



Ministry
of Finance

Republic
of Poland

Public Debt Department

State budget borrowing requirements' financing plan and its background

2nd quarter 2015

April 2015

THE MOST IMPORTANT INFORMATION

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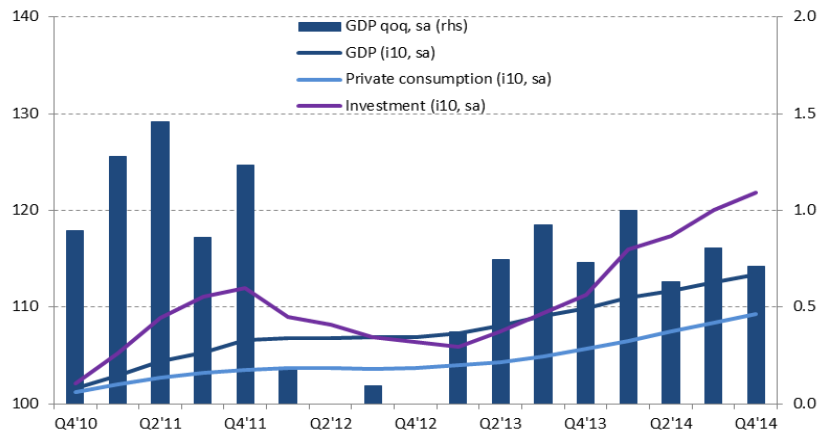


I. MACROECONOMIC SITUATION

Gross domestic product of Poland

constant prices, seasonally adjusted data
source: Eurostat

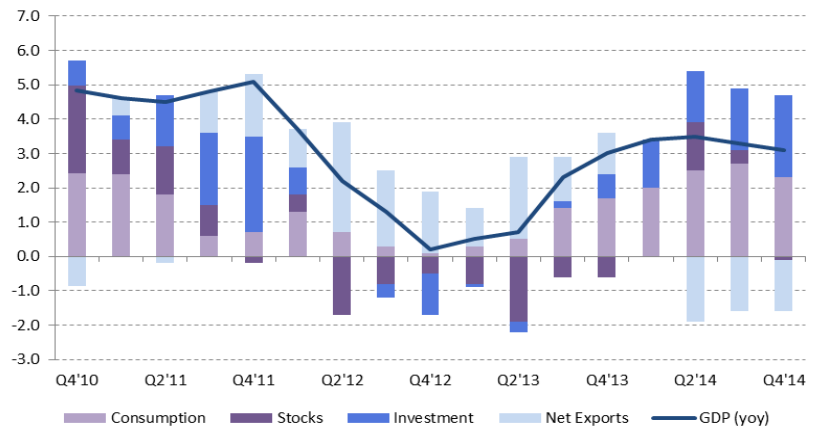
A steady recovery started in the middle of 2013. In the fourth quarter of 2014 Polish economy continued its upward trend: GDP increased by 0.7% (qoq, sa), following an increase by 0.8% in the third quarter.



Contributions to Poland's GDP growth

percentage points
source: GUS, MF own calculation

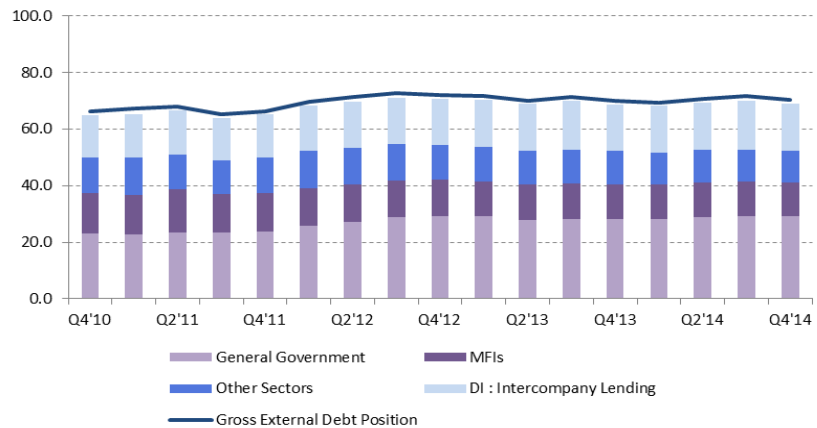
In the fourth quarter of 2014 GDP was 3.1% higher than a year ago. From the second quarter of 2014 onward domestic demand has been the only source of GDP growth (the net exports contribution was negative) mainly due to investments and private consumption.



Poland's gross external debt position

percent of GDP
source: NBP, GUS, MF own calculation

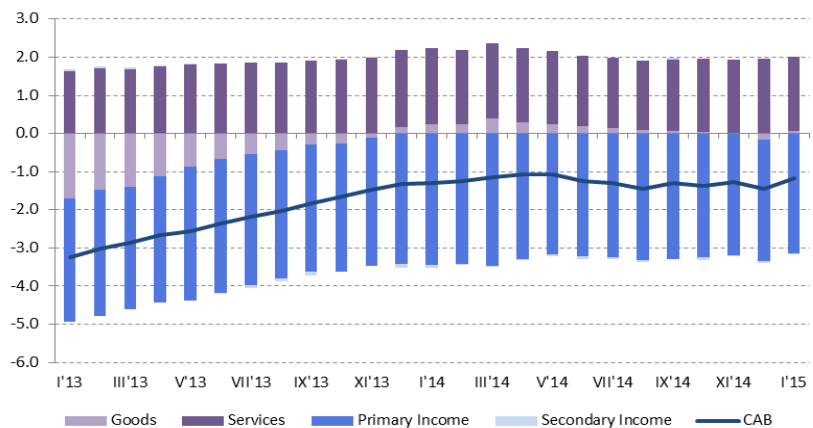
Gross external debt reached EUR 289.7bn (70.3% of GDP) at the end of the fourth quarter of 2014 and was lower than in the previous quarter. The share of direct investment intercompany lending in total debt decreased slightly to 23.8%. Official reserve assets reached EUR 87.9bn at the end of January 2015 and remained broadly adequate, covering over 5 months of imports.



Current account balance

percent of GDP, in 12-month terms
source: NBP, GUS, MF own calculation

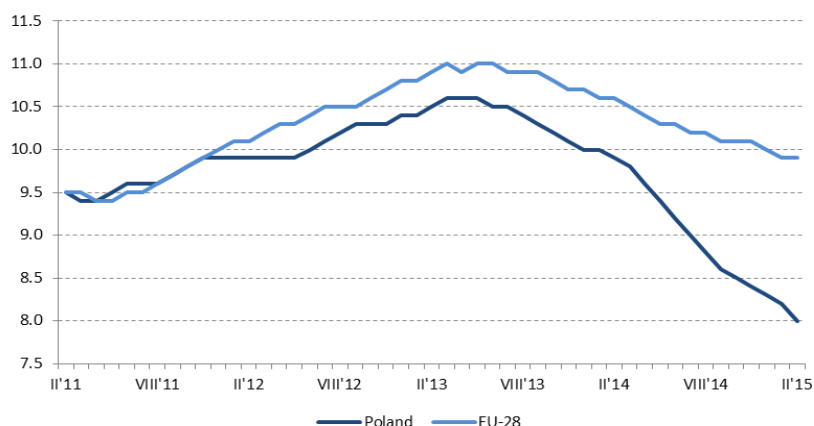
In January 2015, according to the preliminary data, Poland's C/A deficit amounted to 1.2% of GDP (in 12-month terms of GDP) as compared to 1.4% of GDP a month earlier. C/A deficit was with a wide margin covered by long term capital (mainly EU structural funds inflow).



Harmonised unemployment rate

percent, seasonally adjusted data
source: Eurostat

Harmonised unemployment rate (sa) has continued its downward trend observed since mid-2013. In February 2015 it amounted to 7.8% (versus 9.8% in EU on average) and was 0.2 pp lower than in previous month and 2.0 pp lower than a year before.

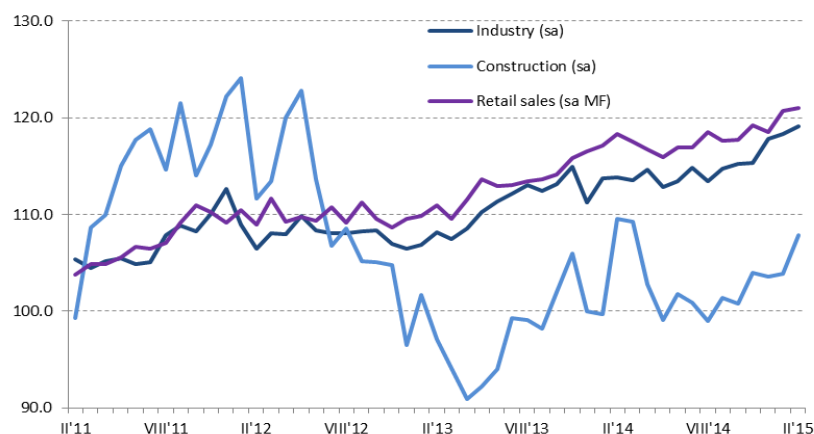


Monthly indicators of the real sector

sold production in constant prices, i10, seasonally adjusted data
source: Eurostat, GUS, MF own calculation

In February 2015 industrial output increased by 0.7% (mom, sa). In consequence production was 4.9% higher than a year ago (nsa). In February 2015 construction production went up significantly (3.8%), following a slight growth in the previous month (mom, sa). However, it was 0.3% (nsa) lower than a year before.

In February 2015 real retail sales increased by 0.3% (mom, sa MoF) following a relatively high growth in the previous month. As a result, its level was 2.4% (nsa) higher than in the same month of 2014.



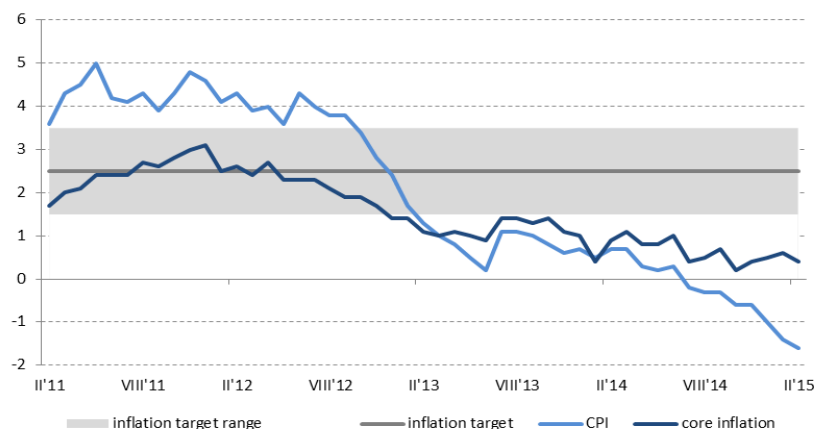
Inflation

percent, yoy
source: GUS, NBP

Since July 2014 consumer prices have been lower than a year before (in February 2015 by 1.6%).

Core inflation (CPI excluding food and energy prices) reached 0.4% yoy in February 2015.

Deflation in producer prices has been lasting over two years (-2.7% yoy in February 2015).

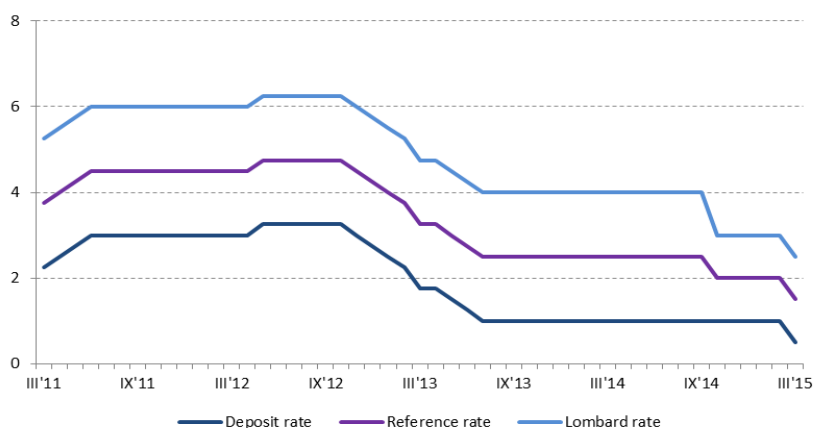


NBP interest rates

percent, end of period
source: NBP

In March 2015 the Monetary Policy Council cut interest rates by 0.5 pp and declared that the decision concludes the monetary easing cycle. The reference rate was decreased to new all-time low at 1.50%.

According to the latest Reuters poll (February, 27) reference rate is forecast to remain unchanged at 1.50% till the end of the first quarter 2016.



II. STATISTICAL DATA

	Unit	2013		2014			
		Q03	Q04	Q01	Q02	Q03	Q04
GDP							
Gross domestic product	YoY	2.3	3.0	3.4	3.5	3.3	3.1
	QoQ SA	0.9	0.8	1.0	0.6	0.8	0.7
Final consumption expenditure of the households sector	YoY	1.2	2.4	2.9	3.0	3.2	3.1
	QoQ SA	0.6	0.8	0.8	0.9	0.9	0.9
Final consumption expenditure of the general government sector	YoY	3.5	2.2	0.1	3.7	3.5	3.7
	QoQ SA	0.9	0.5	0.3	1.5	0.7	0.7
Gross fixed capital formation	YoY	1.3	2.7	11.2	8.7	9.9	9.0
	QoQ SA	1.7	1.8	4.2	1.2	2.3	1.4
Exports of goods and services	YoY	8.1	7.0	7.1	4.8	3.8	6.9
	QoQ SA	2.3	0.4	1.7	0.9	1.6	2.4
Imports of goods and services	YoY	5.2	4.2	7.3	9.4	7.3	10.7
	QoQ SA	3.5	1.1	3.3	0.7	2.6	3.2
Gross value added	YoY	2.3	3.1	2.9	3.3	3.1	2.8
	QoQ SA	1.0	1.0	0.8	0.3	0.5	0.5

Contribution to GDP growth

Final consumption expenditure of the households sector	pp.	0.8	1.3	2.0	1.8	2.0	1.6
Final consumption expenditure of the general government sector	pp.	0.6	0.4	0.0	0.7	0.7	0.7
Gross fixed capital formation	pp.	0.2	0.7	1.4	1.5	1.8	2.4
Changes in inventories	pp.	-0.6	-0.6	0.0	1.4	0.4	-0.1
Balance of trade turnover	pp.	1.3	1.2	0.0	-1.9	-1.6	-1.5
Gross value added	pp.	2.0	2.8	2.7	2.9	2.8	2.5
Taxes less subsidies	pp.	0.3	0.2	0.7	0.6	0.5	0.6

GDP structure

Final consumption expenditure of the households sector	% of GDP	61.1	52.4	65.7	61.2	60.3	51.8
Final consumption expenditure of the general government sector	% of GDP	17.6	18.3	17.9	17.9	17.5	18.3
Gross fixed capital formation	% of GDP	18.0	26.4	12.9	17.5	18.8	27.7
Changes in inventories	% of GDP	0.3	0.5	0.9	0.6	0.8	0.4
Exports of goods and services	% of GDP	48.1	42.9	48.0	47.3	47.5	44.4
Imports of goods and services	% of GDP	46.0	41.3	46.4	45.4	45.9	43.3

	Unit	2014			2015		
		M09	M10	M11	M12	M01	M02
Balance of payments							
Goods: exports (EUR)	YoY	5.8	4.7	3.5	4.3	5.7	-
Goods: exports (EUR)	YoY	7.0	5.6	5.0	9.8	-1.5	-
Current account balance ¹⁾	% of GDP	-1.3	-1.4	-1.3	-1.4	-1.2	-
Balance on goods ¹⁾	% of GDP	0.1	0.0	0.0	-0.2	0.1	-
Official Reserve Assets	EUR mln	80 327.9	79 680.4	80 684.4	82 644.8	87 934.7	86 899.3

Inflation

Consumer Price Index (CPI)	YoY	-0.3	-0.6	-0.6	-1.0	-1.4	-1.6
Core inflation (CPI excluding food and energy prices)	YoY	0.7	0.2	0.4	0.5	0.6	0.4
Producer Price Index (PPI)	YoY	-1.6	-1.3	-1.6	-2.7	-2.8	-2.7

Production

Sold production of industry ²⁾	YoY	4.2	1.7	0.3	8.1	1.6	4.9
	MoM SA	1.1	0.3	0.3	2.0	0.4	0.7
Construction and assembly production ²⁾	YoY	5.6	-1.0	-1.6	5.0	1.3	-0.3
	MoM SA	2.4	-0.6	3.2	-0.4	0.3	3.8
Manufacturing PMI	SA	49.5	51.2	53.2	52.8	55.2	55.1

Households and labour market

Retail sales ²⁾	YoY	3.0	3.7	1.4	4.0	3.3	2.4
Average paid employment in enterprise sector	YoY	0.8	0.8	0.9	1.1	1.2	1.2
	MoM	0.0	0.1	0.1	0.0	0.4	0.0
Average monthly gross wages and salaries in enterprise sector (r€)	YoY	3.7	4.5	3.4	4.8	5.0	4.9
	MoM	0.2	2.1	0.8	9.7	9.8	1.1
Harmonised unemployment rate (Eurostat)	% SA	8.5	8.5	8.3	8.2	8.0	7.8

1) Data in 12-month terms

2) Constant prices. Data for units in which the number of employed persons exceeds 9 persons

Source: NBP, GUS, Eurostat, MoF calculation based on NBP, GUS data, HSBC, Markit

	Unit	2014				2015	
		M08	M09	M10	M11	M12	M01
State Treasury debt							
State Treasury debt (acc. to the place of issue criterion)	nominal, PLN mio	755 709.4	759 713.7	767 516.1	772 544.0	779 927.7	790 797.1
Domestic debt	nominal, PLN mio	489 307.5	493 166.3	498 963.0	503 705.9	503 068.3	510 337.0
	%	64.7	64.9	65.0	65.2	64.5	64.5
Foreign debt	nominal, PLN mio	266 401.9	266 547.5	268 553.1	268 838.0	276 859.4	280 460.1
	%	35.3	35.1	35.0	34.8	35.5	35.5

	Unit	2013		2014			
		Q03	Q04	Q01	Q02	Q03	Q04
Public debt (domestic definition)							
Public debt (acc. to the place of issue criterion)	nominal, PLN mio	890 572.9	882 293.0	782 104.7	793 556.4	802 127.1	826 745.8
Domestic debt	nominal, PLN mio	619 129.5	614 321.8	505 904.8	518 785.8	522 062.7	534 763.8
	%	69.5	69.6	64.7	65.4	65.1	64.7
Foreign debt	nominal, PLN mio	271 443.4	267 971.2	276 199.9	274 770.5	280 064.5	291 982.0
	%	30.5	30.4	35.3	34.6	34.9	35.3

General Government debt (EU definition)

General Government debt	nominal, PLN mio	930 508.7	926 115.3	816 404.8	827 333.2	839 082.8	866 501.4
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Source: MoF



Gross borrowing requirements in 2015

Financing of the State budget borrowing requirements at the level of 57% was a result of:

- T-bond sale on domestic market: PLN 26.7bn,
- switch auctions: PLN 6.4bn,
- T-bond sale on foreign markets: EUR 1.0bn,
- switch auctions in 2014: PLN 24.2bn,
- T-bonds buyback on foreign markets: USD 0.4bn,
- and higher than planned financial resources at the end of 2014.

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

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

as of March 31, 2015, PLN bn

Flow of funds from the State budget to the market in April shall amount to PLN 18.9bn, of which:

- TS redemptions: PLN 14.7bn,
- interest payments: PLN 4.2bn.

Flows of funds between the market and the budget*

as of March 31, 2015, PLN bn

As of March 31, 2015, to the end of the year the funds to be transferred to the market shall amount to PLN 63.4bn.

* 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

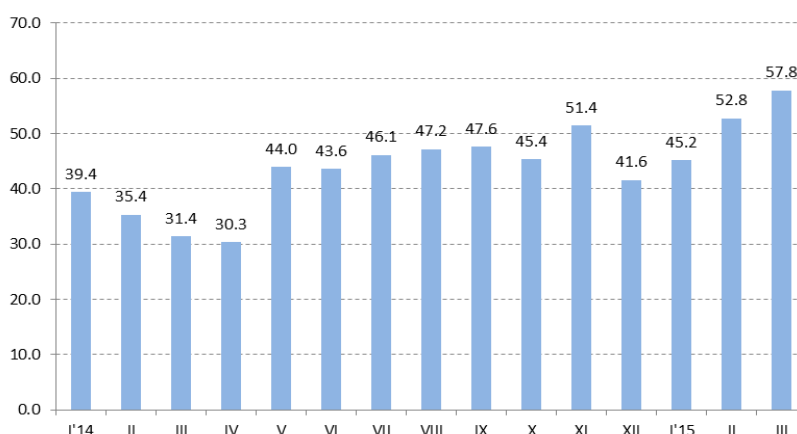
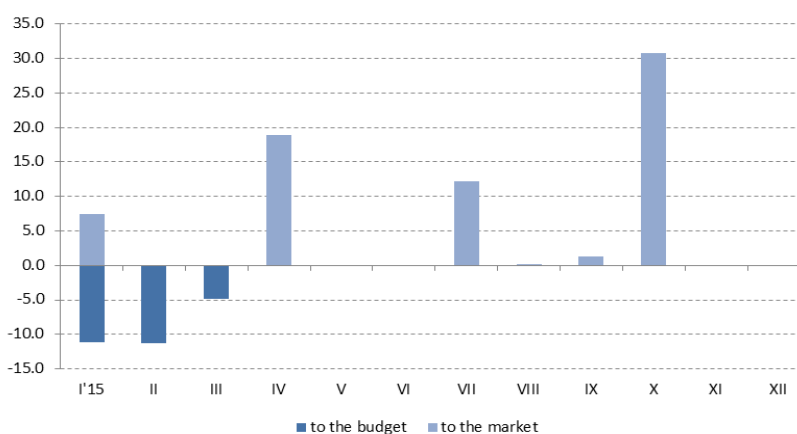
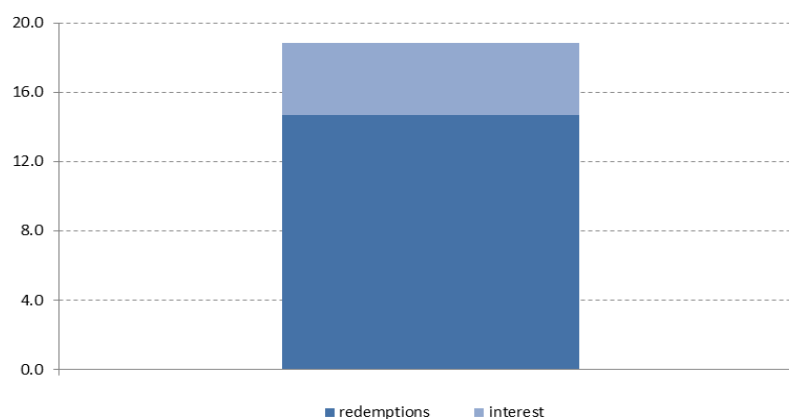
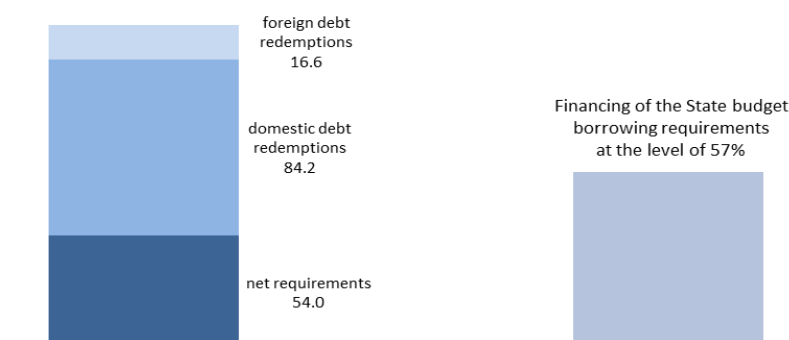
foreign currency funds include funds from debt issuance and received from the European Commission, PLN bn

The funds ensure liquidity in borrowing needs financing.

Gross borrowing requirements in 2015

(acc. to 2015 Budget Act)

Total: PLN 154.8bn, of which:



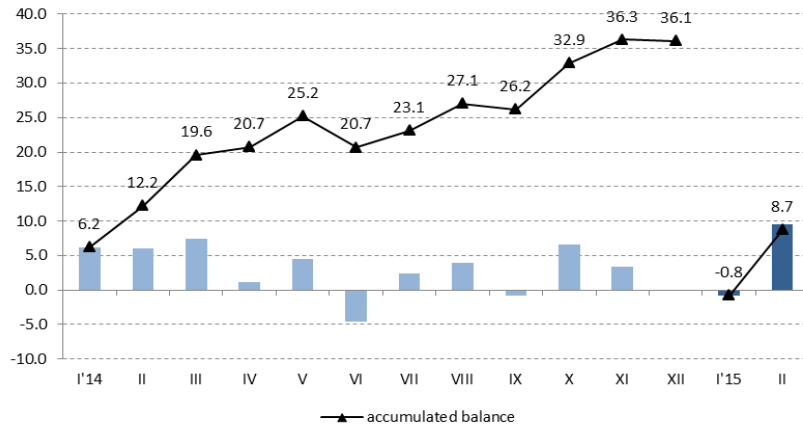


III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

Change of debt in domestic Treasury securities held by banks

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

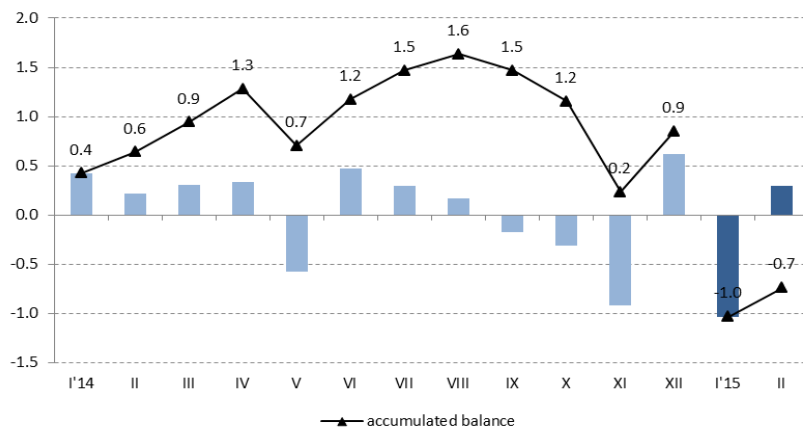
In the period of I-II 2015 debt held by domestic banks increased by PLN 8.7bn comparing to PLN 12.2bn increase during the same period of 2014.



Change of debt in domestic Treasury securities held by insurance companies

PLN bn

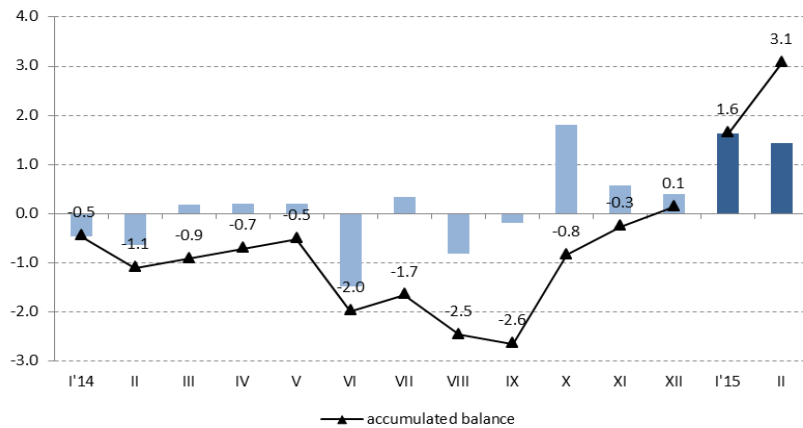
In the period of I-II 2015 there was a decrease of PLN 0.7bn in debt held by insurance companies. During the same period of 2014 there was an increase of PLN 0.6bn.



Change of debt in domestic Treasury securities held by investment funds

PLN bn

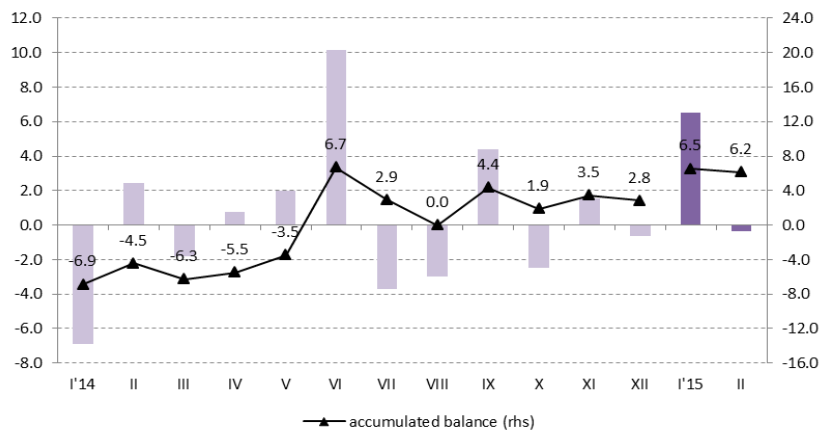
In the period of I-II 2015 there was an increase of PLN 3.1bn in debt held by investment funds. During the same period of 2014 there was a decrease of PLN 1.1bn.



Change of debt in domestic Treasury securities held by foreign investors

PLN bn

In the period of I-II 2015 inflow of foreign capital to the domestic TS market amounted to PLN 6.2bn comparing to outflow of PLN 4.5bn in the same period of 2014. Foreign investors' holdings reached the level of PLN of 202.1bn.



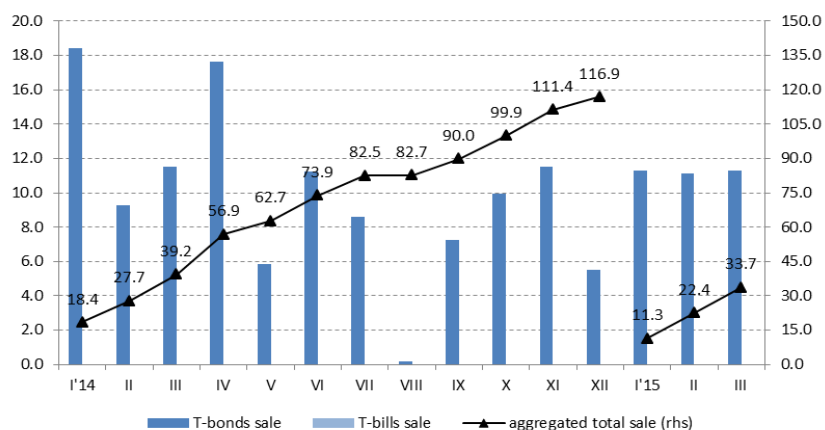
III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING



Sale of T-bonds and T-bills in the period of I-III 2015 and in 2014

settlement date, nominal amount, PLN bn

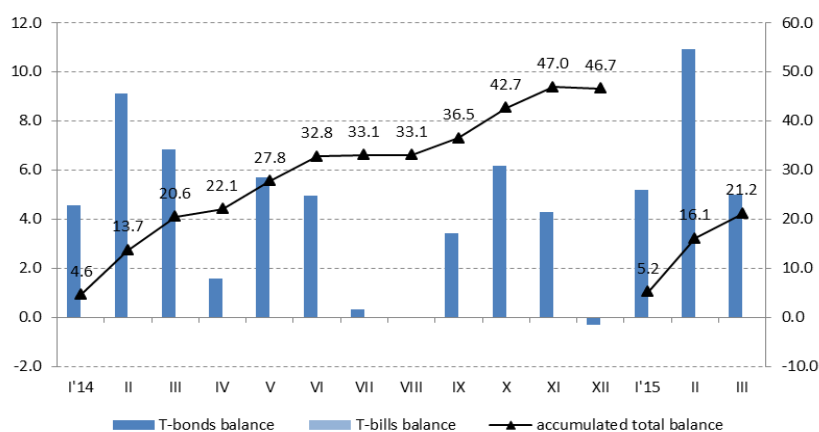
Since April 2013 T-bills have not been offered.



Balance of T-bonds and T-bills in the period of I-III 2015 and in 2014

settlement date, nominal amount, PLN bn

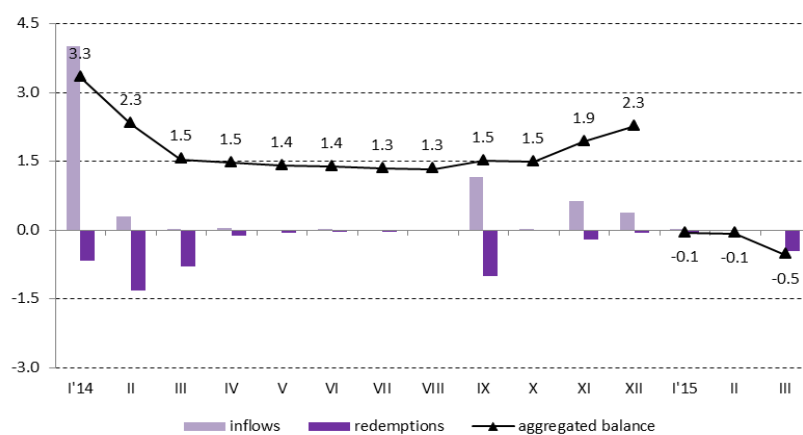
In the period of I-III 2015 indebtedness in T-bonds increased by PLN 21.2bn.



External financing in the period of I-III 2015 and in 2014

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

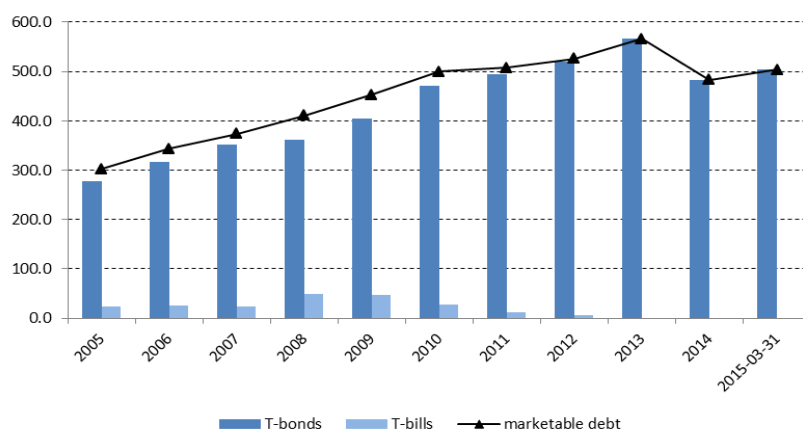
Net financing on foreign markets in the period of I-III 2015 amounted to EUR -0.5bn (repayment of loans incurred from IFIs).



Structure of marketable debt

PLN bn

At the end of March 2015 the marketable domestic debt amounted to PLN 504.0bn comparing to PLN 482.9bn at the end of 2014.



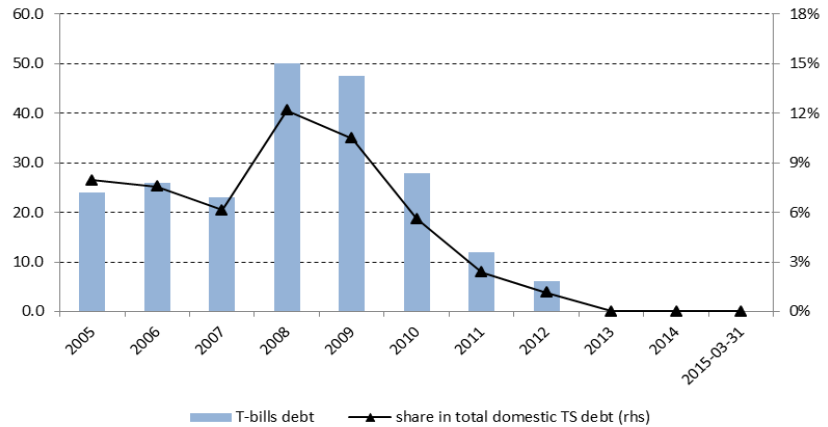


III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

T-bills outstanding

PLN bn

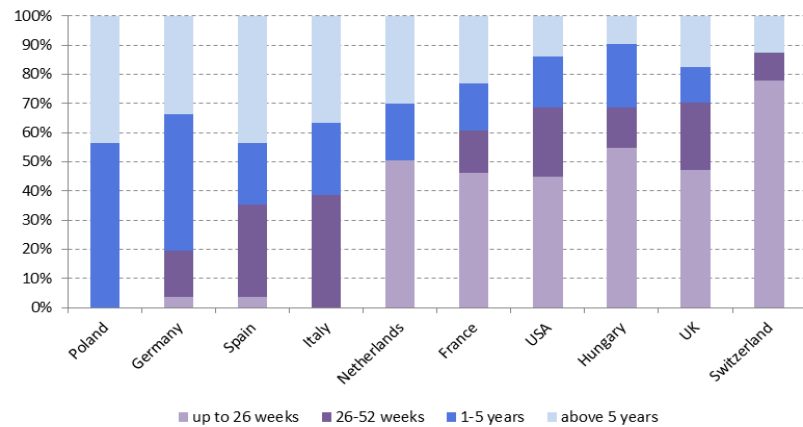
Since August 2013 there has been no T-bills outstanding.



Maturity breakdown of T-securities in Poland and other countries

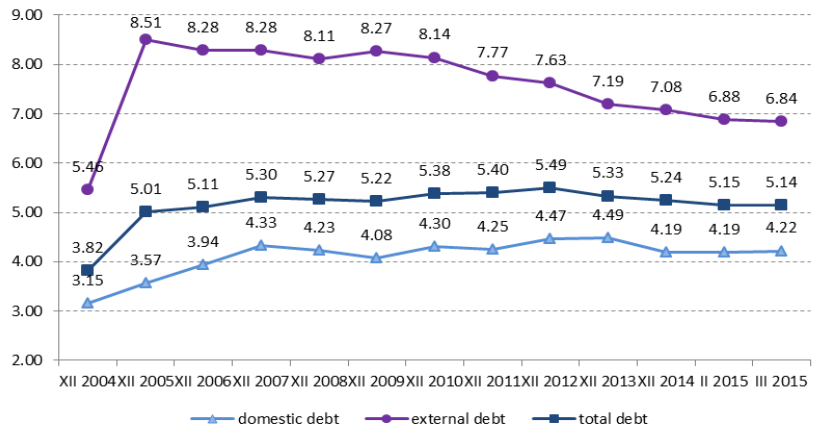
auctions and syndicates, local currency, ytd in the period of January 1 - March 31, 2015

In Poland only Treasury securities with maturity over 1 year have been offered in 2015.



Average maturity

At the end of March 2015 the average maturity of domestic debt decreased to 4.22 in comparison with the end-2014 figure (4.19).

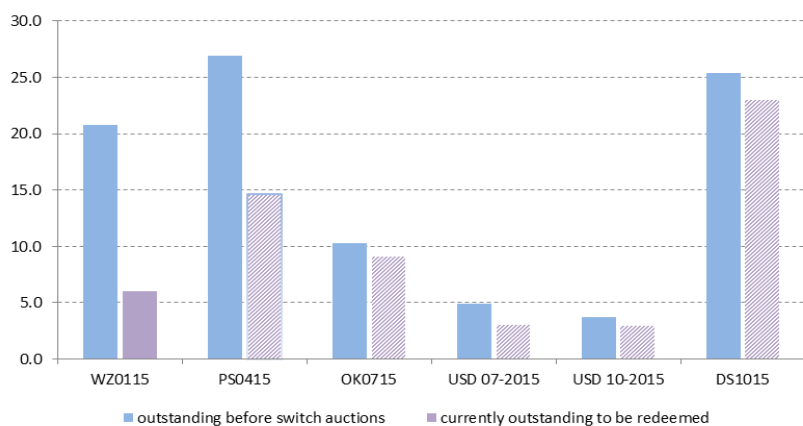


Reducing refinancing risk connected with T-bonds' redemptions maturing in 2015

nominal amount, as of March 31, 2015, PLN bn

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

- WZ0115: PLN 14.7bn (71%),
- PS0415: PLN 12.2bn (45%),
- OK0715: PLN 1.2bn (12%),
- USD 07-2015: PLN 1.9bn (USD 0.6bn) (36%),
- USD 10-2015: PLN 0.8bn (USD 0.2bn) (21%),
- DS1015: PLN 2.4bn (9%).



III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

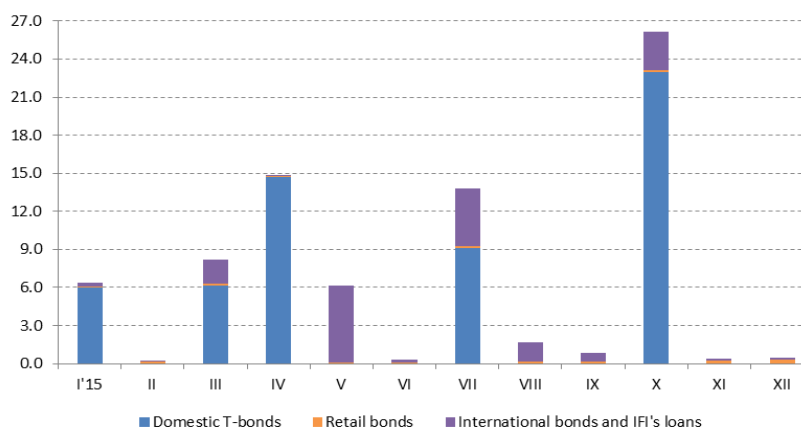


State Treasury debt redemptions in 2015

nominal amount, as of March 31, 2015;
PLN bn

The nominal amount of debt to be redeemed in 2015 is equal to PLN 64.8bn, including:

- T-bonds: PLN 46.8bn,
- T-retail bonds: PLN 1.5bn,
- bonds and loans incurred on foreign markets: PLN 16.4bn.

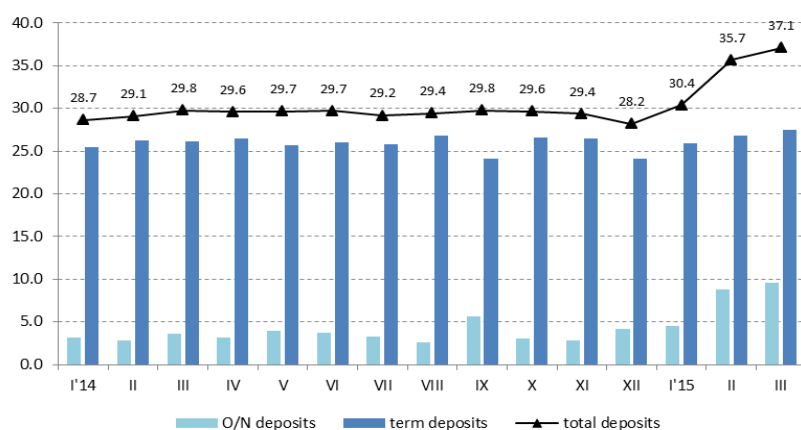


Consolidation of public finances liquidity management

PLN bn

As a result of consolidation of public finances liquidity management there were PLN 37.1bn funds accumulated at the end of March, of which PLN 27.5bn was as term deposits and PLN 9.6bn on O/N deposits.

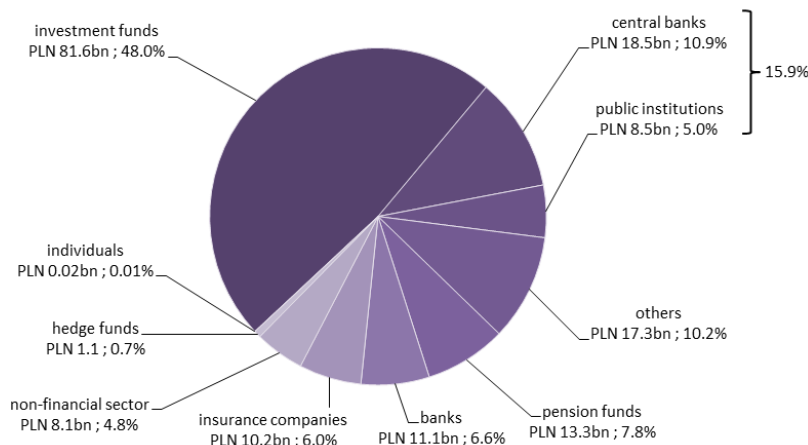
In the period of January-February 2015 the second stage of the consolidation took place (the number of public finance units was increased and court deposits were included).



Institutional distribution of domestic Treasury securities held by non-residents

as of February 28, 2015, the chart presents data excluding omnibus accounts

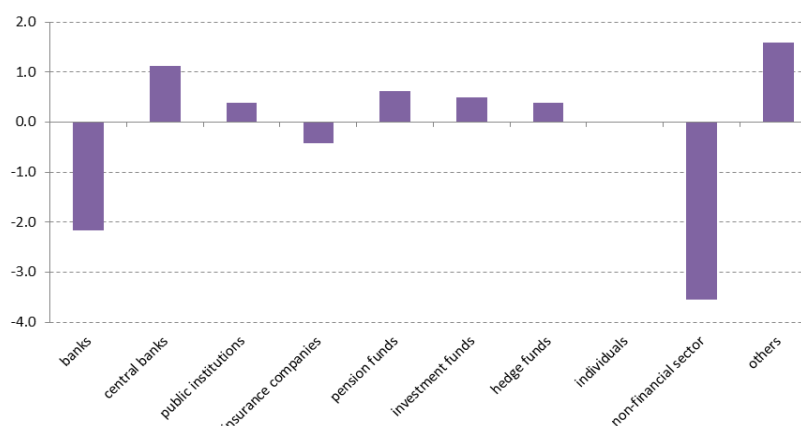
The share of non-residents in the domestic Treasury securities market slightly decreased (PLN -0.4bn) and amounted to PLN 202.1bn which constituted 40.5% share in total debt in marketable T-bonds. The majority was dominated by stable, long-term non-banking investors. As of the end of February, central banks and public institutions' share in holdings increased in comparison to the previous month and amounted to 15.9%.



Change of debt in domestic Treasury securities held by non-residents by institutional distribution

as of February 28, 2015

In February 2015 the highest increase in T-securities portfolio was noted by entities from the category "others" (PLN 1.6bn), as well as central banks and public institutions (PLN 1.5bn). The lowest, on the other hand, were recorded by non-financial sector (PLN -3.6bn) and banks (PLN -2.2bn).



Geographical distribution of domestic Treasury securities held by non-residents

as of February 28, 2015, excluding omnibus accounts

Geographical structure of domestic T-bonds held by non-residents, as well as institutional distribution, is well-diversified.

Change of debt in domestic Treasury securities held by non-residents by geographical distribution

as of February 28, 2015, PLN bn

In February 2015 the most significant increase in involvement was recorded by entities from Asia (PLN 1.1bn). The highest decreases occurred in EU non-eurozone investors' portfolio (PLN -1.4bn) and investors from the North America (PLN 1.0bn).

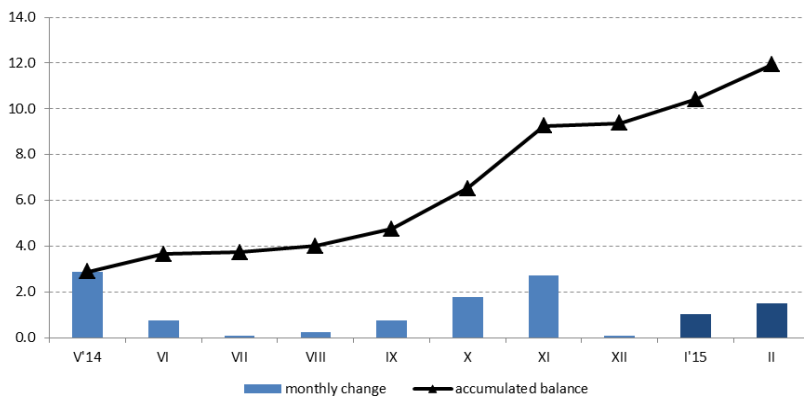
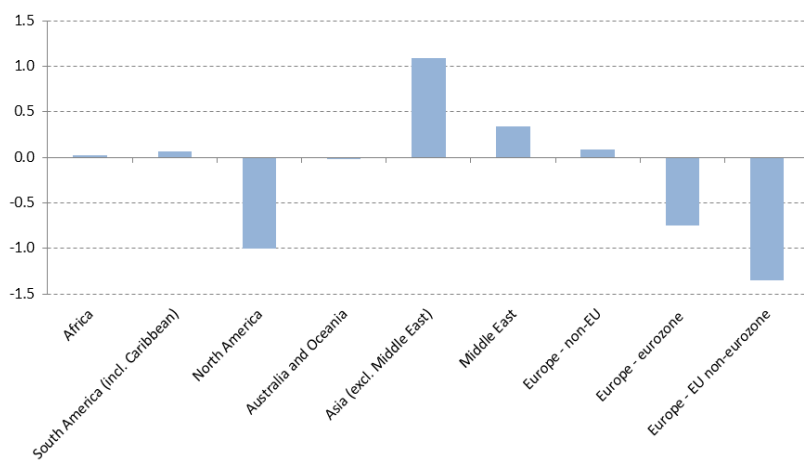
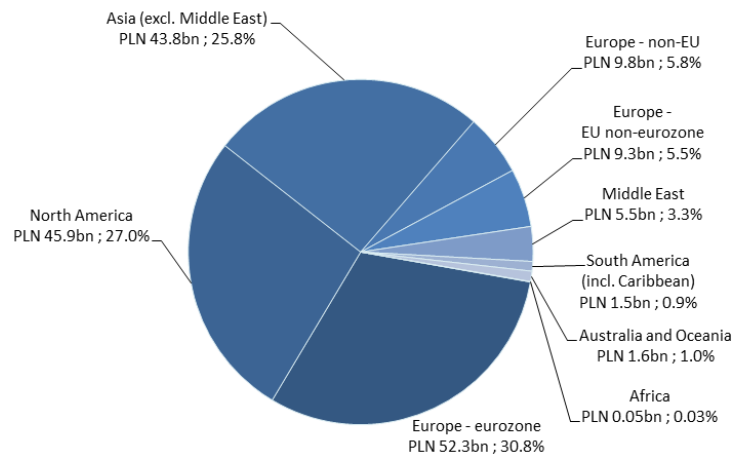
Change of debt in domestic Treasury securities held by central banks and public institutions

as of February 28, 2015, PLN bn

Involvement of central banks and public institutions in the Polish debt market in the period of April 2014 to the end of February 2015, when the detailed information is available, increased by PLN 11.9bn. In February the increase was higher than a month ago and amounted to PLN 1.5bn.

Structure of non-residents' holdings in Treasury securities by countries

as of February 28, 2015, excluding omnibus accounts and central banks, countries with more than 1% share



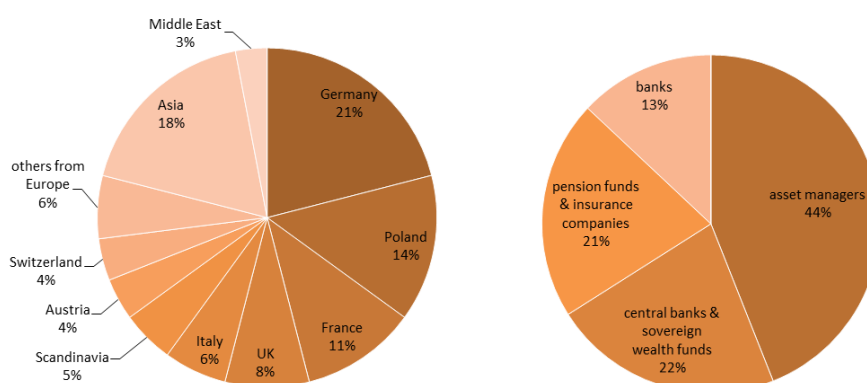
Countries	Outstanding in nominal value (PLN mio)	Share in non-residents holdings (%)
United States	44 710.9	29.55%
Luxembourg	29 566.2	19.54%
Japan	18 340.7	12.12%
Norway	7 847.1	5.19%
United Kingdom	7 481.9	4.95%
Thailand	7 227.2	4.78%
Germany	7 034.5	4.65%
Ireland	6 562.5	4.34%
Netherlands	3 375.3	2.23%
France	2 844.1	1.88%
United Arab Emirates	2 058.8	1.36%
Switzerland	1 761.0	1.16%
Austria	1 691.1	1.12%
Australia	1 550.0	1.02%
Others	9 248.9	6.11%
Total	151 300.0	100.00%

III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING



EUR denominated bond issue

Amount:	EUR 1bn
Maturity date:	May 10th, 2027
Coupon:	0.875%
Spread:	35 pb over mid-swap
Yield:	1.022%
Launch date:	March 30th, 2015
Bookrunners:	Lead Managers: Banco Santander S.A., Barclays Bank PLC, Citigroup Global and Société Générale Co-Lead Manager: PKO BP S.A.



MoF comments

Artur Radziwiłł, Undersecretary of State, MoF
31-03-2015

Yesterday's issuance on the EUR market shows the major course for our further presence on the foreign markets, which is to take advantage of record low interest rates to acquire long-term financing, simultaneously retaining the strategic assumption to reduce the share of foreign debt in the total debt. Being in a comfortable situation of having substantial amount of foreign currency reserves at our disposal, we can focus on obtaining the best possible bond pricing and building well-diversified investor base. That means that, similarly to the yesterday's issuance, possible future issues may be of moderate nominal amount.

Our second aim is to obtain financing conditions at zero or even negative cost. We analyse proposals that would lead us to achieve this aim, either by direct issuance or by conducting synthetic transactions with the use of derivatives. The financing would be then of opportunistic character and could apply to a several-year horizon.

High, when compared to the other markets, interest rates on the US market are hardly conducive to place bonds denominated in USD. However, we cannot exclude that we may appear on the USD market later this year in a situation of favourable conditions to conduct effective hedging transactions. The amount of currently held deposits in USD is higher than our total liabilities in USD for the whole year, as in 2014 we exchanged a substantial amount of EUR into USD funds at the considerably stronger EURUSD exchange rate compared to what we can see now.

Piotr Marczak, Director of the Public Debt Department, MoF
30-03-2015

We decided to enter the euro market after more than a year's absence to exploit the potential of record low long-term interest rates. Although we manage substantial foreign currency reserves, the possibility of having an effective long-term bond issuance with a yield of 1.0% was a stronger argument. Due to high foreign currency reserves, we focused on choosing appropriate timing, high-quality investors and a good bond pricing.

The yield we obtained was the historically lowest of all foreign long-term issuances we did.



III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

MoF comments

The structure of bond holders is well-diversified with the majority dominated by stable, long-term final investors. High share of central banks and public institutions draws attention – for the first time their purchases of Polish long-term issues exceeded the level of 20%. Among the central banks, Asian investors were in the majority, however banks from the Middle East and Europe also took part in the issuance.

Piotr Marczak, Director of the Public Debt Department, MoF
31-03-2015

Taking into account yesterday's EUR bond pricing, we have financed 57% of 2015 borrowing requirements and increased level of the liquid funds reserves in PLN and foreign currency to about PLN 55bn.

In April we can offer the biggest T-bond supply in the months ahead, depending on the market conditions, up to PLN 14bn. Nevertheless even this upper limit will be of lower amount when compared to the value of domestic bonds maturing on April 27th (almost PLN 19bn). Another redemption of substantial amount will be in October 2015.

In February foreign investors reduced their portfolios of PLN denominated bonds by PLN 0.4bn. The most visible negative change was noted by the entities from the UK (PLN -1.4bn), USA (PLN -1.0bn), and Netherlands (PLN -0.8bn), but also from France and Japan (PLN -0.4bn each). This decrease was offset almost entirely by purchases of central banks and public institutions' from Asia (PLN 1.0bn) and Middle East (PLN 0.5bn), and investors from Germany (PLN 0.5bn), Thailand (PLN 0.4bn) and the United Arab Emirates (PLN 0.2bn). An increase was also noted on the unclassified geographically, neither institutionally, omnibus accounts (PLN 1.1bn).

In March we are observing an increase in the foreign investors' interest in Polish Treasury securities market.



General assumptions

- in the second quarter of 2015 T-bond auctions are planned according to the announced yearly issuance calendar,
- offer of T-bonds on the domestic market will depend on the market situation and the consultations with investors,
- possible auctions of Treasury bills will be held within the confines of the level of State budget liquidity funds management,
- foreign financing will be determined by the situation on the international financial market and the domestic market,
- the announced plan may be modified depending on the market situation.

Offer of T-bonds on the domestic market

Sale auctions

- five or six auctions, total supply PLN 20.0-28.0bn, the structure of the sold T-bonds will be subject to the market situation,

Switch auctions

- in April and May auctions are not planned, possible auction in June (holding subject to the market situation) – securities offered to repurchase would be T-bonds maturing in 2015.

Foreign financing

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



V. SUPPLY PLAN OF TREASURY SECURITIES IN APRIL 2015

Treasury bond auction

Auction date	Settlement date	Series	Planned offer (PLN m)
9 APR 2015	13 APR 2015	WZ0124 / DS0725 / WS0428	2,000-5,000
23 APR 2015	27 APR 2015	choice will depend on the market conditions, excluding bonds offered at the first auction	5,000-9,000

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

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

Offer on retail market

T-bond	Issue price	Coupon
DOS0417	PLN 100.00 (99.90 PLN for rolling-over)	Fixed, 2.00%
TOZ0418	PLN 100.00 (99.90 PLN for rolling-over)	Floating (1.00 * WIBOR 6M) 2.10% in the first coupon period
COI0419	PLN 100.00 (99.90 PLN for rolling-over)	Floating (inflation rate + 1.25%) 2.30% in the first coupon period
EDO0425	PLN 100.00 (99.90 PLN for rolling-over)	Floating (inflation rate + 1.50%) 2.50% in the first coupon period