Ministry of Finance
Republic of Poland

THE PUBLIC FINANCE SECTOR DEBT MANAGEMENT STRATEGY

in the years 2026-2029

Ministry of Finance

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1. Introduction

Pursuant to Article 75 of the Public Finance Act of 27 August 2009 (Journal of Laws of 2024, item 1530, as amended, hereinafter referred to as the Public Finance Act), the Minister of Finance[1] is obliged to develop annually a four-year strategy for managing the State Treasury (ST) debt and influencing the public finance sector debt. This document is presented by the Minister of Finance to the Council of Ministers for approval, and then the Council of Ministers submits it to the Sejm, along with the justification for the draft Budget Act.

Public debt management is conducted on two levels:

- in a broader sense, it is part of fiscal policy and covers decisions on what portion of State expenditure is to be financed by incurring debt, and consequently, what the level of public debt will be (this aspect is discussed in documents dedicated to the government's economic program, particularly in the annually prepared justification for the draft Budget Act and in the annual progress reports on the implementation of the Medium-Term Fiscal-Structural Plan for 2025–2028, published by 30 April);
- in a narrower sense, it means the method of financing the State borrowing requirements and designing the debt structure, in particular by selecting markets, instruments, and issuance dates.

Table 1. Public debt– summary of the Strategy forecasts

Item	2024	2025	2026 deficit limit	2026	2027	2028	2029
1. Public debt							
GDP %	44.3%	48.9%	53.8%	53.0%	55.6%	58.3%	59.5%
2. The amount specified in the article 38a (3) of the Public Finance Act*							
GDP %	40.1%	44.9%	52.6%	51.8%	54.4%	57.2%	58.4%
3. General government debt							
GDP %	55.3%	59.8%	66.2%	65.4%	69.1%	72.7%	75.3%

**) The amount of public debt recalculated using the yearly arithmetic average of foreign currency exchange rates announced by the National Bank of Poland for the year concerned and reduced by the amount of liquid funds for financing the borrowing requirements of the State budget in the following fiscal year.*

The forecast for 2025–2029 was prepared under both national and EU budgetary frameworks, including adherence to the net expenditure path recommended under the excessive deficit procedure, taking into account the additional flexibility resulting from the activation of the national escape clause by the EU Council for Poland, among others. In addition to the constraints arising from fiscal rules, it also considers the projected difference between the expenditures or costs planned according to the limits included in the financial plans of general government entities and their actual execution.

[1]Pursuant to Article 2(1) of the Public Finance Act, the Minister of Finance shall be understood as, respectively, the minister competent for the budget, the minister competent for public finance, and the minister competent for financial institutions. As of 24 July 2025, the Minister of Finance and Economy shall be in charge of the indicated departments of government administration.

It was assumed that in the years 2027–2029, the servicing and redemption of bonds issued by BGK for the COVID-19 Response Fund and by the Polish Development Fund under the Financial Shield will be carried out using funds from the COVID-19 Response Fund, raised through the issuance of bonds.

Under the adopted assumptions, the forecasted public debt-to-GDP ratio will be 48.9% in 2025 and 53.0% in 2026, and will subsequently rise, exceeding the 55% level in 2027 and reaching 59.5% by the end of the forecast timeframe. Meanwhile, the ratio of the amount referred to in Article 38a(3) of the Public Finance Act will be 44.9% in 2025 and 51.8% in 2026, and will then increase, exceeding the 55% threshold in 2028 and 2029.

Should the public debt forecasts materialise, the 55%-of-GDP prudential threshold set in the Public Finance Act would be exceeded by both ratios in 2028, which would mean the activation of the prudential procedures under the Act in 2030.

In the timeframe of the *Strategy*, the public debt-to-GDP ratio will remain below the constitutional threshold of 60%.

The forecasted ratio of general government debt (according to the EU definition) to GDP will be 59.8% in 2025 and 65.4% in 2026, which means that the 60% reference value for the EDP debt-to-GDP ratio will be exceeded in 2026. In the timeframe of the *Strategy*, this ratio will increase to 75.3% in 2029.

Assuming the deficit limit set in the draft Budget Act for 2026 is fully met, the public finance sector debt-to-GDP ratio would be 53.8% in 2026, and the ratio of the amount referred to in Article 38a(3) of the Public Finance Act would be 52.6%. The general government debt ratio would be 66.2% of GDP.

Table 2. State Treasury debt servicing costs – summary of the Strategy forecasts

Item	2024	2025	2026	2076	2028	2029
State Treasury debt servicing costs (cash basis)*						
a) PLN bn	66.5	75.5	90.0	105.6 - 107.1	115.9 - 117.5	128.9 - 130.8
b) GDP %	1.83%	1.94%	2.16%	2.40% - 2.44%	2.50% - 2.53%	2.64% - 2.68%

**) Forecasts of debt servicing costs for 2027-29 are presented in ranges, including a provision for exchange rate risk.*

The limit of ST debt servicing costs assumed in the draft Budget Act for 2026 is PLN 90.0 billion, i.e., 2.2% of GDP. The *Strategy* provides that debt servicing costs will increase to 2.6-2.7% of GDP in 2029.

This *Strategy* is a continuation of previous documents. The objective formulated as financing the State budget borrowing requirements in a manner that ensures the minimisation of debt servicing costs in the long term, subject to the risk constraints, has been maintained. The tasks aimed at the implementation of the *Strategy* objective, related to the development of the financial market, i.e., ensuring the liquidity, efficiency and transparency of the Treasury Securities (TS) market, as well as the task related to the effective management of the State budget liquidity, have been maintained.

For the accomplishment of the *Strategy* objective in 2026–2029, it has been assumed that:

- a flexible approach to shaping the financing structure in terms of the selection of the market, currency and instruments will be maintained, to the extent that it contributes to the minimisation of the ST debt servicing costs and subject to the limitations resulting from the assumed risk levels;
- the domestic market will remain the main source of financing the State budget borrowing requirements;
- the share of foreign currency-denominated debt in the total ST debt will be maintained below 25%, with the possibility of temporary deviations resulting from market or budgetary conditions;
- building large and liquid fixed rate issues, both in the domestic market as well as the EUR and USD markets, will be a priority of the issuance policy;
- efforts will be made to achieve an average maturity of domestic ST debt of around 4.5 years, and the average maturity of the total ST debt will be maintained at a level of at least 5 years, subject to possible temporary deviations resulting from market or budgetary conditions.

The *Strategy* comprises four annexes, including a glossary of selected abbreviations.

2. Volume of public debt and costs of its servicing

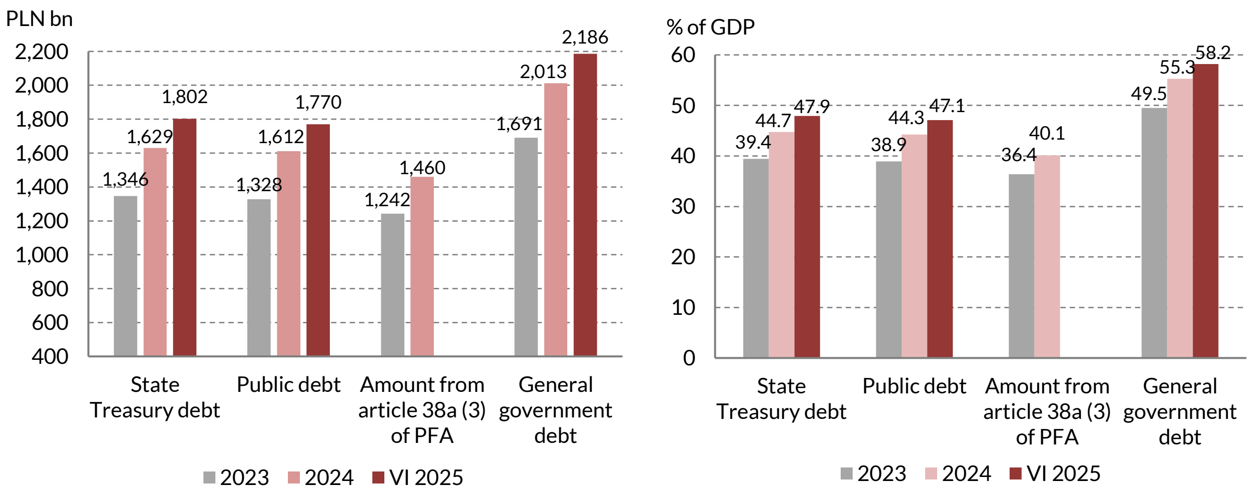
In 2024, the public debt (i.e., public debt according to the domestic definition) amounted to PLN 1,611.6 billion, which meant an increase of PLN 283.5 billion compared to the end of 2023. The general government debt (i.e., public debt according to the EU definition) amounted to PLN 2,012.7 billion and was PLN 321.5 billion higher than at the end of 2023.

The public debt-to-GDP ratios in 2024:

- the public debt-to-GDP ratio was 44.3% compared to 38.9% as at the end of 2023 (an increase of 5.4 pp);
- the ratio of the amount specified in the Article 38a(3) of the Public Finance Act (the public debt recalculated using the yearly arithmetic average of foreign currency exchange rates announced by the National Bank of Poland for the year concerned and reduced by the amount of liquid funds for financing the borrowing requirements of the State budget in the following fiscal year) to GDP stood at 40.1% of GDP compared to 36.4% of GDP at the end of 2023;
- the general government debt-to-GDP ratio amounted to 55.3% compared to 49.5% as at the end of 2023 (an increase of 5.8 pp) and was much lower than the ratio for the entire European Union (81.0% of GDP) and the euro area (87.4% of GDP)[2].

In the first half of 2025, the public debt-to-GDP and EDP debt-to-GDP ratios increased by 2.8 pp and 2.9 pp to 47.1% and 58.2%, respectively.

Chart 1. Volume of public debt



The differences between public debt and general government debt are due to the following factors:

- the different scope of units included in the public finance sector, including, among others, the recognition of the National Road Fund (KFD), the COVID-19 Response Fund (FPC), the Aid Fund (FP) and the Armed Forces Support Fund (FWSZ) in the sector according to the EU definition, whose debt increases the debt of the sector;

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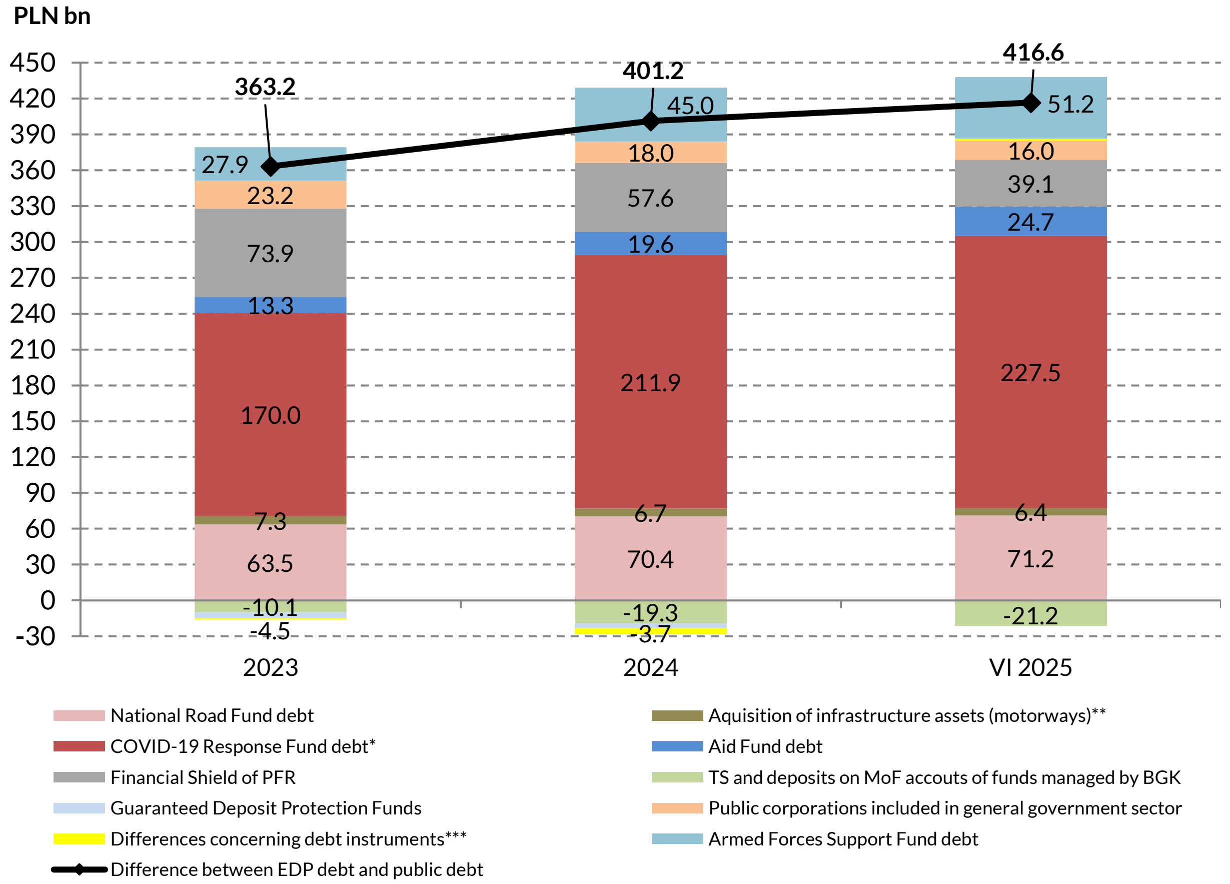
[2] Net lending (+) /net borrowing (-) and the general government debt for EU Member States are presented in Annex 4.

- rerouting of transactions to the general government sector, including the Financial Shield of the Polish Development Fund (PFR) - the bonds issued to finance the Shield increase the EDP debt;
- differences related to liabilities, mainly matured payables, that are treated as public debt according to the domestic definition but are not included therein according to the EU definition.

Chart 2. Differences between general government debt (EDP debt) and public debt



**) Debt consolidated within general government sector, i.e. decreased by the face value of bonds issued by the FPC held by other general government units.*

***) In compliance with Eurostat guidelines on sector classification of motorway construction projects, general government debt includes the governmental liabilities related to the construction of certain motorway sections.*

****) Matured payables, debt assumption as a result of guarantee activation, CIRS transactions, restructured/refinanced trade credits, sale and lease-back operations and other.*

The detailed description of differences between the public debt according to the domestic and the EU definitions is included in Annex 3.

Changes in the volume of public debt were mainly due to changes in the ST debt, which accounts for ca. 93% of the public debt, while those in the general government debt were additionally due to the issuance of bonds for the COVID-19 Response Fund and the Aid Fund, incurring liabilities for the Armed Forces Support Fund, as well as the redemption of bonds issued by the Polish Development Fund to finance the Financial Shield.

The increase in State Treasury debt in 2024 by PLN 283.1 billion was mainly the result of:

- net borrowing requirements of the State budget (+PLN 180.5 billion), mainly as a result of the State budget deficit of PLN 211.0 billion, liquidity management consolidation (-PLN 32.0 billion), European funds management (-PLN 13.3 billion), funds for financing the deficit of the European funds budget (+PLN 11.5 billion), and the balance of loans granted (+PLN 3.3 billion);
- an increase in the balance of funds in budget accounts (+PLN 48.0 billion);
- the transfer of Treasury bonds under acts other than the Public Finance Act (+PLN 23.3 billion); the total face value of the transferred TS was PLN 24.0 billion, of which PLN 3.7 billion was transferred to the Reprivatization Fund, while, on the other hand, PLN 3.0 billion of TS held by the Fund was redeemed;
- FX rates movements (-PLN 1.6 billion);
- a change in the other ST debt (+PLN 17.7 billion), including: an increase in deposits from public finance sector entities (+PLN 4.5 billion) and general government entities (+PLN 9.5 billion) as part of liquidity management consolidation.

In the first half of 2025, the increase in ST debt by PLN 172.8 billion was primarily the result of:

- net borrowing requirements of the State budget (+PLN 115.5 billion), mainly as a result of the State budget deficit of PLN 119.7 billion, funds for financing the deficit of the European funds budget (+PLN 4.7 billion), the balance of loans granted (+PLN 6.5 billion), European funds management (-PLN 7.6 billion), and liquidity management consolidation (-PLN 8.5 billion);
- an increase in the balance of funds in budget accounts (+PLN 56.6 billion);
- the transfer of Treasury bonds (+PLN 4.6 billion) – the total amount of transferred bonds was PLN 5.6 billion, while bonds worth PLN 1.0 billion transferred by the Government Strategic Reserves Agency to the Capital Investment Fund are subject to consolidation within the ST debt;
- FX rates movements (-PLN 13.7 billion);
- a change in the other ST debt (+PLN 1.1 billion).

As at 22 September 2025, the gross borrowing requirements for 2025, according to the Budget Act, were financed in approx. 92%, and according to the projected 2025 execution in the draft Budget Act for 2026, these requirements have already been fully financed.

Table 3. Factors affecting change in ST debt in 2024 and the first half of 2025 (PLN billion)

Item	2024	I-VI 2025
Change in ST debt	**283.1**	**172.8**
1. State budget borrowing requirements:	**180.5**	**115.5**
1.1. State budget deficit	211.0	119.7
1.2. EU funds budget deficit	11.5	4.7
1.3. Liquidity management consolidation	-32.0	-8.5
1.4. European funds management	-13.3	-7.6
1.5. Granted loans	3.3	6.5
1.6. Other borrowing requirements [1)]	-0.1	0.8

2. Other changes:	**102.7**	**57.2**
2.1. FX rates movements	-1.6	-13.7
2.2. Changes in budget accounts balance	48.0	56.6
2.3. Transfer of TS	23.3	4.6
2.4. TS discount, TS indexation	15.3	8.6
2.5. Change in the other State Treasury debt	17.7	1.1
• Deposits of PFS entities [2)]	4.5	3.3
• Deposits of GG entities [3)]	9.5	1.3
• Other deposits [4)]	3.8	-3.6
• Loans granted by PFS entities [5)]	0.0	0.0
• Other ST debt	0.0	0.1

1) Pre-financing balance of tasks co-financed with EU funds, shares in international financial institutions (IFI), and other domestic and foreign settlements.

2) Deposits from PFS entities with legal personality and court and prosecutor's office deposits from PFS entities with legal personality, with no impact on public debt due to the elimination of mutual liabilities of PFS entities.

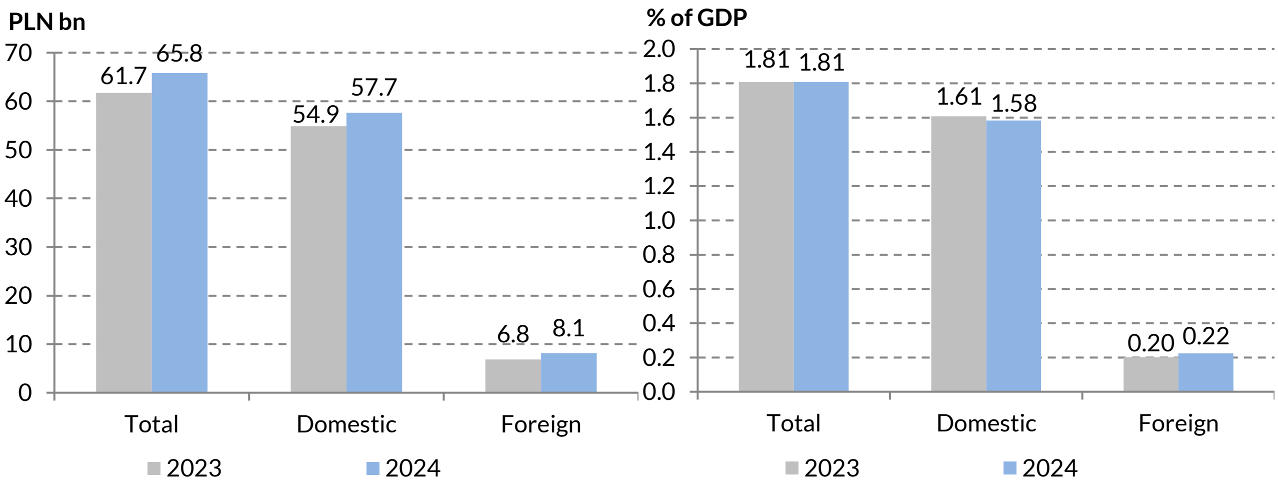
3) Deposits from general government entities not belonging to the PFS, with no impact on EDP debt (EU definition).

4) Court and prosecutor's office deposits from non-PFS entities and collateral deposits resulting from CSA agreements.

5) Solidarity Fund (FS) loan from the Demographic Reserve Fund (FRD), with no impact on public debt due to the elimination of mutual liabilities of PFS entities.

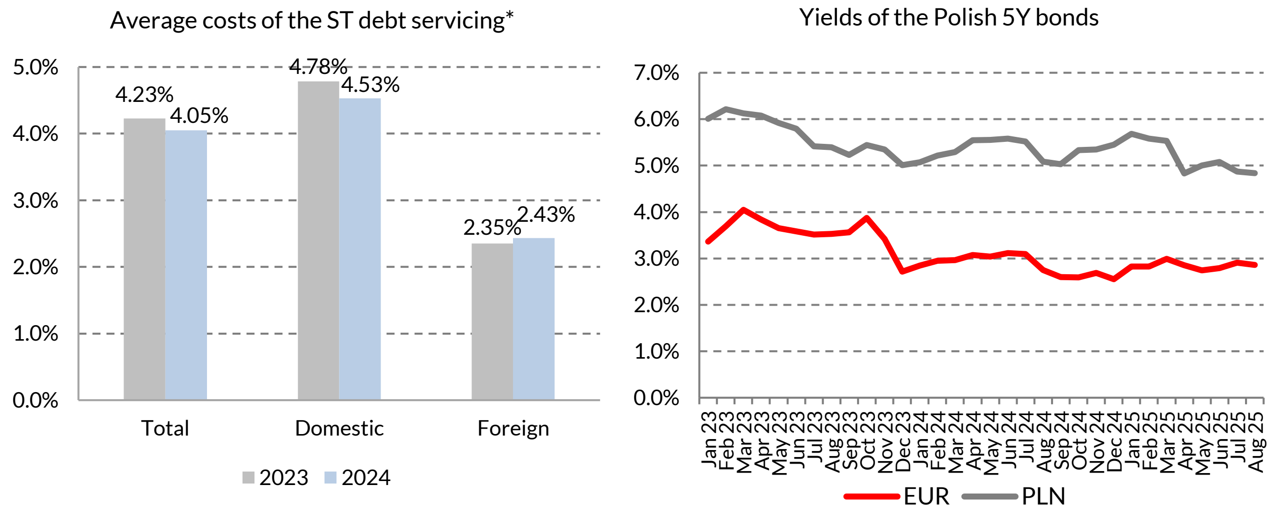
In 2024, the ST debt servicing costs on a cash basis increased in nominal terms to PLN 65.8 billion from PLN 61.7 billion in 2023 (including the domestic debt servicing costs from PLN 54.9 billion to PLN 57.7 billion), with a simultaneous decrease in revenue from debt issue (premium and interest) from PLN 8.0 billion in 2023 to PLN 6.2 billion in 2024. The debt servicing cost-to-GDP ratio remained unchanged compared to 2023 and stood at 1.81%. Foreign debt servicing costs were lower than those of domestic debt, which was due to a smaller share of foreign debt in ST debt and lower interest rates.

Chart 3. ST debt servicing costs



The average total debt servicing costs (including revenue from the sale of TS) decreased from 4.23% in 2023 to 4.05% in 2024, including those of domestic debt (from 4.78% to 4.53%). This was due to the current cost of market financing and the level of servicing costs of debt incurred in the past.

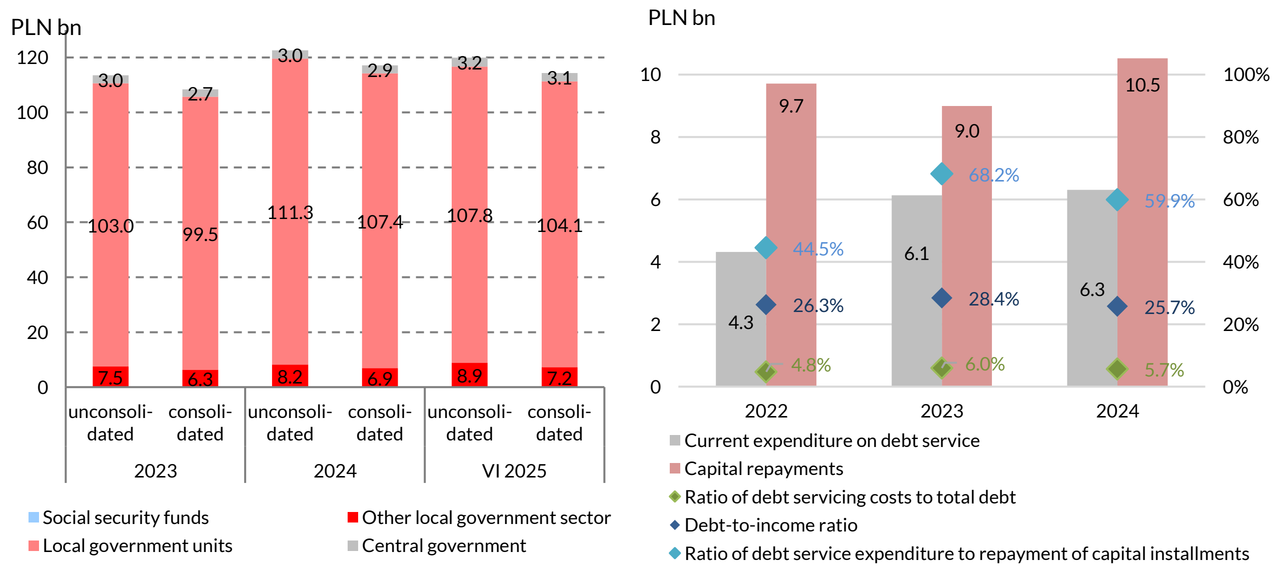
Chart 4. Market interest rates and average ST debt servicing costs



**) Average debt servicing costs were calculated as a ratio of the difference between debt servicing expenditure and income in a particular year to the arithmetic average of the ST debt volume as at the end of 13 consecutive months.*

The debt of the local government sector, in particular that of local government units (LGU) and their associations, accounted for the largest share in the debt of public finance sector entities other than ST. In 2024, the unconsolidated debt of local government units and their associations increased by PLN 8.3 billion and amounted to PLN 111.3 billion. The debt of these units consolidated within the public finance sector increased to PLN 107.4 billion. In the first half of 2025, the debt of local government units and their associations decreased by PLN 3.6 billion prior to consolidation and by PLN 3.3 billion after consolidation, respectively.

Chart 5: Volume of debt of public finance sector entities other than the ST prior to and after consolidation and indicators relating to the financial situation of local government units



3. Evaluation of implementation of the *Strategy* objective in 2024 and in the first half of 2025

In 2024 and in the first half of 2025 ST debt management was conducted in accordance with the *Public Finance Sector Debt Management Strategy in the years 2024-2027*, adopted by the Council of Ministers in September 2023, and the *Public Finance Sector Debt Management Strategy in the years 2025-2028*, adopted by the Council of Ministers in September 2024.

Both documents defined the same objective of State Treasury debt management, i.e., the minimisation of debt servicing costs in the long term, with the adopted constraints related to risk levels. In the Strategy for 2025–2028, the objective of cost minimisation was reformulated to refer directly to financing the borrowing requirements of the State budget, which is an overarching aspect of debt management. Minimisation of debt servicing costs was understood in terms of two aspects: selection of instruments and ensuring the effectiveness of the TS market.

3.1. Minimisation of debt servicing costs - selection of instruments

In line with the *Strategy* assumptions, the domestic market remained the main source of financing the State budget's borrowing requirements. In 2024, TS with a face value of PLN 354.6 billion were issued in the domestic market. Liabilities with a face value of PLN 106.6 billion were incurred in foreign markets, of which PLN 64.2 billion were liabilities from bond issues, PLN 4.2 billion were loans drawn from international financial institutions (IFIs), and PLN 38.3 billion were received from long-term loans from the EU.

In the first half of 2025, TS with a face value of PLN 241.4 billion were issued in the domestic market, while the liabilities incurred in foreign markets amounted to PLN 35.6 billion (almost entirely from the issuance of Treasury bonds).

Table 4. TS sale in the domestic and foreign markets and loans at face value

Instruments	2023		2024		January - June 2025	
	PLN billion	%	PLN billion	%	PLN billion	%
Domestic TS	218.6	76.7	354.6	76.9	241.4	87.2
Foreign TS	45.9	16.1	64.2	13.9	35.1	12.7
IFIs loans	1.1	0.4	4.2	0.9	0.5	0.2
UE loans	19.5	6.8	38.3	8.3	0.0	0.0

Among the instruments issued in the domestic market, wholesale securities intended for institutional investors prevailed (in 2024, these accounted for 76.7% of the total sales value, and in the first half of 2025, this figure was 84.5%), with a high though decreasing share of savings bonds (23.3% in 2024 and 15.5% in the first half of 2025).

In the sales structure of marketable TS offered on the primary market in 2024 and in the first half of 2025, medium- and long-term securities (with maturities of over 4 years) prevailed, though the share of these securities in sales decreased from 87.2% in 2023 to 72.9% in the first half of 2025. In January 2025, after a 5-year break, T-bills (with maturities of 37-52 weeks) were included in the offer, serving both the current management of the State budget's liquidity and the financing of the budget's borrowing requirements. The issuance of T-bills is part of the flexible approach to shaping the financing structure of borrowing requirements and has allowed for a reduction in supply in other market segments. As for savings bonds, the largest share in their sale was attributable to short- and medium-term securities (with maturities of up to 4 years), whereby the share of bonds with maturities of up to 2 years increased significantly in the first half of 2025 (to 43.7% from 27.0% in 2023).

Table 5. Sales of TS in the domestic market by maturity

Instruments	2023	2024	January - June 2025
Marketable TS	**100%**	**100%**	**100%**
T-bills	0.0%	0.0%	13.5%
T-bonds with maturities up to 4 years	12.8%	15.9%	13.5%
T-bonds with maturities over 4 years up to 6 years (incl.)	66.1%	53.2%	50.4%
T-bonds with maturities over 6 years	21.1%	30.9%	22.5%
Savings bonds	**100%**	**100%**	**100%**
T-bonds with maturities up to 2 years	27.0%	32.3%	43.7%
T-bonds with maturities over 2 years up to 4 years (incl.)	60.0%	59.1%	47.9%
T-bonds with maturities over 4 years	13.0%	8.6%	8.5%

In terms of interest rate, fixed-rate securities maintained the largest share in the structure of domestic TS sales on the wholesale market, with a decreasing share of floating-rate (a decrease from 30.1% in 2023 to 19.2% in the first half of 2025) and zero-coupon instruments. High interest in the new issue of inflation-linked bonds on the wholesale market (the issuance of IZ0836 began in June 2024) resulted in the share of these securities reaching 7.5% at the end of 2024. As inflation decreased in 2025, the demand for this type of instrument diminished, which was reflected in a drop in the share of inflation-linked bonds in wholesale TS sales to 3.2% in the first half of 2025. With the return to regular issuance of T-bills, the share of these instruments in the sales structure in the first half of 2025 was 13.5%.

As for savings bonds, the preferences of buyers of these bonds changed, which was reflected in an increase in the sales structure of the share of fixed-rate bonds (to 39.1% from 20.1% in 2023) and floating-rate bonds (to 41.0% from 25.3% in 2023) at the expense of a decrease in the share of inflation-linked bonds (to 20.0% from 54.6% in 2023).

Table 6. Sales of TS in the domestic market by type of interest rate

Instruments	2023	2024	January - June 2025
Marketable TS	**100%**	**100%**	**100%**
Fixed-rate bonds	57.7%	61.9%	57.2%
Zero-coupon bonds	12.3%	8.4%	7.0%
Floating-rate bonds	30.1%	22.1%	19.2%

Inflation-linked bonds	0.0%	7.5%	3.2%
T-bills	0.0%	0.0%	13.5%
Savings bonds	**100%**	**100%**	**100%**
Fixed-rate bonds	20.1%	41.3%	39.1%
Inflation-linked floating -rate bonds	54.6%	28.2%	20.0%
Other floating-rate bonds	25.3%	30.5%	41.0%

In foreign markets, in the analysed period, there were six benchmark issues in the euro market with a total face value of EUR 9.75 billion and five issues in the US market with a total face value of USD 13.5 billion.
Moreover, in November 2024, another issue of JPY-denominated bonds was carried out in the Japanese market. Five series of bonds with a total face value of JPY 97.1 billion were issued. The main determinants of the issue in the Japanese market included:
- the regularly demonstrated interest of Japanese investors in the issue in their currency,
- maintaining and expanding the base of those investing in bonds issued in the domestic market (Japanese investors constitute the largest group among non-residents holding domestic TS).

In addition to benchmark issues, a 3-year bond with a face value of EUR 0.25 billion was also issued in November 2024 in a private placement formula. The issue was carried out in response to the demand from a stable and long-term investor, classified as a "public institution/central bank."

Table 7. Issues of bonds in foreign markets in 2024 and in the first half of 2025

Period	Maturity (years)	Currency	Face value (million)	Yield
2024	10	EUR	2 500	3.716%
	20	EUR	1 250	4.175%
	5	USD	1 500	4.797%
	10	USD	3 000	5.162%
	30	USD	3 500	5.580%
	7	EUR	1 750	3.197%
	15	EUR	1 250	3.898%
	3	EUR	250	2.591%
	3	JPY	66 300	1.290%
	5	JPY	9 200	1.480%
	10	JPY	7 100	1.960%
	20	JPY	9 500	2.730%
	30	JPY	5 000	3.050%
January-June 2025	5	EUR	1 500	3.018%
	10	EUR	1 500	3.631%
	5	USD	2 750	4.995%
	10	USD	2 750	5.472%

In July of this year, two benchmark issues of euro-denominated bonds with a total value of EUR 3.0 billion were carried out: 7-year bonds worth EUR 1.75 billion and 12-year green

bonds worth EUR 1.25 billion. The last issue of green bonds took place in 2019; the purpose of the issue is to allocate the proceeds to finance pro-environmental projects.
In total, in 2024 and in the first half of 2025, loans with a value of EUR 1.1 billion were drawn from IFIs.
In December 2023, the use of loans from the European Union under the Recovery and Resilience Facility (RRF), created to restore the European economy after the Covid-19 pandemic, also began. The RRF consists in the issuance of bonds by the European Commission for the benefit of the EU, the funds from which are transferred to Member States in the form of preferential loans and grants. In the analysed period (2024 and the first half of 2025), Poland received a total of EUR 8.96 billion in loans to implement the National Recovery and Resilience Plan (EUR 13.5 billion since the beginning of the programme).

The main factors that influenced the course and structure of financing borrowing requirements in 2024 and in the first half of 2025 included:

1) local factors, in particular:

- monetary policy of the Monetary Policy Council (RPP) and the situation in the financial market, including:
  - pursuing a *wait-and-see* policy and an interest rate cut of 50 bps in May of this year (including the repo rate to 5.25% and the deposit rate to 4.0%). Until April of this year, the Council kept interest rates unchanged, as in its assessment, this level of NBP interest rates was conducive to achieving the inflation target in the medium term. The interest rate cut in May was an adjustment to lower current and projected inflation, weaker wage dynamics, and weaker economic data. In the Council's assessment, uncertainty factors remain the development of demand pressure and the labour market situation in the coming quarters, the level of administered energy prices, and further actions in fiscal policy. The RPP will base its further decisions on incoming data and forecasts of their development. The Council also did not change the mandatory reserve rate (3.5%) or its interest rate (at the reference rate level);
  - a decrease in year-on-year inflation – from 6.2% in December 2023 to 4.1% in June of this year, with a temporary drop to 2.0% in March 2024;
  - maintaining unchanged Poland's credit ratings by the main agencies (A- by S&P and Fitch and A2 by Moody's) and stable rating outlooks;
  - foreign capital inflow in the domestic TS market (by PLN 16.3 billion in 2024 and by PLN 14.0 billion in the first half of 2025), among others due to an increase in the disparity between interest rates in Poland and those in the core debt markets in conditions of volatility on financial markets and in the face of a decisive shift in the monetary policy of the Fed and the ECB;
  - appreciation of the Polish zloty against the euro in 2024 and in the first half of 2025, with lower exchange rate volatility (the volatility of the EUR/PLN exchange rate was 5.1% and 4.0%, respectively, compared to 6.4% in 2023, the exchange rate fluctuated within the range of 4.24-4.39 and 4.13-4.29, respectively, compared to 4.30-4.79 in

2023, and the average rate was 4.30 and 4.23, compared to 4.54 in 2023) and an appreciation of the zloty against the dollar in 2024 and in the first half of 2025, with relatively high exchange rate volatility (the volatility of the USD/PLN exchange rate was 9.2% and 7.8%, respectively, compared to 11.0% in 2023, the exchange rate fluctuated within the range of 3.80-4.16 and 3.60-4.17, respectively, compared to 3.89-4.48 in 2023, and the average rate was 3.98 and 3.87, compared to 4.20 in 2023);

– significant volatility in the domestic T-bond market throughout the analysed period, with an increase in yields in 2024 and a decrease in the first half of 2025 along the entire yield curve: yields on 2-, 5- and 10-year bonds in 2024 fluctuated in the range of: 4.68% - 5.43%, 4.87% - 5.73% and 5.05% - 5.98%, respectively, and at the end of the year stood at 5.19%, 5.61% and 5.90%, respectively (an increase of 11 bps, 59 bps and 71 bps, respectively). In the first half of 2025, yields on 2-, 5- and 10-year bonds fluctuated in the range of: 4.30%-5.35%, 4.63%-5.85% and 5.19%-6.15%, respectively, and at the end of June 2025 stood at 4.59%, 4.96% and 5.54%, respectively (a decrease of 60 bps, 65 bps and 36 bps, respectively);

- continued financing of the expenditures under funds formed within BGK (National Development Bank) in debt markets:

– for the FPC, in 2024, BGK issued bonds guaranteed by the State Treasury with a total value of PLN 13.1 billion and maturities from 3 to 18 years in the domestic market, and in foreign markets, bonds with maturities from 7 to 20 years with a total value of EUR 5.1 billion and a 10-year USD-denominated bond worth USD 1.75 billion. In the first half of 2025, BGK placed PLN 18.1 billion in bonds with maturities from 4 to 10 years in the domestic market;

– for the Aid Fund, in 2024, BGK issued bonds guaranteed by the ST with a total value of EUR 1.5 billion, and in 2025, bonds with a face value of EUR 1.25 billion;

– for the KFD, in 2024, BGK issued 30-year bonds guaranteed by the State Treasury with a value of USD 1.75 billion; and in the first half of 2025, 12-year bonds with a value of EUR 1.0 billion;

- adoption of the Budget Act for 2025 by the Sejm, in which State budget revenue of PLN 632.8 billion, an expenditure limit of PLN 921.6 billion, and an allowable State budget deficit of PLN 288.8 billion were assumed;

- the launch of the excessive deficit procedure by the EU Council against Poland and six other Member States;

- adoption of the 2025-2028 fiscal-structural plan, which assumes a limitation – in accordance with the requirements of EU regulations – on expenditure growth in the years 2025-2028 to a rate that allows for a gradual reduction of the general government deficit and the maintenance of the sector's debt at a prudent level in the medium term;

- adoption of the Act amending the Public Finance Act and certain other acts (of 28 June 2024) introducing amendments to the stabilising expenditure rule (SER). The amendments concern in particular the extension of the subjective scope of the SER, ensuring consistency of the exclusions from the application of the SER with EU regulations, the escape clause and the algorithm used to calculate the amount of SER expenditure. The amendments adapted the national fiscal framework to the new EU regulations that entered into force on 30 April 2024 and took into account the conclusions from the review of the stabilising expenditure rule conducted in cooperation with the International Monetary Fund and the post-audit conclusions of the Supreme Audit Office regarding the operation of the SER;

- Karol Nawrocki's victory in the second round of the presidential election in June of this year with 50.89% of the vote (the counter-candidate Rafał Trzaskowski received 49.11% of the vote). In reaction to the election results, Prime Minister D. Tusk asked the Sejm for a vote of confidence for his government. On 11 June, the Sejm granted the vote of confidence to the government, with 243 deputies in favour, 210 against, and no abstentions;
- EU finance ministers accepted changes to the Polish National Recovery and Resilience Plan, which include the creation of a Security and Defence Fund worth approx. PLN 26 billion;

2) external factors, in particular:

- monetary policy pursued by the main central banks, which included:
  - **in the USA:** three interest rate cuts in 2024, by a total of 100 bps, as a result of which the federal funds rate was in the 4.25-4.50% range, and a slowdown in the pace of the Fed's balance sheet reduction programme. In the first half of 2025, the Fed kept interest rates stable due to the good condition of the economy and uncertainty about the shape and scope of the US administration's trade policy. At its meeting in June of this year, the Fed presented new interest rate projections, which indicated that rate cuts totalling 50 bps could be expected in the second half of the year. At the same time, the medians of the expected interest rate levels for 2026 and 2027 were 25 bps higher than in the March projection;
  - **in the euro area:** an easing of monetary policy along with the decline in inflation and the ECB's conviction that inflation would return to the target in the medium term: since June 2024, the ECB has made eight interest rate cuts, totalling 235 bps (the repo rate fell to 2.15% and the deposit rate to 2.0%), and it phased out capital reinvestment under the PEPP programme at the end of 2024;
  - **in Japan:** an increase in negative interest rates totalling 60 bps (two rate hikes in 2024 by 20 bps and 15 bps respectively, and one hike in January of this year by 25 bps), as a result of which the main interest rate reached 0.50%; periodic interventions in the currency market to stop the strong depreciation of the yen against the dollar; maintaining the upper limit of the 10-year benchmark yield fluctuation range at 1.00%, and an announcement of a reduction in the pace of government bond purchases to JPY 200 billion from April 2026;
  - **in Switzerland:** a reduction in interest rates by 125 bps in 2024 (three cuts of 25 bps

and one of 50 bps) and by 50 bps in the first half of 2025 (two cuts of 25 bps), as a result of which the main rate was lowered to 0.0% in June of this year, and an announcement of possible interventions in the currency market;

- an easing of restrictive monetary policy by many countries in response to the current economic situation and a decrease in inflationary pressure (including Hungary, Czechia, Romania, Sweden); at the same time, some central banks raised interest rates (including Russia and Turkey);
- the geopolitical situation in the world affecting the level of risk appetite in the global financial market, including:
  - the Russian invasion of Ukraine lasting since February 2022, which has turned into a devastating war and caused an increase in tensions worldwide, especially in Europe;
  - the introduction of new economic, political and financial sanctions against Russia, including, among others, freezing Russian assets or blocking or restricting trade with Russia;
  - the continuation of the conflict in the Middle East, initiated in 2023 by terrorist attacks by Hamas and a decisive military response from Israel, and the resumption of military operations in Syria; an escalation of the conflict between Israel and Iran in June of this year, which ended with a ceasefire;
  - the unstable political situation in France following the defeat of President E. Macron's political camp in the snap parliamentary elections and the subsequent fall of the government. This caused an increase in uncertainty in European financial markets and a rise in yields on French government bonds to levels not seen in many years;
  - Donald Trump's victory in the US presidential election, along with the Republican Party winning a majority in Congress, and the announcements and actions in the political and economic sphere, especially regarding trade policy;
  - an increase in political uncertainty in Germany following the collapse of the governing coalition and the announcement of early elections in 2025, which ended with the election of CDU leader Friedrich Merz as the new chancellor. The new chancellor is opposed to the common issuance of debt by the EU for military spending, justifying his position with concerns about an increase in debt not only in European countries but also worldwide;
- the announcement by the EC of a plan to rearm Europe, which aims to mobilise up to EUR 800 billion for defence. The plan includes, among others, a loosening of EU spending rules (up to a maximum of 1.5% of GDP), a loan package of EUR 150 billion for EU countries (in May of this year, EU Member States approved the text of the regulation establishing the SAFE loan programme for defence, proposed by the Polish presidency), the possibility of using cohesion policy funds (at the discretion of EU countries), and the use of the European Investment Bank.

3.2. Minimisation of debt servicing costs – ensuring the effectiveness of the TS market

The main measures aimed at minimising ST debt servicing costs in terms of ensuring the effectiveness of the Treasury securities market, include:

- an issuance policy assuming building large benchmark bond series in the domestic market. In mid-2025, 18 bond issues exceeded PLN 30 billion (compared to 16 as at the end of 2023), of which 15 issues were larger than PLN 40 billion (there were 4 such issues as at the end of 2023). Issues with a face value of more than PLN 40 billion accounted for 77.4% of the face value of fixed-rate medium- and long-term bonds, compared to 67.4% as at the end of 2024. The adequately high value of issues has a significant effect on liquidity in the secondary market;
- a return to the issuance of inflation-indexed bonds in the wholesale market. In June 2024, after almost 8 years from the last issue, a new 12-year inflation-indexed IZ0836 bond with a 2% coupon was issued. The determinants of the issue of these bonds included the need to expand the bond offer in the wholesale market in the conditions of a significant decline in inflation to a level close to the inflation target and the interest in this instrument reported by investors from the non-banking sector and foreign investors. High demand from buyers enabled the sale of these bonds in the analysed period totalling PLN 22.0 billion and the expansion of the offer of inflation-indexed instruments to include the 6-year IZ0831 bond from January 2025;
- issues of bonds in the euro market and the US dollar market with a value ensuring liquidity of a given series (in 2024 and in the first half of 2025, a total of 6 issues with a value exceeding EUR 1 billion and 5 issues with a value exceeding USD 1 billion were carried out);
- adapting the level and structure of the TS supply to the current market situation;
- *sell-buy-back* (SBB) transactions between Treasury Securities Dealers (TSD) and TSD candidates on the one side and BGK on the other side under special terms (the mechanism was introduced in February 2014 in order to support clearing in the circumstances of temporary and significantly limited availability of bonds of a given series in the secondary market). In 2024 and in the first half of 2025, transactions with a face value of PLN 14.2 billion, accounting for 0.1% of all SBB transactions in the TS market, were concluded;
- granting the State Treasury (Minister of Finance) the status of a Public Investor in the Treasury BondSpot Poland market (hereinafter: "TBSP"), which enabled the Minister of Finance to conclude, from April 2024, repo transactions not only on the OTC market, but also on the ASO - TBSP market, with banks having the Market Maker status. In 2024, transactions worth PLN 172.1 billion were concluded, and in the first half of 2025, transactions worth PLN 209.0 billion were concluded;
- extension of the stabilising expenditure rule (SER) to include Treasury securities transferred free of charge by entities and bodies covered by the SER to entities of the general government sector. This change results directly from the recommendation of

the Supreme Audit Office and was made under the Act of 28 June 2024 amending the Public Finance Act and certain other acts (Journal of Laws item 1089);

- conversion of savings bonds at a preferential price:
  - setting a lower conversion price in June, July and August 2024 for 2-year bonds (DOR), 3-year bonds (TOS), 4-year bonds (COI) and 10-year bonds (EDO), in connection with the redemption of savings bonds with a total value of nearly PLN 10.3 billion (including the redemption of one-year ROR bonds and the first issues of DOR bonds totalling nearly PLN 8.3 billion). As in 2023, the lower conversion price was intended to encourage holders of bonds maturing in June–August 2024 to reinvest funds from their redemption.

3.3. Constraints on the risk level

Table 8. Assessment of the implementation of the Strategy objective constraints related to the risk level

Constraints on the *Strategy* objective						
Constraint	Implementation level*	Implementation method	Measure	Value 2023	Value 2024	Value June 2025
Refinancing risk	Satisfactory	• Decrease in the share of medium- and long-term bonds in total sales of wholesale bonds in the domestic market in 2024 and in the first half of 2025 (84.1% and 72.9%, respectively, compared to 87.2% in 2023); • Important role of switching auctions: - 31.6% of the initial debt in bonds maturing in the period from January 2024 to June 2025 was bought back; - in the period from the beginning of 2024 to mid-2025, bonds with a total face value of PLN 81.3 billion were bought back, compared to bonds with a total face value of PLN 80.3 billion bought back in the period from the beginning of 2023 to mid-2024; • Increase in the average maturity of domestic debt in 2024 and in the first half of 2025 (4.32 years and 4.20 years, respectively, compared to 4.08 years in 2023), however, remaining below the 4.5 years level set in the *Strategy*, due to the persistence of market conditions in the structure of demand and debt ageing. The *Strategy* adopted in September 2024 allows for temporary deviations in average maturity from target levels, resulting from market or budget conditions; • Increase in the average maturity of total debt and maintaining it above 5 years from 2023, in accordance with the *Strategy* assumptions (mainly as a result of large issues of long-term bonds in foreign markets and loans from the EU); • Issuance of T-bills from January 2025, contributing to the shortening of the debt ATM.	Debt ATM** (in years)			
			- domestic - foreign - total	4.08 8.63 5.25	4.32 10.94 6.07	4.20 10.75 5.78
			Share in domestic TSs:			
			- TSs up to 1 year - T-bills	13.2% 0.0%	10.8% 0.0%	10.7% 2.1%
Foreign exchange risk	High	• Maintaining the share of debt in foreign currencies in the ST debt below 25%, i.e. as assumed in the *Strategy*; • Maintaining an effective share of EUR-denominated debt in foreign debt (taking transactions in derivative instruments into account) above the minimum level set in the *Strategy* (70%).	Share of foreign debt in the ST debt	22.6%	23.1%	20.6%
			Share of EUR-denominated debt in foreign debt	88.8%	91.7%	92.6%
Interest rate risk	High	• Maintaining the ATR of domestic debt in the assumed range of 2.6-3.6 years; • In accordance with the *Strategy*, the dominant share of fixed-rate instruments in domestic debt and in debt denominated in foreign currencies was maintained.	Debt ATR (in years)**			
			- domestic - foreign - total	3.02 6.75 3.99	3.11 7.40 4.25	3.07 7.42 4.12
			Debt duration ** (in years) - domestic - foreign - total	2.65 5.31 3.31	2.79 5.66 3.54	2.77 5.86 3.50
			Share of floating-rate debt in the ST debt	30.5%	29.4%	27.7%
			Share of floating-rate debt in domestic debt	35.2%	31.6%	29.2%

Constraints on the *Strategy* objective		
Constraint	Implementation level*	Implementation method
Liquidity risk	High	The main instruments used in liquidity risk management included: • interest-bearing PLN-denominated deposits with the NBP – deposits with a total value of PLN 234.0 billion were made in 2024, while those made in the first half of 2025 amounted to PLN 115.6 billion; • PLN-denominated deposits made through BGK – in 2024, transactions with a total value of PLN 2,041.5 billion were concluded, whereas those concluded in the first half of 2025 amounted to PLN 1,860.6 billion; • PLN-denominated buy-sell-back (BSB) deposits hedged with Treasury securities – in 2024, transactions with a total value of PLN 252.0 billion were concluded, whereas those concluded in the first half of 2025 amounted to PLN 209.0 billion; • foreign currency deposits – in 2024, deposits for an amount equivalent to EUR 83.0 billion were made, whereas those made in the first half of 2025 amounted to an equivalent of EUR 58.6 billion; • exchange of consolidated foreign currency funds at the National Bank of Poland (NBP) and on the market; in 2024, foreign currencies equivalent to EUR 25.3 billion were sold at the NBP and foreign currencies equivalent to EUR 4.9 billion were sold on the market, in the first half of 2025, currencies equivalent to EUR 8.6 billion and EUR 1.6 billion were sold, respectively; • *cross currency swaps* (CIRS) intended to exchange the currency of flows resulting from the issue of bonds in USD for EUR – in 2024, these were concluded for a total of USD 7.5 billion, and in the first half of 2025 – for USD 5.5 billion; • interest rate swaps (IRS) concluded in order to spread debt servicing expenses over time – in 2024, these were concluded for a total face value of PLN 106 billion. As at the end of 2024, the balance of funds as part of liquidity management consolidation was PLN 125.0 billion, and as at the end of June 2025, this figure was PLN 133.5 billion. The level of State budget liquid assets in 2024 and in the first half of 2025 ensured the smooth execution of budgetary flows.
Credit risk	High	• PLN-denominated BSB deposits hedged with Treasury securities did not generate any credit risk; • For unsecured deposits with BGK and derivative transactions, a system of credit limits is in place; • Risk connected with transactions involving derivatives is limited by selection of partners with high credit rating; • A system of collateral on transactions involving derivatives through blocking TSs and mutual collateral in the form of cash deposit is in place. Collateralised transactions do not generate credit risk; • Credit risk generated by uncollateralised transactions involving derivatives is diversified through limits imposed on the total value of transactions made with particular partners. Creditworthiness of potential partners is monitored on an on-going basis.
Operational Risk	High	• Adequate technical infrastructure for concluding market transactions, security of data and information related to debt management, and the integrated ST debt database help maintain operational risk at a safe level; • Adequate technical infrastructure enables remote working.
Distribution of debt servicing costs over time	High	• Coupons of new issues were set at a level slightly below their forecasted yields. • The amount of debt servicing costs was also affected by swap transactions concluded in 2024 to spread these costs between 2024 and 2025. As a result of these transactions, these costs increased by PLN 7.1 billion in 2024 and decreased by 7.4 billion in 2025.

**) In accordance with the following scale: high, satisfactory, moderate and low.*

**) ATM and ATR parameters for domestic debt are calculated for the domestic marketable ST debt, while the parameters for the ST debt are calculated for domestic and foreign marketable debt and IFI and EU loans. Duration does not additionally include bonds with a face value indexed to inflation.*

4. Assumptions of the *Strategy*

The following subchapters present the main macroeconomic assumptions of the *Strategy* and the market conditions that affect debt management. The issues discussed include possible developments in the major international markets, the role of domestic and foreign investors in the domestic TS market, as well as the further course of the benchmark indices reform.

4.1. Macroeconomic and fiscal assumptions of the *Strategy*

The assessment of the macroeconomic situation and directions of fiscal policy was presented in the justification for the draft Budget Act for 2026. Table 9 contains the key macroeconomic assumptions of the Strategy, based on the assumptions of the draft Budget Act, and the forecast for the general government deficit according to the EU methodology (ESA2010).

Table 9. Macroeconomic and fiscal assumptions adopted in the Strategy

Item	2024	2025	2026	2027	2028	2029
Real GDP growth (%)	2.9	3.4	3.5	3.0	2.9	2.8
GDP at current prices (PLN billion)	3,641,2	3,901.2	4,160,2	4,396.3	4,638.3	4,881.6
Average CPI (%)	3.6	3.7	3.0	2.6	2.5	2.4
EUR/PLN - end of period	4.2730	4.2604	4.2604	4.2604	4.2604	4.2604
USD/PLN - end of period	4.1012	3.6774	3.6774	3.6774	3.6774	3.6774
General government deficit (GDP %)	6.6	6.9	6.5	5.7	6.1	4.7

At its meeting in July (on 1-2 July of this year), the RPP lowered interest rates, this time by 25 bps. As a result, the reference rate was reduced to 5.0% and the deposit rate to 4.5%. In the Council's assessment, the decision was justified by the need to adjust interest rates to expected inflation, which, according to available forecasts, will fall below the upper limit of the tolerance band for the inflation target (3.5%) in the coming months. In September, the Council again lowered interest rates by 25 bps (including the repo rate to 4.75%), due to a larger-than-expected drop in inflation. It also announced that further decisions on interest rates would depend on incoming data regarding the outlook for inflation and economic activity and maintained its opinion that fiscal policy, a recovery in consumer demand, and elevated wage dynamics remain risk factors for lowering inflation.

The forecast for the general government deficit for 2025–2029 presented in the table has been prepared under both national (the stabilizing expenditure rule, prudential and remedial procedures linked to the level of public debt) and EU budgetary frameworks, including adherence to the net expenditure path recommended under the excessive deficit procedure, taking into account the additional flexibility resulting from the activation of the national escape clause by the EU Council for Poland, among others. The forecast for the general government deficit, in addition to the constraints arising from fiscal rules, also considers the projected difference between the expenditures or costs planned according to the limits included in the financial plans of general government entities and their actual execution.

Furthermore, bearing in mind that the primary instrument for long-term planning within the general government sector in Poland is the stabilizing expenditure rule (SER) defined in the

Public Finance Act[3], and the fact that it significantly determines the expenditure trajectory for this sector, it is estimated that the scale of the deficit of sector entities, primarily public corporations included in it but not covered by the budgetary procedure referred to in the Regulation of the Minister of Finance on the detailed method, mode and deadlines for preparing materials for the draft Budget Act in the years 2025–2029, ranges from 0.1 to 0.3% of GDP.

4.2. International conditions

The most important international conditions in terms of ST debt management include:

- the opening of the excessive deficit procedure against Poland in July 2024, resulting from the high general government deficit in 2023. On 21 January of this year, the Council of the EU adopted recommendations for Poland, setting 2028 as the deadline for correcting the excessive deficit and recommending adherence to the net expenditure growth rate presented in the *Medium-Term Fiscal-Structural Plan for 2025–2028*. The European Commission will monitor the implementation of the recommended path twice a year (in spring and autumn in the years 2025–2029) based on historical data. The Commission will not assess the level of the general government deficit in the years 2025–2028. Compliance with the net expenditure growth rate recommended by the Council of the EU is key;
- the activation by the Council of the EU of national escape clauses (NEC), enabling a deviation from the expenditure path recommended by the Council of the EU up to the amount of the increase in defence expenditure compared to the pre-war situation in Ukraine, but not exceeding 1.5% of GDP annually. It should be noted, however, that despite the activation of the national escape clause, EU budgetary surveillance remains in place and its rules apply. This means that defence expenditure exceeding the 3.1% of GDP threshold (according to the EU COFOG definition, i.e., the classification of general government expenditure by function) will be treated in accordance with the rules of EU budgetary surveillance;
- actions taken by major central banks and the situation in the interest rate markets for the currencies in which liabilities may be incurred, primarily in the euro market:
  - continued normalisation of monetary policy by the ECB; at the meetings in July and September of this year, the members of the Governing Council kept interest rates unchanged and agreed that further decisions would be taken on an ongoing basis, taking incoming data into account. The central bank does not have a set path for rates; the inflation target has been achieved, but there are downside risks to economic growth. In September, the ECB presented new inflation forecasts, according to which inflation will average 2.1% in 2025, 1.7% in 2026, and 1.9% in 2027. The inflation forecasts were similar to the June projections. The new economic growth forecasts showed a higher growth path for 2025 (1.2% vs. 0.9% in the previous forecast) and a slightly lower one for 2026 (1.0% vs. 1.1%). The economic growth forecast for 2027,

[3] A detailed description of the SER is set out in the Public Finance Act (Article 112aa – Article 112db)

however, remained unchanged (1.3%);

- continuation of the Fed's *wait-and-see* policy – at its meeting in July of this year, the central bank did not change the range for the federal funds rate (4.25-4.50%) and stated that the scope and timing of interest rate adjustments would depend on the Fed's assessment of incoming data, the evolving economic outlook, and the balance of risks. In September of this year, after an eight-month pause, the central bank lowered interest rates by 25 bps (the federal funds rate moved to the 4.00%-4.25% range) due to increased risks related to employment. According to forecasts published at the September meeting, most Fed members expect interest rates to be cut by another 50 bps this year and by 25 bps in both 2026 and 2027. The Fed's interest rate is expected to be 3.1% at the end of 2028, and 3.0% in the long term (unchanged from the June projection);
- continuation of accommodative monetary policy by the Bank of Japan, including: maintaining the short-term interest rate at 0.50%; long-term rates will generally be set in financial markets, however, it is appropriate to reduce the purchase of government bonds in a planned manner, i.e.: reducing the scale of monthly purchases of government bonds by approx. JPY 400 billion per quarter until the end of March 2026, and by approx. JPY 200 billion per quarter from April 2026 until reaching a level of approx. JPY 2.0 trillion in March 2027; furthermore, to improve liquidity in the government securities market, the central bank will implement a securities lending programme; at the same time, in the event of a sharp increase in long-term market interest rates, the Bank will respond flexibly, e.g., by increasing the volume of government bond purchases, regardless of the monthly purchase schedule;

- downgrading of Poland's rating outlook from stable to negative by Fitch agency (on 4 September of this year) and the confirmation of the A- rating. The decision was justified by the deteriorating forecasts for the public finance deficit, the lack of a credible fiscal consolidation strategy, the rapid growth of public finance sector debt, and the domestic political situation, which limits the scope for implementing reforms before the next elections in 2027; the agencies' ratings and expectations regarding their changes are among the factors influencing the valuation of Polish debt;
- downgrading of Poland's rating outlook from stable to negative by the Moody's agency (on 19 September of this year) and the confirmation of the A2 rating. Similarly to the previous decision of Fitch agency, the decision to change the outlook reflected weaker forecasts for fiscal indicators and general government debt, as well as delays in gradual fiscal consolidation;
- the perception of Poland's credit risk and the liquidity preferences of Polish bond buyers operating in global markets, affecting the amount of the premium relative to core markets;
- concerns about global economic growth related to the escalation of trade tensions and the geopolitical situation, including the ongoing Russian war in Ukraine and the conflict in the Middle East

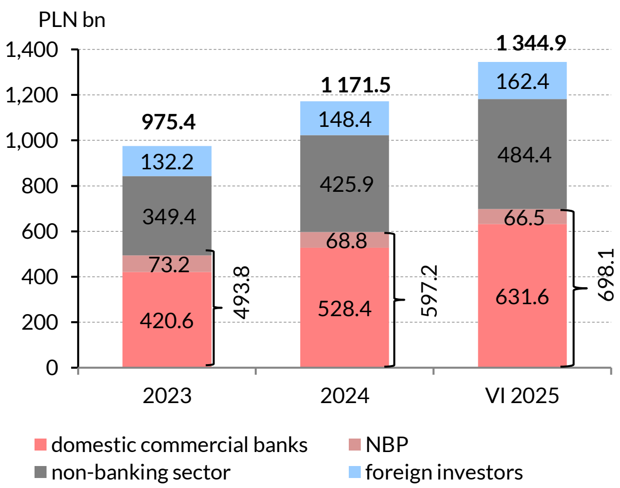
4.3. Domestic TS market

A significant determinant of ST debt management is the level of development of the domestic financial market, including the domestic investor base, as well as the involvement of foreign investors in this market. In the circumstances of free capital flow, a well-developed and deep domestic market allows for the absorption of external shocks and outflows of foreign capital. On the other hand, a well-developed and deep market attracts foreign capital.

Entities investing in the domestic Treasury securities market can be divided into three main groups: the domestic banking sector, the domestic non-banking sector and foreign investors. From the end of 2023 until the first half of 2025, the following changes in the holders' structure of domestic TS debt were observed:

- maintaining the dominant share of the domestic banking sector's debt (51.9% as at the end of June 2025), in nominal terms the exposure increased by PLN 204.3 billion, as a result of an increase in the exposure of commercial banks by PLN 211.0 billion and a decrease in that of the NBP by PLN 6.7 billion;
- an increase in the exposure of domestic non-banking investors by a total of PLN 135.0 billion, their share in the holders' structure increased to 36.0% (by 0.2 pp);
- an increase in the exposure in domestic TS by foreign investors, by a total of PLN 30.2 billion, as a result their share was 12.1% (it decreased by 1.5 pp).

*Chart 6. Structure of domestic TS portfolios held by main groups of investors**



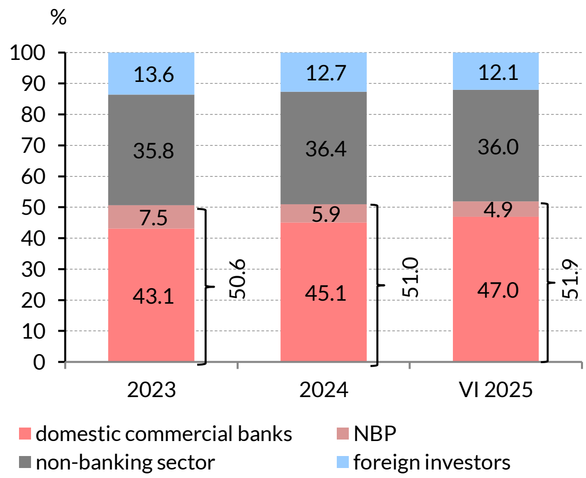
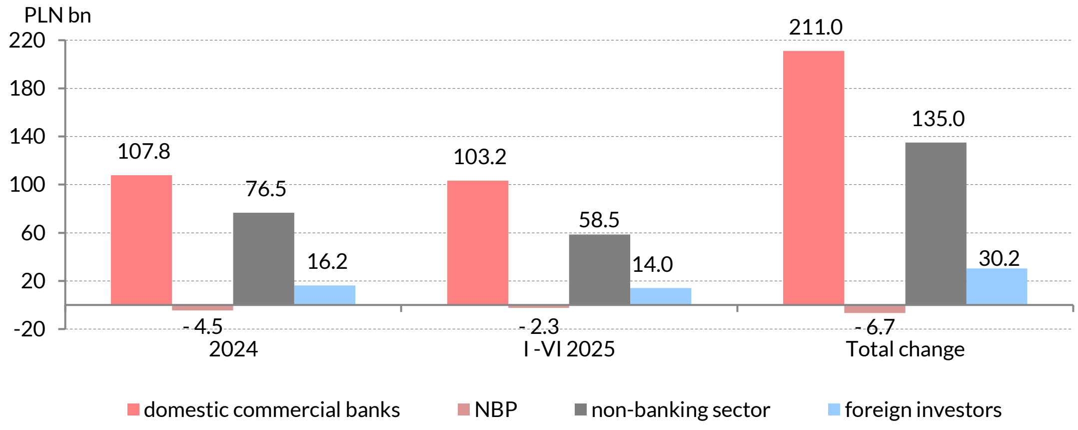


*Chart 7. Changes in domestic TS portfolios held by main groups of investors**



** At face value, the data on the TSs include conditional transactions.*

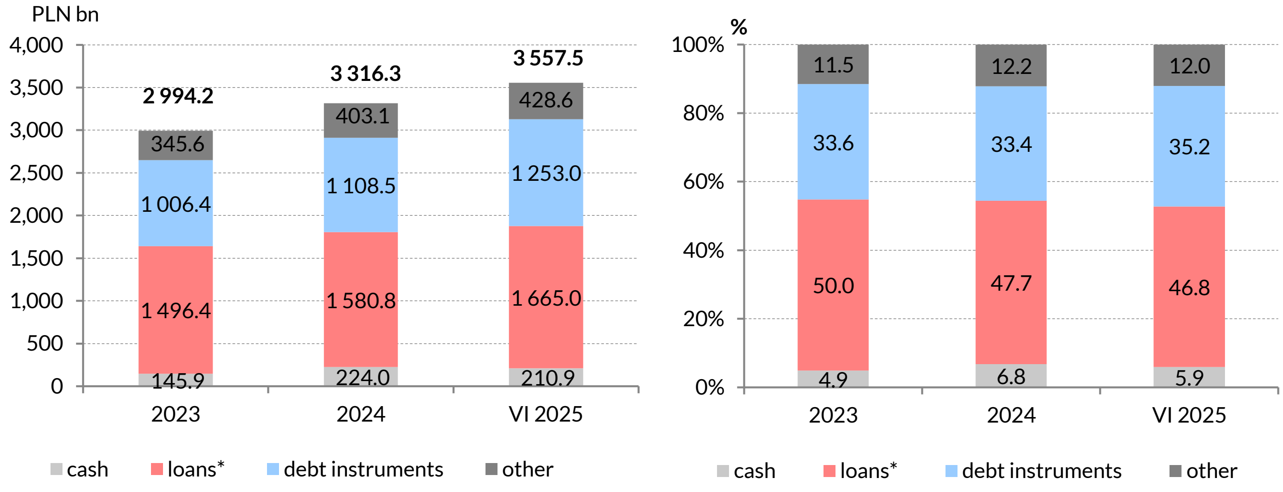
As at the end of June 2025, domestic investors held 87.9% of domestic TS debt, which meant an increase of 1.5 pp compared to the end of 2023, and their exposure increased during this period by PLN 339.3 billion (i.e., by 40.2%).

4.3.1. Domestic banks

Assets of domestic commercial banks as at the end of June 2025 amounted to PLN 3.6 trillion (an increase of 18.8% compared to the end of 2023), with the dominant share of loans and other receivables from domestic entities (46.8%). Debt instruments were the second largest component of assets – as at the end of June 2025, their share was 35.2%. In the structure of debt instruments, Treasury securities (53.8%) and NBP money bills (25.8%) continued to prevail.

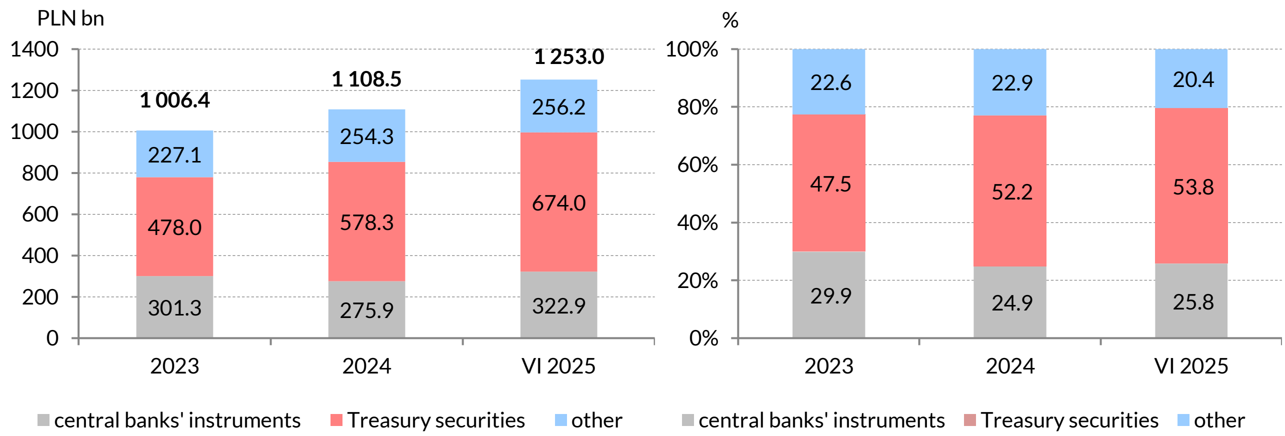
The exposure of domestic commercial banks in domestic TS as at the end of June 2025 amounted, at face value, to PLN 631.6 billion (an increase of 50.2% compared to the end of 2023). The exposure of the NBP in domestic TS (purchased in the secondary market as part of structural open market operations) as at the end of June 2025 declined by 6.7% compared to the end of 2023, and was, at face value, PLN 66.5 billion, which was due to the redemption of maturing bonds in the portfolio of the NBP and the lack of their reinvestment and purchases.

Chart 8. Structure of assets held by domestic commercial banks



** loans and other receivables from domestic entities*
Source: National Bank of Poland, in accordance with the applicable measurement methods.

Chart 9. Debt instruments in assets of domestic commercial banks



Source: National Bank of Poland, in accordance with the applicable measurement methods.

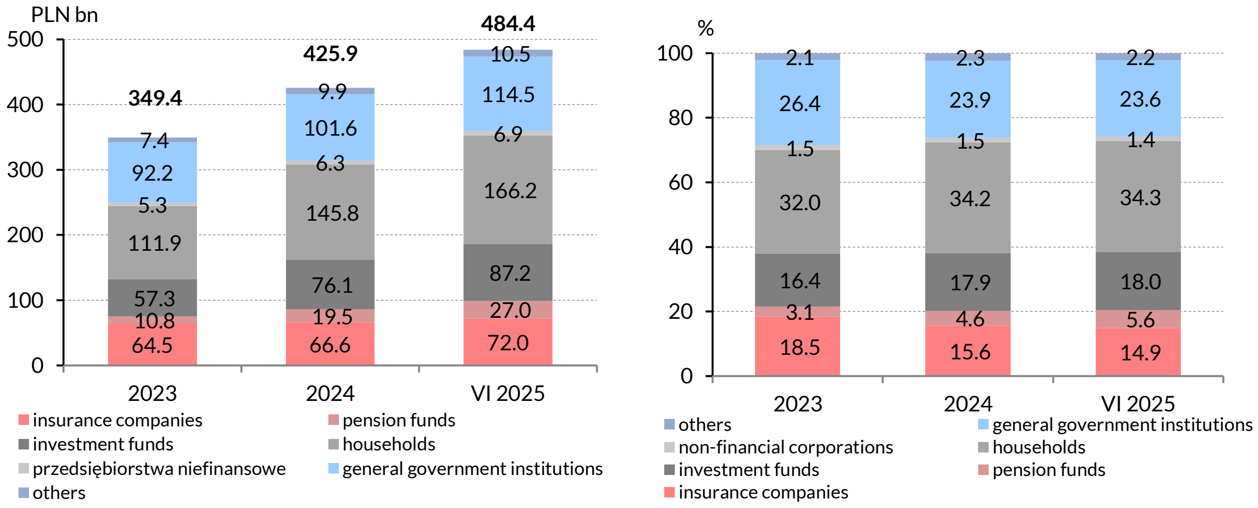
The most significant factors to affect banks' demand for domestic TS in the *Strategy* timeframe include:

- development of the economic situation, affecting the size and structure of assets held by banks;
- policy of the central bank, including that with regard to the level of interest rates;
- level of over liquidity of the banking sector;
- formal, legal and organizational conditions, including the transition of the WIBOR rates to the new benchmark rate.

4.3.2. Domestic non-banking investors

The group of domestic non-banking investors includes institutional entities that operate in the financial market, including primarily insurance companies, investment funds, and other domestic non-banking investors, mainly households and general government institutions.

*Chart 10. Structure of the portfolio of domestic TSs held by the non-banking sector **



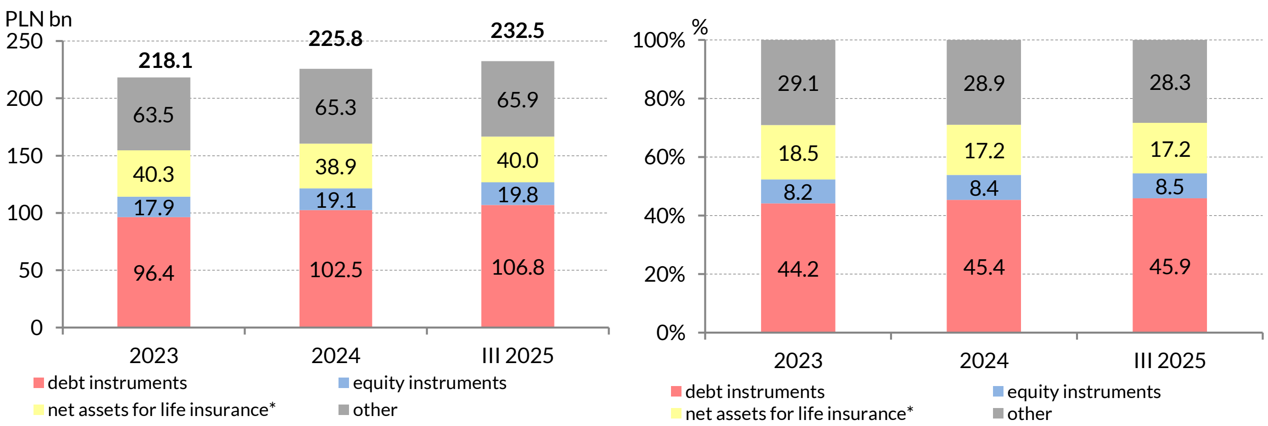
** At face value. The data on the TSs include conditional transactions.*

Among domestic non-banking investors, institutional investors play an important role, however, in recent years, the value of the TS portfolio held by households has been characterized by a high growth dynamic and high volume. Since the end of 2023, their exposure has increased by PLN 54.3 billion (i.e., by 48.5%) to PLN 166.2 billion, which resulted mainly from growing interest in the savings bonds offer, which was adapted to the current conditions and expectations of private investors. Recently, pension funds have also shown high growth dynamics in their TS portfolio, although their portfolio value is still not significant.

As at the end of June 2025, insurance companies held 5.4% of domestic TS (a decrease in share of 1.3 pp compared to the end of 2023), investment funds held 6.5% (an increase of 0.6 pp), and other domestic non-banking investors held 24.2% (an increase of 0.8 pp). The main factors affecting the value of the TS portfolio held by insurance companies and investment funds are the value of assets and the investment policy pursued by those entities.

Assets of insurance companies as at the end of March 2025 amounted to PLN 232.5 billion, which meant an increase of PLN 14.4 billion compared to the end of 2023, i.e., by 6.6%.

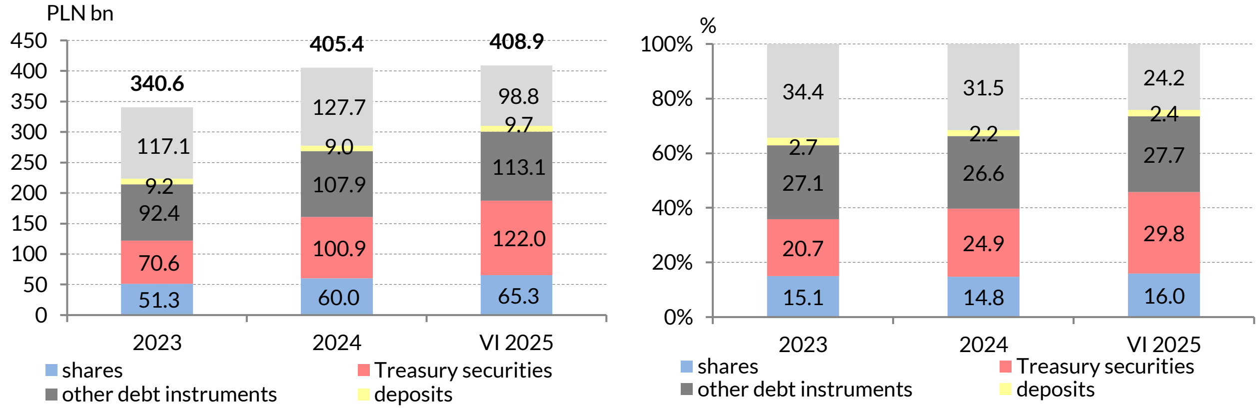
Chart 11. Structure of assets held by insurance companies



** net assets for life insurance - life insurance net assets where the investment risk is borne by the policyholder.*
Source: Polish Financial Supervision Authority, in accordance with the applicable measurement methods.

Assets of investment funds as at the end of June 2025 increased to PLN 408.9 billion, i.e., by PLN 68.3 billion (by 20.0%) compared to the end of 2023. The value of T-bonds (issued in the domestic and foreign markets) held by investment funds increased during this period by PLN 51.4 billion, and their share in assets increased by 9.1 pp.

Chart 12. Structure of assets held by investment funds



Source: National Bank of Poland, in accordance with the applicable measurement methods.

The main factors to determine the value of the TS portfolio in assets managed by non-banking financial institutions in the forthcoming years include:

- further development of the insurance, investment funds, and pension funds markets, particularly in the context of developments in equity markets and the levels of yields on Treasury securities, as reflected in the structure of these institutions' assets;
- the level of interest rates and inflation that indirectly affects also the investment behavior of households and non-financial corporations, encouraging them to seek investments that protect capital;
- increasing the scale of households' long-term savings to be paid after the end of professional activity, including an increase in the assets of Employee Equity Schemes (PPK).
- introduction of a new savings and investment instrument, Personal Investment Accounts (OKI), which will be an alternative to the currently applicable method of taxing income from financial assets. Under the scheme, individuals will be able to invest up to PLN 100,000 tax-free, including up to PLN 25,000 in the savings component.

4.3.3. Foreign investors

The share of foreign investors in domestic TS debt as at the end of June 2025 was 12.1% and decreased by 1.5 pp compared to the end of 2023. In 2024 and in the first half of 2025, foreign investors increased their holdings of domestic TSs by a total of PLN 30.2 billion, as a result of an increase in the holding of non-residents by PLN 16.2 billion in 2024 and its increase by PLN 14.0 billion in the first half of 2025. The share of non-residents was affected, among others, by the monetary policy of the major central banks and changes in the interest rate disparity.

Foreign investors' demand depends, to a large extent, on the international situation and, consequently, is highly volatile. The risk of a negative impact of foreign capital outflow from Poland on the TS market is, however, limited due to the dominant role of domestic investors and the institutional and geographical diversification of non-residents. In the structure of entities with debt to non-residents, an important role is played by institutional investors: central banks and public institutions, investment funds, pension funds and insurance companies. The geographical structure of domestic TS holders is also diversified – as at the end of June 2025, TSs were held by investors from 70 countries.

The most important factors to affect non-residents' demand for Polish TS in the *Strategy* timeframe include:

- actions undertaken by central banks;
- economic developments and the stability of financial markets in the world, which will be significantly affected by the development of the geopolitical situation, including the course of the war in Ukraine and US trade policy;
- Poland's economic fundamentals, fiscal situation, and the assessment of Poland's credit risk;
- the operation of a large and liquid financial market in Poland (in particular the TS market) and its adequate infrastructure, as well as the course of the transition process of WIBOR rates to the new benchmark index (see Chapter 4.4).

Due to the free flow of foreign capital, the non-residents' investment in domestic TS, as well as raising funds in international markets, may be a source of exchange rate risk for the ST debt. Currently, this factor is not significant due to the limited inflow of foreign investors to the domestic TS market.

4.4. Benchmark indices reform

The assumption of the benchmark indices reform initiated in 2022 is to replace the use of the WIBOR and WIBID indices in agreements and financial instruments with a new risk-free rate (RFR). In order to effectively carry out the implementation of the new benchmark index, a National Working Group on Benchmark Indices Reform (NWG) was established in July 2022.

The objective of the reform in Poland is a safe and effective transition to using the new type of benchmark index from the end of December 2027[4].

On 6 December 2024, the NWG Steering Committee (NWG SC) decided to select the proposed POLSTR (Polish Short Term Rate)[5] index as the target reference rate to replace the WIBOR benchmark index. POLSTR is based on O/N unsecured deposits placed by credit

[4] https://www.knf.gov.pl/dla_rynku/Wskazniki_referencyjne?articleId=93320&p_id=18

[5] A proposed index with the technical name WIRF- was selected, for which the target name POLSTR was chosen on 24 January 2025.

institutions and financial institutions. Thus, the NWG SC verified and modified its earlier decision to select WIRON as the target replacement index.

The selection of the new proposed index was preceded by a review and analysis of RFR-type alternative indices to WIBOR, which began on 29 March 2024. This process included additional internal analyses by the institutions involved in the work of the NWG SC, including the Polish Financial Supervision Authority, the National Bank of Poland, and GPW Benchmark S.A. It also included two rounds of public consultations addressed to all stakeholders, including financial market participants.

On 28 March 2025, the NWG SC approved the updated Roadmap for the process of replacing the WIBOR and WIBID benchmark indices.

On 2 June 2025, GPW Benchmark S.A. began the development and publication of the POLSTR index and indices from the POLSTR Compound Index Family (POLSTR 1M Compound Rate, POLSTR 3M Compound Rate, POLSTR 6M Compound Rate, and POLSTR Single-Base Index). The administrator adopted and published the necessary documentation allowing for the development of POLSTR in accordance with the requirements of the BMR Regulation – thus, the necessary conditions for the use of POLSTR and the indices from the POLSTR Compound Index Family by supervised entities in financial agreements, financial instruments, or investment funds have been met.

From the perspective of popularising the POLSTR index, the first issuance of Treasury bonds, planned for December 2025, will be a key moment. This event will be an impulse for financial market participants to begin introducing all types of financial products using POLSTR into their offers in 2026. In particular, it is expected that banks will begin selling mortgage loans and other credit products for individual, corporate, and institutional clients at the compound rate from the target benchmark index POLSTR, while simultaneously continuing the development of the housing loan segment using a fixed or periodically fixed interest rate. According to the assumptions, in 2026, bond issues are to take place in the debt market, including bonds of banks, corporations, and municipalities, using the POLSTR benchmark index or a fixed interest rate. In 2027, it is planned to facilitate the withdrawal of products using WIBOR and WIBID, to be replaced by contracts and instruments using POLSTR. Furthermore, a regulation by the minister competent for financial institutions is to be published, designating, inter alia, the replacement for WIBOR, the correction spread, and the date from which the replacement will apply, ensuring an appropriate vacatio legis to adapt to the content of the regulation.

According to the assumptions of the modified Roadmap, readiness to cease the calculation and publication of the WIBOR and WIBID benchmark indices is assumed from 2028.

5. Objective of the *Strategy*

The *Strategy* objective is to finance the borrowing requirements of the State budget in a way that ensures minimisation of debt servicing costs in the long term, with the adopted constraints regarding the level of:

1) refinancing risk;
2) exchange rate risk;
3) interest rate risk;
4) State budget liquidity risk;
5) other risks, in particular credit and operational risks;
6) the distribution of debt servicing costs over time.

This objective, determining the debt management, is understood in terms of two aspects as:

- **selection of instruments**, aimed at cost minimisation within the timeframe defined by maturity dates of the longest maturity instruments and a significant share in debt, through the adequate selection of markets, debt management instruments, structure for financing borrowing requirements and issuance dates;
- **ensuring the efficiency of the TS market**, contributing to the lowering of TS yields. This means striving to eliminate or limit any unfavourable factors in market organization and infrastructure.

This approach to the implementation of the objective allows for the flexible shaping of the financing structure in terms of the selection of the market, issuance method, currency and type of instruments, including with the use of derivative instruments. The selection of this structure should result from an assessment of the market situation (the level of demand, interest rates and the shape of the yield curve in particular markets) and the financing cost in the long term, taking constraints resulting from the acceptable risk level into account.

Experiences in debt management indicate a significant role of flexibility and the diversification of sources of financing borrowing requirements, subject to the market situation. This contributes both to ensuring the security of financing the State budget borrowing requirements and to reducing the cost of the capital raised, which is particularly important in periods of turmoil in financial markets.

The domestic market will remain the main source of financing the State budget borrowing requirements. The supply of instruments in this market will be developed in a flexible manner, adapted to the current market situation, i.e., the reported demand level, so that the impact of TS supply on the yields can be minimised. Financing in international markets will supplement domestic financing, and its level should:

- account for the budget borrowing requirements in foreign currencies as well as the inflow of funds in foreign currency within the EU budget and financial instruments offered by the EU;

- ensure diversification of funding sources through Poland's access to the investor base in major financial markets;
- maintain Poland's position in the euro and US dollar markets;
- stabilize the domestic market through the ability to adapt the structure of financing the State budget borrowing requirements to the market situation;
- take advantage of attractive financing in international financial institutions;
- allow for selling currencies at the NBP and in the financial market as an instrument to manage funds in foreign currencies and the State budget liquidity, while taking monetary, economic and budgetary policy considerations into account.

The minimisation of debt servicing costs in the long term will be subject to constraints related to the ST debt structure. Therefore, the following assumptions have been made with respect to:

1) refinancing risk

- maintaining of the dominant role of medium- and long-term instruments in financing the State budget borrowing requirements in the domestic market, subject to the market situation;
- striving to achieve the average maturity of domestic debt* at the level close to 4.5 years, subject to possible temporary deviations resulting from market and budget conditions;
- maintaining the average maturity of the ST debt* at the level of at least 5 years, subject to possible temporary deviations resulting from market and budget conditions;
- striving for an even distribution of redemptions over time;

2) exchange rate risk

- maintaining the share of foreign currency debt in ST debt below 25%, subject to possible temporary deviations due to market or budgetary conditions;
- possibility of using derivative instruments to develop an adequate debt currency structure;
- maintaining an effective (i.e. taking into account derivative transactions) share of the euro in foreign currency debt of at least 70% in the *Strategy* timeframe;

3) interest rate risk

- maintaining the average time to re-fixing (ATR) of domestic debt* in the range of 2.6-3.6 years;
- maintaining a dominant share of fixed-rate instruments in domestic debt while using floating-rate bonds, including those based on the new benchmark index, and inflation-linked bonds;

- the possibility of using derivative instruments to separate interest rate risk management from refinancing risk management;
- maintaining the dominant share of fixed-rate instruments in ST debt denominated in foreign currencies;

4) State budget liquidity risk

- maintaining the safe level of State budget liquidity while managing liquid assets in an effective way through deposits in Polish zloty and foreign currencies and transactions in foreign currencies (including sales of FX funds, derivatives). The level of liquid funds will be determined by ongoing budgetary and market situation, including budget seasonality and smoothing of TS supply over the year. The adequate level of liquid assets results in State budget's resilience to market volatility and improves TS valuation on the primary market;

5) other risks, in particular credit and operational risk

- concluding derivative transactions with entities with high creditworthiness;
- mitigation of credit risk (through collateral agreements) and its diversification while concluding derivative transactions. In the *Strategy* timeframe, it is possible to conclude further collateral agreements that are in line with the current best market practices and enable concluding transactions without bearing credit risk on more favourable terms;
- diversification of credit risk generated by uncollateralized transactions;
- assuring technical infrastructure allowing for running debt management processes remotely;

6) distribution of debt servicing costs over time

- aiming at an even distribution of debt servicing costs in particular years, including the use of derivative instruments;
- setting bond coupons at a level slightly below their forecasted yield in the issuance period.

**) ATM and ATR parameters for domestic debt are calculated for the domestic marketable ST debt, while the parameters for the ST debt are calculated for domestic and foreign marketable ST debt and IFI and EU loans.*

6. Tasks of the *Strategy*

The following tasks have been recognized as essential for implementing the objective of the *Strategy*:

1) ensuring liquidity of the TS market;
2) ensuring efficiency of the TS market;
3) ensuring transparency of the TS market;
4) effective State budget liquidity management.

The Strategy tasks related to the development of the TS market are long-term and cover measures implemented on a continuous basis. These tasks are to a large extent interdependent, i.e., particular measures may contribute to the implementation of more than one task at a time. Undertaken measures should be mainly aimed at maintaining the proper functioning of the market or its further improvement, in order to contribute to the better implementation of the Strategy objective.

Measures related to effective management of the State budget liquidity have been distinguished as an independent task.

6.1. Ensuring liquidity of the TS market

This task relates to liquidity of both the entire TS market and particular issues, and is associated with striving to eliminate the premium for insufficient liquidity and to increase the demand of investors interested only in liquid issues. Both these factors contribute to decreasing TS yields and, accordingly, to the minimisation of ST debt servicing costs. In the *Strategy* timeframe, it is planned to continue the existing policy providing for:

- building large issues of bonds (benchmarks) in the domestic market – in the case of medium- and long-term fixed-rate bonds, their value should be at least PLN 40 billion, while striving to ensure an even distribution of redemptions over time;
- issuing large and liquid bonds in the euro and US dollar markets;
- adapting the issuance policy, including sale, switching and buy-back auctions, and the instruments offered, to market conditions.

In connection with the ongoing benchmark rate reform, it is planned to develop, over the Strategy's timeframe, a liquid market for floating-rate bonds based on the new benchmark index, taking into account the overarching objective of minimising debt servicing costs in the long term and at a pace depending on the market participants' demand as well as their organisational and technical conditions.

6.2. Ensuring efficiency of the TS market

This task is aimed at minimising debt servicing costs in the second of the two aspects of this objective, discussed in Chapter 5, and covers the following measures in the primary and secondary markets:

- adjusting the issuance schedule in the domestic and foreign market to the market and budgetary conditions;
- strengthening the role of the TSD system in the development of the TS market and in debt management operations - in the areas where participants of the TSD system are at least as competitive as other financial market participants, conclusion of transactions and selection of partners will be carried out taking into account preferences resulting from their participation in the system;
- sustaining relations with domestic and foreign investors, including through:
  - regular meetings with banks participating in the TSD system (within the TS Market Participants' Board),
  - contacts with non-banking sector entities,
  - contacts with foreign investors and foreign banks,
  - ongoing communication with investors;
- broadening the investor base, including regular contacts with foreign investors, in order to promote TS issued on both domestic and foreign markets;
- active participation in conferences and seminars with investors.

6.3. Ensuring transparency of the TS market

This task is aimed at limiting the uncertainty connected with TS market operation and enables its participants to receive reliable information on current market prices and to formulate expectations concerning developments regarding the TS market. Both predictability of the issuance policy and transparent operation of the secondary market contribute to the transparency of the market. In this respect, the following activities will be continued:

- maintaining transparent communication on the issuance plans during the current year, quarter and month;
- promoting the electronic market through:
  - adequate regulations in TSD system that ensure competitiveness and transparency, in particular with regard to PD duties related to TS quotations, sustaining adequate spread levels and the share in TS fixing,
  - adapting the rules for performing the TSD function to current requirements stemming from the regulations.

6.4. Effective State budget liquidity management

This task consists, on the one hand, in raising and maintaining funds at a level ensuring the timely execution of the State's tasks as well as the budget's resilience to the changing market situation, and on the other hand, in investing them to achieve the highest possible income, so that the net cost of maintaining them is as low as possible. These measures are performed taking into consideration the budgetary and market conditions and constraints related to risk, including credit and operational risk.

Maintaining an adequate level of liquidity causes direct cost resulting from higher yields of TS sold at auctions in relation to income earned on short-term deposits. However, maintaining the adequate level of liquid funds allows for indirect savings arising from the fact that the issuer has a possibility to adjust the TS sale to the market condition without increasing liquidity risk and debt servicing costs.

The following instruments will support the implementation of the task:

- PLN and FX deposits in the NBP and in the financial market via BGK (the State development bank);
- buy-sell-back and repo transactions concluded directly in the financial market without bearing credit risk;
- FX funds sale in the NBP and in the FX market;
- FX swap transactions allowing for shaping the currency structure of liquid funds;
- short-term loans in the interbank market.

As part of the State budget liquidity management, liquid funds of general government units and funds from court and prosecutor office deposits are actively used, thus reducing net borrowing requirements of the State budget. The pending amendment to the Public Finance Act includes the mandatory consolidation of liquidity management for all funds held at BGK.

7. Impact on the public finance sector debt

Pursuant to Article 74 of the Public Finance Act, the Minister of Finance exercises control over the public finance sector as regards the observance of the rule that the public debt cannot exceed 60% of the annual GDP.

In the case of public finance sector debt, including the debt of public finance sector entities other than the ST, which are autonomous in incurring liabilities, the influence on the debt level is indirect and is derived from the provisions of the Public Finance Act. It primarily includes constraints imposed on the manner of incurring liabilities by LGUs as well as the prudential and remedial procedures applicable to public finance sector entities in the event that the ratios to GDP of both the public debt and the amount referred to in Article 38a(3) of the Public Finance Act exceed 55%.

The stabilising expenditure rule provided for in the Public Finance Act refers to the reference values for the general government net lending/net borrowing (-3% of GDP) and general government debt (60% of GDP), related to the EU excessive deficit procedure. Exceeding these values or the fulfilment of additional conditions specified in the Act triggers an automatic correction mechanism limiting the growth rate of the amount of expenditure for a given fiscal year (subject to the years in which the escape clause applies). A detailed description of the correction mechanism is included in Annex 3.

Public debt according to the EU definition, i.e., the debt of the general government sector, is additionally significantly affected by the volume of debt of the funds formed at BGK that are classified in this sector; for details see subchapter 7.3.

Annex 3 presents the constraints related to incurring public debt provided for in the Public Finance Act (arising from the prudential and remedial procedures and the rules for incurring liabilities by LGUs).

7.1. Changes in regulations regarding incurring liabilities by local government units and public finance sector entities supervised or managed by them

Pursuant to the amendment to the Public Finance Act of 8 November 2024, when calculating the ratio limiting the amount of repayment of liabilities incurred by LGUs, for the first time for establishing the ratio for 2026, the executed revenue from the sale of assets, resulting from the relevant reports on the LGU budget execution, shall be added to the current budget revenue reduced by current expenditure[6].

The amendment to the Public Finance Act of 8 November 2024 extended the temporary flexibility of the fiscal rules applicable to LGUs until 2029 (inclusive).

[6] Article 243(2a) of the Public Finance Act.

Temporary changes in the applicable rule of balancing the current part of the budget:

- until 2029 (inclusive), an LGU may exceed the indicated ratio in a given fiscal year, provided that in the years 2022–2029 the sum of excesses of this ratio in individual years will not be higher than the sum of surpluses resulting from this ratio in individual years. Whereby the surplus shall result from the difference between current revenue and current expenditure, in which current revenue and current expenditure will be respectively increased by sources of revenue or reduced by types of current expenditure indicated by the legislator, as appropriate for a given year[7];
- until 2029 (inclusive), current revenue may also be increased by the revenue referred to in Article 217(2)(6) of the Public Finance Act (i.e., liquid funds as a surplus of cash in the current account of the LGU budget resulting from, inter alia, the settlement of issued securities, loans from previous years)[8];
- in the years 2021–2023, expenditure on the organization of the European Games and the preparation and implementation of projects related thereto shall not be included in planned current expenditure;
- from 2022 until the provision ceases to be in force – current expenditure shall be reduced by current expenditure incurred in order to carry out tasks related to assistance for citizens of Ukraine in connection with the armed conflict on the territory of that state, to the extent that they are not financed with public funds received by the unit for this purpose[9].

Temporary changes in the applicable ratio limiting the amount of repayment of liabilities:

When establishing the ratio referred to in Article 243 of the Public Finance Act:

- for the years 2020–2025:
  - the unit's current budget expenditure is reduced by current expenditure on debt servicing[10];
- for 2021 and subsequent years[11]:
  - the LGU's current budget expenditure is reduced by current expenditure incurred in 2020 to implement tasks related to counteracting COVID-19,
  - redemptions of securities, repayments of instalments of loans, together with interest and discount due thereon, issued or incurred, respectively, in 2020, up to the equivalent of the amount of the loss in the unit's executed revenue resulting from the occurrence of COVID-19, shall be excluded;

[7] Article 296a(2) of the Public Finance Act.

[8] Article 9(1) of the Act of 14 October 2021 amending the Act on the income of local government units and certain other acts (Journal of Laws, item 1927, as amended), Article 6 of the Act of 15 September 2022 amending the Act on the income of local government units and certain other acts (Journal of Laws, item 1964, as amended) and Article 296a(1) of the Public Finance Act.

[9] Article 110(1) and (2) of the Act of 12 March 2022 on assistance to citizens of Ukraine in connection with an armed conflict on the territory of this country (Journal of Laws of 2025, item 337, as amended).

[10] Article 15zob of the Act of 2 March 2020 on special solutions related to the prevention, counteracting and combating of COVID-19, other infectious diseases and crisis situations caused by them (Journal of Laws of 2024, item 340, as amended).

[11] Ibidem.

- for 2022 and subsequent years:
  - the unit's current budget expenditure is reduced by current expenditure incurred in 2021 to implement tasks related to counteracting COVID-19[12],
  - redemptions of securities, repayments of instalments of loans, together with interest and discount due thereon, issued or incurred, respectively, in 2021, up to the equivalent of the amount of the loss in the unit's executed revenue resulting from the occurrence of COVID-19, shall be excluded[13],
  - current expenditure incurred in the years 2021–2023 by LGUs for the organization of the European Games and the preparation and implementation of projects related thereto shall be excluded;
- for 2023 and subsequent years:
  - the unit's current budget expenditure is reduced by current expenditure incurred in order to implement tasks related to assistance for citizens of Ukraine in connection with the armed conflict on the territory of that state, to the extent that they are not financed with public funds received by the unit for this purpose[14],
- for the years 2023–2029:
  - potential repayments of amounts resulting from sureties and guarantees granted by LGUs shall not be included[15].

Furthermore, in the years 2024–2029, the ratio limiting the amount of repayment of liabilities may not be met, if the forecasted total amount of the LGU's debt as at the end of a given year does not exceed 100% of the planned/executed total revenue of that unit in that fiscal year, reduced by the planned/executed amounts of subsidies and funds of a similar nature and increased by revenue from the following sources:

- revenue from the privatization of LGU assets,
- repayments of loans granted in previous years or funds from deposits made in previous years,
- liquid funds,
- the LGU's budget surplus from previous years, reduced by the funds indicated in the bullet point below,
- unused funds in the current budget account, resulting from the settlement of revenue and expenditure financed by it related to special rules for budget execution set out in separate acts, and resulting from the settlement of funds from the EU budget and non-

[12] Article 79 of the Act of 19 November 2020 on special solutions for the implementation of the Budget Act for 2021 (Journal of Laws, item 2400, as amended).
[13] Ibidem.
[14] Article 110(3) of the Act of 12 March 2022 on assistance to citizens of Ukraine in connection with an armed conflict on the territory of this country (Journal of Laws of 2025, item, as amended).
[15] Article 28 of the Act of 5 August 2022 on the coal allowance (Journal of Laws of 2024, item 1207) and Article 296b of the Public Finance Act.

reimbursable funds from aid granted by EFTA Member States and subsidies for the implementation of a program, project or task financed with these funds,

- not intended for financing the budget deficit[16].

7.2. Stabilising expenditure rule

The stabilising expenditure rule provided for in the Public Finance Act refers to the reference values for the general government net lending/net borrowing (-3% of GDP) and general government debt (60% of GDP), related to the EU excessive deficit procedure.

Exceeding these values or the fulfilment of additional conditions specified in the Act triggers an automatic correction mechanism limiting the growth rate of the amount of expenditure for a given fiscal year (subject to the years in which the escape clause applies). A detailed description of the correction mechanism is included in Annex 3.

On 19 March of this year, the European Commission, in a communication, encouraged Member States to make coordinated use of the national escape clause due to the exceptional circumstances of Russia's aggression against Ukraine and the deteriorating security environment. Poland submitted its request for the NEC on 30th April 2025, and on 4th June the EC gave a positive opinion on the coordinated application of the national escape clause from EU rules for 15 EU countries, including Poland. This clause, in accordance with Article 26 of EU Regulation 2024/1263[17], was triggered by the issuance of relevant EU Council recommendations on 8th July.

Given that on 21st January 2025, the Council of the European Union issued recommendations aimed at correcting the excessive deficit in Poland, based on Article 126(7) of the Treaty on the Functioning of the European Union, the size of the correction in the stabilising expenditure rule, which determines over 90% of general government sector expenditure, calculated in accordance with Article 112ab(2) of the Public Finance Act, will be aimed at ensuring the consistency of the net stabilising expenditure rule's expenditure growth rate (excluding debt servicing costs and discretionary measures on taxes or contributions) with the maximum net expenditure growth rate recommended by the Ecofin Council, taking into account the aforementioned flexibility. Therefore, the amount of expenditure provided for in the Budget Act must be consistent with these recommendations. The stabilising expenditure rule, through its correction mechanism which incorporates the recommendations of the Council of the European Union, is intended to ensure the compliance of fiscal policy with the requirements of European rules and Poland's treaty obligations.

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[16] Article 296c of the Public Finance Act.

[17] Regulation (EU) 2024/1263 of the European Parliament and of the Council of 29 April 2024 on the effective coordination of economic policies and on multilateral budgetary surveillance and repealing Council Regulation (EC) No 1466/97.

7.3. Funds managed by Bank Gospodarstwa Krajowego included in the general government sector

As at the end of June 2025, BGK managed twenty funds that are classified in the general government sector according to the ESA 2010 methodology; however, they are not part of the public finance sector according to Polish law. This means that the debt of the funds increases the public debt according to the EU definition, but has no impact on the public debt according to the domestic definition.

In accordance with the provisions of the acts establishing the funds, BGK may incur debt for nine funds. In practice, according to data as of the end of June 2025, the debt was incurred for the following four funds: the National Road Fund, the COVID-19 Response Fund, the Aid Fund and the Armed Forces Support Fund.

The funds' resources originating from incurring liabilities are raised in PLN and in foreign currencies, from:

- the issuance of bonds in the domestic and international markets;
- loans (this applies to the KFD and the FWSZ due to the project-based nature of investments in road infrastructure and deliveries of military equipment).

The Minister of Finance, in accordance with statutory provisions, accepts the terms and conditions of issuance of bonds for the funds, and in the case of the FWSZ, additionally accepts the economic parameters of the loans incurred and approves the incurring of other financial liabilities related to obtaining repayable funds. The schedules of bond issuances for the funds are set taking into account the calendar of TS auctions on the domestic and foreign markets, and the maturity dates of the funds' bonds are determined taking the TS redemption schedules into account.

In 2025, the bond sale system in the domestic market was modified. The changes mainly concerned:

- the schedule of auctions (auctions were organized on the day after the Treasury bond auction);
- increasing the frequency of auctions (to two per month);
- introducing a new formula for communication with market participants;
- linking the activity of banks at auctions with the selection of banks for the issuance of BGK bonds in EUR and USD.

The entire planned borrowing requirement of the FPC in 2025 was financed in the domestic market. The borrowing requirements of the other three funds were financed in the first half of 2025 through bond issues in the EUR market and under previously signed loan agreements.

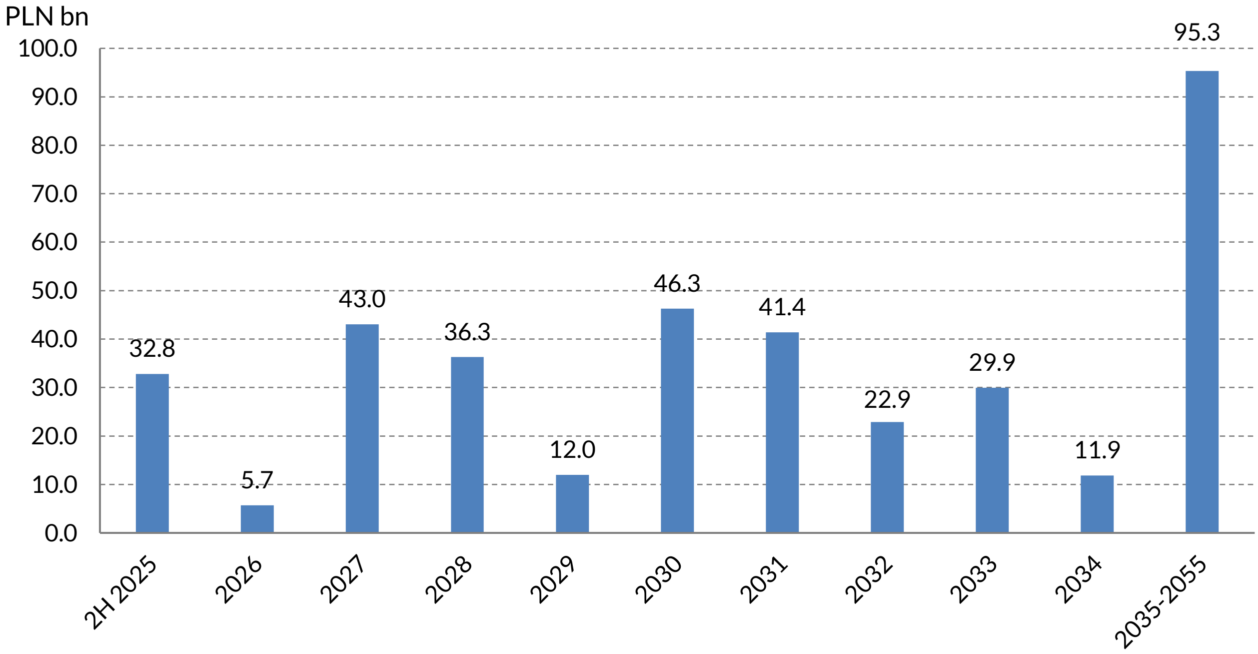
In the coming year, it is assumed that debt liabilities will be incurred for:

- the FWSZ – the priority will be to use low-interest loans from the Security Action for Europe (SAFE) instrument established by the EU for Member States. The source of financing will remain commercial loans secured by guarantees from government institutions of the countries from which the equipment will be supplied, and in the case of American purchases - loans granted by the US government. However, an increase is expected in the share of bonds issued in the domestic and foreign markets in raising financing for the implementation of the FWSZ tasks;

- the FPC – issues mainly in the domestic market under the bond sale system modified in 2025;
- the KFD – debt financing for road infrastructure projects will, as before, come mainly from EIB loans and bond issues.

According to information provided by BGK, detailed rules and conditions for managing the funds' debt will be presented in a strategy being developed by BGK.

Chart 13. Maturity profile of BGK funds' liabilities, as at 30 June 2025 (in PLN equivalent)



8. Expected effects of the *Strategy* implementation

Expected effects of the *Strategy* implementation include forecasts of:

- the volume of public debt and the costs of its servicing;
- risk parameters of the State Treasury debt;
- the volume of debt of public finance sector entities other than the ST.

These are the expected results of the implementation of the *Strategy* objectives under the adopted macroeconomic, budgetary and market assumptions. Furthermore, subchapter 8.4 presents the main threats to the implementation of the *Strategy* objectives.

8.1. Debt volume and its servicing costs

Table 10. Forecasts of the level of debt and general government debt servicing costs

Item	2024	2025	2026 deficit limit	2026	2027	2028	2029
1. State Treasury debt							
a) PLN bn	1,629.3	1,956.2	2,304.5	2,271.1	2,516.1	2,788.1	2,999.9
- domestic	1,253.5	1,546.3	1,823.3	1,794.2	2,000.5	2,223.4	2,397.7
- foreign	375.8	409.9	481.2	476.9	515.6	564.7	602.2
b) GDP%	44.7%	50.1%	55.4%	54.6%	57.2%	60.1%	61.5%
2. Public debt							
a) PLN bn	1,611.6	1,907.4	2,240.3	2,206.9	2,442.7	2,703.5	2,904.3
b) GDP%	44.3%	48.9%	53.8%	53.0%	55.6%	58.3%	59.5%
3. The amount specified in the article 38a (3) of the Public Finance Act*							
a) PLN bn	1,460.2	1,751.1	2,190.0	2,156.3	2,391.4	2,652.3	2,852.8
b) GDP%	40.1%	44.9%	52.6%	51.8%	54.4%	57.2%	58.4%
4. General government debt							
a) PLN bn	2,012.7	2,331.1	2,753.6	2,720.2	3,039.4	3,372.9	3,676.9
b) GDP%	55.3%	59.8%	66.2%	65.4%	69.1%	72.7%	75.3%
5. General government debt servicing costs (accrual basis)							
b) GDP%	2.2%	2.5%	-	2.7%	2.8%	2.9%	3.0%

**) The amount of public debt recalculated using the yearly arithmetic average of foreign currency exchange rates announced by the National Bank of Poland for the year concerned and reduced by the amount of liquid funds for financing the borrowing requirements of the State budget in the following fiscal year.*

The forecast for 2025–2029 was prepared under both national and EU budgetary frameworks, including adherence to the net expenditure path recommended under the excessive deficit procedure, taking into account the additional flexibility resulting from the activation of the national escape clause by the EU Council for Poland, among others. In addition to the constraints arising from fiscal rules, it also considers the projected difference between the expenditures or costs planned according to the limits included in the financial plans of general government entities and their actual execution.

It was assumed that in the years 2027–2029, the servicing and redemption of bonds issued by BGK for the COVID-19 Response Fund and by the Polish Development Fund under the Financial Shield will be carried out using funds from the COVID-19 Response Fund, raised through the issuance of bonds.

Under the adopted assumptions, the forecasted public debt-to-GDP ratio will be 48.9% in 2025 and 53.0% in 2026, and will subsequently rise, exceeding the 55% level in 2027 and reaching 59.5% by the end of the forecast timeframe. Meanwhile, the ratio of the amount referred to in Article 38a(3) of the Public Finance Act will be 44.9% in 2025 and 51.8% in 2026, and will then increase, exceeding the 55% threshold in 2028 and 2029.

Should the public debt forecasts materialise, the 55%-of-GDP prudential threshold set in the Public Finance Act would be exceeded by both ratios in 2028, which would mean the activation of the prudential procedures under the Act in 2030.

In the timeframe of the *Strategy*, the public debt-to-GDP ratio will remain below the constitutional threshold of 60%.

The forecasted ratio of general government debt (according to the EU definition) to GDP will be 59.8% in 2025 and 65.4% in 2026, which means that the 60% reference value for the EDP debt-to-GDP ratio will be exceeded in 2026. In the timeframe of the *Strategy*, this ratio will increase to 75.3% in 2029.

Assuming the deficit limit set in the draft Budget Act for 2026 is fully met, the public finance sector debt-to-GDP ratio would be 53.8% in 2026, and the ratio of the amount referred to in Article 38a(3) of the Public Finance Act would be 52.6%. The general government debt ratio would be 66.2% of GDP.

Chart 14. Debt-to-GDP ratio

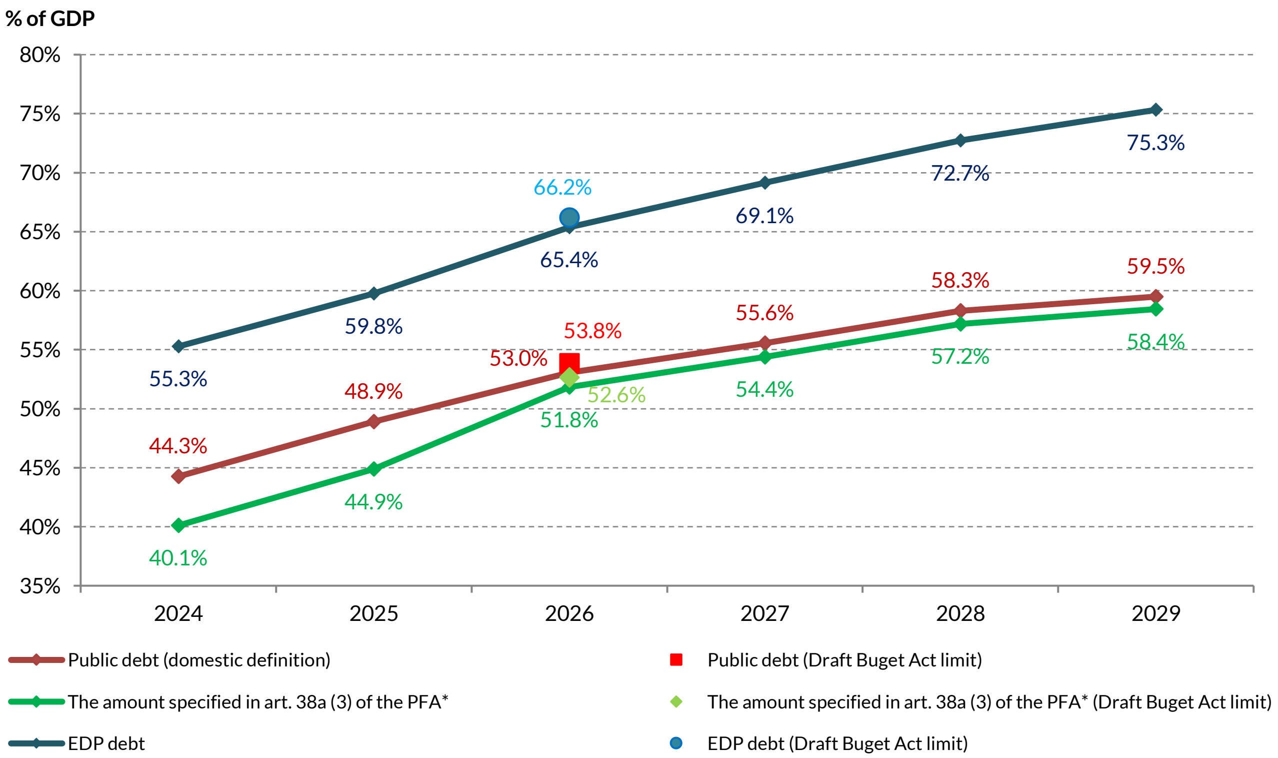
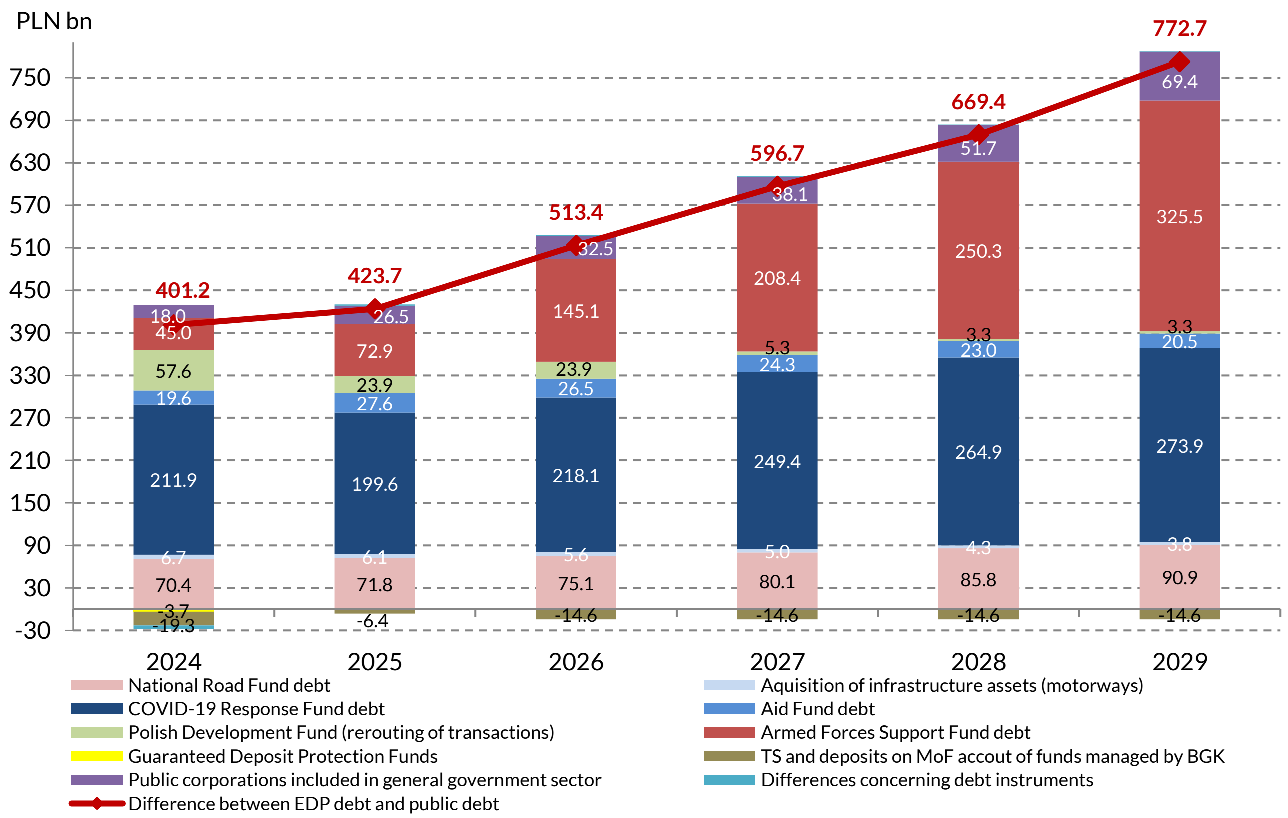


Chart 15. Differences between EDP debt and public debt



The limit of ST debt servicing costs assumed in the draft Budget Act for 2026 is PLN 90.0 billion, i.e., 2.2% of GDP. The *Strategy* provides that debt servicing costs will increase to 2.6-2.7% of GDP in 2029.

Chart 16. ST debt servicing costs-to-GDP ratio

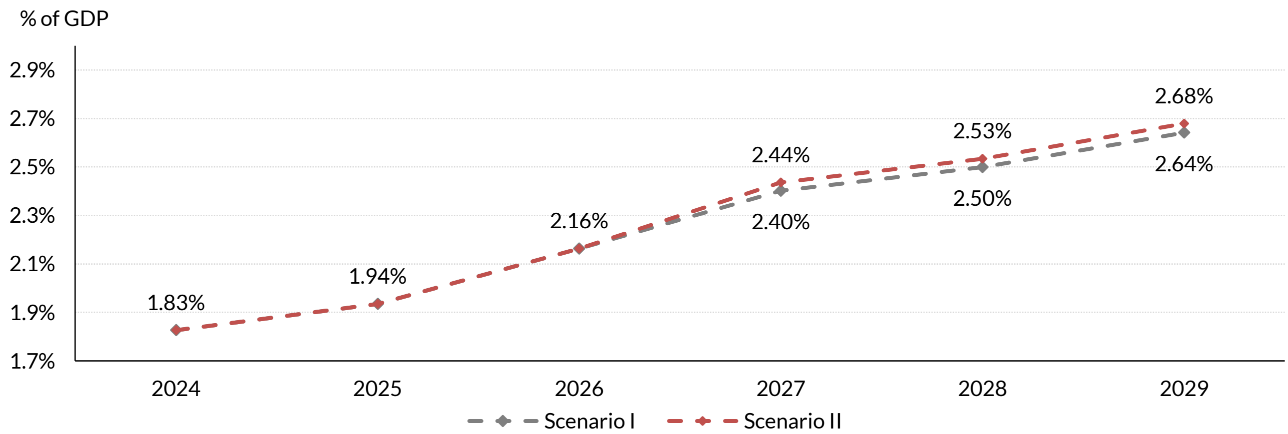
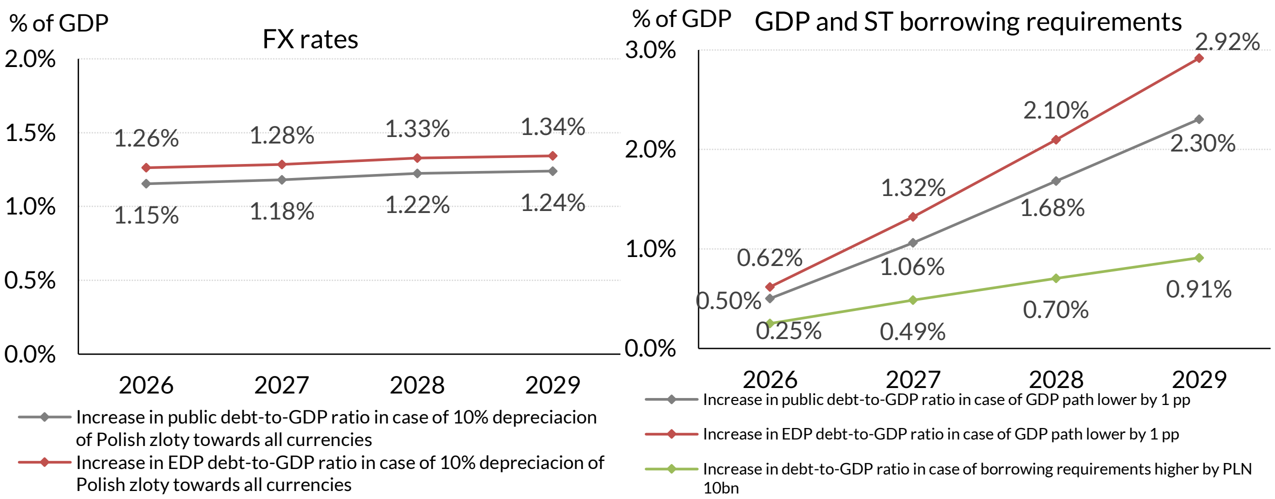


Table 11. State Treasury debt servicing costs

Item	2024	2025	2026	2027	2028	2029
State Treasury debt servicing costs (cash basis)*						
a) PLN bn	66.5	75.5	90.0	105.6 - 107.1	115.9 - 117.5	128.9 - 130.8
- domestic debt	57.0	62.5	76.4	89.2	98.2	108.6
- foreign debt	9.5	13.0	13.6	16.3 - 17.8	17.7 - 19.4	20.3 - 22.2
b) GDP %	1.83%	1.94%	2.16%	2.40% - 2.44%	2.50% - 2.53%	2.64% - 2.68%

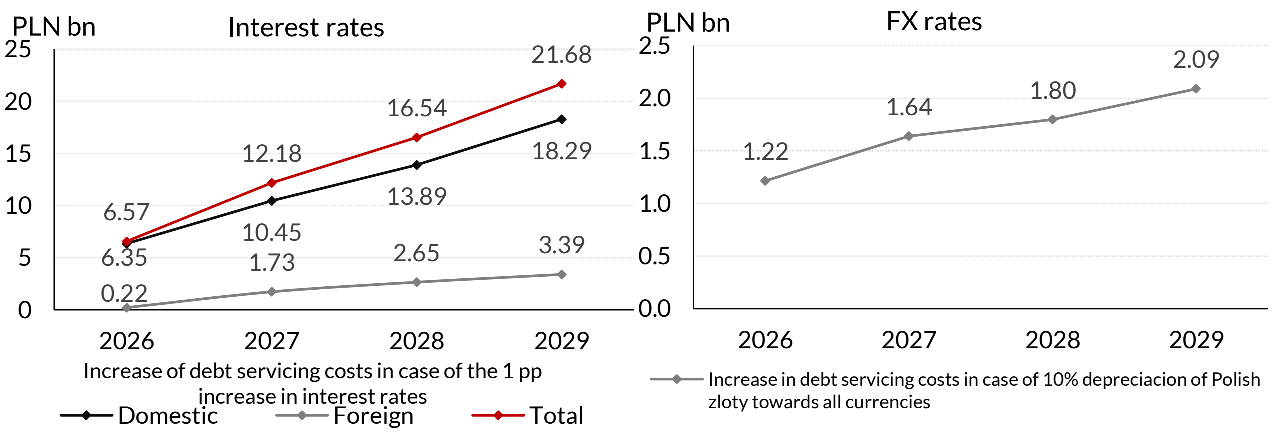
**) Forecasts of the debt servicing costs for 2027-2029 are presented in ranges, taking into account the foreign exchange risk provision.*

*Chart 17. Sensitivity of public debt-to-GDP ratio to changes in assumptions**



**) Assuming a change of paths from 2026, partial sensitivities without changes in other assumptions.*

Chart 18. Sensitivity of ST debt servicing costs-to-GDP ratio to changes in assumptions



8.2. Structure of the State Treasury debt

It is expected that in the *Strategy* timeframe:

- regarding refinancing risk – the direction of changes in the average maturity of domestic TS will depend on market conditions; the average maturity in 2029 may reach a value in the range of 4.0-4.5 years, and that of the total ST debt – 5.1-5.5 years, compared to approx. 4.1 and approx. 5.5 years, respectively, as at the end of 2025;
- the interest rate risk will remain within the range set in the *Strategy*; depending on the adopted financing structure, the ATR of the domestic marketable debt will remain in the range of approx. 3.0-3.5 years, compared to approx. 3.1 years as at the end of 2025, and that of the total debt – approx. 3.5-3.9 years, compared to approx. 3.9 years as at the end of 2025, the duration of the domestic marketable debt will be in the range of approx. 2.6-3.2 years, compared to approx. 2.8 years as at the end of 2025, and that of the total debt – in the range of approx. 3.3-3.8 years, compared to approx. 3.6 years as at the end of 2025;
- the share of FX debt will be maintained below 25%, in the baseline scenario, it will be approx. 21.0% as at the end of 2025 and approx. 20.1% in 2029.

Chart 18. ATM of the ST debt

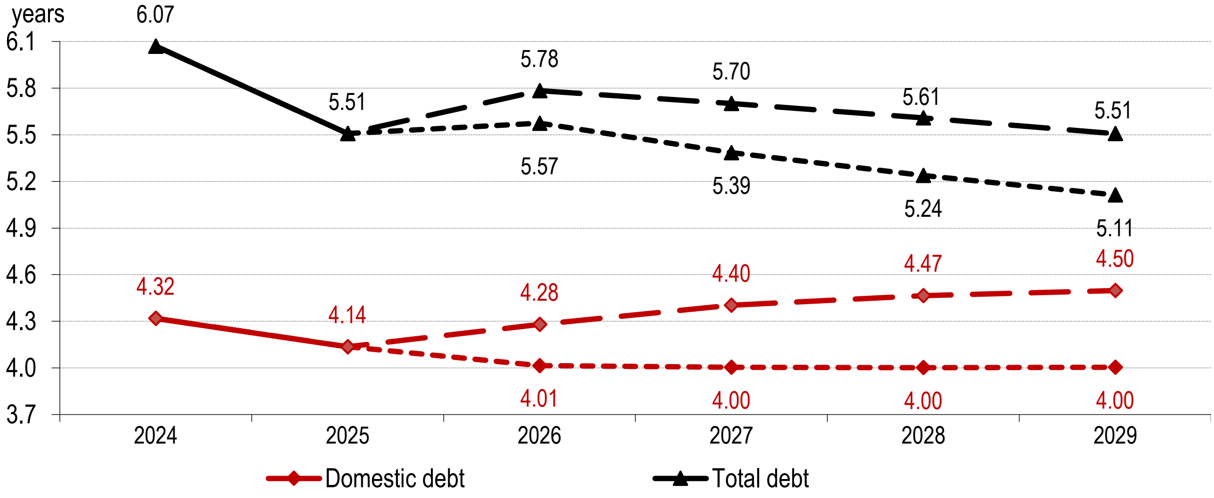


Chart 19. ATR of the ST debt

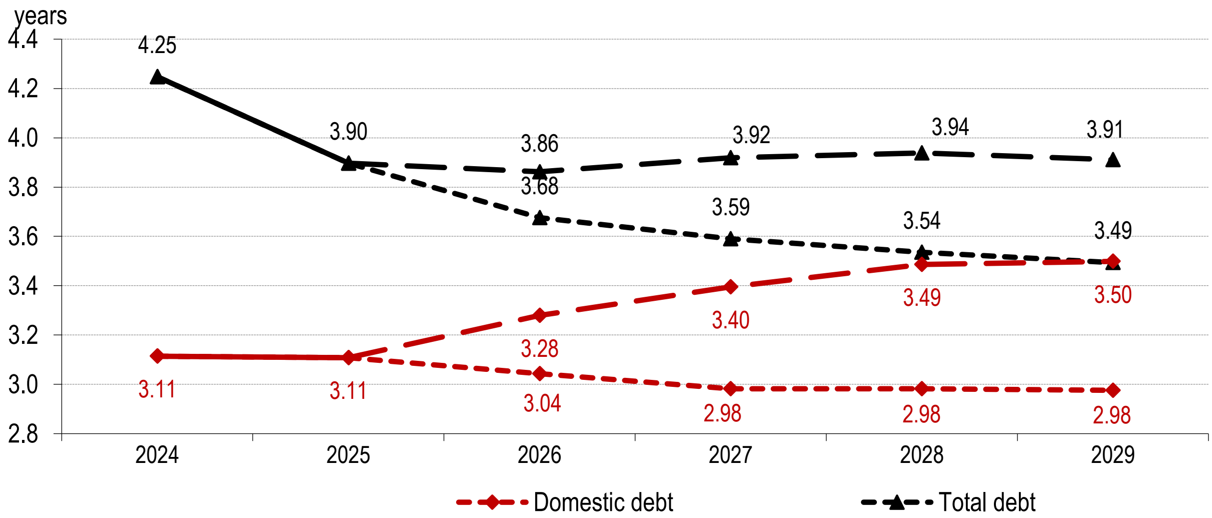


Chart 20. Duration of the ST debt

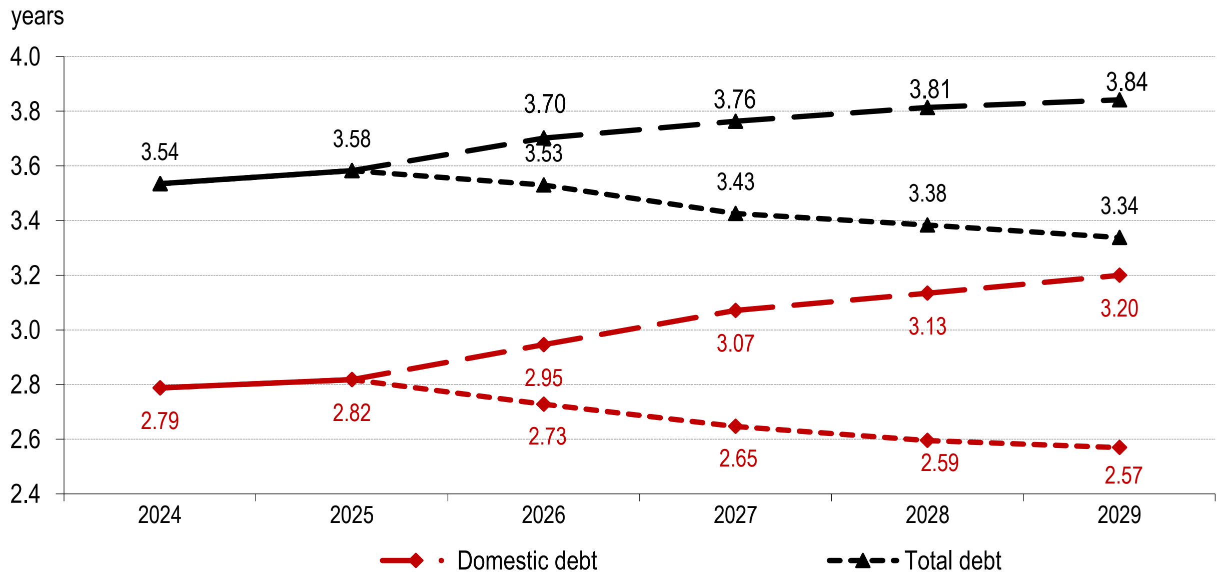
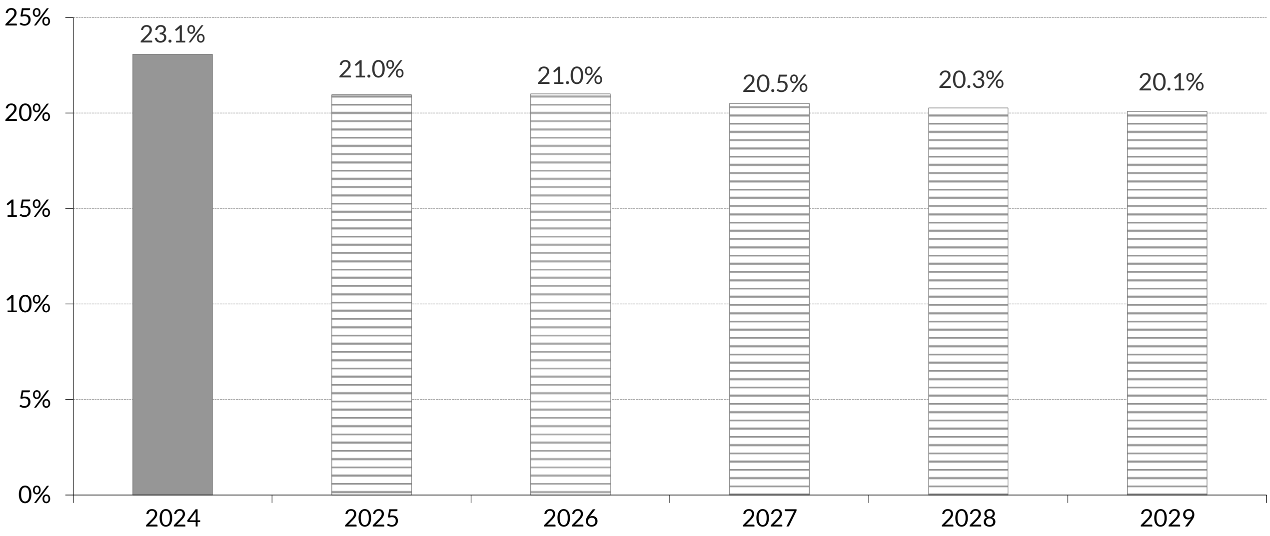


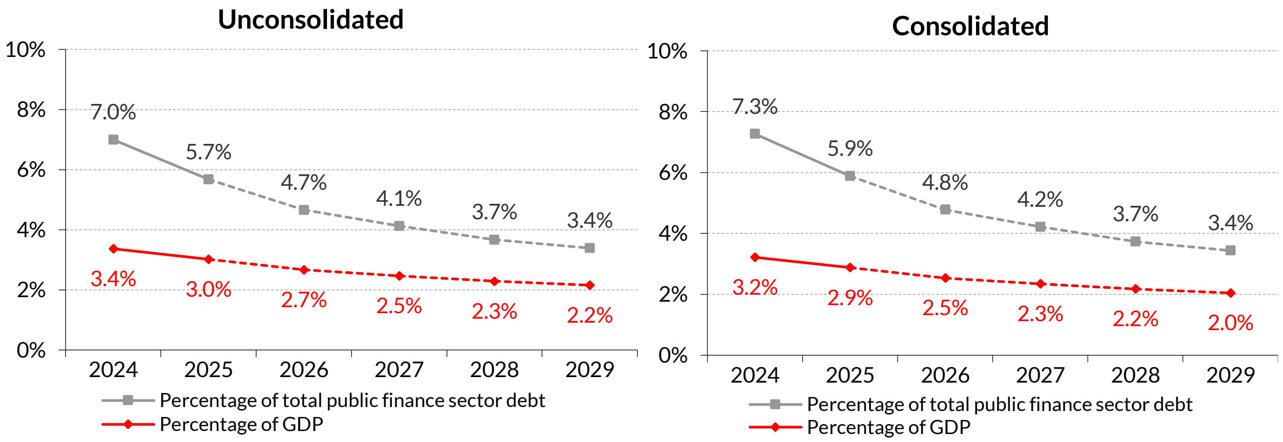
Chart 21. Share of foreign currency debt in the total ST debt



8.3. Debt of public finance sector entities other than the State Treasury

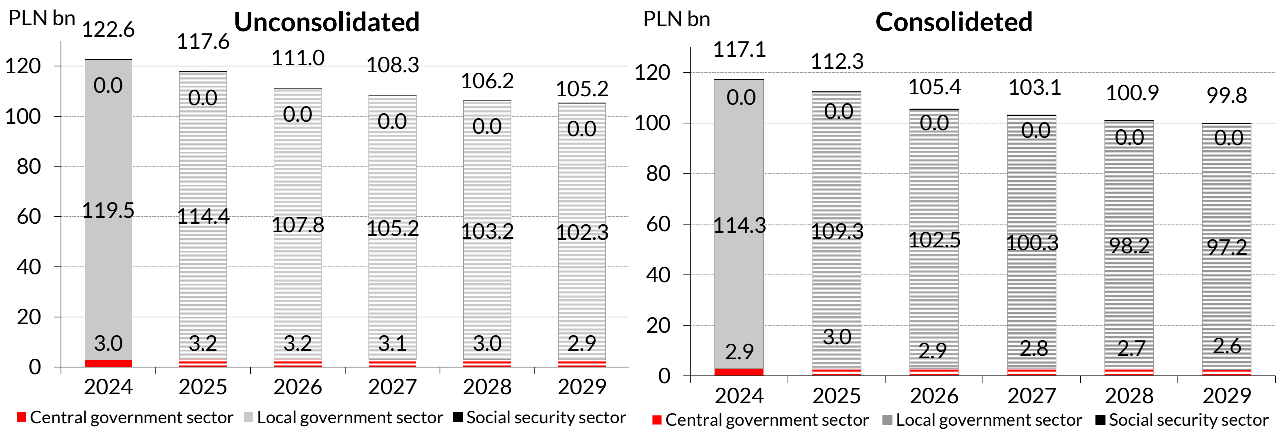
Under the adopted assumptions, in the *Strategy* timeframe, the unconsolidated debt-to-GDP ratio of the remaining sector entities will decrease from 3.0% to 2.2%, and the consolidated one – from 2.9% to 2.0%. The share of this group of entities in the consolidated public finance sector debt will decrease from 7.3% in 2024 to 3.4% in 2029.

Chart 23. Unconsolidated and consolidated debt of public finance sector entities other than the State Treasury – in relation to GDP and as a share of the total public finance sector debt



The nominal unconsolidated debt of public finance sector entities other than the ST will decrease from PLN 117.6 billion in 2025 to PLN 105.2 billion in 2029.This trend will mainly result from the debt of local government units (LGUs) and their associations. The level of LGU debt will be affected by the rules concerning the incurring of liabilities by these entities, including the individual debt ratio.

Chart 24. Debt of public finance sector entities other than the State Treasury before and after consolidation by sector



8.4. Threats to the *Strategy* implementation

The threats to the implementation of the presented *Strategy* are primarily associated with:

- a further increase in the public debt-to-GDP ratio, due to:
  - a high level of State budget borrowing requirements, including the risk of its increase compared to the assumptions adopted in the Strategy, depending, among others, on the implemented fiscal adjustment path and the economic situation in the Polish economy;
  - a higher-than-expected increase in the debt of general government entities other than the ST, in particular funds within BGK;
  - a depreciation of the Polish zloty compared to the level assumed in the *Strategy*;
  - the issuance of TS and their transfer to implement tasks based on acts other than the Public Finance Act;
  - the need to execute sureties or guarantees granted by public finance sector entities;
- a different than assumed scenario for the macroeconomic and budgetary situation in Poland, related, among others, to the development of interest rates, exchange rates, and inflation;
- international conditions, including:
  - a slower-than-expected growth rate of the global economy, in particular that of Poland's main trading partners;
  - the monetary policy of major central banks, including the ECB and the Fed;
  - capital outflow towards core or other markets.

9. Guarantees and sureties granted by public finance sector entities

9.1. Assumptions of the *Strategy* of granting guarantees and sureties

In order to limit the risk associated with granting ST guarantees and sureties while preserving the advantages of using them as an instrument of the State economic policy, the following principles should be maintained:

- granting sureties and guarantees to support development-oriented projects, among others, in the area of infrastructure, environmental protection, job creation and regional development, implemented also with the EU funds, as well as to support other investment tasks arising from potential new support programmes providing for the granting of sureties and guarantees;
- further use of guarantees to increase Poland's defence capabilities;
- supporting Poland's energy transformation with the use of guarantees.

It is primarily anticipated that new guarantees will continue to be granted for financing the Armed Forces Support Fund and that guarantees will support the financing of the energy transformation (construction of a nuclear power plant). Along with the continuation of infrastructure investment programmes (including financing the KFD and railway investments), these factors mean that a significant increase in potential liabilities from guarantees and sureties granted by the State Treasury is forecasted for the coming years.

Furthermore, as in previous years, the annual budget limit provides for the possibility of granting guarantees related to potential actions that may be taken in case of a deterioration in the operating conditions of the Polish financial system. So far, it has not been necessary to grant these guarantees to any significant extent.

9.2. Analysis and forecasts of the level of guarantees and sureties

Contingent (undue) liabilities from sureties and guarantees granted by public finance sector entities as at the end of the first half of 2025 amount to PLN 720.2 billion (19.2% of GDP) compared to PLN 721.7 billion as at the end of 2024 (19.8% of GDP) and PLN 575.8 billion as at the end of 2023 (16.9% of GDP).

Liabilities from sureties and guarantees granted by the ST had a dominant share in the contingent liabilities. As at the end of the first half of 2025, they amounted to PLN 701.2 billion (18.7% of GDP), compared to PLN 701.5 billion as at the end of 2024 (19.3% of GDP) and PLN 553.6 billion as at the end of 2023 (16.2% of GDP). The increase in contingent liabilities is mainly the result of granting guarantees arising from investments in the country's defence (PLN 217.5 billion of contingent liabilities).

The current portfolio does not pose significant threats regarding ST sureties and guarantees. As at the end of 2024 and the end of the first half of 2025, approx. 95% of undue liabilities from ST guarantees and sureties belonged to the low-risk group. The structure of financing the Funds or the anticipated situation of the entities does not currently cause a significant increase in the forecasted payments from guarantees and sureties.

The largest amounts of ST contingent liabilities (as at 30 June 2025) were due to:

- guarantees granted for Bank Gospodarstwa Krajowego PLN 628.4 billion

of which:

- to supply the COVID-19 Response Fund PLN 276.3 billion
- to supply the Armed Forces Support Fund PLN 217.5 billion
- to supply National Road Fund PLN 104.6 billion
- to supply the Aid Fund – Ukraine PLN 29.9 billion
- other guarantees (National Housing Fund, infrastructure) PLN 0.1 billion

- guarantees granted for Polski Fundusz Rozwoju S.A. for the implementation of government programs under the PFR Financial Shield to counteract the effects of COVID-19 PLN 40.2 billion
- guarantees granted for PKP Polskie Linie Kolejowe S.A. PLN 21.1 billion
- guarantees of payments from the National Road Fund for Gdańsk Transport Company S.A. PLN 4.5 billion
- guarantees of payments from the National Road Fund for Autostrada Wielkopolska II S.A. PLN 4.0 billion
- guarantee granted for PKP Intercity S.A. PLN 2.3 billion
- guarantees granted for Węglokoks S.A. PLN 0.1 billion

Table 10. Contingent liabilities under guaranties and sureties granted by the ST and the public finance sector units

	2023	2024	2025	2026	2027	2028	2029
Contingent liabilities under guarantees and sureties granted by:							
a) Public finance sector							
- PLN bn	575.8	721.7	851.0	1,139.0	1,122.2	1,207.0	1,325.0
- in relation to GDP	16.9%	19.8%	21.8%	27.4%	25.5%	26.0%	27.1%
b) State Treasury							
- PLN bn	553.6	701.5	829.3	1,116.0	1,097.8	1,181.3	1,297.9
- in relation to GDP	16.2%	19.3%	21.3%	26.8%	25.0%	25.5%	26.6%
including for general government sector entities	539.9	697.6	825.4	1,112.3	1,094.2	1,177.8	1,294.5
in relation to GDP	15.8%	19.2%	21.2%	26.7%	24.9%	25.4%	26.5%

**Updated data*

Annex 1. Abbreviations and glossary

A. Abbreviations used in the Strategy

ATM – average time to maturity
ATR – average time to refixing
BGF – the Bank Guarantee Fund
BGK – Bank Gospodarstwa Krajowego
CIRS – *currency interest rate swap*
EC – European Commission
ECB – European Central Bank
Fed – the Federal Reserve System in the USA
FP – the Aid Fund
FPC - the COVID-19 Response Fund
FWSZ – the Armed Forces Support Fund
IFIs – international financial institutions
KFD – the National Road Fund
LGUs – local government units
NBP – National Bank of Poland
PFR – the Polish Development Fund
PFS – public finance sector
PFS entities – public finance sector entities
POLSTR – Polish Short Term Rate, risk-free rate benchmark
RPP - Monetary Policy Council
SER – stabilising expenditure rule
ST – State Treasury
TBSP – Treasury BondSpot Poland
TS – Treasury securities
TSD – Treasury Securities Dealers

B. Glossary

Average maturity (also ATM – average time to maturity) – the measure of public debt refinancing risk. Average maturity is the average period, expressed in years, after which the issued debt will be redeemed. The further the debt maturity dates, the lower the refinancing risk and the higher the average maturity. Average maturity of domestic marketable TS is calculated according to the following formula:

$$ATM = \frac{\sum_{t \in T} t N_t}{\sum_{t \in T} N_t}$$

where:

t – maturity date,
T – set of all maturity dates,
N_t – face value paid at time t,

I_0 – current indexation coefficient of inflation-linked instruments' face value (for non-indexed TS $I_0 = 1$).

ATR (average time to refixing) – the measure of interest rate risk related to the public debt. *ATR* is interpreted as the average period, expressed in years, for which the debt servicing costs are set. The larger the share of short-term and floating rate instruments, the higher the interest rate risk and the lower ATR. The *ATR* of domestic marketable TS is calculated according to the following formula:

$$ATR = \frac{\sum_{r \in R} rNZ_r + \sum_{t \in T} tNS_t + \sum_{j \in J} \frac{1}{12} NI_j I_0}{\sum_{r \in R} NZ_r + \sum_{t \in T} NS_t + \sum_{j \in J} NI_j I_0}$$

where:

r – payment date of the nearest fixed coupon for floating rate instruments,
t – maturity date for fixed rate instruments,
j – maturity date for inflation-linked instruments,
R – set of all payment dates of the nearest fixed coupons for floating rate instruments,
T – set of all maturity dates for fixed rate instruments,
J – set of all maturity dates for inflation-linked instruments,
NZ_r – face value of floating rate instruments,
NS_t – face value of fixed rate instruments,
NI_j – (non-indexed) face value of inflation-linked instruments,
I_0 – current indexation coefficient of inflation-linked instruments' face value.

Benchmark

1. (Issue) the large amount of TS issue with a liquid secondary market. Yield of benchmark bond is the reference for yields in a given maturity segment. Benchmark issues subject to trading on the electronic market TBSP are TS issues defined by the Minister of Finance, in particular fixed rate bonds, with maturity of at least one year and total face value of at least PLN 10 billion or on-the-run issues with total face value of at least PLN 2 billion. When setting benchmarks on the Polish yield curve in LSEG (former Refinitiv, Thomson Reuters) and Bloomberg the criterion of time to maturity is applied.
2. (Portfolio) target characteristics of the public debt portfolio, which constitutes *a reference portfolio* for the existing portfolio and determines the direction of public debt management. The characteristics of *the reference portfolio* may include the share of particular currencies, interest rates and types of instruments, as well as the values of synthetic indicators which most often constitute the risk measures, e.g. the average maturity or duration.

Buy-sell-back – transaction which consists of two agreements: spot purchase and forward sale of securities at a price set upfront at the day of the transaction.

Credit risk – associated with the risk that the other party of the transaction will fail to meet its obligations in whole or in part. The risk arises from transactions involving receivables. For the debt management unit such a situation occurs with financial transactions involving derivatives. Credit risk also occurs in management of liquid assets, e.g. through making deposits with banks and purchase of securities. Credit risk is managed mainly by choosing partners with high creditworthiness (measured by their ratings) and by setting limits for total size of transaction for partners, which depend on their credibility and type of transaction.

Duration – the measure of vulnerability of debt servicing costs to changes of interest rates and thus the measure of interest rate risk related to public debt. Duration is interpreted as the average period (expressed in years) of debt servicing costs adjustment to the change of interest rate levels. The higher the level of interest rates and the larger the share of short-term and floating rate instruments, the higher the interest rate risk and the lower duration. Duration of ST debt in a given currency is calculated according to the following formula:

$$Duration = \frac{\sum_{r \in R}\left[r \sum_{s \in S|_r} \frac{CFZ_s}{(1+i_s)^s} \right] + \sum_{s \in S} \frac{sCFS_s}{(1+i_s)^s}}{\sum_{s \in S} \frac{CFZ_s}{(1+i_s)^s} + \sum_{s \in S} \frac{CFS_s}{(1+i_s)^s}}$$

where:

s – payment date (of interest or face value),
S – set of all payment dates (of interest or face value),
r – payment date of the nearest fixed coupon for floating rate instruments,
R – set of all payment dates of the nearest fixed coupons for floating rate instruments,
$S|_r$ - set of all payment dates for these floating rate securities which the nearest fixed maturity is r,
CFZ_s - payment (of interest or face value) for floating rate instruments for term *s*,
CFS_s – payment (of interest or face value) for fixed rate instruments for term *s*,
i_s – zero-coupon interest rate for term *s*.

Duration of total debt of ST is a weighted average of appropriate duration coefficients for each currency, where weights are market value of debt in particular currencies.

Exchange rate risk – arises from the vulnerability of the foreign currency denominated debt level and its servicing costs to exchange rate fluctuations. The Polish zloty appreciation or depreciation against a given foreign currency results in a proportional increase or decrease (in the Polish zloty terms) of debt volume and debt servicing costs denominated in this currency.

Interest rate risk – risk that payments related to the debt servicing costs will change as a consequence of a change in interest rates. It stems from the necessity to finance the debt maturing in the future at unknown rates and from volatility of coupon payments of the floating rate debt.

Operational risk – risk arising from the threat that the costs related to the debt management or to the level of other types of risk will increase due to infrastructure, organization and supervision of the debt management, that is inadequate to the scope of tasks. Operational risk is the most difficult risk to be measured.

Place of issue criterion – the criterion of the division of public debt into domestic and foreign debt, according to which the domestic debt is the debt issued on the domestic market.

Treasury Securities Dealers (TSD) – a group of institutions (banks) selected through a competition that has specific rights and obligations related to the participation in the primary and secondary TS market. The dealers act as intermediaries between the issuer and other entities in TS trading and have the exclusive access to the primary market.

Private placement – an issuance addressed to a selected investor or group of investors.

Refinancing risk – associated with debt issuance in order to finance the redemption of the existing debt. The risk applies to both the ability to redeem maturing debt and conditions on which it is refinanced (including in particular servicing costs generated by newly issued debt). The larger the payment related to the redemption of maturing debt and the closer the date of redemption, the larger the risk related to refinancing of this debt. Refinancing risk is influenced by the level of outstanding debt and its maturity profile. An extension of the debt maturity and an even distribution of debt redemption over time contribute to the reduction of refinancing risk.

Residency criterion - the criterion of the division of public debt into domestic and foreign debt, according to which the domestic debt is the debt to domestic investors (i.e. investors with the place of residence or registered seat in Poland).

Spread – the difference between yields of two debt securities. In narrower sense credit spread (also credit margin) is the difference between yields of two securities with identical or similar parameters (especially maturity) issued by different issuers. Spread is often understood as a difference in the yield of a security subject to credit risk and the yield of a security free of credit risk (or characterized by the lowest risk in the class).

State budget liquidity risk – risk associated with the loss of the state budget's ability to meet the current obligations and to timely execute budget expenditures. In order to reduce this risk the State budget should have an access to the adequate amount of liquid financial assets, enabling the independence from temporary disruptions which prevent or make difficult financing borrowing needs in the financial market at rational cost.
State budget liquidity risk is managed, on one hand, by keeping safe reserve of funds at the appropriate level (by improving the process of State budget liquidity planning and monitoring) and on the other hand, by the management of liquid assets in such a way that they generate budget revenues that at the highest possible level compensate for the costs of maintaining a given and safe level of liquidity.

Swap – a contract through which two parties exchange cash flows based on a notional principal amount with rules of calculating their value specified in advance. Swap is a financial instrument classified as derivatives.

Annex 2. Cyclical publications of the Ministry of Finance regarding public debt and TS market

- Annual report
- State Treasury debt, monthly bulletin
- Public debt, quarterly bulletin
- Monthly information on TS supply and its background
- Monthly information on investors structure on domestic TS market
- Monthly information on transaction on secondary TS market

Publications available on the Ministry of Finance website:
https://www.gov.pl/web/finance/public-debt

Annex 3. Legal regulations applied to public debt in Poland and the EU

Table 1. Public debt – basic legal regulations

Polish regulations	EU regulations
1. Constitution of the Republic of Poland • ban on incurring loans and granting guaranties and sureties resulting in the public debt exceeding 3/5 of GDP (Article 216(5));	1. Treaty on the functioning of the European Union • level of general government debt and restrictions applied to general government deficit constitute the criterion on the basis of which the Commission examines the compliance with budgetary discipline in Member States (Article 126) – specifies the Excessive Deficit Procedure (EDP);
2. Public Finance Act • regulations on public debt: definitions, basic principles of issuing public debt and debt management, prudential and remedial procedures applied to public debt levels; • definition of the scope of the public finance sector.	2. Protocol on the excessive deficit procedure annexed to the Treaty establishing the European Community and the Treaty on the functioning of the European Union • definition of general government debt and reference value of debt to GDP ratio at 60%;
	3. Council Regulation (EC) No 479/2009 of 25 May 2009 on the application of the Protocol on the Excessive Deficit Procedure annexed to the Treaty establishing the European Community • definition of general government debt with specification of categories of liabilities which constitute it;
	4. Regulation (EU) No 549/2013 of the European Parliament and of the Council of 21 May 2013 on the European system of national and regional accounts in the European Union (ESA 2010) • definition of categories of financial liabilities; • definition of general government sector.

Table 2. Limits specified in the Public Finance Act

Public Finance Act

I. Legal procedures regarding limits on public debt to GDP ratio

1) the ratio in year *x* is greater than 55% and lower than 60%:

a) it is assumed the lack of deficit or the difference between state budget revenues and expenditures in draft budget act adopted by the Council of Ministers for the year x+2 must ensure the decrease in State Treasury debt to GDP ratio as compared to the ratio announced for the year x;

b) budget deficit of local government unit diminished by cumulated budgetary surplus from previous years and liquid funds in budget resolution for the year x+2 can only derive from expenditures for current tasks co-financed from EU funds or non-returnable financial aid provided by EFTA member countries;

c) in draft budget act adopted by the Council of Ministers for the year x+2:

- no increase in salaries of public sector employees is assumed,
- revaluation of pensions must not exceed the CPI level in the budgetary year x+1,
- ban on granting new loans and credits from the State budget is introduced,
- the increase in expenditures of the Sejm (lower house of Polish Parliament), the Senate (upper house of Polish Parliament), Presidential Chamber of the Republic of Poland, Constitutional Tribunal, Supreme Audit Office (NIK), Supreme Court, Primary Administration Court, The National Council Of The Judiciary, common courts of law and provincial administration courts, Spokesman of Citizen Rights, Spokesman of Child Rights, National Board of Radio and Television, President of the Personal Data Protection Office, The Institute of National Remembrance – Commission for the Prosecution of Crimes against the Polish Nation, National Electoral Office, National Labour Inspection, of Fiscal Council Office must not be higher than expenditures in the government administration;

d) the Council of Ministers make a review of:

- State budget expenditures financed by foreign credits,
- long-term programs;

Public Finance Act
e) the Council of Ministers presents a remedial program ensuring the fall in public debt to GDP ratio; f) the Council of the Ministers make a review of regulations in force to propose possible legal solutions which influence state budget revenues, including VAT rates, g) State Fund for the Rehabilitation of Disabled Persons receives earmarked subsidies from the state budget for co-financing of disabled workers salaries at the level of 30% of planned funds for that year,
h) new liabilities can be incurred by government administration if the investments are co-financed from EU funds or non-returnable financial aid provided by EFTA member countries at the maximum level, set in the rules or procedures for particular type of investment, not lower than 50% of the total costs, however these restrictions do not apply to state road rebuilding or repairs required for road traffic hazard removal, anti-flood infrastructure investments, electronic toll service and compensations for properties taken over for public roads investments;
2) the ratio in year x is equal to or greater than 60%: a) procedures provided in point 1, letters a, c, d, f, g and h in case of the ratio greater than 55%, and lower than 60% are in force; b) budgets of local government units for the year x+2 must at least be balanced; c) a ban on granting new sureties and guarantees by public finance sector entities is introduced; d) the Council of Ministers presents to the Parliament a remedial programme with the main objective to prepare and implement actions aimed at reducing the public debt-to-GDP ratio below 60%;
Procedures provided in point 1 are not applicable if amount of public debt recalculated using the yearly average of foreign currency exchange rates for the year concerned and reduced by the value of State budget liquid funds raised to finance the borrowing requirements for the following budget year does not exceed the threshold of 55%.
II. Principles and limits on incurring liabilities by local government units
a) planned and executed current expenditures must not exceed planned and executed current revenues increased by the revenue arising from: • repayment of loans granted in previous years; • the LGUs' budget surplus from previous years, less the funds indicated below; • unused cash in the current account of the budget, resulting from the settlement of revenue and expenditure financed by linked to specific budget execution rules laid down in separate acts and resulting from the settlement of funds from the EU budget and non-returnable funds from aid granted by the EFTA member States and grants for the implementation of a programme, project or task financed with these funds;
b) executed current expenditures can be higher than executed current revenues increased by budgetary surpluses from previous years only by amounts linked to the current tasks co-financed from EU funds or non-returnable financial aid provided by EFTA member countries if these funds were not forwarded in specified year;
c) Local government units can incur loans and issue securities for: • repayment of previously incurred liabilities resulting from securities and loans; • covering transitional budget deficit of local government within the fiscal year; • financing of planned budget deficits; • financing in advance of the tasks co-financed from EU funds;
d) Loans incurred and securities issued for covering temporary budget deficit of local government have to be paid off or redeemed in the same year as they were incurred or issued;
e) Local government can only incur liabilities of which servicing costs are borne at least once a year, while: • discount of securities issued by local government cannot exceed 5% of their face value, • capitalisation of interest is forbidden;
f) For a local government unit, the total ratio of: • instalments of loans and interest payable in a given fiscal year; • redemption of securities and interest (including discount) payable on them; • repayment of instalments of liabilities that have economic effects similar to those of a loan and interest payable in a given year; • potential payments resulting from sureties and guarantees granted

Public Finance Act
to planned current revenues cannot exceed in the budgetary year and any other year following the budgetary year the arithmetical average for last seven years of current revenues minus current expenditures to total revenues ratio; **The above rule will apply in its entirety from 2026. Changes to the current rule and transitional provisions are described in Chapter VII.1.**
g) Limitations on debt repayments of local government do not apply to: • instalments and interest payable on loans drawn in connection with a programme, project or task co-financed with the EU funds; • redemption and interest (including discount) payable on securities issued in connection with a programme, project or task co-financed with the EU funds; • guarantees and sureties granted to self-government legal persons performing tasks of self-government units within the framework of programmes financed with the participation of funds coming from the EU budget and not subject to reimbursement from the aid granted by the EFTA States. – but no later than 90 days after the end of the programme, project or task and receiving a refund; this cut-off date does not apply to liabilities incurred for national contribution; • instalments of loans and redemption of securities, and interest (including discount) payable on them, incurred or issued to finance national contribution of a programme, project or task with the EU co-financing level exceeding 50%.
h) the restrictions on the repayment of the debt of territorial self-government units shall not apply either to early repayment of liabilities occurring after the financial year for which the budget was adopted and occurring exclusively in the financial year for which the budget was adopted: • resources from a new commitment if this reduces the total cost of servicing the debt over the entire repayment period, • resulting from the possession of free funds as surplus cash on the current account of the local government budget, resulting from the settlement of issued securities, loans and borrowings from previous years, and funds on this account, • funds from other than those mentioned above, in particular from revenues from privatisation of territorial self-government units' assets and repayment of loans granted in previous years, if the entity does not incur liabilities to finance the planned budget deficit.

Table 3. Differences between public debt (Polish definition) and general government debt (EU definition).

Polish regulations	EU regulations
public debt	**general government debt**
1) scope of the public finance sector	
• Public Finance Act defines limited catalogue of units included in the public finance sector, i.e.: – bodies of public authority, including bodies of government administration, bodies of state control and legal protection, courts and tribunals; – local government units and their associations; – metropolitan associations; – budgetary units; – local government budgetary entities; – executive agencies; – institutions of budgetary management; – state special-purpose funds; – Social Security Institution and funds under its management; – Agricultural Social Insurance Fund (KRUS) and funds under management of the President of KRUS; – National Health Fund; – independent public health care units; – public universities;	• scope of *general government*[1)] sector is defined in ESA 2010[2)]; no limited catalogue of units is defined;

<table>
<tr><th>Polish regulations</th><th>EU regulations</th></tr>
<tr><th>public debt</th><th>general government debt</th></tr>
<tr><td>– Polish Academy of Sciences and organizational units founded by it;
– state and local government cultural institutions;
– other state or local government legal persons founded under separated acts in order to execute public tasks, excluding enterprises, research institutes, institutes operating within the framework of the Lukasiewicz Research Network, banks and commercial companies;
– Bank Guarantee Fund.</td><td></td></tr>
<tr><td colspan="2">differences in the scope of sector depending on regulations</td></tr>
<tr><td colspan="2">a) funds formed within Bank Gospodarstwa Krajowego (BGK), f. ex. : the National Road Fund (KFD), the COVID-19 Response Fund (FPC), the Armed Forces Support Fund (FWSZ)</td></tr>
<tr><td>• are excluded from the public finance sector;</td><td>• are included in the general government sector [3];</td></tr>
<tr><td colspan="2">b) public corporations that are deemed non-marketable (f. ex. PKP PLK S.A., Centralny Port Komunikacyjny sp. z o. o., Port Lotniczy Łódź, health care institutions)</td></tr>
<tr><td>• are excluded from the public finance sector;</td><td>• are included in the general government sector;</td></tr>
<tr><td colspan="2">c) rerouting of transactions to the general government sector - transactions carried out by entities not belonging to the general government sector may be treated as a separate, commissioned activity carried out on behalf of the government, which results in the disclosure of these transactions in the accounts of the general government sector, e.g. Financial Shield of the Polish Development Fund</td></tr>
<tr><td>• are excluded from the public finance;</td><td>• are included in the general government;</td></tr>
<tr><td colspan="2"></td></tr>
<tr><td colspan="2">2) liabilities which constitute public debt</td></tr>
<tr><td>• securities (excluding shares);
• loans (including securities whose disposal is limited);
• deposits;
• matured payables (i.e. liabilities due but not settled, which have not been lagged nor cancelled);</td><td>• securities;
• loans;
• cash and deposits;</td></tr>
<tr><td colspan="2">differences in liabilities depending on regulations</td></tr>
<tr><td>• matured payables;</td><td>• [4]
• restructured or refinanced trade credits (including those with original maturity of one year or less) are included in loan category[5]</td></tr>
<tr><td colspan="2">3) valuation of liabilities denominated in foreign currencies</td></tr>
<tr><td>• liabilities denominated in a foreign currency shall be converted into the national currency on the basis of the middle exchange rate applicable on the last working day of each period.</td><td>• liabilities denominated in a foreign currency, or exchanged from one foreign currency through contractual agreements to one or more other foreign currencies shall be converted into the other foreign currencies at the rate agreed on in those contracts and shall be converted into the national currency on the basis of the representative market exchange rate prevailing on the last working day of each year.</td></tr>
<tr><td colspan="2">4) contingent liabilities</td></tr>
<tr><td colspan="2">differences in treatment of contingent liabilities in debt-to-GDP ratio</td></tr>
<tr><td>• is not included;</td><td>• EU limitations do not take directly into account contingent liabilities generated by issued sureties and guarantees;
• when specific criteria are met contingent liabilities should be treated as debt assumed by the entity which issued surety or guarantee;</td></tr>
</table>

1) The Statistics Poland (GUS) is responsible for the scope of general government sector (in line with EU regulations). The list of general government sector entities as of December 31 2021 is available on the internet website of GUS:

https://stat.gov.pl/download/gfx/portalinformacyjny/pl/defaultaktualnosci/5483/6/9/1/lista_jednostek_sektora_instytucji_rzadowych_i_samorzadowych_s.13.xlsx

2) ESA2010 (Regulation (EU) No 549/2013 of the European Parliament and of the Council of May 21, 2013 on the European system of national and regional accounts in the European Union) states that an entity is classified to the general government sector if it is not a separate institutional unit from government or is a separate institutional unit controlled by general government and it is non-market. The ability to undertake market activity is checked notably through the usual quantitative criterion, i.e. if the ratio of sales revenues to production costs is above 50% , the unit is in principle deemed market. However, in order to decide whether a producer that operates under the control of government is a market unit some qualitative criteria must also be taken into account.
3) In compliance with Eurostat guidelines on sector classification of some infrastructure projects, general government debt figures may, under specified conditions, include capital expenditures of the projects in question (imputed loan)
4) Matured payables are expenditure on accrual basis and thus are included in net borrowing/net lending calculated (balance of general government) in accordance with EU methodology.
5) Pursuant to decision of Eurostat of 31 July 2012 on *The statistical recording of some operations related to trade credits incurred by government units.*

Table 4. Correction mechanism of the stabilising expenditure rule.

Act of August 27, 2009 on public finance
The correction amounts of the stabilising expenditure rule pursuant to Article 112aa(4) and 112ab:
The correction amount is expressed in thousands of zlotys.
The amount of the SER expenditure correction Kn pursuant to Article 112aa(4) of the public finance act is in principle 0, but if the European Commission's forecast is: a) the general government deficit for Poland exceeds the reference value (3% of GDP), in the year n-1 or n; or b) the general government debt for Poland exceeds the reference value (60% of GDP), in the year n-1 or n —the adjustment of SER expenditure Kn has to be not higher than the fiscal adjustment supporting the expenditure target set in the medium-term fiscal-structural plan referred to in the MTP Regulation* and the respect of the reference values set out in Article 126 (2) of the Treaty on the Functioning of the European Union as specified in Article 1 of Protocol (No 12) on the excessive deficit procedure annexed to the Treaty on European Union and to the Treaty on the Functioning of the European Union, calculated by the formula: $DFn = -0{,}5\% * En(PKBnCB)$ where the meaning of the symbols is as follows: DFn — fiscal adjustment in year n $En(PKBnCB)$ — gross domestic product at current prices in year n as projected in the explanatory memorandum for the draft budget act for year n submitted to the Sejm n – year for which the amount of SER expenditure is calculated In the event that the Council of the EU approves the net expenditure path referred to in the MTP Regulation*, the amount of the SER expenditure correction Kn has to correspond to the fiscal effort in line with the net expenditure path approved by the Council of the EU referred to in that Regulation (Article 112ab (1) the public finance act). The amount of the correction of SER expenditure Kn may be different from the one set out above, if this is due to recommendations made by the Council of the EU under Article 121 (2) or (4) or Article 126 (7) of the Treaty on the Functioning of the EU (Article 112ab (2) the public finance act).
Exclusion of the application of the provisions on the stabilising expenditure rule:
The provisions of the stabilising expenditure rule do not apply in the case of: • the introduction of martial law; • the introduction of a state of emergency on the entire territory of the Republic of Poland, • the introduction of a state of natural disaster on the entire territory of the Republic of Poland, • the declaration of a state of epidemic in the entire territory of the Republic of Poland,

Act of August 27, 2009 on public finance
The correction amounts of the stabilising expenditure rule pursuant to Article 112aa(4) and 112ab:
• there has been a significant economic slowdown. A significant economic slowdown is understood as a situation where, as projected in the explanatory memorandum: (1) the draft of budget act for the year for which the amount of SER expenditure referred to in Article 112aa(1) of the public finance act is calculated submitted to the Sejm, or (2) a draft act amending the budget act for the year for which the amount of SER expenditure referred to in Article 112aa(1)of the public finance act is calculated submitted to the Sejm — the annual growth rate of gross domestic product at constant prices is more than two percentage points lower than the indicator of medium-term growth of gross domestic product at constant prices WPKB** set out in the explanatory memorandum to the draft budget act for the last year for which the amount of SER expenditure was determined in the draft budget act.
* Regulation (EU) 2024/1263 of the European Parliament and of the Council on the effective coordination of economic policies and on multilateral budgetary surveillance and repealing Council Regulation (EC) No 1466/97. ** the indicator of medium-term dynamics of gross domestic product at constant prices is the eight-year geometric average of real annual GDP dynamics. For the year for which the amount of SER expenditure is calculated and the year preceding that year the values of budget forecasts are assumed.. For the remaining years, this figure results from the announcement by the President of the Statistics Poland. If the period covered by this indicator includes a year in which the application of the stabilising expenditure rule was suspended, or a year under a return clause after the temporary suspension of the application of the stabilising expenditure rule, calculating this indicator, the annual dynamics of the value of gross domestic product at constant prices in the year of suspension of the application of the stabilising expenditure rule and in the years of the return clause to the standard SER formula shall be replaced by an indicator of the medium-term dynamics of the value of gross domestic product at constant prices set out in the draft budget act for the last year in which the conditions for suspending the application of the stabilising expenditure rule have not been met, submitted to the Sejm.

Annex 4. Selected statistical data concerning public finance and credit rating in Poland and EU

Table 5. General government deficit, debt[1)] and yields on 10-year bonds[2)] in the EU countries in 2023-2024

	2023			2024		
	GG balance	GG debt	10Y interest rate	GG balance	GG debt	10Y interest rate
	% PKB	% PKB	%	% PKB	% PKB	%
Greece	-1.4	163.9	4.0	1.3	153.6	3.4
Italy	-7.2	134.6	4.3	-3.4	135.3	3.7
France	-5.4	109.8	3.0	-5.8	113.0	3.0
Belgium	-4.1	103.2	3.1	-4.5	104.7	2.9
Spain	-3.5	105.1	3.5	-3.2	101.8	3.2
Portugal	1.2	97.7	3.2	0.7	94.9	3.0
Euro area	**-3.5**	**87.3**	-	**-3.1**	**87.4**	-
Finland	-3.0	77.5	3.0	-4.4	82.1	2.9
Austria	-2.6	78.5	3.1	-4.7	81.8	2.8
European Union	**-3.5**	**80.8**	**3.5**	**-3.2**	**81.0**	**3.3**
Hungary	-6.7	73.0	7.5	-4.9	73.5	6.5
Slovenia	-2.6	68.4	3.4	-0.9	67.0	3.1
Cyprus	1.7	73.6	3.9	4.3	65.0	3.1
Germany	-2.5	62.9	2.4	-2.8	62.5	2.3
Slovakia	-5.2	55.6	3.7	-5.3	59.3	3.5
Croatia	-0.8	61.8	3.8	-2.4	57.6	3.3
Poland	**-5.3**	**49.5**	**5.8**	**-6.6**	**55.3**	**5.5**
Romania	-6.6	48.9	6.7	-9.3	54.8	6.3
Malta	-4.7	47.9	3.7	-3.7	47.4	3.4
Latvia	-2.4	44.6	3.8	-1.8	46.8	3.3
Czechia	-3.8	42.5	4.4	-2.2	43.6	4.0
Netherlands	-0.4	45.2	2.8	-0.9	43.3	2.6
Ireland	1.5	43.3	2.9	4.3	40.9	2.7
Lithuania	-0.7	37.3	2.9	-1.3	38.2	2.9
Sweden	-0.8	31.6	2.5	-1.5	33.5	2.2
Denmark	3.3	33.6	2.7	4.5	31.1	2.3
Luxembourg	-0.8	25.0	3.0	1.0	26.3	2.8
Bulgaria	-2.0	22.9	3.8	-3.0	24.1	3.9
Estonia	-3.1	20.2	3.9	-1.5	23.6	3.6

[1)] *Data on general government balance and debt – Eurostat.*

[2)] *10-year interest rate – average of average monthly 10-year T-bond yields from last twelve months from January to December; Eurostat.*

Table 6. Long-term government debt rating in foreign currency of EU Member States as of September 22. 2025

Country	Standard&Poor's	Fitch	Moody's
Austria	AA+	AA	Aa1
Belgium	AA	A+	Aa3
Bulgaria	BBB	BBB+	Baa1
Croatia	A-	A-	A3
Cyprus	A-	A-	A3
Czechia	AA-	AA-	Aa3
Denmark	AAA	AAA	Aaa
Estonia	AA-	A+	A1
Finland	AA+	AA	Aa1
France	AA-	A+	Aa3
Germany	AAA	AAA	Aaa
Greece	BBB	BBB-	Baa3
Hungary	BBB-	BBB	Baa2
Ireland	AA	AA	Aa3
Italy	BBB+	BBB+	Baa3
Latvia	A	A-	A3
Lithuania	A	A	A2
Luxembourg	AAA	AAA	Aaa
Malta	A-	A+	A2
Netherlands	AAA	AAA	Aaa
Poland	**A-**	A-	**A2**
Portugal	A+	A	A3
Romania	BBB-	BBB-	Baa3
Slovakia	A+	A-	A3
Slovenia	AA	A	A3
Spain	A	A-	Baa1
Sweden	AAA	AAA	Aaa

Source: LSEG

Table 7. Public debt in 2014 – VI 2025

Item	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	VI 2025
1. State Treasury debt												
a) PLN bn	779.9	834.6	928.7	928.5	954.3	973.3	1,097.5	1,138.0	1,238.5	1,346.2	1,629.3	1,802.1
domestic *	503.1	543.3	609.2	644.5	674.4	716.5	831.5	872.7	949.8	1,042.4	1,253.5	1,430.6
foreign *	276.9	291.3	319.5	283.9	279.8	256.9	266.0	265.4	288.7	303.8	375.8	371.5
b) GDP %	45.6%	46.1%	49.8%	46.5%	44.4%	42.1%	46.4%	42.8%	39.9%	39.4%	44.7%	47.9%
2. Public debt (domestic definition)												
a) PLN bn	826.8	877.3	965.2	961.8	984.3	990.9	1,111.8	1,148.6	1,209.5	1,328.1	1,611.6	1,769.6
b) GDP %	48.3%	48.5%	51.7%	48.2%	45.8%	42.8%	47.1%	43.2%	39.0%	38.9%	44.3%	47.1%
3. General government debt (EU definition)												
a) PLN bn	874.4	923.9	1,010.0	1,007.3	1,035.9	1,046.2	1,337.0	1,411.0	1,512.8	1,691.2	2,012.3	2,186.1
b) GDP %	51.1%	51.1%	54.1%	50.4%	48.2%	45.2%	56.6%	53.0%	48.8%	49.5%	55.3%	58.2%

**) place of issue criterion*

Table 8. GDP and exchange rates in 2014 – VI 2025

Item	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	VI 2025
1. Gross Domestic Product												
PLN bn	1,710.2	1,809.6	1,866.0	1,996.8	2,147.6	2,313.9	2,362.9	2,661.5	3,100.8	3,415.3	3,641.2	3,758.4
2. Exchange rate (end of period)												
a) EUR	4.26	4.26	4.42	4.17	4.30	4.26	4.61	4.60	4.69	4.35	4.27	4.24
b) USD	3.51	3.90	4.18	3.48	3.76	3.80	3.76	4.06	4.40	3.94	4.10	3.62

Source: Statistics Poland. NBP