

State budget borrowing requirements' financing plan and its background

June 2015

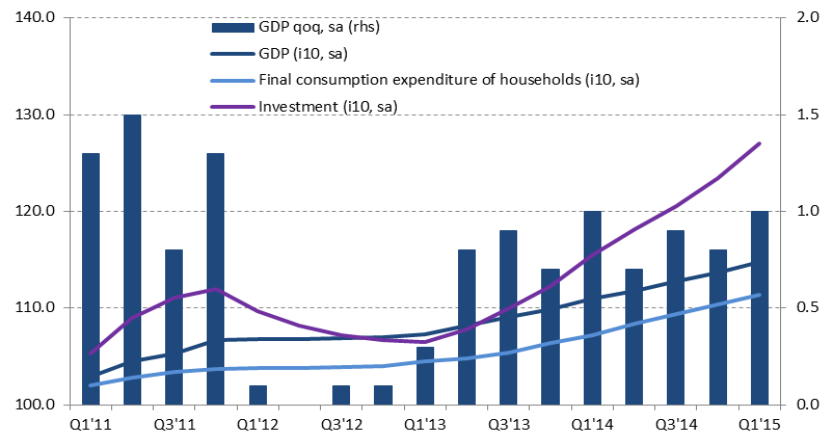
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Gross domestic product of Poland

constant prices, seasonally adjusted data
source: Eurostat

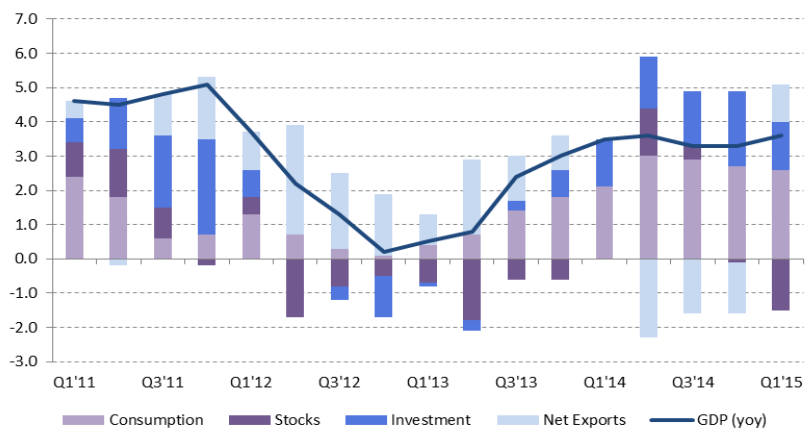
A steady recovery started in the middle of 2013. In the first quarter of 2015 Polish economy continued its upward trend: GDP increased by 1.0% (qoq, sa), following an increase by 0.8% in the fourth quarter of 2014.



Contributions to Poland's GDP growth

percentage points
source: GUS, MF own calculation

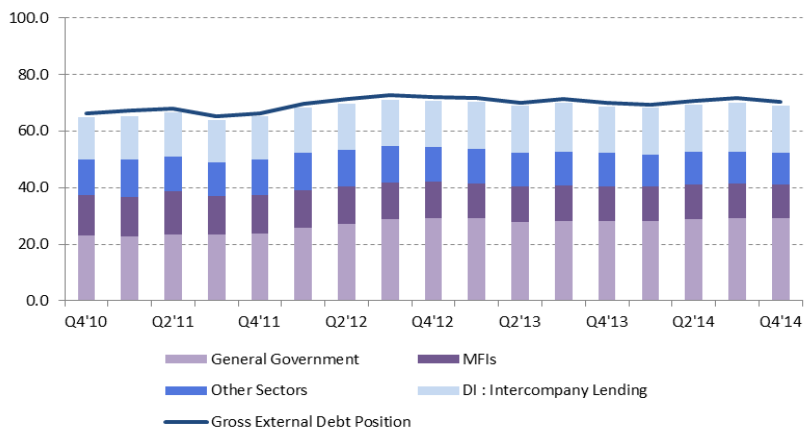
In the first quarter of 2015 GDP was 3.6% higher than a year ago. Domestic demand remained the main source of GDP growth mainly due to investments and private consumption. In the first quarter of 2015 domestic demand growth was lower than in the previous quarters due to negative contribution to GDP growth of inventories. The net exports contribution – for the first time in three quarters – was also positive.



Poland's gross external debt position

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

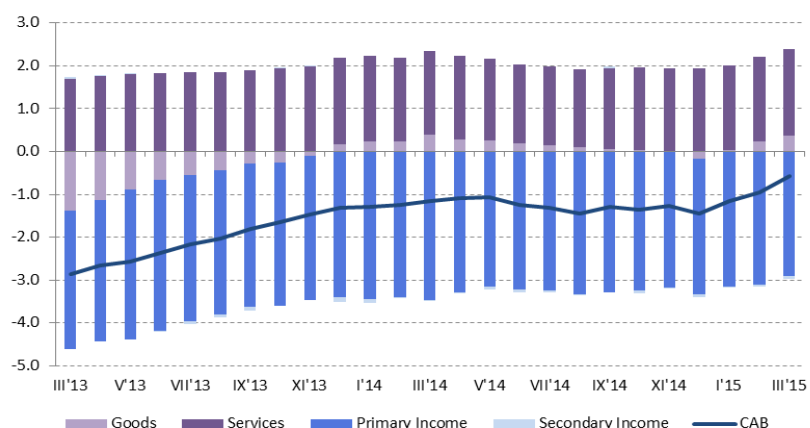
Gross external debt reached EUR 289.7bn (70.3% of GDP) at the end of the fourth quarter of 2014 and was lower than in the previous quarter. The share of direct investment intercompany lending in total debt decreased slightly to 23.8%. Official reserve assets reached EUR 90.6 bn at the end of March 2015 and remained broadly adequate, covering nearly 6 months of imports.



Current account balance

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

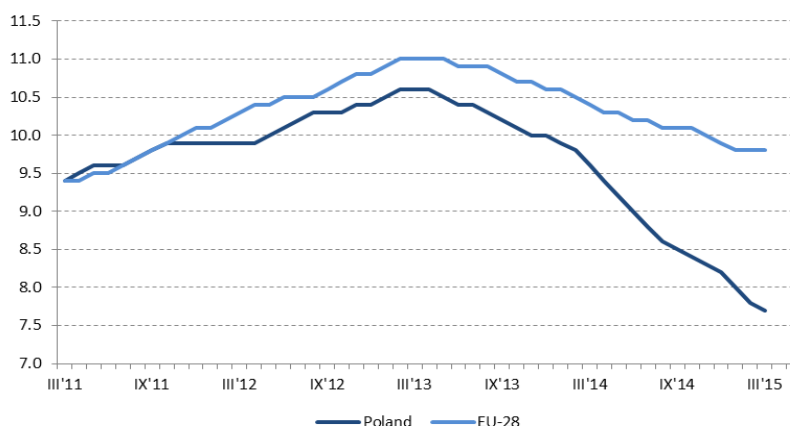
In March 2015, according to the preliminary data, Poland's C/A deficit amounted to 0.6% of GDP (in 12-month terms of GDP) as compared to 1.0% of GDP a month earlier. C/A deficit was with a wide margin covered by long term capital (mainly EU structural funds inflow).



Harmonised unemployment rate

percent, seasonally adjusted data
source: Eurostat

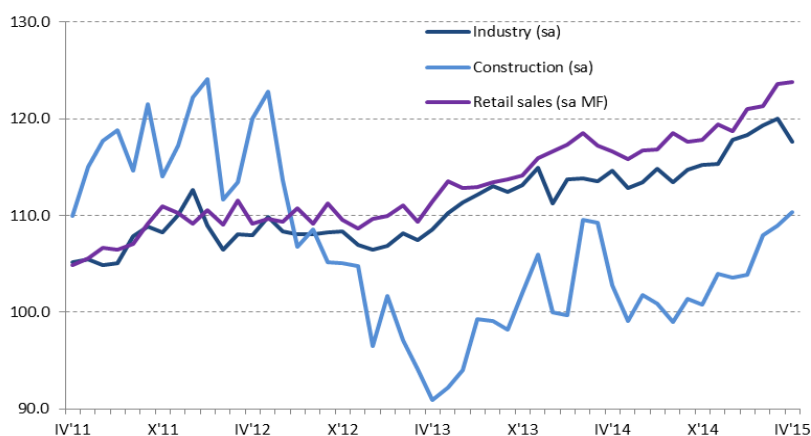
Harmonised unemployment rate (sa) has continued its downward trend observed since mid-2013. In March 2015 it amounted to 7.7% (versus 9.8% in EU on average) and was 0.1 pp. lower than in previous month and 1.9 pp. lower than a year before.



Monthly indicators of the real sector

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

In April 2015 industrial output decreased by 2.0% (mom, sa). In consequence production was 2.3% higher than a year ago (nsa). In April 2015 construction production went up by 1.3% (mom, sa). It was its fourth in a row growth. As a result, its level was 8.5% (nsa) higher than a year before. In April 2015 real retail sales increased by 0.2% (mom, sa MoF) following an unexpected, significant growth in the previous month. As a result, its level was 6.2% (sa) higher than in the same month of 2014. However the yoy dynamics calculated on unseasonally adjusted data was much lower (101.5).



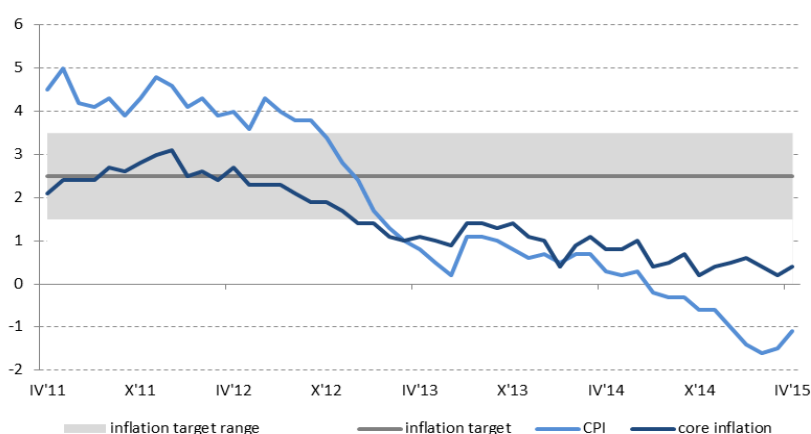
Inflation

percent, yoy
source: GUS, NBP

Since July 2014 consumer prices have been lower than a year before mainly because of drop of commodity prices (energy and food). In April 2015 deflation reached 1.1%.

Core inflation (CPI excluding food and energy prices) is still positive and in April 2015 reached 0.4% yoy.

Deflation in producer prices has been lasting over two years (-2.6% yoy in April 2015).

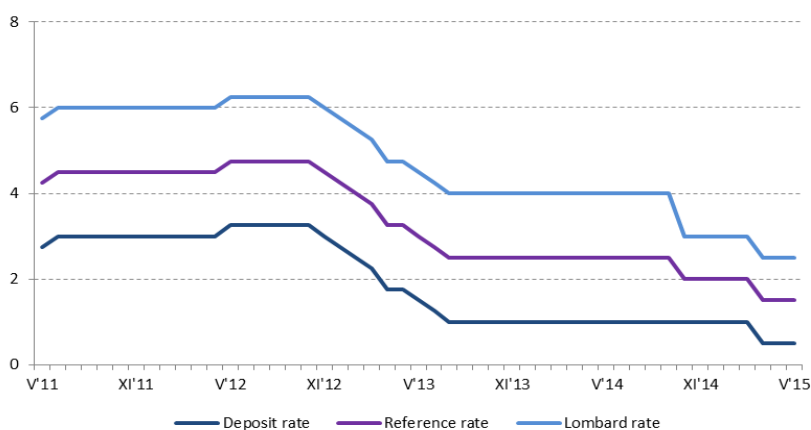


NBP interest rates

percent, end of period
source: NBP

Having cut interest rates in March 2015, the Monetary Policy Council kept them unchanged in April - May, with the reference rate at 1.50%.

According to the latest Reuters poll (April, 30) the NBP interest rates are forecast to rise in the third quarter of 2016.





II. STATISTICAL DATA

	Unit	2013 Q04	2014 Q01	Q02	Q03	Q04	2015 Q01
GDP							
Gross domestic product	YoY	3.0	3.5	3.6	3.3	3.3	3.6
	QoQ SA	0.7	1.0	0.7	0.9	0.8	1.0
Final consumption expenditure of the households sector	YoY	2.6	3.0	3.0	3.2	3.0	3.1
	QoQ SA	1.0	0.6	0.9	1.0	0.8	1.1
Final consumption expenditure of the general government sector	YoY	2.2	0.5	6.4	5.3	6.4	3.3
	QoQ SA	0.6	1.2	2.2	0.7	1.1	0.3
Gross fixed capital formation	YoY	3.0	11.4	8.7	9.2	8.6	11.4
	QoQ SA	2.1	2.9	2.3	2.0	2.4	2.9
Exports of goods and services	YoY	6.6	7.6	6.0	3.6	5.6	8.0
	QoQ SA	0.5	1.6	1.1	1.3	2.2	2.1
Imports of goods and services	YoY	4.2	8.0	11.7	7.4	9.5	6.0
	QoQ SA	1.3	3.7	1.4	1.2	2.4	1.5
Gross value added	YoY	3.1	3.1	3.3	3.3	3.1	3.3
	QoQ SA	1.0	1.0	0.3	0.7	0.5	0.7

Contribution to GDP growth

Final consumption expenditure of the households sector	pp.	1.4	2.0	1.8	2.0	1.5	2.0
Final consumption expenditure of the general government sector	pp.	0.4	0.1	1.2	0.9	1.2	0.6
Gross fixed capital formation	pp.	0.8	1.4	1.5	1.6	2.2	1.4
Changes in inventories	pp.	-0.6	0.0	1.4	0.4	-0.1	-1.5
Balance of trade turnover	pp.	1.0	0.0	-2.3	-1.6	-1.5	1.1
Gross value added	pp.	2.8	2.8	2.9	2.9	2.7	2.9
Taxes less subsidies	pp.	0.2	0.7	0.7	0.4	0.6	0.7

GDP structure

Final consumption expenditure of the households sector	% of GDP	52.4	65.6	60.9	60.2	51.4	64.2
Final consumption expenditure of the general government sector	% of GDP	18.3	17.9	18.4	17.7	18.9	17.6
Gross fixed capital formation	% of GDP	26.5	12.9	17.4	18.7	27.5	13.8
Changes in inventories	% of GDP	0.5	0.9	0.5	0.8	0.4	-0.7
Exports of goods and services	% of GDP	42.9	48.5	47.8	47.6	44.2	51.0
Imports of goods and services	% of GDP	41.3	46.8	46.0	45.9	43.2	46.8

	Unit	2014 M11	M12	2015 M01	M02	M03	M04
Balance of payments							
Goods: exports (EUR)	YoY	3.5	4.3	5.2	10.8	13.7	-
Goods: exports (EUR)	YoY	5.0	9.8	-1.3	3.8	9.8	-
Current account balance ¹⁾	% of GDP	-1.3	-1.4	-1.2	-1.0	-0.6	-
Balance on goods ¹⁾	% of GDP	0.0	-0.2	0.0	0.2	0.4	-
Official Reserve Assets	EUR mln	80,684.4	82,644.8	87,934.7	86,899.3	90,558.5	91,819.1

Inflation

Consumer Price Index (CPI)	YoY	-0.6	-1.0	-1.4	-1.6	-1.5	-1.1
Core inflation (CPI excluding food and energy prices)	YoY	0.4	0.5	0.6	0.4	0.2	0.4
Producer Price Index (PPI)	YoY	-1.6	-2.7	-2.8	-2.8	-2.5	-2.6

Production

Sold production of industry ²⁾	YoY	0.3	8.1	1.6	5.0	8.8	2.3
	MoM SA	0.3	2.0	0.4	0.8	0.6	-2.0
Construction and assembly production ²⁾	YoY	-1.6	5.0	1.3	-0.3	2.9	8.5
	MoM SA	3.2	-0.4	0.3	3.9	0.9	1.3
Manufacturing PMI	SA	53.2	52.8	55.2	55.1	54.8	54.0

Households and labour market

Retail sales ²⁾	YoY	1.4	4.0	3.3	2.4	6.6	1.5
Average paid employment in enterprise sector	YoY	0.9	1.1	1.2	1.2	1.1	1.1
	MoM	0.1	0.0	0.4	0.0	0.1	0.0
Average monthly gross wages and salaries in enterprise sector (zł)	YoY	3.4	4.8	5.0	4.9	6.5	4.8
	MoM	0.8	9.7	9.8	1.1	5.6	-2.5
Harmonised unemployment rate (Eurostat)	% SA	8.3	8.2	8.0	7.8	7.7	-

1) Data in 12-month terms

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

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

	Unit	2014 M10	M11	M12	2015 M01	M02	M03
State Treasury debt							
State Treasury debt (acc. to the place of issue criterion)	nominal, PLN mio	767,516.1	772,544.0	779,938.4	790,807.8	802,803.2	806,423.2
Domestic debt	nominal, PLN mio	498,963.0	503,705.9	503,079.0	510,347.7	526,273.2	532,455.5
	%	65.0	65.2	64.5	64.5	65.6	66.0
Foreign debt	nominal, PLN mio	268,553.1	268,838.0	276,859.4	280,460.1	276,530.0	273,967.7
	%	35.0	34.8	35.5	35.5	34.4	34.0

	Unit	2013 Q03	2014 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	802,133.0	826,745.8
Domestic debt	nominal, PLN mio	619,129.5	614,321.8	505,904.8	518,785.8	522,068.5	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

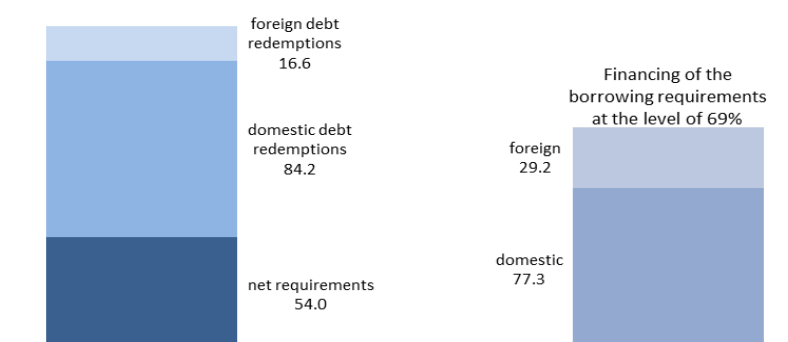


Gross borrowing requirements in 2015

Financing of the State budget borrowing requirements at the level of ca. 69% was a result of:

- T-bond sale on domestic market: PLN 42.1bn,
- switch auctions: 6.4bn,
- T-bond sale on foreign markets: PLN 6.3bn (EUR 1.0bn, CHF 0.6bn),
- loans incurred from IFIs: PLN 0.3bn,
- 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: PLN 26.0bn.

Gross borrowing requirements in 2015 (acc. to 2015 Budget Act) Total: PLN 154.8bn, of which:



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

as of May 31, 2015

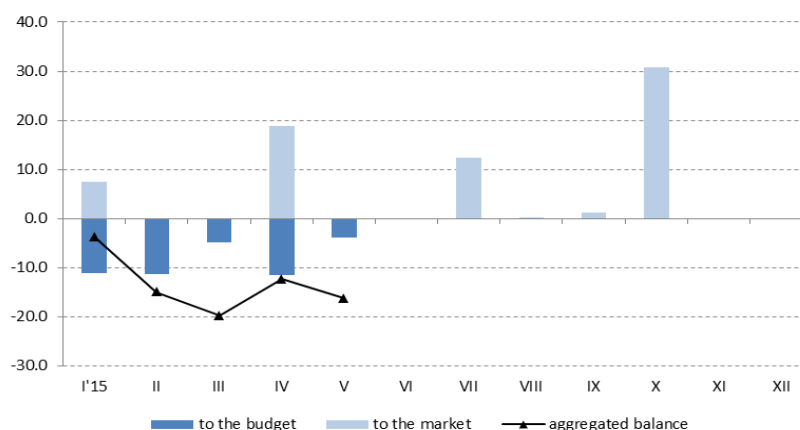
In June there will be no funds transferred from the State budget to the market related to T-securities (neither TS redemptions, nor interest payments).

Flows of funds between the market and the budget*

as of May 31, 2015, PLN bn

As of May 31, 2015, to the end of the year the funds to be transferred to the market shall amount to PLN 44.6bn.

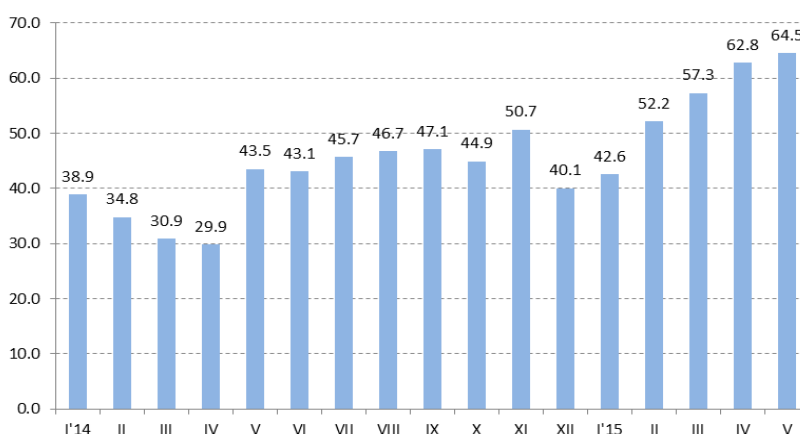
* figures include sale, redemptions and interest payments on wholesale bonds; monthly financing plans will depend on market situation and feedback from investors thus the detailed schedule of monthly flows to budget in the following months is not presented.



Funds in PLN and in foreign currency on budget accounts at the end of month

funds to finance borrowing needs, PLN bn

The funds ensure liquidity in borrowing needs financing.



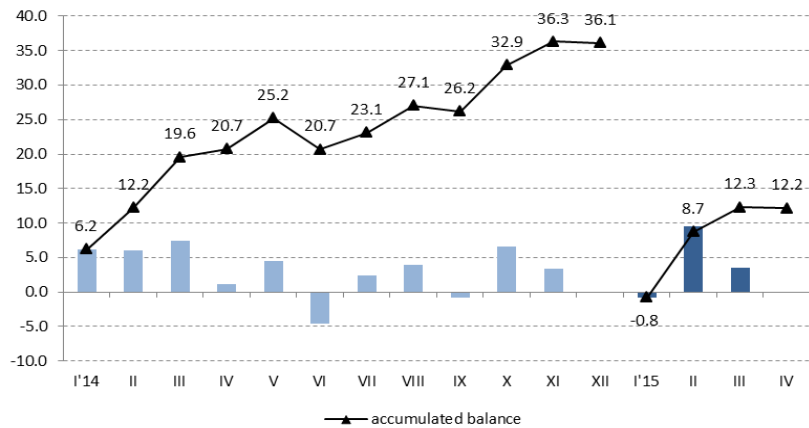


III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

Change of debt in domestic Treasury securities held by banks

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

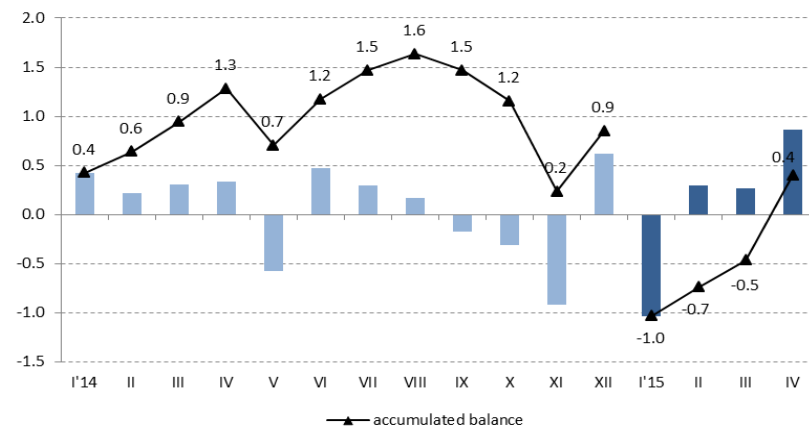
In the period of I - IV 2015 debt held by domestic banks increased by PLN 12.2bn comparing to PLN 20.7bn increase during the same period of 2014.



Change of debt in domestic Treasury securities held by insurance companies

PLN bn

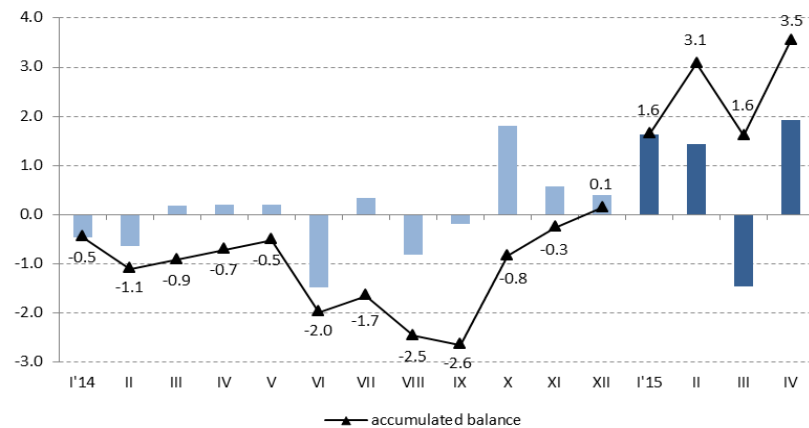
In the period of I - IV 2015 there was an increase of PLN 0.4bn in debt held by insurance companies. During the same period of 2014 there was an increase of PLN 1.3bn.



Change of debt in domestic Treasury securities held by investment funds

PLN bn

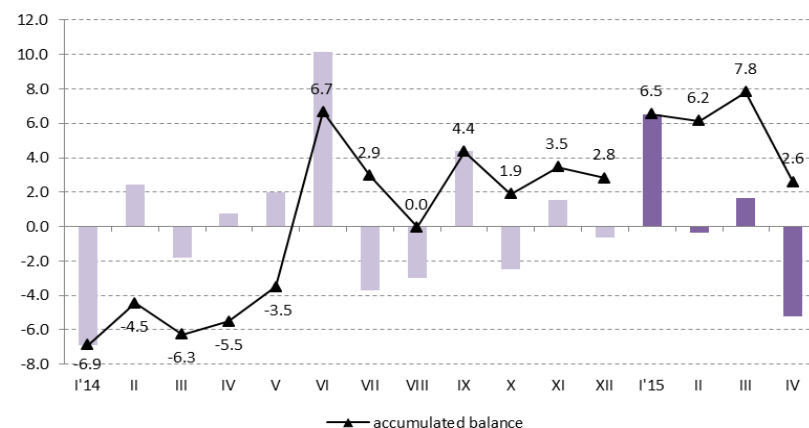
In the period of I - IV 2015 there was an increase of PLN 3.5bn in debt held by investment funds. During the same period of 2014 there was a decrease of PLN 0.7bn.



Change of debt in domestic Treasury securities held by foreign investors

PLN bn

In the period of I - IV 2015 inflow of foreign capital to the domestic TS market amounted to PLN 2.6bn comparing to outflow of PLN 5.5bn in the same period of 2014. Foreign investors' holdings reached the level of PLN of 198.6bn.



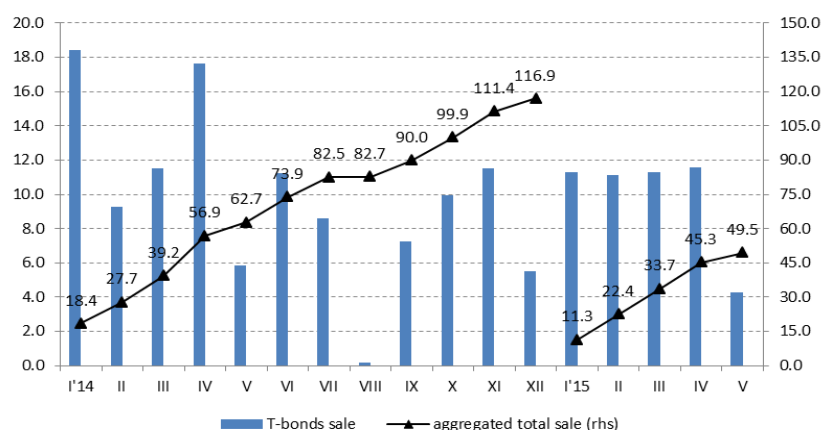
III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING



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

settlement date, nominal amount, PLN bn

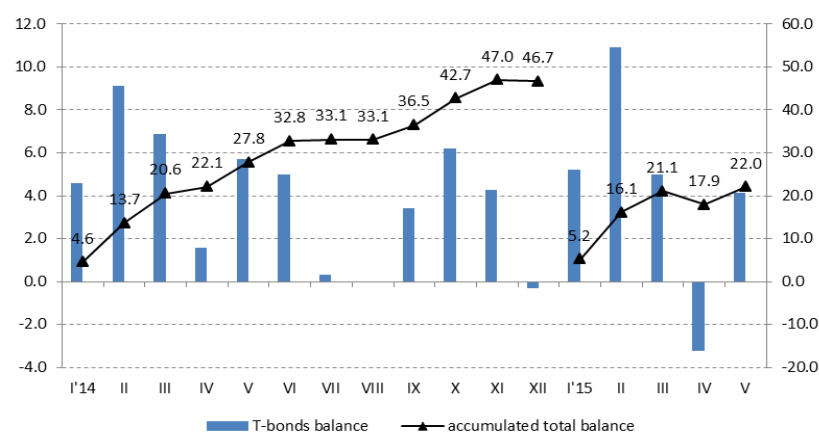
Since April 2013 T-bills have not been offered.



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

settlement date, nominal amount, PLN bn

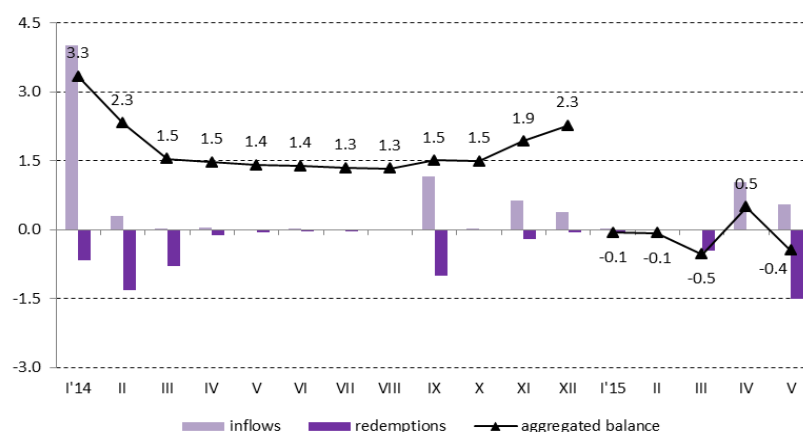
In the period of I - V 2015 indebtedness in T-bonds increased by PLN 22.0bn.



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

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

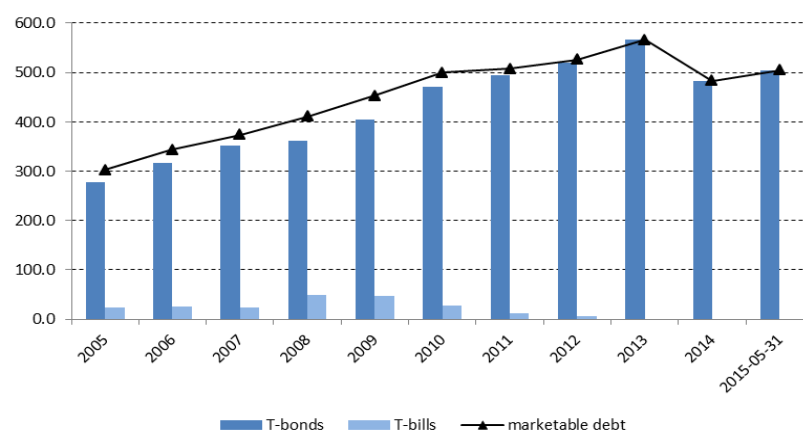
Net financing on foreign markets in the period of I - V 2015 was negative and amounted to EUR 0.4bn (repayment of loans incurred from IFIs). T-bonds issuance was EUR 1.5bn. Loans incurred from IFIs were at the level of EUR 0.1bn. Apart from those, EUR 6.7bn on the FX budgetary accounts was available - the money related to the foreign debt management raised and not spent in 2014.



Structure of marketable debt

PLN bn

At the end of May 2015 the marketable domestic debt amounted to PLN 504.8bn comparing to PLN 482.9bn at the end of 2014.



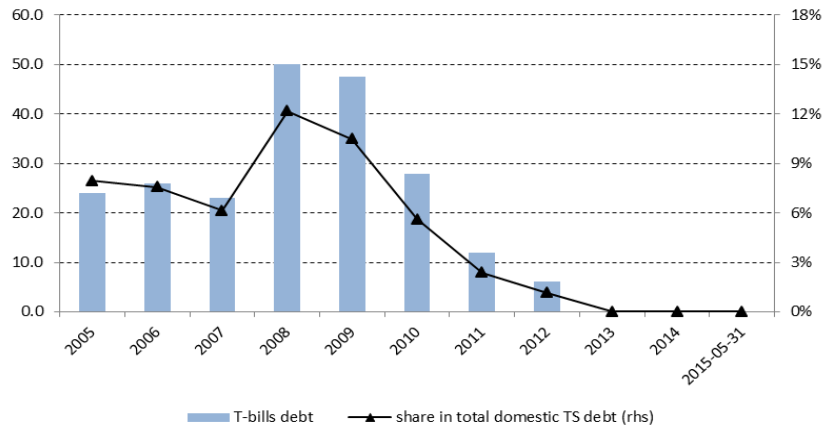


III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

T-bills outstanding

PLN bn

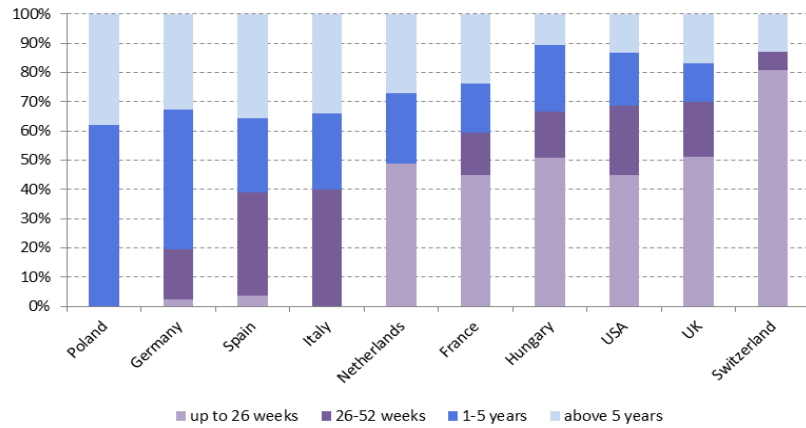
Since August 2013 there has been no T-bills outstanding.



Maturity breakdown of T-securities in Poland and other countries

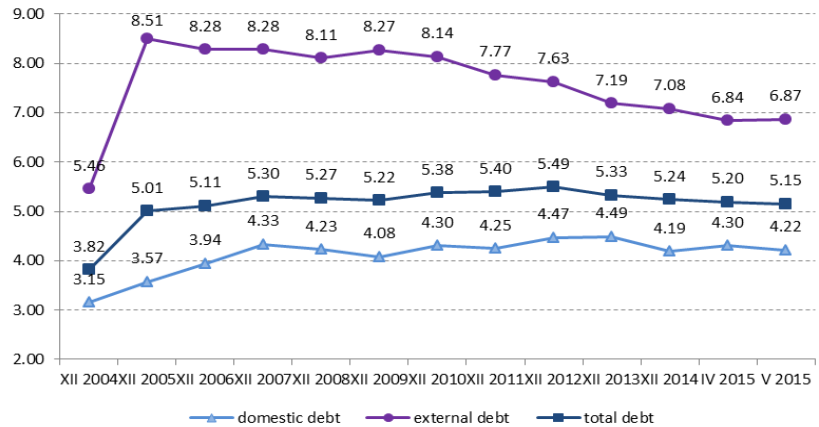
auctions and syndicates, local currency, ytd in the period of January 1 - May 31, 2015

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



Average maturity

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

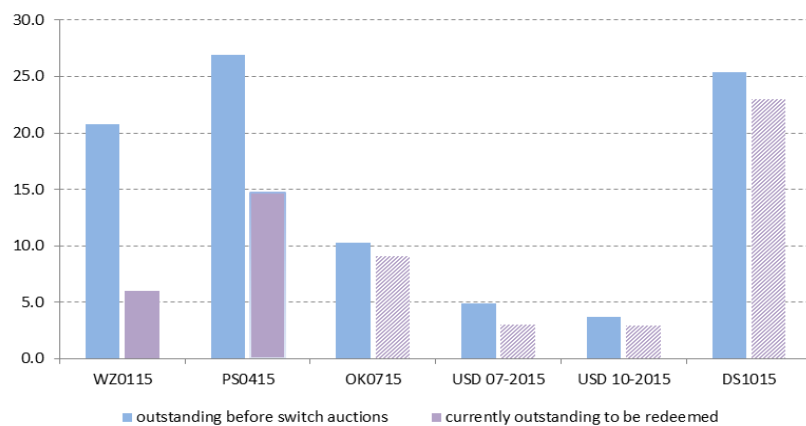


Reducing refinancing risk connected with T-bonds' redemptions maturing in 2015

nominal amount, as of May 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

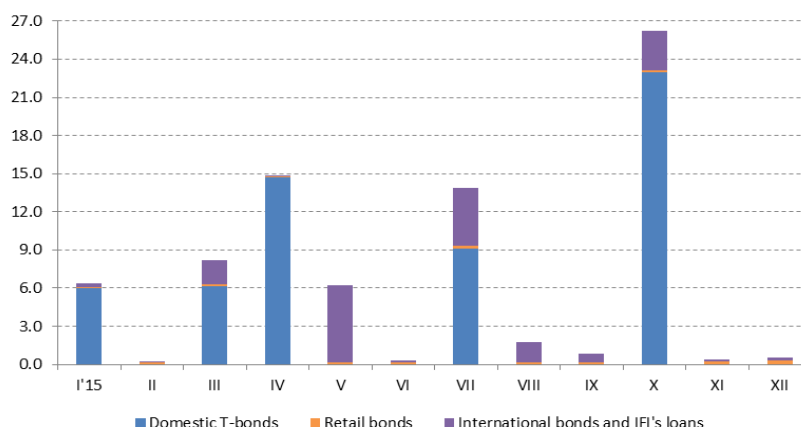


State Treasury debt redemptions in 2015

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

The nominal amount of debt to be redeemed in 2015 is equal to PLN 43.9bn, including:

- T-bonds: PLN 32.1bn,
- T-retail bonds: PLN 1.4bn,
- bonds and loans incurred on foreign markets: PLN 10.4bn.

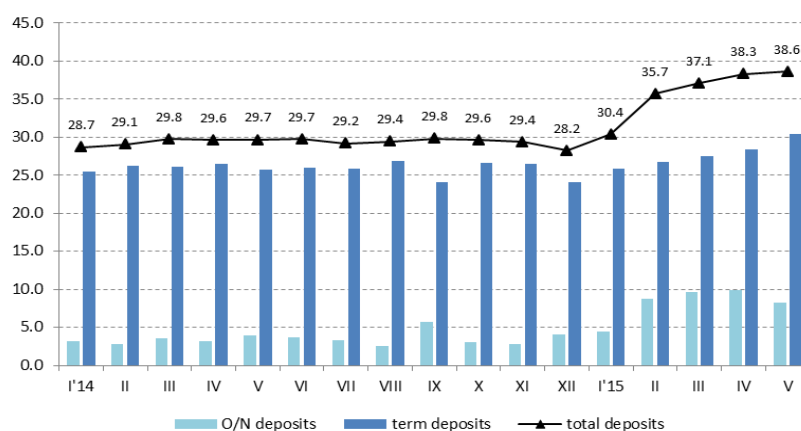


Consolidation of public finances liquidity management

PLN bn

As a result of consolidation of public finances liquidity management there were PLN 38.6bn funds accumulated at the end of May, of which PLN 30.4bn was as term deposits and PLN 8.3bn on O/N deposits.

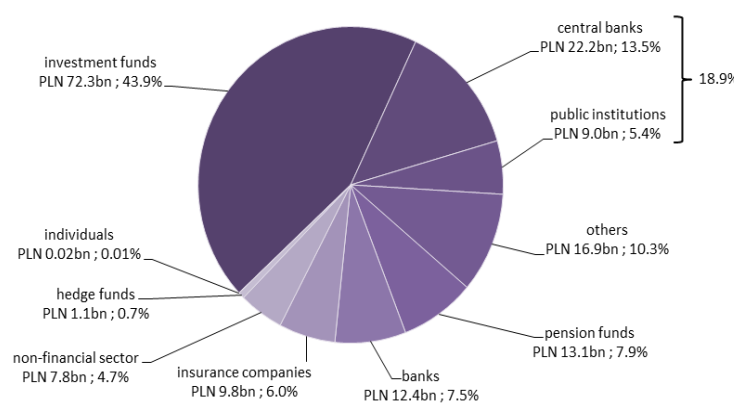
In the period of January - February 2015 the second stage of the consolidation took place (the number of public finance units was increased and court deposits were also included in the consolidation).



Institutional distribution of domestic Treasury securities held by non-residents

as of April 30, 2015, the chart presents data excluding omnibus accounts

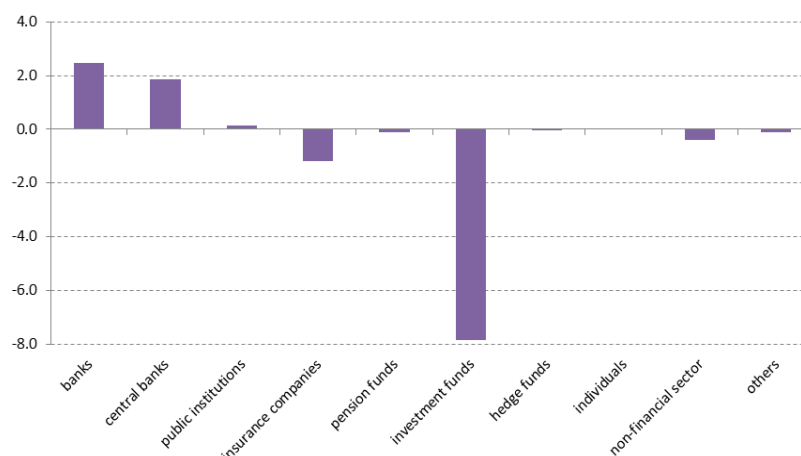
The share of non-residents in the domestic Treasury securities market decreased (PLN 5.2bn) and amounted to PLN 198.6bn which constituted 39.7% share in total debt in marketable T-bonds. The majority was dominated by stable, long-term non-banking investors. As of the end of April, central banks and public institutions' share in holdings increased again and amounted to 18.9%.



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

as of April 30, 2015

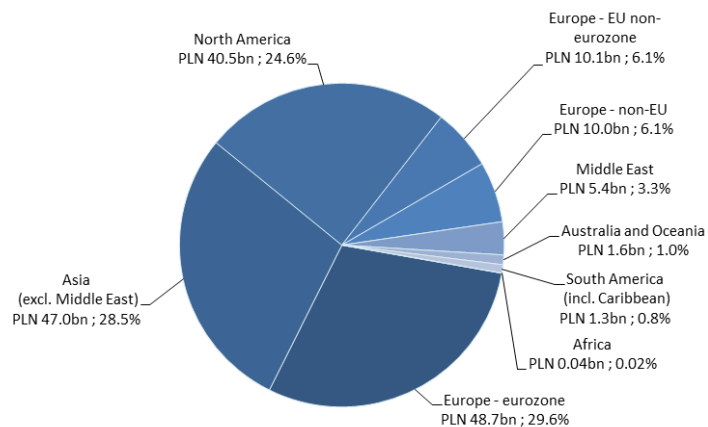
In April 2015 the highest increase in T-securities portfolio was noted by banks (PLN 2.5 bn) as well as central banks and public institutions (PLN 2.0bn). The lowest, on the other hand, was recorded by investment funds (PLN -7.8bn).



Geographical distribution of domestic Treasury securities held by non-residents

as of April 30, 2015, excluding omnibus accounts

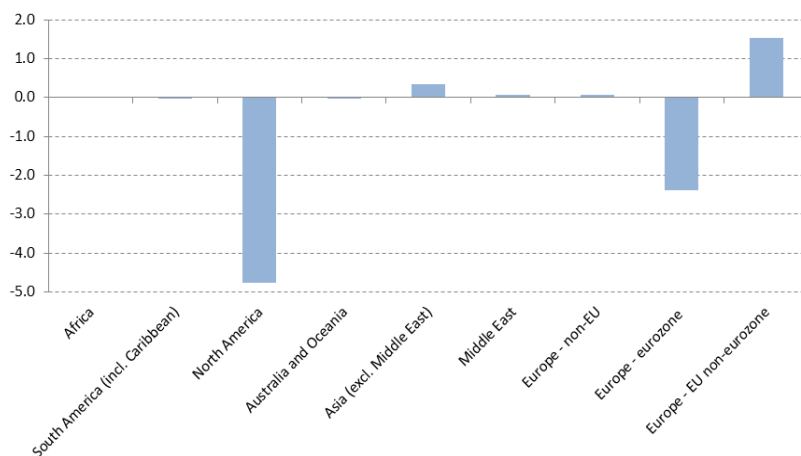
Geographical structure of domestic T-bonds held by non-residents, as well as institutional distribution, is well-diversified.



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

as of April 30, 2015, PLN bn

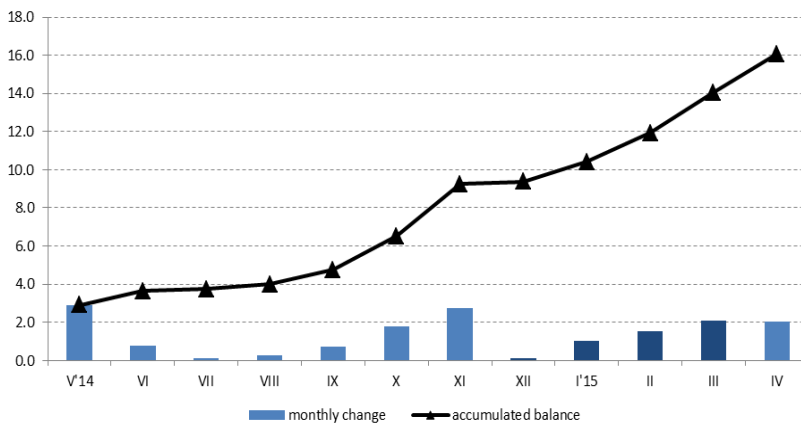
In April 2015 the most significant increase in holdings was recorded by entities from EU non-eurozone (PLN 1.5bn). The highest decreases occurred in the North America (PLN -4.8bn) and the euro area investors' portfolios (PLN -2.4bn).



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

as of April 30, 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 April 2015, when the detailed information is available, increased by PLN 16.1bn. In April the increase was higher than a month ago and amounted to PLN 2.0bn.



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

as of April 30, 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	39,391.4	27.67%
Luxembourg	26,225.8	18.42%
Japan	17,881.4	12.56%
United Kingdom	8,338.6	5.86%
Norway	8,137.8	5.72%
Thailand	7,094.5	4.98%
Ireland	6,221.2	4.37%
Germany	6,020.6	4.23%
France	3,599.3	2.53%
Netherlands	3,468.4	2.44%
Austria	2,119.7	1.49%
United Arab Emirates	1,966.9	1.38%
Switzerland	1,644.1	1.15%
Australia	1,478.3	1.04%
Pozostałe kraje	8,763.2	6.16%
Suma	142,351.1	100.00%

Rating agencies' comments

Fitch

15-05-2015

The European Commission's recommendation that Poland should leave the Excessive Deficit Procedure (EDP) highlights the effectiveness of Poland's deficit reduction strategy and the positive fiscal impact of a strong economic performance.

[...] The introduction of an expenditure rule to limit the growth in government spending from one year to the next, also contributed to tighter spending control in 2014.

[...] Our deficit forecasts are consistent with a stabilisation of government debt at slightly below 50% of GDP (in line with ratings peers). But a sustainable decline in government debt that would be positive for the rating would be more likely if deficits fell further, below the 2.5%-3.0% range.

[...] The Commission said this week that "the conditions are now fulfilled for an early closure of Poland's Excessive Deficit Procedure." [...] The final decision will be taken by the Council of Ministers in June. Poland has been under the EDP since 2009.

Moody's

22-05-2015

Macroeconomic stability supported by strong and effective institutions, proven resilience in times of stress and sustainable growth prospects underpin Poland's A2 government bond rating.

[...] we forecast growth of 3.5% and 3.4% in 2015 and 2016, respectively underlined by EU-financed projects and further improvement in personal incomes.

The government's fiscal strength coupled with favourable debt metrics also support the rating.

We would consider upgrading Poland's sovereign rating if the government was able to decrease the structural budget deficit and reduce debt ratios sustainably. Upward pressure on the ratings could also result from a further reduction in external vulnerabilities through a strengthening of the country's external finances over the medium term.

Conversely, Poland's A2 government bond rating could experience downward pressure if the government significantly veered from its consolidation targets and if this led to a deterioration in debt dynamics. Moreover, we would also view negatively any substantial increases in external and financial vulnerabilities or dwindling potential growth prospects.

Poland's robust and resilient growth has been underpinned by the effectiveness and strength of Polish institutions.

Out of all EU members, Poland not only secured the highest amount of cohesion and structural EU funds, but was also able to efficiently absorb them [...]

Real GDP growth of 3.4% in 2014 confirmed the robustness of the recovery.

Our assessment of Poland's Institutional Strength is 'very high (-)' based on the country's solid scores on the World Bank's Governance Indicators and on the considerable degree of transparency and consensus on key policy goals. Our overall assessment is also supported by the country's high credibility and the effectiveness of government policies, as reflected by low inflation and limited inflation volatility in particular. One other supporting factor of the sovereign's Institutional Strength is the government's fiscal prudence and commitment, as evidenced by arrangements such as the introduction of the debt brake rule protected by the Polish Constitution and the newly introduced stabilizing expenditure rule.

The recent compression of sovereign bond yields along the entire yield curve testifies to the robust demand for Polish government securities, as credit quality and the positive spread against euro-denominated interest rates remain attractive. All in all, the abundant liquidity provided by the ECB, the proved and expected resilience in real growth as well as the recent improvement on the fiscal side will shield Polish government bonds from major market volatilities potentially stemming from the announced tightening cycle by the Fed and the risks stemming from the Greece crisis.

Rating agencies' comments

S&P

26-05-2015

The ratings on Poland already incorporate our estimates of a certain degree of pre-election spending, including a projected deficit of 3% of GDP, which contrasts with the government's forecast of 2.7% of GDP. However, given more recent rhetoric from the ruling and opposition parties, further loosening of the government's fiscal stance may be likely before Polish citizens cast their votes in October. That said, we understand that the government is strongly committed to keeping the deficit below 3% of GDP this year, which may be aided by stronger-than-anticipated growth.

Nevertheless, uncertainty surrounding the outcome of the October elections increases the volatility of future policymaking, in our view. As we have previously stated, any drastic policy reversals regarding fiscal consolidation or macroeconomic management could lead us to revise our outlook on Poland to stable.

European Commission's press release

European Commission

Decision under the Stability and Growth Pact

13-05-2015

The European Commission recommends to the Council to:

- *close the Excessive Deficit Procedures (EDP) for Malta and Poland [...]*

[...] In July 2009, following a recommendation from the Commission, the Council decided that Poland had an excessive deficit. At the same time, the Council recommended to Poland to bring the excessive deficit situation to an end by 2012. In June 2013, the Council concluded that Poland had taken effective action to reduce the deficit, but adverse economic events with major implications on public finances had occurred after the adoption of the original recommendation. Therefore, the Council issued a new recommendation to Poland to bring the excessive deficit situation to an end by 2014. However, in December 2013, the Council decided under Article 126(8) of the Treaty that Poland had not taken effective action in response to the new Council Recommendation. It recommended Poland put an end to the excessive deficit situation by 2015.

In Poland, the headline figure for the deficit was 3.2% of GDP in 2014, thus above the reference value of 3% of GDP. Costs are still occurring in 2014 from a systemic pension reform in 1999 even after a law reversed the reform in December 2013. Once these net costs of the pension reform from 1999 are taken into account, the deficit is below 3% of GDP in 2014 (2.7% in 2015). Thus the Commission considers that Poland respects the deficit criterion of the Stability and Growth Pact.

[...] In 2014, Poland's general government deficit amounted to 3.2% of GDP. Since this number has been consistently close to the reference value and Poland's debt-to-GDP ratio is below the 60% of GDP reference value, Poland is eligible to the provisions regarding systemic pension reforms (Article 2(7) of Regulation 1467/97). This means that the Commission takes into account the net costs of the pension reform of 1999 when assessing the correction of the excessive deficit. Total direct net costs from the pension reform are estimated at 0.4% of GDP for the period January – July 2014. They are thus sufficient to explain the excess of the deficit over the 3% of GDP reference value in 2014.

The Polish government's convergence programme targets a deficit of 2.7% of GDP in 2015 and of 2.3% of GDP in 2016. The Commission's 2015 spring forecast projects a deficit of 2.8% of GDP in 2015, and, based on a no-policy change assumption, of 2.6% of GDP in 2016. Thus, the deficit is set to remain below the Treaty reference value of 3% of GDP over the forecast horizon of 2015 and 2016.

Therefore, based on the Commission's 2015 spring forecast, Poland has achieved a timely and durable correction of the excessive deficit by 2014. The EDP can be closed.

MoF comments

Mateusz Szczurek, Minister of Finance

*An extract from the The Wall Street Journal's article
17-05-2015*

Poland's has narrowed its public deficit in recent years, from a peak of 7.6% of GDP in 2010, prompting the European Commission to last week to recommend that the country be freed from budgetary oversight by Brussels.

The finance minister said the government's deficit targets—2.7% of economic output in 2015 and to 2.3% the following year—could be more achievable because “after the first quarter there is a chance growth will be faster than the planned 3.4%.”

The EU's largest emerging economy grew 3.5% annually in the first three months of 2015, leading many economists to raise their full-year forecasts to around 3.7%. Mr. Szczurek reiterated that he expects growth next year to be 3.8%.

Poland's credit ratings have remained unchanged for eight years despite uninterrupted economic expansion and recent reductions in public deficit and debt, which was at 50.1% of GDP at the end of 2014. Fitch Ratings and Standard & Poor's both rate Poland at “A-minus,” with Moody's Investors Service's rating is “A2,” but all three firms have been cautious about upgrading their ratings.

Mr. Szczurek played down the importance of credit ratings for Poland because global appetite for Polish government bonds has pushed yields to record lows earlier this year. Bond yields fall as prices rise. Investors' view of Poland is “much more important than any letter used to describe us,” he said.

“Given Poland's current good position on the financial markets, it may be worth analyzing whether we should be paying all the three rating agencies to maintain our rating. There is a lot of countries that don't,” he said.

Artur Radziwiłł, Undersecretary of State at the Ministry of Finance

*Statement for the Polish Press Agency
27-05-2015*

As far as debt issuance (in that on foreign markets) is concerned, we will act opportunistically, as we have to date. We will keep a close eye on markets when considering any issues given the current period of high instability on financial markets. Given a high level of 2015 financing of the borrowing needs we can be flexible and we are under no pressure to rush.

Piotr Marczak, Director of the Public Debt Department, MoF

29-05-2015

By the end of May we have financed 70% of 2015 borrowing requirements and increased the level of liquid funds reserves in PLN and foreign currencies to a record level at around PLN 65bn.

A large reserve funds amid significant uncertainty and volatility on the financial markets affected the limited supply of bonds in June. We are going to organize only one sale auction with the supply of bonds up to PLN 4bn. The final offer will depend on the current market situation, e.g. we assume the possibility of resignation from 10-year bonds issue as well as reducing the overall supply in case of weaker market environment.

In June we may also organize a switch auction, on which traditionally we are not going to offer bonds sold on standard sale auction. Due to an interest raised by investors we are analysing the possibility of returning to the sale of bonds indexed to inflation. The decision of the possible new inflation-linked bonds issues and their parameters will depend on the results of consultation with investors.

In April foreign investors decreased their portfolios of PLN denominated bonds by PLN 5.2bn. It resulted from the redemption of Treasury bonds maturing on April 25th (PS0415) held by this group of investors at the level of PLN 9.3 bn.



III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

MoF comments

The decrease in foreign investors resulted mainly from:

- outflow of investment funds (PLN 7.8 bn, mainly from the USA and Luxemburg), insurance companies (PLN 1.2 bn, in the vast majority from Japan) and the non-financial investors (PLN 0.4 bn)

- inflow of commercial banks (PLN 2.5 bn, mainly from the UK and France) as well as central banks and public institutions (PLN 2.0 bn).

Increase of holdings of central banks and public institutions resulted from the inflow of capital from Asia (PLN 1.8 bn), Middle East (PLN 0.1 bn) and the European countries outside the EU (PLN 0.1 bn). Recent discussions we had with Asian central banks prove that the real involvement of this group of investors on the Polish debt market is higher than statistical data show. This is because part of the central banks' and public institutions' investments are made in fact through investment funds. Thus these purchases are recorded as funds' transactions. The actual value of bonds in central banks' and public institutions' portfolios may be even 50% greater than PLN 31.2 bn, which occurs in statistics.

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

IV. SUPPLY PLAN OF TREASURY SECURITIES IN JUNE 2015



Treasury bond auction

Auction date	Settlement date	Series	Planned offer (PLN m)
11 JUNE 2015	15 JUNE 2015	choice will depend on the market conditions from the following T-bonds: OK0717 / WZ0120 / DS0725	1,000-4,000
<p><i>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.</i></p> <p><i>The Minister of Finance is entitled to organize non-competitive auctions where bonds will be sold at a minimum clean price.</i></p>			

Treasury bond switching auction

Auction/ settlement date	Settlement T-bond	Source T-bond	Outstanding (PLN m)
25 JUNE 2015/ 29 JUNE 2015	choice will depend on the market conditions, excluding bonds offered at the first auction	OK0715	9,110
		DS1015	22,961

Offer on retail market

T-bond	Issue price	Coupon
DOS0617	PLN 100.00 (99.90 PLN for rolling-over)	Fixed, 2.00%
TOZ0618	PLN 100.00 (99.90 PLN for rolling-over)	Floating (1.00 * WIBOR 6M) 2.10% in the first coupon period
COI0619	PLN 100.00 (99.90 PLN for rolling-over)	Floating (inflation rate + 1.25%) 2.30% in the first coupon period
EDO0625	PLN 100.00 (99.90 PLN for rolling-over)	Floating (inflation rate + 1.50%) 2.50% in the first coupon period