



Ministry
of Finance

Republic
of Poland

Public Debt Department

State budget borrowing requirements' financing plan and its background

June 2016

THE MOST IMPORTANT INFORMATION

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Gross domestic product of Poland

constant prices, yoy
source: GUS

In the first quarter of 2016 the upward trend of Polish economy came to a halt. GDP decreased by 0.1% (qoq, sa), following an increase of 1.3% in the fourth quarter of 2015. The pace of growth (qoq, sa) of households consumption accelerated and investments decreased. However the prospects for growth in the next quarters of this year remain positive due to among others expected improvement in dynamics of real disposable income in the household sector and absorption of EU funds from the new financial perspective.

Contributions to Poland's GDP growth

percentage points

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

In the first quarter of 2016 GDP was 3.0% higher than a year ago as compared to 4.3% in the previous quarter. Domestic demand was the only source of GDP growth mainly due to households consumption (contribution of 2.0 pp), increase in inventories (contribution of 1.3 pp) and public consumption (contribution of 0.8 pp). Negative contribution to GDP growth came from investments (-0.2 pp), which were 1.8% lower than a year before and mainly net exports (-0.9 pp as compared to -0.1 pp in the previous quarter) due to higher imports dynamics (in yoy terms) than exports.

Poland's gross external debt position

percent of GDP

source: NBP, GUS, MoF own calculation

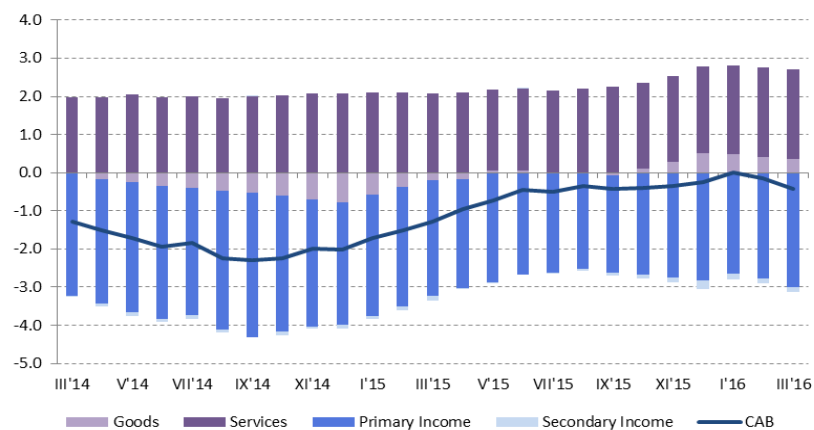
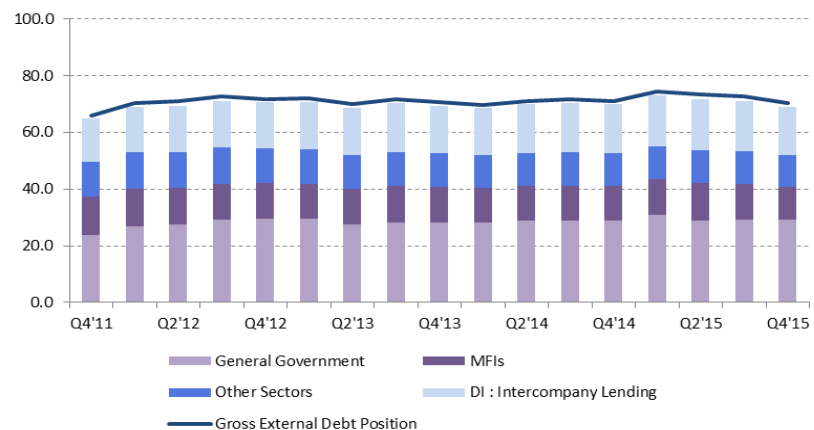
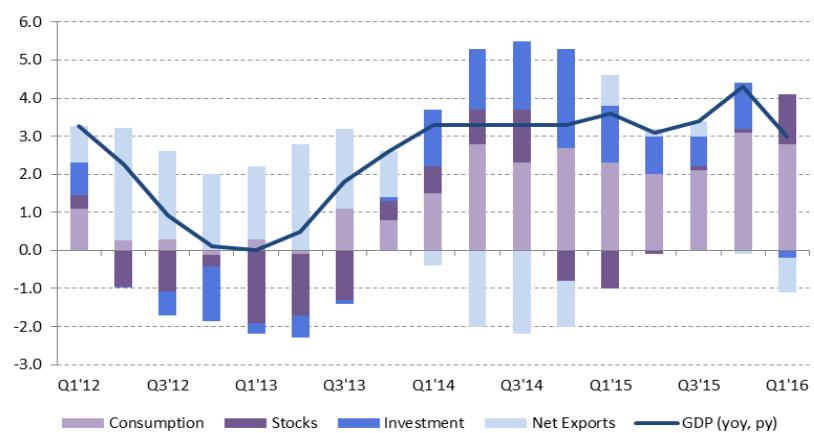
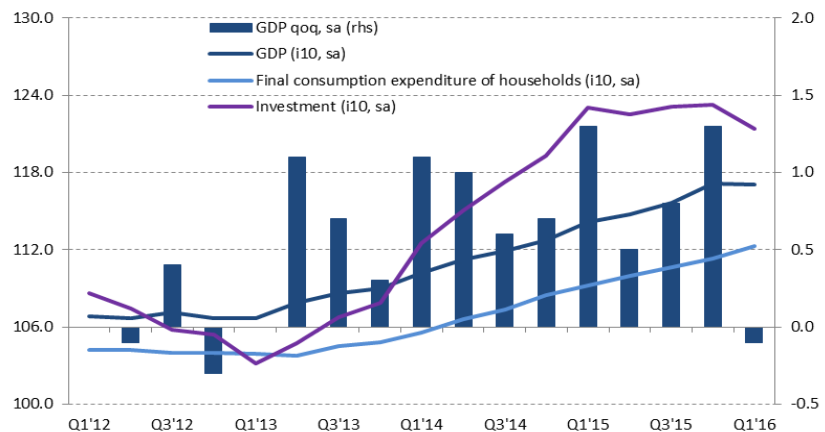
Gross external debt reached EUR 300.7bn (70.3% of GDP) at the end of the fourth quarter of 2015 and was EUR 5.5bn lower than in the previous quarter. The share of general government sector debt in total debt increased to 41.5%. Official reserve assets reached EUR 88.5bn at the end of March 2016 and remained broadly adequate, covering over 5 months of imports.

Current account balance

percent of GDP, in 12-month terms

source: NBP, GUS, MoF own calculation

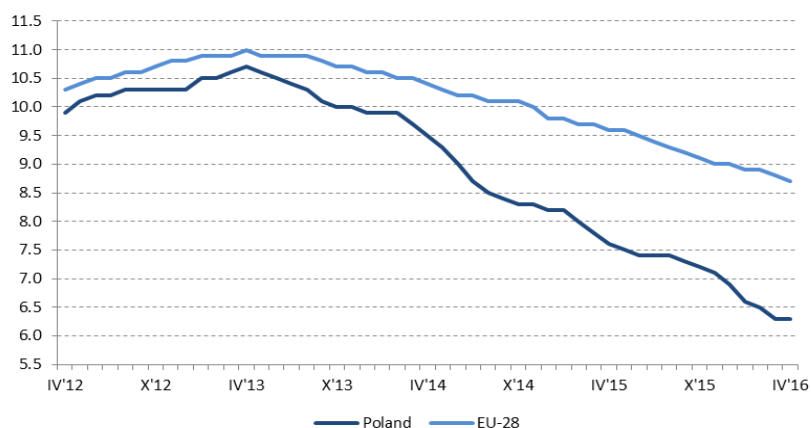
In March 2016, according to the preliminary data, C/A deficit amounted to 0.4% of GDP (in 12-month terms of GDP) as compared to 0.1% of GDP in the previous month. C/A deficit was, with a wide margin, covered by long term capital, i.e. inflow of EU structural funds classified on capital account and to a lesser extent inflow of direct investments of non-residents.



Harmonised unemployment rate

percent, seasonally adjusted data
source: Eurostat

Harmonised unemployment rate (sa) has continued its downward trend since mid-2013. In April 2016 it amounted to 6.3% (versus 8.7% in EU on average). It was stable at the level observed a month before and it was 1.3 pp lower than a year before. In March and April 2016 harmonised unemployment rate (sa) in Poland reached the historically lowest level.



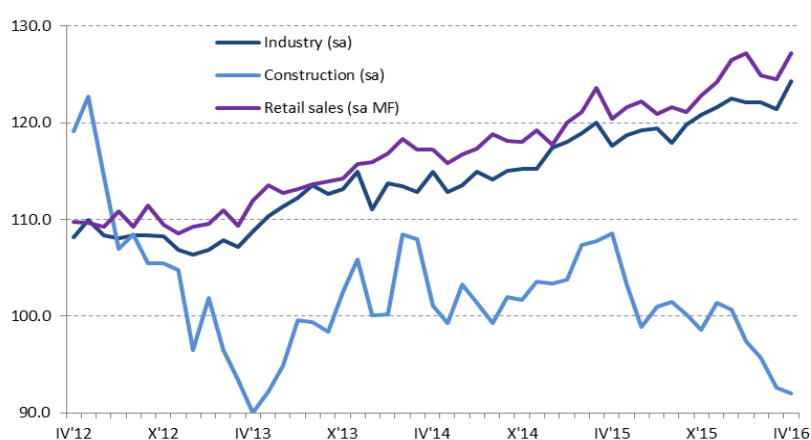
Monthly indicators of the real sector

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

In April 2016 industrial output went up by 2.4% (mom, sa). As a result, production was 6.0% higher than a year ago (nsa).

In April 2016 construction production dropped for the fifth time in a row (mom, sa). As a result its level was 14.8% (nsa) lower than a year before.

In April 2016 real retail sales went up by 2.2%, compensating decreases in two previous months (mom, sa MoF). As a result its level was 5.5% (nsa) higher than in the same month of 2015.



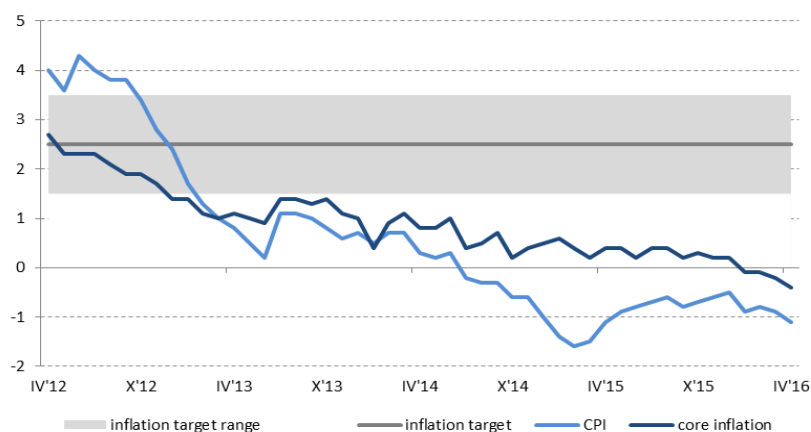
Inflation

percent, yoy
source: GUS, NBP

Since July 2014 consumer prices have been lower than a year before mainly because of a drop of commodity prices (energy and food). In April 2016 deflation amounted to 1.1% (yoy).

Core inflation (CPI excluding food and energy prices) in the first quarter of 2016 dropped below zero and in April amounted to -0.4% (yoy).

Deflation in producer prices has been lasting over 3 years (1.2% yoy in April 2016).

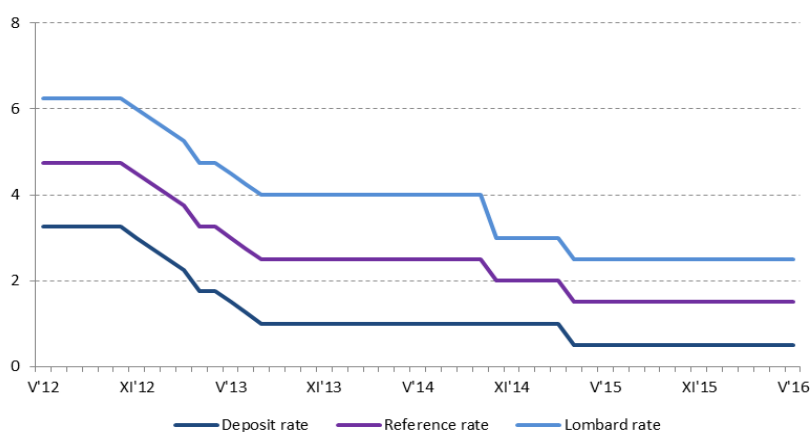


NBP interest rates

percent, end of period
source: NBP

In May 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 (May, 4th) bank analysts expect the MPC to keep interest rates unchanged in 2016.





II. STATISTICAL DATA

	Unit	2014 Q04	2015 Q01	Q02	Q03	Q04	2016 Q01
GDP							
Gross domestic product	YoY	3.3	3.6	3.1	3.4	4.3	3.0
	QoQ SA	0.7	1.3	0.5	0.8	1.3	-0.1
Final consumption expenditure of the households sector	YoY	2.8	3.1	3.1	3.1	3.0	3.2
	QoQ SA	1.0	0.7	0.7	0.6	0.6	0.9
Final consumption expenditure of the general government sector	YoY	7.2	1.8	0.8	0.9	8.7	4.4
	QoQ SA	-0.1	0.8	0.9	0.7	2.4	-0.1
Gross fixed capital formation	YoY	9.7	11.8	5.8	4.4	4.4	-1.8
	QoQ SA	1.7	3.1	-0.4	0.5	0.1	-1.5
Exports of goods and services	YoY	6.9	8.3	5.2	5.6	8.2	6.9
	QoQ SA	1.7	2.0	1.1	1.6	2.2	1.2
Imports of goods and services	YoY	10.1	6.9	5.0	4.9	8.6	9.3
	QoQ SA	0.7	1.3	0.9	1.7	3.8	2.4
Gross value added	YoY	3.2	3.2	3.0	3.3	4.2	2.8
	QoQ SA	0.4	1.0	0.7	0.8	1.4	0.4

Contribution to GDP growth

Final consumption expenditure of the households sector	pp	1.4	2.0	1.9	1.9	1.5	2.0
Final consumption expenditure of the general government sector	pp	1.3	0.3	0.1	0.2	1.6	0.8
Gross fixed capital formation	pp	2.6	1.5	1.0	0.8	1.2	-0.2
Changes in inventories	pp	-0.8	-1.0	-0.1	0.1	0.1	1.3
Balance of trade turnover	pp	-1.2	0.8	0.2	0.4	-0.1	-0.9
Gross value added	pp	2.9	2.9	2.6	2.9	3.7	2.5
Taxes less subsidies	pp	0.4	0.7	0.5	0.5	0.6	0.5

GDP structure

Final consumption expenditure of the households sector	% of GDP	51.2	64.6	59.8	60.4	48.8	64.0
Final consumption expenditure of the general government sector	% of GDP	19.0	17.4	17.8	17.3	19.5	17.4
Gross fixed capital formation	% of GDP	27.8	14.0	18.1	19.3	27.5	13.3
Changes in inventories	% of GDP	0.5	-0.5	0.5	0.8	0.6	0.8
Exports of goods and services	% of GDP	44.8	51.8	50.1	49.8	46.4	53.5
Imports of goods and services	% of GDP	44.0	47.9	47.2	48.4	43.4	49.8

	Unit	2015 M11	M12	2016 M01	M02	M03	M04
Balance of payments							
Goods: exports (EUR)	YoY	12.6	11.5	-0.4	4.7	-0.1	-
Goods: imports (EUR)	YoY	6.7	3.8	0.3	7.3	1.7	-
Current account balance ¹⁾	% of GDP	-0.3	-0.2	0.0	-0.1	-0.4	-
Balance on goods ¹⁾	% of GDP	0.3	0.5	0.5	0.4	0.3	-
Official Reserve Assets	EUR mln	92 675.4	86 893.5	91 474.1	90 605.5	88 533.2	92 282.6

Inflation

Consumer Price Index (CPI)	YoY	-0.6	-0.5	-0.9	-0.8	-0.9	-1.1
Core inflation (CPI excluding food and energy prices)	YoY	0.2	0.2	-0.1	-0.1	-0.2	-0.4
Producer Price Index (PPI)	YoY	-1.8	-0.8	-1.2	-1.5	-1.9	-1.2

Production

Sold production of industry ²⁾	YoY	7.8	6.7	1.3	6.8	0.7	6.0
	MoM SA	0.7	0.7	-0.2	0.0	-0.6	2.4
Construction and assembly production ²⁾	YoY	1.2	-0.4	-8.6	-10.5	-15.8	-14.8
	MoM SA	2.8	-0.7	-3.2	-1.8	-3.2	-0.6
Manufacturing PMI	SA	52.1	52.1	50.9	52.8	53.8	51.0

Households and labour market

Retail sales ²⁾	YoY	5.7	7.0	3.2	6.2	3.0	5.5
Average paid employment in enterprise sector	YoY	1.2	1.4	2.3	2.5	2.7	2.8
	MoM	0.2	0.2	1.4	0.1	0.3	0.1
Average monthly gross wages and salaries in enterprise sector (re)	YoY	4.6	3.6	5.0	4.8	4.2	-0.9
	MoM	1.4	8.7	-8.7	1.0	5.1	-1.2
Harmonised unemployment rate (Eurostat)	%, SA	7.1	6.9	6.6	6.5	6.3	6.3

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, HSBC, Markit

	Unit	2015 M10	M11	M12	2016 M01	M02	M03
State Treasury debt							
State Treasury debt (acc. to the place of issue criterion)	nominal, PLN mio	827 082.6	836 817.3	834 550.6	847 875.3	858 000.9	858 423.4
Domestic debt	nominal, PLN mio	535 234.1	544 400.1	543 262.2	537 124.3	563 190.6	574 572.0
	%	64.7	65.1	65.1	63.3	65.6	66.9
Foreign debt	nominal, PLN mio	291 848.5	292 417.2	291 288.4	310 750.9	294 810.3	283 851.4
	%	35.3	34.9	34.9	36.7	34.4	33.1

	Unit	2014 Q03	Q04	2015 Q01	Q02	Q03	Q04 ¹⁾
Public debt (domestic definition)							
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	877 275.5
Domestic debt	nominal, PLN mio	522 068.5	534 790.1	559 039.5	564 478.8	579 089.4	570 482.5
	%	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	306 793.0
	%	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	886 944.9	896 357.6	915 689.2	921 405.1
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Preliminary data

Source: MoF



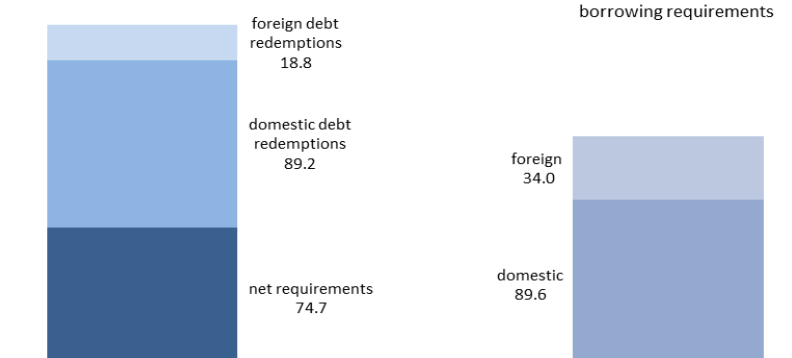
Gross borrowing requirements in 2016

Financing of the State budget borrowing requirements at the level of ca. 68% was a result of:

- T-bond sale on domestic market: PLN 61.5bn,
- switch auctions: PLN 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

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 June

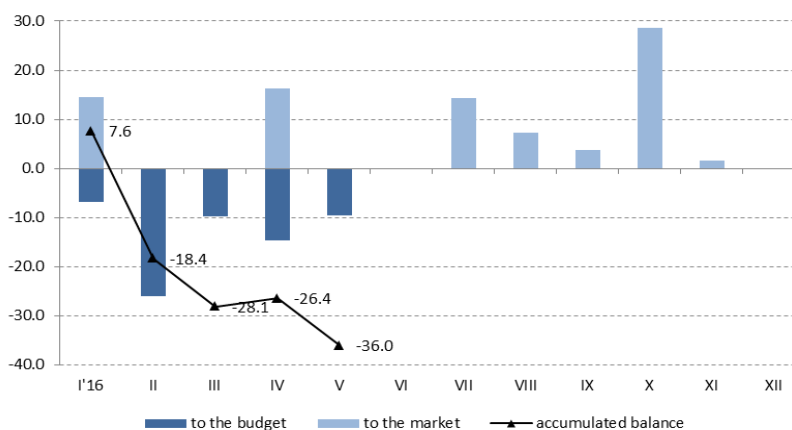
In June there will be no funds transferred from the State budget to the market related to T-securities (neither TS redemptions nor interest payments).

Flows of funds between the market and the budget*

as of May 31, 2016, PLN bn

As of May 31, 2016, to the end of the year the funds to be transferred to the market shall amount to PLN 55.7bn.

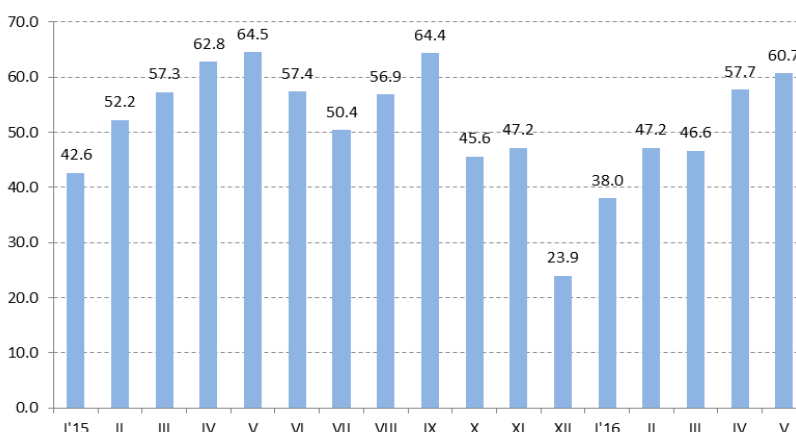
* figures include sale, redemptions and interest payments on wholesale bonds and T-bills; monthly financing plans will depend on market situation and feedback from investors thus the detailed schedule of monthly flows to budget in the following months is not presented.



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.



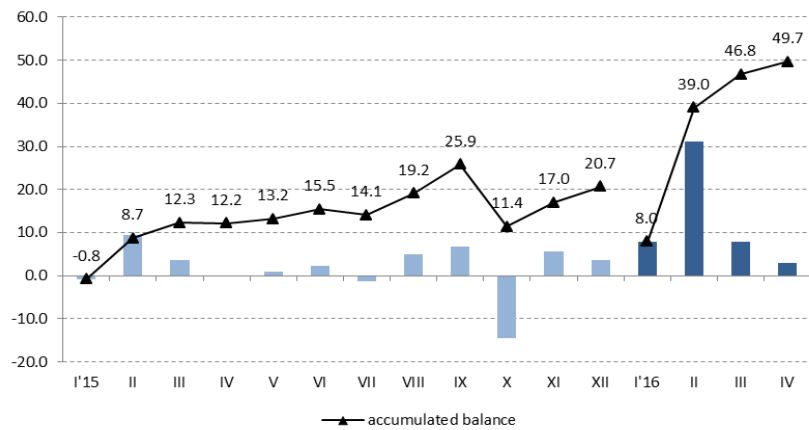


III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

Change of debt in domestic Treasury securities held by banks

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

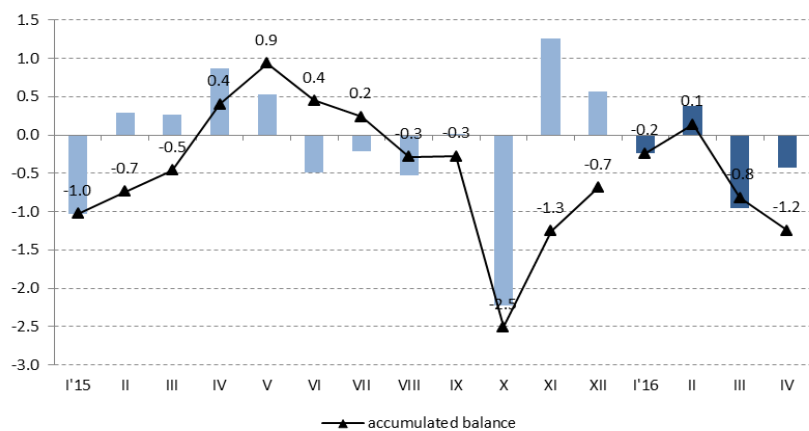
In the period of I-IV 2016 debt held by domestic banks increased by PLN 49.7bn comparing to PLN 12.2bn increase during the same period of 2015.



Change of debt in domestic Treasury securities held by insurance companies

PLN bn

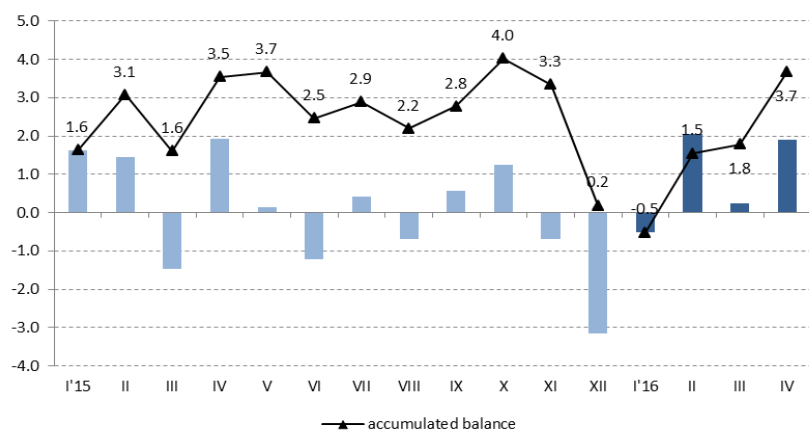
In the period of I-IV 2016 there was a decrease of PLN 1.2bn in debt held by insurance companies. During the same period of 2015 there was an increase of PLN 0.4bn.



Change of debt in domestic Treasury securities held by investment funds

PLN bn

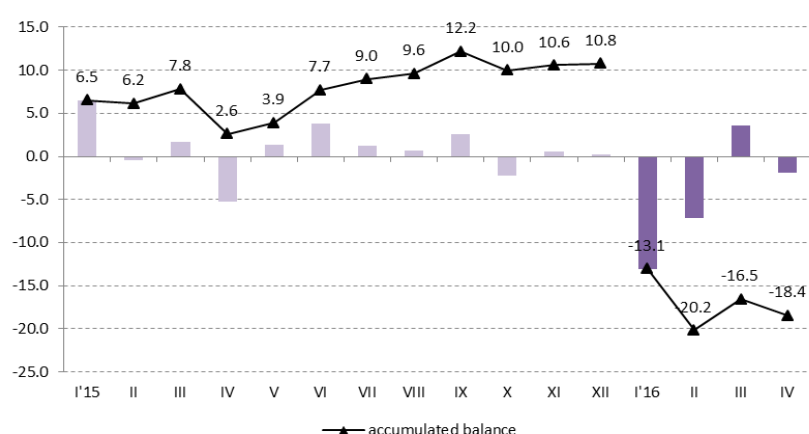
In the period of I-IV 2016 there was an increase of PLN 3.7bn in debt held by investment funds. During the same period of 2015 there was an increase of PLN 3.5bn.



Change of debt in domestic Treasury securities held by foreign investors

PLN bn

In the period of I-IV 2016 outflow of foreign capital from the domestic TS market amounted to PLN 18.4bn comparing to inflow of PLN 2.6bn in the same period of 2015. Foreign investors' holdings reached the level of PLN 188.3bn.



III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

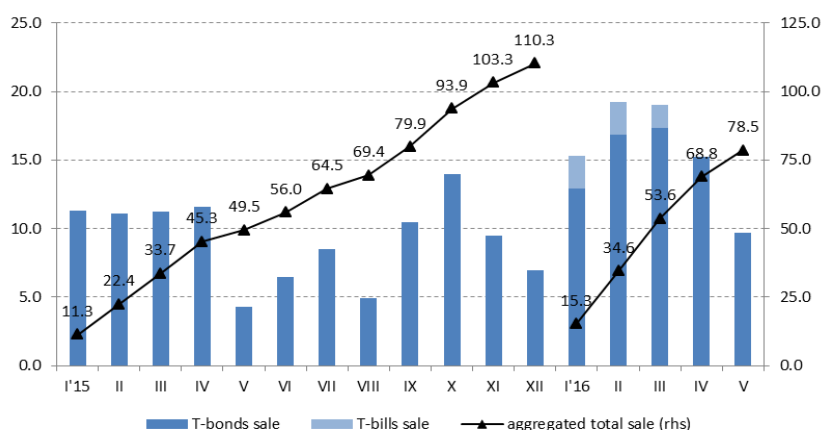


Sale of T-bonds and T-bills in the period of I-V 2016 and 2015

auction date, nominal amount, PLN bn

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

- T-bonds amounted to PLN 72.1bn versus PLN 49.5bn 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).

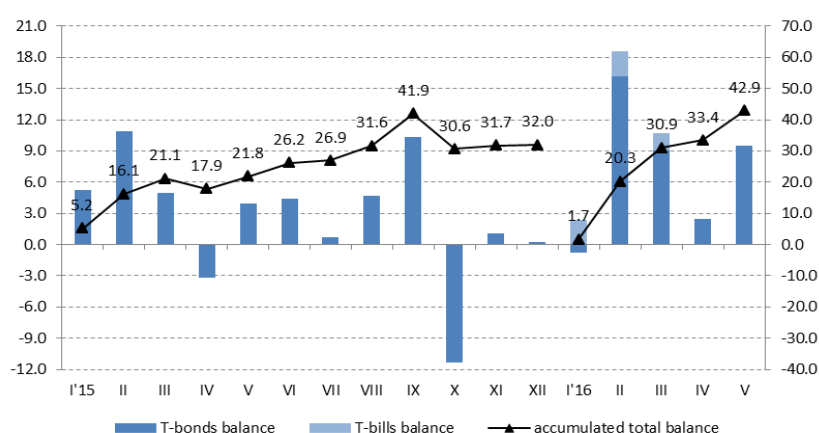


Balance of T-bonds and T-bills in the period of I-V 2016 and 2015

auction date, nominal amount, PLN bn

In the period of I-V 2016 indebtedness in:

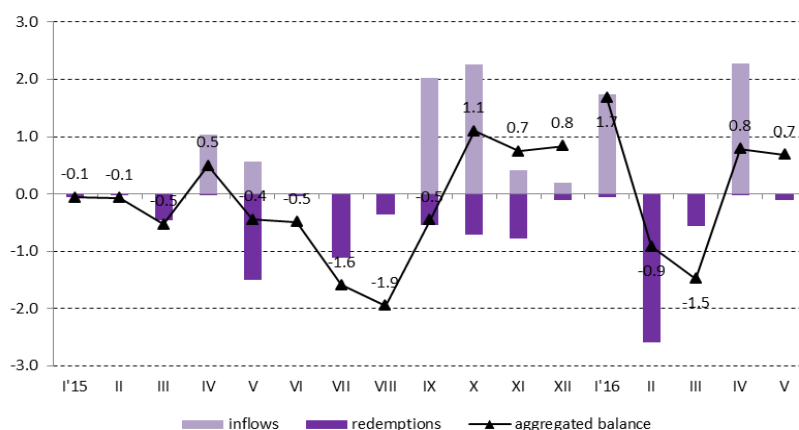
- T-bonds increased by PLN 36.4bn
- T-bills increased by PLN 6.5bn.



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

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

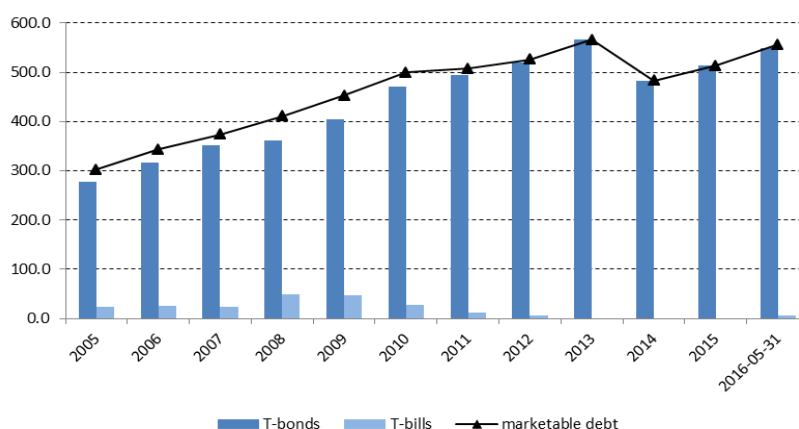
Net financing on foreign markets in the period of I-V 2016 was positive and amounted to EUR 0.7bn. This was a result of positive balance of T-bonds issuance - EUR 1.4bn and negative balance of loans incurred from IFIs at the level of EUR 0.7bn.



Structure of marketable debt

PLN bn

At the end of May 2016 the marketable domestic debt amounted to PLN 556.0bn comparing to PLN 513.4bn at the end of 2015.



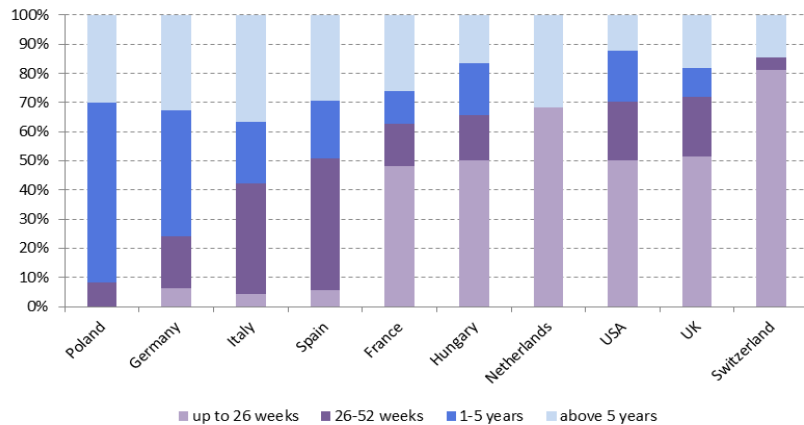


III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

Maturity breakdown of T-securities in Poland and other countries

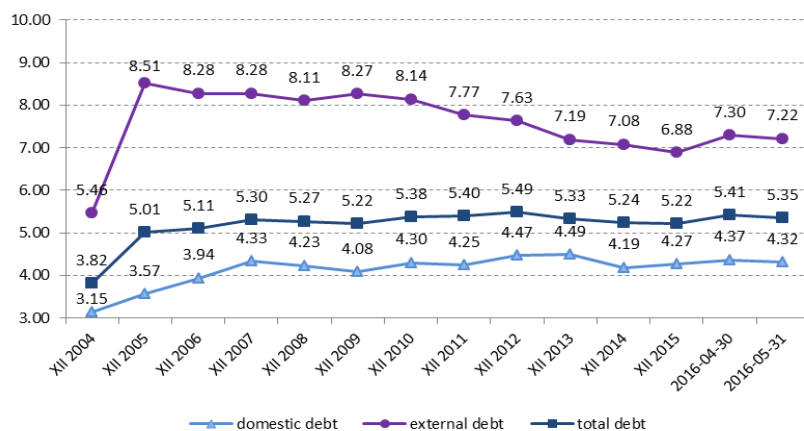
auctions and syndicates, local currency, ytd in the period of January 1 - May 31, 2016

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



Average maturity

At the end of May 2016 the average maturity of domestic debt increased to 4.32 (while at the end of 2015 it was 4.27). The average of total debt increased to 5.35 (5.22 at the end of 2015).

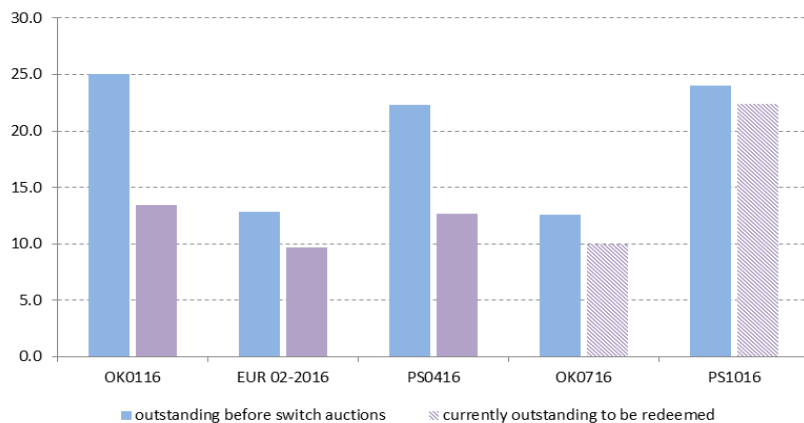


Reducing refinancing risk connected with T-bonds' redemptions maturing in 2016

nominal amount, as of May 31, 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%).

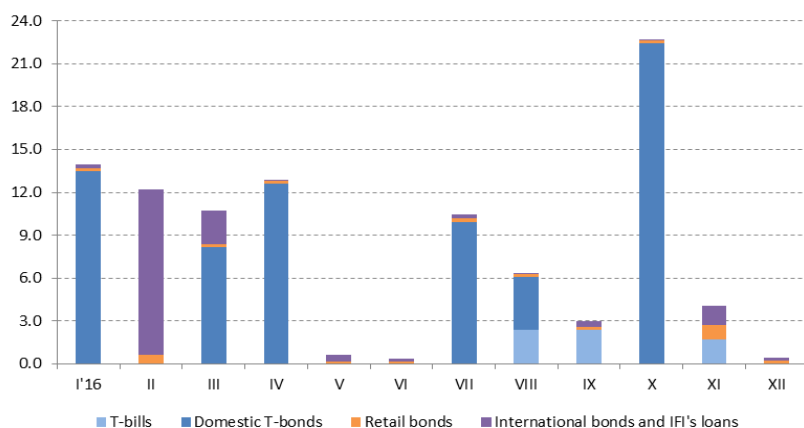


State Treasury debt redemptions in 2016

nominal amount, as of May 31, 2016; PLN bn

The nominal amount of debt to be redeemed in 2016 is equal to PLN 47.3bn, including:

- T-bonds: PLN 36.0bn,
- T-retail bonds: PLN 2.3bn,
- T-bills: PLN 6.5bn,
- bonds and loans incurred on foreign markets: PLN 2.5bn.



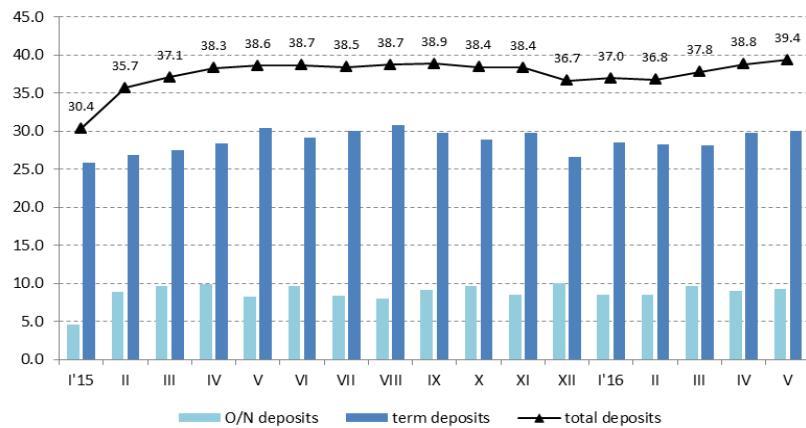
III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING



Consolidation of public finances liquidity management

PLN bn

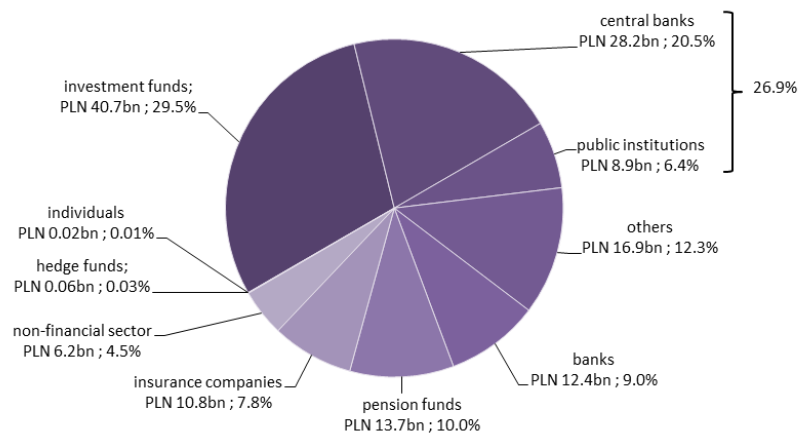
As a result of consolidation of public finances liquidity management there were PLN 39.4bn funds accumulated at the end of May, of which PLN 30.1bn was as term deposits and PLN 9.2bn on O/N deposits.



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

as of April 30, 2016, the chart presents data excluding omnibus accounts

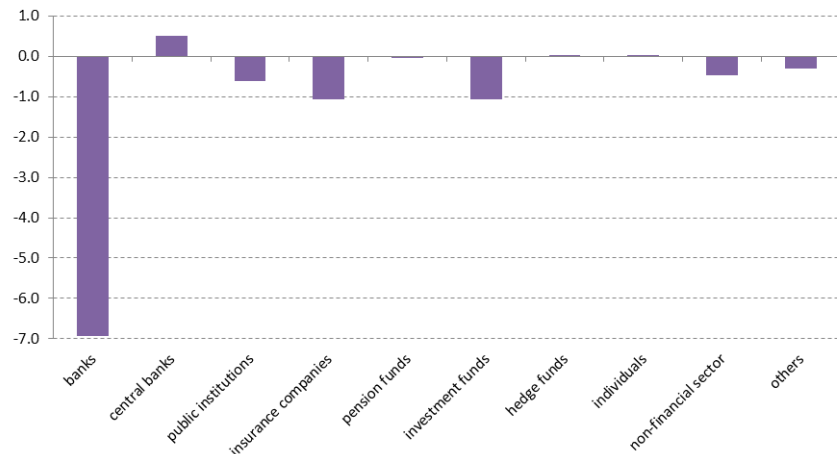
In April 2016 the share of non-residents in the domestic Treasury bond market decreased by PLN 1.9bn. The foreign investors' portfolio amounted to PLN 188.2bn which constituted 34.9% share in total debt in marketable T-bonds (35.4% in the previous month). As of the end of April 2016 central banks and public institutions' share in holdings amounted to 26.9%.



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

change in April 2016, mom, PLN bn

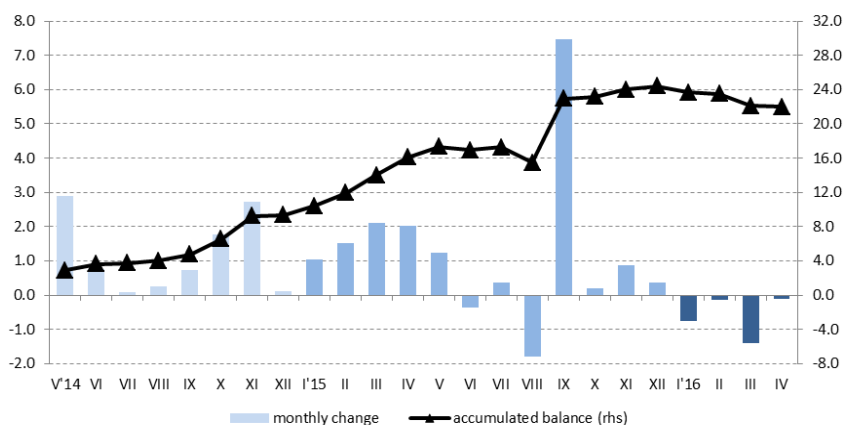
In April 2016 the highest increase of PLN 0.5bn in T-bonds portfolio was noted by central banks. The highest decrease was recorded by banks which reduced their involvement in Polish T-bond market by PLN 6.9bn.



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

change in April 2016, PLN bn

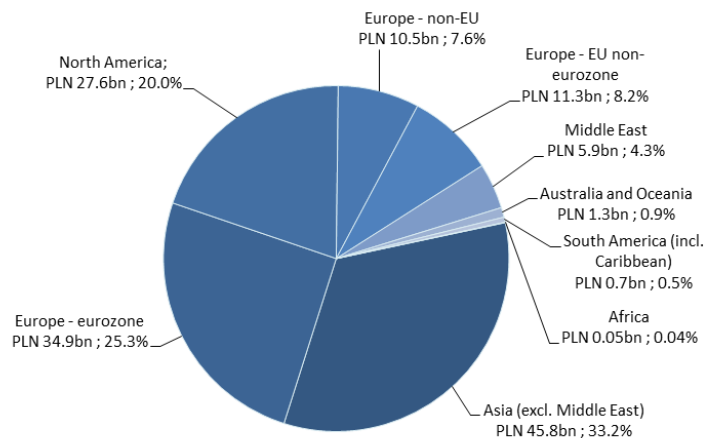
In April 2016 central banks and public institutions' involvement in the Polish debt market decreased by PLN 0.1bn. Since April 2014 to the end of April 2016, when the detailed information is available, portfolios of those entities increased by PLN 22.0bn.



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

as of April 30, 2016, excluding omnibus accounts

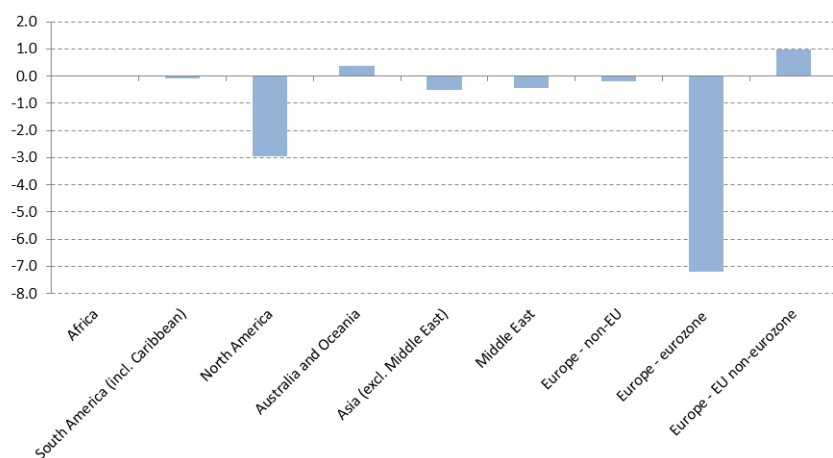
Geographical structure of domestic T-bonds held by non-residents, as well as institutional distribution, is well-diversified.



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

change in April 2016, mom, PLN bn

In April 2016 investors from the EU non-eurozone increased their involvement in the domestic T-bond market to a greater extent (PLN 1.0bn). The highest decrease was recorded by investors from the eurozone (PLN 7.2bn).



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

as of April 30, 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	26 778.2	24.4%
Japan	19 106.9	17.4%
Luxembourg	15 864.8	14.5%
United Kingdom	8 570.7	7.8%
Norway	8 434.5	7.7%
Germany	5 491.6	5.0%
Ireland	5 355.1	4.9%
Netherlands	3 738.3	3.4%
Austria	2 914.0	2.7%
United Arab Emirates	1 983.3	1.8%
Switzerland	1 818.9	1.7%
Denmark	1 594.0	1.5%
Australia	1 191.8	1.1%
Others	6 846.4	6.2%
Total	109 688.5	100.0%



MoF comments

Piotr Nowak, Undersecretary of State, MoF

31-05-2016, Interview for the Polish Press Agency (fragments)

By the end of May we have financed 68% of this year's borrowing requirements and expanded the reserve of liquid funds to ca. PLN 60bn. The level of these funds consist of both PLN and hard currencies in comparable amounts.

The level of financing of 2016 borrowing requirements and accumulated reserve funds allow to limit the number and value of bonds offered at T-bond auctions during summer holidays. We will be able to calmly observe the market and adjust bond supply structure to market conditions. We do not plan to issue T-bills in the near future.

Because of the forthcoming referendum in the UK the date of second auction planned for June was postponed by 2 days.

In April 2016 the foreign investors' portfolio of PLN denominated Treasury Securities decreased by PLN 1.9bn. It was mainly the result of the redemption from non-resident investors of bonds falling due this month of PLN 4.7bn. Foreign investors rolled over most of the redeemed bonds, reducing further the portfolios of bonds maturing within one-year horizon (PLN -6.3bn) At the same time they expanded the medium-term bond portfolios (PLN +3.4bn for bonds maturing in 2-7 years) and long-term (PLN +1.0bn for bonds maturing above 7 years). In May we observed again an increase of non-residents' involvement in medium- and long-term bonds, with a stabilization of short-term bond portfolios.

Additional information

On 14 May 2016 Moody's rating agency affirmed credit rating of Poland at the level of A2/P-1 for long and short term liabilities respectively in local and foreign currency. Rating outlook has been changed from stable to negative.

Please find attached the references to pages with Moody's press release and other publications about Poland, as well as announcement of the Ministry of Finance:

- [Moody's press release](#),
- [Credit opinion \(Moody's\)](#),
- [Issuer in-depth \(Moody's\)](#),
- [MoF's announcement](#).

GlobalCapital Bond Awards 2016

Republic of Poland has been honoured for achievements in bonds issuances in 2015 by periodical GlobalCapital. On 25 May 2016 commemorative statuettes were presented in London. Please find below the categories in which Poland was awarded top positions:

- Most Impressive Borrower in CEEMEA,
- Most Impressive Borrower in Central and Eastern Europe,
- Most Impressive EM (ex-Asia) Borrower.



IV. SUPPLY PLAN OF TREASURY SECURITIES IN JUNE 2016

Treasury bond auction

Auction date	Settlement date	Series	Planned offer (PLN m)
9 JUN 2016	13 JUN 2016	OK1018 / DS0726	3,000-6,000

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.

Treasury bond switching auction

Auction/ settlement date	Settlement T-bond	Source T-bond	Outstanding (PLN m)
27 JUN 2016/ 29 JUN 2016	choice will depend on the market conditions, excluding bonds offered at the first auction	OK0716	9,931
		IZ0816	3,689
		PS1016	22,420

T-bill auctions

Sale auctions of T-bills are not planned.

Offer on the retail market

T-bond	Issue price	Coupon
DOS0618	PLN 100.00 (99.90 PLN for rolling-over)	Fixed, 2.00%
TOZ0619	PLN 100.00 (99.90 PLN for rolling-over)	Floating (1.00 * WIBOR 6M) 2.10% in the first coupon period
COI0620	PLN 100.00 (99.90 PLN for rolling-over)	Floating (inflation rate + 1.25%) 2.30% in the first coupon period
EDO0626	PLN 100.00 (99.90 PLN for rolling-over)	Floating (inflation rate + 1.50%) 2.50% in the first coupon period