

## **State budget borrowing requirements' financing plan and its background**

June 2014

### THE MOST IMPORTANT INFORMATION

- Monthly issuance calendar ..... 2
- MoF comment ..... 7
- Moody's: Strong Fundamentals a Key Credit Strength, but Rating Resilience is Also Underpinned by Institutional Enhancements ..... 8



## SUPPLY PLAN OF TREASURY SECURITIES IN JUNE 2014

### Treasury bond auction

Auction date	Settlement date	Series	Planned offer (PLN m)
5 JUNE 2014	9 JUNE 2014	DS0725 / WS0428 / WZ0124	3,000-5,000

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

*The Minister of Finance is entitled to organize non-competitive auctions where bonds will be sold at a minimum clean price.*

### Treasury bond switching auction

Auction/ settlement date	Settlement T-bond	Source T-bond	Outstanding (PLN m)
18 JUNE 2014/ 23 JUNE 2014	choice will depend on the market conditions, without bond offered on the first auction and bonds of OK type	OK0714	8,998
		WZ0115	20,763

### Offer on retail market

T-bond	Issue price	Coupon
DOS0616	PLN 100.00 (99.90 PLN for rolling-over)	Fixed, 3.00%
TOZ0617	PLN 100.00 (99.90 PLN for rolling-over)	Floating (1.00 * WIBOR 6M) 3.30% in the first coupon period
COI0618	PLN 100.00 (99.90 PLN for rolling-over)	Floating (inflation rate + 1.25%) 3.50% in the first coupon period
EDO0624	PLN 100.00 (99.90 PLN for rolling-over)	Floating (inflation rate + 1.50%) 4.00% in the first coupon period



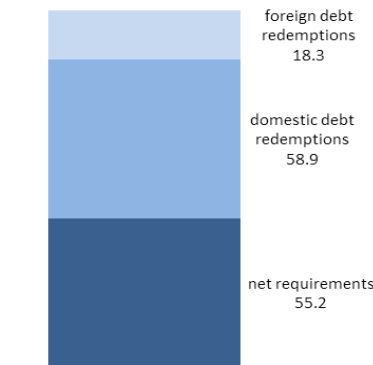
## Gross borrowing requirements in 2014

Financing of 2014 borrowing requirements at the level of 86% 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 56.0bn,
- switch auctions: PLN 4.6bn,
- 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 16.0bn.

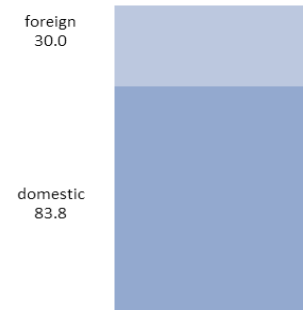
## Gross borrowing requirements in 2014

Total: PLN 132.4bn, of which:



## Financing in the period of I-V

Total: PLN 113.8bn (86%)



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

as of May 31, 2014

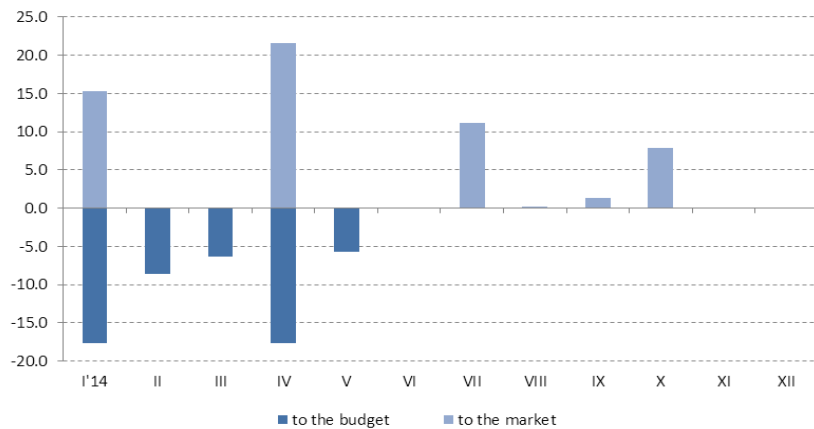
In June there will be no funds transferred from State budget to the market related to T-securities (no TS redemptions and no interest payments).

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

as of May 31, 2014, PLN bn

As of May 31, 2014, to the end of the year the funds to be transferred to the market shall amount to PLN 20.6bn.

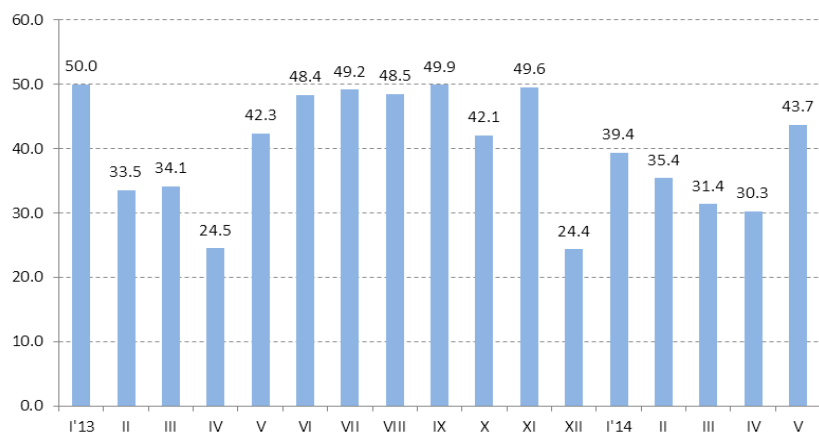
\* figures include sale, redemptions and interest payments on wholesale bonds; monthly financing plans will depend on market situation and feedback from investors thus the detailed schedule of monthly flows to budget in the following months is not presented.



## 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.



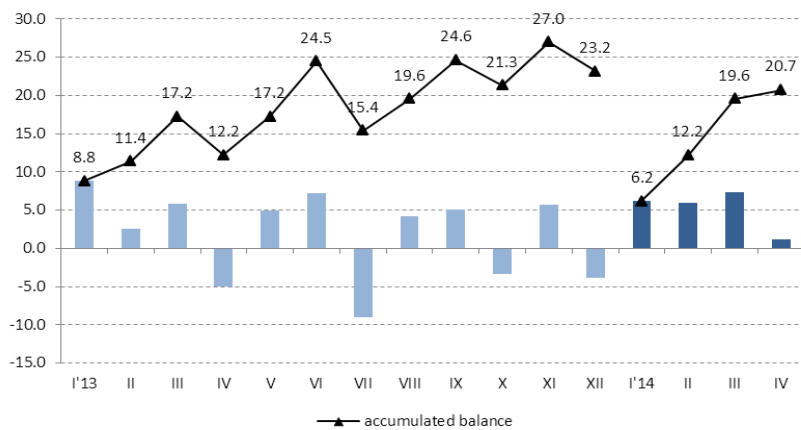


## BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

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

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

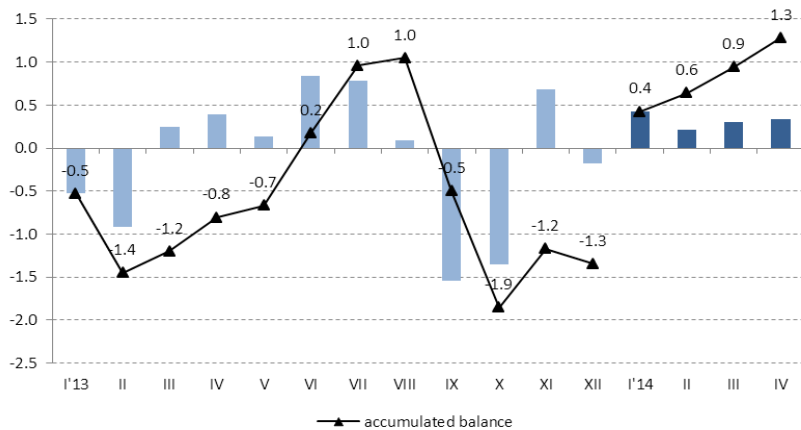
In the period of I-IV 2014 debt held by domestic banks increased by PLN 20.7bn comparing to PLN 12.2bn increase during the same period of 2013.



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

PLN bn

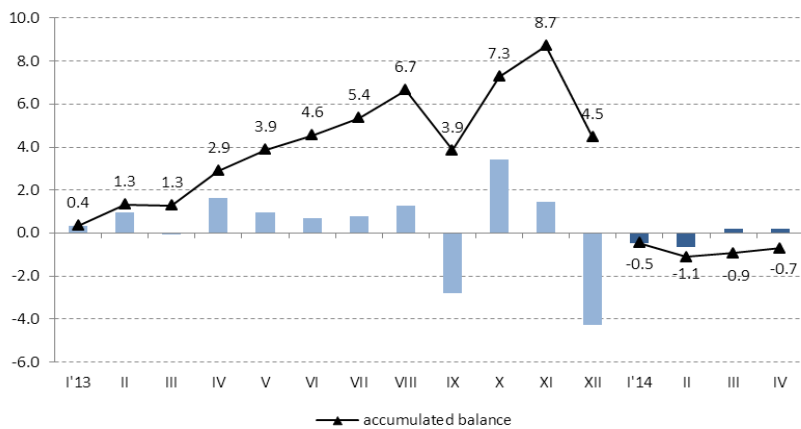
In the period of I-IV 2014 there was an increase of PLN 1.3bn in debt held by insurance companies. During the same period of 2013 there was a decrease of PLN 0.8bn.



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

PLN bn

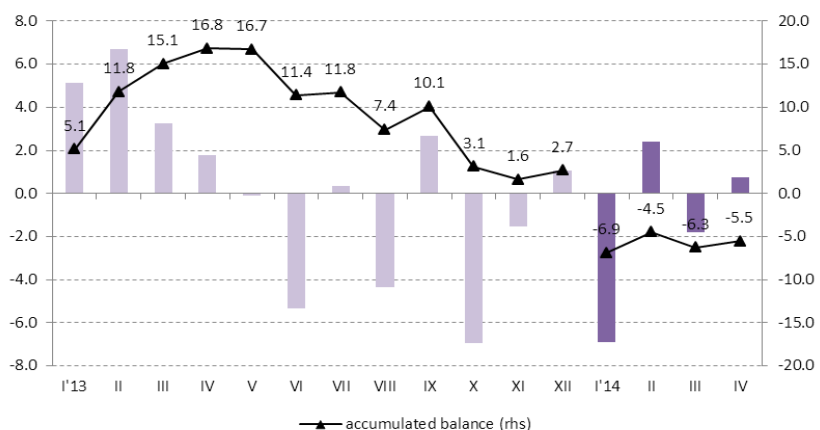
In the period of I-IV 2014 there was a decrease of PLN 0.7bn in debt held by investment funds. During the same period of 2013 there was an increase of PLN 2.9bn.



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

PLN bn

In the period of I-IV 2014 outflow of foreign capital from the domestic TS market amounted to PLN 5.5bn comparing to inflow of PLN 16.8bn in the same period of 2013. Foreign investors' holdings reached the level of PLN 187.6bn.

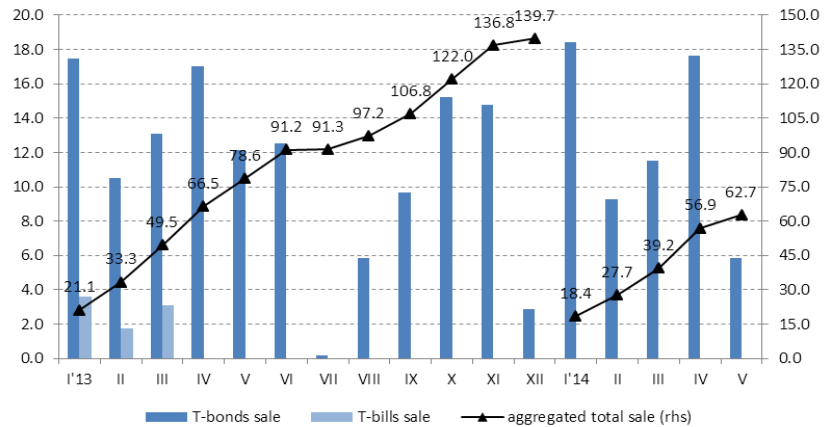




## Sale of T-bonds and T-bills in the period of I-V 2014 and in 2013

settlement date, nominal amount, PLN bn

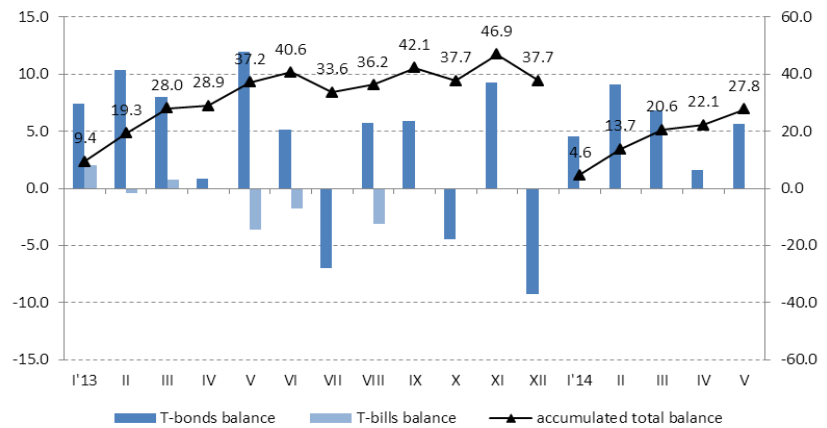
Since April 2013 T-bills have not been offered.



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

settlement date, nominal amount, PLN bn

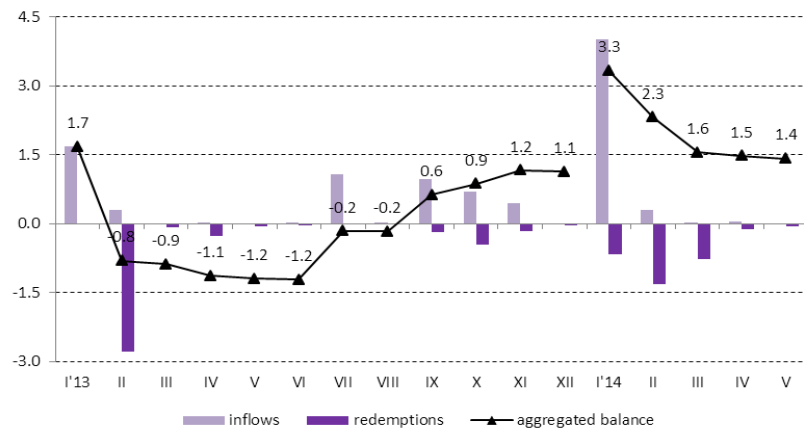
In the period of I-V 2014 indebtedness in T-bonds increased by PLN 27.8bn.



## External financing in the period of I-V 2014 and in 2013

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

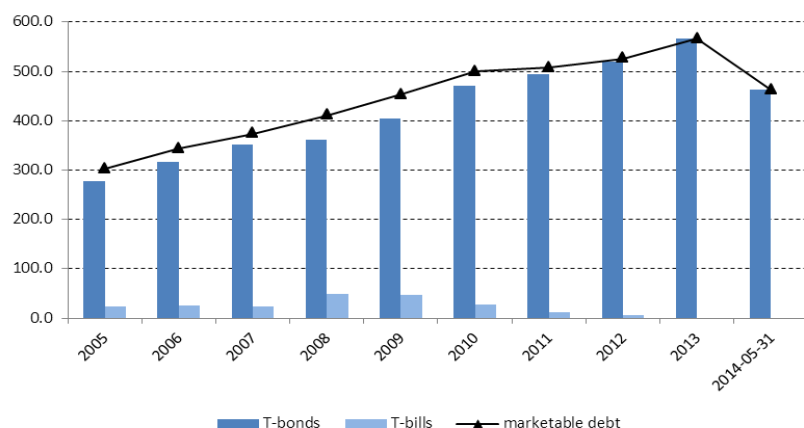
Net financing on foreign markets (bonds issuance and loans from IFIs) in the period of I-V 2014 amounted to EUR 1.4bn. T-bonds issuance was EUR 3.8bn. Loans incurred from IFIs were at the level of EUR 0.6bn. Apart from those, EUR 3.0bn on the FX budgetary accounts was available - the money related to the foreign debt management raised and not spent in 2013.



## Structure of marketable debt

PLN bn

At the end of May 2014 the marketable domestic debt amounted to PLN 462.8bn comparing to PLN 565.7bn at the end of 2013.



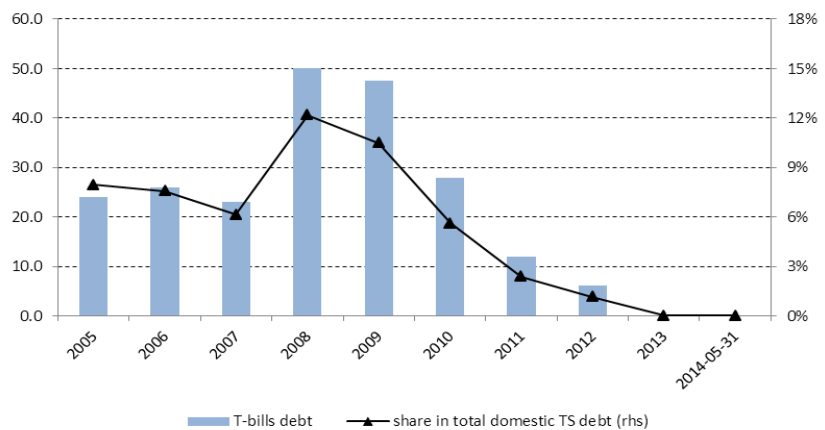


## BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

### T-bills outstanding

PLN bn

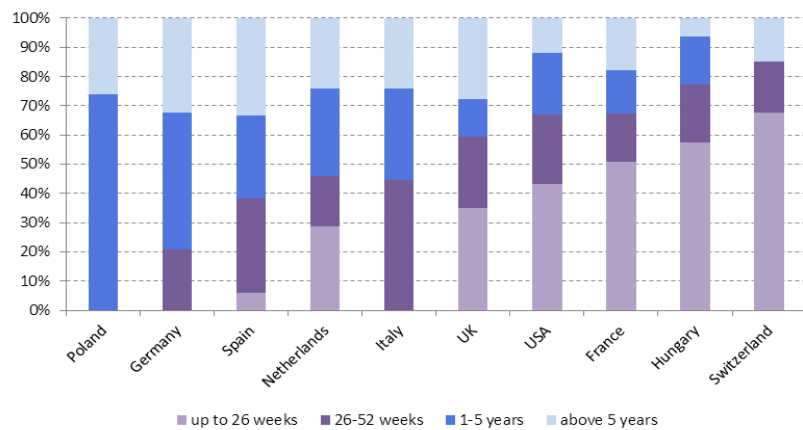
Since August 2013 there has been no outstanding in T-bills.



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

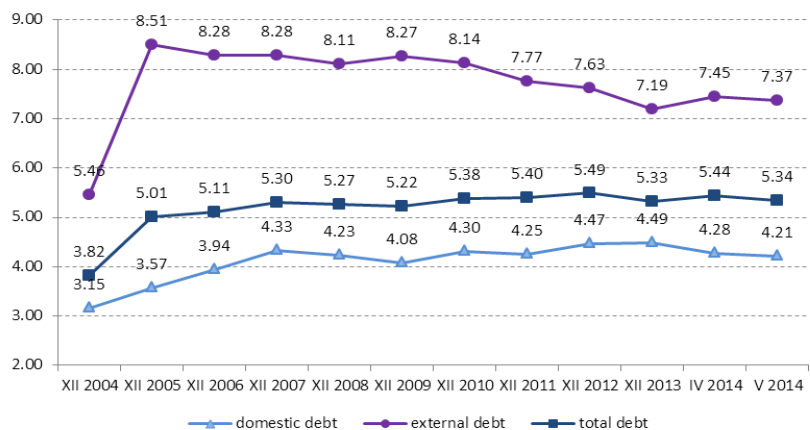
auctions and syndicates, local currency, ytd in the period of 1 January - 31 March 2014

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



### Average maturity

At the end of May 2014 the average maturity of domestic debt decreased to 4.21 in comparison with the end-2013 figure (4.49).

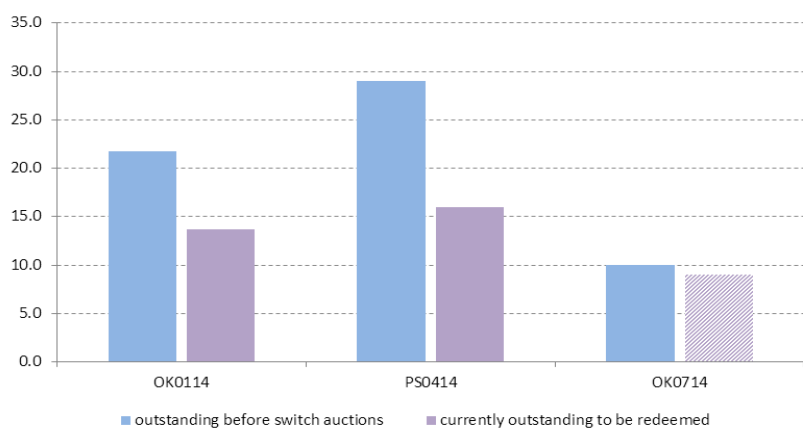


### Reducing refinancing risk connected with T-bonds' redemptions maturing in 2014

nominal amount, as of May 31, 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%).



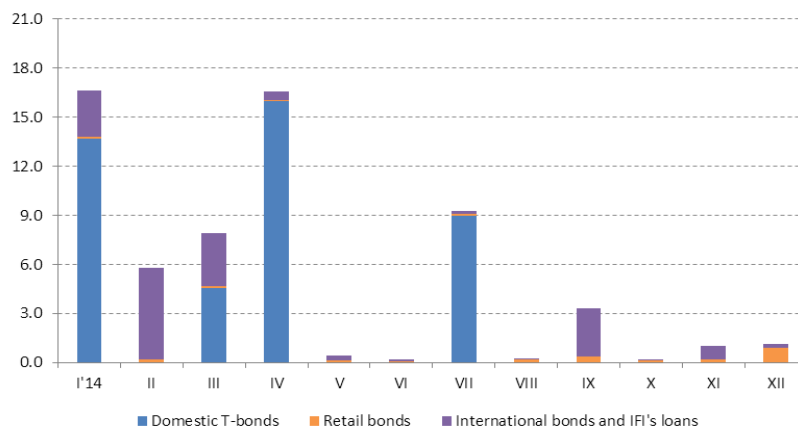


## State Treasury debt redemptions in 2014

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

The nominal amount of debt to be redeemed in 2014 is equal to PLN 15.3bn, including:

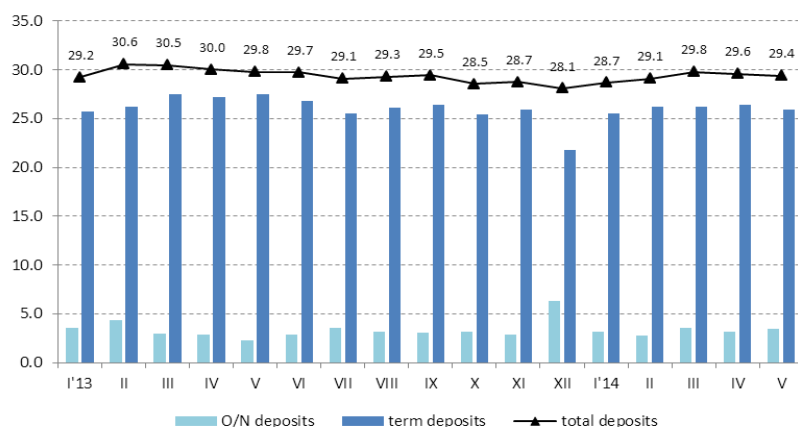
- T-bonds: PLN 9.0bn,
- T-retail bonds: PLN 1.9bn,
- bonds and loans incurred on foreign markets: PLN 4.4bn.



## Consolidation of public finances liquidity management

PLN bn

As a result of consolidation of public finances liquidity management there were PLN 29.4bn funds accumulated at the end of May, of which PLN 25.9bn was as term deposits and PLN 3.5bn on O/N deposits.



## MoF comment

### Piotr Marczak, Director of the Public Debt Department, MoF

30-05-2014

*After May we have financed 86% of borrowing needs assumed in the 2014 budget act and we have increased amount of PLN and foreign currency funds to the level of ca. PLN 45bn. Hence, it is justified to continue the process of limiting the number of auctions and T-bond supply.*

*In June we will held one sale auction of long-term T-bonds with supply limited to PLN 5bn and a switching auction with medium-term bonds in the offer. At the switch we will be redeeming also bonds maturing in January 2015, which means that we will start prefinancing of next year State budget borrowing needs.*

*During holidays we will give our investors a break as there is only one sale auction in July to be held which let us roll over some of bonds maturing in July.*

*We shall complete financing this year needs by the end of summer holidays and our market activity will be focused on prefinancing 2015 borrowing needs in a way that would be the most neutral to the debt level.*

*In April T-bonds holdings of foreign investors increased by PLN 0.7bn and grew in dynamics in May.*

*In mid-June, for the first time, we will publish more detailed structure of foreign investors holding zloty T-bonds in their portfolios. We are in the process of verifying the data gathered in accordance with the new ordinance on Treasury securities data reporting. The initial data confirm the geographical structure to be significantly diversified and that the majority of our T-bonds is held by the final long-term investors. This information on detailed foreign investors structure will be regularly published on the last day of each month.*



### **Moody's: Strong Fundamentals a Key Credit Strength, but Rating Resilience is Also Underpinned by Institutional Enhancements**

#### **Sovereign Monitor**

Jaime Reusche, Vice President, Moody's  
Rebecca Karnovitz, Associate Analyst, Moody's  
13-05-2014

#### **Poland to Receive More European Union Funding Despite Budget Cuts, a Credit Positive**

*(...) Poland will collect more funding from Brussels in the coming years, receiving a total of €105.8 billion (26.6% of 2013 GDP), up from €101.5 billion in 2007-13 (...). The increase in EU financing will support the Polish government's efforts to expand infrastructure investment.*

#### **Poland: Strong Fundamentals a Key Credit Strength, but Rating Resilience is Also Underpinned by Institutional Enhancements**

*Poland's (A2 stable) resilient economy and strong fundamentals have been key ingredients in successfully navigating the global financial and European debt crises. However, a robust policy framework, underpinned by the institutional enhancements brought about under the EU accession process, has also been an important determinant in supporting forceful policy responses to external and domestic challenges.*

*Anchored by a sound banking system, healthy household and corporate balance sheets, the Polish economy resisted the succession of external shocks without undergoing a contraction, cementing its position as a regional safe haven in CEE. But heightened uncertainty weighed on consumer and business confidence, and the economy began to run out of steam in late 2012, resulting in a marked slowdown in 2013. Barely escaping a recession, the authorities continued to take decisive countercyclical measures to ameliorate the effects of the slowdown.*

*Throughout these two crises and the cyclical slowdown, the sovereign's rating has remained stable (see exhibit below) despite a deterioration in the government's balance sheet. Since Poland's accession, the adoption of the EU's institutional enhancements has underpinned the sovereign's policy credibility and been an important element in preserving creditworthiness.*

*In this regard, the *acquis communautaire's* financial and budgetary provisions, along with the EU's convergence programme and excessive deficit procedure (EDP) are institutional arrangements that complement the Polish government's existing medium-term fiscal framework, which is underpinned by a debt ceiling and an expenditure rule. The main objective of the debt rule, enshrined in two legal acts,<sup>1</sup> is to constrain public debt to certain defined limits (as % of GDP). These arrangements seek to reinforce policy predictability through explicit and transparent fiscal rules with clear sanction and correction mechanisms.*