rate bonds at auctions in 2003



2.1.1.3.3. Sales of 10-year fixed rate bonds in 2003

In 2003 Ministry of Finance continued the sales of DS1013 series. As in case of 5-year fixed rate bonds the offering of one series should last till issue reaches equivalent of 5 billion Euro.

Table 6. Results of 10-year fixed rate bonds auctions in 2003 (PLN million)

Auction date	Series	Coupon	Settlement date	Offer	Demand	Sales	Minimum yield	Average yield	Maximum yield
01/15/2003	DS1013	5.00%	01/24/2003	2,000.00	4,623.50	2,000.00	5.532%	5.614%	5.648%
01/16/2003*			01/24/2003	400.00	1,462.00	400.00		5.614%	
03/12/2003			03/24/2003	1,600.00	3,215.96	1,600.00	5.447%	5.489%	5.499%
07/09/2003			07/24/2003	1,000.00	3,039.00	1,000.00	5.151%	5.169%	5.171%
07/10/2003*			07/24/2003	200.00	1,675.00	200.00		5.169%	
10/08/2003			10/24/2003	500.00	950.45	500.00	5.987%	6.689%	6.774%
TOTAL:			-	-	-	5,700.00	14,965.91	5,700.00	-

*non-competitive auction

Chart 6. Supply, demand and sales of 10-year fixed rate bonds in 2003 (PLN million)

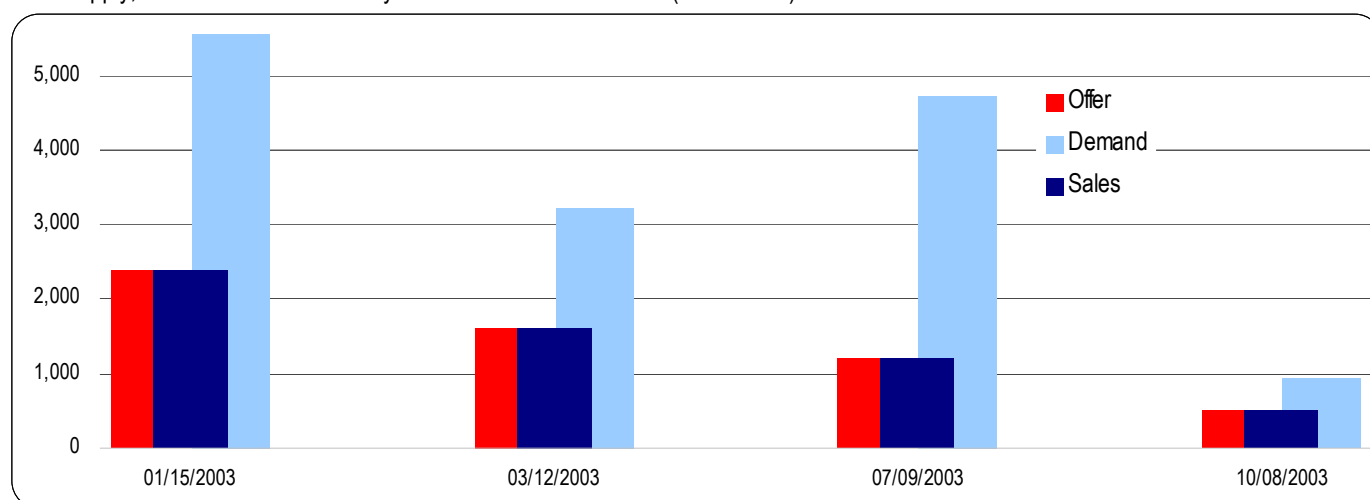
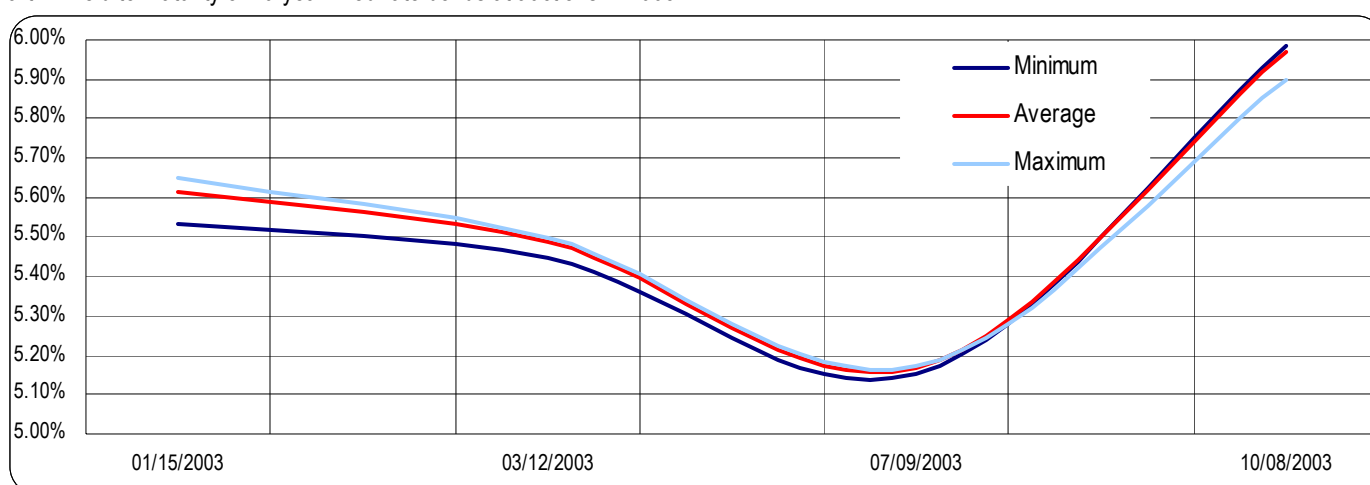


Chart 7. Yield to maturity of 10-year fixed rate bonds at auctions in 2003



2.1.1.3.4 Sales of 20-year fixed rate bonds in 2003

In 2003 the Ministry of Finance planned 2 auctions of 20-year fixed rate bond (WS0922 series). At the first auction in February all the bids were rejected. The second auction scheduled for September was cancelled due to unfavorable market conditions. Similarly as in the case of 5- and 10-year benchmark bonds auctions of WS0922 should continue until total value of the issue reaches equivalency of 5 billion Euro.

Table 7. Results of 20-year fixed rate bonds auction in 2003 (PLN million)

Auction date	Series	Coupon	Settlement date	Offer	Demand	Sales	Minimum yield	Average yield	Maximum yield
02/12/2003	WS0922	0.0575	02/23/2003	1,000.00	923.90	0.00	-	-	-
TOTAL:	-		-	1,000.00	923.90	0.00	-	-	-

2.1.1.4. Treasury bonds switching auctions

In 2003 the Ministry of Finance held 12 T-bonds switching auctions.

At switching auction the Ministry of Finance buys back bonds with near redemption dates before their maturity date, while the settlement of the transaction is effected by giving the bondholder new bonds of a different series. Bought-back securities are cancelled. Operation is conducted without cash flows. The Ministry's of Finance goals of such an operation include reduction of debt refinancing risk, increase in the value of benchmark issues of bonds, closing of small and with low liquidity issues of marketable and non-marketable bonds and also managing the interest rate risk.

Switching auctions are arranged and handled by the National Bank of Poland. Direct participation in switching auctions is limited to TSD. Other investors intending to switch bonds must use intermediation of the TSD.

Two days prior to the auction, at about noon, the Ministry of Finance releases a detailed communiqué about an auction at www.mf.gov.pl and in Reuters.

The day before a switching auction, at about 3 p.m. the Minister of Finance informs the market about the "clean" prices of redeemed or sold bonds.

Bids are submitted to the NBP by 11 a.m. on the auction day. After the submission term expires the Minister of Finance determines accepted bid price for bonds with given maturity. Auction results are published at about 1:30 p.m. on the day of an auction.

Table 8.. Results of switching auctions in 2003 (PLN million)

Auction date	Buy-back bonds					Settlement bonds			Auction date	Buy-back bonds					Settlement bonds		
	Series	Redemption date	Offer	Demand	Buy-back	Series	Redemption date	Sales		Series	Redemption date	Offer	Demand	Buy-back	Series	Redemption date	Sales
01/28/2003	OS0203	02/12/2003	1,000.000	140.452	-	OK1204	12/12/2004	-	06/25/2003	OK0803	08/21/2003	1,000.000	753.222	39.190	PS0608	06/24/2008	37.514
	OS0203	02/12/2003		109.361	-	PS0608	06/24/2008	-		OK0803	08/21/2003		57.067	23.298	WS0922	09/23/2022	20.898
	OK0403	04/21/2003		205.735	-	PS0608	06/24/2008	-		OS1003	10/12/2003		19.680	4.680	PS0608	06/24/2008	4.982
	OK0403	04/21/2003	1,000.000	46.709	-	DS1013	10/24/2013	-		OS1003	10/12/2003	1,000.000	38.061	3.352	WS0922	09/23/2022	3.349
	CK0403	04/22/2003		101.017	-	PS0608	06/24/2008	-		OK1203	12/21/2003		119.891	29.000	PS0608	06/24/2008	27.309
	CK0403	04/22/2003	1,000.000	20.900	20.900	DS1013	10/24/2013	23.641		OK1203	12/21/2003	1,000.000	101.172	29.307	WS0922	09/23/2022	25.906
	OS0603	06/12/2003		118.773	-	PS0608	06/24/2008	-		PS0205	02/12/2005		20.000	-	OK0405	04/12/2005	-
	OS0603	06/12/2003	1,000.000	-	-	DS1013	10/24/2013	-		PS0205	02/12/2005	1,000.000	52.095	-	PS0608	06/24/2008	-
	OK0803	08/21/2003		73.815	-	PS0608	06/24/2008	-		PS0205	02/12/2005		252.000	-	WS0922	09/23/2022	-
	OK0803	08/21/2003	1,000.000	-	-	DS1013	10/24/2013	-		PS0605	06/12/2005	1,000.000	582.845	-	PS0608	06/24/2008	-
02/26/2003	OK0403	04/21/2003	1,000.000	324.836	215.417	PS0608	06/24/2008	202.079	07/23/2003	PS0605	06/12/2005	1,000.000	23.751	-	WS0922	09/23/2022	-
	OK0403	04/21/2003		377.730	339.730	DS1013	10/24/2013	346.784		PS1005	10/12/2005		274.078	-	PS0608	06/24/2008	-
	CK0403	04/22/2003		41.930	-	PS0608	06/24/2008	-		PS1005	10/12/2005	1,000.000	-	-	WS0922	09/23/2022	-
	CK0403	04/22/2003	1,000.000	218.600	218.600	DS1013	10/24/2013	245.589		PS0205	02/12/2005	1,000.000	823.539	-	OK0405	04/12/2005	-
	OS0603	06/12/2003		110.000	100.000	PS0608	06/24/2008	104.279		OS1003	10/12/2003	1,396.000	178.076	5.600	OK0805	08/12/2005	6.866
	OS0603	06/12/2003	1,000.000	198.618	198.618	DS1013	10/24/2013	225.262		OK1203	12/21/2003	1,000.000	312.719	240.676	OK0805	08/12/2005	261.048
	OK0803	08/21/2003		71.080	51.080	PS0608	06/24/2008	47.009		PS0605	06/12/2005	1,000.000	459.464	-	OK0805	08/12/2005	-
	OK0803	08/21/2003	1,000.000	321.647	321.647	DS1013	10/24/2013	322.156		OK1203	12/21/2003	1,000.000	281.080	61.288	PS0608	06/24/2008	61.747
	OK0403	04/21/2003	1,000.000	778.903	25.000	PS0608	06/24/2008	23.580		OS0204	02/12/2004	1,000.000	457.853	198.000	PS0608	06/24/2008	217.854
	CK0403	04/22/2003	1,000.000	123.673	-	PS0608	06/24/2008	-		OK0404	04/21/2004	1,000.000	280.300	30.300	PS0608	06/24/2008	29.994
03/26/2003	OS0603	06/12/2003	1,000.000	135.461	20.000	PS0608	06/24/2008	20.959	10/30/2003	PK0704	07/22/2004	1,000.000	88.809	88.809	OK0805	08/12/2005	103.000
	OK0803	08/21/2003	1,000.000	60.124	6.000	PS0608	06/24/2008	5.553		PK0704	07/22/2004		-	-	PS0608	06/24/2008	-
	OS0603	06/12/2003		585.339	104.734	PS0608	06/24/2008	108.480		OK1203	12/21/2003	1,000.000	790.359	711.471	PS0608	06/24/2008	719.895
	OS0603	06/12/2003	1,000.000	98.623	98.623	DS1013	10/24/2013	110.642		OK1203	12/21/2003	1,000.000	60.977	60.977	DS1013	10/24/2013	69.601
	OK0803	08/21/2003		597.848	18.358	PS0608	06/24/2008	16.789		OS0204	02/12/2004	1,000.000	163.150	86.252	PS0608	06/24/2008	95.176
	OK0803	08/21/2003	1,000.000	2.491	2.491	DS1013	10/24/2013	2.468		OS0204	02/12/2004	1,000.000	33.840	23.840	DS1013	10/24/2013	29.728
	OK1203	12/21/2003		558.419	70.993	PS0608	06/24/2008	63.806		OK0404	04/21/2004	1,000.000	307.554	282.554	PS0608	06/24/2008	280.553
	OK1203	12/21/2003	1,000.000	129.278	75.278	DS1013	10/24/2013	73.334		OK0404	04/21/2004		-	-	DS1013	10/24/2013	-
	DK0809	08/22/2009	1,000.000	166.490	-	DS1110	11/24/2010	-		OS0604	10/12/2004	1,000.000	83.909	63.909	PS0608	06/24/2008	69.162
	OS0603	06/12/2003		22.327	-	PS0608	06/24/2008	-		OS0604	10/12/2004		13.909	13.909	DS1013	10/24/2013	16.996
04/23/2003	OS0603	06/12/2003	1,000.000	229.800	229.800	DS1013	10/24/2013	251.044	11/13/2003	OK0804	08/21/2004	1,000.000	412.951	235.151	PS0608	06/24/2008	228.930
	OK0803	08/21/2003		333.254	331.604	PS0608	06/24/2008	300.000		OK0804	08/21/2004		10.000	-	DS1013	10/24/2013	-
	OK0803	08/21/2003	1,000.000	366.056	38.866	DS1013	10/24/2013	37.517		OK1203	12/21/2003	1,000.000	542.729	326.711	OK0406	04/12/2006	380.948
	OK1203	12/21/2003		241.066	100.890	PS0608	06/24/2008	89.835		OK1203	12/21/2003	1,000.000	309.976	168.976	DS1013	10/24/2013	195.354
	OK1203	12/21/2003	1,000.000	575.612	175.612	DS1013	10/24/2013	166.965		OS0204	02/12/2004	1,000.000	275.772	173.053	OK0406	04/12/2006	220.288
	DK0809	08/22/2009	1,000.000	1352.959	508.000	DS1110	11/24/2010	511.892		OS0204	02/12/2004		12.500	10.000	DS1013	10/24/2013	12.593
	OS0603	06/12/2003		103.000	18.000	OK0405	04/12/2005	21.285		OK0404	04/21/2004	1,000.000	242.685	180.000	OK0406	04/12/2006	206.005
	PS0205	02/12/2005	1,000.000	93.860	-	PS0608	06/24/2008	-		OK0404	04/21/2004		54.000	50.000	DS1013	10/24/2013	56.693
	PS0205	02/12/2005		111.832	15.000	WS0922	09/23/2022	14.689									
	PS0605	06/12/2005	1,000.000	299.589	-	PS0608	06/24/2008	-									
PS0605	06/12/2005		220.788	83.000	WS0922	09/23/2022	80.489										
PS1005	10/12/2005	1,000.000	288.459	-	PS0608	06/24/2008	-										
PS1005	10/12/2005		20.000	-	WS0922	09/23/2022	-										

2.2. Sales of Treasury Securities in retail network

In 2003 the Ministry of Finance offered the following instruments to individual investors:

- 2-year fixed rate savings bonds (**DOS series**)
- 3-year floating rate bonds (**TZ series**)
- 4-year inflation rate indexed savings bonds (**COI series**)
- 5-year fixed rate bonds (**SP series**)

The face value of Treasury bonds offered to individuals is PLN 100 and provides an opportunity for investing in Treasury Securities by people with relatively low income. Until the end of July 2003 the Central Brokerage House of the PeKaO S.A. bank was in charge of efficient functioning of the consortium. On August 1, 2003 PKO Bank Polski S.A. became the issue agent and is responsible for all newly issued bond series. Servicing of bonds issued before August 1, 2003 is left to former agent - Central Brokerage House PeKaO S.A. The goal regarding the retail sale is to set up 1200 Customer Service Outlets and to enable transactions through internet, telephone and ATMs.

Current information about T-bonds for individual investors can be found at <http://www.obligacjeskarbowe.pl> (Polish language only)

Savings bonds (**DOS** and **COI** series) could have been purchased only by individuals domiciled in Poland. Those instruments are not listed on the regulated secondary market i.e., the Stock Exchange in Warsaw but they may be offered to the issuer for redemption before their maturity date. Interest on those securities accrue annually and is put at the investor's disposal at the redemption date (or pre-maturity redemption), but in case of COI series issued after 2003 interest is paid annually. Sale of each series lasts for one month.

3-year floating rate bonds (**TZ** series) give their holder a yield in a form of coupon paid every 3 months, interest rate of particular coupons changes and depends on the yield of 13-week T-bills. Interest rate of series issued after August 1 is based on WIBOR 6M and is paid semiannually.

5-year fixed rate bonds (**SP** series) pay a fixed annual coupon. Sale of new TZ and SP series lasts for three consecutive months and as distinct from savings bonds, they can be traded at the WSE.

The file containing sale results of Treasury bonds offered in the retail network may be found on the Ministry of Finance website: http://www.mf.gov.pl/files/dlug_publiczny/obligacje_hurtowe/pliki_do_pobrania/obligacjedetaliczne.exe

Table 9. Sales of retail bonds in 2003 (PLN million)

Bond type	Supply	Sales, face value	Revenues
2-year savings bonds	7,200.00	3,896.43	3,896.42
3-year floating rate bonds	5,000.00	939.18	926.23
4-year savings bonds	1,800.00	106.0272	106.03
5-year fixed rate bonds	2,500.00	318.29	315.51
TOTAL:	16,500.00	5,259.93	5,244.19

Table 10. Sales of floating rate retail bonds in 2003 (PLN million)

Bond	Sales period		Supply	Sales		Price (PLN)	
	beginning	end		exchange	network	exchange	issue
TZ1105*	11/04/2002	01/31/2003	1,000	-	15.55	99.00	99.50
TZ0206	02/03/2003	04/30/2003	1,000	133.71	111.56	99.00	99.50
TZ0506	05/05/2003	07/31/2003	1,000	120.30	101.79	99.00	99.50
TZ0806	08/01/2003	10/31/2003	1,000	0.00	363.30	-	97.50
TZ1106**	11/03/2003	01/31/2004	1,000	0.00	92.95	-	99,9/99,5
TOTAL:			5000	254.0144	685.1653		
COI0107	01/02/2003	01/31/2003	150	-	8.61	-	100.00
COI0207	02/03/2003	02/28/2002	150	-	15.14	-	100.00
COI0307	03/03/2003	03/31/2003	150	-	4.67	-	100.00
COI0407	04/01/2003	04/30/2003	150	-	4.61	-	100.00
COI0507	05/05/2003	05/31/2003	150	-	5.57	-	100.00
COI0607	06/02/2003	06/30/2003	150	-	3.97	-	100.00
COI0707	07/01/2003	07/31/2003	150	-	6.11	-	100.00
COI0807	08/01/2003	08/30/2003	150	-	27.01	-	100.00
COI0907	09/01/2003	09/30/2003	150	-	10.60	-	100.00
COI1007	10/01/2003	10/31/2003	150	-	7.81	-	100.00
COI1107	11/03/2003	11/29/2003	150	-	5.94	-	100.00
COI1207	12/01/2003	12/31/2003	150	-	6.00	-	100.00
TOTAL:			1800		106.0272		

*sales in period from January 1, 2003 to January 31, 2003

**sales in period from November 3, 2003 to December 31, 2003

Table 11. Sales of fixed rate retail bonds in 2003 (PLN million)

Bond	Sales period		Supply	Sales	Issuance price (PLN)			Interest rate
	beginning	end			1 st month of sales	2 nd month of sales	3 rd month of sales	
DOS0106	01/02/2003	01/31/2003	500	139.54	100.00			5.50%
DOS0206	02/03/2003	02/28/2003	500	161.89	100.00			5.50%
DOS0306	03/03/2003	03/31/2003	500	123.70	100.00			5.50%
DOS0406	04/01/2003	04/30/2003	500	153.33	100.00			5.50%
DOS0506	05/05/2003	05/31/2003	500	200.70	100.00			5.25%
DOS0606	06/02/2003	06/30/2003	500	136.75	100.00			4.75%
DOS0706	07/01/2003	07/31/2003	500	140.25	100.00			4.75%
DOS0806	08/01/2003	08/30/2003	500	432.35	100.00			4.75%
DOS0906	09/01/2003	09/30/2003	500	367.47	100.00			4.75%
DOS1006	10/01/2003	10/31/2003	500	236.73	100.00			4.75%
DOS1106	11/03/2003	11/29/2003	700	595.56	100.00			5.40%
DOS1206	12/01/2003	12/31/2003	1500	1,208.14	100.00			6.00%
TOTAL:			7200	3896.4192				
					1 st month of sales	2 nd month of sales	3 rd month of sales	
SP1207*	12/02/2002	02/28/2003	500	68.48	99.50	100.00	100.5	5.5%
SP0308	03/03/2003	05/31/2003	500	150.00	98.50	98.50	98.50	5.0%
SP0608	06/02/2003	07/31/2003	500	34.70	99.00	99.00	-	4.5%
SP0908	09/01/2003	11/29/2003	500	20.43	97,25/96,00***	96,00/95,00****	95.00	4.5%
SP1208**	12/01/2003	02/28/2004	500	44.68	99.90	99.90	99.90	6.5%
TOTAL:			2500	318.2922				

*sales in period from January 1, 2003 to February 28, 2003

** sales in period from December 1, 2003 to December 31, 2003

*** 96.00 - price in period September 24 – October 24, 2003

**** 95.00 - price in period October 24 – November 29, 2003

2.3. Sales of Treasury Securities on foreign markets

The basic objective of the sale of Polish securities on foreign markets is consolidation of Poland's position as a trustworthy issuer on international financial market. Significance of those issues for financing borrowing needs of the State Budget is of importance as well.

Poland's presence on the international market allows diversifying the sources of the State Budget borrowing requirement financing and provides access to foreign institutional investors with substantial financial resources. Moreover, foreign issues of Polish governmental securities serve as a benchmark for Polish banks and enterprises that issue their own debt securities on international markets.

2.3.1. Classic issues of Treasury Securities on international market

Issues of bonds destined for foreign markets are arranged by consortia of foreign financial institutions consisting of reputable investment banks active on international market. The Minister of Finance appoints, in a formal competitive process, a lead manager whose basic duty is to place the bonds on the market. Consortium members underwrite the sale of securities – their task is to collect orders, by means of direct contact with potential investors, for bonds of a given issue. On that basis the bonds are priced i.e. the spread is fixed above the benchmark yield of the bonds issued by the State Treasury, in whose name the issue is done. The spread reflects the level of risk connected with investment in securities of a given issuer.

In 2003 the Ministry of Finance placed seven issues of bonds on the foreign markets. All details are in table below.

Table 12. Bonds issued for international market in 2003

	4.5% bond denominated in EUR maturing in 2013	4.5% bond denominated in EUR maturing in 2013 (reopening)	0.84% bond denominated in JPY maturing in 2010	3ME+0.125% bond denominated in EUR maturing in 2006	5.25% bond denominated in USD maturing in 2014	6M USD Libor + 0.325% bond denominated in USD maturing in 2010
Issuance date	02/05/2003	05/23/2003	07/09/2003	09/18/2003	10/29/2003	12/18/2003
Redemption date	02/05/2013	02/05/2013	07/09/2010	09/18/2006	01/15/2014	12/18/2010
Issuance value/	1500 million EUR	800 million EUR	25000 million JPY	500 million EUR	1000 million USD	400 million USD
Issuance price (%)	98.993/98.744*	99.733	100	99.868	99.871	99.73
Interest rate annually (%)	fixed 4.5%	fixed 4.5%	fixed 0.84%	floating 3M Euribor + 0.125%	Fixed 5.25%	floating 6M USD Libor + 0.325%
Interest payments	Annually	annually	semiannually	quarterly	semiannually	Semiannually
Yield	4.628/4.660%	4.532%	0.84%		5.264%	
Placement market	Euro	Euro	Samurai	Euro	Global	Private placement
Registration	Luxemburg Stock Exchange	Luxemburg Stock Exchange		Luxemburg Stock Exchange	U.S. Securities and Exchange Commission + Luxemburg Stock Exchange	
Issue Consortium Lead Manager	Deutsche Bank JP Morgan	Deutsche Bank JP Morgan	Daiwa Mizuho	Dresdner Kleinwort Wasserstein	Citigroup Morgan Stanley	PEKAO SA

* - emisja została wyceniona osobno dla kwoty 1250 oraz 250 mln EUR

Table 13. Bonds issued for international market till the end of 2002

	7.75% bond denominated in USD, maturing in 2000	6.125% bond denominated in DEM maturing in 2001	7.125% bond denominated in USD maturing in 2004	7.75% bond denominated in USD maturing in 2017	6% bond denominated in EUR maturing in 2010	5.5% bond denominated in EUR maturing in 2011	5.5% bond denominated in EUR maturing in 2012	6.25% bond denominated in USD maturing in 2012	5.625% bond denominated in GBP maturing in 2010
Issuance date	07/13/1995	07/31/1996	07/01/1997	07/01/1997	03/22/2000	01/29/2001	03/12/2002	07/02/2002	11/18/2002
Redemption date	07/13/2000	07/31/2001	07/01/2004	07/01/2017	03/22/2010	02/14/2012	03/12/2012	07/03/2012	11/18/2010
Issuance value/debt value at the end of 2003	USD 250 million /redeemed in July 2000	DEM 250 million /redeemed in July 2000	USD 300 million	USD 100 million	EUR 600 million	EUR 1,000 million (750 + 250**)	EUR 750 million	USD 1400 million (1000+400)	400 million
Issuance price (%)	99.967	101.777	99.491	99.299	98.300	98.950 / 100.902	98.320	99.209 / 106.00	99.060
Interest rate annually (%)	fixed 7.75%	Fixed 6.125%	fixed 7.125%	fixed 7.75%	fixed 6.0%	fixed 5.5%	fixed 5.5%	fixed 6.25%	fixed 5.625%
Interest payments	semiannually	annually	semiannually	annually	annually	annually	annually	semiannually	annually
Spread over underlying assets' quotation as of the issue date	185 bp	65 bp	75 bp	100 bp	82 bp	80 bp / 74 bp	75 bp	158 bp / 150.3 bp	115 bp
Placement market	Euro+144a	Euro	Yankee	Yankee	Euro	Euro	Euro	Global	Euro
Registration	Luxemburg Stock Exchange	Frankfurt am Main Stock Exchange	U.S. Securities and Exchange Commission	U.S. Securities and Exchange Commission	Luxemburg Stock Exchange	- Luxemburg and Frankfurt am Main Stock Exchanges	Luxemburg Stock Exchange	U.S. Securities and Exchange Commission + Luxemburg Stock Exchange	Luxemburg Stock Exchange
Issue Consortium Lead Manager	JP Morgan	Deutsche Morgan Grenfell, Credit Suisse First Boston	J.P. Morgan	J.P. Morgan	BNP Paribas, Credit Suisse, First Boston	Deutsche Bank AG Merrill Lynch* International	CSFB SSSB	JP Morgan SSSB	UBS Warburg

* basic issue 750 million consortium lead managers only

** reopening

2.3.2. Polish Brady Bonds

The Polish Brady Bonds were issued subject to the agreement with London Club banks. The bonds were issued on October 27th, 1994 and included six various securities with specific terms. The total value of the issue amounted to USD 8.0 billion. At the end of 2003, the outstanding Brady bonds amounted to USD 1,193.2 million. In 2003 the Ministry of Finance performed an early redemption of the PDI bonds valued at USD 1089,2 million in nominal terms and DCB bonds valued at USD 393,0 million in nominal terms.

Table 14. Polish Brady Bonds

	Collateralized Discount Bonds	Collateralized Par Bonds	Collateralized RSTA Bonds	PDI Bonds	DCB Bonds	New Money Bonds
Issue date	10/27/1994	10/27/1994	10/27/1994	10/27/1994	10/27/1994	10/27/1994
Issue value	USD 2,968.2 million	USD 934.7 million	USD 894.4 million	USD 2,673.6 million	USD 393.0 million	USD 137.6 million
Bond's abbreviated name	Discount	Par	RSTA	PDI	DCB	NMB
Coupon rate	6-month LIBOR + spread 13/16%	increasing from 2.75% to 5%; at the end of 2001 3.75%	increasing from 2.75% to 5%; at the end of 2001 4.5%	increasing from 3.25% to 7%; at the end of 2001 6.0%	increasing from 4.5% to 7.5%; at the end of 2001 6.0%	6-month LIBOR + spread 13/16%
Final maturity	30 years	30 years	30 years	20 years	25 years	15 years
Principal payment	bullet payment	bullet payment	bullet payment	in 27 step-up installments with 7-year grace period	in 11 step-up installments with 20-year grace period	in 11 equal installments with 10-year grace period
Final redemption date	10/27/2024	10/27/2024	10/27/2024	10/27/2014 (final installment)	10/27/2019 (final installment)	10/27/2009 (final installment)
Interest paid	semiannually	semiannually	semiannually	semiannually	semiannually	semiannually
Outstanding debt at the end of 2003	0*	USD 744.7 million	USD 448.6 million	0*	0*	0*
Secondary market registration	Luxemburg Stock Exchange	Luxemburg Stock Exchange	Luxemburg Stock Exchange	Luxemburg Stock Exchange	Luxemburg Stock Exchange	Luxemburg Stock Exchange

* Early redemption of the bonds

2.4. Special issues of Treasury Securities

Apart from the above-described types of securities The Minister of Finance issues also debt instruments for conversion of outstanding debts. The issues are characterized with a particular feature – they do not have primary market and its role is played by original allocation.

2.4.1. Issue of Treasury Securities designated for conversion of State Treasury Debt to the NBP

On July 18th, 1999 an agreement between the National Bank of Poland and the Minister of Finance was signed on conversion of a non-marketable debt in the central bank's portfolio into marketable Treasury Securities. As a result, the NBP became a holder of five types of bonds with parameters comparable with other TS issues present on the domestic market. Total face value of securities issued for conversion of the debt to NBP amounted to PLN 16,439 million.

The securities characteristics is presented below:

- KO0402 – maturing on 04/29/2002; total face value PLN 4,133.9 million; a zero coupon bond,
- TK1202 – maturing on 12/22/2002; total face value PLN 3,076.3 million; annual coupon 10.0%;
- CK0403 – maturing on 04/22/2003; total face value PLN 3,076.3 million; annual coupon 10.0%;
- PK0704 – maturing on 07/22/2004; total face value PLN 3,076.3 million; annual coupon 8.5%;
- DK0809 – maturing on 08/22/2009; total face value PLN 3,076.3 million; annual coupon 6.0%.

"Conversion" bonds were used by the NBP for open market operations aiming at permanent limitation of excessive liquidity of banking system in a long-term perspective. Total value conversion securities sold by the central bank to participants of financial market in 2000-2003 is presented in the table below.

On December 31st, 2001 the Minister of Finance concluded an agreement with the NBP pursuant to which securities KO0402 held in the central bank's portfolio with face value of PLN 1,948.9 million were converted into KK1002 series bonds with maturity date October 12th, 2002. Value of new series of bonds transferred to the NBP amounted to PLN 1,820.8 million. On January 9th, 2002 those securities were funged with a marketable bond OS1002 of identical maturity and coupon.

In 2003 NBP sold all "conversion" bonds to banks at nominal value of PLN 15.13 million, therefore eliminating the debt towards the NBP.

Table 15. Value of "conversion" bonds sold by the NBP at an outright auctions (PLN million)

Series	KO0402	OS1002	TK1202	CK0403	PK0704	DK0809	TOTAL
Year							
2000	853.00	0.00	354.00	343.00	171.00	501.00	2,222.00
2001	1,332.00	0.00	1,938.00	1,370.00	519.00	1,211.00	6,370.00
2002	0.00	639.00	784.27	1,363.27	1,475.00	1,038.00	5,299.53
2003	0.00	0.00	0.00	0.00	911.27	326.27	1,237.53
TOTAL:	2,185.00	639.00	3,076.27	3,076.27	3,076.27	3,076.27	15,126.06

2.4.2. Issue of Treasury bonds for the conversion of the debt incurred by the health care units

In December 2001 the operation, started in September 1999, of servicing the State Treasury debts resulting from liabilities due of the health care units was completed. The debt of the State Treasury that arose before December 31st, 1998 and was incurred by the regional authorities (voivod) and other public administration units, and also by state healthcare units before they obtained their administrative independence.

The registration of debt, its conversion into Treasury bonds and cash buy-out operations were held by Bank Handlowy in Warsaw S.A. acting under an agreement concluded with the Minister of Finance on April 1st, 1999.

The conversion of different debt types was carried out using three methods:

- through direct cash buy-outs of debt to direct suppliers of goods and services to health care units;
- in auctions for buy-out of debt to direct suppliers of goods and services to health care units;
- through organization of auctions for conversion of debt held by banking sector into securities.

Until the end of 2001, health care units debt taken over by the State Treasury and totaling PLN 8.4 billion was paid for (including the banking sector debt totaling PLN 0.8 billion paid for in September 2000 from budget funds). The total face value of T-bonds issued for above purpose amounted to PLN 8.5 billion.

In 2003 similarly to 2002 operations connected with debt conversion were limited to final verification of the amount of converted debt and appropriate transfers of securities between the accounts.

Table 16. Bonds for conversion of the health care liabilities issued in 1999-2003 (PLN million)

Conversion date	Series	Maturity	Face value	Conversion date	Series	Maturity	Face value
09/24/1999	DS0509	05/24/2009	34.005	01/23/2001	PS1005	10/12/2005	89.299
10/24/1999	DS0509	05/24/2009	80.535	02/23/2001	PS0206	02/12/2006	46.554
11/24/1999	OK1201	12/21/2001	100.825	03/23/2001	PS0206	02/12/2006	28.147
12/12/1999	OK1201	12/21/2001	80.414	04/23/2001	PS0206	02/12/2006	34.431
01/24/2000	DS1109	11/24/2009	123.862	05/25/2001	PS0506	05/12/2006	28.178
02/15/2000	OS0202	02/12/2002	251.452	05/29/2001	OS0202	02/12/2002	0.004
02/15/2000	OS0203	02/12/2003	65.561	05/29/2001	OS0204	02/12/2004	0.001
02/15/2000	OS0204	02/12/2004	15.874	06/25/2001	PS0506	05/12/2006	23.305
02/21/2000	PS0205	02/12/2005	59.307	06/28/2001	OS0604	06/12/2004	0.003
03/16/2000	PS0205	02/12/2005	73.527	07/25/2001	PS0506	05/12/2006	41.437
03/31/2000	OS0202	02/12/2002	732.274	07/26/2001	OS0202	02/12/2002	0.061
03/31/2000	OS0203	02/12/2003	140.057	07/26/2001	OS0602	06/12/2002	0.025
03/31/2000	OS0204	02/12/2004	411.186	08/24/2001	PS0506	05/12/2006	14.949
04/18/2000	PS0205	02/12/2005	70.220	08/30/2001	OS0202	02/12/2002	0.145
04/28/2000	OS0202	02/12/2002	314.015	08/30/2001	OS0604	06/12/2004	0.754
04/28/2000	OS0204	02/12/2004	113.194	09/21/2001	PS0506	05/12/2006	10.301
05/24/2000	DS1109	11/24/2009	149.854	10/19/2001	PS0506	05/12/2006	11.817
05/31/2000	OS0202	02/12/2002	1,226.053	10/25/2001	OS0202	02/12/2002	0.844
05/31/2000	OS0203	02/12/2003	32.212	10/25/2001	OS0602	06/12/2002	0.139
05/31/2000	OS0204	02/12/2004	94.340	10/25/2001	OS0603	06/12/2003	0.028
06/21/2000	PS0605	06/12/2005	92.455	11/23/2001	PS1106	11/12/2006	24.472
06/30/2000	OS0602	06/12/2002	184.492	12/21/2001	PS1106	11/12/2006	29.796
06/30/2000	OS0603	06/12/2003	42.091	02/06/2002	OS0202	02/12/2002	-1.545
07/21/2000	PS0605	06/12/2005	197.015	04/25/2002	OS0603	06/12/2003	0.064
07/31/2000	OS0602	06/12/2002	331.240	04/25/2002	OS0604	06/12/2004	0.257
07/31/2000	OS0603	06/12/2003	419.324	06/07/2002	OS0602	06/12/2002	-0.050
08/22/2000	PS0605	06/12/2005	109.103	08/08/2002	OS0604	06/12/2004	0.001
08/31/2000	OS0602	06/12/2002	41.308	12/22/2003	OS0204	02/12/2004	-0.070
08/31/2000	OS0603	06/12/2003	383.017	12/22/2003	OS0604	06/12/2004	-4.203
09/19/2000	PS0605	06/12/2005	98.370	02/06/2003	OS0203	02/12/2003	-0.127
09/29/2000	OS0602	06/12/2002	286.384	06/11/2003	OS0603	06/12/2003	-7.435
09/29/2000	OS0603	06/12/2003	457.617		in 1999		295.779
09/29/2000	OS0604	06/12/2004	889.864		in 2000		7,845.845
10/17/2000	PS1005	10/12/2005	153.479		in 2001		384.69
11/21/2000	PS1005	10/12/2005	153.040		in 2002		-1.273
12/15/2000	PS1005	10/12/2005	134.058		in 2003		-11.835
TOTAL:							8,513.206

2.4.3. Issue of Treasury bonds for conversion of the debt towards trade unions

On August 13th, 2001 the Minister of Finance, acting pursuant to the Act of March 29th, 2001 on principles and forms of setting the State Treasury Debt arising due to decisions of the Social Re-vindication Commission (Journal of Laws No. 42, item 470), issued the 2-year zero coupon bonds KO0803 to compensate for the assets lost by the trade unions and social organizations during the martial law. Organizations with claims on the State Treasury according to the decision of the Social Re-vindication Commission mentioned in Art.5 of the Law of October 25th, 1990 became entitled to those securities. The characteristic of the KO0803 was identical to the OK0803 bonds sold at auctions. Both series were funged and since

August 15th, 2001 they functioned under the code OK0803. At the end of 2003 total value of the securities issued for social organizations within the subject matter conversion amounted to PLN 113.6 million.

Table 17. Bonds for conversion of the debt towards trade unions 2001-2003 (PLN million)

Conversion date	Series	Maturity	Face value
08/13/2001	OK0803	08/21/2003	187.176
11/12/2001	OK0803	08/21/2003	3.703
TOTAL:	-	-	190.88
04/12/2002	OK0404	04/21/2004	117.709
10/09/2002	OK0404	04/21/2004	0.566
11/27/2002	OK0404	04/21/2004	0.079
TOTAL:	-	-	118.35
01/08/2003	OK0404	04/21/2004	5.410
08/20/2003	OK0803	08/21/2003	-10.173
TOTAL:	-	-	-4.76

2.4.4. Issue of Treasury bonds for conversion of the debt towards pension funds

Acting pursuant to the Act of July 23th, 2003 on taking over by State Treasury Social Insurance Institution liabilities arising from non-transferred payments to open pension funds the Ministry of Finance issued floating rate bonds with its redemption date on November 24, 2011. Bonds are being transferred to open pension funds according to the mechanism described below.

Until 5th day of each month the Ministry of Economy, Labour and Social Policy, provides information about the amount of debt arising from non-transferred payments registered till the 25th day of the previous month on pension accounts. Then the Ministry of Finance allocates proper number of due bonds for each pension fund. Settlement takes place on the last day of the month.

Table 18. Bonds issued for conversion of the debt towards pension funds in 2003 (PLN million)

Conversion date	Series	Maturity	Face value
11/28/2003	DZ1111	11/24/2011	247.489
12/31/2003	DZ1111	11/24/2011	140.191
TOTAL:	-	-	387.680

2.4.5. USD bond for NBP 2001 issue

2-year USD denominated bond was issued on November 13, 2001, with total value 2,140 million USD. The issue was devoted for state budget liabilities conversion in NBP. Face value of one bond equals 1 million USD and decreases in case of payment of capital installments or early redemption. Bonds were bearing floating rate coupon (USD 6M LIBOR + 1/8 pp) paid semiannually. In 2003 the servicing of this bond has ended as a result of early redemption. Capital installments were paid in the amount of USD 1070 million (PLN 4179,4 million) and interest in the amount of USD 8,5 million (PLN 32,7 million)

2.5. Issue of Non-marketable Treasury Securities

The issues of non-marketable Treasury securities are the issues designed to cover existing debts of the State Treasury and to enable the State Treasury to raise new debts outside the financial market. The State Treasury serviced three types of such issues at the end of 2002. Their characteristic is presented in the table below.

Table 19. Non-marketable Treasury Securities serviced on the domestic market in 2003.

	USD-denominated bonds	Restructuring Bonds	Bonds to increase BGŻ S.A. own funds *
Issue date	01/01/1991	Series A – 07/30/1993 Series B – 12/16/1993 Series C – 12/29/1993 Series D – 11/21/1994	I tranche 09/23/1996
Issue face value	5,453 USD million	Series A – PLN 1,100 million Series B – PLN 573.4 million Series C – PLN 426.6 million Series D – PLN 1,900 million each of the series is made up of 28 principal installments	I tranche: PLN 600 million each of the tranches is made up of 28 principal installments
Face value of one bond	USD 1 million and 10 million, in 25 series	1,000 PLN	1,000 PLN
Maturity	From 1 to 13 years depending on the series number	From 1.5 to 15.5 years depending on the number of the principal installment	From 1.5 to 15.5 years depending on the number of the principal installment
Redemption date	from 1/04/1992 to 1/04/2004	A - from 01/31/1995 to 07/31/2008* B - from 06/17/1995 to 12/17/2008 C - from 06/30/1995 to 12/30/2008 D - from 05/22/1996 to 11/22/2009	I tranche from 03/24/1998 to 09/24/2011
Principal and interest paid	Semiannually	Semiannually	Semiannually
Interest form	Floating: reference rate (arithmetic average 6-month for USD credits in a given semi-annual interest period) + margin (2pp in 1991-1995 and 0.5 pp since 1996)	Floating: arithmetic average of NBP rediscount rate for a semi-annual interest period; paid interest – 5% buy-back principal, remaining accrued interest increases every time the principal subject to redemption (capitalization of interest)	Floating: arithmetic average of NBP rediscount rate for 6-month interest period; paid interest – ½ of the rate of accrued interest, remaining accrued interest increase every time the principal subject to redemption (capitalization of interest)
Issue form	paper (material), bearer	batch slip for an issue of a given series; registered within first 3 years since issue date, bearer afterwards	batch slip, registered within first 3 years since issue date, bearer afterwards
Availability to secondary market investors	No limitations, secondary market does not exist	Available for purchase only for domestic banks and financial institutions and also to the State Treasury; secondary market does not exist	Available for purchase only for domestic banks and financial institutions and also to the State Treasury; secondary market does not exist
Debt value (nominal) at the end of 2003.	USD 218 million (PLN 815.4 million)	PLN 4,444.2.0 million	PLN 705.7 million

* Early redemption on January 31, 2003 of all Series A – face value 329,9 million, interest rates 13.8 million

3. SECONDARY MARKET OF TREASURY SECURITIES

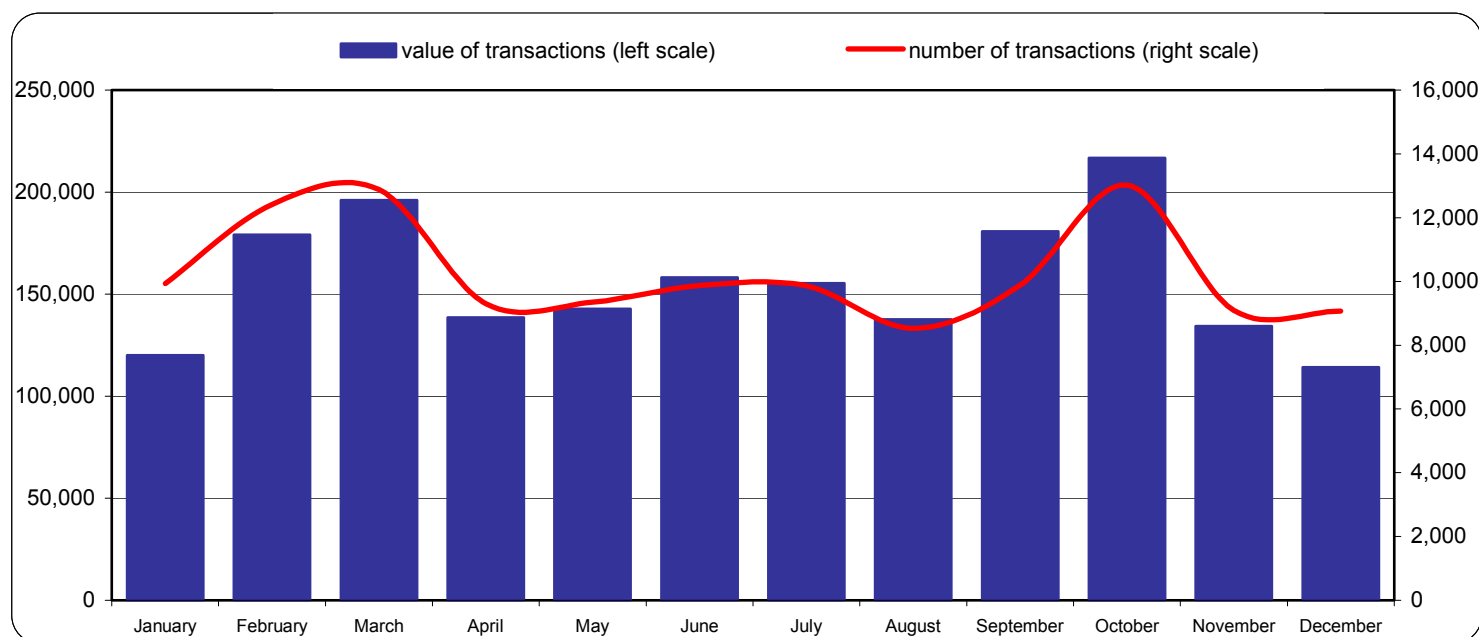
3.1. Secondary market of Treasury bills

Secondary trading of T-bills is effected only on the non-regulated interbank market and on TSEP. Transactions register and their settlement are handled by the NBP Registry of Securities (RPW). 98,126 transactions of total face value PLN 1,782,067 million were concluded on the secondary market in 2003.

Table 20. Value of transactions concluded on the T-bills secondary market in 2003 (PLN million)

	January	February	March	April	May	June	July	August	September	October	November	December	Total
Value of transactions	158,544	175,665	169,752	151,310	159,661	152,618	134,418	132,139	149,576	153,709	115,864	128,810	1,782,067
Number of transactions	7,735	7,591	7,816	7,781	7,776	7,607	8,607	7,432	8,700	10,063	7,930	9,088	98,126

Chart 8. Value of transaction concluded on the T-bills secondary market in 2003 (PLN million)



3.2. Secondary market of Treasury bonds

Trading on the secondary market for Treasury bonds is performed on three markets: non-regulated interbank market, TSEP (electronic platform) and on regulated market of Warsaw Stock Exchange. Majority of the trading takes place on the non-regulated interbank market (over 95%). 5-year fixed rate bonds are objects of the majority of transactions. Turnover on TSEP amounts between 2% and 5%, while trading at WSE does not exceed 0.5%.

Table 21. Value and number of transactions concluded on the Treasury bonds secondary market in 2003 (PLN million)

		January	February	March	April	May	June	July	August	September	October	November	December	Total
Interbank	Value	120,109.6	179,219.1	196,137.6	138,550.7	142,915.2	158,184.1	155,390.3	137,610.8	180,743.0	216,749.8	134,362.9	114,108.1	1,874,081.3
	Number	9,931	12,414	12,879	9,301	9,346	9,876	9,857	8,529	9,884	13,020	9,092	9,065	123,194
Electronic platform	Value	4,335.0	5,670.0	7,060.0	5,570.0	10,670.0	14,365.0	13,520.0	13,395.0	14,670.0	10,055.0	2,935.0	640.0	102,885.0
	Number	745	922	724	525	890	1,089	998	811	963	803	263	69	8,802
TOTAL	Value	124,444.6	184,889.1	203,197.6	144,120.7	153,585.2	172,549.1	168,910.3	151,005.8	195,413.0	226,804.8	137,297.9	114,748.1	1,976,966.3
	Number	10,676	13,336	13,603	9,826	10,236	10,965	10,855	9,340	10,847	13,823	9,355	9,134	131,996

Chart 9 Total value of transactions on the Treasury bonds secondary market in 2003 (PLN million)

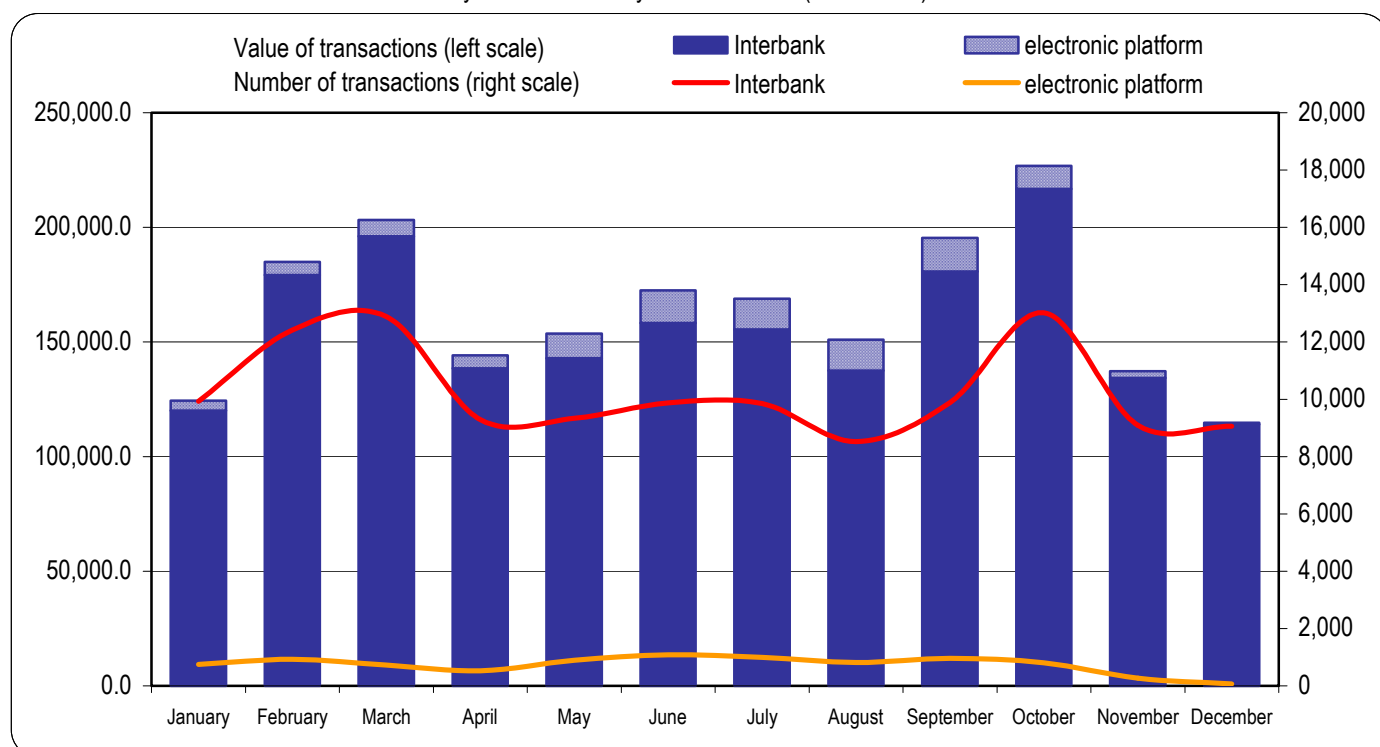


Table 22. Value and number of transactions on the fixed coupon Treasury bonds secondary market in 2003 (PLN million)

Bond type			January	February	March	April	May	June	July	August	September	October	November	December	Total
2-year	Interbank	Value	19,045.06	26,272.04	39,890.76	32,353.03	35,819.70	51,131.13	42,350.65	43,063.95	66,306.75	55,661.37	46,285.15	53,652.10	511,831.69
		Number	1,489.00	1,434.00	1,778.00	1,648.00	1,915.00	2,359.00	1,230.00	1,469.00	1,908.00	1,975.00	1,763.00	3,477.00	22,445.00
	TSEP	Value	695.00	630.00	1,435.00	1,425.00	2,805.00	3,315.00	1,565.00	3,645.00	4,160.00	2,815.00	1,045.00	235.00	23,770.00
		Number	115.00	97.00	136.00	115.00	204.00	214.00	101.00	152.00	164.00	171.00	71.00	25.00	1,565.00
	TOTAL	Value	19,740.06	26,902.04	41,325.76	33,778.03	38,624.70	54,446.13	43,915.65	46,708.95	70,466.75	58,476.37	47,330.15	53,887.10	535,601.69
		Number	1,604.00	1,531.00	1,914.00	1,763.00	2,119.00	2,573.00	1,331.00	1,621.00	2,072.00	2,146.00	1,834.00	3,502.00	24,010.00
5-year	Interbank	Value	77,167.54	121,226.76	114,675.34	76,729.84	68,132.45	76,337.76	79,115.77	68,422.23	83,416.00	118,813.35	63,032.07	39,707.07	986,776.16
		Number	6,224.00	8,296.00	7,853.00	5,265.00	4,481.00	5,025.00	5,834.00	4,973.00	5,492.00	7,473.00	5,018.00	3,718.00	69,652.00
	TSEP	Value	3,270.00	4,335.00	4,390.00	3,070.00	5,705.00	8,540.00	9,735.00	7,510.00	7,695.00	6,015.00	1,430.00	240.00	61,935.00
		Number	565.00	701.00	454.00	299.00	517.00	655.00	712.00	524.00	595.00	510.00	148.00	25.00	5,705.00
	TOTAL	Value	80,437.54	125,561.76	119,065.34	79,799.84	73,837.45	84,877.76	88,850.77	75,932.23	91,111.00	124,828.35	64,462.07	39,947.07	1,048,711.16
		Number	6,789.00	8,997.00	8,307.00	5,564.00	4,998.00	5,680.00	6,546.00	5,497.00	6,087.00	7,983.00	5,166.00	3,743.00	75,357.00
10-year	Interbank	Value	13,542.15	21,491.65	30,769.12	17,535.80	26,227.12	22,306.30	28,068.28	19,618.30	24,758.97	37,030.81	20,458.82	14,136.22	275,943.55
		Number	1,433.00	2,027.00	2,639.00	1,621.00	2,097.00	1,941.00	2,327.00	1,627.00	2,038.00	3,035.00	1,844.00	1,336.00	23,965.00
	TSEP	Value	280.00	675.00	1,205.00	925.00	1,835.00	2,220.00	1,970.00	2,095.00	2,795.00	1,190.00	380.00	165.00	15,735.00
		Number	52.00	119.00	129.00	92.00	146.00	198.00	176.00	122.00	201.00	118.00	39.00	19.00	1,411.00
	TOTAL	Value	13,822.15	22,166.65	31,974.12	18,460.80	28,062.12	24,526.30	30,038.28	21,713.30	27,553.97	38,220.81	20,838.82	14,301.22	291,678.55
		Number	1,485.00	2,146.00	2,768.00	1,713.00	2,243.00	2,139.00	2,503.00	1,749.00	2,239.00	3,153.00	1,883.00	1,355.00	25,376.00

Chart 10. Value of transactions on the fixed coupon Treasury bonds in 2003 (PLN million)

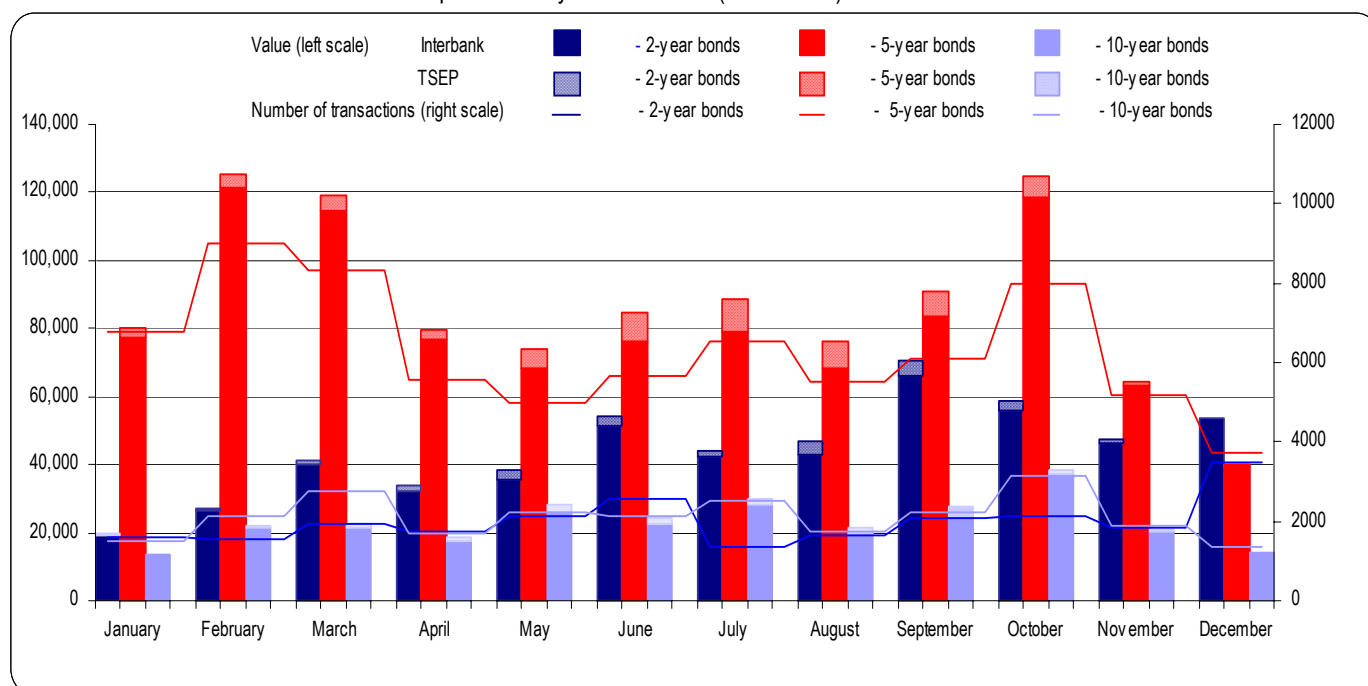
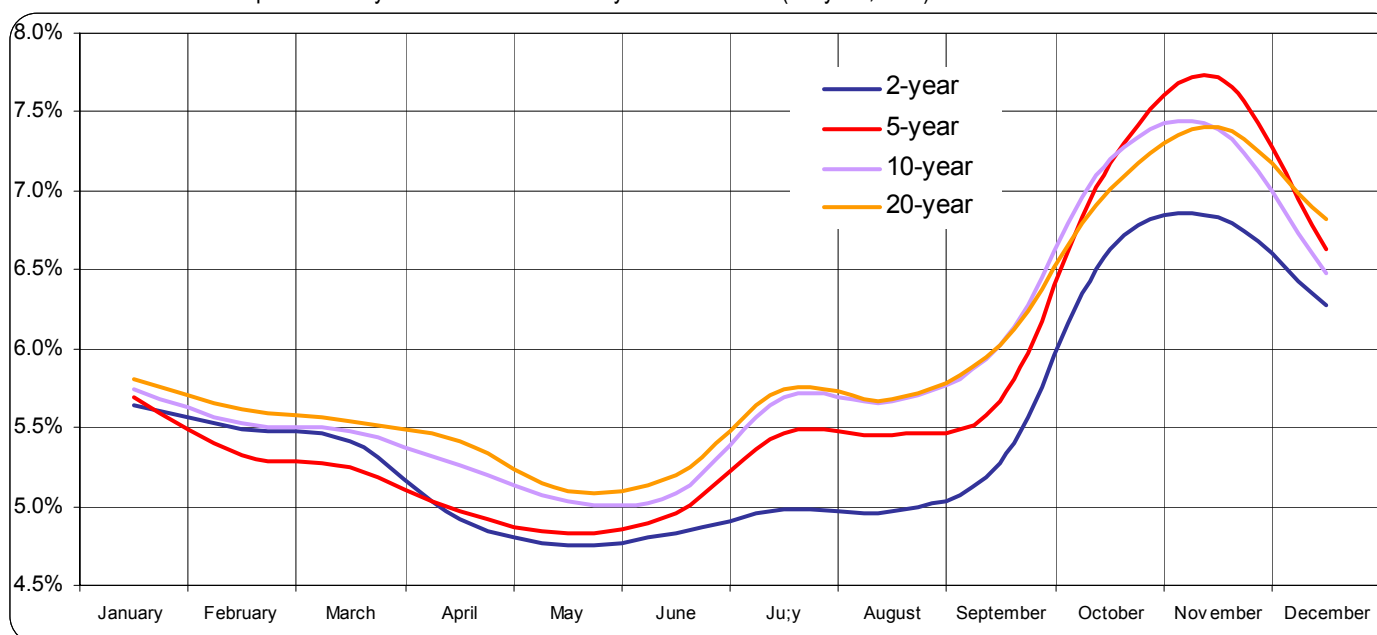


Chart 11. Yield on fixed coupon Treasury bonds on the secondary market in 2003 (bid yield, eom)



3.3. Secondary market for Treasury Securities issued on the international market

The foreign bonds issued by the State Treasury in 1995 –2003 as well as the Polish Brady Bonds are registered at the foreign stock exchanges. However, trading of those securities is concentrated on non-regulated interbank markets that are characterized by significant level of deregulation and decentralization and also by a large number of institutions actively participating in transactions. Those features of the interbank market make it difficult to monitor and, in practice, the only bond parameter that can be observed and can be used to describe a bond's performance is the yield spread above the benchmark, i.e. the yield of bonds of similar maturity considered to be the safest (relatively over adequate swap rate).

Settlements of the Foreign Bonds transactions are effected in two systems: for the US investors by a specialized financial institution, the Depository Trust Company and in the case of investors from outside the US by two European clearing institutions: Euroclear and Clearstream.

4. STATE TREASURY DEBT

Table 23. State Treasury debt by place of issue (PLN million)

	December 2001	December 2002	December 2003
State Treasury debt	283,938.2	327,904.2	378,943.8
I. Domestic debt of State Treasury	185,029.1	219,347.0	251,165.9
1. Treasury Securities	176,048.4	212,371.3	245,979.3
1.1. Marketable Treasury Securities	158,689.9	195,887.5	232,564.4
1.1.1. Treasury bills	35,215.6	42,030.8	48,067.4
1.1.2. Treasury bonds issued on the domestic market	123,474.3	153,856.7	184,496.9
1.2. Saving bonds	6,058.3	7,718.1	7,449.6
1.3. Non-marketable TS	11,300.1	8,765.7	5,965.4
2. Other State Treasury debt	8,980.7	6,975.8	5,186.6
II. Foreign debt of the State Treasury	98,909.1	108,557.2	127,777.9
1. Treasury Securities	23,366.4	29,187.7	44,267.4
2. Loans	75,542.7	79,369.4	83,510.6

Table 24. State Treasury debt by resident (PLN million)

	December 2001	December 2002	December 2003
State Treasury debt	283,938.2	327,904.2	378,943.8
I. Domestic debt of State Treasury	167,125.4	190,328.1	213,999.4
1. Treasury Securities	158,146.0	183,383.0	208,940.0
1.1. Marketable Treasury Securities	140,787.6	166,899.3	195,525.2
1.1.1. T-bills	34,283.0	40,975.3	47,265.1
1.1.2. Treasury bonds issued on the domestic market	103,663.8	123,519.0	144,182.8
1.1.3. Brady Bonds issued on the foreign market	2,840.8	2,405.0	4,077.3
1.2. Savings bonds	6,058.3	7,718.0	7,449.5
1.3. Non-marketable bonds	11,300.1	8,765.7	5,965.4
2. Other State Treasury debt	8,979.3	6,945.1	5,059.3
II. Foreign debt of the State Treasury	116,812.8	137,576.1	164,944.5
1. Treasury Securities	41,268.7	58,176.0	81,306.7
1.1. Marketable Treasury Securities	41,268.7	58,175.9	81,306.6
1.1.1. T-bills	932.6	1,055.5	802.4
1.1.2. Treasury bonds issued on the domestic market	19,810.5	30,337.7	40,314.1
1.1.3. Brady Bonds issued on the foreign market	20,525.6	26,782.8	40,190.1
1.2. Savings bonds	0.0	0.1	0.0
2. Loans	75,542.7	79,369.4	83,510.6
3. Other debt	1.4	30.7	127.2

Table 25. State Treasury debt by place of issue and by instrument (nominal, PLN million)

	December 2001	December 2002	December 2003
State Treasury debt	283,938.2	327,904.2	378,943.8
I. State Treasury Domestic debt	185,029.1	219,347.0	251,165.9
1. Treasury Securities	176,048.4	212,371.3	245,979.3
1.1. Marketable Treasury Securities	158,689.9	195,887.5	232,564.4
Treasury bills	35,215.6	42,030.8	48,067.4
Fixed-rate marketable bonds	97,526.0	133,763.5	168,950.8
2-year zero coupon bonds	21,973.8	37,740.4	52,414.0
fixed rate bonds up to 5-year	51,935.9	67,772.8	81,096.0
5-year fixed rate retail bonds	384.7593	1,762.6	2,080.9
10-year fixed rate bonds	9,049.5	16,375.1	26,258.8
20-year fixed rate bonds	0.0	1,400.0	1,545.3
2-year zero coupon bonds – converted ¹⁾	1,877.1	0.0	0.0
3-year fixed rate bonds - converted ¹⁾	3,076.3	0.0	0.0
4-year fixed rate bonds - converted ¹⁾	3,076.3	2,560.0	0.0
5-year fixed rate bonds - converted ¹⁾	3,076.3	3,076.3	2,987.5
10-year fixed rate bonds – converted ¹⁾	3,076.3	3,076.3	2,568.3
Floating-rate marketable bonds	25,948.3	20,093.2	15,546.2
3-year floating rate bonds	8,061.5	6,134.1	5,306.9
floating rate bonds up to 10-year	9,356.1	9,851.6	10,239.3
USD-denominated bonds '01 ²⁾	8,530.7	4,107.5	0.0
1. 2. Savings bonds	6,058.3	7,718.1	7,449.6
2-year savings bonds	5,168.7	6,670.3	6,338.4
4-year savings bonds	889.6	1,047.8	1,111.2
1.3. Non-marketable bonds	11,300.1	8,765.7	5,965.4
USD-denominated bonds '91	4,357.0	2,514.4	815.4
restructuring bond	6,148.0	5,486.2	4,444.2
bonds to increase BGŻ bank's own funds	795.2	765.1	705.7
2. Other State Treasury debt	8,980.7	6,975.8	5,186.6
prepayments for cars collected by the state in the 80s	3.6	3.4	3.2
liabilities due	728.7	406.6	311.8
debt arising from freezing salaries in the public sector	7,337.0	4,761.2	1,771.6
debts to trade unions ³⁾	7.1	4.6	0.0
Labor Fund debt ⁴⁾	904.3	1,800.0	3,100.0
II. Foreign debt of the State Treasury	98,909.1	108,557.2	127,777.9
1. Treasury Securities	23,366.4	29,187.7	44,267.4
Brady Bonds	16,136.8	10,358.3	4,463.3
International Bonds	7,229.6	18,829.4	39,804.1
2. Loans	75,542.697	79,369.4	83,510.6
Paris Club creditors	64,987.7	65,960.5	67,121.5
International Financial Institutions,	9,795.9	11,538.2	15,279.1
of which the World Bank	6,934.0	7,215.3	7,476.8
Other creditors	759.1	1,870.7	1,109.9
Exchange rate used for calculations (PLN/USD) (fixing NBP)	3,9863	3,8388	3,7405
Exchange rate used for calculations (PLN/EUR) (fixing NBP)	3,5219	4,0202	4,7170

1) Resulting from conversion of non-marketable liabilities of Polish State Budget to NBP into marketable bonds, converted in September 1999 and December 1999.

2) Bonds issued (USD 2,140 million) for premature redemption of Polish debt towards Brazil.

3) Debt to trade unions and social organizations arising from compensation of possessions lost due to imposition of martial law.

4) loan extended by commercial banks.

Table 26. State Treasury domestic debt by place of issue by holder (nominal, PLN million)

	National Bank of Poland			Domestic commercial banks			Non-banking domestic sector			Foreign investors			TOTAL		
	December 2001	December 2002	December 2003	December 2001	December 2002	December 2003	December 2001	December 2002	December 2003	December 2001	December 2002	December 2003	December 2001	December 2002	December 2003
Domestic debt of State Treasury	18,159.0	6,520.0	381.5	59,154.1	72,042.1	85,719.9	86,972.9	109,391.7	123,948.0	20,743.1	31,393.2	41,116.5	185,029.1	219,347.0	251,165.9
1. Treasury Securities	18,159.0	6,520.0	381.5	58,249.1	70,242.0	82,619.9	78,897.2	104,216.1	121,861.4	20,743.1	31,393.2	41,116.5	176,048.4	212,371.3	245,979.3
1.1 Marketable Treasury Securities	16,249.6	5,345.4	0.0	48,858.3	62,651.0	77,036.1	72,838.9	96,498.1	114,411.9	20,743.1	31,393.1	41,116.4	158,689.9	195,887.5	232,564.4
Treasury bills				19,722.8	23,690.5	23,878.7	14,560.3	17,284.8	23,386.4	932.6	1,055.5	802.4	35,215.6	42,030.8	48,067.4
2-year zero coupon bonds				7,729.0	15,584.2	23,004.2	9,821.9	14,304.3	17,843.6	4,422.9	7,851.9	11,566.1	21,973.8	37,740.4	52,414.0
3-year floating rate bonds				898.9	185.6	320.7	7,128.6	5,917.7	4,966.5	34.0	30.7	19.7	8,061.5	6,134.1	5,306.9
fixed rate bonds up to 5-year	1,820.8			14,729.1	15,878.8	21,212.4	22,464.5	33,783.5	40,802.0	12,921.4	18,110.6	19,081.6	51,935.9	67,772.8	81,096.0
5-year fixed rate retail bonds				22.4	3.6	8.2	362.3	1,757.5	2,071.3	0.1	1.5	1.5	384.8	1,762.6	2,080.9
10-year fixed rate bonds				254.3	889.5	3,228.4	6,617.8	11,217.0	13,584.2	2,177.3	4,268.6	9,446.2	9,049.5	16,375.1	26,258.8
Floating rate bonds up to 10-year				1,923.0	2,881.8	2,987.6	7,178.4	6,957.0	7,084.1	254.7	12.8	167.6	9,356.1	9,851.6	10,239.3
20-year fixed rate bonds						0.5		1,338.4	1,513.4			61.6	31.4	0.0	1,400.0
2-year zero coupon bonds – converted				1,176.2			700.8	0.0	0.0					1,877.1	0.0
3-year fixed rate bonds - converted	784.3			1,539.7			752.3	0.0	0.0					3,076.3	0.0
4-year fixed rate bonds - converted	1,363.3			752.6	1,966.9		960.4	593.1	0.0					3,076.3	2,560.0
5-year fixed rate bonds - converted	2,386.3	911.3		80.4	1,253.1	2,232.9	609.6	911.9	754.6					3,076.3	3,076.3
10-year fixed rate bonds - converted	1,364.3	326.6		30.1	316.9	162.4	1,681.9	2,432.8	2,405.8					3,076.3	3,076.3
USD-denominated bonds '01	8,530.7	4,107.5												8,530.7	4,107.5
1.2 Savings bonds	0.0	0.0	0.0	0.0	0.0	0.0	6,058.3	7,718.0	7,449.5	0.0	0.1	0.0	6,058.3	7,718.1	7,449.6
2-year savings bonds							5,168.7	6,670.3	6,338.4		0.1	0.0	5,168.7	6,670.3	6,338.4
4-year savings bonds							889.6	1,047.7	1,111.1		0.0	0.0	889.6	1,047.8	1,111.2
1.3 Non-marketable TS	1,909.4	1,174.7	381.5	9,390.7	7,591.0	5,583.8	0.0	0.0	0.0	0.0	0.0	0.0	11,300.1	8,765.7	5,965.4
USD-denominated bonds '91	1,909.4	1,174.7	381.5	2,447.6	1,339.7	433.9							4,357.0	2,514.4	815.4
restructuring bond				6,148.0	5,486.2	4,444.2							6,148.0	5,486.2	4,444.2
bonds to increase BGŻ bank's own funds				795.2	765.1	705.7							795.2	765.1	705.7
2. Other State Treasury debt	0.0	0.0	0.0	905.0	1,800.1	3,100.0	8,075.7	5,175.6	2,086.6	0.0	0.0	0.0	8,980.7	6,975.8	5,186.6
advances on cars							3.6	3.4	3.2				3.6	3.4	3.2
Liabilities due				0.7	0.1	0.0	728.0	406.5	311.8				728.7	406.6	311.8
debt arising from freezing salaries in public sector							7,337.0	4,761.2	1,771.6				7,337.0	4,761.2	1,771.6
debts to trade unions							7.1	4.6	0.0				7.1	4.6	0.0
Labor Fund debt				904.3	1,800.0	3,100.0							904.3	1,800.0	3,100.0

Table 27. State Treasury debt servicing costs by instrument (PLN million)

	December 2001	December 2002	December 2003
Treasury Securities	176,048.39	212,371.31	245,979.31
up to 1 year (included)	66,459.64	80,775.78	93,161.98
1 to 3 years (included)	55,276.74	57,131.37	77,346.20
3 to 5 years (included)	32,883.83	41,214.88	38,221.16
over 5 years	21,428.17	33,249.29	37,249.98
T-bills up to one year	35,215.64	42,030.81	48,067.44
Marketable bonds	123,474.30	153,856.67	184,496.95
Fixed rate bonds	97,526.04	133,763.46	168,950.78
up to 1 year (included)	23,886.09	26,220.70	37,697.05
1 to 3 years (included)	33,349.25	46,086.19	66,108.97
3 to 5 years (included)	28,164.98	36,910.87	34,772.35
over 5 years	12,125.73	24,545.70	30,372.41
Floating rate bonds	25,948.26	20,093.21	15,546.17
up to 1 year (included)	3,629.80	5,873.90	2,665.28
1 to 3 years (included)	12,962.35	4,867.69	5,158.46
3 to 5 years (included)	2,516.86	2,288.63	1,580.73
over 5 years	6,839.25	7,062.99	6,141.70
Savings bonds	6,058.30	7,718.16	7,449.57
up to 1 year (included)	1,094.10	4,050.68	3,033.97
1 to 3 years (included)	4,554.17	3,496.36	4,313.14
3 to 5 years (included)	410.02	171.12	102.46
Non-marketable bonds	11,300.15	8,765.68	5,965.35
up to 1 year (included)	2,634.01	2,599.69	1,698.24
1 to 3 years (included)	4,410.97	2,681.12	1,765.62
3 to 5 years (included)	1,791.97	1,844.27	1,765.62
over 5 years	2,463.19	1,640.60	735.86

On Ministry of Finance website you may find data on State Treasury debt in following files:

State budget debt, by place of issue by instrument:

http://www.mf.gov.pl/files/english/public_dept/state_budget_debt/st_debt_by_instrument.xls

Domestic debt, by place of issue by holder:

http://www.mf.gov.pl/files/english/public_dept/state_budget_debt/domestic_debt_by_holder1.xls

State budget debt, by resident:

http://www.mf.gov.pl/files/english/public_dept/state_budget_debt/st_debt_by_resident.xls

Domestic debt of the State Treasury in Treasury Securities - by instrument:

http://www.mf.gov.pl/files/english/public_dept/state_budget_debt/domestic_debt_of_the_st_in_tss_by_instrument.xls

Domestic debt of the State Treasury in Treasury Securities - by holder:

http://www.mf.gov.pl/files/english/public_dept/state_budget_debt/domestic_debt_of_the_st_in_tss_by_holder1.xls

5. INSTITUTIONAL STRUCTURE OF THE TREASURY SECURITIES MARKET

The legal operational basis of the main institutions of the public capital market and mainly the regulated market in Poland is the Law on Public Trading of Securities binding since 1998. The Law regulates public turnover of securities and other instruments introduced for public trading and also provides the rules of establishing, organization and supervision of entities active in trading. In case of the non-regulated market the standards in force are those generally recognized by the institutions creating that market. The following entities are organizationally involved in the Polish Treasury Securities market:

- a) The Minister of Finance acting on behalf of the State Treasury – the issuer of Treasury Securities,
- b) The National Bank of Poland – the issue agent of Treasury Securities offered on the domestic wholesale market. The NBP also keeps the accounts of the state budget (treasury),
- c) The Polish Securities and Exchange Commission (PSEC) – responsible for the supervision of the public securities market and its participants,
- d) The National Depository for Securities (NDS) - Depository and settlements institution for securities including Treasury bonds,
- e) The Warsaw Stock Exchange S.A. (WSE) – institution running the regulated secondary market of Treasury bonds,
- f) Treasury Securities Dealers – banks participating in the primary TS market
- g) The Central Brokerage House PeKaO S.A. (CBH Pekao S.A.) – issue agent of retail bonds sold in the retail net till July 31, 2003,
- h) Powszechna Kasa Oszczędności Bank Polski S.A. (PKO BP S.A.) – issue agent of retail bonds sold in the retail net from August 1, 2003,
- i) Bank Gospodarstwa Krajowego – payment agent of a part of the State Treasury foreign debt (including T-bonds) and agent servicing State Treasury debt arising from outstanding liabilities of health care units,
- j) Domestic banks – major participants of the Treasury Securities market,
- k) Brokerage houses – intermediaries on the primary and secondary markets for securities,
- l) Institutions participating in foreign bond issues,
- m) Centralna Tabela Ofert S.A. (CeTO) – organizer of secondary market (TSEP) for T-bills and T-bonds offered at auctions.

5.1. Useful addresses

Ministry of Finance
12 Świętokrzyska St.,
00 - 916 Warszawa
tel: (4822) 694-55-55
www.mofnet.gov.pl

National Bank of Poland
11/21 Świętokrzyska St.,
00 - 049 Warszawa
tel: (4822) 653-10-00
www.nbp.pl

Polish Securities and Exchange Commission
1 Plac Powstańców Warszawy
00 - 009 Warszawa
tel: (4822) 826-10-31
www.kpwig.gov.pl

Warsaw Stock Exchange
4 Książęca St.
00 - 498 Warszawa
tel: (4822) 628-32-32
www.gpw.com.pl

Central Brokerage House PeKao SA
18 Wołoska St.,
02 - 675 Warszawa
tel: (4822) 640-28-40, 640-26-40
www.cdmpekao.com.pl

National Depository for Securities
4 Książęca St.,
00-498 Warszawa
tel: (4822) 537-95-88
www.kdpw.com.pl

Centralna Tabela Ofert S.A.
14 Leszno St,
01-192 Warszawa
tel. (4822) 535-69-00
www.ceto.pl

Powszechna Kasa Oszczędności Bank
Polski S.A.
15 Puławska St,
02-515 Warszawa
tel. 0-800 120-139 (hotline)
tel. 0-801 124-365 (hotline)
tel. (4822) 639-66-00
www.pkobp.pl

Page about T-bonds for individual investors
(in Polish only)
<http://www.obligacjeskarbowe.pl>