



Ministry
of Finance

Republic
of Poland

Public Debt Department

State budget borrowing requirements' financing plan and its background

May 2016

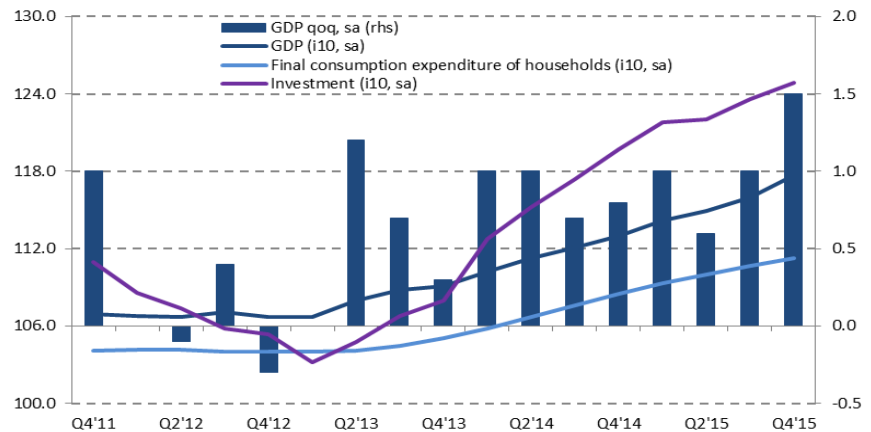
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Gross domestic product of Poland

constant prices, yoy
source: GUS

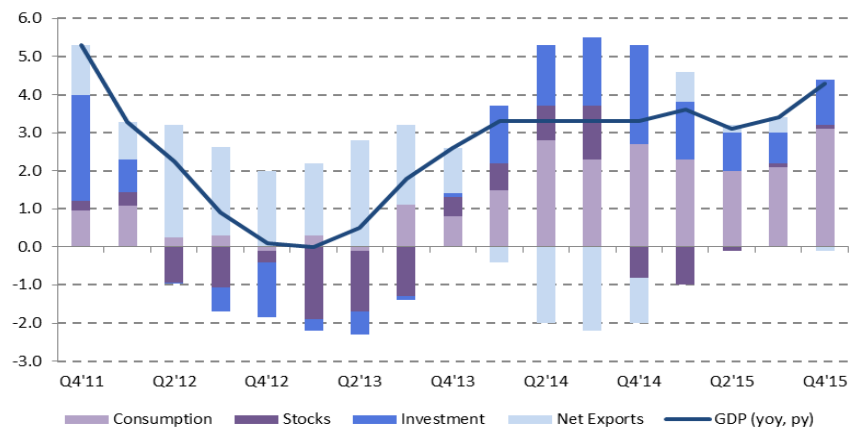
A steady recovery started in the second quarter of 2013. In the fourth quarter of 2015 GDP growth accelerated to 1.5% (qoq, sa), following an increase by 1.0% in the third quarter of 2015.



Contributions to Poland's GDP growth

percentage points
source: GUS; py - average prices of the previous year

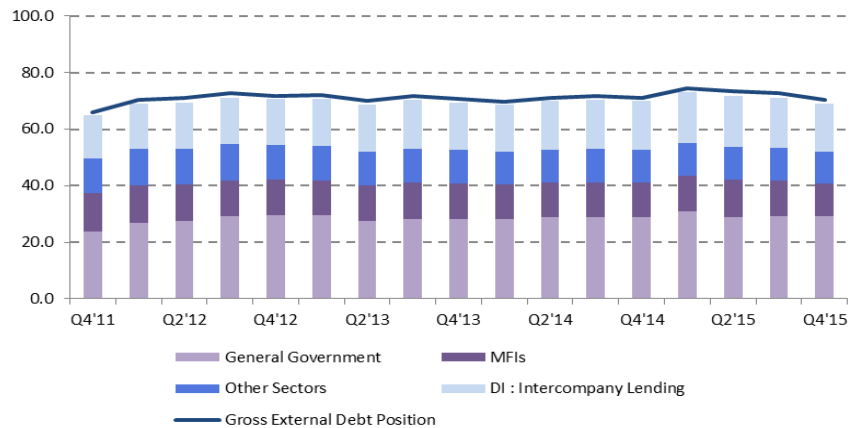
In the fourth quarter of 2015 GDP was 4.3% higher than a year ago, which was the best result in the course of the last four years. Domestic demand was the only source of GDP growth, mainly due to public consumption, households consumption and investments. The pace of investments and households consumption growth (in yoy terms) remained stable vs prev. quarter (4.4% and 3.0%, respectively) and the pace of public consumption growth turned out to be significantly higher (8.7%). The net exports contribution was slightly negative with high exports and imports dynamics (in yoy terms).



Poland's gross external debt position

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

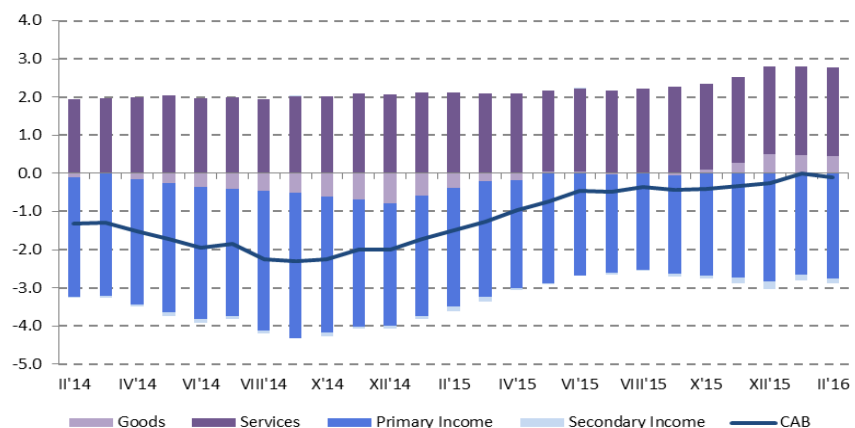
Gross external debt reached EUR 300.7bn (70.3% of GDP) at the end of the fourth quarter of 2015 and was EUR 5.5bn lower than in the previous quarter. The share of general government sector debt in total debt increased to 41.5%. Official reserve assets reached EUR 90.6bn at the end of February 2016 and remained broadly adequate, covering over 5 months of imports.



Current account balance

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

In February 2016, according to the preliminary data, C/A balance was slightly negative and amounted to 0.1% of GDP (in 12-month terms of GDP). Inflow of long term capital, i.e. EU structural funds classified on capital account and, to a lesser extent, direct investments of non-residents also continued.

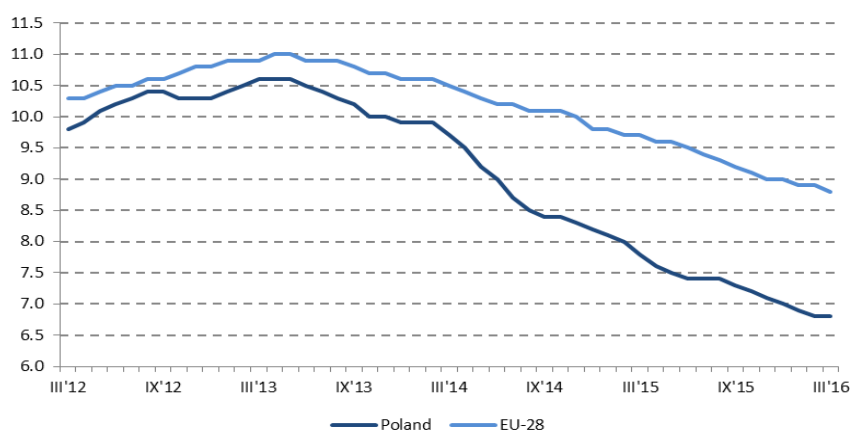




Harmonised unemployment rate

percent, seasonally adjusted data
source: Eurostat

Harmonised unemployment rate (sa) has continued its downward trend since mid-2013. In March 2016 it amounted to 6.8% (versus 8.8% in EU on average) and was stable compared to the previous month and 1.0 pp lower than a year before. It was only slightly higher than the minimum reached in October 2008 (6.6%).

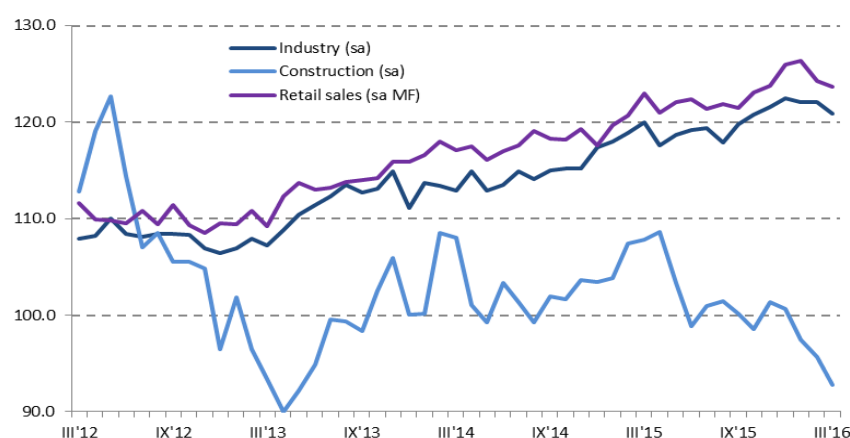


Monthly indicators of the real sector

sold production in constant prices, i10, seasonally adjusted data
source: GUS

In March 2016 industrial output went down by 1.0% (mom, sa). As a result, production was only 0.5% higher than a year ago (nsa). In March 2016 construction production dropped by 3%, following decreases in three previous months (mom, sa). As a result, its level was 15.8% (nsa) lower than a year before.

In March 2016 real retail sales went down by 0.5%, following relatively deep decrease in the previous month (mom, sa MoF). As a result, its level was 3% (nsa) higher than in the same month of 2015.



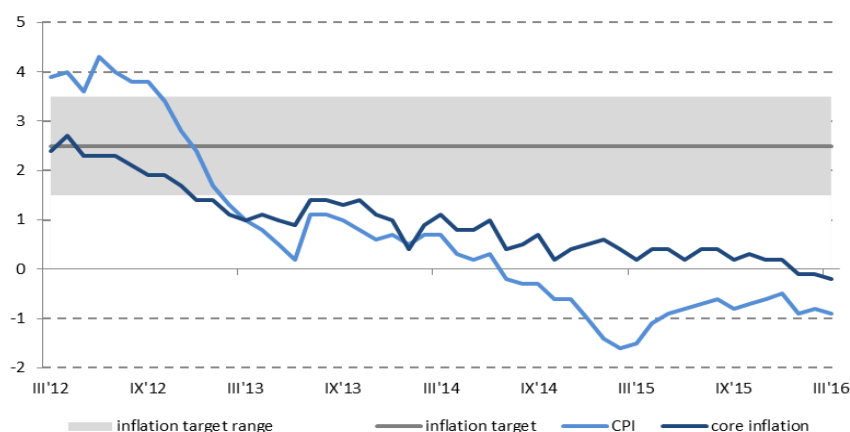
Inflation

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 March 2016 deflation amounted to 0.9% (yoy).

Core inflation (CPI excluding food and energy prices) in the first quarter of 2016 dropped below zero (in March to -0.2% yoy).

Deflation in producer prices has been lasting over 3 years (1.7% yoy in March 2016).

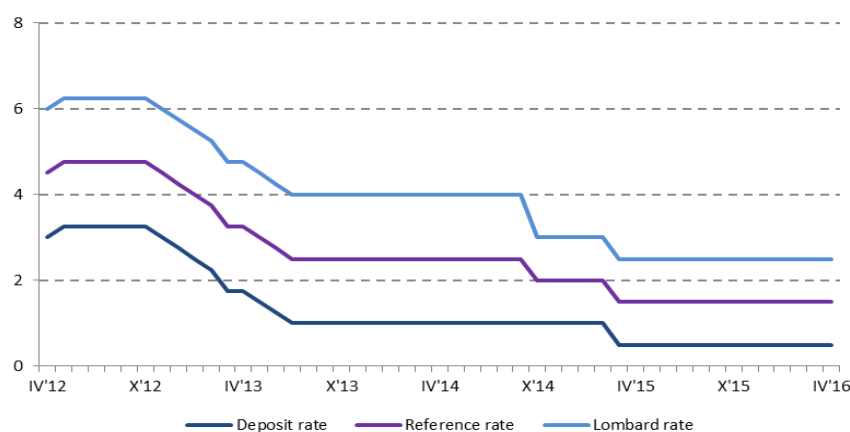


NBP interest rates

percent, end of period
source: NBP

In April 2016 the Monetary Policy Council (MPC) left NBP's interest rates unchanged, with the reference rate at 1.50%. In the Council's assessment, the current level of interest rates is conducive to keeping the Polish economy on the sustainable growth path and maintaining macroeconomic balance.

According to the latest Reuters' poll (March, 30th) bank analysts expected the MPC to keep interest rates unchanged in 2016.



II. STATISTICAL DATA

	Unit	2014		2015			
		Q03	Q04	Q01	Q02	Q03	Q04
GDP							
Gross domestic product	YoY	3.3	3.3	3.6	3.1	3.4	4.3
	QoQ SA	0.7	0.8	1.0	0.6	1.0	1.5
Final consumption expenditure of the households sector	YoY	2.3	2.8	3.1	3.1	3.1	3.0
	QoQ SA	0.8	0.9	0.8	0.7	0.6	0.5
Final consumption expenditure of the general government sector	YoY	5.1	7.2	1.8	0.8	0.9	8.7
	QoQ SA	0.7	-0.1	0.7	1.1	0.8	2.5
Gross fixed capital formation	YoY	9.7	9.7	11.8	5.8	4.4	4.4
	QoQ SA	1.9	1.9	1.8	0.2	1.3	1.1
Exports of goods and services	YoY	4.7	6.9	8.3	5.2	5.6	8.2
	QoQ SA	1.7	1.7	1.9	0.7	1.9	3.2
Imports of goods and services	YoY	9.7	10.1	6.9	5.0	4.9	8.6
	QoQ SA	2.6	0.6	1.4	0.9	1.7	3.8
Gross value added	YoY	3.4	3.2	3.2	3.0	3.3	4.2
	QoQ SA	0.9	0.4	0.9	0.8	0.9	1.5
Contribution to GDP growth							
Final consumption expenditure of the households sector	pp.	1.4	1.4	2.0	1.9	1.9	1.5
Final consumption expenditure of the general government sector	pp.	0.9	1.3	0.3	0.1	0.2	1.6
Gross fixed capital formation	pp.	1.8	2.6	1.5	1.0	0.8	1.2
Changes in inventories	pp.	1.4	-0.8	-1.0	-0.1	0.1	0.1
Balance of trade turnover	pp.	-2.2	-1.2	0.8	0.2	0.4	-0.1
Gross value added	pp.	3.1	2.9	2.9	2.6	2.9	3.7
Taxes less subsidies	pp.	0.2	0.4	0.7	0.5	0.5	0.6
GDP structure							
Final consumption expenditure of the households sector	% of GDP	60.3	51.2	64.6	59.8	60.4	48.8
Final consumption expenditure of the general government sector	% of GDP	17.8	19.0	17.4	17.8	17.3	19.5
Gross fixed capital formation	% of GDP	19.0	27.8	14.0	18.1	19.3	27.5
Changes in inventories	% of GDP	0.6	0.5	-0.6	0.6	0.8	0.6
Exports of goods and services	% of GDP	48.3	44.8	51.8	50.1	49.8	46.4
Imports of goods and services	% of GDP	46.9	44.0	47.9	47.2	48.4	43.4
Balance of payments							
	Unit	2015		2016			
		M10	M11	M12	M01	M02	M03
Goods: exports (EUR)	YoY	4.5	12.6	11.5	-0.4	4.9	-
Goods: imports (EUR)	YoY	0.2	6.7	3.8	0.3	6.5	-
Current account balance ¹⁾	% of GDP	-0.4	-0.3	-0.2	0.0	-0.1	-
Balance on goods ¹⁾	% of GDP	0.1	0.3	0.5	0.5	0.4	-
Official Reserve Assets	EUR min	91 557.1	92 675.4	86 893.5	91 474.1	90 605.5	88 533.2
Inflation							
Consumer Price Index (CPI)	YoY	-0.7	-0.6	-0.5	-0.9	-0.8	-0.9
Core inflation (CPI excluding food and energy prices)	YoY	0.3	0.2	0.2	-0.1	-0.1	-0.2
Producer Price Index (PPI)	YoY	-2.3	-1.8	-0.8	-1.2	-1.5	-1.7
Production							
Sold production of industry ²⁾	YoY	2.4	7.8	6.7	1.3	6.8	0.5
	MoM SA	0.8	0.7	0.7	-0.2	0.0	-1.0
Construction and assembly production ²⁾	YoY	-5.2	1.2	-0.4	-8.6	-10.5	-15.8
	MoM SA	-1.6	2.8	-0.7	-3.2	-1.8	-3.0
Manufacturing PMI	SA	52.2	52.1	52.1	50.9	52.8	53.8
Households and labour market							
Retail sales ²⁾	YoY	3.6	5.7	7.0	3.2	6.2	3.0
Average paid employment in enterprise sector	YoY	1.1	1.2	1.4	2.3	2.5	2.7
	MoM	0.3	0.2	0.2	1.4	0.1	0.3
Average monthly gross wages and salaries in enterprise sector (re)	YoY	4.0	4.6	3.6	5.0	4.8	4.2
	MoM	1.2	1.4	8.7	-8.7	1.0	5.1
Harmonised unemployment rate (Eurostat)	%, SA	7.2	7.1	7.0	6.9	6.8	6.8
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, HSEC, Market							
State Treasury debt							
	Unit	2015		2016			
		M09	M10	M11	M12	M01	M02
State Treasury debt (acc. to the place of issue criterion)	nominal, PLN mio	837 652.5	827 082.6	836 817.3	834 549.2	847 873.8	857 999.5
Domestic debt	nominal, PLN mio	555 441.4	535 234.1	544 400.1	543 260.8	537 122.9	563 189.2
	%	66.3	64.7	65.1	65.1	63.3	63.3
Foreign debt	nominal, PLN mio	282 211.1	291 848.5	292 417.2	291 288.4	310 750.9	294 810.3
	%	33.7	35.3	34.9	34.9	36.7	34.4
Public debt (domestic definition)							
	Unit	2014		2015			
		Q03	Q04	Q01	Q02	Q03	Q04 ¹⁾
Public debt (acc. to the place of issue criterion)	nominal, PLN mio	802 133.0	826 772.2	848 180.4	858 207.1	876 402.8	877 283.6
Domestic debt	nominal, PLN mio	522 068.5	534 790.1	559 039.5	564 478.8	579 089.4	570 484.3
	%	65.1	64.7	65.9	65.8	66.1	65.0
Foreign debt	nominal, PLN mio	280 064.5	291 982.1	289 140.9	293 728.2	297 313.3	306 799.4
	%	34.9	35.3	34.1	34.2	33.9	35.0
General Government debt (EU definition)							
General Government debt	nominal, PLN mio	839 991.1	867 920.7	881 421.6	890 834.3	910 018.8	917 771.6



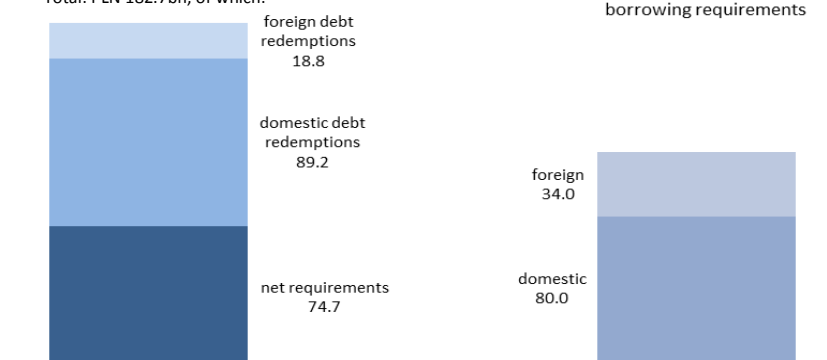
Gross borrowing requirements in 2016

Financing of the State budget borrowing requirements at the level of ca. 62% was a result of:

- T-bond sale on domestic market: PLN 51.9bn,
- switch auctions: 8.4bn,
- T-bond sale on foreign markets: PLN 17.3bn (EUR 2.5bn, USD 1.7bn),
- switch auctions in 2015: PLN 16.4bn,
- T-bonds buyback on foreign markets: EUR 0.7bn,
- and higher than planned financial resources at the end of 2015: PLN 16.9bn (initial data, the final amount will be announced after final settlement of the budget outcome for 2015).

Gross borrowing requirements in 2016 (acc. to the Budget Act)

Total: PLN 182.7bn, of which:



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

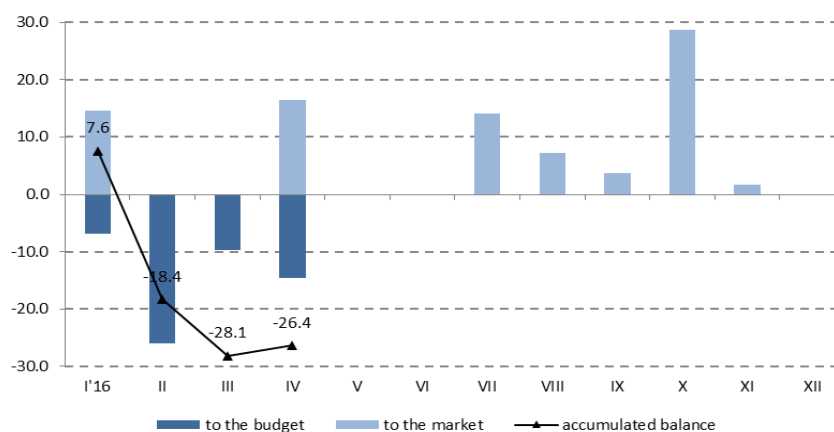
In May there will be no funds transferred from the State budget to the market related to T-securities (neither TS redemptions nor interest payments).

Flows of funds between the market and the budget*

as of April 30, 2016, PLN bn

As of April 30, 2016, to the end of the year the funds to be transferred to the market shall amount to PLN 55.5bn.

* figures include sale, redemptions and interest payments on wholesale bonds and T-bills; 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.

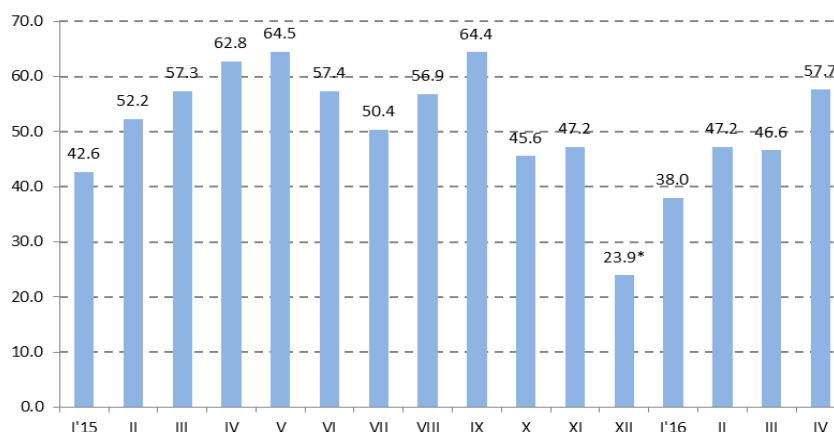


Funds in PLN and in foreign currency on budgetary accounts at the end of month

funds financing the borrowing needs, PLN bn

The funds ensure liquidity in borrowing needs financing.

* initial data, the final amount will be announced after the final settlement of the budget outcome for 2015.



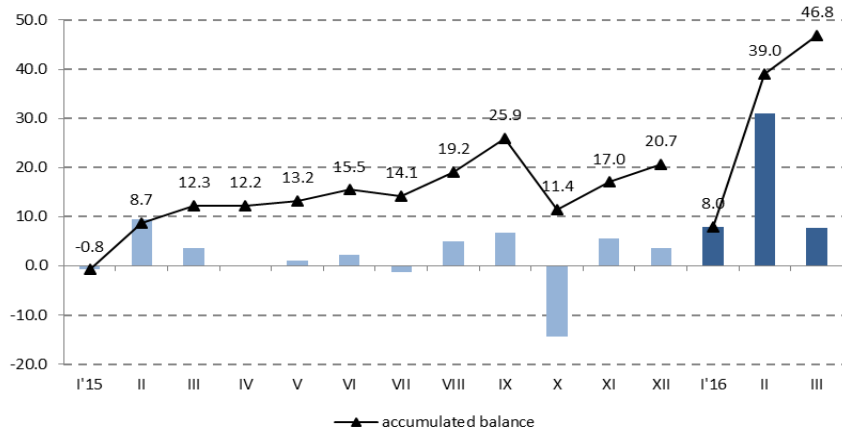


III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

Change of debt in domestic Treasury securities held by banks

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

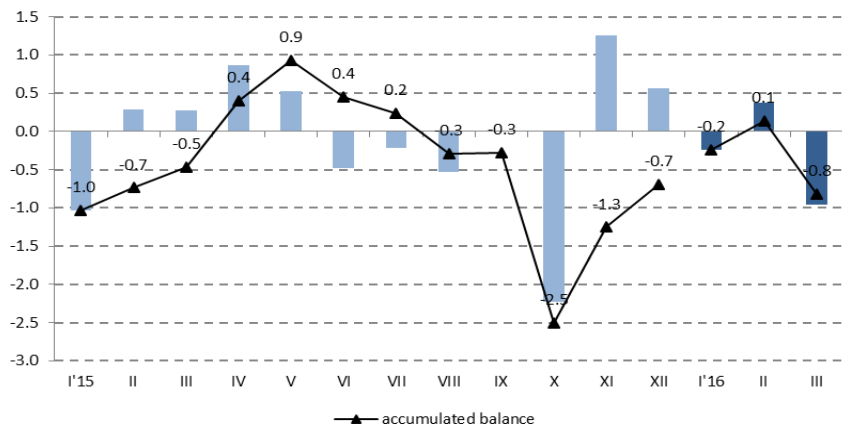
In the period of I-III 2016 debt held by domestic banks increased by PLN 46.8bn comparing to PLN 12.3bn increase during the same period of 2015.



Change of debt in domestic Treasury securities held by insurance companies

PLN bn

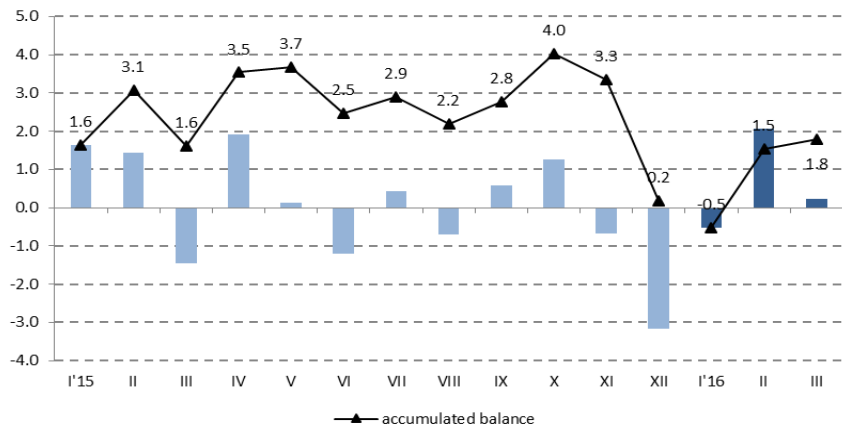
In the period of I-III 2016 there was a decrease of PLN 0.8bn in debt held by insurance companies. During the same period of 2015 there was a decrease of PLN 0.5bn.



Change of debt in domestic Treasury securities held by investment funds

PLN bn

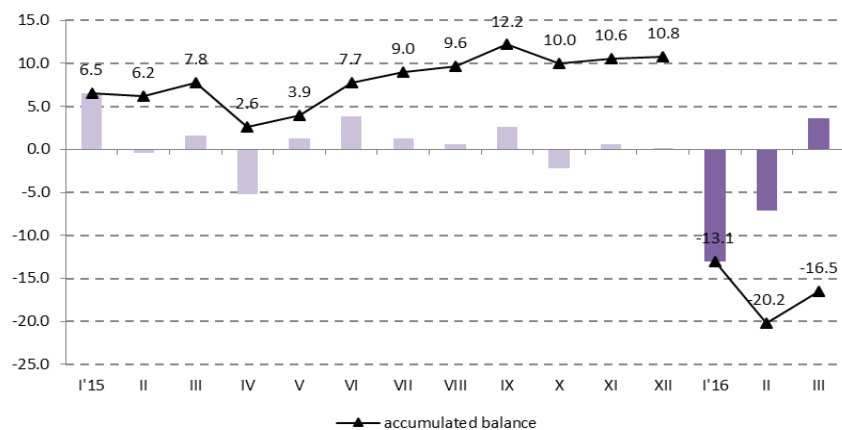
In the period of I-III 2016 there was an increase of PLN 1.8bn in debt held by investment funds. During the same period of 2015 there was an increase of PLN 1.6bn.



Change of debt in domestic Treasury securities held by foreign investors

PLN bn

In the period of I-III 2016 outflow of foreign capital from the domestic TS market amounted to PLN 16.5bn comparing to inflow of PLN 7.8bn in the same period of 2015. Foreign investors' holdings reached the level of PLN 190.2bn.



III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

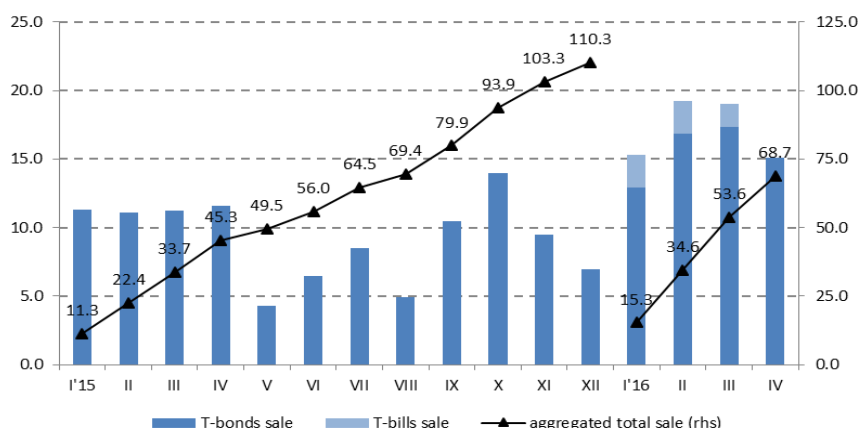


Sale of T-bonds and T-bills in the period of I-IV 2016 and 2015

auction date, nominal amount, PLN bn

In the period of I-IV 2016 aggregated total sale of:

- T-bonds amounted to PLN 62.2bn versus PLN 45.3bn as compared to the corresponding period of the previous year,
- T-bills amounted to PLN 6.5bn (since April 2013 to December 2015 T-bills were not offered).

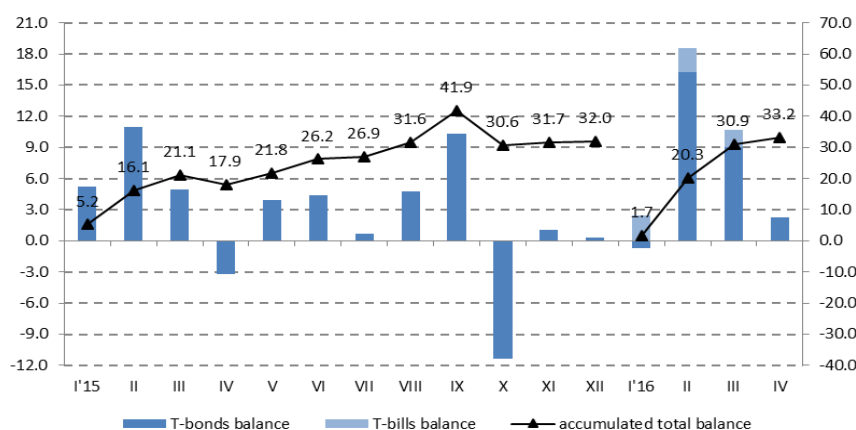


Balance of T-bonds and T-bills in the period of I-IV 2016 and 2015

auction date, nominal amount, PLN bn

In the period of I-IV 2016 indebtedness in:

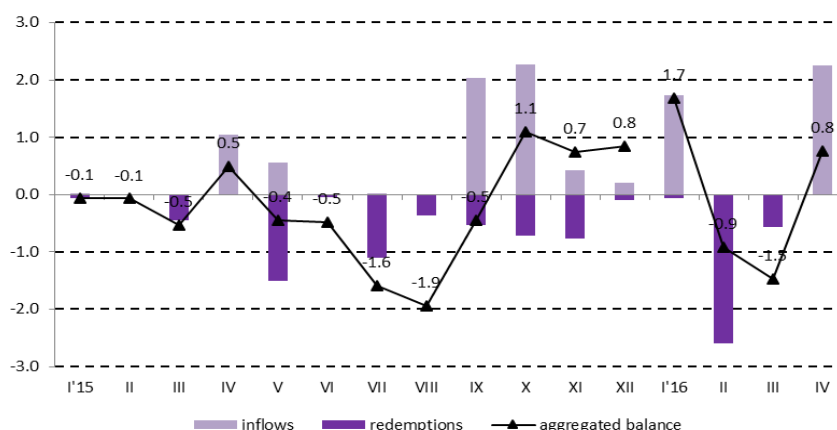
- T-bonds increased by PLN 26.8bn
- T-bills increased by PLN 6.5bn.



External financing in the period of I-IV 2016 and 2015

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

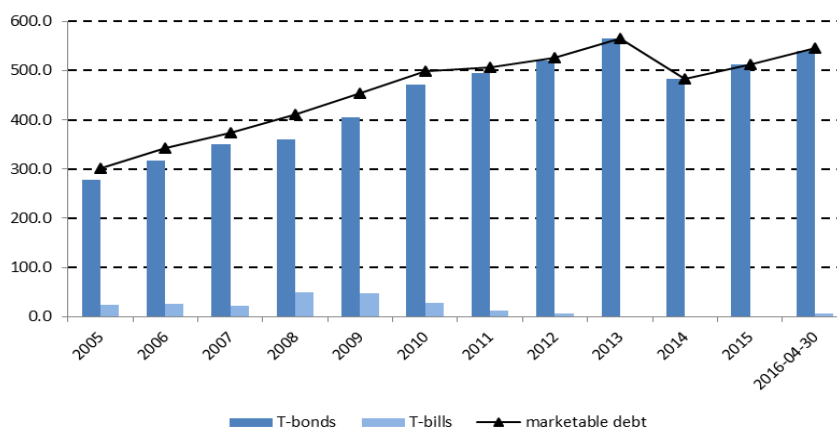
Net financing on foreign markets in the period of I-IV 2016 was positive and amounted to EUR 0.8bn. This was a result of positive balance of T-bonds issuance - EUR 1.4bn and negative balance of loans incurred from IFIs at the level of EUR 0.6bn.



Structure of marketable debt

PLN bn

At the end of April 2016 the marketable domestic debt amounted to PLN 546.3bn comparing to PLN 513.4bn at the end of 2015.



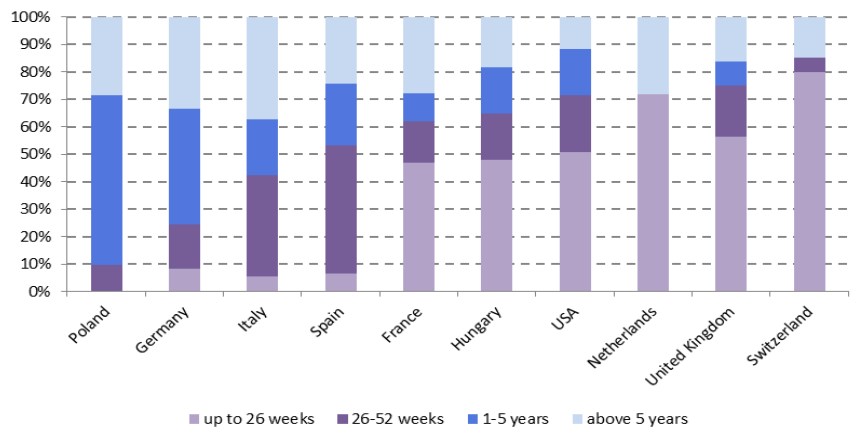


III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

Maturity breakdown of T-securities in Poland and other countries

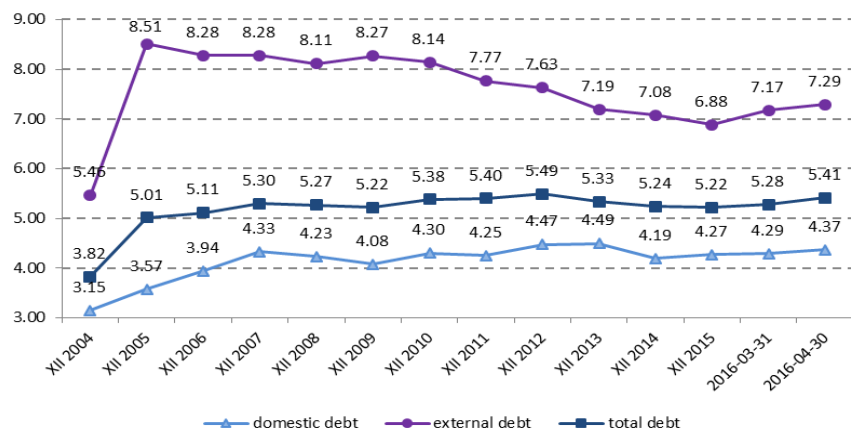
auctions and syndicates, local currency, ytd in the period of January 1 - April 30, 2016

The sale of TS in Poland in 2016 is dominated by securities maturing up to 5 years.



Average maturity

At the end of April 2016 the average maturity of domestic debt increased to 4.37 (while at the end of 2015 it was 4.27). The average of total debt increased to 5.41 (5.22 at the end of 2015).

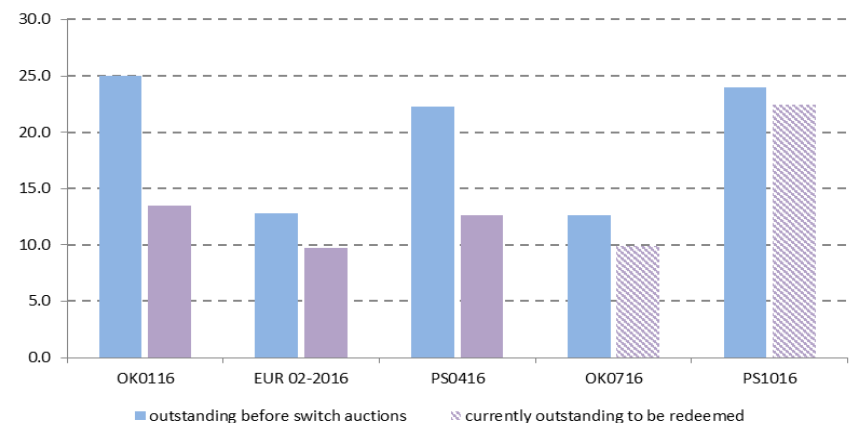


Reducing refinancing risk connected with T-bonds' redemptions maturing in 2016

nominal amount, as of April 30, 2016, PLN bn

Buy-back of T-bonds maturing in 2016 (by switch or cash settlement):

- OK0116: PLN 11.6bn (46%),
- EUR 02-2016: PLN 3.1bn (24%),
- PS0416: PLN 9.7bn (43%),
- OK0716: PLN 2.7bn (21%)
- PS1016: PLN 1.6bn (7%).

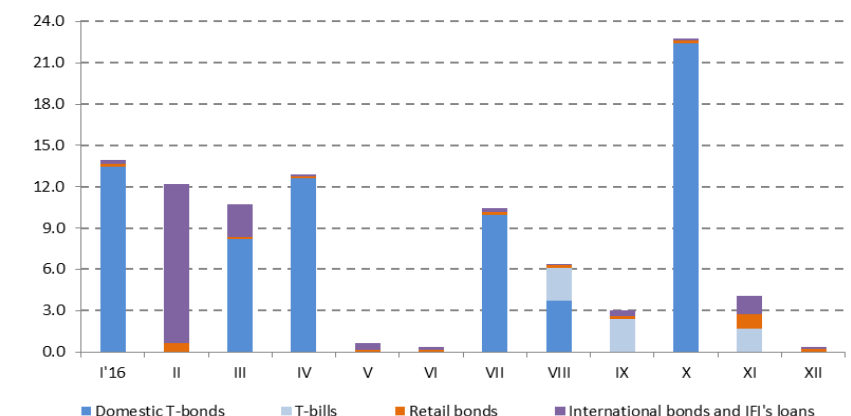


State Treasury debt redemptions in 2016

nominal amount, as of April 30, 2016; PLN bn

The nominal amount of debt to be redeemed in 2016 is equal to PLN 48.0bn, including:

- T-bonds: PLN 36.0bn,
- T-retail bonds: PLN 2.4bn,
- T-bills: PLN 6.5bn,
- bonds and loans incurred on foreign markets: PLN 3.0bn.



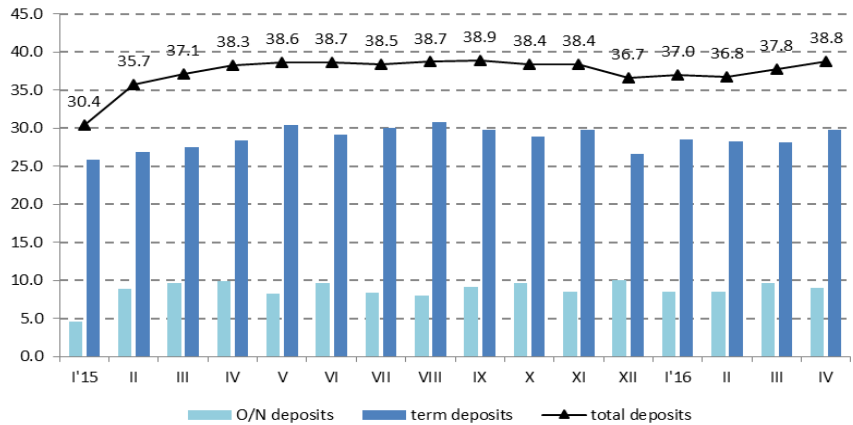
III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING



Consolidation of public finances liquidity management

PLN bn

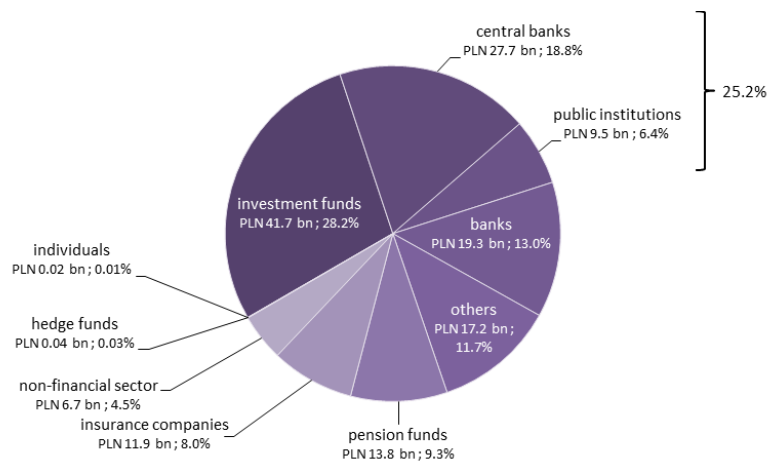
As a result of consolidation of public finances liquidity management there were PLN 38.8bn funds accumulated at the end of April, of which PLN 29.8bn was as term deposits and PLN 9.0bn on O/N deposits.



Institutional distribution of domestic T-bonds held by non-residents

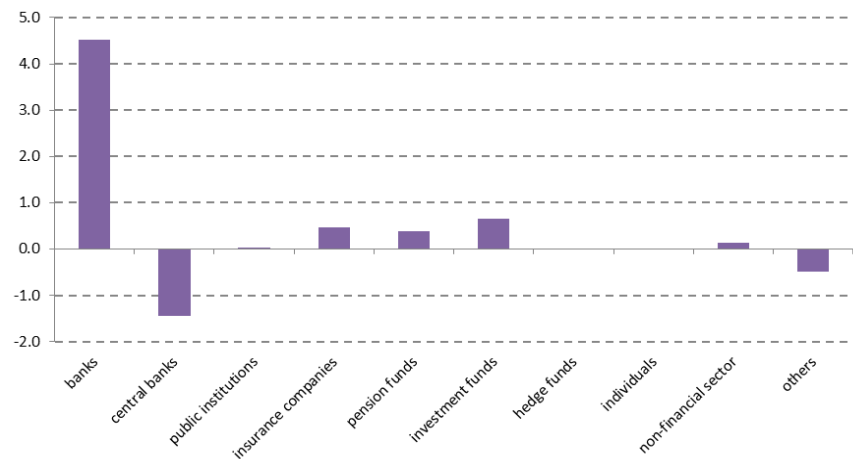
as of March 31, 2016, the chart presents data excluding omnibus accounts

In March 2016 the share of non-residents in the domestic Treasury bond market increased by PLN 3.6bn. The foreign investors' portfolio amounted to PLN 190.1bn which constituted 35.4% share in total debt in marketable T-bonds (35.3% in the previous month). As of the end of March 2016 central banks and public institutions' share in holdings amounted to 25.2%.



Change of debt in domestic T-bonds held by non-residents by institutions change in March 2016, mom, PLN bn

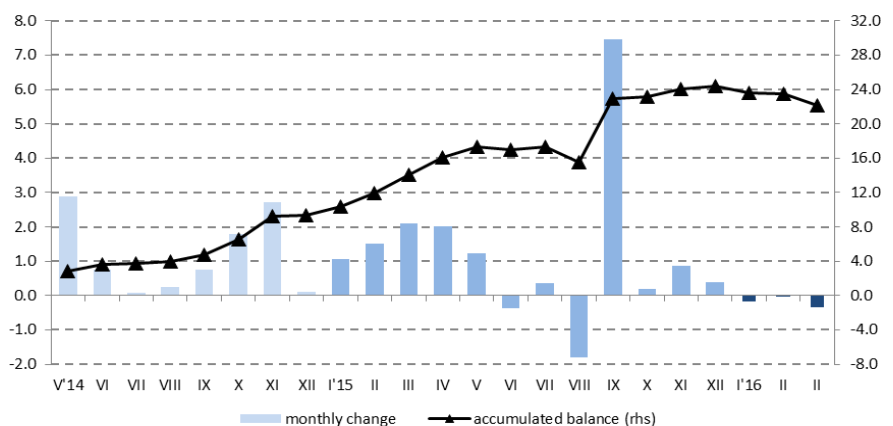
In March 2016 the highest increase of PLN 4.5bn in T-bonds portfolio was noted by banks. Decreases were recorded by central banks and entities from the "others" category which reduced their involvement in Polish T-bond market by PLN 1.4bn and PLN 0.5bn.



Change of debt in domestic T-bonds held by central banks and public institutions

change in March 2016, PLN bn

In March 2016 central banks and public institutions' involvement in the Polish debt market decreased by PLN 1.4bn. Since April 2014 to the end of March 2016, when the detailed information is available, portfolios of those entities increased by PLN 22.1bn.



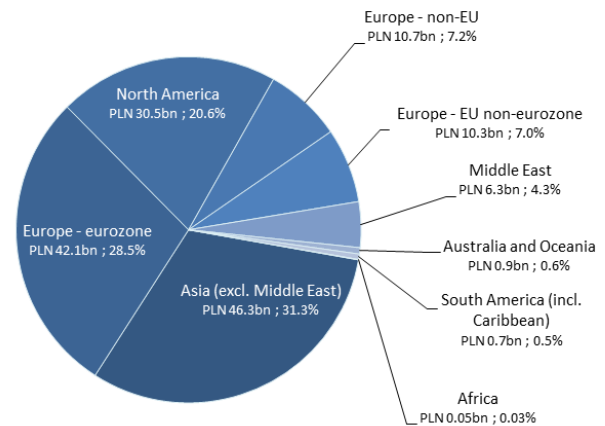


III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

Geographical distribution of domestic T-bonds held by non-residents

as of March 31, 2016, excluding omnibus accounts

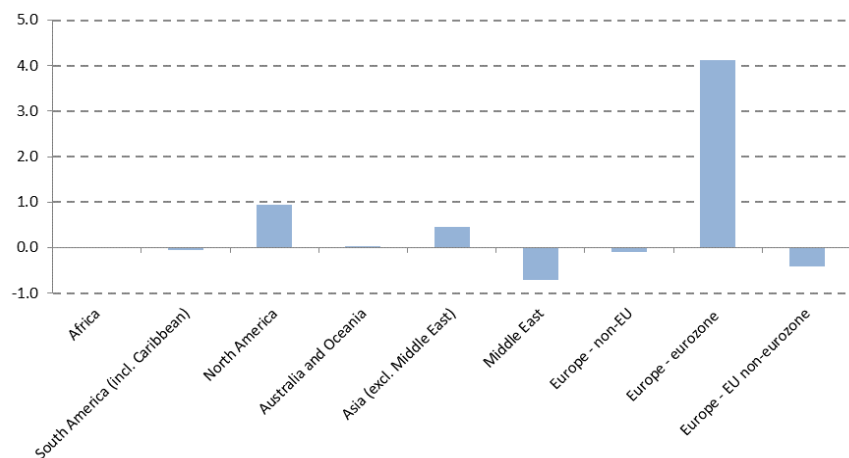
Geographical structure of domestic T-bonds held by non-residents, as well as institutional distribution, is well-diversified.



Change of debt in domestic T-bonds held by non-residents by regions

change in March 2016, mom, PLN bn

In March 2016 investors from the eurozone increased their involvement in the domestic T-bond market to a greater extent (PLN 4.1bn). The highest decrease was recorded by investors from the Middle East (PLN 0.7bn).



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

as of March 31, 2016, excluding omnibus accounts and central banks, countries with more than 1% share, PLN m

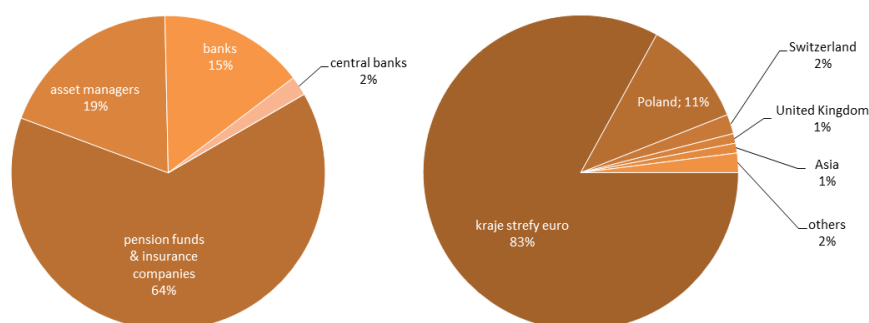
Countries	Outstanding in nominal value (PLN mio)	Share in non-residents holdings (%)
United States	29 506.3	24.6%
Japan	19 757.2	16.4%
Luxembourg	15 986.1	13.3%
Norway	8 417.0	7.0%
Austria	8 216.0	6.8%
United Kingdom	7 761.0	6.4%
Germany	5 859.9	4.9%
Ireland	5 510.1	4.6%
Netherlands	3 553.2	3.0%
France	2 079.7	1.7%
United Arab Emirates	2 070.4	1.7%
Switzerland	2 008.5	1.7%
Denmark	1 433.0	1.2%
Others	8 068.4	6.7%
Total	120 226.9	100.0%

III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING



Reopen of EUR denominated bond issue

Amount:	EUR 0.750bn (total: EUR 1.5bn)
Maturity date:	January 18th, 2036
Coupon:	2.375%
Spread:	125 bp over interpolated mid-swap rate
Yield:	2.275%
Launch date:	April 13th, 2016
Bookrunners:	Citi, HSBC, ING, Societe Generale, UniCredit



Convergence Programme. Update 2016

On April 26th, 2016 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.

	2015	2016	2017	2018	2019
GDP growth (%)	3.6	3.8	3.9	4.0	4.1
Average annual CPI inflation (%)	-0.9	-0.4	1.3	1.8	2.2
Balance of general government sector (% GDP)	-2.6	-2.6	-2.9	-2.0	-1.3
Debt of general government sector (% GDP)	51.3	52.0	52.5	52.0	50.4

According to the Programme in the years 2016-2019 debt management will be influenced by uncertainty in the financial markets arising, among others, from the divergence in monetary policies of ECB (continuation of quantitative easing) and Fed (expectation of interest rate hikes and normalization of the monetary policy) and slowdown of the economic growth pace in China resulting in an increase in investors' risk aversion. Measures associated with limiting the general government deficit should have a considerable impact on the level and shape of the yield curve, and thus, on the State Treasury debt servicing costs.

According to the Programme general government debt to GDP ratio (EU definition) will increase from 51.3% in 2015 to 52.5% in 2017 and, over next years of the forecast, will decrease to reach 50.4% of GDP in 2019.

The Convergence Programme. Update 2016 is available at: www.mf.gov.pl (Polish language version only).



III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

MoF comments

Piotr Nowak, Undersecretary of State, MoF

13-04-2016, Interview for the Polish Press Agency (fragments)

We have covered the borrowing requirements in foreign currencies for 2016. Thus, there are no plans to issue more on core markets, i.e. euro and US dollar, this year. Nevertheless we do not exclude such possibility. Besides that, we want to issue on the Chinese market.

Piotr Nowak, Undersecretary of State, MoF

29-04-2016, Interview for the Polish Press Agency (fragments)

We have financed about 62% of the borrowing requirements for 2016 and accumulated the highest level of liquid funds so far this year. This reserve funds of ca. PLN 57bn consists of funds in PLN and hard currencies.

There are also money from subsequent tranches of the loans incurred from international financial institutions ready to release and we are working on issuances on new foreign markets. The offer of the possible issuances would be adjusted to specificities of the particular market.

In May we will offer a standard set of T-bonds with a wide range of supply which would be narrowed before the auctions, depending on the market situation.

In March foreign investors increased their portfolios of PLN-denominated T-bonds by PLN 3.6bn. Some investors were still reducing their positions in bonds of maturity up to 1 year (PLN -1.7bn). The portfolio of T- bonds of medium-term (3-7 years) increased by PLN 0.9bn and long-term by PLN 4.4bn.

In April T-bonds of PLN 4.7bn held by foreign investors were redeemed. They rolled over the majority of maturing bonds. Simultaneously, they were still reducing their holdings of short-term bonds and increasing their exposure in medium- and long-term bonds.

IV. SUPPLY PLAN OF TREASURY SECURITIES IN MAY 2016



Treasury bond auction

Auction date	Settlement date	Series	Planned offer (PLN m)
5 MAY 2016	9 MAY 2016	OK1018 / DS0726	2,500-4,500
25 MAY 2016	30 MAY 2016	Choice will depend on the market conditions, excluding bonds offered at the 1st auction	2,000-6,000*

* 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.

T-bill auctions

Sale auctions of T-bills are not planned.

Offer on the retail market

T-bond	Issue price	Coupon
DOS0518	PLN 100.00 (99.90 PLN for rolling-over)	Fixed, 2.00%
TOZ0519	PLN 100.00 (99.90 PLN for rolling-over)	Floating (1.00 * WIBOR 6M) 2.10% in the first coupon period
COI0520	PLN 100.00 (99.90 PLN for rolling-over)	Floating (inflation rate + 1.25%) 2.30% in the first coupon period
EDO0526	PLN 100.00 (99.90 PLN for rolling-over)	Floating (inflation rate + 1.50%) 2.50% in the first coupon period