



Ministry
of Finance

Republic
of Poland

Public Debt Department

State budget borrowing requirements' financing plan and its background

May 2014

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SUPPLY PLAN OF TREASURY SECURITIES IN MAY 2014

Treasury bond and BGK bond auctions

Auction date	Settlement date	Series	Planned offer (PLN m)
8 MAY 2014	12 MAY 2014	PS0719 / WZ0119	3,000-5,000*
22 MAY 2014	26 MAY 2014	IDS1024	1,000-2,000

The final offer and the supply will be announced 2 days before the auction and will result from the market situation and consultations with investors.

** At auction on May 8th, 2014 the Ministry of Finance sold T-bond WZ-series at the level of PLN 1,619m and PS-series at the level of PLN 4,075.2m and the yield of 3.406%.*

Offer on retail market

T-bond	Issue price	Coupon
DOS0516	PLN 100.00 (99.90 PLN for rolling-over)	Fixed, 3.00%
TOZ0517	PLN 100.00 (99.90 PLN for rolling-over)	Floating (1.00 * WIBOR 6M) 3.30% in the first coupon period
COI0518	PLN 100.00 (99.90 PLN for rolling-over)	Floating (inflation rate + 1.25%) 3.50% in the first coupon period
EDO0524	PLN 100.00 (99.90 PLN for rolling-over)	Floating (inflation rate + 1.50%) 4.00% in the first coupon period



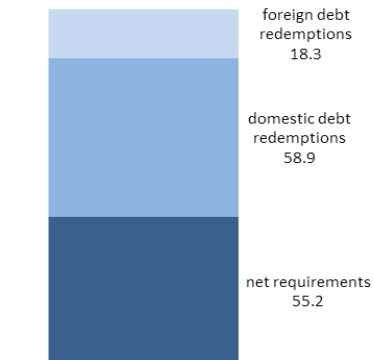
Gross borrowing requirements in 2014

Financing of 2014 borrowing requirements at the level of 82% was a result of:

- switch auctions in 2013: PLN 8.1bn,
- T-bonds buyback on domestic market in 2013: PLN 8.8bn,
- T-bond sale on domestic market: PLN 50.2bn,
- T-bonds buyback on foreign markets in 2013: PLN 2.2bn,
- T-bonds issuance on foreign markets: PLN 15.6bn,
- loans incurred from IFIs: PLN 2.5bn
- and higher than planned financial resources at the end of 2013: PLN 16.4bn.

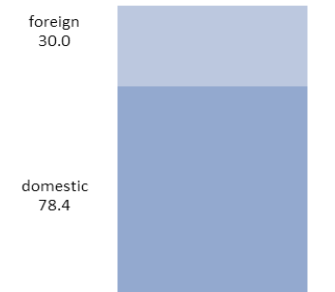
Gross borrowing requirements in 2014

Total: PLN 132.4bn, of which:



Financing in the period of I-IV

Total: PLN 108.4bn (82%)



Flows of funds into the market related to T-bonds and T-bills transfers in May

as of April 30, 2014

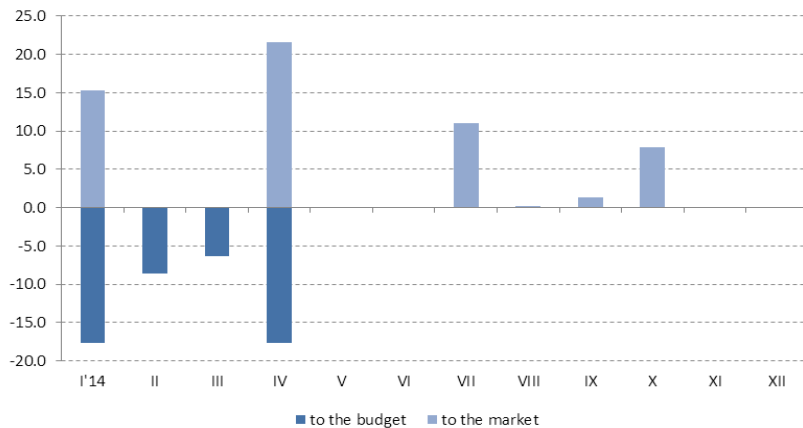
In May there will be no funds transferred from State budget to the market related to T-securities (no TS redemptions and no interest payments).

Flows of funds between the market and the budget*

as of April 30, 2014, PLN bn

As of April 30, 2014, to the end of the year the funds to be transferred to the market shall amount to PLN 20.4bn.

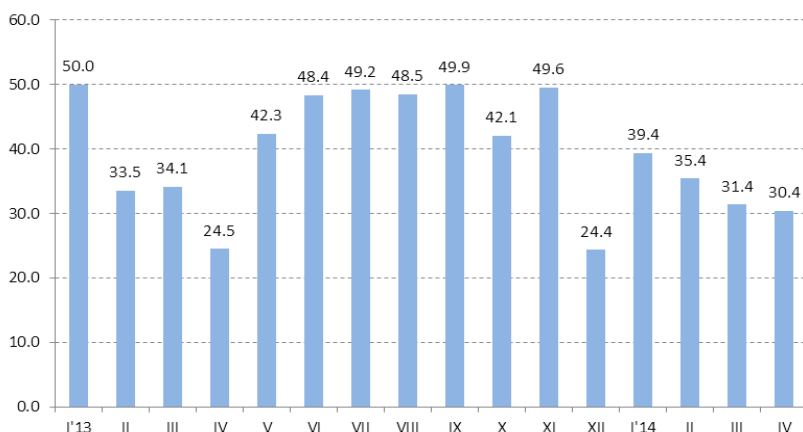
* figures include sale, redemptions and interest payments on wholesale bonds; monthly financing plans will depend on market situation and feedback from investors thus the detailed schedule of monthly flows to budget in the following months is not presented.



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

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

The funds ensure liquidity in borrowing needs financing.

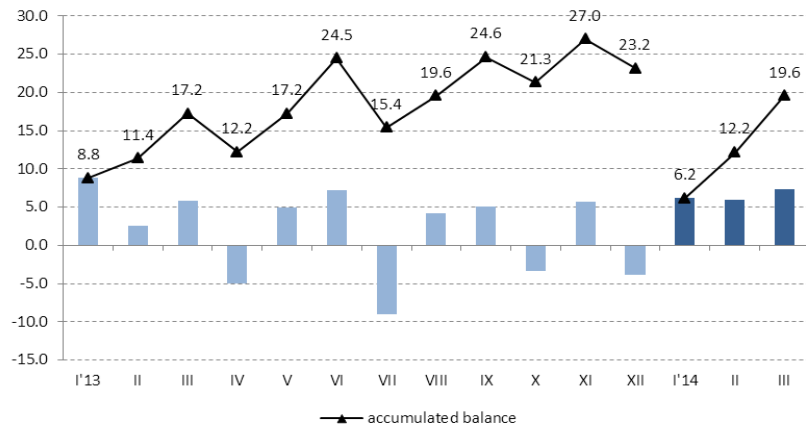




BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

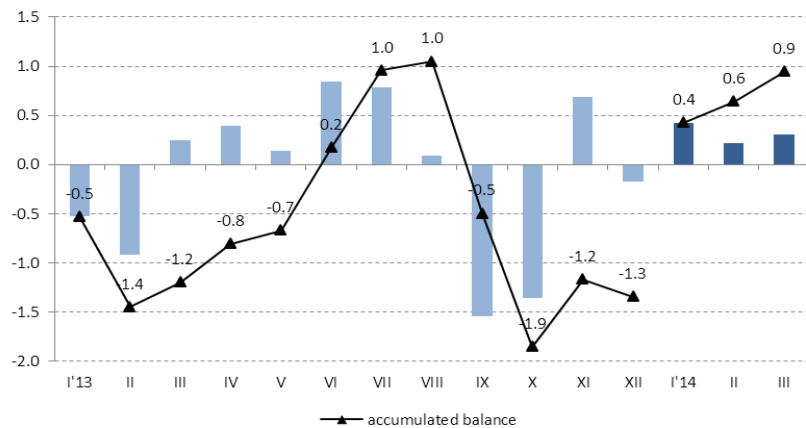
Change of debt in domestic Treasury securities held by banks without buy-sell-back transactions with MoF, PLN bn

In the period of I-III 2014 debt held by domestic banks increased by PLN 19.6bn comparing to PLN 17.2bn increase during the same period of 2013.



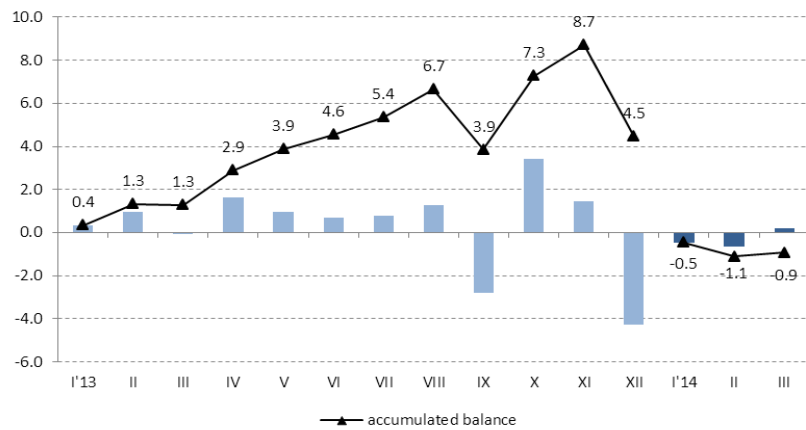
Change of debt in domestic Treasury securities held by insurance companies PLN bn

In the period of I-III 2014 there was an increase of PLN 0.9bn in debt held by insurance companies. During the same period of 2013 there was a decrease of PLN 1.2bn.



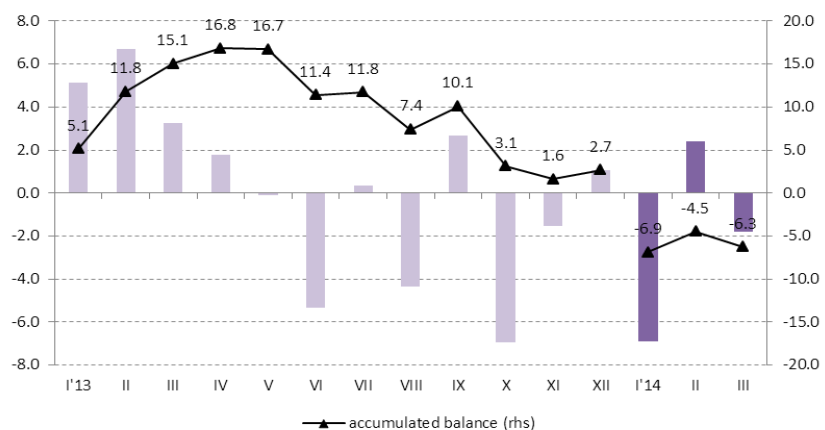
Change of debt in domestic Treasury securities held by investment funds PLN bn

In the period of I-III 2014 there was a decrease of PLN 0.9bn in debt held by investment funds. During the same period of 2013 there was an increase of PLN 1.3bn.



Change of debt in domestic Treasury securities held by foreign investors PLN bn

In the period of I-III 2014 outflow of foreign capital from the domestic TS market amounted to PLN 6.3bn comparing to inflow of PLN 15.1bn in the same period of 2013. Foreign investors' holdings reached the level of PLN 186.9bn.

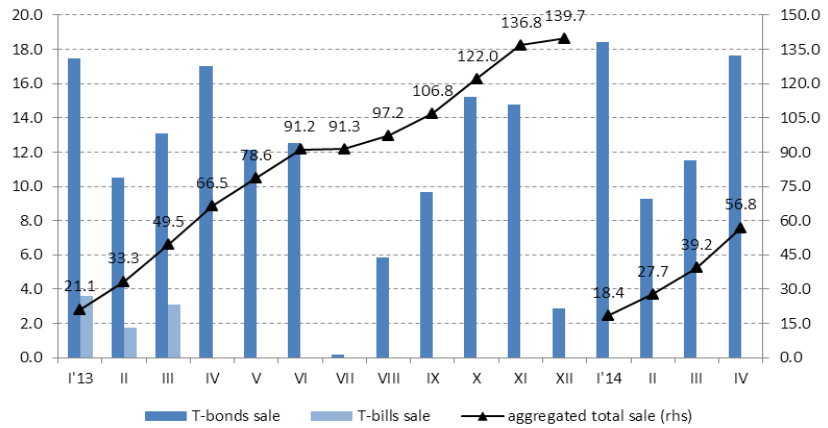




Sale of T-bonds and T-bills in the period of I-IV 2014 and in 2013

settlement date, nominal amount, PLN bn

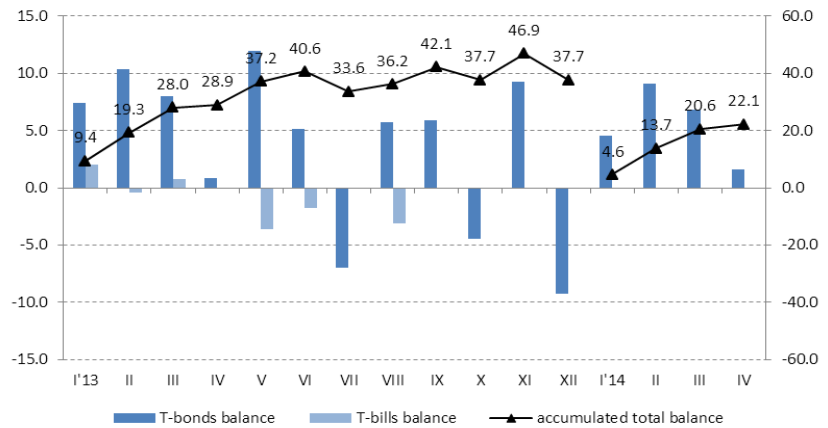
Since April 2013 T-bills have not been offered.



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

settlement date, nominal amount, PLN bn

In the period of I-IV 2014 indebtedness in T-bonds increased by PLN 22.1bn.

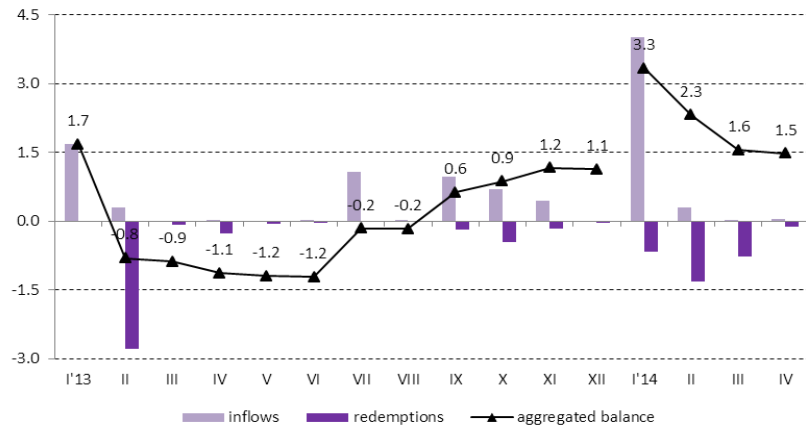


External financing in the period of I-IV 2014 and in 2013

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

Net financing on foreign markets (bonds issuance and loans from IFIs) in the period of I-IV 2014 amounted to EUR 1.5bn. T-bonds issuance was EUR 3.8bn. Loans incurred from IFIs were at the level of EUR 0.6bn.

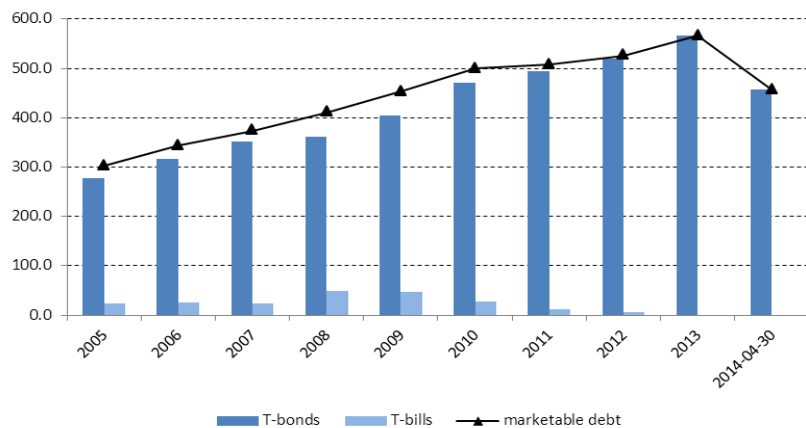
Apart from those, EUR 3.0bn on the FX budgetary accounts was available - the money related to the foreign debt management raised and not spent in 2013.



Structure of marketable debt

PLN bn

At the end of April 2014 the marketable domestic debt amounted to PLN 457.2bn comparing to PLN 565.7bn at the end of 2013.



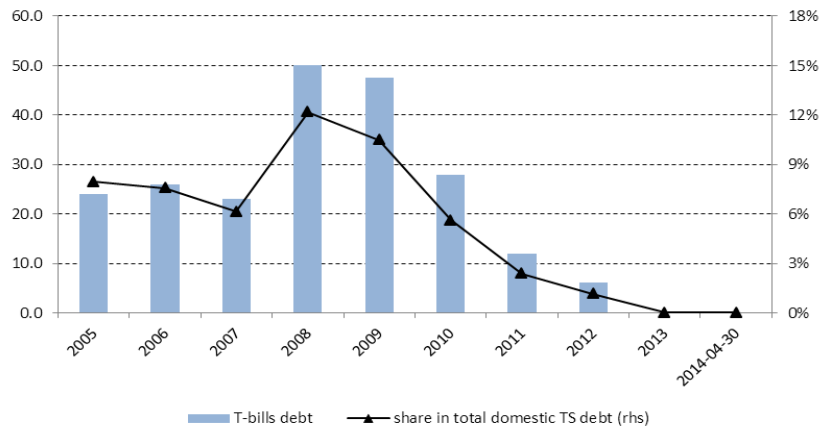


BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

T-bills outstanding

PLN bn

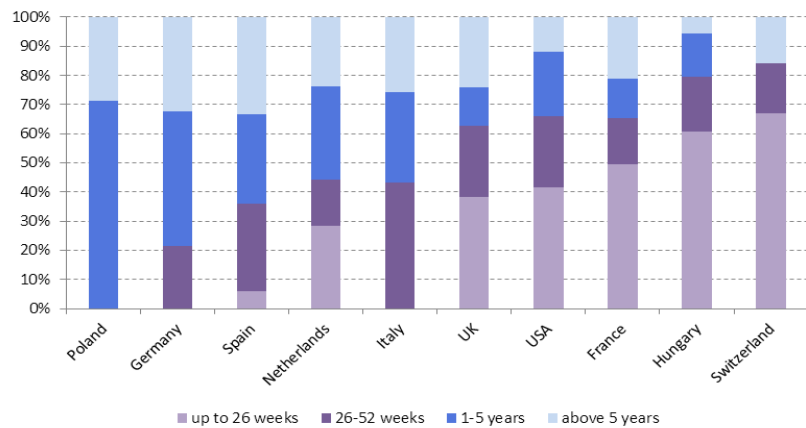
Since August 2013 there has been no outstanding in T-bills.



Maturity breakdown of T-securities in Poland and other countries

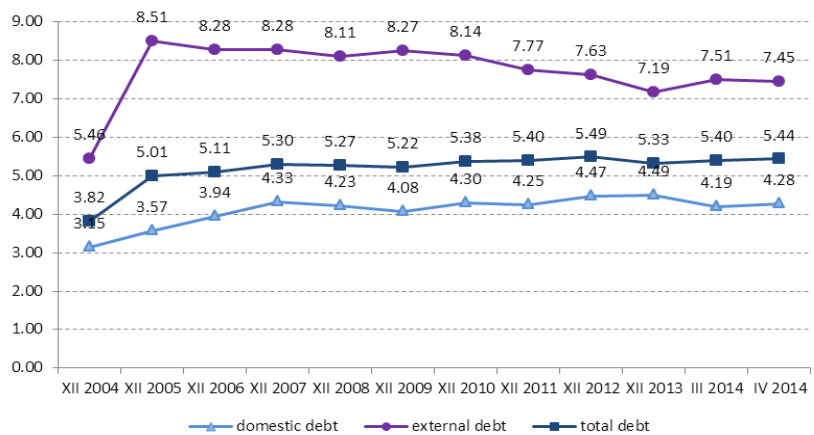
auctions and syndicates, local currency, ytd in the period of 1 January - 31 March 2014

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



Average maturity

At the end of April 2014 the average maturity of domestic debt decreased to 4.28 in comparison with the end-2013 figure (4.49).

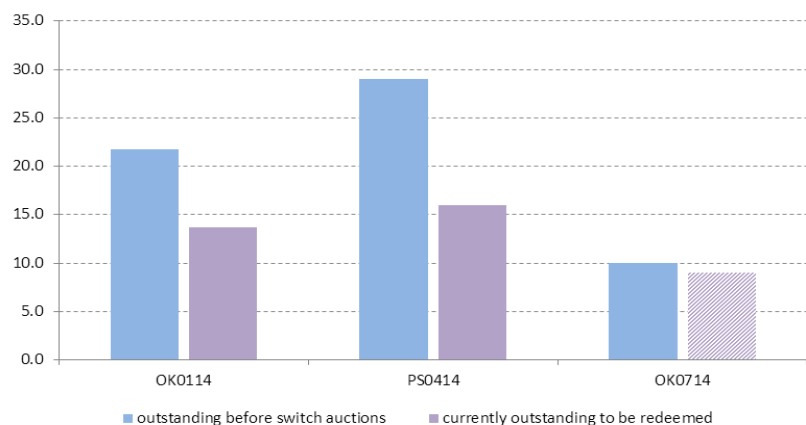


Reducing refinancing risk connected with T-bonds' redemptions maturing in 2014

nominal amount, as of April 30, 2014, PLN bn

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

- OK0114: PLN 8.1bn (37% of initial outstanding),
- PS0414: PLN 13.0bn (45%),
- OK0714: PLN 1.0bn (10%).

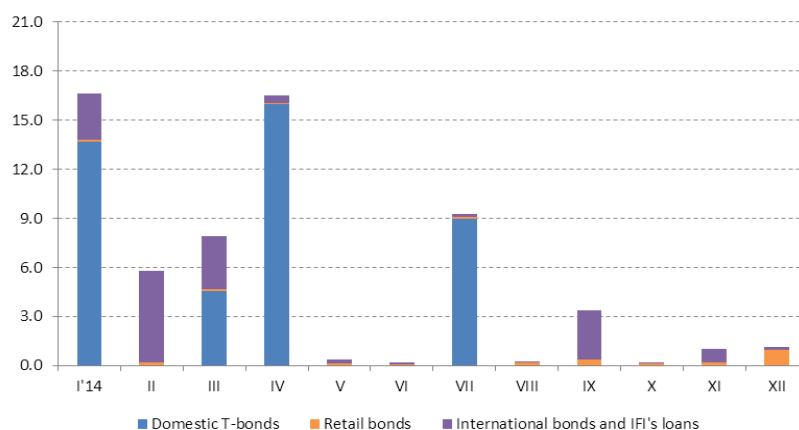


State Treasury debt redemptions in 2014

nominal amount, as of April 30, 2014; PLN bn

The nominal amount of debt to be redeemed in 2014 is equal to PLN 15.8bn, including:

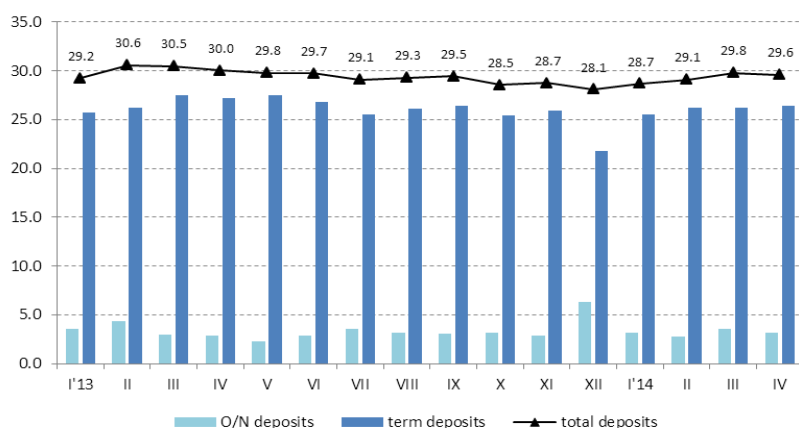
- T-bonds: PLN 9.0bn,
- T-retail bonds: PLN 2.1bn,
- bonds and loans incurred on foreign markets: PLN 4.7bn.



Consolidation of public finances liquidity management

PLN bn

As a result of consolidation of public finances liquidity management there were PLN 29.6bn funds accumulated at the end of April, of which PLN 26.4bn was as term deposits and PLN 3.2bn on O/N deposits.



Convergence Programme Update 2014

On April 22, 2014 the Council of Ministers approved the annual update of the Convergence Programme presenting the medium-term forecasts of Poland's economy indicators and its public finances. According to the Programme in the years 2014-2017 debt management will be influenced by the gradual limitation of the general government sector deficit (surplus of the sector in 2014 will be a one-off effect of the transfer of assets from open pension funds resulting from the pension reform), and the uncertainty in the financial markets, arising, among others from limiting of quantitative easing of monetary policy by Fed. In the domestic market, measures associated with limiting the general government deficit should have a considerable impact on the level and shape of the yield curve, and as a consequence on the State Treasury debt servicing costs.

The changes in the pension system introduced in 2013 shall have a significant impact on the nominal reduction of public debt in 2014, followed by further decrease of the debt-to-GDP ratio up to 2017.

According to the Programme general government debt to GDP ratio (EU definition) will decrease from 57.1% in 2013 to 49.5% in 2014 and to 45.5% in 2017.

	2013	2014	2015	2016	2017
Debt of general government sector (% GDP)	57.1	49.5	49.5	47.5	45.5
Balance of general government sector (% GDP)	-4.3	5.8	-2.5	-1.8	-1.2
GDP growth (%)	1.6	3.3	3.8	4.3	4.3

Link to the Convergence Programme. Update 2014:

<http://www.mf.gov.pl/documents/764034/1002171/WPFP+na+lata+2014-2017.pdf>



BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

MoF comment

Piotr Marczak, Director of the Public Debt Department, MoF

30-04-2014

"After April there was 82% of the total amount of 2014 State budget borrowing requirements financed and above PLN 30bn was held as PLN and foreign currency reserve funds. Thus, as announced, we will reduce both the number of auctions and T-bonds supply.

In May there will be only one auction held of a new 5-year T-bond series that will be complemented by floating rate bonds. T-bond offer was limited to PLN 5bn. Reported demand for medium-term bonds and significantly limited borrowing requirements till the end of the year were the reason for not meeting the investors' demand for 2-year bonds this once. Relatively big amounts of T-bonds to be redeemed within the next two years are the reason behind our preference is rather to issue bonds of longer maturities in a good market situation.

There was a net inflow of almost PLN 10bn transferred to the market after the latest T-bonds auction settlement of April 25th, redemption of maturing bonds and interest payments all on the same day. Those funds are additionally supporting sustained demand for T-bonds.

At the end of May, after over 2-year absence BGK will issue bonds for the National Road Fund. New 10-year bond series of PLN 1-2bn and maturing in November 2024 will be offered at the auction. If the auction results meet the expectations, this shall be the only one BGK bond auction this year then.

In March the foreign investors' portfolio decreased by PLN 1.8bn. In April we redeemed PLN 10.2bn of maturing T-bonds held by foreign investors. Despite that the balance of T-bond transfers with foreign entities is almost balanced in April".

Moody's: Fast Relative Growth Cures All Ills

Sovereign Outlook: Central & Eastern Europe

Jaime Reusche, Vice President, Moody's

Petar Atanasov, Associate Analyst, Moody's

Rebecca Karnovitz, Associate Analyst, Moody's

22-04-2014

"Poland (A2 stable): Fast relative growth cures all ills. Poland's resilient economy will benefit from fresh inflows of EU funding and a resumption of large public investment projects over the next two years. The effect of accelerating growth is already being felt as recovering tax revenues benefit from a firming of domestic demand.

(...) Risks from US Fed tapering. We believe that the impact from a continuation of 'tapering' will remain very limited for the CEE5. Although financial market volatility is likely to continue until the end of the asset purchase programme, investors have already adjusted their expectations, and the cost of funding for most CEE sovereigns has not changed dramatically.

(...) Financial flows between the CEE5 economies and their eastern neighbours are limited, as is the trade exposure through exports and imports".



Moody's: Fiscal flexibility increased following pension changes

Issuer Comment. Poland: Fast Relative Growth Cures All Ills

Jaime Reusche, Assistant Vice President, Moody's
Dietmar Hornung, Associate Managing Director, Moody's
23-04-2014

"(...) The pension system changes enacted earlier this year will have a strong impact on headline fiscal performance in 2014, leading to a general government surplus under the accrual accounting system used by Eurostat as per the ESA 95 methodology. Nevertheless, the underlying fiscal balance will remain in a deficit of around 3.5% of GDP, indicating continued consolidation. The fiscal accounts will benefit from strengthening domestic demand, but we believe that there will be an important shift towards more cyclically driven consolidation and an easing of structural consolidation measures that have had a dampening effect on growth.

Following the pension system changes, the sovereign will have greater fiscal flexibility given the decrease of general government debt to just over 50% of GDP by the end of 2014. We expect debt levels to start declining over the medium term as lower deficits and a recovery in economic activity drive the figure towards the 45% mark. As the economy heads towards recovery, strong macroeconomic fundamentals and an improved fiscal performance will continue to underpin the sovereign's creditworthiness".