

MINISTRY OF FINANCE

ANNEX TO ANNUAL REPORT 2006 - PUBLIC DEBT

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1. LEGAL FRAMEWORK OF THE ISSUANCE OF TREASURY SECURITIES (TS)

The basic act governing the terms of issuing Treasury Securities in 2006 was the Public Finance Act of June 30th, 2005 (Journal of Laws No. 249, item 2104 as subsequently amended).

Under this Act, only the Minister of Finance was authorized to issue monetary-type TS (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.

TS 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).

The general terms of issuing specific types of the Treasury Securities in 2006 were determined in five ordinances :

- a) Ordinance of the Minister of Finance of June 26th, 2006 on the general terms of issuing of Treasury bills (Journal of Laws No. 113, item 771);
- b) Ordinance of the Minister of Finance of June 26th, 2006 on the general terms of issuing of Treasury bonds offered at auctions (Journal of Laws No. 113, item 772);
- c) Ordinance of the Minister of Finance of June 26th, 2006 on the terms of issuing of Treasury bonds on the foreign markets (Journal of Laws No. 113, item 773);
- d) Ordinance of the Minister of Finance of June 26th, 2006 on the terms of issuing of Treasury bonds offered in the retail network (Journal of Laws No. 113, item 774);
- e) Ordinance of the Minister of Finance of June 26th, 2006 on the terms of issuing of Treasury bonds designated for the conversion of the State Treasury debt (Journal of Laws No. 113, item 775).

The ordinances determined the Minister of Finance's rights to define detailed terms of the TS 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 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 TS 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 TS 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 fulfil the basic role in meeting the State Budget borrowing requirements. Relatively high face value of the securities offered at auctions (PLN 10,000 for a T-bill and PLN 1,000 for a T-bond) is a feature of the wholesale market of the Treasury Securities. The direct access to auctions is limited to Treasury Securities Dealers and Bank Gospodarstwa Krajowego (state owned bank).

There were altogether 76 auctions of TS in 2006: 24 auctions of Treasury bills and 52 of Treasury bonds (including 16 non-competitive auctions). Total value of securities offered amounted to PLN 100.18 billion (T-bills - PLN 29.00 billion and T-bonds - PLN 71.18 billion), the value of declared demand reached PLN 293.54 billion (PLN 81.26 billion and PLN 212.27 billion respectively) and the total face value of sale amounted to PLN 99.79 billion (PLN 29.00 billion and PLN 70.79 billion respectively).

The following types of TS were offered at auctions in 2006:

- a) T-bills,
- b) 2-year zero coupon T-bonds,
- c) 5-year fixed rate T-bonds,
- d) 10-year fixed rate T-bonds,
- e) 20-year fixed rate T-bonds.
- f) 7-year floating rate T-bonds,
- g) 12-year inflation linked T-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 entities 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 competition for 2007 (it took place from December 1, 2004 to September 30, 2005) was limited to Polish and foreign banks, which meet requirements stated in [Regulations of fulfilling the functions of TSD](#). The document set forth competition's rules and criteria for TSD selection.

TDS in 2005 & candidates for TSD in 2006:

The name of the entity	TSD in 2006	The candidate for TSD in 2007
ABN Amro Bank (Polska) S.A.	✓	✓
Bank BPH S.A.	✓	✓
Bank Gospodarki Żywnościowej S.A.	✓	✓
Bank Handlowy w Warszawie S.A.	✓	✓
Bank Millennium S.A.	✓	✓
Bank PEKAO S.A.	✓	✓
BRE Bank S.A.	✓	✓
Calyon Corporate and Investment Bank		✓
Credit Suisse Securities (Europe) Ltd.		✓
Deutsche Bank Polska S.A.	✓	✓
Dresdner Bank AG		✓
EFG Eurobank Ergasias S.A.		✓
Goldman Sachs International Ltd.		✓
HSBC Bank plc.	✓	✓
ING Bank Śląski S.A.	✓	✓
JP Morgan Securities Ltd.		✓
Kredyt Bank S.A.	✓	✓
Lehman Brothers International (Europe)		✓
Morgan Stanley & Co. International Ltd.	✓	✓
PKO BP S.A.	✓	✓
Raiffeisen Bank Polska S.A.	✓	✓
Société Générale S.A. Oddział w Polsce	✓	✓
The Royal Bank of Scotland plc.		✓

TSD selection criteria for 2007:

- share in outright transactions on MTS Poland (calculated for own price and another entity's price separately),
- share in OTC inter-bank outright transactions on TS,
- share in OTC outright transactions on TS with non-banking clients,
- share in repo, sell-buy back and buy-sell back transactions on TS,
- share in T-bond futures market on the Warsaw Stock Exchange,
- share in the turnover on FRA (Forward Rate Agreement) and IRS (Interest Rate Swap) market,
- place of business activity,
- cooperation with the Minister of Finance (consultation on financial market functioning and consultation on issuance policy).

TSD duties in the year 2006:

- TSD were obliged to participate in all auctions of T-bonds,
- TSD were obliged to purchase each quarter no less than 5% of the weighted face value of TS sold at auctions – the weights: for TS with maturity less than 4 years – 0.5, for TS with maturity equal or above 4 years – 1.5,
- constant quotations of sell and buy price for TS on the organised electronic secondary market,
- TSD were obliged to participate in everyday fixing sessions of TS, arranged by the NBP through MTS-CeTO S.A. – electronic platform organizer, in order to set the fixing and informational rates for TS in accordance with the TS Fixing Regulations,
- acting to increase participation of the non-banking domestic investors in the TS market,
- cooperation with the Minister of Finance towards development of the transparent and effective market for TS,
- timely and fair fulfilment of depository and clearing systems duties.

TSD in the year 2006 were entitled to:

- exclusive submission of bids at all auctions of TS arranged by the NBP,
- purchasing TS at non-competitive auctions at average auction prices (only for successful bidders at the auction),
- regular meetings with representatives of the Minister of Finance 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,
- preferences in concluding individual transactions with the Minister of Finance (repo and buy-sell back transactions, hedging transactions, private placement transactions, securities issues on foreign markets, other financial transactions defined by the Minister),
- using the title of a Treasury Securities Dealer, during the term of the Agreement on fulfilling the function of the TSD.

The competition for candidates for Primary Dealers in 2007

The competition for candidates for Primary Dealers in 2007 has begun in October 1, 2006. The rules of the competition are specified in [Rules and Regulations Governing the Activities of the Treasury Securities Dealer as of August 8, 2006](#).

2.1.1.1.1. Electronic TS Market – MTS Poland

From March 1, 2002 Centralna Tabla Ofert S.A. under the agreement signed with the Ministry of Finance became an organizer of the secondary market on the electronic platform. Since November 2004 as a result of a strategic alliance with MTS Group the Electronic Treasury Securities Market has been continuing its operations, based on Telematico technology, under the name "MTS Poland". This enables foreign banks to conduct transactions on electronic market.

On December 31, 2006 there were 29 entities on the MTS Poland: 20 as the Market Maker and 9 as the Market Taker.

2.1.1.2. 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 or 1 to 90 days.. Treasury bills are issued in a dematerialized form and deposited in the electronic form with the Securities Register 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 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 on the ETSM run by MTS- CeTO S.A.

Preliminary information on dates of planned auctions for a given year is published on the Ministry of Finance website, in REUTERS and BLOOMBERG. At the beginning of a month, the Ministry of Finance announces monthly plan including auction dates, projected sales value of specific types of securities and payment dates for purchased bills.

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 one working day before the auction date on the Ministry of Finance website, in REUTERS and BLOOMBERG.

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 on the Ministry of Finance website, in REUTERS and BLOOMBERG.

The Minister of Finance may not later than 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. Auction participants purchase T-bills in proportion to the amount of T-bills purchased at normal auction. The Minister of Finance has not used this possibility so far. The payment for the T-bills is usually made on Wednesday, two days after an auction but in some cases may be made on another day.

There were 24 auctions of Treasury bills in 2006 offering securities of total face value at PLN 29,000 million. The bids reached the amount of PLN 81,261 million and the sale of T-bills at their face value amounted to PLN 29,000 million. Revenues from the sale of T-bills amounted to PLN 28,005 million and in a break down according to a particular T-bill type were as follows:

Table 1. Sales of Treasury bills in 2006 (PLN million)

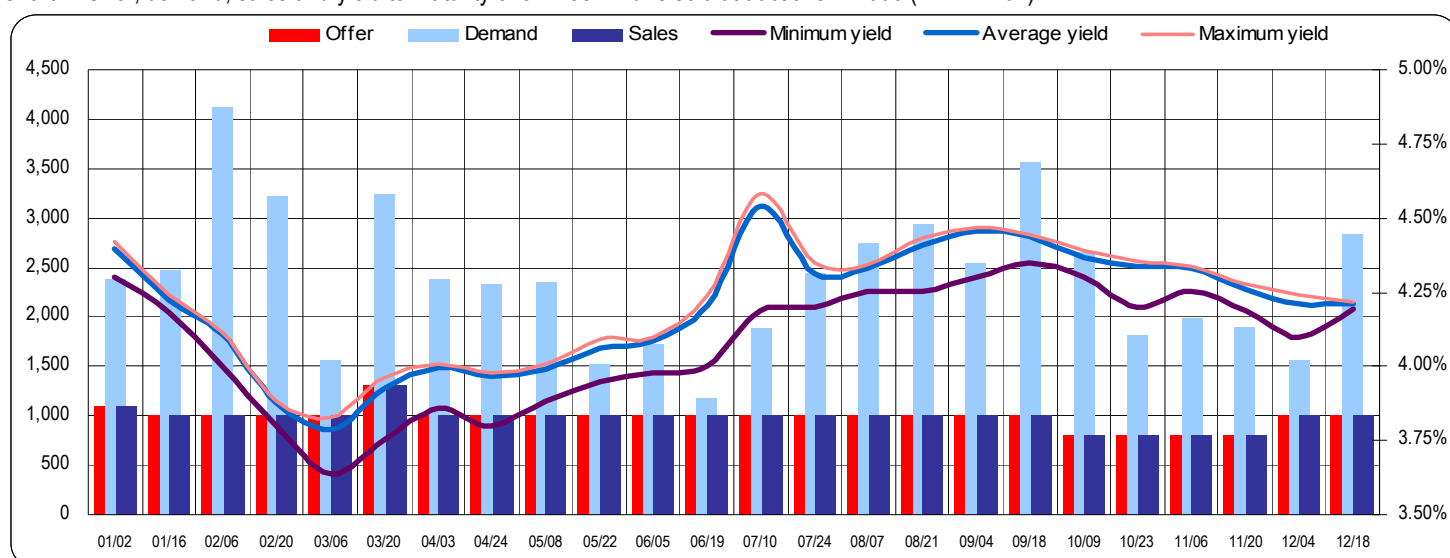
Type of a bill	Offer	Demand	Sales, face value	Sales, principal
3-week	2,000	9,736	2,000	1,995
5-week	2,200	10,249	2,200	2,192
13-week	200	810	200	198
26-week	1,000	3,141	1,000	981
52-week	23,600	57,325	23,600	22,640
TOTAL:	29,000	81,261	29,000	28,005

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.xls

Table 2. Results of Treasury bills auctions in 2006 (PLN million)

Auction date	Bill type	Redemption date	Offer	Demand	Sales	Min. price (PLN)	Average price (PLN)	Max. yield	Average yield	Auction date	Bill type	Redemption date	Offer	Demand	Sales	Min. price (PLN)	Average price (PLN)	Max. yield	Average yield			
01/02/2006	3	01/25/2006	2,000	9,736	2,000	9,974.58	9,974.68	4.369%	4.352%	06/05/2006	52	06/06/2007	1,000	1,719	1,000	9,602.41	9,603.54	4.095%	4.083%			
01/02/2006	13	04/05/2006	100	345	100	9,892.47	9,892.98	4.300%	4.280%	06/19/2006	52	06/20/2007	1,000	1,187	1,000	9,589.01	9,592.25	4.239%	4.204%			
01/02/2006	52	01/03/2007	1,100	2,385	1,100	9,572.32	9,574.49	4.419%	4.395%	07/10/2006	52	07/11/2007	1,000	1,891	1,000	9,557.50	9,561.40	4.579%	4.537%			
01/16/2006	13	04/19/2006	100	465	100	9,894.46	9,894.75	4.220%	4.208%	07/24/2006	52	07/25/2007	1,000	2,434	1,000	9,578.88	9,582.02	4.348%	4.314%			
01/16/2006	52	01/17/2007	1,000	2,469	1,000	9,588.93	9,590.69	4.240%	4.221%	08/07/2006	52	08/08/2007	1,000	2,740	1,000	9,579.26	9,580.24	4.344%	4.333%			
02/06/2006	52	02/07/2007	1,000	4,124	1,000	9,600.57	9,600.96	4.115%	4.111%	08/21/2006	52	08/22/2007	1,000	2,936	1,000	9,571.21	9,573.34	4.431%	4.408%			
02/20/2006	52	02/21/2007	1,000	3,220	1,000	9,622.03	9,622.59	3.885%	3.879%	09/04/2006	52	09/05/2007	1,000	2,544	1,000	9,567.75	9,569.06	4.468%	4.454%			
03/06/2006	52	03/07/2007	1,000	1,556	1,000	9,627.21	9,631.16	3.830%	3.788%	09/18/2006	52	09/19/2007	1,000	3,565	1,000	9,569.73	9,570.73	4.447%	4.436%			
03/20/2006	52	03/21/2007	1,300	3,248	1,300	9,615.11	9,618.25	3.959%	3.925%	10/09/2006	52	10/10/2007	800	2,646	800	9,575.15	9,577.19	4.388%	4.366%			
04/03/2006	26	10/04/2006	700	1,639	700	9,802.47	9,804.54	3.986%	3.943%	10/23/2006	52	10/24/2007	800	1,814	800	9,578.12	9,579.96	4.356%	4.336%			
04/03/2006	52	04/04/2007	1,000	2,388	1,000	9,610.34	9,611.85	4.010%	3.994%	11/06/2006	52	11/07/2007	800	1,985	800	9,579.82	9,580.72	4.338%	4.328%			
04/24/2006	26	10/25/2006	300	1,502	300	9,807.86	9,808.27	3.875%	3.867%	11/20/2006	52	11/21/2007	800	1,893	800	9,585.58	9,587.18	4.276%	4.259%			
04/24/2006	52	04/25/2007	1,000	2,324	1,000	9,613.15	9,614.49	3.980%	3.966%	12/04/2006	52	12/05/2007	1,000	1,556	1,000	9,588.91	9,591.50	4.240%	4.212%			
05/08/2006	52	05/09/2007	1,000	2,349	1,000	9,610.72	9,612.27	4.006%	3.989%	12/18/2006	5	01/24/2007	2,200	10,249	2,200	9,961.84	9,962.09	3.940%	3.914%			
05/22/2006	52	05/23/2007	1,000	1,517	1,000	9,602.97	9,605.32	4.089%	4.064%	12/18/2006	52	12/19/2007	1,000	2,838	1,000	9,591.05	9,591.52	4.217%	4.212%			
TOTAL:													29,000	81,261	29,000							

Chart 1. Offer, demand, sales and yield to maturity of 52-week T-bills sold at auctions in 2006 (PLN million).



2.1.1.3. Sales of Treasury bonds at auctions

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.

Direct access to auction is limited to Treasury Securities Dealers. Investors that have no such 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 ETSM. Moreover, all bonds traded at auctions are listed on the Warsaw Stock Exchange (WSE).

Auction dates, as well as their value dates are specified in the Issue Letters. Auctions are organized and handled, as in the case of T-bills by the National Bank of Poland. Treasury bond auctions are held on business Wednesdays.

Preliminary information on bond auctions planned for a given year and containing series of offered securities and dates of auctions is published on the Ministry of Finance website, in REUTERS and BLOOMBERG. Moreover Ministry of Finance announces quarterly financing plan and monthly plan of T-bonds including projected sales value of specific types of securities and payment dates for purchased bonds.¹

Auction announcement, containing in particular the supply amount of bonds is released to the public at noon, on 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 noon on the Ministry of Finance www pages, in REUTERS and BLOOMBERG. 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. Auction participants purchase T-bonds in proportion to amount of T-bonds purchased at normal auction. Since August 2004 non-competitive auctions have been organized on the same day as regular auctions. Auction announcement is released to the public at 1.00 p.m., and bids are submitted by 2.00 p.m. Auction results are published at 2.15 p.m. on the Ministry of Finance website, in REUTERS and BLOOMBERG.

In 2006 there were altogether 52 T-bonds auctions (including 16 non-competitive tenders). The total face value of papers offered reached PLN 71,180 million. Declared demand amount reached PLN 212,275 million while bonds sales at face value were PLN 70,793 million. The revenues on T-bonds sold at auctions in 2006 totalled PLN 67,704 million.

¹ Since April 2006 settlement dates for T-bonds auctions has been changed. The settlement dates for T-bond auctions and T-bond switching auctions are set using T+2 convention. For T-bonds that pay full coupon in a month of the auction settlement is executed on the first day of new coupon period.

Table 3. Sales of Treasury bonds at auctions in 2006 (PLN million)

Bond type	Offer	Demand	Sales, face value	Sales, principal
2-year zero coupon	28,620	86,874	28,520	25,942
5-year fixed rate	21,440	60,828	21,160	20,666
10-year fixed rate	8,720	27,630	8,720	8,674
20-year fixed rate	2,340	4,600	2,340	2,340
floating rate bonds,	8,560	29,869	8,560	8,559
inflation linked bonds.	1,500	2,474	1,493	1,523
TOTAL:	71,180	212,275	70,793	67,704

File containing results of all auctions of Treasury bonds and the issue of bonds arising from the conversion of Social Insurance Institution liabilities to open pension funds, 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.xls

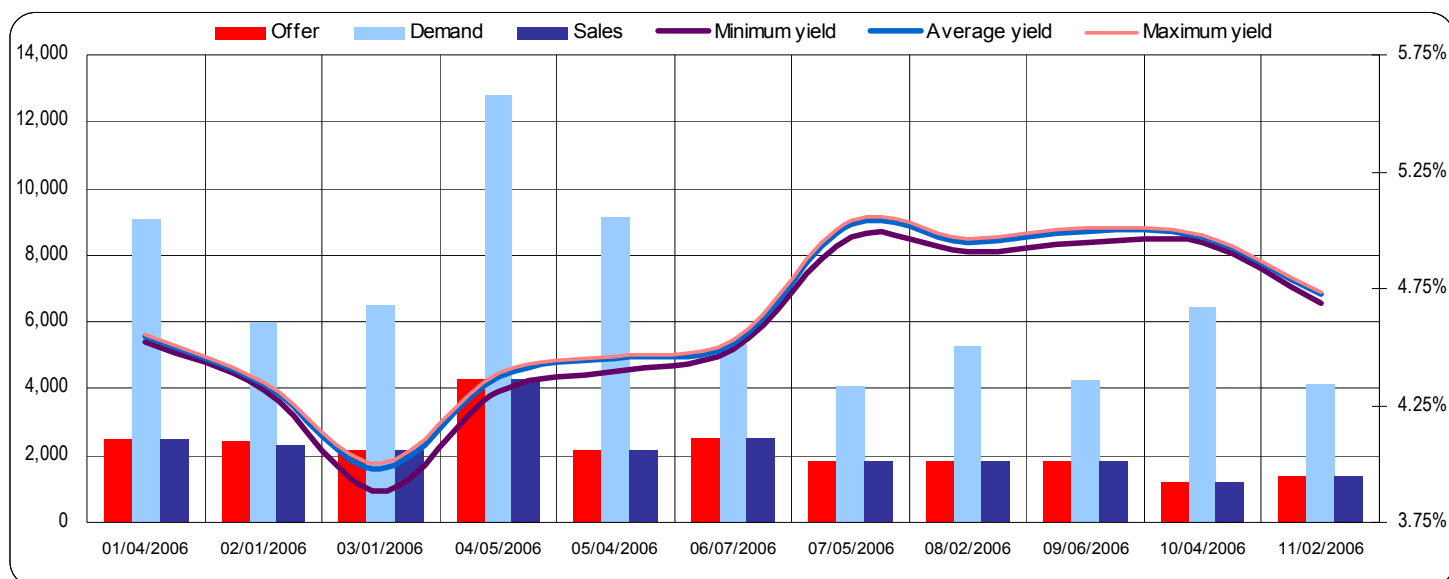
2.1.1.3.1. Sales of 2-year zero coupon T-bonds in 2006

In 2006 auctions of 2-year zero coupon bonds were held on the first working Wednesday of the month - 12 regular and 6 non-competitive auctions were organized for OK0408, OK0808 and OK1208 series.

Table 4. Auction results of 2-year zero coupon T-bonds in 2006 (PLN million)

Auction									Non-competitive auction			Total sales
Auction date	Settlement date	Series	Maturity date	Coupon	Offer	Demand	Sales	Average yield	Offer	Demand	Sales	
01/04/2006	01/12/2006	OK0408	04/12/2008	0.00%	2,500	9,074	2,500	4.543%	not organized			2,500
02/01/2006	02/12/2006	OK0408	04/12/2008	0.00%	2,000	5,732	2,000	4.343%	400	300	300	2,300
03/01/2006	03/12/2006	OK0408	04/12/2008	0.00%	1,800	5,722	1,800	3.975%	360	786	360	2,160
04/05/2006	04/07/2006	OK0408	04/12/2008	0.00%	3,600	10,626	3,600	4.370%	720	2,152	720	4,320
05/04/2006	05/08/2006	OK0808	08/12/2008	0.00%	1,800	7,505	1,800	4.447%	360	1,671	360	2,160
06/07/2006	06/09/2006	OK0808	08/12/2008	0.00%	2,100	4,853	2,100	4.517%	420	519	420	2,520
07/05/2006	07/07/2006	OK0808	08/12/2008	0.00%	1,800	4,089	1,800	5.025%	not organized			1,800
08/02/2006	08/04/2006	OK0808	08/12/2008	0.00%	1,800	5,288	1,800	4.943%	not organized			1,800
09/06/2006	09/08/2006	OK1208	12/12/2008	0.00%	1,800	4,240	1,800	4.991%	not organized			1,800
10/04/2006	10/06/2006	OK1208	12/12/2008	0.00%	1,200	6,435	1,200	4.970%	not organized			1,200
11/02/2006	11/06/2006	OK1208	12/12/2008	0.00%	1,400	4,154	1,400	4.723%	not organized			1,400
12/06/2006	12/08/2006	OK1208	12/12/2008	0.00%	3,800	10,428	3,800	4.617%	760	3,300	760	4,560
TOTAL:					25,600	78,146	25,600	-	3,020	8,728	2,920	28,520

Chart 2. Offer, demand, sales and yield to maturity of 2-year zero coupon T-bonds at auctions in 2006 (PLN million)



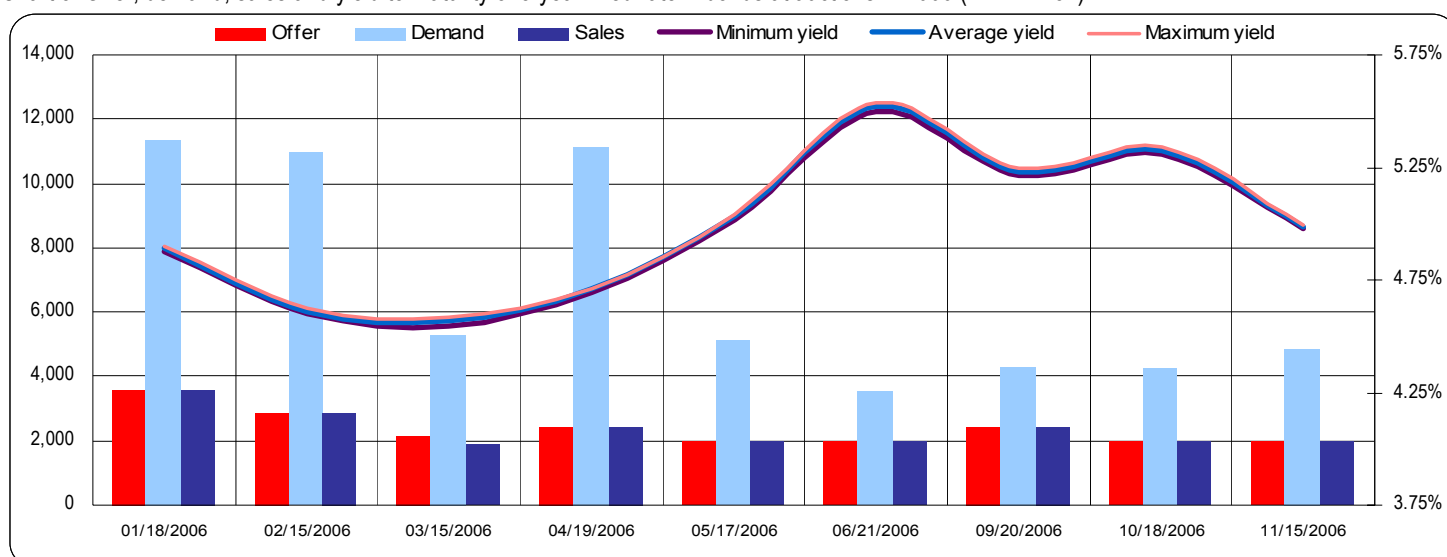
2.1.1.3.2. Sales of 5-year fixed rate T-bonds in 2006

In 2006 auctions of 5-year benchmark bonds were held on the third working Wednesday of the month - 9 regular and 4 non-competitive auctions were organized for this type of T-bonds. The Ministry of Finance continued sales of DS1110 (initially offered between November 2000 and July 2002 as 10-year benchmark) and started sale of PS0511 series.

Table 5. Results of 5-year fixed rate T-bond auctions in 2006 (PLN million)

Auction									Non-competitive auction			Total sales
Auction date	Settlement date	Series	Maturity date	Coupon	Offer	Demand	Sales	Average yield	Offer	Demand	Sales	
01/18/2006	01/24/2006	DS1110	11/24/2010	6.00%	3,000	8,997	3,000	4.893%	600	2,370	600	3,600
02/15/2006	02/24/2006	DS1110	11/24/2010	6.00%	2,400	10,479	2,400	4.607%	480	500	480	2,880
03/15/2006	03/24/2006	PS0511	05/24/2011	4.25%	1,800	5,194	1,800	4.571%	360	80	80	1,880
04/19/2006	04/21/2006	PS0511	05/24/2011	4.25%	2,000	9,706	2,000	4.708%	400	1,435	400	2,400
05/17/2006	05/24/2006	PS0511	05/24/2011	4.25%	2,000	5,151	2,000	5.031%	not organized			2,000
06/21/2006	06/23/2006	PS0511	05/24/2011	4.25%	2,000	3,531	2,000	5.525%	not organized			2,000
09/20/2006	09/22/2006	PS0511	05/24/2011	4.25%	2,400	4,282	2,400	5.233%	not organized			2,400
10/18/2006	10/20/2006	PS0511	05/24/2011	4.25%	2,000	4,251	2,000	5.328%	not organized			2,000
11/15/2006	11/17/2006	PS0511	05/24/2011	4.25%	2,000	4,852	2,000	4.987%	not organized			2,000
TOTAL:					19,600	56,443	19,600	-	1,840	4,385	1,560	21,160

Chart 3. Offer, demand, sales and yield to maturity of 5-year fixed rate T-bonds at auctions in 2006 (PLN million)



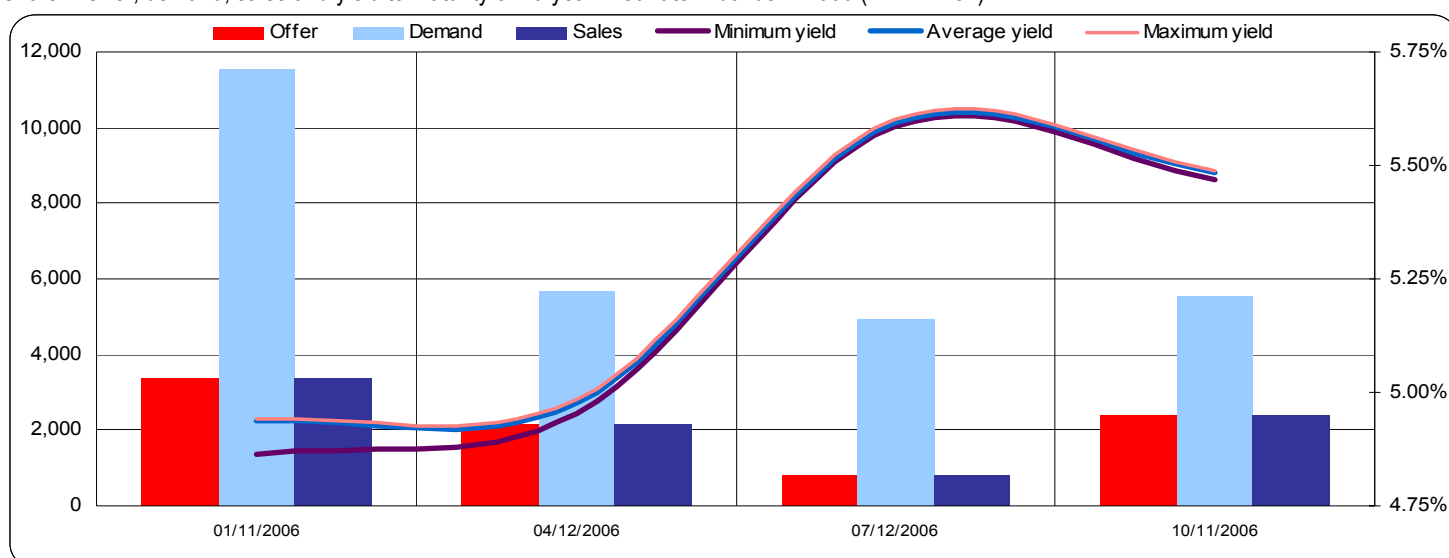
2.1.1.3.3. Sales of 10-year fixed rate T-bonds in 2006

In 2006 the Ministry of Finance continued sales of DS1015 series introduced in 2004 and started sale of DS1017 series being a new 10 - year benchmark. 10-year fixed rate bonds were offered at 4 regular and 3 non-competitive auctions.

Table 6. Results of 10-year fixed rate T-bond auctions in 2006 (PLN million)

Auction									Non-competitive auction			Total sales
Auction date	Settlement date	Series	Maturity date	Coupon	Offer	Demand	Sales	Average yield	Offer	Demand	Sales	
01/11/2006	01/24/2006	DS1015	10/24/2015	6.25%	2,800	7,946	2,800	4.936%	560	3,572	560	3,360
04/12/2006	04/14/2006	DS1015	10/24/2015	6.25%	1,800	3,961	1,800	4.978%	360	1,725	360	2,160
07/12/2006	07/14/2006	DS1015	10/24/2015	6.25%	800	4,905	800	5.595%	not organized			800
10/11/2006	10/25/2006	DS1017	10/25/2017	5.25%	2,000	4,861	2,000	5.483%	400	660	400	2,400
TOTAL:					7,400	21,673	7,400	-	1,320	5,957	1,320	8,720

Chart 4. Offer, demand, sales and yield to maturity of 10-year fixed rate T-bonds in 2006 (PLN million)



2.1.1.3.4. Sales of 20-year fixed rate T-bonds in 2006

In 2006 the Ministry of Finance held 2 regular and 1 non-competitive auction of 20-year fixed rate bond (WS0922 series).

Table 7. Results of 20-year fixed rate T-bond auctions in 2006 (PLN million)

Auction									Non-competitive auction			Total sales
Auction date	Settlement date	Series	Maturity date	Coupon	Offer	Demand	Sales	Average yield	Offer	Demand	Sales	
03/08/2006	03/23/2006	WS0922	09/23/2022	5.75%	1,500	1,982	1,500	5.49%	not organized			1,500
09/13/2006	09/23/2006	WS0922	09/23/2022	5.75%	700	1,948	700	4.75%	140	670	140	840
TOTAL:					2,200	3,930	2,200	-	140	670	140	2,340

2.1.1.3.5. Sales of floating rate T-bonds in 2006

In 2006 the Ministry of Finance continued, introduced in 2004, the sales of 7-year floating rate bonds (WZ0911 series). The interest on these bonds is based on 6-month Warsaw Interbank Offer Rate (WIBOR). The coupon is paid semi-annually: in March and September. In 2006 the Ministry of Finance held 5 regular and 2 non-competitive auctions of this series.

Table 8. Results of 7-year floating rate T-bond auctions in 2006 (PLN million)

Auction									Non-competitive auction			Total sales
Auction date	Settlement date	Series	Maturity date	Coupon	Offer	Demand	Sales	Average price	Offer	Demand	Sales	
02/08/2006	02/24/2006	WZ0911	09/24/2011	4.39%	1,000	3,853	1,000	999.91	not organized			1,000
05/10/2006	05/12/2006	WZ0911	09/24/2011	4.11%	1,500	5,032	1,500	999.96	not organized			1,500
06/14/2006	06/19/2006	WZ0911	09/24/2011	4.11%	1,500	5,159	1,500	999.95	300	678	300	1,800
08/09/2006	08/11/2006	WZ0911	09/24/2011	4.11%	1,500	4,713	1,500	999.79	not organized			1,500
11/08/2006	11/10/2006	WZ0911	09/24/2011	4.41%	2,300	7,782	2,300	1,000.15	460	2,652	460	2,760
TOTAL:					7,800	26,539	7,800	-	760	3,330	760	8,560

2.1.1.3.6. Sales of 12-year inflation linked T-bonds in 2006

In 2006, the Ministry of Finance continued, begun in 2004 the sales of inflation linked T-bond (IZ0816). These bonds are linked to monthly CPI published by Central Statistical Office of Poland. The paper has fixed coupon of 3.00% and interest is paid annually on indexed nominal value. In 2006 the Ministry of Finance held 4 regular auctions of CPI-linked bonds.

Table 9. Results of 12-year inflation linked T-bond auctions in 2006 (PLN million)

Auction										Non-competitive auction			Total sales
Auction date	Settlement date	Series	Maturity date	Coupon	Offer	Demand	Sales	Average price	Real rate of return	Offer	Demand	Sales	
08.02.2006	24.02.2006	IZ0816	24.08.2016	3,00%	500	1.073	493	1.020,47	2,766%	not organized			493
10.05.2006	12.05.2006	IZ0816	24.08.2016	3,00%	500	815	500	1.017,81	2,791%	not organized			500
14.06.2006	19.06.2006	IZ0816	24.08.2016	3,00%	500	586	500	1.001,66	2,971%	not organized			500
TOTAL:					1.500	2.474	1.493	-	-	-			1.493

2.1.1.4. Treasury 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 12 a.m., the Ministry of Finance releases a detailed communiqué about an auction on Ministry of Finance website, in REUTERS and BLOOMBERG.

The day before a switching auction, at 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 12:30 p.m. on the day of an auction. In 2006 the Ministry of Finance held 12 T-bonds switching auctions.

Table 10. Results of switching auctions in 2006 (PLN million)

Auction date	Buy-back bonds			Settlement bonds		
	Series	Maturity date	Buy-back (face value)	Series	Maturity date	Sales (face value)
01/25/2006	PS0206	02/12/2006	562	OK0408	04/12/2008	29
	OK0406	04/12/2006	811	DS1110	11/24/2010	1,305
	Total:		1,373	Total:		1,334
02/23/2006	OK0406	04/12/2006	2,165	DS1110	11/24/2010	1,403
	PS0506	05/12/2006	351	DS1013	10/24/2013	1,982
	OK0806	08/12/2006	1,071			
	Total:		3,586	Total:		3,385
03/22/2006	OK0406	04/12/2006	442	PS0511	05/24/2011	776
	PS0506	05/12/2006	50			
	OK0806	08/12/2006	295			
	Total:		787	Total:		776
04/27/2006	PS0506	05/12/2006	693	PS0511	05/24/2011	1,284
	OK0806	08/12/2006	857	DS1015	10/24/2015	704
	PS1106	11/12/2006	451			
	Total:		2,001	Total:		1,988
05/24/2006	DZ0706	07/18/2006	346	DS1013	10/24/2013	480
	OK0806	08/12/2006	45			
	PS1106	11/12/2006	71			
	Total:		462	Total:		480
06/29/2006	DZ0706	07/18/2006	47	WZ0911	09/24/2011	1,747
	OK0806	08/12/2006	747			
	PS1106	11/12/2006	909			
	Total:		1,703	Total:		1,747
07/27/2006	OK0806	08/12/2006	1,154	PS0511	05/24/2011	1,277
	PS1106	11/12/2006	1,308	DS1015	10/24/2015	1,833
	OK1206	12/12/2006	703			
	Total:		3,166	Total:		3,109
08/23/2006	PS1106	11/12/2006	1,105	PS0511	05/24/2011	345
	OK1206	12/12/2006	400	WZ0911	09/24/2011	300
				DS1015	10/24/2015	867
	Total:		1,505	Total:		1,512
09/28/2006	PS1106	11/12/2006	1,218	PS0511	05/24/2011	1,112
	OK1206	12/12/2006	433	WS0922	09/23/2022	662
	Total:		1,651	Total:		1,774
10/26/2006	PS1106	11/12/2006	2,701	PS0511	05/24/2011	765
	OK1206	12/12/2006	424	DS1017	10/25/2017	1,666
				WS0922	09/23/2022	917
	Total:		3,124	Total:		3,348
11/22/2006	OK1206	12/12/2006	948	PS0511	05/24/2011	928
	WZ0307	03/24/2007	808	IZ0816	08/24/2016	191
	OK0407	04/12/2007	831	DS1017	10/25/2017	129
				WS0922	09/23/2022	1,264
	Total:		2,587	Total:		2,512
12/13/2006	WZ0307	03/24/2007	1,372	PS0511	05/24/2011	2,451
	OK0407	04/12/2007	3,776	DS1017	10/25/2017	1,142
	PS0507	05/12/2007	172	WS0922	09/23/2022	1,855
	OK0807	08/12/2007	289			
Total:		5,609	Total:		5,448	
TOTAL			27,554			27,414

Series	Maturity date	Face value	Principal
BUY-BACK BONDS			
PS0206	02/12/2006	562	483
OK0406	04/12/2006	3,418	2,978
PS0506	05/12/2006	1,093	944
DZ0706	07/18/2006	393	392
OK0806	08/12/2006	4,169	3,568
PS1106	11/12/2006	7,762	7,515
OK1206	12/12/2006	2,908	2,503
WZ0307	03/24/2007	2,180	2,171
OK0407	04/12/2007	4,607	4,097
PS0507	05/12/2007	172	171
OK0807	08/12/2007	289	261
Total:		27,554	25,084
SETTLEMENT BONDS			
OK0408	04/12/2008	29	26
DS1110	11/24/2010	2,708	2,708
PS0511	05/24/2011	8,938	8,636
WZ0911	09/24/2011	2,047	2,045
DS1013	10/24/2013	2,462	2,453
DS1015	10/24/2015	3,404	3,404
IZ0816	08/24/2016	191	197
DS1017	10/25/2017	2,938	2,922
WS0922	09/23/2022	4,698	4,698
Total:		27,414	27,089

2.1.1.5. Treasury bonds buy-back auctions

Such an operation is held rather seldom in the situation of temporary surplus in budget current account. Minister of Finance may offer to buyback existing bonds what will result in lowering debt servicing costs.

2.2. Sales of Treasury Securities in retail network

In 2006 the Ministry of Finance offered the following instruments to individual investors:

- a) 2-year fixed rate savings bonds (**DOS series**)
- b) 3-year floating rate bonds (**TZ series**)
- c) 4-year inflation rate indexed savings bonds (**COI series**)
- d) 5-year fixed rate bonds (**SP series**)
- e) 10-year inflation rate indexed saving bonds (**EDO 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.

Retail bonds are sold by issue agent (PKO Bank Polski S.A) in over 1000 Customer Service Outlets but also can be purchased through internet, "Inteligo" account and telephone.

Current information about T-bonds for individual investors can be found at <http://www.obligacjeskarbowe.pl> and <http://www.mf.gov.pl/> in section Public Debt (Polish language only).

Until September 2006 the savings bonds (**DOS**, **COI** and **EDO** series) could have been purchased by resident and non-resident individuals, since then also associations, foundations and another social organisations have this right. 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.

Interests on DOS, EDO accrue annually and are put at the investor's disposal at the redemption date (or pre-maturity redemption), in case of COI series is paid annually. Sale of each series lasts for one month. EDO series can be purchased as part of the Individual Retirement Account system, which provides for capital gains tax exemption.

On the primary market, 3-year floating rate bonds (**TZ** series) could have been purchased by natural and legal person, excluding: banks, insurance companies, investment trust, pension funds, brokerage houses, limited liability companies and joint-stock companies. Interest rate is based on 6M WIBOR and the coupons are paid semiannually. Sales of new TZ series lasts for three consecutive months and as distinct from savings bonds, they can be traded at the WSE and MTS CeTO.

5-year fixed rate bonds (**SP** series) pay a fixed annual coupon. The December 2005 issue (SP1210) was the last one to be offered by the Ministry of Finance. From the beginning of March 2006 these instruments are no longer sold.

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_detaliczne/dane/dane_dotyczace_sprzedazy_obligacji_detalicznych.xls

Table 11. Sales of retail bonds in 2006 (PLN million)

Bond type	Offer	Sales	Revenues
2-year savings bonds	12,000	3,572	3,571
3-year floating rate bonds	4,000	265	264
4-year savings bonds	1,200	189	189
5-year fixed rate bonds	500	36	36
10-year saving bonds	1,200	91	91
TOTAL:	18,900	4,153	4,151

Table 12. Sales of floating rate retail bonds in 2006 (PLN million)

Bond	Sales period		Offer	Sales	Price (PLN)
	Beginning	End			
TZ1108	11/02/2005	01/31/2006	1,000	15*	99.90
TZ0209	02/01/2006	04/30/2006	1,000	79	99.90
TZ0509	05/02/2006	07/31/2006	1,000	43	100.00
TZ0809	08/01/2006	10/31/2006	500	68	100.00/99.80
TZ1109	11/02/2006	01/31/2007	500	60**	100.00/99.80
TOTAL:			4,000	265	-
COI0110	01/01/2006	01/31/2006	100	12	100.00
COI0210	02/01/2006	02/28/2006	100	22	100.00
COI0310	03/01/2006	03/31/2006	100	7	100.00
COI0410	04/01/2006	04/30/2006	100	6	100.00
COI0510	05/01/2006	05/31/2006	100	14	100.00
COI0610	06/01/2006	06/30/2006	100	12	100.00
COI0710	07/01/2006	07/31/2006	100	18	100.00
COI0810	08/01/2006	08/31/2006	100	22	100.00
COI0910	09/01/2006	09/30/2006	100	19	100.00
COI1010	10/01/2006	10/31/2006	100	21	100.00
COI1110	11/01/2006	11/30/2006	100	30	100.00
COI1210	12/01/2006	12/31/2006	100	8	100.00
TOTAL:			1,200	189	-
EDO0116	01/01/2006	01/31/2006	100	8	100.00
EDO0216	02/01/2006	02/28/2006	100	6	100.00
EDO0316	03/01/2006	03/31/2006	100	3	100.00
EDO0416	04/01/2006	04/30/2006	100	2	100.00
EDO0516	05/01/2006	05/31/2006	100	2	100.00
EDO0616	06/01/2006	06/30/2006	100	4	100.00
EDO0716	07/01/2006	07/31/2006	100	10	100.00
EDO0816	08/01/2006	08/31/2006	100	10	100.00
EDO0916	09/01/2006	09/30/2006	100	7	100.00
EDO1016	10/01/2006	10/31/2006	100	8	100.00
EDO1116	11/01/2006	11/30/2006	100	15	100.00
EDO1216	12/01/2006	12/31/2006	100	16	100.00
TOTAL:			1,200	91	-

*sales in period from January 1, 2006

**sales in period to December 31, 2006

Table 13. Sales of fixed rate retail bonds in 2006 (PLN million)

Bond	Sales period		Offer	Sales	Price (PLN)			Coupon
	beginning	end			1st month of sale	2nd month of sale	3rd month of sale	
DOS0108	01/01/2006	01/31/2006	1,000	423	100.00/99.90			4.10%
DOS0208	02/01/2006	02/28/2006	1,000	288	100.00/99.90			3.85%
DOS0308	03/01/2006	03/31/2006	1,000	196	100.00/99.90			3.60%
DOS0408	04/01/2006	04/30/2006	1,000	124	100.00/99.90			3.70%
DOS0508	05/01/2006	05/31/2006	1,000	135	100.00/99.90			3.80%
DOS0608	06/01/2006	06/30/2006	1,000	317	100.00/99.90			4.00%
DOS0708	07/01/2006	07/31/2006	1,000	482	100.00/99.90			4.50%
DOS0808	08/01/2006	08/31/2006	1,000	451	100.00/99.90			4.30%
DOS0908	09/01/2006	09/30/2006	1,000	340	100.00/99.90			4.40%
DOS1008	10/01/2006	10/31/2006	1,000	257	100.00/99.90			4.40%
DOS1108	11/01/2006	11/30/2006	1,000	336	100.00/99.90			4.40%
DOS1208	12/01/2006	12/31/2006	1,000	224	100.00/99.90			4.20%
TOTAL:			12,000	3,572				
SP1210	12/01/2005	02/28/2006	500	36*	98.90	98.90 ; 99.90	99.90 ; 101.20	4.50%
TOTAL:			500	36				

*sales in period from January 1, 2006

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 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 above the benchmark yield (or swap rate) is fixed. The spread reflects the level of risk connected with investment in securities of a given issuer.

In 2006 the Ministry of Finance placed 3 issues of bonds on the foreign markets. All details are in table below.

Table 14. Bonds issued for international market in 2006

	Issue date	Maturity	Nominal value	Issue price (%)	Coupon p.a. (%)	Interest payments frequency	Yield (%)	Market	Registration	Lead Manager(s)
3.625% bond denominated in EUR maturing in 2016 XS0242491230	02/01/2006	02/01/2016	3,000 million EUR	99.383	3.625	annually	3.700	Euro	Luxembourg Stock Exchange	Credit Suisse, Deutsche Bank, JP Morgan
2.06% bond denominated in JPY maturing in 2016 JP561600A6B7	11/14/2006	11/14/2016	25,000 million JPY	100.000	2.060	semi-annually	2.060	Samurai		Daiwa, Nomura
2.62% bond denominated in JPY maturing in 2026 JP561600B6B6	11/14/2006	11/13/2026	60,000 million JPY	100.000	2.620	semi-annually	2.620	Samurai		Daiwa, Nomura

Table 15. Bonds issued for international market till the end of 2005

	Issue date	Maturity	Nominal value	Issue price (%)	Coupon p.a. (%)	Interest payments frequency	Yield (%)	Market	Registration	Lead Manager(s)
7.75% bond denominated in USD maturing in 2000 US731011AF91	07/13/1995	07/13/2000	250 million USD/ matured in July 2000	99.967	7.750	semi-annually	7.758	Euro+144a	Luxembourg Stock Exchange	JP Morgan
6.125% bond denominated in DEM maturing in 2001 DE0001333656	07/31/1996	07/31/2001	250 million DEM/ matured in July 2001	101.777	6.125	annually	5.700	Euro	Frankfurt Stock Exchange	Deutsche Bank, CSFB
7.125% bond denominated in USD maturing in 2004 US731011AK86	07/03/1997	07/01/2004	300 million USD/ matured in July 2004	99.491	7.125	semi-annually	7.219	Yankee	SEC	JP Morgan
7.75% bond denominated in USD maturing in 2017 US731011AL69	03/07/1997	01/07/2017	100 million USD	99.299	7.750	semi-annually	7.820	Yankee	SEC	JP Morgan
6% bond denominated in EUR maturing in 2010 XS0109070986	03/22/2000	03/22/2010	600 million EUR	98.300	6.000	annually	6.234	Euro	Luxembourg Stock Exchange	BNP Paribas, CSFB
5.5% bond denominated in EUR maturing in 2011 DE0006101652	02/12/2001 / 12/14/2001*	02/14/2011	1,000 million EUR (750 + 250*)	98.950 / 100.902*	5.500	annually	5.640 / 5.370*	Euro	Frankfurt Stock Exchange, Luxembourg Stock Exchange	Deutsche Bank, Merrill Lynch**
5.5% bond denominated in EUR maturing in 2012 XS0144238002	03/12/2002	03/12/2012	750 million EUR	98.320	5.500	annually	5.725	Euro	Luxembourg Stock Exchange	CSFB, SSSB
6.25% bond denominated in USD maturing in 2012 US731011AM43	07/02/2002 / 09/12/2002*	03/07/2012	1,400 million USD (1,000+400*)	99.209 / 106.000*	6.250	semi-annually	6.358 / 5.451*	Global	SEC + Luxembourg Stock Exchange	JP Morgan, SSSB
5.625% bond denominated in GBP maturing in 2010 XS0157642793	11/18/2002	11/18/2010	400 million	99.060	5.625	annually	5.775	Euro	Luxembourg Stock Exchange	UBS Warburg
4.5% bond denominated in EUR maturing in w 2013 XS0162316490	02/05/2003 / 02/05/2003*** / 05/23/2003* / 03/23/2004	05/02/2013	3,000 million EUR (1,250 + 250*** + 800* + 700*)	98.993 / 98.744*** / 99.733* / 100.827*	4.500	annually	4.628 / 4.660*** / 4.532* / 4.384*	Euro	Luxembourg Stock Exchange	Deutsche Bank, JP Morgan

0.84% bond denominated in JPY maturing in w 2010 JP561600A376	07/09/2003	07/09/2010	25,000 million JPY	100.000	0.840%	semi-annually	0.840	Samurai		Daiwa, Mizuho
3M Euribor + 0.125% bond denominated in EUR maturing in 2006 XS0176094836	09/18/2003	09/18/2006	500 million EUR	99.868	3M Euribor + 0.125%	quarterly	-	Euro	Luxembourg Stock Exchange	Dresdner Kleinwort Wasserstein
5.25% bond denominated in USD maturing in 2014 US731011AN26	10/29/2003	01/15/2014	1,000 million USD	99.871	5.250	semi-annually	5.264	Global	SEC + Luxembourg Stock Exchange	Citigroup, Morgan Stanley
6M USD Libor + 0.325% bond denominated in USD maturing in 2010. XS0182802214	12/18/2003	12/18/2010	400 million USD	99.730	6M USD Libor + 0.325	semi-annually	-	Private placement	Luxembourg Stock Exchange	PEKAO SA
3.875% bond denominated in EUR maturing in 2009 XS0183959914	01/15/2004	01/15/2009	1,500 million EUR	99.721	3.875	annually	3.9375	Euro	Luxembourg Stock Exchange	CSFB, DrKW
2.125% bond denominated in CHF maturing in 2009 CH0018041530	03/25/2004	03/25/2009	400 million CHF	100.380	2.125	annually	2.160	Euro	Swiss Stock Exchange	UBS
2.6475% bond denominated in JPY maturing in 2034 XS0189021099	03/29/2004	03/29/2034	6,800 million JPY	100.000	2.6475	semi-annually	2.6475	Private placement		Mizuho
1.02% bond denominated in JPY maturing in 2009 JP561600A467	06/09/2004	06/09/2009	50,000 million JPY	100.000	1.020	semi-annually	1.020	Samurai		Daiwa, NikkoCiti
3.22% bond denominated in JPY maturing in 2034 XS0197118465	08/04/2004	08/04/2034	16,800 million JPY	100.000	3.220	semi-annually	3.220	Private placement		Mizuho
4.2% bond denominated in EUR maturing in 2020 XS0210314299	01/18/2005 / 04/06/2005* / 05/24/2005*	04/15/2020	5,250 million EUR (3000 + 1500* + 750*)	99.375 / 99.221* / 102.643*	4.200	annually	4.250 / 4.262* / 3.961*	Euro	Luxembourg Stock Exchange	BNP Paribas, Citigroup, DrKW
4.45% bond denominated in EUR maturing in 2035 XS0211389753	02/04/2005	02/02/2035	500 million EUR	99.364	4.450	annually	4.489	Private placement	Luxembourg Stock Exchange	ABN Amro
1.875% bond denominated in CHF maturing in 2010 CH0021260952	05/12/2005	05/12/2010	400 million CHF	100.270	1.875	annually	1.934	Euro	Swiss Stock Exchange	UBS
2.625% bond denominated in CHF maturing in 2015 CH0021260978	05/12/2005 / 05/12/2005** / 07/07/2005*	05/12/2015	1,500 million CHF (600 + 500** + 400*)	100.830 / 101.845** / 102.409*	2.625	annually	2.6158 / 2.500** / 2.433*	Euro	Swiss Stock Exchange	UBS
1.00% bond denominated in JPY maturing in 2012 JP561600A566	06/20/2005	06/20/2012	75,000 million JPY	100.000	1.000	semi-annually	1.000	Samurai		Daiwa, Nomura
4.25% bond denominated in EUR maturing in 2055 XS0224427160	07/20/2005	07/20/2055	500 million EUR	98.999	4.250	annually	4.299	Private placement	Luxembourg Stock Exchange	Dexia, HSBC
3M USD Libor + 0.115% bond denominated in USD maturing in 2015 XS0230703679	09/23/2005	09/23/2015	81.81 million USD	100.000	3M USD Libor + 0.115	quarterly	-	Private placement	Luxembourg Stock Exchange	Depfa
5.00% bond denominated in USD maturing in 2015 US731011AP73	10/19/2005	10/19/2015	1,000 million USD	99.899	5.000	semi-annually	5.013	Global	SEC + Luxembourg Stock Exchange	JP Morgan, Lehman Brothers
5.408% bond denominated in USD maturing in 2035 US731011AQ56	10/19/2005	10/19/2035	100 million USD	100.000	5.408	semi-annually	5.408	Global	SEC + Luxembourg Stock Exchange	JP Morgan, Lehman Brothers
2.24% bond denominated in JPY maturing in 2021 JP561600A5B9	11/18/2005	02/18/2021	50,000 million JPY	100.000	2.240	semi-annually	2.240	Samurai		Daiwa, Mizuho

* reopening of the previous issue

**only for the first tranche

*** tranche's pricing date different from the pricing date of initial tranche (the same issue date)

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. At the end of 2006, the outstanding Brady bonds amounted to USD 605 million.

Table 16. 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 2005 4%	increasing from 2.75% to 5%; at the end of 2005 4.75%	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 payments frequency	semi-annually	semi-annually	semi-annually	semi-annually	semi-annually	semi-annually
Outstanding debt at the end of 2005	0*	USD 316,7 million	USD 288,4 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; zerocoupon 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%.

Till the end of 2003 NBP sold all “conversion” bonds to banks therefore eliminating the debt towards the NBP. At the end of 2006 there was only one series - DK0809 2,568 million PLN in face value left to mature.

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

Acting pursuant to the Act of July 23rd, 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. The conversion procedure started in November 2003.

Table 17. Bonds issued for conversion of the debt towards pension funds in 2006 (PLN million)

Conversion date	Series	Maturity	Face value
01/31/2006	DZ1111	11/24/2011	194
02/28/2006	DZ1111	11/24/2011	25
03/09/2006	DZ1111	11/24/2011	18
04/07/2006	DZ1111	11/24/2011	65
05/24/2006	DZ1111	11/24/2011	21
06/30/2006	DZ1111	11/24/2011	172
07/31/2006	DZ1111	11/24/2011	9
08/31/2006	DZ1111	11/24/2011	83
09/29/2006	DZ1111	11/24/2011	118
10/31/2006	DZ1111	11/24/2011	174
11/30/2006	DZ1111	11/24/2011	170
12/29/2006	DZ1111	11/24/2011	62
TOTAL:			1,111

Till the end of 2006 total face value bonds issued for conversion has reached PLN 3,657 million and the value of converted liabilities amounted to PLN 3,728 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 one type of such issues. Their characteristic is presented in the table below.

Table 18. Non-marketable Treasury Securities serviced on the domestic market in 2006

	Bonds to increase BGŻ S.A. own funds
Issue date	I tranche 09/23/1996
Issue face value	I tranche: PLN 600 million each of the tranches is made up of 28 principal installments
Face value of one bond	1,000 PLN
Maturity	From 1.5 to 15.5 years depending on the number of the principal installment
Redemption date	I tranche from 03/24/1998 to 09/24/2011
Principal and interest payments frequency	Semiannually
Interest form	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	Batch slip, registered within first 3 years since issue date, bearer afterwards
Availability to secondary market investors	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 2006	PLN 483 million

3. SECONDARY MARKET OF TREASURY SECURITIES

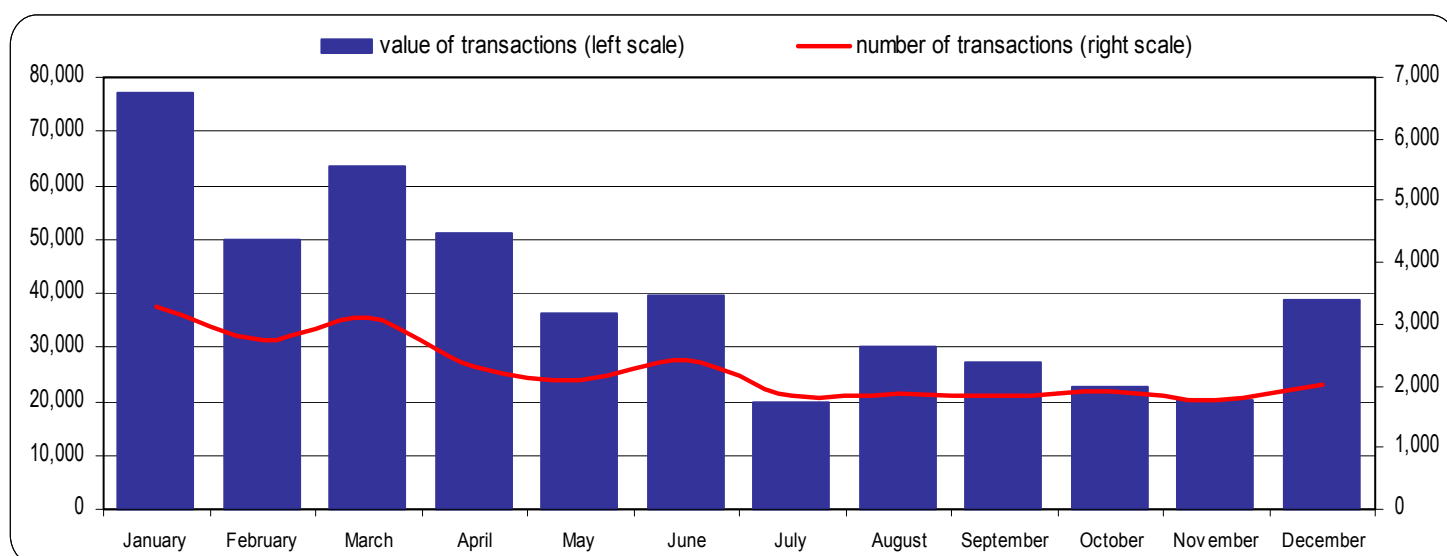
3.1. Secondary market of Treasury bills

Secondary trading of T-bills is effected only on the non-regulated OTC market and on MTS Poland (the electronic platform for Treasury securities run by MTS-CeTO S.A.). Transactions register and their settlement are handled by the NBP Registry of Securities (RPW). 27,226 transactions of total face value PLN 475,828 million were concluded on the secondary market in 2006.

Table 19. Total value and number of transactions concluded on T-bills secondary market in 2006 (PLN million)

	January	February	March	April	May	June	July	August	September	October	November	December	Total
Value of transactions	77,114	49,730	63,395	51,228	36,142	39,420	19,933	29,921	27,177	22,688	20,392	38,689	475,828
Number of transactions	3,285	2,759	3,113	2,303	2,103	2,402	1,835	1,865	1,848	1,923	1,761	2,029	27,226

Chart 5. Total value and number of transaction concluded on T-bills secondary market in 2006 (PLN million)



3.2. Secondary market of Treasury bonds

Trading on the secondary market for Treasury bonds is performed on the markets: non-regulated OTC market, MTS Poland and on regulated markets of Warsaw Stock Exchange and MTS-Ceto S.A. Turnover on MTS Poland amounted to about 3.2%, while trading at WSE did not exceed 0.1%. In 2006 the trading focused on the non-regulated OTC market (96,8%). Floating rate bonds WZ0911 and fixed rate bonds PS0310 were objects of the majority of transactions conducted on the secondary market (14,8% and 10,2% respectively).

Table 20. Total value and number of transactions concluded on T-bonds secondary market in 2006 (PLN million)

		January	February	March	April	May	June	July	August	September	October	November	December	Total
TOTAL	Value	455,157	471,442	647,379	510,283	496,741	505,145	526,658	517,257	581,014	671,170	584,108	490,482	6,456,836
	Number	19,667	19,397	27,002	19,054	18,567	19,122	21,488	17,782	20,310	20,132	18,598	15,174	236,293
Interbank	Value	431,667	450,327	620,534	495,213	482,086	487,560	511,288	503,137	565,529	652,635	571,416	480,242	6,251,634
	Number	18,740	18,389	25,762	18,321	17,978	18,360	20,622	17,160	19,431	19,525	18,101	14,841	227,230
MTS Poland	Value	23,490	21,115	26,845	15,070	14,655	17,585	15,370	14,120	15,485	18,535	12,693	10,240	205,203
	Number	927	1,008	1,240	733	589	762	866	622	879	607	497	333	9,063

Chart 6. Total value and number of transactions on T-bonds secondary market in 2006 (PLN million)

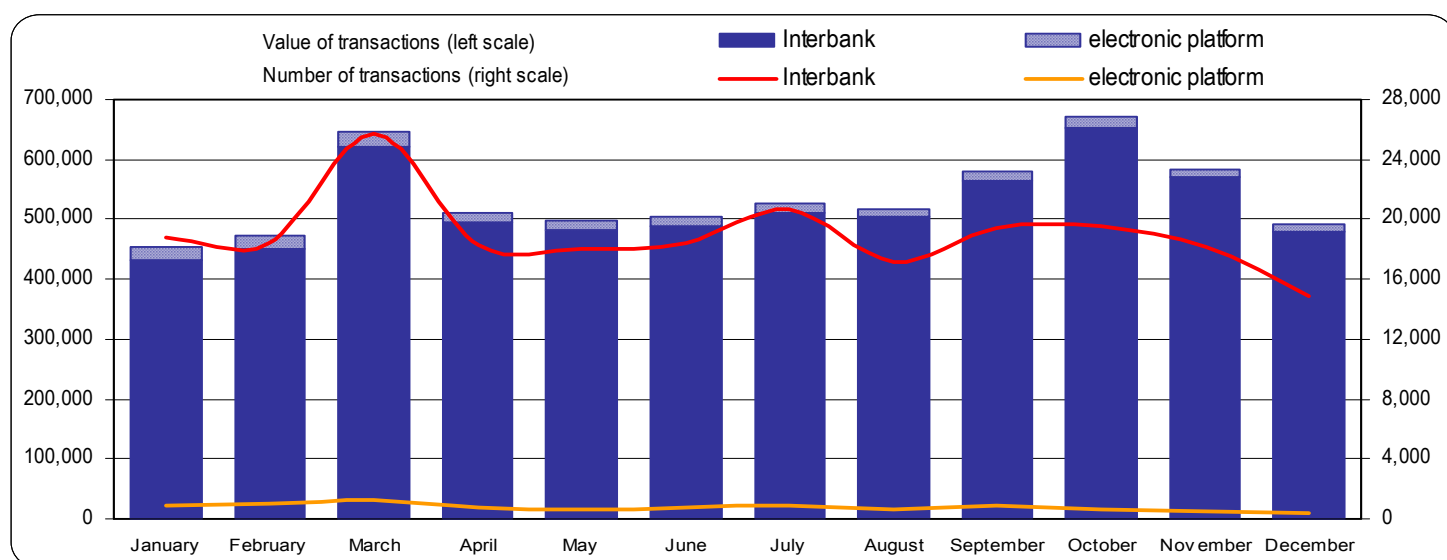


Table 21. Total value and number of transactions on fixed coupon T-bonds secondary market in 2006 (PLN million)

Bond type		January	February	March	April	May	June	July	August	September	October	November	December	Total	
2-year	Interbank	Value	95,079	112,842	135,780	124,584	123,451	121,997	120,668	133,125	115,281	142,800	135,684	131,604	1,492,895
		Number	3,351	3,860	4,659	4,111	4,118	4,344	4,000	4,177	3,612	4,072	3,701	3,335	47,340
	MTS Poland	Value	1,235	1,870	2,400	2,305	935	2,515	3,215	3,455	3,035	3,113	2,585	2,468	29,130
		Number	69	129	142	128	50	145	143	144	91	70	55	61	1,227
	TOTAL	Value	96,314	114,712	138,180	126,889	124,386	124,512	123,883	136,580	118,316	145,913	138,269	134,071	1,522,025
Number		3,420	3,989	4,801	4,239	4,168	4,489	4,143	4,321	3,703	4,142	3,756	3,396	48,567	
5-year	Interbank	Value	113,734	115,500	155,367	124,451	125,530	109,928	135,122	113,953	167,584	186,902	140,434	105,863	1,594,368
		Number	5,532	4,694	6,394	4,594	5,303	5,161	6,453	5,070	6,397	6,560	5,229	4,106	65,493
	MTS Poland	Value	10,150	6,965	7,730	3,650	5,575	7,560	5,700	6,720	7,720	8,508	5,423	5,530	81,230
		Number	438	434	376	229	238	290	348	258	510	333	215	139	3,808
	TOTAL	Value	123,884	122,465	163,097	128,101	131,105	117,488	140,822	120,673	175,304	195,409	145,857	111,393	1,675,598
Number		5,970	5,128	6,770	4,823	5,541	5,451	6,801	5,328	6,907	6,893	5,444	4,245	69,301	
10-year	Interbank	Value	136,327	142,351	225,730	131,622	127,999	130,146	122,305	105,370	134,360	140,512	129,267	112,265	1,638,255
		Number	7,712	7,636	11,766	7,309	6,227	6,198	7,481	5,254	6,090	5,865	5,769	4,781	82,088
	MTS Poland	Value	12,095	11,615	15,335	7,980	8,135	6,765	6,445	3,945	4,650	6,845	4,535	2,073	90,418
		Number	418	434	697	371	299	314	373	220	268	193	209	112	3,908
	TOTAL	Value	148,422	153,966	241,065	139,602	136,134	136,911	128,750	109,315	139,010	147,357	133,802	114,337	1,728,672
Number		8,130	8,070	12,463	7,680	6,526	6,512	7,854	5,474	6,358	6,058	5,978	4,893	85,996	

Chart 7. Total value and number of transactions on fixed coupon T-bonds secondary market in 2006 (PLN million)

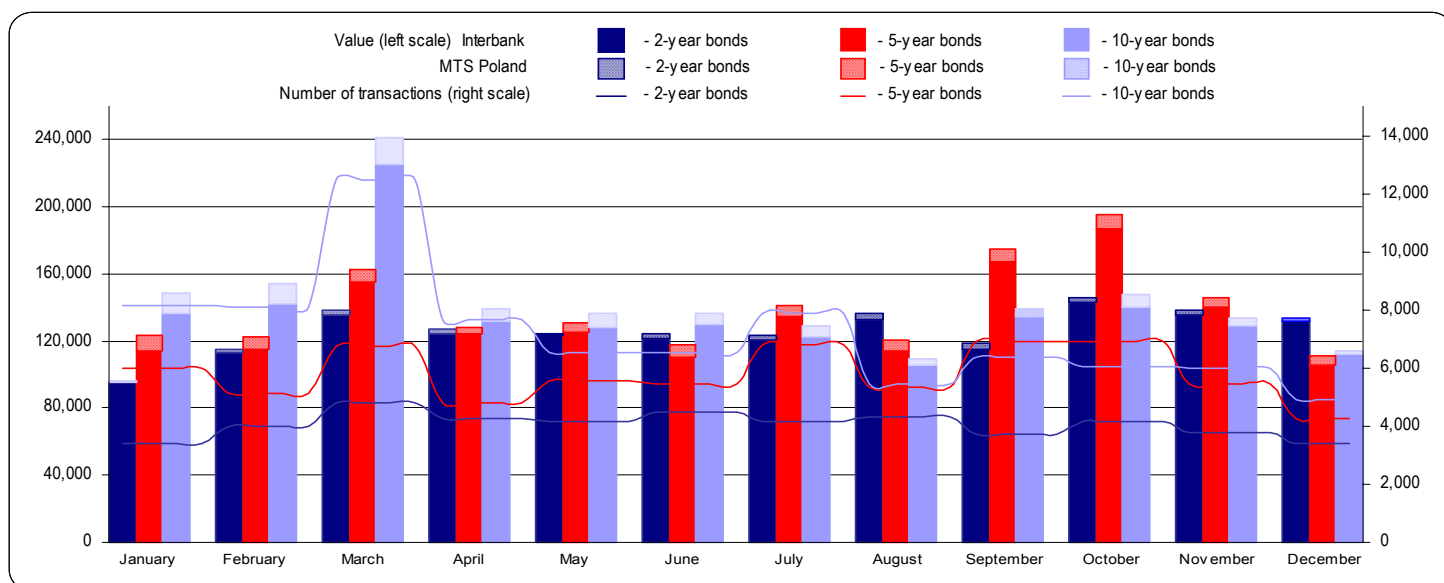
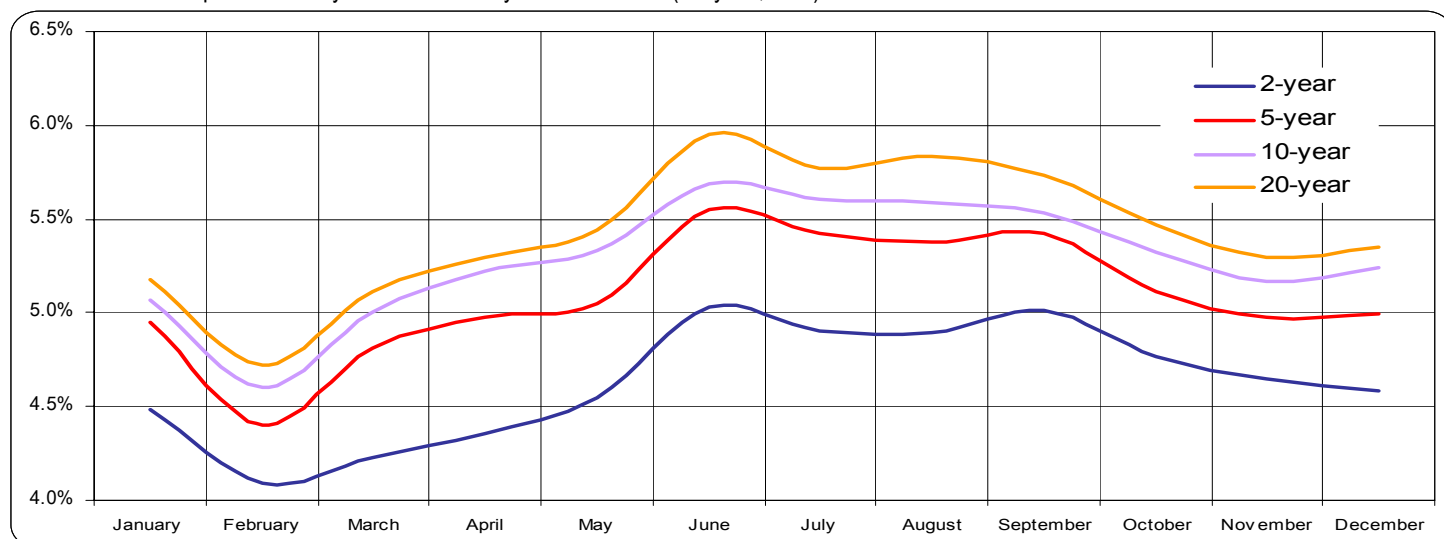


Chart 8. Fixed coupon T-bonds yield on secondary market in 2006 (bid yield, eom)



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

The foreign bonds issued by the State Treasury in 1995 – 2006 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 spread above the benchmark yields, i.e. the yield of bond of similar maturity considered to be the safest (relatively over adequate swap rate).

Settlements of the Foreign Bonds transactions are effected by: Euroclear and Clearstream, the Depository Trust Company or Japan Securities Depository Centre.

4. STATE TREASURY DEBT

Table 22. State Treasury debt according to the place of issue criterion (PLN million)

	December 2004	December 2005	December 2006
State Treasury debt	402,860	440,167	478,526
I. State Treasury domestic debt	291,659	315,479	352,328
1. Treasury Securities	286,888	311,966	350,534
1.1. Marketable Treasury Securities	273,501	302,781	342,846
- Treasury bills	46,900	24,400	25,800
- Treasury bonds issued on the domestic market	226,601	278,381	317,046
1.2. Saving bonds	9,054	8,620	7,205
1.3. Non-marketable TS	4,333	565	483
2. Other State Treasury debt	4,771	3,513	1,794
II. State Treasury foreign debt	111,202	124,689	126,198
1. Treasury Securities	48,462	83,862	90,639
2. Loans	62,740	40,827	35,559

Table 23. State Treasury debt according to the residency criterion (PLN million)

	December 2004	December 2005	December 2006
State Treasury debt	402,860	440,167	478,526
I. State Treasury domestic debt	232,352	251,468	284,385
1. Treasury Securities	227,583	247,955	282,608
1.1. Marketable Treasury Securities	214,200	238,777	274,927
- T-bills	46,633	24,126	25,794
- Treasury bonds issued on the domestic market	164,555	209,731	242,682
- Brady Bonds and treasury bonds issued on the foreign market	3,013	4,921	6,451
1.2. Savings bonds	9,049	8,613	7,198
1.3. Non-marketable bonds	4,333	565	483
2. Other State Treasury debt	4,770	3,513	1,778
II. State Treasury foreign debt	170,508	188,700	194,141
1. Treasury Securities	107,767	147,873	158,565
1.1. Marketable Treasury Securities	107,762	147,866	158,558
- T-bills	267	274	6
- Treasury bonds issued on the domestic market	62,046	68,650	74,364
- Brady Bonds and treasury bonds issued on the foreign market	45,449	78,941	84,188
1.2. Savings bonds	5	7	7
2. Loans	62,740	40,827	35,559
3. Other debt	1	0	17

Table 24. State Treasury debt by place of issue and by instrument (PLN million)

	December 2004	December 2005	December 2006
State Treasury debt	402,860	440,167	478,526
I. State Treasury domestic debt	291,659	315,479	352,328
1. Treasury Securities ¹⁾	286,888	311,966	350,534
1.1. Marketable Treasury Securities	273,501	302,781	342,846
Treasury bills	46,900	24,400	25,800
Fixed-rate marketable bonds	200,906	241,756	271,773
2-year zero coupon bonds	52,904	57,148	52,461
5-year fixed rate bonds	70,785	86,728	88,146
5-year fixed rate retail bonds	2,589	3,200	2,736
10-year fixed rate bonds	68,655	85,700	112,412
20-year fixed rate bonds	3,404	6,411	13,449
10-year fixed rate bonds - converted ²⁾	2,568	2,568	2,568
Floating-rate marketable bonds	23,049	31,945	38,796
3-year floating rate retail bonds	3,400	3,496	2,826
3-year floating rate bonds	6,738	6,738	4,559
7-year floating rate bonds	1,131	9,064	19,670
10-year floating rate bonds	11,030	11,897	10,991
private placements	750	750	750
Index-linked bonds	2,646	4,679	6,476
12-year inflation linked bonds	2,646	4,679	6,476
1.2. Savings bonds	9,054	8,620	7,205
2-year savings bonds	8,147	7,928	6,432
4-year savings bonds	853	561	568
10-year savings bonds	55	130	205
1.3. Non-marketable bonds	4,333	565	483
restructuring bond	3,696	-	-
bonds to increase BGŻ bank's own funds	637	565	483
2. Other State Treasury debt	4,771	3,513	1,794
II. State Treasury foreign debt	111,202	124,689	126,198
1. Treasury Securities	48,462	83,862	90,639
Brady Bonds	3,568	3,891	1,761
International Bonds	44,894	79,970	88,878
2. Loans	62,740	40,827	35,559
Paris Club creditors	50,255	25,153	17,941
International Financial Institutions,	12,033	15,261	17,378
of which the European Investment Bank	6,388	9,340	11,365
Other creditors	453	413	240
<i>Exchange rate used for calculations (PLN/USD) (fixing NBP)</i>	<i>2.9904</i>	<i>3.2613</i>	<i>2.9105</i>
<i>Exchange rate used for calculations (PLN/EUR) (fixing NBP)</i>	<i>4.0790</i>	<i>3.8598</i>	<i>3.8312</i>

1) original maturity

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

Table 25. State Treasury domestic debt by holder (PLN million)

	Domestic commercial banks			Non-banking domestic sector			Foreign investors			TOTAL		
	December 2004	December 2005	December 2006	December 2004	December 2005	December 2006	December 2004	December 2005	December 2006	December 2004	December 2005	December 2006
Domestic debt of State Treasury	85,762	75,018	80,629	143,578	171,529	197,321	62,318	68,931	74,378	291,659	315,479	352,328
1. Treasury Securities	81,462	71,718	79,029	143,107	171,317	197,127	62,318	68,931	74,378	286,888	311,966	350,534
1.1 Marketable Treasury Securities	77,129	71,152	78,547	134,058	162,704	189,929	62,313	68,925	74,370	273,501	302,781	342,846
Treasury bills	19,456	9,757	10,805	27,176	14,369	14,989	267	274	6	46,900	24,400	25,800
2-year zero coupon bonds	20,788	17,049	12,586	22,093	33,586	35,740	10,024	6,514	4,135	52,904	57,148	52,461
3-year floating rate retail bonds	228	627	524	3,164	2,863	2,299	9	5	4	3,400	3,496	2,826
3-year floating rate bonds	5,267	4,107	2,951	1,469	2,627	1,605	2	4	2	6,738	6,738	4,559
fixed rate bonds up to 5-year	19,856	21,326	22,064	32,316	41,574	44,314	18,614	23,828	21,769	70,785	86,728	88,146
5-year fixed rate retail bonds	10	92	105	2,576	3,102	2,626	2	6	5	2,589	3,200	2,736
7-year floating rate bonds	126	2,529	8,445	1,002	6,528	11,223	3	7	2	1,131	9,064	19,670
10-year floating rate bonds	3,302	2,826	2,909	7,515	8,860	7,871	213	211	211	11,030	11,897	10,991
10-year fixed rate bonds	7,427	12,366	17,616	31,057	41,761	57,806	30,172	31,573	36,991	68,655	85,700	112,412
10-year fixed rate bonds - converted	147	79	150	2,422	2,489	2,418	0	0	0	2,568	2,568	2,568
private placements	15	15	15	585	735	735	150	0	0	750	750	750
12-year inflation linked	216	16	2	215	508	1,274	2,215	4,155	5,200	2,646	4,679	6,476
20-year fixed rate bonds	292	363	374	2,470	3,701	7,030	643	2,348	6,046	3,404	6,411	13,449
1.2. Savings bonds	0	0	0	9,049	8,613	7,198	5	7	7	9,054	8,620	7,205
2-year savings bonds	0	0	0	8,143	7,922	6,426	4	6	6	8,147	7,928	6,432
4-year savings bonds	0	0	0	852	561	567	1	1	1	853	561	568
10-year savings bonds	0	0	0	55	130	204	0	0	0	55	130	205
1.3 Non-marketable TS	4,333	565	483	0	0	0	0	0	0	4,333	565	483
restructuring bond	3,696	-	-	0	-	-	0	-	-	3,696	-	-
bonds to increase BGŻ bank's own funds	637	565	483	0	0	0	0	0	0	637	565	483
2. Other State Treasury debt	4,300	3,300	1,600	471	213	194	0	0	0	4,771	3,513	1,794

Table 26. Residual maturity of Treasury Securities issued on the domestic market (PLN million)

	December 2004	December 2005	December 2006
Treasury Securities	286,888	311,966	350,534
up to 1 year (included)	84,836	83,293	70,020
1 to 3 years (included)	87,303	82,532	98,529
3 to 5 years (included)	65,637	86,182	108,584
over 5 years	49,112	59,958	73,402
T-bills	46,900	24,400	25,800
Marketable bonds	226,601	278,381	317,046
Fixed rate bonds	200,906	241,756	271,773
up to 1 year (included)	31,298	50,867	35,462
1 to 3 years (included)	69,547	68,070	88,603
3 to 5 years (included)	60,030	81,411	81,737
over 5 years	40,031	41,410	65,971
Floating rate bonds	23,049	31,945	38,796
up to 1 year (included)	2,218	2,952	5,620
1 to 3 years (included)	10,709	10,880	5,960
3 to 5 years (included)	3,924	4,469	26,466
over 5 years	6,198	13,645	750
Index-linked bonds	2,646	4,679	6,476
over 5 years	2,646	4,679	6,476
Savings bonds	9,054	8,620	7,205
up to 1 year (included)	3,525	4,981	3,040
1 to 3 years (included)	5,255	3,394	3,773
3 to 5 years (included)	220	114	187
over 5 years	55	130	205
Non-marketable bonds	4,333	565	483
up to 1 year (included)	896	94	97
1 to 3 years (included)	1,792	188	193
3 to 5 years (included)	1,464	188	193
over 5 years	182	94	0

Table 27. Public Debt according to the place of issue criterion - after consolidation (PLN million, at nominal value, eop)

	December 2004	December 2005	December 2006
Public debt	431,434	466,601	504,991
Domestic debt	318,648	339,574	376,104
1. Debt securities	288,459	313,509	352,352
2. Loans	20,616	20,439	20,051
3. Other domestic liabilities	9,573	5,625	3,701
Foreign debt	112,786	127,027	128,887
1. Debt securities	48,601	83,862	90,639
2. Loans	64,164	43,159	38,236
3. Other foreign liabilities	21	7	12

Table 28. Public Debt according to the residency criterion - after consolidation (PLN million, at nominal value, eop)

	December 2004	December 2005	December 2006
Public debt	431,434	466,601	504,991
Domestic debt	259,342	275,563	308,161
1. Debt securities	229,154	249,499	284,426
2. Loans	20,616	20,439	20,051
3. Other domestic liabilities	9,572	5,625	3,684
Foreign debt	172,092	191,038	196,830
1. Debt securities	107,906	147,873	158,565
2. Loans	64,164	43,159	38,236
3. Other foreign liabilities	22	7	29

Table 29. Public Debt - before consolidation (PLN million, at nominal value, eop)

	December 2004	December 2005	December 2006
Public debt	440,544	477,109	516,970
1. Central government sector debt	406,001	442,694	482,252
1.1. State Treasury	402,860	440,167	478,526
1.2. National Health Fund	758	401	80
1.3. Earmarked State funds	1	0	0
1.4. State institutions of higher education	215	185	319
1.5. Research and development units	259	276	295
1.6. Independent public health units	938	953	1,151
1.7. State institutions of culture	38	35	39
1.8. Polish Academy of Science and units established by it	19	8	17
1.9. Other central government legal entities established under separate acts for public tasks execution, with the exception of enterprises, banks and companies organized under commercial law	913	670	1,823
2. Local government sector debt	24,482	27,320	30,933
2.1. Local government units and their unions	19,105	21,269	25,052
2.2. Earmarked local government funds	76	187	161
2.3. Independent public health units	5,234	5,793	5,635
2.4. Local institutions of culture	29	34	74
2.5. Other local government legal entities established under separate acts for public tasks execution, with the exception of enterprises, banks and companies organized under commercial law	38	37	10
3. Social Security Sector debt	10,061	7,095	3,786
3.1. Social Insurance Institution	6	0	0
3.2. Funds managed by Social Insurance Institution	10,055	7,095	3,786
3.3. Agricultural Social Insurance Fund	0	0	0

Table 30. Public Debt - after consolidation (PLN million, at nominal value, eop)

	December 2004	December 2005	December 2006
Public debt	431,434	466,601	504,991
1. Central government sector debt	402,974	439,334	477,923
1.1. State Treasury	401,380	438,416	476,552
1.2. National Health Fund	6	0	0
1.3. Earmarked State funds	1	0	0
1.4. State institutions of higher education	162	147	248
1.5. Research and development units	146	153	186
1.6. Independent public health units	633	526	708
1.7. State institutions of culture	34	34	38
1.8. Polish Academy of Science and units established by it	12	3	9
1.9. Other central government legal entities established under separate acts for public tasks execution, with the exception of enterprises, banks and companies organized under commercial law	601	55	181
2. Local government sector debt	18,398	20,172	23,283
2.1. Local government units and their unions	15,359	17,156	19,991
2.2. Earmarked local government funds	3	1	0
2.3. Independent public health units	2,984	2,953	3,227
2.4. Local institutions of culture	16	25	56
2.5. Other local government legal entities established under separate acts for public tasks execution, with the exception of enterprises, banks and companies organized under commercial law	37	37	9
3. Social Security Sector debt	10,061	7,095	3,786
3.1. Social Insurance Institution	6	0	0
3.2. Funds managed by Social Insurance Institution	10,055	7,095	3,786
3.3. Agricultural Social Insurance Fund	0	0	0

Table 31. Public Debt at nominal value (PLN million, eop) and its ratio to GDP

	2003		2004		2005		2006	
	value in m PLN	Ratio to GDP (%)	value in m PLN	Ratio to GDP (%)	value in m PLN	Ratio to GDP (%)	value in m PLN	Ratio to GDP (%)
State Treasury debt	378,944	44.9%	402,860	43.6%	440,167	44.8%	478,526	45.2%
State Treasury debt plus risk-weighted contingent liabilities arising from granted ST guarantees	390,281	46.3%	414,630	44.8%	450,568	45.8%	-	-
Public debt	408,271	48.4%	431,434	46.7%	466,601	47.5%	504,991	47.7%
Public debt plus risk-weighted contingent liabilities arising from granted public sector guarantees	419,681	49.8%	443,288	47.9%	477,141	48.5%	-	-
General Government debt (OPF included in GG sector)*	369,482	43.8%	385,453	41.7%	410,274	41.7%	434,568	41.1%
General Government debt (OPF not included in GG sector)*	396,731	47.1%	422,385	45.7%	462,742	47.1%	505,153	47.8%
GDP	843,156		924,538		983,302		1,057,855	

* General Government (GG)- ESA95 definition

Monthly data on the State Treasury debt and quarterly data on public finance sector debt are available on the Ministry of Finance website:

http://www.mf.gov.pl/files/dlug_publiczny/zadluzenie/szeregi/state_treasury_debt.exe

http://www.mf.gov.pl/files/english/public_dept/public_finance_sector_debt/public_debt.exe

5. INSTITUTIONAL STRUCTURE OF THE TREASURY SECURITIES MARKET

The legal operational basis of the main institutions of the capital market are:

1. The Law of July 29th, 2005 on public offer, the rules of introducing financial instruments for public trading and public companies;
2. The Law of July 29th, 2005 on turnover of financial instruments;
3. The Law of July 29th, 2005 on supervision of the capital 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, managing of public debt,
- 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) Polish Financial Supervision Authority (PFSA) – 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 – entities 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) MTS-CeTO S.A) – organizer of secondary market (ETSM) for T-bills and T-bonds offered at auctions,
- j) Bank Gospodarstwa Krajowego – payment agent of a part of the State Treasury foreign debt (including T-bonds) ,
- k) Domestic banks – major participants of the Treasury Securities market,
- l) Brokerage houses – intermediaries on the primary and secondary markets for securities,
- m) Institutions participating in foreign bond issues.

5.1. Useful addresses

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

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

REUTERS – page [PLMINFIN](#)

BLOOMBERG – page [PLMF](#)

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

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

Page about T-bonds destined for individual investors (in Polish only)
www.obligacjeskarbowe.pl

Polish Financial Supervision Authority
1 Plac Powstańców Warszawy
00 - 950 Warszawa
tel: (4822) 332-66-00
www.knf.gov.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

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

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