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# Annual Report 2006

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Sławomir Stanisław Skrzypek  
*President of the National Bank of Poland*

It is my privilege to present the Annual Report on the activities of the National Bank of Poland in 2006, the last year in office of my predecessor - Prof. Leszek Balcerowicz.

In 2006 National Bank of Poland operations played out against the background of dynamic and balanced development of the Polish economy. The GDP growth rate that year stood at 6.1%, and was accompanied by an increase in employment and a significant drop in the rate of unemployment, which placed Poland among the most rapidly developing EU states while maintaining its status as a country with one of the lowest rates of inflation.

A good domestic situation and stable macroeconomic environment in Poland's neighbourhood created favourable conditions for the conduct of monetary policy. For most of the year inflation ran below the inflationary target, i.e. below 1.5%. In January and February 2006, the Monetary Policy Council reduced interest rates by a total of 0.5 percentage point, as a result of which the NBP reference rate dropped to its historic low of 4%. In the subsequent months of 2006 the level of interest rates did not change.

Moreover, 2006 was the third consecutive year in which the NBP represented Poland in the European System of Central Banks. Representatives of the NBP participated in the work of committees and working groups of both the ESBC and the ECB. The most important activities related to European integration included: studies on aspects of Poland's participation in the ERM II and the euro zone, co-operation with the ECB concerning countermeasures against forgery of the euro, works on the adjustment of the Polish banking system to the requirements of the Capital Requirements Directive (CRD) introducing the provisions of the New Capital Accord in the EU, works on the integration of the Polish payment system with the Single European Payment Area and further adjustments in the field of statistics.

In its research activities, the NBP concentrated on current analyses of monetary policy and inflationary processes, the economic climate, conditions for economic growth, public finance, structural changes in the economy, the economic condition of enterprises and households, the labour market, and the world economy. Moreover, analyses were carried out concerning competitiveness in the economy, real property prices in Poland and of mutual dependence between the labour market and monetary policy. In terms of analyses and forecasts of inflation, studies were conducted examining the impact of changes in regulated prices, food prices and indirect taxes on inflationary processes. Further research addressed the issue of the impact of the liberalisation of energy and telecommunication markets on changes in inflationary processes. The results of those studies contributed to the formulation of the monetary and exchange rate policy and to the decision-making process of the NBP Management Board and the Monetary Policy Council.

In 2006, the NBP started work on the construction of three new statistical systems: the system of monetary statistics, the system of investment fund statistics and the system for data collection and processing of the balance of payment statistics. In carrying out these tasks, the NBP co-operated with the Central Statistical Office and the Ministry of Finance.

Part of the NBP's mission, as an institution which fosters Poland's economic growth, consists of activities designed to encourage economic education and build understanding of the functioning of the market economy as well as promote entrepreneurship. The NBP Programme of Economic Education was created to support and promote various initiatives in the field of economic education carried out by schools, universities, libraries, non-governmental organisations, the media and training centres. The main recipients of the NBP educational activities are young people – students in secondary schools and at the university level as well as those who, on account of their profession, disseminate knowledge, i.e. teachers, journalists and NGO employees. The year 2006 saw further expansion of the Economic Education Portal – the number of persons using its resources reached 1.3 million.

As part of the bank's information activities, the NBP Head Office and Regional Offices organised Open Days, during the course of which the central bank was visited by around 40 thousand people. An Internet service devoted to the euro was established as well as another one devoted to the topic of coins issued by the NBP. The number of visitors on the official NBP Internet site ([www.nbp.pl](http://www.nbp.pl)) grew from 3.7 million in 2005 to 5 million. The number of regular users was in the region of 150 thousand a month (compared with 100 thousand in 2005).

It is worth mentioning that in 2006 the NBP issued the first Polish collector note, commemorating Pope John Paul II. Undertaking other actions, such as the issue of collector coins, the NBP contributed to promoting knowledge of Polish history and culture. It introduced twelve coins within the "Historical cities of Poland" series, commemorating cities with more than 500 years of history, which made an exceptional contribution to the development of Polish statehood and marked the past of its particular provinces.

The National Bank of Poland, as a central bank, will continue to work towards price stability and banking system stability as well as to foster the long-term development of the economy, which is the foundation for the welfare of society and ensures convergence of the Polish economy to the level of the European Union.

Sławomir Stanisław Skrzypek  
  
President of the National Bank of Poland

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## The Monetary Policy Council

### Chairperson

Leszek Balcerowicz

(Sławomir S. Skrzypek *assumed the post as of 11 January 2007*)

### Members:

*appointed by the President of the Republic of Poland:*

Dariusz Filar

Andrzej Sławiński

Andrzej Wojtyna

*appointed by the Sejm:*

Jan Czekaj

Mirosław Pietrewicz

Stanisław Nieckarz

*appointed by the Senate:*

Marian Noga

Stanisław Owsiak

Halina Wasilewska-Trenkner

## Management Board of the National Bank of Poland

### Chairperson

Leszek Balcerowicz

(Sławomir S. Skrzypek *assumed the post as of 11 January 2007*)

### Members:

Jerzy Pruski

First Deputy President of the NBP

Krzysztof Rybiński

Deputy President of the NBP until 14 December 2006

Andrzej Jakubiak (until 14 December)

Tomasz Pasikowski

Paweł Samecki

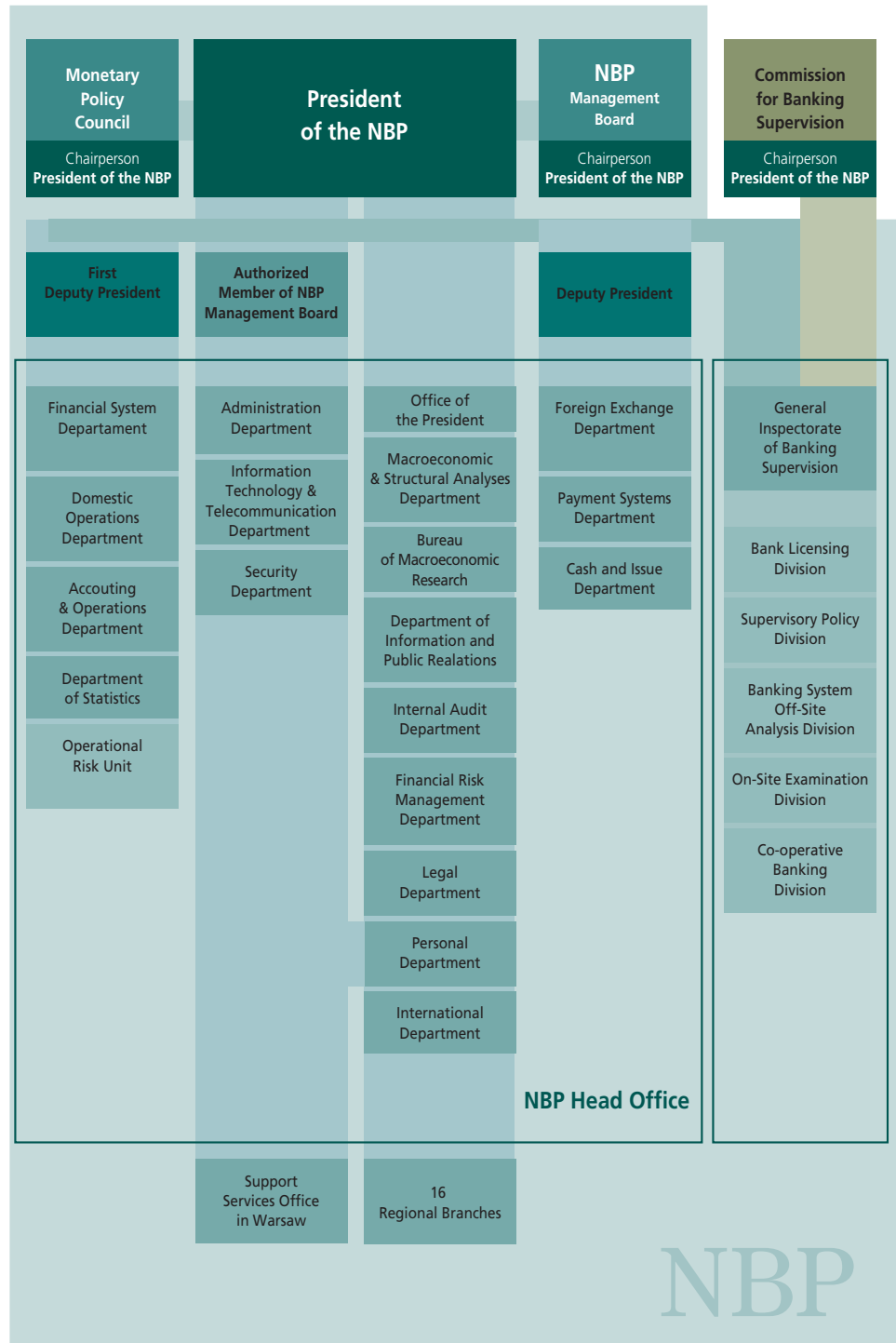
Józef Sobota

Jerzy Stopyra

Anna Trzecińska

# ORGANISATION CHART OF THE NATIONAL BANK OF POLAND

As at December 31, 2006





# SUMMARY

1. Pursuant to Article 227 para. 1 of the Constitution of the Republic of Poland "The central bank of the State shall be the National Bank of Poland. It shall have the exclusive right to issue money as well as to formulate and implement monetary policy. The National Bank of Poland shall be responsible for the value of Polish currency." The basic responsibilities of the NBP are stipulated in the Act on the National Bank of Poland and in the Banking Act. In 2006, the NBP conducted its activities pursuant to the *Monetary Policy Strategy beyond 2003* and the *Monetary Policy Guidelines for 2006* as well as the *NBP Plan of Activity for the years 2004–2006*.
2. This *Report* describes the performance of the statutory responsibilities of the NBP in 2006 with regard to the following areas: monetary policy, banking supervision, issue of currency, management of official reserves, foreign exchange operations, development of the payment system, education and information, services to central government, research activity, statistical activity and international activity. The *Report* also presents the legislative activity, internal activity, and the balance sheet and the profit and loss account of the NBP.
3. Pursuant to the Act on the National Bank of Poland of August 29, 1997, the directing bodies of the NBP comprise the President of the National Bank of Poland, the Monetary Policy Council, and the Management Board of the National Bank of Poland. In 2006, the organisational structure of the NBP comprised the NBP Head Office, 17 organisational units and the General Inspectorate of Banking Supervision (GINB), which is the executive body of the Commission for Banking Supervision, established as a separate organisational unit within the structure of the National Bank of Poland.
4. In the year 2006, the NBP, as a member of the European System of Central Banks, delegated its representatives to committees and working groups of the ECB and the ESCB. With regard to the fact that Poland, as a country with a derogation, participates in the Economic and Monetary Union within a limited scope, NBP representatives participate in the work of the ESCB according to the principles set forth for the EU Member States remaining outside the euro area. The most important works relating to the European integration in 2006 included research connected with the participation in ERM II and in the euro area, cooperation with the ECB to combat euro counterfeiting, works to adjust the Polish banking system to the requirements laid down by the Capital Requirements Directive implementing the provisions of the New Capital Accord (NCA) in the EU and to integrate the Polish payment system with the Single Euro Payments Area, further adjustments within the statistical activity, issuing opinions on EU legal drafts, and monitoring the ongoing EU developments.
5. In 2006, the monetary policy was conducted in the climate of a rising rate of economic growth. According to the estimates of the Central Statistical Office (GUS), the GDP growth rate was 6.1% in 2006. The major role in the GDP growth was played by the dynamic increase in investments (16.5% increase in 2006) and individual consumption (5.2% increase in 2006). A dynamic increase in exports was also recorded, but due to the significant rise in domestic demand (6.6% increase in 2006), accompanied by the growth in imports, the input of net exports to the increase became negative from the third quarter of 2006. In the situation of an accelerating economic growth there was a significant increase in employment and a decrease in unemployment. The accelerating GDP growth rate and a revival on the labour market was accompanied by low inflation. Throughout most of 2006, inflation was below the lower limit for deviations from target, i.e. 2.5% +/-1 percentage point, yet in August it returned to the previous range of deviations. In the period from October to the end of the year inflation returned to the level below the range. In January and February, the Monetary Policy Council reduced interest rates by a total of 0.5 pp, as a result of which the NBP reference rate fell to the level of 4%. In the remaining part of the year interest rates remained unchanged.
6. The NBP conducted the monetary policy using the set of instruments adopted by the MPC in the *Monetary Policy Guidelines for the Year 2006*. Their profitability was determined by the NBP official interest rates: the reference interest rate, the deposit interest rate, and the lombard rate. Conducting open market operations, the NBP had an impact on the level of short-term market





rates. In 2006, like in 2005, the NBP issued money market bills with the maturity of 7 days. The standing facilities provided by the NBP allowed banks to make up for their shortfalls and deposit their surplus of funds with the central bank – via the lombard loan or marginal lending facility. Moreover, the NBP also used the intraday credit in zloty and intraday credit facility in euro as instruments facilitating banks' liquidity management. In order to further streamline liquidity management in commercial banks, the NBP widened the scope of published data with the projection of the average current account balance.

7. The level of excess operational liquidity of the banking sector, measured as the yearly average balance of NBP money market bills, stood at PLN 19,758 million and was up by PLN 3,059 million compared to the average level in 2005. The growth in excess liquidity resulted primarily from NBP foreign currency transactions. In the period between 1 January and 31 December 2006 the balance of foreign currency purchase and sale by the NBP, resulting mainly from the inflow of EU funds to Poland, amounted to PLN 5,589 million on the purchase side. At the same time, the growth in excess liquidity was limited mainly by the increasing level of currency in circulation. During 2006, the level increased by the average of PLN 9,223 million.
8. One of the objectives of the pursued monetary policy is strengthening of credibility of the NBP as an institution responsible for the value of the Polish currency. Apart from stabilising inflation at a low level, the NBP cares for the transparency of activities and communication with financial markets, entrepreneurs, and the general public through arranging press conferences, both following meetings of the Monetary Policy Council and presenting *Inflation Reports*. In 2006, about 280 written answers have been given to journalists' questions on the activities of the NBP and nearly 150 interviews and meetings with representatives of the Bank's authorities were arranged. The NBP also commenced the implementation of *Kontakt*, a comprehensive program of cooperation with regional and local media.
9. Pursuant to Article 3 section 2 para. 6 of the Act on the National Bank of Poland, the responsibilities of the NBP shall include "laying down the necessary conditions for the development of the banking system." The Polish central bank performs this responsibility on an ongoing basis by maintaining low inflation. Moreover, in 2006 the NBP focused on ensuring liquidity and developing the payment system and ensuring the safety of funds on bank accounts (see para. 14). The NBP also participated in the drafting of legal regulations concerning the banking sector, conducted analyses of the financial system stability, cooperated with the Bank Guarantee Fund (BGF) and supported the banking sector in the form of contributions to the BGF.
10. The activity of the banking supervision was very important for "laying down the necessary conditions for the development of the banking system" in 2006. The banking supervision pursued the objectives specified in the Banking Act, which comprise safe and lawful running of banking activity, including but not limited to: 1) the safety of funds accumulated on bank accounts, 2) compliance of banks' activities with their articles of association and the decision on issuing the permit to establish a bank, as well as control of entities applying for a permit to conduct banking activity acting as bank's founders, shareholders, and management board members. The General Inspectorate of Banking Supervision performed the licensing, regulatory, analytical and inspection tasks. In the performance of the above, the following documents, among others, were issued: 1 permit to establish a bank, 6 resolutions on exercising of the voting rights at the general meeting of bank's shareholders, 3 permits to launch agencies, 45 resolutions concerning the consent for appointment of banks' management board members, 545 decisions concerning amendments to banks' articles of association. Furthermore, 7 notices were received concerning the taking up of activities by branches of credit institutions on the territory of Poland and 39 notices concerning the taking up of cross-border activities by credit institutions. Supervisory activities covered 50 banks incorporated as public companies, 1 state-owned bank, 12 branches of credit institutions, 19 representative offices of foreign banks and 584 cooperative banks. In 2006, as part of the works aimed to integrate the provisions of the New Capital Accord into the Polish banking system, draft legal acts were prepared as well as the scope of data required by the system of bank reporting. Cooperation agreements with supervisory institutions in Portugal, France and Italy were entered

into. 2006 also saw institutional changes to the functioning of the financial market supervision in Poland, banking supervision included.

11. The main responsibility of the NBP issuing activity was to ensure safe and liquid cash flow cycle. The basic principles of this activity did not change in 2006. The NBP continued the issue of collector's coins. In 2006, the first collectors' banknote in Poland commemorating Pope John Paul II was issued. Within the cooperation with the European Central Bank regarding counteracting euro counterfeit, the Police gained access, *via* the NBP, to the Counterfeit Monitoring System maintained by the ECB.
12. In the management of foreign exchange reserves, the NBP followed two principles: safety of invested funds and maintenance of sufficient liquidity of reserves. Under these assumptions, the NBP sought maximum return on investment. The investment instruments applied by the NBP in 2006 were: government securities, high quality agency securities and securities of international institutions, as well as deposit transactions. The analysis of the macroeconomic situation and economic trend projections (including exchange rates and interest rates) conducted at the end of 2005 was the reason for making a strategic decision for 2006 that envisaged decreasing the share of the dollar in favour of the pound sterling and shortening the modified duration of the dollar portfolio. The profit on investment activity in 2006 amounted to PLN 4.3 billion. The profitability of foreign exchange reserves stood at 3.2%.
13. The foreign exchange activity of the NBP, conducted by the Bank's Head Office and regional branches, consisted in the maintenance of a register of bureau de change activities, issuing permits concerning foreign exchange issues, and control of foreign exchange trading. In 2006, a total of 2,453 decisions and 20 resolutions concerning foreign exchange were issued, as well as 2,752 inspections of foreign exchange trading were conducted. As at 31 December 2006, there were 4,034 bureaux de change operating in Poland.
14. Activities of the National Bank of Poland for the benefit of the payment system comprised mainly the organisation of money settlements, exercising supervision over payment systems, authorization and settlement systems as well as securities settlement systems. In 2006, the activities of the National Bank of Poland were focused mainly on drafting appropriate legal regulations, current servicing of the SORBNET and SORBNET-EURO systems and preparations of the NBP to participate in the TARGET2 system. In 2006, the NBP collected and analysed statistical data concerning the functioning of large value payment systems, analysed the liquidity level from the point of view of settlement system's safety and prepared changes to these systems aimed at minimising risk. The NBP also continued its cooperation with the banking environment, primarily within the Council for the Payment System and undertakings performed in cooperation with the Polish Bank Association.
15. The NBP conducted educational and informational activities aimed at increasing the transparency of its activities and raising the public knowledge, *inter alia*, concerning the central bank and the banking system, including but not limited to money and inflation. In 2006, the Economic Education Portal was further developed – the number of portal users exceeded 1.3 million. Additionally, the NBP organised competitions on economic issues targeted at secondary school students, university students and journalists, as well as training sessions for teachers. Within the framework of informational activity a campaign concerning the euro was conducted and Open Days were organised in the NBP Head Office and regional branches. About 40,000 people visited the Bank's premises. The NBP launched a website devoted to the euro at [www.euro.nbportal.pl](http://www.euro.nbportal.pl) as well as a website devoted to collector's coins issued by the NBP at [www.numizmatyka.nbportal.pl](http://www.numizmatyka.nbportal.pl).
16. The maintenance of bank accounts by the National Bank of Poland contributes to the safety and liquidity of public funds settlements. In 2006, the NBP provided services to 3,752 account holders and maintained about 15,760 accounts. Almost 100% of account holders made use of the "enbepe" Electronic Banking System. In 2006, the NBP made the Business To Business (B2B) inter-system interface available to the Ministry of Finance. The interface connects directly financial and accounting systems of the NBP with the MF's SIMIK system that supports the management of EU



funds. This is the second such link, the first one being the B2B interface that connected the Integrated Accounting System (ZSK) with the TREZOR system of the MF. Moreover, the NBP handled foreign liabilities and receivables of the central budget, trading in Treasury securities, and cooperated with the Ministry of Finance in public debt management.

17. In its research in 2006, the NBP focused on ongoing research concerning the monetary policy and inflation process, the economic climate, determinants of economic development, public finance, structural changes in the economy, the economic condition of enterprises and households, the labour market and the world economy. Results of the research were used in designing the monetary and the exchange rate policies and taking decisions by the NBP Management Board and the Monetary Policy Council. Within the preparation for the adoption of the single currency the results of hitherto-conducted research were updated within the scope of, among other things, the optimal balance on the current account at the moment of joining ERM II and the level of the equilibrium exchange rate. Moreover, analyses were conducted concerning the economic situation of businesses, the behaviour of businesses and competition in the economy, real estate prices in Poland and the interrelations of the labour market and the monetary policy. Within the scope of inflation analyses and forecasts, we researched the influence of changes to regulated prices, food prices and indirect taxes on inflation processes in the economy. The analysis also encompassed the impact of the liberalisation of energy and telecommunication markets on changes to inflation processes. The NBP improved the ECMOD forecasting model, adjusted the DSGE model to Polish conditions and widened the scope of international economic climate analysis. Furthermore, the NBP conducted regular research concerning the stability and development of the Polish financial system and published relevant reports. In 2006, 7 international conferences and 13 seminars were held at the NBP.
18. In 2006, the NBP continued the implementation of ECB requirements relating to the scope of statistical tasks. The adjustment works covered a few areas – monetary, banking, and financial statistics, the statistics of the balance of payments and profit and loss accounts, the statistics of other financial intermediation establishments and the statistics of the general government sector. In 2006, the NBP commenced works aimed at creating three new statistical systems: the monetary statistics system, the investment funds' statistics and the system to collect and process data for the needs of the statistics of the balance of payments. In pursuing these tasks, the NBP cooperated with the Central Statistical Office and the Ministry of Finance within the following teams: national accounts of the general government sector team, foreign sector statistics for the purpose of national accounts and the balance of payments team, and statistics of income from labour of residents and non-residents team. In 2006, the NBP joined, as a regular member, the European Committee of Balance Sheet Data of Non-financial Entities and its BACH working group.
19. NBP representatives participated in meetings of the Committee of the Council of Ministers and the European Committee of the Council of Ministers. In 2006, the NBP cooperated with the Ministry of Finance, *inter alia*, within the framework of the Committee of Public Debt Management. Moreover, NBP representatives participated in the works of such inter-departmental bodies as the Polish Financial Supervision Authority, the Commission for Banking Supervision and the Financial Market Development Council. A meeting of the Monetary Policy Council with the President of the Council of Ministers was also held. The NBP collaborated with state authorities issuing opinions on normative and non-normative draft acts as regards the economic policy and the banking system. As a member of the ESCB, the NBP issued opinions on drafts of EU legal acts as well as drafts of national legal acts of EU Member States concerning the competence of the central bank.
20. Representing the central bank and Poland on the international forum, in 2006, NBP representatives participated, *inter alia*, in works of such bodies as ECB General Council, ESCB committees and working groups, the ECOFIN Council, committees and working groups of EU Council and the European Commission. The NBP also cooperated with the World Bank, the International Monetary Fund, the Organisation for Economic Co-operation and Development, the Bank for International Settlements, and the European Bank for Reconstruction and Development. The NBP participated in the works of UN – UNCITRAL working group and in the works of the UNIDROIT. In 2006, the NBP

continued its training support programme addressed to supervisory institutions within the framework of the Training Initiative for Banking Supervision (TIBS). In the years 2001–2006, 16 seminars were organised with the participation of 452 representatives of supervisory institutions from 28 countries.

21. In 2006, the NBP's average one-year staffing decreased by 146 full-time positions (3.2%) compared to 2005 and amounted to 4,481 full-time positions. As a result of rationalising employment in regional branches in the years 2004–2006, the number of the branches' full-time positions decreased by 477 jobs. As far as internal audit is concerned, further works were conducted aimed at ensuring full compliance with the International Standards for the Professional Practices of Internal Auditing. Moreover, the Risk Management System, launched in 2004, was further developed. To this effect, policies of personnel and IT risk management were devised and implemented, as well as the Business Continuity Plan for the NBP. In 2006, the NBP modernised its activities aiming at accomplishing its tasks more efficiently. The main investment activities comprised the modernisation of the NBP's IT infrastructure to meet the requirements of the ESCB and enhancing the safety of the NBP's systems.
22. Pursuant to Article 69 section 1 of the Act on the National Bank of Poland, the *NBP Financial Statements for 2006* have been reviewed by a certified auditor appointed by the Monetary Policy Council. In the opinion of the certified auditor, the financial statements present true and fair view of all material aspects of the assessment of the financial results for the period from 1 January 2006 to 31 December 2006, as well as the asset position and the financial condition of the NBP as at 31 December 2006, and comply with applicable legal regulations. The opinion of the certified auditor is presented in Appendix No. 12 to the *Statements*.
23. In 2006, NBP profit stood at PLN 2,608,696,500, of which payment to the central budget shall amount to PLN 2,478,261,700.

GOVERNING BODIES  
OF THE NATIONAL BANK OF POLAND

Pursuant to the Act on the National Bank of Poland<sup>1</sup> of August 29, 1997, which took effect on January 1, 1998, the governing bodies of the NBP comprise the President of the National Bank of Poland, the Monetary Policy Council and the Management Board of the National Bank of Poland.

## 1.1. President of the National Bank of Poland

President of the National Bank of Poland Leszek Balcerowicz ended his term of office on 10 January 2007. On the same day the Sejm of the Republic of Poland appointed Sławomir Stanisław Skrzypek for the office. On 11 January 2007 Sławomir Skrzypek was sworn before the Sejm and assumed the office of the President of the NBP.

In 2006, in the performance of his responsibilities, the President of the National Bank of Poland presided over the meetings of the Monetary Policy Council, the Management Board of the NBP and the Commission for Banking Supervision.<sup>2</sup> The President of the NBP also took part, as a full member, in the meetings of the General Council of the European Central Bank in Frankfurt.

While representing the central bank and Poland in liaising with foreign institutions, in 2006 the President of the NBP attended, among others, the following meetings:

- the annual meeting of the Board of Governors of the European Bank for Reconstruction and Development in London;
- meetings of Governors of the Bank for International Settlements in Basel;
- the annual meeting of the Board of Governors of the World Bank and the International Monetary Fund;
- the meeting of the ECOFIN Council enlarged with the governors of central banks.

In 2006, the President of the NBP issued 25 regulations, which concerned:

- specification of the design, alloy, fineness, mass and mintage of coins;
- the manner and procedures for counting, sorting, packing and marking packages of notes and coins, and performing activities related to the supply of banks with notes and coin;
- the scope, manner and deadlines of passing information to the Bank Guarantee Fund by banks covered by the compulsory insurance scheme.

As a superior of central bank staff, the President of the NBP participated in developing and implementing the human resources policy and supervised the observation of performance standards at the NBP.

## 1.2. Monetary Policy Council

In 2006 the Monetary Policy Council acted in accordance with the *Monetary Policy Strategy beyond 2003* and the *Monetary Policy Guidelines for the Year 2006*.

<sup>1</sup> Dziennik Ustaw [*Journal of Laws*] of 2005, No. 1, item 2 and No. 167 item 1398, of 2006, No. 157 item 1119 and of 2007, No. 25 item 162 and No. 61 item 410.

<sup>2</sup> On 19 September 2006, i.e. on the date when the Act of Financial Market Supervision took effect, the President of the NBP ceased to hold the post of the Chairperson of the Commission for Banking Supervision. The post is currently held by the Chairperson of the Polish Financial Supervision Authority.





In 2005, the Monetary Policy Council held 19 meetings (including 12 two-day ones), where it adopted 10 resolutions, promulgated in *Monitor Polski* (Official Gazette) and the *Dziennik Urzędowy NBP* (Official Journal of the National Bank of Poland). Moreover, the MPC held 5 working meetings.

The MPC adopted 2 resolutions concerning the decrease in the reference rate, the interest rate on refinancing loans, the interest rate on time deposits, and the bill of exchange rediscount rate at the National Bank of Poland. Table 1 presents NBP interest rates as at the end of 2005 and 2006.

**Table 1**

**NBP interest rates as at the end of 2005 and 2006 (percentage points)**

Reference rate		Lombard rate		Deposit at the NBP		Bill of exchange rediscount	
Dec 31, 2005	Dec 31, 2006	Dec 31, 2005	Dec 31, 2006	Dec 31, 2005	Dec 31, 2006	Dec 31, 2005	Dec 31, 2006
4.5	4.0	6.0	5.5	3.0	2.5	4.75	4.25

Source: NBP data.

Additionally, the MPC passed resolutions concerning the following matters:

- approving the annual financial statement of the NBP as at 31 December 2005,
- approving the report on monetary policy implementation in 2005,
- assessing the activity of NBP Management Board with regard to the implementation of monetary policy guidelines in 2005,
- approving the report on NBP activities in 2005,
- establishing monetary policy guidelines for 2007,
- establishing a ceiling on the liabilities arising from loans extended by foreign banking and financial institutions to the NBP,
- the principles for creating and releasing a reserve for the risk of the zloty to foreign currency exchange rate fluctuations at the National Bank of Poland,
- approving the NBP financial plan for 2007.

In the performance of its responsibilities arising from Article 23 of the Act on the National Bank of Poland, the MPC adopted the following documents:

- balances of payments of the Republic of Poland for the third and fourth quarters of 2005 and for the first and second quarters of 2006,
- *Poland's International Investment Position in 2005*,
- *Forecast of Poland's Balance of Payments in 2007*,
- *Opinion on the Budget Act draft for 2007*.

Moreover, the MPC adopted four quarterly reports on inflation (in January, April, July and October), which include an assessment of perspectives of the inflation process in the context of the monetary policy.

On 13 February 2006, members of the Monetary Policy Council met with the Prime Minister Kazimierz Marcinkiewicz in order to discuss Poland's macroeconomic situation (with particular stress on inflation) and the mid-term perspectives on economic growth.

On 12 October 2006 the annual meeting of the Monetary Policy Council with representatives of commercial banks took place. During the meeting, the *Monetary Policy Guidelines for 2007* were presented.

### 1.3. Management Board of the National Bank of Poland

Pursuant to the Act on the National Bank of Poland, the activity of the NBP is managed by the Management Board. NBP Management Board adopts resolutions on matters which are not the exclusive competence of other governing bodies of the NBP, and implements MPC resolutions. The Management Board of the NBP performed its basic responsibilities according to the *NBP Plan of Activity for the Years 2004–2006*, and the *Financial Plan*.

The main objectives of the NBP's activities for 2006 are: the achievement of monetary stability, financial system's stability and technical preparedness for Eurosystem membership, assuming the status of a major economic research centre in Poland and within the ESCB, dissemination of economic knowledge, maintaining high level of customer service and ensuring efficient operations of the institution.

In 2005, the Management Board of the NBP elaborated and considered draft resolutions and other materials to be discussed at MPC meetings.

Moreover, NBP Management Board dealt with issues linked to the EU integration process, macroeconomic matters, the standing of the financial sector (including the banking sector), and ongoing issues related to the Bank's activity. Among other things, the following issues were discussed during meetings:

- economic and formal conditions of Poland's joining ERM II and the euro area,
- issues related to Poland's functioning as an EU Member State,
- ongoing macroeconomic developments, including the course of the inflation process, the condition of public finance, the economic condition of enterprises and households, the developments on the labour market and on the financial and loan markets,
- inflation projection results,
- issues concerning financial sector stability, including the assessment of functioning and outlooks for the development of the banking system<sup>3</sup>,
- issues related to open market operations,
- issues concerning the management of foreign currency reserves,
- issues concerning functioning of the payment system, including launch of new interbank euro settlement systems and the conditions of NBP's participation in the common platform of TARGET 2.

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<sup>3</sup> Activities within this scope have been discussed in detail in particular chapters.



In 2006, NBP Management Board held 72 meetings, during which it adopted 45 normative resolutions, 13 non-normative resolutions, and 353 decisions. The most important decisions included:

- Resolutions concerning the following matters:
  - Amending the resolution on the terms and conditions of opening and operating of banks' accounts at the National Bank of Poland. The resolution was elaborated in relation to the necessity to adjust its provisions on the SORBNET-EURO system to the amended version of the Guideline of the ECB of 30 December 2005 on a Trans-European Automated Real-time Gross settlement Express Transfer system (TARGET).<sup>4</sup>
  - Amending the resolution on the procedures and detailed principles of forwarding data necessary to establish the monetary policy and perform periodic assessments of the monetary condition of the state, and evaluation of financial condition of banks and the banking sector risk, by banks to the National Bank of Poland. Introduction of new forms used to collect information on interest rates of mortgage loans denominated and indexed in Swiss francs; increase in the number of banks forwarding data on interest rates on deposits and loans to households and businesses.
  - Amending the resolution on the introduction of the Rules of maintaining of securities deposit accounts and handling operations on securities and their registration on deposit accounts of the securities by the National Bank of Poland. The resolution adjusted the existing rules to the amended ordinances of the Minister of Finance of 26 June 2006 on the conditions of Treasury bills' issue and on the conditions of issuing Treasury bonds at auctions.
  - Amending the resolution on the types of bills of exchange accepted for rediscount by the National Bank of Poland and the principles and method of rediscount. The amendment was aimed at adjusting its provisions to regulations of the Act on Stamp Duty of 16 November 2006, repealing the duty to collect stamp duty on bills of exchange. Moreover, branches of credit institutions were included in the group of entities entitled to submit bills of exchange for rediscount to the NBP.
  - The Business Continuity Plan of the National Bank of Poland. The resolution states the conditions and principles for launching and conducting NBP activities essential to ensuring the continuity of the Bank's functioning.
  - Decisions as to the policy for IT risk management in the NBP and decisions as to the policy for personnel operational risk management in the NBP. The resolutions constitute a subsequent element of the integrated Risk Management System in the NBP (the part concerning operational risk) and define objectives of the NBP in the field of technological IT risk management and human resources management.
- Decisions concerning the following matters:
  - initiation of publishing data obtained on the basis of new reporting on interest rates (in line with ECB requirements) on NBP's websites and in the NBP Information Bulletin,
  - continuation of activities aimed at creating the framework of cooperation between safety net institutions in the context of existing legal conditions and institutions,
  - approving the amended version of the *Certification Policy of the National Certification Centre* in the context of the National Certification Centre's plan to start issuing new profiles of certificates for eligible services,

<sup>4</sup> More on the issue in Chapter *The development of the payment system*.

- establishing cooperation between the NBP and the University of Warsaw with respect to the construction of the parity benchmark and management of foreign currency reserves,
- signing an agreement between the NBP and the National Depository for Securities (KDPW SA) on cooperation in the scope of forwarding statistical data on Polish securities settlement systems to the ECB,
- continuation of works aimed at preparing the NBP for participation in TARGET 2.

### **1.3.1. Implementation of the NBP Plan of Activity for the Years 2004–2006**

The implementation of the *NBP Plan of Activity for the years 2004–2006* (adopted by the NBP Management Board in 2004) came to an end in 2006. The document stated the areas, context and objectives of NBP activity and set detailed tasks aimed at accomplishing those objectives.

The main areas of activity of the NBP were:

- monetary policy development and implementation,
- the issue of currency,
- management of foreign exchange reserves,
- banking supervision,
- development of the payment system,
- educational and information activities,
- providing services for the State Treasury,
- foreign exchange operations.

The functioning of the NBP was supported by research and statistical activities as well as international cooperation.

The activity of the NBP was aimed at achieving seven main objectives, i.e.: monetary stability, financial system stability, technical preparedness for Eurosystem membership, assuming the status of a major economic research centre in Poland and within the ESCB, dissemination of economic knowledge, maintaining high level of customer service and ensuring efficient operations of the institution.

The achievement of the first two objectives was aimed at fulfilling the constitutional mission of the NBP of bearing responsibility for the value of the Polish currency.

The accomplishment of most of the objectives went according to the plan. The only obstacle was the lack of the exact date when Poland would enter the Euro zone, which hindered full implementation of technical preparedness for Eurosystem membership.

In recent years the activity of the NBP was determined mostly by the process of European integration. Before the accession, tasks essential for Poland to become a member of the ESCB had been finalised, including the introduction of changes to adjust monetary statistics and balance of payments statistics to meet EU requirements, adjusting the principles of accounting and financial reporting to the principles applied by ESCB central banks and preparing the NBP to handle EU own funds and transfers. On 1 January 2004 the NBP launched the primary element of the integrated accounting system (including the handling of foreign operations), which enabled the NBP to prepare accounting reports according to ECB requirements. Moreover, a group of NBP employees were trained to cooperate with the ESCB and foreign supervisory institutions.

In the scope of Poland's preparations to enter the Exchange Rate Mechanism II (ERM II) and the Euro zone, the following actions have been taken: launch of the SORBNET-EURO and linking it with the TARGET system, analysis of threats connected with ERM II membership aimed at



determining the optimal macroeconomic policy in the framework of this mechanism and analysing excessive increase in loans under ERM II, settling the scope of essential modifications of reporting system of monetary financial institutions, finalising NBP's operational and organisational preparations to take part in ERM II, including statistics of other financial intermediary institutions and statistics for macro-supervisory purposes in the scope of monetary statistics research.

Tasks unrelated to accession encompassed, *inter alia*, finalising works on the system of early warning against foreign currency crises, introducing the system to research consumer situation and creating NBP's Economic Education Portal. Moreover, the software to service the central account of the state budget was introduced, changes in the reporting on the service of the state budget to the Ministry of Finance were introduced, the SES system was launched in the scope of functionality encompassing most cash and treasury operations in all regional branches of NBP and Cash and Issue Department, the creation of the IT Banking Supervision System was finalised, internal regulations stemming from the policy and safety of the NBP were devised and implemented.

In January 2007 NBP Management Board accepted the *Plan of Activity* for the next three years, i.e. for the years 2007–2009. The Plan is available at the NBP website (see [www.nbp.pl/publikacje/plan\\_dzialalnosci](http://www.nbp.pl/publikacje/plan_dzialalnosci)).







# 2

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## MONETARY POLICY

## 2.1. Monetary policy strategy in 2006<sup>5</sup>

The present report is concerned with the implementation of the monetary policy in 2006, the guidelines for which were formulated in the document *Monetary Policy Guidelines for the Year 2006*.

According to Article 227 para. 1 of the Constitution of the Republic of Poland "the National Bank of Poland shall be responsible for the value of Polish currency." The Act on the National Bank of Poland of 29 August 1997 states in Article 3 that "the basic objective of NBP activity shall be to maintain price stability, and it shall at the same time act in support of Government economic policies, insofar as this does not constrain pursuit of the basic objective of the NBP."

Contemporary central banks understand price stability as a rate of inflation low enough as not to exert negative influence on investments, savings and other important decisions taken by economic agents. Ensuring thus understood price stability is a fundamental way in which the central bank contributes, by means of its decisions, to a high and sustainable economic growth.

The Monetary Policy Council (MPC) bases its policy on direct inflation targeting strategy (DIT). International experience shows that this strategy is an effective method of ensuring price stability. In the *Monetary Policy Strategy beyond 2003*, accepted in February 2003, the MPC adopted the so-called permanent inflation target at the level of 2.5%, with a symmetrical tolerance band for deviations of +/- 1 percentage point.

In the *Monetary Policy Guidelines for the Year 2006*, the Council explained how it understood the inflation target and the way of its implementation:

- First, the notion of *permanent* inflation target means that it refers to inflation measured as a year-on-year change in prices of consumer goods and services in each month compared to the corresponding period of the preceding year. For a better understanding of inflation processes it is also justified to use annual and quarterly inflation indices such as those used in the NBP's inflation projection and in the central budget. Core inflation indices also play an important role in the assessment of inflationary pressure.
- Second, the adopted solution means that monetary policy is unequivocally focused on keeping inflation as close to the 2.5% target as possible, rather than only containing it within a deviation band without specifying its centre. The adopted solution provides anchoring for inflation expectations, thus facilitating the pursuit of monetary policy, which in case of shocks requires smaller and less frequent interest rate changes.
- Third, shocks are inevitable in the economy. The scale and duration of inflation deviation from the adopted target may differ depending on the strength of the shock and the degree of inertia of inflation expectations. The central bank usually does not respond to those deviations from the inflation target which it deems temporary and which lie within the tolerance range around the target. In countries with a permanently low inflation, the central bank does not have to respond even in the situation when inflation leaves the tolerance band temporarily. In the case of shocks viewed as leading to a permanent deviation from the inflation target, the central bank adjusts its monetary policy accordingly.
- Fourth, monetary policy reaction to shocks will also depend on their causes and nature. The reaction to demand shocks is a relatively minor issue, since in this case inflation and output move in the same direction. Under inertial inflation expectations, an increase in

<sup>5</sup> The present chapter (*Monetary Policy*) is the *Report on Monetary Policy Implementation in 2006* approved by the Monetary Policy Council at the meeting on 16 May 2007.

interest rates weakens economic activity and, in a longer perspective, also inflationary pressure.

Supply shocks pose a more difficult problem from the point of view of monetary policy, since in this case output and inflation move in opposite directions. Inappropriate monetary policy reaction may have far-reaching negative consequences for the economy. An attempt to fully neutralise the impact of a supply shock on inflation through monetary policy may lead to an unnecessary plunge in output, as the supply shock itself already has a negative effect on demand and investment. On the other hand, an attempt to fully accommodate a supply shock resulting in a price increase and output decrease – by pursuing an overly loose monetary policy – usually leads to permanently higher inflation. This, in turn, requires a far more restrictive monetary policy in subsequent periods, bringing about a relatively strong deceleration in economic growth. Reaction of the central bank should depend on the assessment of the shock's durability.

- Fifth, most of supply shocks are transitory and limited in scale. Thus, they do not require an immediate reaction. However, in the case of strong shocks even temporary acceleration in price growth may bring about a relatively permanent rise in inflation expectations and, in consequence, an increase in inflation due to the emergence of wage demands. In such a situation, the monetary policy has to prevent secondary effects of the supply shock (the so-called second-round effects). The risk of such effects arising is substantial in countries with a short history of low inflation. Very useful in analysing supply shocks are core inflation indices, which help, at least roughly, to distinguish temporary effects from permanent changes in inflationary pressure.
- Sixth, because the reaction of output and inflation to the pursued monetary policy is delayed, its influence on the level of current inflation is limited. Current decisions of the monetary authorities affect price developments in the future, just as current inflation is influenced by interest rate changes made several quarters ago. Unfortunately, these lags are not constant and depend, to a large extent, on structural and institutional changes in the economy. Changes in the transmission mechanism result in a situation when central banks can only approximately assess the time lag between an interest rate decision and its strongest observed impact on real variables (output, employment) and then on inflation.
- Seventh, monetary policy affects the economy not only through changing interest rates but also through keeping them unchanged for a period of time. The decision to keep interest rates unchanged for several periods (months or quarters) has substantial consequences for the economy because it leads to a gradual widening or narrowing of the output gap.
- Eighth, monetary policy is pursued under uncertainty. Large uncertainty is due, among others, to the fact that inflation projection models utilised by the central bank may become inadequate for the description of economic processes owing to the ongoing structural changes in the economy. This means that (a) while making decisions it is necessary to take into account all available information, rather than just the inflation projection; (b) it is not possible to adopt a simple policy rule which could be known *ex ante* to market participants; and (c) forward-looking monetary policy has to be presented to the public as an attempt to achieve the inflation target under large uncertainty, rather than an exercise of strict control over economic processes.
- Ninth, in assessing monetary conditions, not only the level of real interest rates should be considered but also the level of the real exchange rate.
- Tenth, an important input into monetary policy decision-making process is the balance of risks affecting the probabilities of future inflation running above or below the target. This balance is based on the inflation projection, the assessment of the actual economic

developments, which may deviate from the scenario presented in the projection, as well as the course of variables and information not accounted for directly in the projection. While assessing the factors influencing future inflation, the Monetary Policy Council will also take into account the duration of the period of low inflation.

The Council also expressed its conviction that it would be most beneficial for Poland to pursue an economic strategy aimed at creating conditions for the introduction of the euro at the earliest possible date.

## 2.2. Monetary policy in 2006

While assessing the monetary policy in 2006 it has to be borne in mind that, similarly to the previous years, it was pursued under uncertainty. Decisions of the central bank are based on information and forecasts available at the moment they are taken, which means that, in hindsight, they do not necessarily have to seem right from the point of view of the need to keep inflation as close to the target as possible. Due to the very nature of monetary policy, and in particular the significant lags between the central bank's decisions and their effects for the economy, decisions have to be taken in advance and their later assessment has to account for their accompanying uncertainty. Therefore, the assessment of the past monetary policy has to account for the information available at the moment a particular decision was taken, rather than the information available in a later period.

The main source of monetary policy uncertainty is the fact that there is a several-quarter lag between the moment of an interest rate decision and its strongest impact on inflation. Thus, the inflationary processes in 2006 were largely affected by the monetary policy pursued back in 2004–2005. In turn, the monetary policy conducted in 2006 will primarily influence inflationary processes in 2007 and 2008. Due to the lags in the transmission of monetary policy impulses, one of the inputs to the Monetary Policy Council's decisions on interest rates in 2006, as in the previous years, were inflation projections.<sup>6</sup>

Monetary policy in 2006 was pursued amid gradual inflation growth as measured both with the Consumer Price Index (CPI) and net inflation.<sup>7</sup> This inflation rise, however, began at a very low level and throughout the year inflation remained below the target set by the MPC (at 2.5%). Moreover, through the most part of the year (except for August and September) inflation was running below the lower tolerance limit for deviations (i.e. 1.5%). The annual CPI rose from 0.6% in January to 1.4% in December 2007. In average annual terms, CPI growth amounted to 1.0%.

Such a low level of inflation resulted from the impact of several factors whose different effects are difficult to estimate precisely. The low inflation was connected with the zloty exchange rate appreciation of 2004–2006, though in 2006 the scale of the appreciation was insignificant. The low path of inflation was also connected with the NBP's interest rate policy in 2004, which was aimed at preventing the impact of a price shock after Poland's entry to the EU on future inflation, and the monetary policy decisions taken in 2005. Additionally, price growth in 2006 was slowed down by unexpectedly weak growth of domestic demand and GDP in 2005. Another factor easing wage and inflationary pressures was a high, though declining, rate of unemployment. These processes coincided with such globalisation processes as the growing openness of the economy and the ensuing rise in price and wage competition, an increase in imports of goods from countries with low production costs and a reduction in the impact of high oil prices on inflation<sup>8</sup>, which have been restraining the growth of consumer prices.

In 2006 the intensifying recovery of the Polish economy was accompanied by a gradual rise in inflation. There was an acceleration in consumption demand and an even more intensive revival

<sup>6</sup> Inflation projections prepared in 2006 and published in *Inflation Reports* have been presented in Appendix 6.

<sup>7</sup> Net inflation is CPI inflation net of food and fuel prices.

<sup>8</sup> Detailed information on the path of the domestic product and its components and prices are to be found in Appendices 2 and 3.

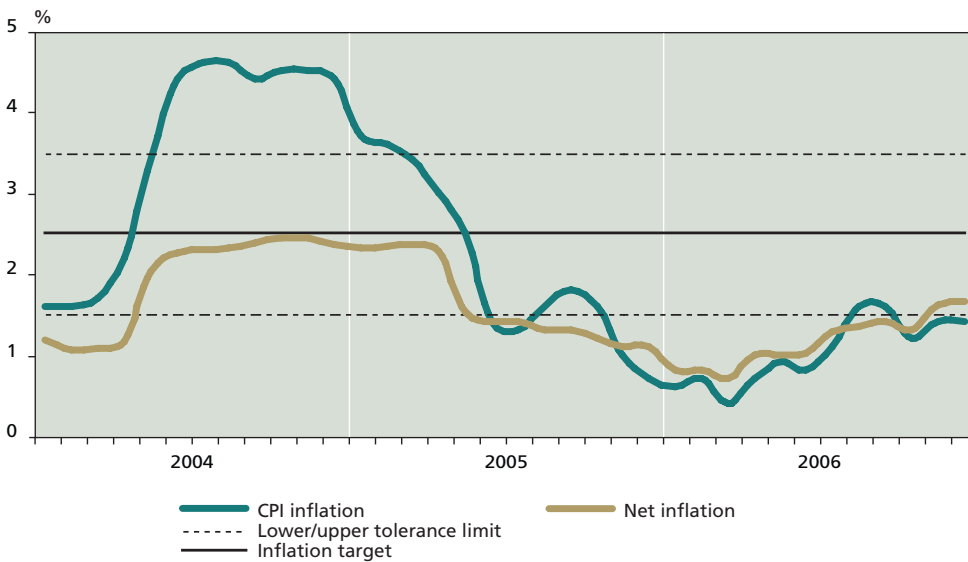


in investment demand. Fast GDP growth led to a gradual closing-up of the output gap. At the same time, export growth remained at a very high rate, which was connected with Poland's entry to the European Union and a high growth of the economies of our main trading partners. The heightened export potential of the Polish economy was confirmed by the fact that, despite increased economic growth and a rise in import growth, the current account deficit in 2006 remained at a safe level of 2.3% of GDP.<sup>9</sup>

Economic growth contributed to a fast increase in the number of working persons and a concurrent drop in the unemployment rate. At the same time, wages were growing faster than labour productivity. In 2006, despite a drop in unit labour costs in industry, the increase in unit labour costs in the economy as a whole was conducive to inflation growth. Inflation growth was also fuelled by rising import prices, though their rise was being mitigated by declining prices of some goods, particularly those imported from countries with low production costs.

The prices of food and fuels had a bi-directional impact on inflation in 2006. In the first half of the year, food price growth was a factor lowering inflation, but starting from August food prices began to raise inflation, due to the drought resulting in lower harvest. Fuel prices were adding to inflation growth until August. In the final months of 2006, however, the decline of crude oil prices accompanied by zloty appreciation against the US dollar was reducing inflation. In annual terms, the joint impact of the above mentioned factors on inflation was insignificant, which is confirmed by only a small discrepancy between CPI and net inflation indicators.

**Figure 1**  
**Inflation vs. inflation target in 2004–2006**



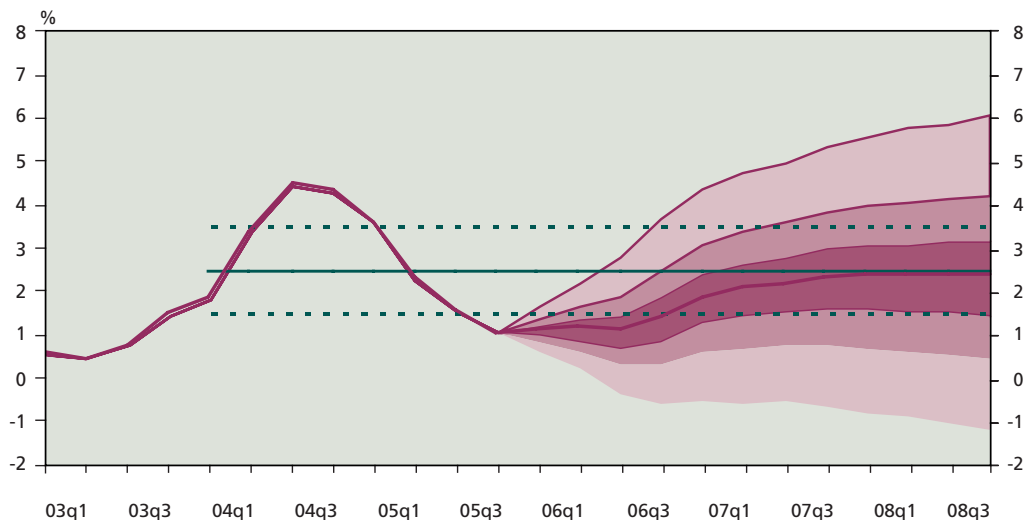
Source: GUS and NBP.

<sup>9</sup> Detailed information on the balance of payments in 2006 have been presented in Appendix 4.

In 2006 the Monetary Policy Council lowered the interest rates on two occasions: in January and February. The January inflation projection indicated that inflation would rise steadily over the monetary policy transmission horizon, return to the inflation target (of 2.5%) at the end of 2007 and then remain close to it in 2008. However, the forecast inflation was growing at a slower rate than in the previous projection, published in August 2005. The assessment of the balance of factors influencing future inflation, made by the MPC in January 2006, indicated that the probability of inflation running below the target throughout the horizon of the monetary policy transmission is markedly higher than the probability of inflation exceeding 2.5%. Hence, the Council decided to cut the NBP's interest rates by 0.25 percentage point at its January meeting.

**Figure 2**

**Central inflation projection, fan chart of future inflation path and inflation target of the MPC – January 2006**



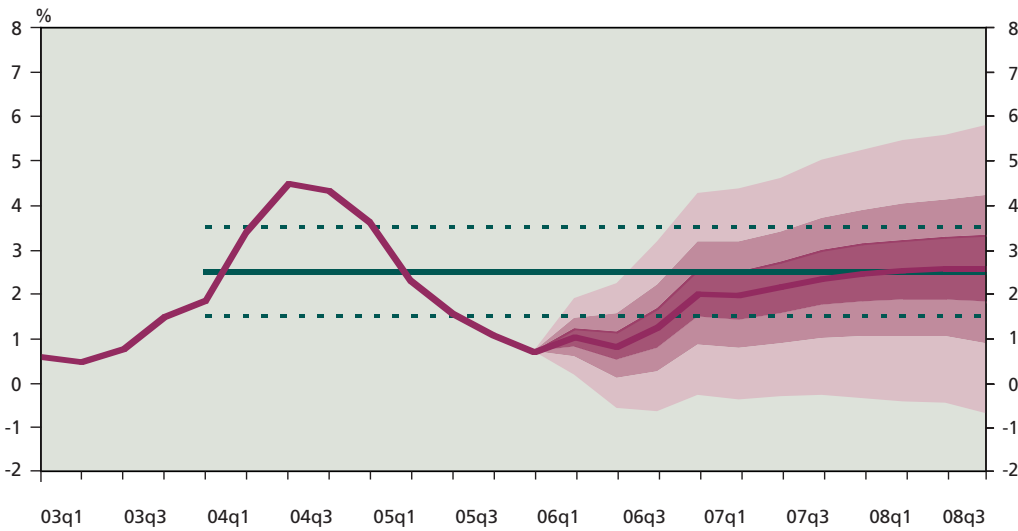
Source: NBP data.

The release of new data, including those pointing to zloty appreciation and a lower than expected level of inflation in January, which indicated increased probability of inflation running below the result of the January projection, persuaded the MPC to cut interest rates by another 25 basis points in February. As a result, the reference rate amounted to 4%.

The information published in the subsequent months revealed a consolidation of the growth tendencies in the Polish economy. GDP growth in 2006 Q1 exceeded 5% and, in line with the April macroeconomic projection, a similar rate of growth was to be sustained in the next years. The rate cuts in the first quarter, faster economic growth as well as an improved labour market situation and forecast acceleration in unit labour costs all contributed to the April inflation projection signalling a build-up in inflationary pressure. The projection indicated that the output gap would remain negative until 2008, but it would be closing up faster than had been expected in the January projection. Another risk factor which surfaced in the second quarter was a rise in wage pressures in the budget sector.

**Figure 3**

**Central inflation projection, fan chart of future inflation path and inflation target of the MPC – April 2006**

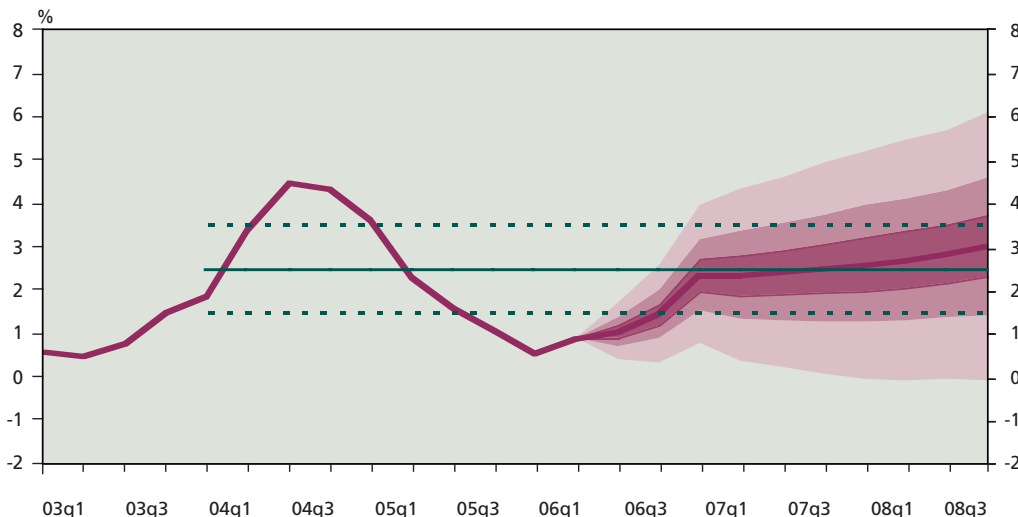


Source: NBP data.

The following months saw a gradual consolidation of the growth tendencies in the Polish economy. It was estimated that GDP growth in Q2 once again exceeded 5%, while the next projection prepared in July indicated that inflation would be rising steadily over the monetary policy transmission horizon to return to the inflation target (of 2.5%) in the second half of 2007. The projection indicated that in 2008 inflation would continue to increase gradually and it would remain within the tolerance band for deviations from the inflation target. Moreover, the July projection pointed to higher paths of domestic demand, GDP and inflation growth than those accounted for in the April projection. The strengthening economic recovery and a rising probability of inflation growth confirmed the Council's conviction that interest rates should not be reduced any further, despite the current inflation running at a low level.

**Figure 4**

**Central inflation projection, fan chart of future inflation path and inflation target of the MPC – July 2006**

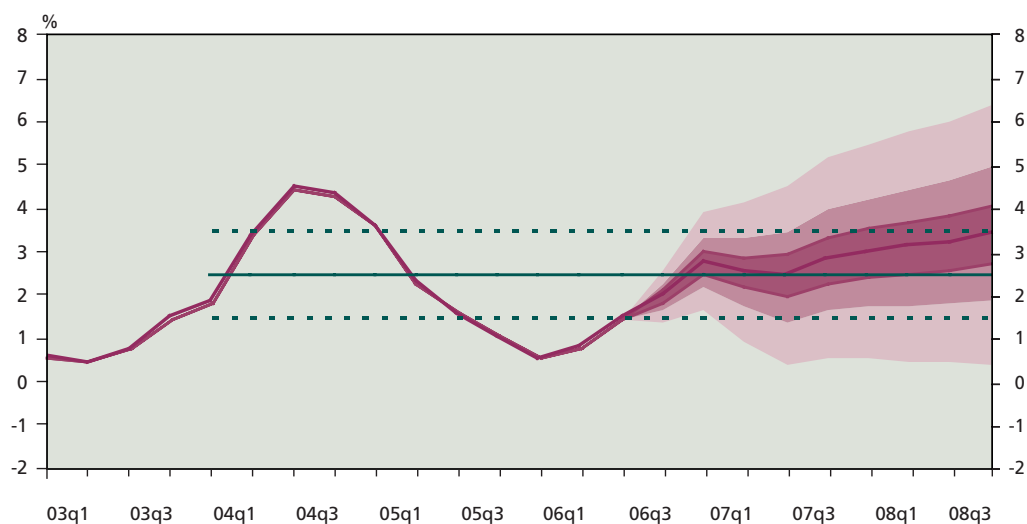


Source: NBP data.



Figure 5

Central inflation projection, fan chart of future inflation path and inflation target of the MPC  
– October 2006



Source: NBP data.

The data released in subsequent months confirmed that the recovery of the Polish economy was of permanent nature. The economic growth in Q2 proved significantly higher than anticipated in the July projection, while the monthly data, among others, on retail sales and industrial output warranted the expectation that the economic growth in Q3 could in fact be underestimated, as well. Both the current CPI and net inflation was growing slowly but steadily. In August the CPI rose above the lower limit of the tolerance band for deviations around the inflation target, even though this rise was primarily the outcome of a food price growth resulting from the drought.

The inflation projection prepared in October envisaged a gradual inflation growth over the monetary policy transmission horizon, which in 2007 Q1 would bring inflation back to the target (2.5%). The projection showed that inflation would continue to rise gradually in 2008 and in the second half of 2008 it would be close to the upper tolerance limit for deviations from the inflation target.

The data released by the end of 2006 did not change this picture in any significant way. In particular, sustainability of the economic recovery and a gradual build-up in inflationary pressure were confirmed by the data on construction and assembly production, increased investment layouts in large and medium-sized enterprises and the number of working persons in the economy in Q3.

Due to the lags in the transmission of monetary policy impulses into the economy, the decision-making process on the level of interest rates accounted primarily for the developments anticipated for the future. Thus it is obvious that forecasts and in particular inflation projection have a great significance. However, a forecasting model is, by nature, an imperfect tool and therefore the projection results it yielded were an important, though not the only one, input to the decision-making process.

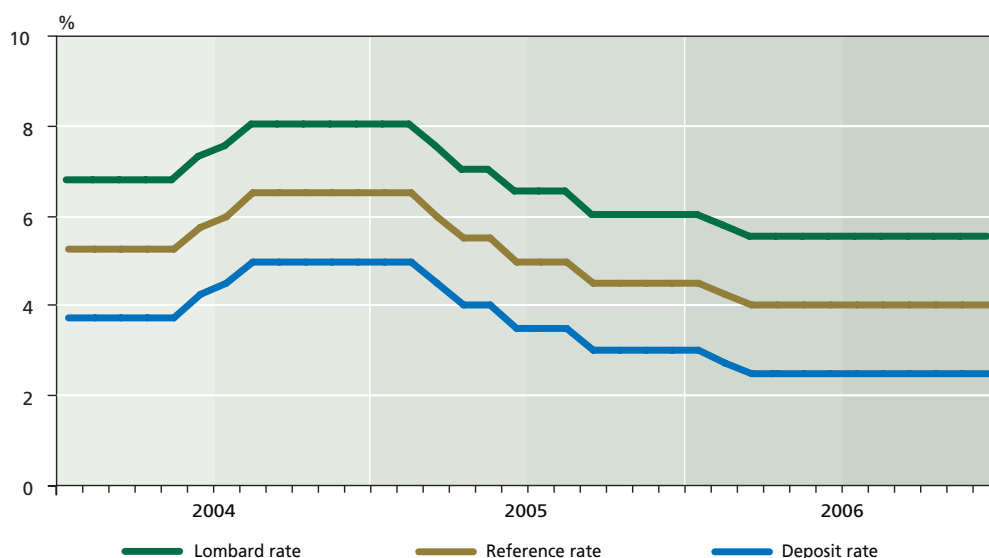
During its meetings in 2006, the Council many times discussed the significance of factors which might not have been sufficiently accounted for in the forecasting model. The issues under discussion included, among other things, the outlook for sustaining the recovery in the labour market and the ensuing pressure on wage growth in Poland, the impact of globalisation processes and paths of world commodity prices on the outlook of economic growth and inflation in Poland,

the perspectives for an improvement in public finance situation and also short- and medium-term impact of Poland's entry to the EU on zloty exchange rate and inflation. The following problems were also addressed during the Council's meetings: the future impact of imports from low-cost production countries on inflation in Poland, the significance of sustaining low net inflation for future CPI inflation, experiences of other countries where inflation ran below the inflation target for a period of time and the outlook for the exchange rate of the zloty. The Council also considered the possible impact of the following factors on the inflation outlook in Poland: increased significance of global versus domestic factors, a possibly stronger than expected weakening of global economic growth in 2007, behaviour of monetary aggregates and financial standing of enterprises.<sup>10</sup>

An important element of a monetary policy based on the strategy of direct inflation targeting is the communication with a widely-understood economic environment. For this reason, the Council presents its assessments of the current economic situation and future economic developments to the public. In 2006, similarly as in the previous years, the most important instruments of communication were quarterly *Inflation Reports*, monthly press releases and press conferences held after meetings of the MPC. In line with the *Monetary Policy Guidelines for the Year 2006*, the Council strived to increase the transparency and unambiguity of the communication with the public. An important element of enhancing the transparency of the pursued policy was an ever more exhaustive presentation of the most important problems discussed at the decision-making meetings of the MPC offered in the Chapter "Monetary Policy" forming part of the *Inflation Report*. Apart from that, the Council was undertaking steps to initiate the publication of the minutes of its decision-making meetings.

Figure 6

## NBP interest rates in 2004–2006



Source: NBP data.

### 2.3. Monetary policy instruments

In 2006 the NBP pursued its monetary policy influencing the inflation level through the interest rate channel. The MPC set the official interest rates of the NBP, which in turn determined the yields on monetary policy instruments, and established the principles for conducting open market operations. To shape short-term interest rates, the NBP used the following instruments:

<sup>10</sup> A more detailed description of discussion and arguments raised during the meetings is to be found in *Inflation Reports* published in 2006 and in January 2007.

open market operations, lending and deposit operations (standing facilities) and a reserve requirement. Influencing the level of short-term interest rates, the MPC strived to achieve such level of interest rate in the economy that would be consistent with the adopted inflation target.

### 2.3.1. Liquidity surplus in the banking sector

Just like in the preceding year, liquidity surplus of the banking sector was rising in 2006. Its level, measured as the average annual balance of NBP money market bills, amounted to PLN 19,758 million and was PLN 3,059 million (i.e. 18%) higher than the average level of 2005. Total banking sector liquidity absorption, measured with the volume of NBP money market bills issued and the level of deposits held by the Ministry of Finance at the NBP, averaged PLN 24,823 million in 2006 and was PLN 3,116 million higher than in 2005. Additionally, there were bonds<sup>11</sup> in circulation with maturities in 2012 in the amount of PLN 7,816 million.

The greatest contribution to banking sector liquidity was made by foreign exchange operations of the central bank. In the period between 1 January and 31 December 2006, the balance of foreign currency sale/purchase transactions of the NBP, mainly resulting from the inflow of EU funds, amounted to PLN 5,589 million on the purchase side. Important factors contributing to an increase in liquidity were, among others, transfers of the NBP profit to the central budget, discounts on NBP bonds and interest paid on the required reserve and NBP bonds.

The increase in surplus liquidity was mainly limited by raising the level of notes and coin in circulation – by the average of PLN 9,223 million in 2006. Also an increase in reserve requirement (of PLN 1,277 million) and a rise in the central budget's deposits with the NBP (of PLN 529 million) had a similar effect.

Starting from 2006, in order to streamline commercial banks' management of the current liquidity level, the NBP extended its range of published data. Apart from the previously released information on the level of required reserves, current account of banks with the NBP, overnight deposit and the use of lombard facility, the NBP now publishes, on a weekly basis, the forecast of an average level of the current account of banks within the maturity of a basic open market operation. Moreover, the average value of the current account of banks at the NBP in the required reserve maintenance period is updated on a daily basis.

### 2.3.2. Monetary policy instruments

#### 2.3.2.1. Interest rates

In 2006 the fundamental monetary policy instrument was the short-term interest rate. The Monetary Policy Council determined the level of NBP interest rates, which, in turn, influenced the interest on monetary policy instruments, i.e. open market operations, reserve requirements and standing facilities.

The main interest rate of the NBP was the reference rate. This rate influenced the level of interest rates with maturities comparable to the maturity of basic open market operations (WIBOR SW<sup>12</sup>). The deposit rate and the lombard rate of the NBP determined the fluctuation band of overnight interest rates in the interbank market.

In 2006, the Monetary Policy Council lowered the NBP's interest rates on two occasions. In total, the reference rate was cut from 4.50% to 4.00%, the lombard rate from 6.00% to 5.50% and the deposit rate from 3.00% to 2.50%. The width of the tolerance band for deviations of short-term market rates remained unchanged at +/-1.50 percentage point.

<sup>11</sup> Issued by the NBP in 2002, in compliance with the Resolution No. 5/6/PKK/2002 of the Management Board of the NBP of 8 February 2002 on the issuance of bonds in exchange for some bonds purchased by banks in connection with the reduction of reserve requirement rates.

<sup>12</sup> WIBOR SW (Warsaw Interbank Offered Rate Spot Week) – rate at which banks are ready to grant loans in the unsecured interbank deposit market for the period of 7 days. It is calculated as the arithmetic mean from quotations submitted by participants of the fixing conducted each business day at 11.00 AM and published on Reuters news website (WIBO). The fixing is organised by ACI Polska.



**Table 2**

**Decisions of the Monetary Policy Council on the NBP interest rates in 2006**

Decision date*	Decision:
31 January 2006	Lowering of minimum yield on 7-day open market operations from 4.5% to 4.25% Lowering of the lombard rate from 6.0% to 5.75% Lowering of the rediscount rate from 4.75% to 4.5% Lowering of the deposit rate from 3.0% to 2.75%
28 February 2006	Lowering of minimum yield on 7-day open market operations from 4.25% to 4.0% Lowering of the lombard rate from 5.75% to 5.5% Lowering of the rediscount rate from 4.5% to 4.25% Lowering of the deposit rate from 2.75% to 2.5%

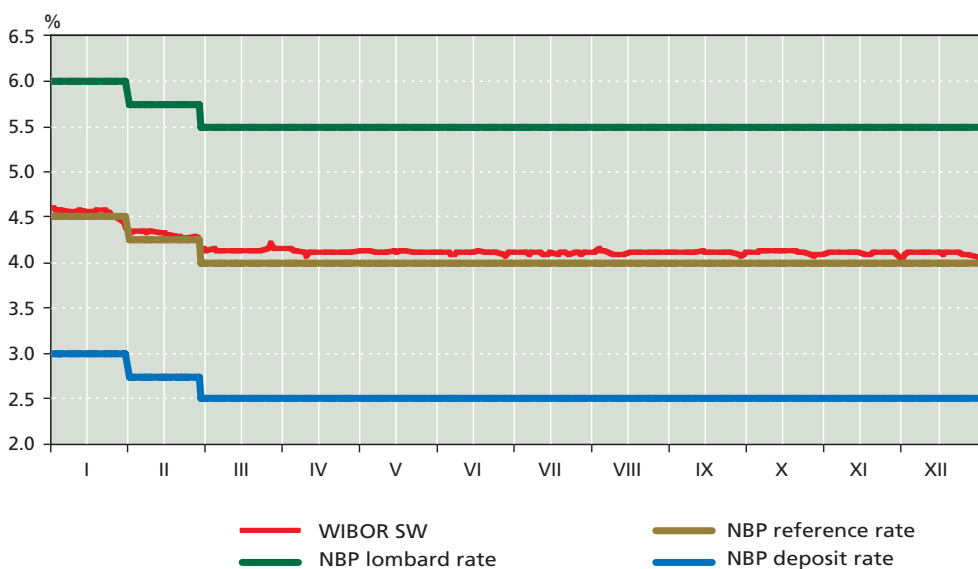
\* Decisions came into force on the following business day.

Source: NBP data.

The reference rate cuts were followed by decreases of short-term interest rates in the interbank market. WIBOR SW rate oscillated around the NBP reference rate and remained in the corridor for deviations delineated by the lombard and deposit rates of the NBP. By and large, this rate was above the NBP reference rate, and its average deviation from the reference rate in 2006 amounted to 11 basis points and was 2 basis points higher than in the preceding year. The average deviation from the NBP reference rate in 2006 amounted to 13 basis points for POLONIA<sup>13</sup> rate and 14 basis points for WIBOR O/N, compared with 26 and 22 basis points, respectively, in 2005.

**Figure 7**

**NBP interest rates and WIBOR SW interbank market in 2006**



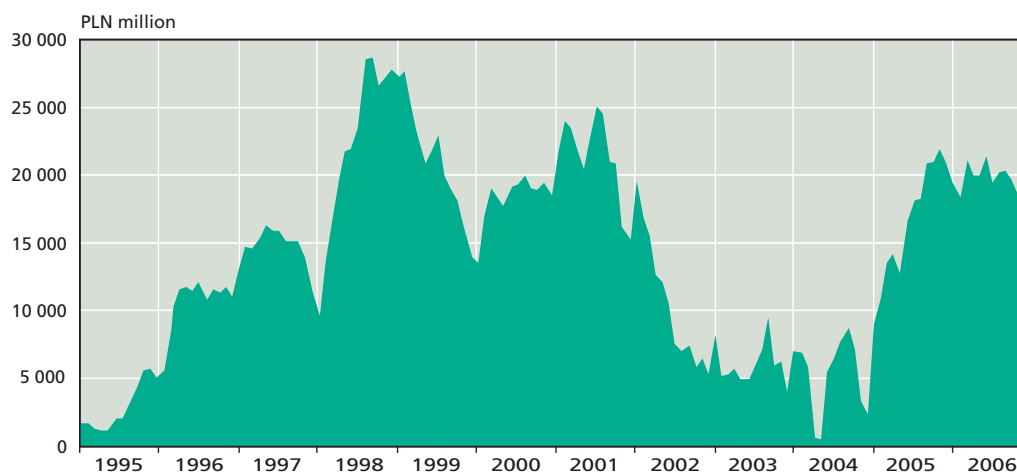
Source: NBP data.

<sup>13</sup> POLONIA (Polish Overnight Index Average) is an average overnight rate weighted by the volume of transactions in the market of unsecured interbank deposits. The NBP publishes the rate at the Reuters website (NBPS) every day at 17.00 hours.

### 2.3.2.2. Open market operations

In 2006 open market operations were the principal instrument for maintaining short-term interest rates at a level consistent with the pursuit of the MPC-established inflation target. As regards these operations, the NBP could make use of basic, fine-tuning and structural operations.

Basic operations consisted in the issuance of the NBP money market bills with 7-day maturity. They were performed, similarly as in the preceding year, on a weekly basis – every Friday.

**Figure 8****Average monthly balance of NBP money market bills in 1995–2006**

Source: NBP data.

Starting from 1 January 2006 the access to basic operations was granted to all the banks participating in the SORBNET system which at the same time had an account at the NBP's Securities Register and the ELBON application.

In 2006 the National Bank of Poland, apart from the basic open market operations, could also recourse to conduct fine-tuning operations. Fine-tuning operations could be used in an event of unexpected short-term movements in the liquidity of the banking sector which could potentially lead to undesirable, from the point of view of monetary policy, fluctuations in short-term interest rates. Fine-tuning operations could take the form of both liquidity-absorbing and liquidity-providing operations. These operations could be accessed by 13 banks which were most active in the money and foreign exchange markets and which signed contracts<sup>14</sup> with the NBP to act as a Money Market Dealer. In 2006, however, there were no grounds to conduct any fine-tuning operations.

Neither was it necessary in 2006 to modify the long-term liquidity structure of the banking sector. Structural operations could take the form of the NBP issuing or early repurchasing its bonds and the purchase or sale of securities in the secondary market.

### 2.3.2.3. Reserve requirement

In 2006 the obligation to hold reserve requirements in the accounts with the NBP applied to banks and branches of foreign banks operating in Poland. Reserve requirement was held in the

<sup>14</sup> Banks' activity in the money and foreign exchange markets is assessed on a yearly basis according to NBP-established qualification criteria of the Dealer Activity Index (DAI).



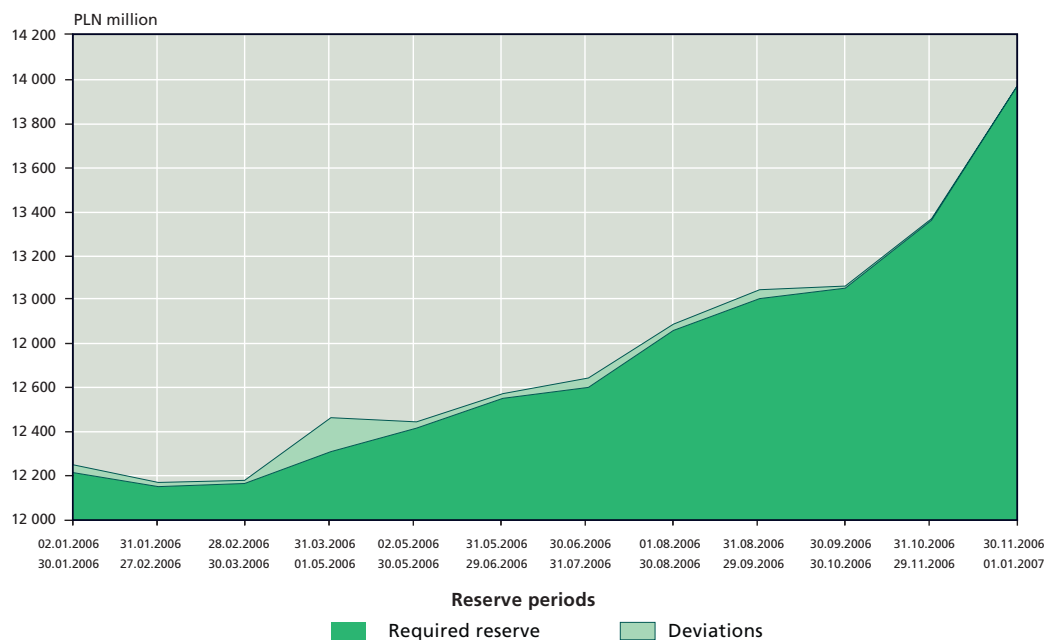
averaged system. Banks were obliged to maintain an average balance of funds in accounts with the NBP during the reserve period at the level not lower than the value of the reserve requirement.

Required reserves were calculated on the basis of bank's collected deposits and funds received from the sale of securities. Excluded from the calculation base were funds received from a different domestic bank, acquired from abroad for at least two years and deposited in credit and savings accounts at building societies and in individual pension accounts. Required reserves were calculated and held in the Polish zloty. The rates of the reserve requirement were not changed in 2006 and amounted to 3.5% for all liabilities, except for funds acquired from repo transactions, for which the required reserve rate was 0%. Banks reduced the amount of calculated reserve requirement by the equivalent of EUR 500 thousand. Interest was charged on required reserve funds. Starting from May 2006, the Monetary Policy Council set the interest rate at the level of 0.9 of the rediscount rate.

The amount of required reserves is PLN 13,970 million as of 31 December 2006, showing an increase of PLN 1,905 million (15.8%) as compared with 31 December 2005.

**Figure 9**

**Charges in reserve requirement level and deviations from required reverse in 2006**



Source: NBP data.

The greatest contribution to the increase in the reserve balance in 2006 was made by:

- an increase of 11.9% in deposits included in the required reserve's calculation base to which applied a positive rate of reserve,
- termination, on 1 December 2006, of one bank's exemption from the obligation to maintain reserve requirement.

All reserve periods marked a slight surplus of the average balance of funds (of PLN 35 million, i.e. 0.28%, on average) in relation to the required level of reserve requirement. In particular periods this surplus ranged from PLN 2 million in December (0.02%) to PLN 157 million in April (1.27%). The minimal differences between the required reserves due and held persisting in particular reserve periods resulted from:

- proper asset management at banks,
- banks' use of instruments facilitating asset management in the NBP accounts (intraday credit, deposit and lombard facilities), and
- introduction of the arrangement under which the interest is only charged on reserve funds to the amount of the required reserve (starting from 1 May 2004).

#### 2.3.2.4. *Standing facilities*

Standing facilities included two instruments offered by the central bank – deposit facility and lombard facility. They were meant to stabilise the liquidity level in the interbank market and limit the scale of fluctuations of the market overnight interest rates. These operations were initiated by commercial banks. Through such operations banks could deposit their surplus liquidity or supplement their liquidity deficits at the central bank.

The deposit rate was the lower limit for the fluctuations of the overnight rate at the interbank market. The lombard rate determined the maximum cost of funding with the NBP and its upper ceiling at the same time.

- In 2006, the total amount of term deposits placed by the banks with the NBP on an overnight basis equalled PLN 54.7 billion. This was 3.9% lower than deposits placed in the preceding year, which totalled at PLN 56.9 billion. The average daily level of overnight deposits amounted to PLN 149.9 million, compared to PLN 155.9 million in 2005.
- The total value of overnight deposits placed by banks ranged between PLN 0.3 million and PLN 5.7 billion. The highest amounts were deposited by banks on the last days of the required reserve maintenance periods.
- In 2006 banks made use of lombard facility collateralised with Treasury securities supplementing their current liquidity at the NBP, mainly towards the end of required reserve maintenance periods. The total amount of credit used in 2006 was PLN 15.5 billion, compared with PLN 10.3 billion in 2005. The average daily use of lombard facility was PLN 42.6 million as compared with PLN 28.4 million in 2005.

#### 2.3.2.5. *Other operations*

Intraday credit remained an important element of the settlement system. It was a non-interest bearing loan from the central bank repayable on the same working day. Intraday credit served to facilitate banks' liquidity management during the business day and streamline interbank settlements. It was collateralised with Treasury securities.

In 2006 the NBP offered:

- Intraday credit in the zloty.

The daily liquidity injection for banks under intraday credit ranged from PLN 4.6 to 17.1 billion and was 48 % higher in relation to 2005.

- Intraday credit in the euro serving to ensure settlement liquidity in the SORBNET – EURO system.

It was collateralised by selected Treasury securities accepted by the European Central Bank. In 2006 the daily liquidity injection for banks under this intraday credit fluctuated from EUR 251.7 thousand to EUR 5.0 million.





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## BANKING SUPERVISION

In 2006, the General Inspectorate of Banking Supervision (GINB) as an executive body of the Commission for Banking Supervision, spun off in the structure of NBP, implemented the objectives of banking supervision specified in the Banking Law Act. They consist in ensuring the security of funds deposited in the bank accounts and adherence of banks' operations to the legal provisions, statute and decision on issuing the licence to establish a bank.<sup>15</sup>

As at 31 December 2006, 647 banks pursued operating activity in Poland (649 as at the end of 2005), out of which:

- 50 banks incorporated as public limited companies;
- 1 state-owned bank;
- 584 co-operative banks;
- 12 branches of credit institutions.

In 2006, the intention to run cross-border operations within the territory of Poland was reported by 36 credit institutions (103 in 2005).

Detailed information on the banking sector has been presented in NBP's other publications, which are passed to numerous recipients and are available at the NBP's website. Selected information presenting the situation of the banking sector as at the end of 2006 is included in Appendix No. 1.

### 3.1. Institutional changes in the organisation of supervision of the financial market in Poland

In 2006 some institutional changes in the organisation of supervision of the financial market in Poland took place.

Pursuant to the Act of 21 July 2006 on the financial market supervision<sup>16</sup>, the Polish Financial Supervision Authority was established on 19 September 2006 and the composition of the Commission for Banking Supervision was changed. The Act introduced amended regulations concerning the organisation, scope and objective of the financial market supervision. The process of merging supervisory authorities was divided into two stages. As at the date of the entry into force of the act, the Polish Financial Supervision Authority took over the powers of the Securities and Exchange Commission and the Insurance and Pension Funds Supervisory Commission and from 1 January 2008 it will take over the powers of the Commission for Banking Supervision. According to the amended regulations, since 19 September 2006 the Commission for Banking Supervision has consisted of:

- the Chairperson of the Commission – the Chairperson of the Polish Financial Supervision Authority or a Deputy Chairperson designated by him/her;
- the Deputy Chairperson of the Commission – a minister competent for financial institutions or a Secretary of State or a Deputy Secretary of State delegated by him/her in the office of the minister competent for financial institutions;
- a representative of the President of the Republic of Poland;
- the president of the Management Board of the Bank Guarantee Fund;
- the President of the National Bank of Poland or a Vice President of the National Bank of Poland designated by him/her;

<sup>15</sup> The chapter was prepared on the basis of a draft *Report on the activity of the Commission for Banking Supervision 2006*.

<sup>16</sup> The Act was published on 4 September 2006 (Dziennik Ustaw of 2006, No. 157, item 1119).

- a representative of the minister competent for financial institutions;
- the General Inspector of Banking Supervision.

The General Inspectorate of Banking Supervision which as a separate unit within the NBP structure performs the tasks set forth by the Commission for Banking Supervision and the NBP Management Board will be closed down on 31 December 2007.

## 3.2. Licensing

In 2006, the principal tasks of the Commission for Banking Supervision insofar as licensing covered the following issues:

- establishment of banks and the undertaking of operating activities;
- sale of banking enterprises or their organised parts;
- execution of voting rights at the general meeting of shareholders of the banks in the form of a joint-stock company;
- changes to the composition of banks' management boards;
- amendments to the statutes of the banks;
- running operations *via* branches or in the form of cross-border activity;
- establishment of representative offices of foreign banks and credit institutions.

### 3.2.1. Establishment of banks

In 2005, one application was received for an authorisation to establish a new bank. The founders of the bank include three interlinked domestic entities.

The Commission for Banking Supervision approved the application for an authorisation to commence operations by Dexia Kommunalkredit Bank Polska SA with its seat in Warsaw, licensed in 2005. In addition, BRE Bank Hipoteczny SA and RCI Bank Polska SA, after the provision of appropriate internal regulations, obtained authorisations to commence new banking operations.

### 3.2.2. Sale of a banking enterprise or of its organised part

In 2006, the Commission for Banking Supervision approved 2 applications concerning the purchase of a banking enterprise or of its organised part. The applications concerned the purchase of enterprises by credit institutions from the European Union Member States in relation to the branches established on the territory of Poland (Calyon and Danske Bank A/S).

### 3.2.3. Changes in the banks' ownership structure

In 2006, the General Inspectorate of Banking Supervision considered 9 applications concerning the changes in the banks' ownership structure. Based on that the Commission for Banking Supervision issued:

- 6 resolutions on the approval to exercise a voting right at a general meeting of the bank's shareholders;
- 3 resolutions to withdraw applications for approval to exercise voting rights at a general meeting of the bank's shareholders.

### 3.2.4. Changes in the composition of banks' management boards

In 2006, the General Inspectorate of Banking Supervision considered applications concerning the permit to appoint presidents and members of the banks' management boards as

a result of which the Commission for Banking Supervision adopted:

- 30 resolutions on the appointment of presidents and management board members of banks incorporated as public limited companies, including:
  - 26 resolutions to authorise appointment of presidents or management board members;
  - 3 resolutions to discontinue proceedings due to the withdrawal of applications by supervisory boards of particular banks;
  - one resolution on the reopening of proceedings with respect to the application for a consent to appoint the members of the bank's management board;
- 20 resolutions on the appointment of presidents of the management boards at co-operative banks, including:
  - 19 resolutions to authorise appointment of presidents at co-operative banks;
  - one resolution to suspend the proceedings.

### 3.2.5. Amendments to banks' statutes

As a result of considering the filed applications concerning the amendments to the banks' statutes, in 2006, the Commission for Banking Supervision issued:

- 78 decisions concerning amendments to the statutes of the banks incorporated as public limited companies;
- 467 decisions concerning the permit to introduce amendments to the statutes of co-operative banks;
- 2 opinions for the Ministry of State Treasury on the amendments to the statute of a state-owned bank (Bank Gospodarstwa Krajowego).

In addition, the Commission for Banking Supervision issued 7 approvals to extend the territorial scope of activity of co-operative banks. On that basis co-operative banks introduce relevant amendments to their statutes.

### 3.2.6. Pursuance of activity *via* branch or in the form of cross-border activity

In 2006, the Commission for Banking Supervision received the following notifications from the relevant supervisory authorities of the Member States of European Economic Area (EEA)<sup>17</sup>:

- 7 notifications concerning the commencement of activity via a branch by a credit institution on the territory of Poland;
- 39 notifications concerning the commencement of cross-border activity on the territory of Poland by credit institutions;
- one notification concerning the commencement of activity by a branch of a domestic bank on the territory of the EEA.

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<sup>17</sup> Apart from the EU Member States, the EU regulations are also in force in Iceland, Liechtenstein and Norway. Those countries, along with the EU Member States, constitute the European Economic Area.

### 3.2.7. Establishment and operations of representative offices of foreign banks and credit institutions

In 2006, the Commission for Banking Supervision approved 3 applications for the establishment of a representative office in Poland submitted by the following credit institutions:

- Caja de Ahorros del Mediterraneo, Spain;
- Westdeutsche Immobilienbank, Germany (did not commence operations by the end of 2006);
- Banque Privee Edmond de Rothschild Europe SA, Luxembourg (did not commence operations by the end of 2006).

Two representative offices closed down in 2006. As at the end of 2006, 18 representative offices of foreign banks and credit institutions operated in Poland (including 4 from Belarus, 3 from Italy, 2 from the USA, 3 from Germany and one from France, Switzerland, Austria, Ireland, Taiwan and Spain).

### 3.2.8. Other activities related to licensing operations

The following activities were performed within the framework of permanent licensing tasks of the banking supervision:

- running and updating of the banks' registration system;
- supervision over the fulfilment of investors' declared activities in respect of the banks in which they obtained an authorisation to exercise the voting right;
- monitoring of the changes in the composition of supervisory boards and management boards of the banks (collection of information on education and professional experience of the members of the banks' management, in cooperation with the supervisory authorities of foreign banks);
- registration of the members of the banks' management boards which, within the framework of the division of competence, are responsible for the management of credit risk and internal auditing;
- provision of information and opinions on the binding legal regulations concerning licensing to natural persons, enterprises and state institutions.

## 3.3. Regulatory tasks

In 2006, the General Inspectorate of Banking Supervision's key regulatory tasks concerned the implementation of the provisions of the New Capital Accord (Basel II) and the Capital Requirements Directive (CRD)<sup>18</sup> to the Polish legal system.

### 3.3.1. Draft acts

The banking supervision was involved in developing legal acts as well as in providing interpretation and clarifications with regard to applicable legal regulations. It also took part in providing opinions on draft legal acts forwarded to the NBP during the legislative procedure.

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<sup>18</sup> Detailed information on the *New Capital Accord* and *CRD* are presented in the *Report on the operations of the NBP in 2005*.

- Act on financial market supervision<sup>19</sup>
- Act on the amendment of the Banking Law Act<sup>20</sup>

The amendment of the Banking Law Act, along with the below resolutions of the Commission for Banking Supervision as the executive provisions to the Act, transpose the provisions of the Directives 2006/48/EC and 2006/49/EC on credit institutions to the Polish law. They implement the provisions of New Capital Accord with respect to:

- minimum capital requirements for credit, market and operational risks, individually and on a consolidated basis;
- supervision of credit institutions in terms of the review of risk management adequacy and internal capital adequacy and potential supervisory measures addressed at individual entities;
- market discipline – including the requirement of disclosure of all necessary data and information about the financial situation of market participants.

The banks will be able to apply the following methods to measure credit risk, after obtaining the consent of supervisory authorities:

- standard method, where risk weight depends on the rating granted by an external agency, and if there is not such rating, established by supervisory authorities;
- basic method of internal ratings, where part of risk parameters are laid down by supervisory authorities;
- advanced method of internal ratings, where the bank sets forth the risk parameters on its own.

The banks will be able to apply the following approaches to measure operational risk, after obtaining the consent of supervisory authorities:

- basic indicator approach, where the indicator is the average gross profit of the bank for the last three years multiplied by the indicator laid down by supervisory authorities;
- standardised approach, where banks' activities are divided into specific business areas for which capital requirements are estimated separately, taking into account their specificity, and then the requirements are added up;
- internal measurement approach, where apart from the separation of business areas, specific risk parameters are estimated which allow to establish the capital requirements more precisely.

### 3.3.2. Draft prudential regulations

- Prudential regulations

The banking supervision drew up draft prudential regulations in the form of resolution of the Commission for Banking Supervision which will be the executive provisions to the amended Banking Law Act. The solutions adopted in the drafts are the result of the consultations with the banks conducted in 2005 and 2006. The implementing provisions include:

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<sup>19</sup> More in subchapter 3.1.

<sup>20</sup> Act passed on 26 January 2006, Dziennik Ustaw of 2007, No. 42, item 272.

Resolution concerning other deductions from a bank's core capital, the amount thereof, scope and terms and conditions for performing such deduction from the core capital of a bank, other items of the balance sheet included in the supplementary funds, the amount and size thereof, and the conditions of including them in a bank's supplementary funds, deductions from a bank's supplementary funds, the amount and size thereof and conditions of performing such deductions from a bank's supplementary funds, the scope and manner of taking account of banks operating in groups in calculating the capital base. The resolution lays down the rules for calculating core capital which is the basis for the analysis of capital adequacy for the purposes of New Capital Accord (both pillar I and pillar II).

Resolution concerning the detailed principles and conditions for the inclusion of exposures in determining compliance with the exposure limits and large exposure limits, specification of exposures exempt from provisions related to the exposure limits and large exposure limits, and the mandatory conditions hereof, specification of the exposures where the Commission for Banking Supervision needs to issue its authorisation for the exemption from provisions related to the exposure limits and large exposure limits and the scope and manner for the inclusion of banks' activities in groups in calculating the exposure limit. The resolution lays down the rules for monitoring the exposure limits and large exposure limits for the purpose of capital requirements measurement within pillar I of the New Capital Accord.

Resolution concerning the scope of the capital requirements against particular risks and the detailed principles to be used in determining those requirements, e.g. the scope and conditions of applying statistical methods and the scope of information attached to an application for authorisation to apply hereof, principles and conditions of taking account of contracts on debt assignment, subparticipation, credit derivative and other contracts than those on debt assignment and subparticipation, in calculating the capital requirements, terms and conditions, scope and manner of making use of the ratings assigned by external institutions which assess credit standing and the agencies of export credits, manner and specific principles of calculating the solvency ratio of a bank, the scope and manner of taking account of banks conducting their activities in groups in calculating their capital requirements as well as establishing additional items of bank balance sheets included with bank own funds in the capital adequacy account, the amount thereof and the method and conditions to be used in calculating them. The resolution lays down the principles of the bank's capital adequacy account for the purposes of pillar I of the New Capital Accord, i.e. the calculation of the minimum capital requirements.

Resolution concerning the detailed principles of functioning of the risk management system and internal control system and detailed terms and conditions of assessing by banks of internal capital and reviewing of the process of assessing and maintaining the internal capital. The resolution lays down the requirements concerning the risk management system used at the bank in its activities and the principles for reviewing the assessment and maintenance of internal capital. The internal capital is established at the level necessary to cover capital requirements calculated in pillar I and additional capital resulting from the inclusion in pillar II the risk factors which were not covered by the capital adequacy account for the purposes of pillar I of the New Capital Accord.

Resolution concerning the requirements concerning the identification, monitoring and control of exposures, including large exposures. The resolution lays down the rules for monitoring the exposure limits and large exposure limits for the purposes of pillar II of New Capital Accord.

Resolution concerning the detailed principles and the manner of publication by banks of the quantitative and qualitative information concerning the capital adequacy and the scope of information to be published. The resolution implements the principles of pillar III of New Capital Accord and specifies the principles of disclosing important information by the banks which would allow for the assessment of the bank's activities by the market.



In addition, in 2006 the analytical and consultative works concerning the following issues were continued:

Draft resolution of the Commission for Banking Supervision on currency mismatch between the currency of credit exposure and the currency of households' income. The solution proposed in the draft resolution consists in the reduction of the use of preferential risk weight in the capital adequacy account only to loans granted in or indexed to the currency in which the debtor posts revenues. In accordance with the recommendation of the Commission for Banking Supervision, the relevant provisions were included in the resolution on capital adequacy.

Draft resolution of the Commission for Banking Supervision on establishing mandatory standards of bank liquidity. Following the consultation with the General Inspectorate for Banking Supervision the draft resolution obtained an initial opinion of the banking community. The proposed short-term liquidity measures are to evaluate the counterbalancing capacity. Long-term liquidity measures allow to evaluate the level of funding of non-liquid assets and of assets with limited liquidity by stable funds and are consistent with the cash capital position calculation model used by Moody's rating agency to analyse the banks' liquidity. The banks with balance sheet total not exceeding PLN 200 million will be able to use a simplified methodology for the calculation of liquidity measures.

- **Supervisory recommendations**

At its meeting on 15 March 2006 the Commission for Banking Supervision adopted the following recommendations<sup>21</sup>:

Recommendation R on the principles of identifying the credit exposures which lost their value in the balance sheet, establishing revaluation allowances for the loss of value by balance sheet credit exposures and provisioning for off-balance credit exposures. The recommendation is addressed to the banks operating in Poland which prepare consolidated or individual financial reports in compliance with the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) and to the branches of a domestic bank which are located abroad and the subsidiaries of domestic banks.

Recommendation S on good practices in the field of mortgage secured credit exposures. The recommendation creates the frames for the appropriate identification, management and supervision of the risk of credit exposures secured with mortgage.

### 3.3.3. Building a new reporting system

In relation to the entry into force of New Capital Accord and the covering of numerous banks in the EU with the obligation to apply IAS/IFRS, to meet the expectations of the banks, the Committee of European Banking Supervisors (CEBS) prepared new banking reporting standards: COREP<sup>22</sup> and FINREP.<sup>23</sup> They use the XBRL<sup>24</sup> reporting standards which all EU Member States have been implementing since 2006.

Since 2005, the NBP has been working on the construction of a new reporting system of the central bank. Due to international commitments, the works on the prudential part of the reporting system, using COREP and FINREP, are carried out first.

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<sup>21</sup> The works on the recommendations have continued since 2005.

<sup>22</sup> COREP – Common Reporting – a reporting package containing the data resulting from the provisions of the New Capital Accord.

<sup>23</sup> FINREP – Financial Reporting – a reporting package based on the accounting principles laid down in IAS/IFRS and taking into account the Polish accounting principles for those banks which do not apply IAS/IFRS.

<sup>24</sup> XBRL – Extensible Business Reporting Language – a format of files in which the COREP and FINREP packages will be processed.

During the first stage of works in 2006, detailed reporting requirements were defined and the IT tools were prepared and transferred to the banks. The tools are to allow the banks to draw up reports within the framework of prudential reporting under the new system.

### 3.4. Off-site analysis

Analytical supervision of GIBS is permanent and consists in:

- direct off-site surveillance over banks,
- supervision of banks in a difficult financial position,
- comprehensive analysis of the business climate in the banking sector.

#### 3.4.1. Direct off-site surveillance of banks

In 2006, direct off-site supervision of banks covered:

- current and quarterly analysis and analysis of economic and financial position of individual banks within which:
  - analytical-supervisory spreadsheets including key financial information on the banks were updated<sup>25</sup>;
  - individual risk areas were assigned ratings and a general rating was assigned in the CAEL<sup>26</sup> system and this information was forwarded to the banks' management boards and supervisory boards<sup>27</sup> and to the Bank Guarantee Fund in the case of banks implementing recovery plans;
  - potential risk areas requiring detailed control were indicated;
- cooperation with foreign supervisory bodies, in particular with the supervisory bodies of subsidiary banks in Poland, including first of all the preparation for the New Capital Accord implementation, the evaluation of the banks after the examination, joint examinations and direct meetings;
- ongoing analysis of the compliance of the banks' operations with legal regulations in force;
- monitoring of the banks' preparedness to implement New Capital Accord, mainly on the basis of the analysis of semi-annual statements of the banks, the answers to the surveys and meetings with the representatives of banks and foreign supervisory bodies. The obtained information is included in the NCA preparedness sheet for each bank;
- analysis of applications concerning outsourcing agreements concluded by the banks; the agreements concern mostly the provision of IT services and the intermediation in the name and on behalf of the bank with regard to banking activities consisting in the conclusion and change of bank accounts and agreements;

<sup>25</sup> They include, among others, the score rating of the bank, profile of risk incurred by the bank and adherence to the standards specified in the Banking Law Act and other supervisory provisions and regulations.

<sup>26</sup> It is a method of evaluating individual types of banking risk and it is used e.g. to plan the dates and frequency of full-scope and targeted on-site examinations. Individual letters stand for: capital adequacy (C), asset quality (A), earnings (E) and liquidity (L).

<sup>27</sup> In the case of co-operative banks with the total balance sheet exceeding PLN 100 million. Other co-operative banks receive it through associating banks.

- monitoring of the implementation of post-control recommendations;
- analysis of the banks' work plans and their implementation;
- preparation of information for the Commission for Banking Supervision related to the most important phenomena in the banks. In 2006, particular attention was paid to the problems related to the banks' exposure to the financing of real estate market, in particular to a significant growth of foreign currency loans;
- undertaking explanatory, informative and intervention actions;
- participation in the works of committees and working groups of the EU and the European System of Central Banks (ESCB) with regard to, *inter alia*, practical solutions concerning the supervision over banks in international groups, the implementation of the provisions of CRD/NCA and the exchange of information about banking sectors;
- development of opinions and materials for external institutions.

### 3.4.2. Supervision of banks in a difficult financial position

In 2006, 13 banks implemented recovery action plans (in 2005, 27 banks), including 7 commercial and 6 cooperative banks. Thirteen banks conducted restructuring at the taken over bank enterprises (14 in 2005), including 5 commercial and 8 cooperative banks. The supervision of these banks covered e.g.:

- current analysis of the banks' economic and financial position along with the assessment of the progress in their implementation of recovery programme, on the basis of which quarterly information for the Commission for Banking Supervision was prepared;
- preparation of opinions to the recovery plans developed by the banks which constitute the basis for approving these plans by CBS;
- preparation for the CBS of the proposed actions under the supervisory function, including the request to the management board of the bank to summon an extraordinary general meeting;
- co-operation with BGF consisting in informing the BGF about the actions undertaken towards the banks in the mode of supervision and about the financial position of some banks.

Apart from the supervision of the banks running operations, the actions stipulated in the Banking Law Act were also undertaken towards the banks subject to liquidation and bankruptcy proceedings.

### 3.4.3. Comprehensive analysis of the business climate in the banking sector

The GINB's tasks related to the analysis of business climate in the banking sector covered:

- development of quarterly *Evaluation of the economic situation of Polish banks*<sup>28</sup>, including comprehensive information on the situation of the Polish banking sector, discussing its phenomena and trends as well as the sources of threat to its stability;
- providing external recipients (in Poland and abroad) with the main data on the banking

<sup>28</sup> Annual assessment for 2005 and for H1 2006 was assigned to: President of the Polish Republic, Speakers of the Lower and Upper Chamber of Parliament, Head of Cabinet, selected ministers and managers of central offices and chairmen of the selected Sejm commissions.

sector in the form of the document entitled *Summary Evaluation of the Financial Situation of Polish Banks*;

- annual assessment of: *Impact of monetary, tax and supervisory policies on the development of banks*;
- preparation of an annual report *Financing of real estate by banks in Poland*, containing, among others, an opinion of the banking supervision on opportunities and potential threats to the banking system, resulting from the scale of the bank's exposure to the property sector;
- preparation of information *Financial performance of banks following audits and in the light of consolidated statements, Information on the distribution of profit for the previous year by domestic banks and quarterly Information on banks subject to recovery proceedings*;
- analysis of selected areas of banks' operations and development of information for the Commission for Banking Supervision, Management Board of NBP and other external units (including international organisations and financial institutions);
- running the register of banks' foreign customers and shareholders of the customers and analysing the risk related to the banks' large exposure.

### 3.5. On-site examination

In 2006, the primary responsibilities of the banking supervision authority in this regard included the preparation and execution of on-site examination at banks, ensuring a uniform standard of the examinations. The on-site examinations<sup>29</sup> focused particularly on:

- the risk management practice applied by banks with regard to risk related to loans for property financing, taking into account in particular the foreign currency housing loans for individuals;
- banks' preparedness to implement the provisions of the New Capital Accord and the Directives.<sup>30</sup>

#### 3.5.1. On-site examinations at banks, at branch offices of credit institutions and at representative offices of credit institutions and foreign banks

In 2006, the banking supervision authority carried out the following on-site examinations:

- 106 full-scope on-site examinations (in 2005 – 138), including:
  - 15 examinations at commercial banks;
  - 91 examinations at co-operative banks;
- 40 targeted on-site examinations (in 2005 – 34), including:
  - 19 examinations at commercial banks – related to the selected areas of operations;
  - 21 examinations at co-operative banks;
- 25 explanatory proceedings (in 2005 – 6), including:
  - 24 at commercial banks;

<sup>29</sup> Pursuant to the Resolution 4/2002 of 6 March 2002 of the Commission for Banking Supervision on procedures for the performance of banking supervision, amended by the CBS Resolution 1/2004 of 9 June 2004.

<sup>30</sup> Directive 2006/48/EC of 14 June 2006 relating to the taking up and pursuit of the business of credit institutions and Directive 2006/49/EC of 14 June 2006 on the capital adequacy of investment firms and credit institutions.

- 1 at a co-operative bank;
- 1 examination at a representative office of a foreign bank (in 2005 – 2);
- 5 examinations at the representative offices of credit institutions (in 2005 – 2);
- 1 on-site review of a bank's preparations for the launch of operating activity (in 2005 – also 1).

### 3.5.2. Scope of conducted examinations

The scope of conducted examinations covered:

- Activities conducted under full-scope examinations included the examination of: quality of assets, liquidity, interest rate risk, currency transaction risk, earnings, capital, management and compliance with regulations binding to banks, statute and provisions included in the authorisation to establish the bank.
- Targeted examinations covered mainly: compliance with legal regulations in the area of counteracting introduction of property values originating from illegal or undisclosed sources to financial transactions and on counteracting financing of terrorism, assessment of the quality of the risk management of loans for financing real estate, including in particular the risk of foreign currency housing loans for natural persons as well as the banks' preparedness for the implementation of the provisions of NCA and the CRD Directive. During the examinations conducted in the second half of 2006, the verification of the implementation of provisions from the Recommendation S of the Commission for Banking Supervision concerning good practice related to mortgage secured credit exposure was commenced.
- Within the framework of tasks commissioned by the Management Board of NBP:
  - reviews of monetary clearing and inter-bank settlements – as part of 106 full-scope examinations;
  - reviews of correct calculation and transfer of required specific provisions at commercial banks – as part of 15 full-scope examinations;
  - reviews of banks' reports regarding balance of payment statistics – as part of 8 full-scope examinations at commercial banks.

### 3.5.3. Support of examination process and ensuring uniform examination standards

The examinations were accompanied by methodological works concerning streamlining and adjusting the examination process and the procedures specifying examination methods to the changing legal regulations and international standards.

In 2006, the following new methodologies of examination were developed:

- procedure for examining the banks' preparedness to implement the provisions of CRD/NCA;
- procedures for examining risks which are difficult to measure: business cycle risk, reputation risk, legal and strategic risk;
- procedure for analysing and evaluating the stress tests used at banks;
- templates of working papers used for documenting detailed findings of the examinations in individual areas of examinations.

In addition, the following examination methodologies have been updated:

- chapters of the on-site examination manual discussing the approach to the examination of the quality of assets and real estate market financing, liquidity, interest rate risk, currency transaction risk, operational risk, earnings, capital and management;
- score rating system for the banks through the introduction of an additional area concerning the operational risk assessment.

In 2006 the construction of the Banking Supervision IT System (SINB) was completed. The objective of the system is to ensure IT support for the tasks implemented by GIBS and related to examinations at banks. The examination planning and conducting module was created within the system.

### 3.6. Agreements with foreign supervisory institutions

In 2006, the Commission for Banking Supervision entered into agreements with the following foreign supervisory institutions:

- Bank of Portugal (in July 2006);
- Commission bancaire and Comité des établissements de crédit et des entreprises d'investissement of France (in August 2006);
- Bank of Italy (in August 2006).

The negotiations were carried out with regard to the agreements with the New York State Banking Department and the National Bank of Ukraine.

### 3.7. The participation of the National Bank of Poland in the reforms of banks

In 2006, the NBP supervised the implementation and timeliness of repayments of aid funds under the previously concluded agreements on the support of restructuring actions in the banks.

Financial support in the form of B/E loan was maintained with two banks but one of them returned all remaining financial aid before the deadline. As at 31 December 2006, the total exposure of NBP was PLN 5.71 million as a nominal value, i.e. by 92.3% less than at the end of 2005.

The decrease in receivables from the granted B/E loans in 2006 was caused by:

- purchase of two promissory notes issued for the amount of PLN 13,139,000 and PLN 38,033,000, i.e. for PLN 51,172,000, by one of the banks before the deadline laid down in the agreement, i.e. on 1 December 2006;
- purchase by another bank on 7 November 2006 of a promissory note for PLN 22,836,000 and the submission of a new one for PLN 5,705,000.

At the end of 2006 no bank was exempt from the reserve requirement (last year the exemption from the reserve requirement amounting to PLN 421,717,000 expired at one bank).

### 3.8. GINB's actions contributing to establishing conditions needed to develop the banking system

In 2006, key actions of GINB which contributed to establishing conditions needed to develop the banking system covered:

- works on the regulations implementing New Capital Accord to the Polish banking system;
- monitoring of banks' actions with regard to the preparations for the implementation of Directive 2006/48/EC and Directive 2006/49/EC and New Capital Accord;
- works on a new reporting system for banks;
- consolidated supervision;
- monitoring of co-operative banks' actions aimed at achieving of own funds amounting to EUR 1 million by the end of 2007;
- performance of control activities as a result of which banks' actions which were noncompliant with legal provisions regulating their operations as well as non-prudential practices were identified and eliminated and the improvement of risk management process quality was recommended;
- dissemination of principles of corporate governance, the use of which ensures the transparency of the banking sector, among the banks;
- issue of 545 decisions allowing for changing the banks' statutes in order to adjust them to the currently binding statutory solutions;
- co-operation with the Bank Guarantee Fund in the area of ensuring stability and security of the banking sector and individual banks;
- co-operation with foreign institutions supervising banks, which allowed to share information and experience related to the implementation of New Capital Accord and identification of risks in international capital groups.

#### The most important activities of the NBP in 2006

- As at 31 December 2006, the banking supervision covered 50 banks incorporated as public limited companies, 1 state-owned bank, 12 branches of credit institutions and 584 co-operative banks.
- Till the end of 2006, 36 credit institutions reported the intention to run cross-border operations within the territory of Poland.
- There were carried out, among others, 106 full-scope examinations, 40 targeted examinations, 25 explanatory proceedings, 1 examination at the representative office of a foreign bank, 5 examinations at the representative offices of credit institutions and 1 on-site review of a bank's preparations for the launch of operating activity.
- GIBS carried out work on the introduction of New Capital Accord to the Polish banking system, including the preparation of appropriate draft legal regulations.





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## THE ISSUE OF CURRENCY

Pursuant to statutory provisions, the National Bank of Poland has the exclusive right to issue notes and coin of the Republic of Poland. Assuring security, liquidity, and quality of cash operations, the NBP contributes to the maintenance of monetary stability.

#### 4.1. Notes and coins in circulation

The volume of notes and coins in circulation (including bank vault cash) as at 31 December 2006 amounted to PLN 75,377.2 m (of which PLN 176.8 m in the value of notes and coins withdrawn from circulation as a result of the redenomination of the zloty, which had not been exchanged for new notes and coins by the end of 2006). This signifies an increase in the value of notes and coins by PLN 12,780.3 m, i.e. by 20.42% of the amount as at 31 December 2005.

Table 3 presents the value and the growth in the value of notes and coins in circulation in particular months of 2006, as compared to the end of 2005.

**Table 3**

##### **Value and growth in the value of notes and coin in circulation in 2006**

Month	Notes and coins in circulation (in million zloty)	Growth in notes and coins in circulation on previous month (in %)
December 2005	62 596.9	X
January 2006	60 218.0	96.2
February	61 122.8	101.5
March	63 437.9	103.8
April	66 524.4	104.9
May	66 391.0	99.8
June	69 885.2	105.3
July	70 466.8	100.8
August	70 478.0	100.0
September	71 518.5	101.5
October	72 378.5	101.2
November	71 430.2	98.7
December	75 377.2	105.5

Source: NBP data.

As at 31 December 2006, notes accounted for 97.19% of all currency in circulation by value, whilst coins made up 2.81% (in 2005, notes accounted for 97.02%, and coins – 2.98%).

In terms of volume, notes represented 9.7%, and coins – 90.3% of all notes and coin in circulation (in 2005, notes accounted for 9.11%, whereas coins – for 90.89%).

In terms of value, 100 zloty and 200 zloty notes accounted for the largest share of all notes in circulation at the end of 2006, totalling 61.80% and 24.92%, respectively (61.34% and 25.07% in 2005). In the case of coins, 5 zloty and 2 zloty coins had the largest share of all coins in circulation, accounting for 29.67% and 28.80%, respectively (28.94% and 28.80% in 2005).

In terms of volume, 100 zloty and 50 zloty notes had the largest share in the circulation, amounting to 52.48% and 17.05%, respectively (in 2005, their respective shares stood at 51.09% and 16.64%). In the case of coins, 1 grosz and 2 grosz coins dominated, with their respective shares at 36.90% (36.58% in 2005), and 17.80% (17.68% in 2005).



## 4.2. Supply of notes and coin to the banks

Supplying of commercial banks with domestic notes and coin consists in direct supplies to bank offices based on sale-purchase agreements and the use of the NBP deposits under the agreements on storing and purchasing deposited notes and coin. Banks were supplied *via* a network of 16 regional branches of the NBP.

In 2006 the number of agreements on storing and purchasing deposited notes and coins increased as well as the value of purchased domestic notes and coins deposited at the NBP. The deposit system facilitates banks' access to notes and coin, allows a reduction of cash transportation cost and enhances the security of cash transactions.

At the end of 2006, 88 branches of commercial banks (81 at the end of 2005) held NBP deposits amounting to PLN 2.6 bn in their vaults, which constitutes an decrease by 3.7% as compared to 2005 (PLN 2.7 bn). The value of NBP deposits held by commercial bank branches at the end of 2006 accounted for 3.4% (4.4% in 2005) of the total value of notes and coin in circulation.

In 2006, commercial banks purchased domestic notes and coin at the NBP for the amount of PLN 145.3 bn, of which PLN 85.3 bn (58.7% of the total value) accounted for transactions of purchase of notes and coin deposited at the NBP (58.6% in 2005), whereas PLN 60.0 bn (41.3% of the total value) accounted for transactions based on sale-purchase of domestic notes and coin agreements (41.4% in 2005).

## 4.3. Withdrawal of unfit notes and coin

In 2006, 322.1 m pieces of notes and coins were withdrawn from circulation (363.7 m pieces in 2005) due to unfitness or the loss of counterfeit protection features. The average life of notes is correlated with their face value and ranges from 8 months in the case of 10 zloty notes to 120 months for 200 zloty notes. The average life of coins exceeds ten years.

## 4.4. Other issues related to notes and coins

### 4.4.1. Delivery of notes and coins

In 2006, manufacturers of notes and coin, i.e. the Polish Security Printing Works (*Polska Wytwórnia Papierów Wartościowych SA – PWPW SA*) and the Polish State Mint (*Mennica Polska SA – MP SA*) delivered to the NBP 883,905.4 thousand pieces of notes and coin. The total cost of purchase amounted to PLN 206.0 m, which constitutes a decrease by 16.6% on 2005 (PLN 247.0 m).

The PWPW SA supplied the NBP with a total of 432 m pieces of notes, of which 430 m general circulation notes with face values of 100, 50, 20, and 10 zloty and 2 m pieces of collector note with face value of 50 zloty, whereas the MP SA supplied 451.9 m pieces of coins, of which 450.9 m general circulation coins with face values 2 zloty, 20, 10, 5, 2, and 1 grosz, and 1.0 m pieces of collector coins.

The general circulation notes and coins supplied by manufacturers replenished the currency stock of those denominations. The existing currency stock of the remaining denominations was fully sufficient to meet the needs regarding the cash in circulation in 2006.

#### 4.4.2. Issue of collector coins and the collector note

The NBP issues collector coins, *inter alia*, to disseminate knowledge about the history and culture of Poland. In 2006, 888.4 thousand pieces of coins were issued within 11 topics, of which 44.5 thousand pieces were gold coins and 843.9 thousand were silver coins.

18 types of collector coins were issued:

- 5 gold coins with face values of 200 and 100 zloty,
- 13 silver coins with face values of 20 and 10 zloty.

The coins included several types of "non-standard":

- a silver coin in the shape of a nonagon ("The Centenary of the Warsaw School of Economics"),
- silver coins struck using the pad printing technique ("Polish Painters of the Turn of 19th and 20th centuries – Aleksander Gierymski"),
- a silver, gold-plated coin ("The 2006 FIFA World Cup, Germany"),
- golden and silver coins with angle effect ("XXth Olympic Winter Games, Turin 2006," "The FIFA World Cup, Germany 2006"),
- silver coin with a hologram (The Polish Calendar of Traditional Customs and Rituals – "St. John's Night"),
- coin with a halftone screen print (Monuments of Material Culture in Poland – "The Church in Haczów").

Moreover, the NBP issued 4,000 pieces of golden ounce coins, which are investment coins.

The NBP sales margin on collector coins issued in 2006 was PLN 14.3 m (PLN 14.6 m in 2005).

In 2006 Poland's first collector note was issued. The banknote commemorates Pope John Paul II. Its face value is PLN 50; 2 m pieces of the note were issued. The sales margin on the banknote amounted to PLN 4.7 m.

The total sales margin on collector coins and notes issued in 2006 stood at PLN 19.0 m.

#### 4.4.3. Issue of general circulation coins struck in Nordic Gold

The NBP continued the issue of the general circulation coins with the face value of 2 zloty, struck in the Nordic Gold alloy, which accompanied particular issues of collector coins. The NBP also continued the issue of 2 zloty coins, struck in the Nordic Gold alloy, of the new series *Historical Cities in Poland*; within the series every month a coin was issued dedicated to a different city. In 2006 a total of 23 types of general circulation coins struck in the Nordic Gold alloy were issued.

#### 4.4.4. Exchange of currency no longer legal tender

The NBP and domestic banks providing cash services continued the exchange of notes and coin issued prior to the 1 January 1995 redenomination. By the end of 2006, 99.77% of notes and coin issued before redenomination were replaced, representing 92.15% of the total number of old notes and coin.

#### 4.4.5. Counterfeit domestic currency

The number of counterfeit domestic notes and coins decreased by 4.46% on 2005. Table 4 presents the number and breakdown of counterfeit domestic notes and coin reported in 2006 in comparison with 2005.

**Table 4**

##### Number and breakdown of counterfeit domestic notes and coins

Counterfeit notes and coins	2005		2006		Increase/ decrease (in %)
	Number (pieces)	Break- down (in %)	Number (pieces)	Break- down (in %)	
Notes issued in 1994, the "Polish Monarchs" series	29 819	53.65	23 874	44.96	-19.94
Notes issued previously, "Great Poles" series	22	0.04	26	0.05	18.18
Coins of current issue	22 439	40.37	27 891	52.52	24.30
Coins of previous issues, withdrawn in 1944	3 302	5.94	1313	2.47	-60.24
<b>Total</b>	<b>55 582</b>	<b>100</b>	<b>53 104</b>	<b>100</b>	<b>-4.46</b>

Source: NBP data.

Authentic, general circulation coins with face values of 10 and 20 zloty, withdrawn in 1994, which had been reshaped (e.g. filed) and used in coin-operated vending machines have been numbered among the counterfeit old issues.

#### 4.4.6. Counteracting euro counterfeiting

Fulfilling the tasks of the National Counterfeit Centre established in 2004, the National Bank of Poland grants access to the Counterfeit Monitoring System maintained at the European Central Bank to Polish users. In 2006, Police officers coordinating issues connected with counterfeiting obtained access to the Counterfeit Monitoring System in the scope of technical and statistical data on cases of euro counterfeiting.

### 4.5. Works of the Commission for the Strategy of Introducing Euro Notes and Coins

The Commission for the Strategy of Introducing Euro Notes and Coins was appointed in March 2005. Its responsibilities include development of a strategy of introducing euro notes and coins to Poland and coordination of thereto-related activities within the competences of the National Bank of Poland.

The Commission's tasks encompass:

- current development of NBP's positions and opinions connected with the introduction of the euro in Poland, including positions and opinions presented by NBP representatives on meetings of bodies operating within the structures of the European Central Bank, Council of the EU and the European Commission;
- undertaking and coordinating activities aimed at devising the strategy of introducing the euro to Poland;
- recommending solutions connected with the strategy of introducing the euro to Poland to the NBP Management Board.

In 2006 the works of the Commission encompassed the following subjects:

- conditions necessary for the start of public consultation on the images to be struck on the national side of Polish euro coins;
- the analysis of legal financial guarantees for frontloading operations;
- the analysis of possible scenarios of introducing euro notes and coins;
- experiences gained during the zloty denomination in 1995;
- the analysis of logistic conditions of introducing euro notes and coins in Poland;
- preparations of Slovenia to introduce euro notes and coins – report on the visit in the Bank of Slovenia in July 2006.

#### The most important activities of the NBP in 2006

- In 2006, the number of agreements on storing and purchasing deposited notes and coins increased as well as the value of purchased domestic notes and coins. 88 branches of commercial banks held NBP deposits in their vaults worth PLN 2.6 bn.
- The NBP disseminated knowledge about the history and culture of Poland, *inter alia*, through issue of collector coins.
- The NBP issued the first collector banknote in Poland commemorating Pope John Paul II.
- The NBP collaborated with the ECB as regards counteracting euro counterfeiting.

MANAGEMENT OF  
OFFICIAL RESERVES



Pursuant to Article 52 section 1 of the Act on the National Bank of Poland, the NBP performs the function of the central foreign exchange authority by holding and managing the official foreign exchange reserves, and also by conducting banking operations and taking other measures to ensure the safety of foreign exchange operations and international payment liquidity. State reserves serve to ensure macroeconomic stability and financial credibility of the country, and convertibility of the national currency.

The basic principles that govern the management of foreign exchange reserves by the NBP are ensuring a high level of safety of invested funds, and maintaining the requisite level of liquidity. Operating within these constraints, the NBP aims at maximising the returns on investments.

Key decisions concerning the management of official reserves are taken by the Management Board of the NBP. These decisions concern the determination of the currency composition of official reserves, the investment composition of the benchmark portfolio, the acceptable level of interest rate risk expressed as modified duration, principles of calculating the yield and the principles for establishing credit limits and the criteria for the selection of counterparties. These decisions constitute a point of reference for assessing the management of official reserves.

## 5.1. Risk management in the official reserve management process

The high level of protection of official reserves is ensured by principles, regulations and procedures in force at the NBP with regard to depositing funds and concluding transactions. They serve to mitigate credit risk, liquidity risk, foreign exchange and interest rate risk, and operational risk.

- Credit risk, which consists in the possibility of incurring losses due to the counterparty defaulting on contractual obligations, is mitigated by the rigorous selection of transaction partners. Selection criteria include ratings assigned by the most recognised rating agencies and own analyses of the counterparty's financial standing conducted according to a strictly defined procedure. The credit limits assigned to individual undertakings are monitored and adjusted on an ongoing basis.
- Foreign exchange risk, i.e. the possibility of incurring losses due to adverse movements in exchange rates, is mitigated by specifying the currency composition of foreign exchange reserves and its periodic adjustment to market conditions.
- Interest rate risk, related to the possibility of incurring losses due to adverse movements in market interest rates, is managed according to the principles stipulated in the benchmark portfolio for a given year. Modified duration<sup>31</sup> maintained within acceptable volatility ranges is among the main interest rate risk management tools.
- Liquidity risk mitigation, which is construed as the loss of availability of foreign exchange assets, aims at providing for the continuity of services to holders of accounts at the NBP (in particular, the central government institutions), and, if need be, at facilitating measures to increase the foreign exchange liquidity of domestic banks. This risk is mitigated by appropriate diversification of investment instruments, a significant share of debt securities and the maintenance of part of funds as short-term bank deposits.
- Operational risk is construed as the risk of failure of IT systems or internal control mechanisms. Detailed operating procedures and numerous safeguards are implemented in order to mitigate this risk.

<sup>31</sup> A risk measure determining the price sensitivity of an investment to the changes of the market return rate of the instrument.

## 5.2. Investment environment

### 5.2.1. Economic background

In 2006 economic growth in the USA was greater than potential growth, mainly due to the dynamically increasing consumer and investment spending. These factors compensated for the slow down in the property market last year. In order to prevent the increase of inflation, since mid-2006 the Federal Reserve Bank continued the policy of gradual rising of interest rates, commenced in June 2004. According to the market expectations the FED raised the federal funds rate on four occasions – each time by 25 basis points, to the level of 5.25%, the highest since December 2000. In the second half of the year economic data indicating the possibility of a slow down in economic growth prompted the FED to maintain the interest rate at the level of 5.25%, despite inflation still remaining at the level of 2.6–2.9%. However, towards the end of the year most of the macroeconomic data indicated the possibility of only a moderate slow down of the condition of American economy.

In 2006 the economic growth rate in euro area countries was the highest in six years. This was due to the improved situation in the largest European economies (Germany, France), which was mainly a result of the good economic climate in external markets. The increase of inflation beyond the target set by the European Central Bank (ECB) and the excess of the desired value of money supply prompted the ECB to continue the cycle of tightening of the monetary policy commenced in December 2005. According to the market expectations, in 2006 the ECB raised the refinancing rate on five occasions, each time by 25 basis points. As a result, this rate increased from 2.25% to 3.5%.

In 2006 also the Bank of England tightened the monetary policy. Inflation beyond the target level prompted the Bank of England to take a decision to raise the repo rate in August, which the market had not expected. A strong growth rate of economic activity in the subsequent months – which resulted from high consumer and investment spending, continuing good economic climate in the property market and forecasts indicating a further acceleration in inflation – prompted the Bank of England to raise the repo rate in November by 25 basis points, to 5%.

During the year, the EUR/USD exchange rate increased by over 11%, whereas the GBP/USD exchange rate increased by almost 14%.

### 5.2.2. Characteristics of market investment parameters

The implementation of the tightening monetary policy by the major central banks resulted in the increased yield of money market investments. The yield of investments with a longer-term investment horizon, however, was lower. The level of year-average 3-month Libor rates as compared to that in 2005 was higher in the case of the US dollar by about 160 basis points, in the case of the euro – by 90 basis points, and of the pound sterling – by 10 basis points.

In 2006, the yield curve of U.S. government securities moved up (see Figure 10). The movement was the strongest in the case of securities with a short-term investment horizon – in 3–6-month sectors it amounted to 90 and 70 basis point, respectively. The yield of 2-year securities increased by 40 basis points, and that of 10-year securities by 30 basis points. Therefore, in the period under discussion the inversion of the yield curve deepened – the negative difference between the yield of 10- and 2-year issues increased by 10 basis points to minus 11 basis points.

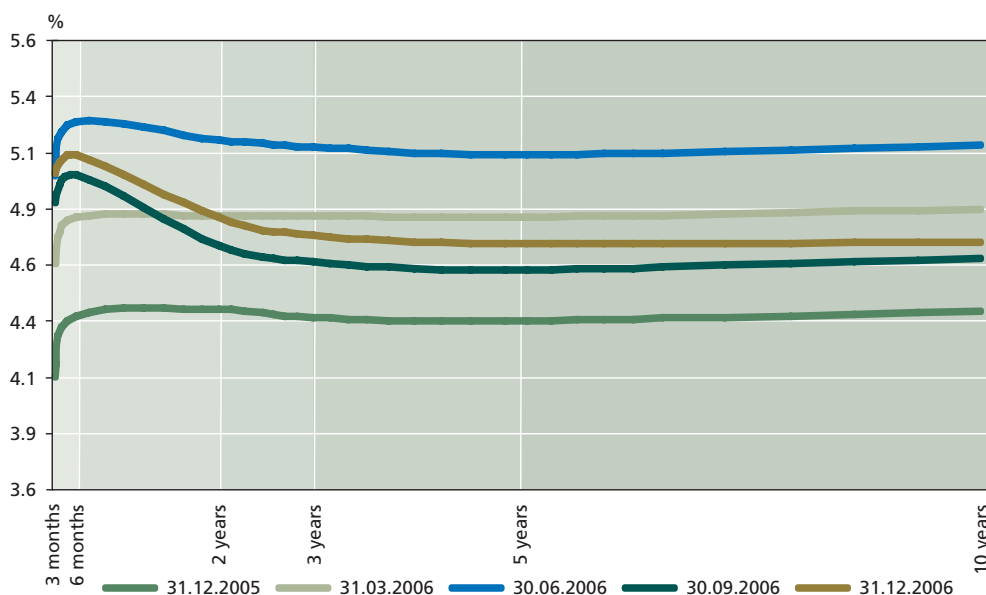
The situation in the U.S. government securities market was primarily influenced by the FED's monetary policy, both current and as expected by investors. The rising tendencies in the bond yields, observed in the first half of the year, was related to the four raises in the official interest

rate. At the same time the published macroeconomic statistics indicated the persisting high activity of US economy, which – together with the increasing fears of the occurrence of inflationary pressure – resulted in the rising investors' expectations of a further tightening of the monetary policy.

The situation changed in the last days of June, which saw the onset of five months' adjustments of the rising tendencies in the yield of government securities. This was a reaction of investors to reports on US economy ever worsening as compared to the projections prepared by analysts. Bond prices were especially favourably influenced by numerous signs of the slow down in the property market, since many economists thought that it could be a factor determining a decrease in the activity of American economy. The above-mentioned reports reduced the probability that the FED would further raise interest rates and with time the expectations increased for their reduction.

December saw another turn in the market – the yield of U.S. government securities showed a rising tendency again. This was a result of the publication of a series of macroeconomic data indicating that the condition of American economy was better than had been originally expected.

**Figure 10**  
**Yield curves of U.S. government securities**



Source: Bloomberg.

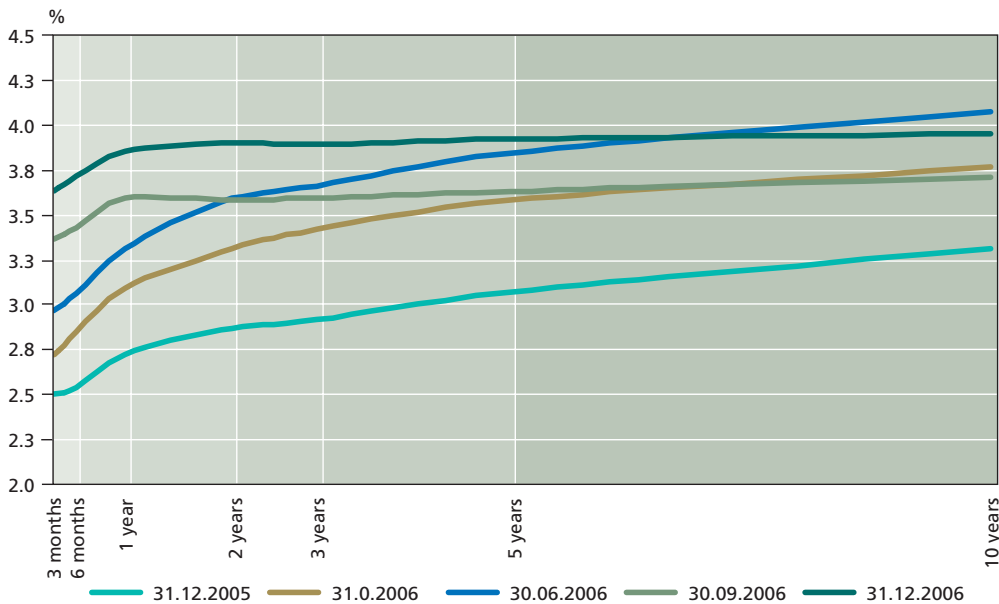
In 2006 the yield curve of government securities denominated in euro moved up (see Figure 11) and significantly flattened. The yield of 2-year bonds increased by over 100 basis points, and the yield of 10-year bonds by over 60 basis points. The difference between them decreased by 40 basis points, to 5 basis points.

The expectations of the market concerning the increase in the yield of bonds, dominant in the market throughout most of the year, were in a large degree a result of the subsequent rises of the base interest rates in the euro area and the growing expectations for the continuation of this cycle. They resulted mainly from the publication of macroeconomic data which indicated that the outlook for the development of European economy was improving, as well as from the statements of ECB representatives, who often voiced fears concerning inflation and the development of monetary phenomena in the euro area (the increase in money supply and loans to the private sector). The ECB interest rate rises created pressure mainly on securities with shorter maturities,

which are more sensitive to changes of official interest rates. In turn, some support for the longer-term bonds came from the developments in the American market in the second half of the year, when the weaker than expected economic data first raised expectations for the completion of the cycle of tightening the FED's monetary policy, and later for the onset of interest rate cuts. The demand for long-term instruments was also increased by large interest on the part of investors from Asia and of investment funds. As a result of the impact of the above-mentioned factors the steepness of the yield curve of government securities denominated in euro considerably decreased, and temporarily in December the curve was inverted, which means that the yield of the 2-year bond was greater than that of the 10-year bond.

**Figure 11**

**Yield curves of euro government securities**



Source: Bloomberg.

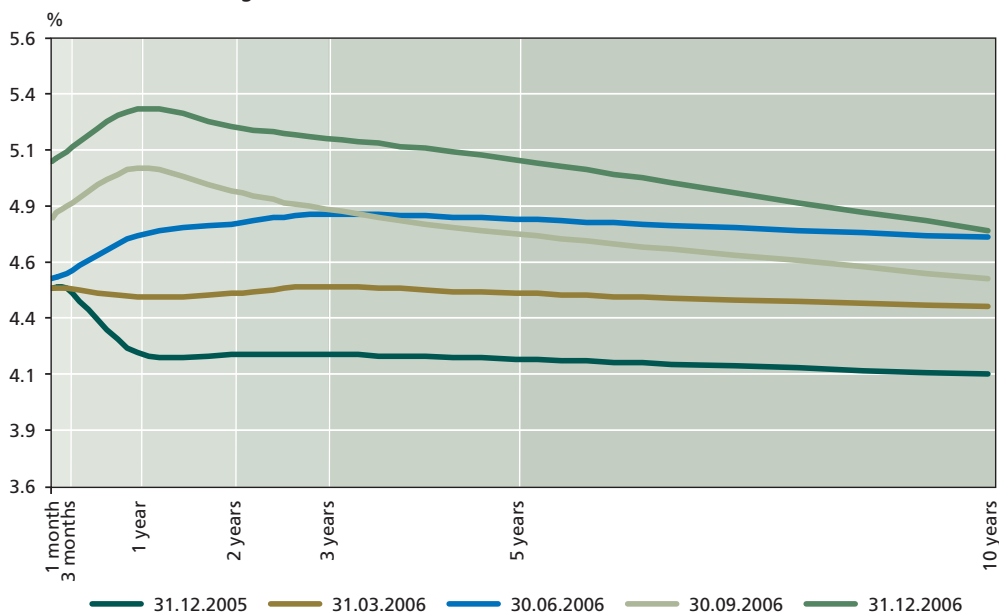
Similarly as in the case of the above-mentioned markets the yield curve of British government securities also moved up (see Figure 12), which concerned mostly the securities with 2-year maturities (around 100 basis points), and, to a lesser extent, 10-year securities (over 60 basis points). Therefore, the negative difference between them increased by almost 40 basis points, to nearly 50 basis points.

The rising trend in the yield of 2-year securities was influenced by the expectations of market participants for the next decision of the Bank of England regarding the monetary policy. Initially another reduction of the interest rate was forecasted, but already in February the publication of the *Inflation Report* of the Bank of England constituted a sign that in the nearest future the easing of the monetary policy should not be expected. The change from expectations for a reduction to expectations of a rise occurred in the second quarter. This followed from the continuation of the cycle of tightening the monetary policy by major central banks, as well as from, among others, the publication of stenographic records of the meetings of the Monetary Policy Committee (MPC) in May and June. After the decision of the Bank of England to raise the base interest rate, taken in August and surprising for the market, the market expected further rises, especially in the context of the increase in inflation which occurred in November. December saw an increase in investors' expectations that the Bank of England would raise the repo rate again already at the beginning of 2007, which resulted from the published internal microeconomic data (the high level of inflation and retail sales).

In the second half of the year the yield of 10-year bonds was different. The falling trend in yields, which persisted since November, was conditioned by the expectations of a slow down in world economy. The considerable increase in yields which occurred in December resulted from internal factors and the developments on other debt instrument markets.

**Figure 12**

**Yield curves of UK government securities**



Source: Bloomberg.

### 5.3. Level of official reserve assets

In 2006 official reserve assets<sup>32</sup> calculated in euro grew by EUR 0.8 bn to EUR 36.8 bn (see Table 5), whereas in dollar terms by USD 5.9 bn to USD 48.5 bn. The growth in official reserves followed from the changes in foreign exchange rates and the positive balance of external flows, which were mainly related to the inflow of funds from the European Union. The weaker exchange rate of the dollar against the euro and the pound sterling had an upward impact on reserves in dollars.

**Table 5**

**Composition of official reserve assets – data as at period-ends (in currency bn)**

	2005		2006	
	in EUR	in USD	in EUR	in USD
Monetary gold	1.4	1.7	1.6	2.1
Foreign exchange	32.8	16.1	13.6	3.1
– USD portfolio	38.8	19.0	16.1	3.7
– EUR portfolio	34.2	14.9	14.2	5.1
– GBP portfolio	45.1	19.7	18.7	6.7
SDRs	0.1	0.1	0.1	0.1
Reserve tranche at the IMF	0.3	0.3	0.1	0.2
Other receivables in convertible currencies	1.4	1.7	0.8	1.0
<b>Total</b>	<b>36.0</b>	<b>42.6</b>	<b>36.8</b>	<b>48.5</b>

Source: NBP data.

<sup>32</sup> According to the definition of the International Monetary Fund official reserve assets (commonly called foreign exchange reserves) comprise readily available liquid foreign assets owned by the central bank. This category includes monetary gold, special drawing rights (SDRs), reserve position in the International Monetary Fund, assets in foreign currencies, mainly in the form of securities, deposits and currency.

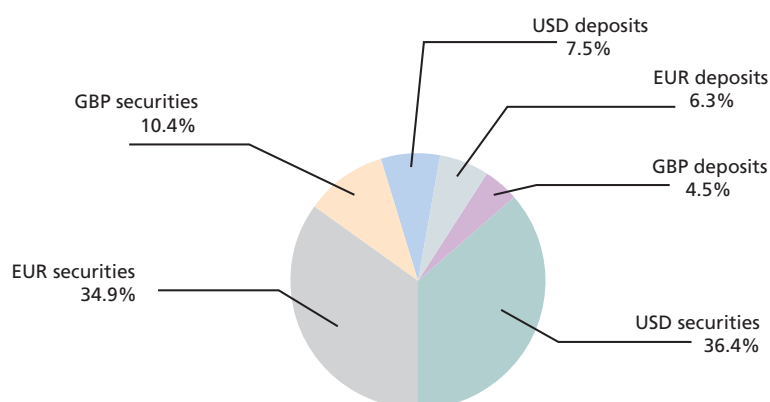
## 5.4. Investment activity

Transactions whose subject matter includes currencies<sup>33</sup> are performed according to the principles and good practices of the international FX and capital market. The conclusion of transactions is secured by procedures and systems of internal control, position monitoring, and analysis of limit utilisation.

The NBP manages foreign exchange reserves shaping the positions of currencies and the modified duration of each currency portfolio, against set parities within the admissible deviation bands. Foreign currency funds are invested in money and capital market instruments. Money market instruments primarily include deposits, whereas capital market instruments comprise government securities, high quality agency securities and securities of international institutions (see Figure 13). While performing transactions the NBP takes into account the current market conditions, and development forecasts.

**Figure 13**

**Average share of individual investment instruments in foreign exchange reserves, 2006**



Source: NBP data.

## 5.5. Yields on foreign exchange reserves

On the basis of the analysis of macroeconomic conditions conducted at the end of 2005, and of the forecasts of economic tendencies the NBP Management Board took a strategic decision with regard to the change in the investment composition of foreign exchange reserves for 2006, which consisted in decreasing the share of the U.S. dollar in favour of the pound sterling and shortening of the modified duration of the USD portfolio. Due to the decrease in the value of the U.S. dollar which occurred in 2006 the decision to change the currency composition of the reserves resulted in the growth of foreign exchange reserves calculated in the euro by EUR 195 m, in the U.S. dollar by USD 257 m, and in the zloty by PLN 750 m. At the same time the decisions concerning the change in investment composition had an impact on increasing the return rate calculated in PLN by about 64 basis points.

The investment composition of the foreign exchange reserves, similarly to 2005, provided for investments in three investment portfolios: the dollar, the euro, and the pound sterling portfolio.

<sup>33</sup> In comparison to official reserve assets, the foreign exchange reserves referred to in the Report include assets in foreign currencies in the form of securities and deposits (excluding the foreign currency funds of the Ministry of Finance), as well as foreign exchange gold held by the NBP on accounts in foreign banks or at credit institutions. At the end of 2006 foreign exchange assets understood in this way, calculated in euro stood at EUR 35.4 bn, and in dollar terms at USD 46.6 bn. In 2006 their average level stood at EUR 33.9 bn (USD 42.6 bn), and the average share of gold amounted to 4.5%.

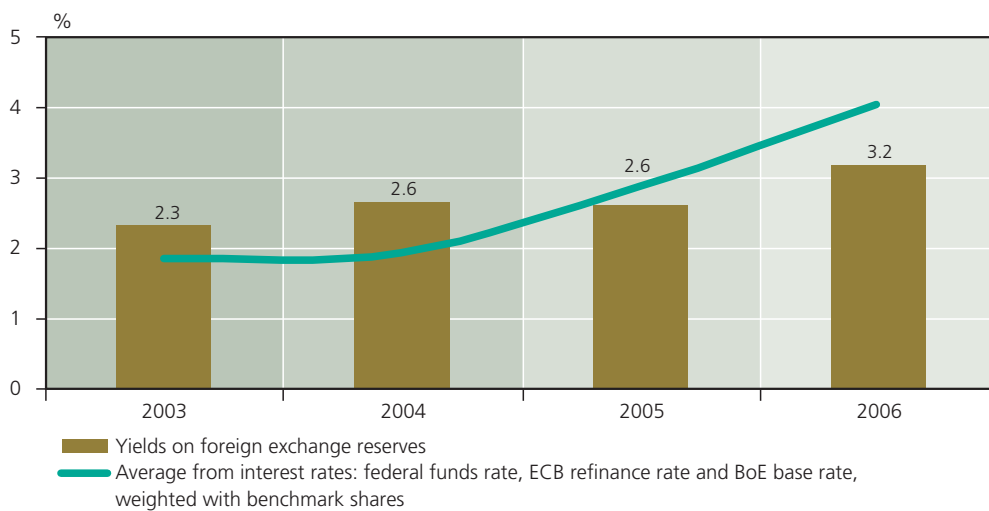
Due to the lowering by the NBP Management Board of the risk parameter of the dollar portfolio the average level of modified duration of foreign exchange reserves in 2006 amounted to 1.59 and was lower than in the previous year (1.81) – see Table 5.

The yields on foreign exchange reserves attained in 2006 stood at 3.2% (in 2005 – 2.6%), see Figure 14. The yields of particular investment portfolios changed, as compared with the previous year.

**Table 6****Average modified duration and yields in 2005–2006**

	Modified duration		Yield (in %)	
	2005	2006	2005	2006
Foreign exchange reserves	1.81	1.59	2.6	3.2
– USD portfolio	1.82	1.35	2.2	4.5
– EUR portfolio	1.73	1.72	2.4	1.8
– GBP portfolio	2.12	1.94	5.4	3.0

Source NBP data.

**Figure 14****Yields on foreign exchange reserves against the average FED, ECB and BoE interest rates weighted with currency composition**

Source: NBP data.

At the same time the yield of foreign exchange reserves calculated in PLN, including the appreciation of the exchange rate of the zloty against foreign currencies, is negative in 2006 and stands at -2.0%, whereas if the change in investment composition had not been made, it would amount to -2.6%.

The shaping of market prices of debt instruments in particular sectors of yield curves was of prime importance to the yield of each investment portfolio attained in 2006. In the case of the USD portfolio, the expected increase in interest rates was accompanied by a considerably shortened modified duration, which contributed to a higher yield as compared to 2005. The yield of the pound sterling and euro portfolios was influenced by a decrease in prices of securities, which was a result of the tightening of the monetary policy by the central banks and of the increased interest rate in the market.



Results of the analysis of the global macroeconomic conditions, conducted in the fourth quarter of 2006, and the forecasts of economic trends prompted the NBP Management Board to take strategic decisions to further reduce the share of the U.S. dollar in the reserves to the level comparable to that of the euro, and to start investing in the Australian dollar.

Within the projects implemented at the NBP, aiming at the increase in the yield of foreign exchangereserves, in 2006

- work was initiated on determining the long-term investment strategy which would, among others, consider the issues related to the use of investment instruments, the accepted risk level, the investment limits system;
- cooperation was started with representatives of the Faculty of Mathematics, Informatics, and Mechanics of the University of Warsaw, aiming at the development of methods applied in the optimisation of the currency and investment composition of the reserves, and in the management of risks related to the investments made.

## 5.6. Monetary gold

As a result of a significant increase in the price of gold, the value of monetary gold held by the NBP grew by EUR 0.2 bn, i.e. from EUR 1.4 bn to EUR 1.6 bn at the end of 2006, and in dollar term by USD 0.4 bn, from USD 1.7 bn to USD 2.1 bn.

## 5.7. Investment income

Income on investment activity in 2006, excluding the unrealised costs on the valuation of exchange rate, which arose as a result of the appreciation of the exchange rate of the zloty against foreign currencies, stood at PLN 4.3 bn (in 2005 – PLN 3.4 bn), which is an equivalent of EUR 1.1 bn (or USD 1.4 bn).

### The most important activities of the NBP in 2006

- Yield on foreign exchange reserves stood at 3.2%.
- Within the projects implemented at the NBP, aiming at the increase in the yield on foreign exchange reserves, work was begun on determining a long-term investment strategy and cooperation was started with representatives of the Faculty of Mathematics, Informatics, and Mechanics of the University of Warsaw.





# 6

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## FOREIGN EXCHANGE OPERATIONS

Foreign exchange operations of the NBP consist in undertaking actions to ensure security of foreign exchange transactions and exercise control within the scope specified in the provisions of the Foreign Exchange Law. It is performed through, *inter alia*, maintaining a register of bureaux de change, issuing opinions on foreign exchange matters and control of foreign exchange transactions.

### 6.1. Register of entities conducting foreign exchange market operations

Foreign exchange market operations are conducted pursuant to the provisions of the act on freedom of economic activity, and require an entry to the register of entities conducting foreign exchange market operations maintained by the President of the NBP.

In 2006, 865 entries were made to the register of entities conducting foreign exchange market operations (808 in 2005), out of which 514 entries concerned new entrepreneurs launching foreign exchange market operations. The remaining entries concerned deletion of entrepreneurs from the register and changes to data entered into the register.

As at 31 December 2006, 4,034 bureaux de change operated in Poland (as at 31 December 2005 the number was 3,852).

### 6.2. Foreign exchange decisions

In 2006, a total of 2,453 decisions concerning foreign exchange were issued, including: 1,932 permits, 521 other decisions<sup>34</sup> and 20 rulings (1,710 decisions and 26 rulings in 2005).

Over 95.2% (1,839) of permits issued related to conducting foreign currency settlements between residents at home; 193 of them concerned settlements related to contracts co-financed with EU funds, other regarded settlements between domestic entities and non-residents, connected with foreign exchange transactions with foreign businesses.

### 6.3. Foreign exchange control

In 2006, the National Bank of Poland exercised control over foreign exchange activities, pursuant to the provisions of the Foreign Exchange Act<sup>35</sup> and the Act on Counteracting Introduction into Financial Circulation of Property Values Derived from Illegal or Undisclosed Sources and on Counteracting the Financing of Terrorism.<sup>36</sup>

In 2006, a total of 2,752 inspections were conducted (as compared to 2,454 inspections in 2005), including:

- 1,484 inspections concerning compliance with reporting requirements related to the balance of payments (1,147 inspections in 2005), of which 64 inspections were combined with the inspection of foreign exchange permits (45 in 2005);
- 1,041 inspections regarding foreign exchange market operations (1,072 in 2005), including 575 cases in which inspection encompassed also reporting requirements related to the balance of payments;

<sup>34</sup> Relating to cancellation, change, leaving without consideration, or maintaining in force.

<sup>35</sup> Dziennik Ustaw No. 141/2002, item 1178, as amended.

<sup>36</sup> Dziennik Ustaw No. 153/2003, item 1505, as amended.

- 227 inspections at bank organisational units authorised to perform intermediary services with regard to the execution of foreign exchange money transfers and settlements (235 in 2005).

#### 6.4. Post-inspection activity

In 2006, the share of inspections which detected irregularities was 46%. Irregularities were detected during 1,258 inspections (1,334, i.e. 54%, in 2005).

In the case of detection of irregularities, post-inspection recommendations were issued, committing the management of the inspected unit to ensure compliance with applicable regulations. In 852 cases (747 in 2005) tax offices have been notified of circumstances indicating that an offence could have been committed by the units inspected. The findings of all inspections carried out at bureaux de change with regard to their compliance with the requirements stipulated by the Act on Counteracting Money Laundering were reported to the General Inspector of Financial Information.

As a result of finding of gross breach of the requirements of foreign exchange market operations, the NBP issued 18 decisions revoking the permit to conduct foreign exchange market operations (2 decisions in 2005).

#### 6.5. Organisation of foreign exchange transactions

In 2006, the NBP participated in the works on the draft act amending the Foreign Exchange Law and the draft act amending the Tax Criminal Code.<sup>37</sup> The proposed amendment results from the necessity to amend or repeal regulations whose compliance with EU law raises doubts. It refers in particular to the regulations concerning the principles of granting permits to conduct foreign exchange market operations, the limits of capital flow to and from third countries and procedures for the performance of money orders abroad via authorised banks. In the latter case, the amendment is aimed to simplify the procedures for performing money orders abroad, by abandoning the requirement to provide the order title and its documentation by the ordering party to the bank.

##### The most important activities of the NBP in 2006

- As at 31 December 2006, 4,034 bureaux de change operated in Poland.
- 2,453 permits to conduct foreign exchange operations were issued.
- 2,752 inspections of foreign exchange activities were conducted.

<sup>37</sup> The Act was enacted on 26 January 2007, Dziennik Ustaw No. 61/2007, item 410.



THE DEVELOPMENT  
OF THE PAYMENT SYSTEM



The contribution of the National Bank of Poland to the development of the payment system consists primarily in organising money settlements, exercising oversight over payment and securities settlement systems, and drafting appropriate legal regulations.

In 2005, the NBP focused on exercising supervision, current servicing of the SORBNET and SORBNET-EURO and preparations for NBP's membership in TARGET2.

## 7.1. Integration with payment systems functioning in the European Union

In 2006 the NBP continued its works on adjusting Polish payment infrastructure and the rules governing the payment system to the requirements of European cooperation and integration. To this effect, in 2006 the NBP was preparing itself for participation in TARGET2, which from November 2007 will gradually replace the presently operating TARGET. The works were centred on the analysis of the scope of changes in the SORBNET-EURO that are essential from the point of view of participation in TARGET2. NBP's participation in the TARGET2 system is planned to begin on 19 May 2008.

## 7.2. Oversight of payment system and securities settlement systems as well as authorisation and clearing systems

Oversight over payment systems and securities settlement systems as well as authorisation and clearing systems is exercised by the NBP, whose mission is to minimise the risk related to possible disruptions in the functioning of these systems.

To this effect, in 2006, the NBP:

- Collected and analysed statistical data and information concerning the functioning of large value payment systems, i.e. SORBNET and SORBNET-EURO, analysed the liquidity level in the context of settlement safety and prepared changes to be introduced in those systems in order to minimise risk.
- In January 2006, consented to changes in the principles of functioning of the EuroELIXIR system proposed by KIR SA. The changes encompassed extending the time for banks to place orders and prolonging the deadline for KIR SA to place clearing orders in the NBP.
- Consented to KIR SA running the authorisation and clearing system for the PayByNet<sup>38</sup> service in January 2006. KIR SA will be an intermediary between banks and internet stores for payments made by payment order.
- Participated in preparations of the new issue of the European Central Bank's publication on the functioning of payment systems and securities settlement systems in EU Member States and accession countries, called the Blue Book. In order to provide legal grounds for the cooperation with KDPW SA in the scope of forwarding statistical data to the Blue Book, the NBP signed a cooperation agreement with KDPW SA to this effect on 30 May 2006.
- Conducted a market analysis of the compliance of some business entities' operations with provisions of the Act on Electronic Payment Instruments<sup>39</sup> of 12 September 2002.
- Commenced works aimed at preparing a study on *The Evolution of Polish Securities Settlement Systems in the Context of Directions of Development of Deposit, Settlement*

<sup>38</sup> In the scope of the PayByNet service, KIR SA shall act as an intermediary handling transactions of internet stores.

<sup>39</sup> Dziennik Ustaw No. 169/2002, item 1385.

*and Clearance Infrastructure in the European Union.* The project will be carried out in cooperation with KDPW SA and the Stock Exchange. Works on the project should be finalised by the fourth quarter of 2008.

The NBP participated in works conducted by KDPW SA in cooperation with the representatives of the capital market aimed at creating a new bond settlement system, the so-called Debt Securities Service System (SODPW).

### 7.3. Regulatory activity regarding the payment system

In 2006, the Resolution No. 20/2004 of the Management Board of NBP of 22 April 2004 on the terms and conditions of opening and operating of banks' accounts by the National Bank of Poland was amended. The requirement to provide domestic opinions was limited to banks from outside the European Economic Area, which apply for membership in SORBNET-EURO. To date the requirement encompassed all foreign entities applying for opening a bank account in SORBNET-EURO system. The domestic opinion is required only if the NBP does not have a recent opinion received earlier from another bank operating in the same country.

In 2006 the NBP participated in works on draft legal acts regulating the Polish capital market. The legal acts were as follows:

- draft Act on the amendment of the Act on Investment Funds;
- draft Act on the Amendment of the Act on Trading in Financial Instruments;
- draft Act on Public Offer and the Conditions of Introducing Financial Instruments to Organised Trading System and on Public Companies.

Since September 2006, the NBP participated in works of the Ministry of Finance on amendment of the above-mentioned acts (within the framework of inter-ministerial arrangements) in order to adjust their provisions to the provisions of Directive 2004/39/EC of 21 April 2004 on financial market instruments. The drafted regulations concern, inter alia, exercising oversight of securities settlement systems and entities providing settlement and clearance services. The NBP postulated, among others, the entry of regulations providing the NBP President with certain rights pertaining to the securities settlement system. NBP representatives also participated in preparing implementation acts pertaining to the above-mentioned acts.

### 7.4. Servicing bank current accounts held at the NBP Head Office

Bank current accounts are serviced in the SORBNET and SORBNET-EURO systems. In 2006, NBP's activities connected with servicing those systems were focused on:

- widening the scope of the systems' functionality;
- increasing the scope of supervisory functions, aimed at reducing the likelihood of the occurrence of incidents in those systems;
- increasing safety through the implementation and widening the scope of the Continuity Plan.

#### 7.4.1. Number of bank current accounts operated by the NBP in the SORBNET system

As at the end of December 2006, current accounts in zloty of 55 banks were held at the NBP Head Office, i.e. the number increased by two compared to the previous year.

In 2006, 2 current accounts of the following banks were closed:

- Dresdner Bank Polska SA – on 2 October 2006, in relation to the transfer, upon consent of the Commission for Banking Supervision, of the banking activity to Dresdner Bank AG SA Branch in Poland;
- Calyon Bank Polska SA – on 29 December 2006, in relation to the transfer, upon consent of the Commission for Banking Supervision, of the banking activity to Calyon SA Branch in Poland.

Within the same period, 4 current accounts were opened for:

- BNP Paribas SA Branch in Poland – 2 January;
- Calyon SA Branch in Poland – 12 June;
- EFG Eurobank Ergasias SA Joint Stock Company of the Branch in Poland – 16 August, the Bank held a mandatory reserves account since 31 March of the same year;
- Danske Bank A/S SA Branch in Poland – 17 July.

#### 7.4.2. Types and number of operations performed on banks' current accounts at the NBP in the SORBNET system

In 2006, about 1,269 thousand operations were performed in the banks' current accounts held with the NBP Head Office (1,091 thousand in 2005) for the total amount of PLN 29.2 trillion (PLN 24.9 trillion in 2005). It translates into an increase in the number of effected transactions by 178 thousand (about 16%) and in their total value by PLN 4.3 trillion (about 17%) as compared to 2005. The average value of transactions rose and came to PLN 23.0 m (22.8 m in 2005).

The structure of turnover on banks' current accounts held with the NBP Head Office in the SORBNET system is presented in Table 7, whereas the number of orders broken down by main types of operations performed on banks' current accounts held with the NBP Head Office is presented in Table 8.

Table 7

**Structure of turnover on banks' current accounts held with the NBP Head Office in the SORBNET system in 2006**

Type of current account transaction	Turnover ( in million zloty)			Turnover structure (in %)	
	balance	of which:		debits	credits
		debits	credits		
Movement in balance of funds in banks' current accounts	3 817.9	29 189 369.6	29 193 187.5	100.0	100.0
of which:					
1) customers transfer order:	254 259.2	16 499 943.4	16 754 202.7	56.5	57.4
– interbank	0.0	15 968 414.0	15 968 414.0	54.7	54.7
– involving the National Depository of Securities	-4 497.5	25 588.0	21 090.6	0.1	0.1
– involving other customers of the NBP	258 756.7	505 941.4	764 698.1	1.7	2.6
2) interbank transactions:	0.0	6 181 143.5	6 181 143.5	21.2	21.2
– money market	0.0	4 925 135.4	4 925 135.4	16.9	16.9
– FX market	0.0	848 157.6	848 157.6	2.9	2.9
– securities	0.0	407 850.5	407 850.5	1.4	1.4
of which secondary market trading in:					
– Treasury bills	0.0	319 350.3	319 350.3	1.1	1.1
– NBP money market bills	0.0	36 542.5	36 542.5	0.1	0.1
3) drawings or repayments of NBP loans to banks	2 688.7	2 781 536.0	2 784 224.7	9.5	9.5
4) transactions and operations settled by the National Depository of Securities	4 385.1	1 842 639.0	1 847 024.0	6.3	6.3
5) purchase (buyback) of securities from the NBP:	4 761.7	1 023 690.7	1 028 452.4	3.5	3.5
– NBP money market bills	-449.2	1 023 690.7	1 023 241.5	3.5	3.5
– other securities	5 210.9	0.0	5 210.9	0.0	0.0
6) exchange of transfer order via the National Clearing House:	-228 809.0	547 991.1	319 182.2	1.9	1.1
– morning settlement session	-202 778.5	296 327.0	93 548.4	1.0	0.3
– afternoon settlement session	-43 930.3	151 806.6	107 876.3	0.5	0.4
– evening settlement session	17 899.8	99 857.6	117 757.4	0.3	0.4
7) purchase or sale of cash at NBP:	-12 374.7	145 241.4	132 866.6	0.5	0.5
– domestic currency	-12 367.6	145 234.2	132 866.6	0.5	0.5
– foreign currency	-7.2	7.2	0.0	0.0	0.0
8) purchase or redemption of Treasury securities:	-25 400.8	97 440.7	72 039.8	0.3	0.2
– Treasury bills	-2 615.4	28 005.1	25 389.7	0.1	0.1
– other securities	-22 785.5	69 435.6	46 650.1	0.2	0.2
9) placings and returns of time deposits at the NBP	-65.9	33 871.4	33 805.5	0.1	0.1
10) interest paid or received by banks	811.5	167.1	978.6	0.0	0.0
11) purchase or sale of foreign currencies at NBP	162.5	0.0	162.5	0.0	0.0
12) transactions on reserve accounts	-33.7	76.5	42.8	0.0	0.0
13) open market operations:	0.0	0.0	0.0	0.0	0.0
– repos	0.0	0.0	0.0	0.0	0.0
– reverse repos	0.0	0.0	0.0	0.0	0.0
– outright sales	0.0	0.0	0.0	0.0	0.0
14) other transactions	3 433.3	35 628.9	39 062.2	0.1	0.1

Source: NBP data.

Table 8

**Total number of transfer orders by principal types of operations performed on banks' current accounts at the NBP Head Office in 2006**

Item	No. of payment orders executed on current accounts			Order breakdown (in %)	
	total	of which:		debits	credits
		debits	credits		
Total number of transfer orders executed on banks' current accounts, of which:	1 269 039	1 132 389	1 169 973	100.0	100.0
1) customer transfer orders:	916 360	880 330	907 047	77.7	77.5
– interbank	871 017	871 017	871 017	76.9	74.4
– involving the National Depository of Securities	1 082	775	307	0.1	0.0
– involving other customers of the NBP	44 261	8 538	35 723	0.8	3.1
2) interbank transactions:	160 959	160 959	160 959	14.2	13.8
– money market	90 248	90 248	90 248	8.0	7.7
– FX market	61 173	61 173	61 173	5.4	5.2
– securities	9 538	9 538	9 538	0.8	0.8
of which secondary market trading in:					
– Treasury bills	7 507	7 507	7 507	0.7	0.6
– NBP money market bills	228	228	228	0.0	0.0
3) drawings or repayments of NBP loans to banks	22 471	8 238	14 233	0.7	1.2
4) transactions and operations settled by the National Depository of Securities	38 178	18 011	20 167	1.6	1.7
5) purchase (buyback) of securities:					
– securities from the NBP	2 664	1 328	1 336	0.1	0.1
– NBP money market bills	2 625	1 328	1 297	0.1	0.1
– other securities	39	0	39	0.0	0.0
6) exchange of orders via the National Clearing House:	39 790	19 165	20 625	1.7	1.8
– morning settlement session	13 271	5 591	7 680	0.5	0.7
– afternoon settlement session	13 321	7 793	5 528	0.7	0.5
– evening settlement session	13 198	5 781	7 417	0.5	0.6
7) purchase or sale at the NBP of:					
– cash	74 108	36 467	37 641	3.2	3.2
– domestic currency	74 063	36 425	37 638	3.2	3.2
– foreign currency	45	42	3	0.0	0.0
8) purchase or redemption of Treasury securities:	4 194	1 864	2 330	0.2	0.2
– Treasury bills	954	270	684	0.0	0.1
– other securities	3 240	1 594	1 646	0.1	0.1
9) placings and returns of time deposits at the NBP	1 143	579	564	0.1	0.0
10) interest paid or received by banks	3 222	1 971	1 251	0.2	0.1
11) purchase or sale of foreign currencies at NBP	42	0	42	0.0	0.0
12) transactions on reserve accounts	73	58	15	0.0	0.0
13) open market operations:	0	0	0	0.0	0.0
– repos	0	0	0	0.0	0.0
– reverse repos	0	0	0	0.0	0.0
– outright sales	0	0	0	0.0	0.0
14) other transactions	5 835	3 419	3 763	0.3	0.3

Source: NBP data.

The year 2006 was the fourth consecutive year in which the dominating position of customer transfer orders in the trading on banks' current accounts strengthened (the increase amounted to PLN 2.6 trillion, i.e. 0.9%, as compared to 2005).

Turnover generated by the exchange of orders on the interbank money market decreased by 4.6%. The decrease in the value of turnover amounted to PLN 0.2 trillion only. Turnover generated by KIR orders has remained on the same level for several years.

#### 7.4.3. Number of bank current accounts operated by the NBP in the SORBNET-EURO system

2006 was the second year of the SORBNET-EURO system operation. As at the end of the year, the NBP Head Office handled current accounts of 37 banks (36 banks in 2005) and of KDPW SA and KIR SA.

In 2006, 4 current accounts of the following banks were closed:

- BNP Paribas Bank Polska SA – 3 April;
- Calyon Bank Polska SA – 3 July;
- Dresdner Bank Polska SA – 2 October;
- Danske Bank Polska SA – 2 October.

Within the same period, 5 current accounts were opened for:

- Dresdner Bank AG SA Branch in Poland – 1 March;
- BNP Paribas SA Branch in Poland – 3 April;
- Calyon SA Branch in Poland – 3 July;
- EFG Eurobank Ergasias SA Joint Stock Company Branch in Poland – 16 August;
- Danske Bank A/S SA Branch in Poland – 2 October.

#### 7.4.4. Transactions executed on banks' current accounts held at the NBP in the SORBNET-EURO system

In 2006, about 114 thousand operations were performed in the SORBNET-EURO system (62 thousand in 2005) for the total amount of EUR 17.2 bn (EUR 5.6 bn in 2005). It translates into an increase in the number of effected operations by 52 thousand (about 84%) and in their total value by EUR 11.6 bn (about 207%) as compared to 2005.<sup>40</sup>

The average value of transactions rose by EUR 60.600 and came to EUR 150.900 (EUR 90.300 in 2005). Such a significant increase in the number and value of orders can be attributed to the fact that the system was launched on 7 March 2005 and its usage in the first months was comparatively low.

The structure of turnover on banks' current accounts held with the NBP Head Office in the SORBNET-EURO system is presented in Table 9, whereas the number of orders broken down by main types of transactions performed on banks' current accounts held with the NBP Head Office is presented in Table 10.

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<sup>40</sup> The SORBNET-EURO system was launched in March 2005.

Table 9

**Structure of turnover on banks' current accounts held with the NBP Head Office in the SORBNET-EURO system in 2006**

Type of current account transactions	Turnover (thousand euro)			Turnover structure %	
	balance	of which:		debits	credits
		debits	credits		
Movement in balance of funds in banks' current accounts, of which:	6 110.3	17 194 478.8	17 200 589.1	100.0	100.0
1) cross-border interbank payments	-3 343 800.0	12 240 428.9	8 896 628.9	71.2	51.7
2) exchange of cross-border orders via the National Clearing House	1 006 546.5	2 179 711.2	3 186 257.7	12.7	18.5
3) exchange of domestic orders via the National Clearing House:	14 978.7	1 840 250.0	1 855 228.7	10.7	10.8
– morning settlement session	18 069.5	705 086.8	723 156.4	4.1	4.2
– afternoon settlement session	-3 090.9	1 135 163.2	1 132 072.3	6.6	6.6
4) cross-border customer payments	1 591 523.8	422 508.4	2 014 032.3	2.5	11.7
5) domestic customer transfer order:	736 137.2	153 439.2	889 576.4	0.9	5.2
– interbank	0.0	152 952.6	152 952.6	0.9	0.9
– involving the National Depository for Securities	-1.5	1.5	0.0	0.0	0.0
– involving other customers of the NBP	736 138.7	485.1	736 623.8	0.0	4.3
6) domestic operations on the interbank market	0.0	194 240.5	194 240.5	1.1	1.1
7) drawings or repayments of NBP intraday loans to banks	24.9	154 751.0	154 776.0	0.9	0.9
8) transactions and operations settled by the National Depository for Securities	-123.1	830.9	707.8	0.0	0.0
9) interest paid or received by banks	819.6	43.2	862.8	0.0	0.0
10) other transactions	2.5	8 275.5	8 278.0	0.0	0.0

Source: NBP data.

Compared to 2005, operations generated by customer transfer orders increased in terms of turnover by about EUR 130 million, i.e. by 2.3%.

## 7.5. Developing standards

2006 saw the continuation of works with regard to developing standards, focused on increasing the efficiency and safety of the Polish payment system, and adjusting the banking infrastructure to European Union requirements and standards.

The works on developing standards were conducted at the Technical Committee No. 271 for Banking and Banking Financial Services (*Komitet Techniczny nr 271 ds. Bankowości i Bankowych Usług Finansowych*), affiliated with the Polish Bank Association. NBP representatives participated in the working meetings of the Committee, during which many drafts of Polish standards fully compatible with the international ISO standards were elaborated. The NBP also issued opinions on drafts of Polish standards developed by Technical Committees affiliated with the Polish Committee for Standardisation (*Polski Komitet Normalizacyjny* – PKN).

The standardisation works were also conducted in expert bodies established at the Polish Bank Association, with participation of representatives of the NBP, the National Clearing House and the banking business. The works took into account the requirements related to the Single Euro Payments Area (SEPA).



Table 10

**Total number of transfer orders by principal types of transactions performed on banks' current accounts at the NBP Head Office in the SORBNET-EURO system in 2006**

Item	Number of payment orders executed on current accounts			Structure of the numbers of orders (in %)	
	total	of which:		debits	credits
		debits	credits		
Total numbers of payment orders performed on banks' current accounts, of which:	114 359	26 290	89 521	100.0	100.0
1) cross-border interbank payments	14 970	7 444	7 526	28.3	8.4
2) exchange of cross-border orders <i>via</i> the National Clearing House	8 455	2 326	6 129	8.8	6.8
3) exchange of domestic orders <i>via</i> the National Clearing House:	11 640	1 797	9 843	6.8	11.0
– morning settlement session	5 106	846	4 260	3.2	4.8
– afternoon settlement session	6 534	951	5 583	3.6	6.2
4) cross-border customer payments	75 207	12 433	62 774	47.3	70.1
5) domestic customer transfer orders:	2 370	1 386	2 365	5.3	2.6
– interbank	1 381	1 381	1 381	5.3	1.5
– involving the National Depository for Securities	1	1	0	0.0	0.0
– involving other customers of the NBP	988	4	984	0.0	1.1
6) domestic operations on the interbank market:	71	71	71	0.3	0.1
– money market	40	40	40	0.2	0.0
– FX market	31	31	31	0.1	0.0
– securities	0	0	0	0.0	0.0
7) drawings or repayments of NBP intraday loans to banks	490	244	246	0.9	0.3
8) transactions and operations settled by the National Depository for Securities	36	12	24	0.0	0.0
9) interest paid or received by the banks	925	479	446	1.8	0.5
10) other transactions	195	98	97	0.4	0.1

Source: NBP data.

## 7.6. Activity of the Payment System Council

The Payment System Council has a significant impact on the functioning and development of the Polish payment system. The Council was established in 1998 as a consultative and advisory body affiliated with the Management Board of the NBP. After the Act on the supervision of the financial market took effect<sup>41</sup> in September 2006 it comprises, apart from NBP representatives, the representatives of the Polish Bank Association, the Ministry of Finance, the National Clearing House, the Polish Financial Supervision Authority and commercial banks.

In 2006, four meetings of the Payment System Council were held, during which the following issues were discussed:

- Issues related to adjusting the Polish payment system to the requirements for payment systems of EU Member States, covering:

<sup>41</sup> More on the issue in Chapter "Banking Supervision".

- comparison of selected elements of the Polish payment system with payment systems of other EU Member States;
- the need to introduce regulatory NBP supervision over securities settlement systems in Poland.
- Issues connected with including the Polish payment system into the EU single payment area, covering:
  - the state of preparations to join the TARGET2 system;
  - the concept of introducing the SEPA project into the Polish banking sector;
  - adjusting KIR SA's settlement systems to SEPA standards;
  - the level of EuroELIXIR introduction;
  - the issue of fees related to cross-border payment orders in euro placed in Polish banks;
  - the possibility and conditions of opening Polish RTGS systems handled by the NBP to direct participation of foreign entities.
- Systemic issues, related to the optimisation of payments, including:
  - promotion of non-cash transactions;
  - information on entities conducting business activity in Poland involving intermediation in accepting cash payments to bank accounts;
  - chosen results of a survey among Poles on using bank accounts and payment cards and making mass payments through cash and non-cash transactions in Poland;
  - the issue of fees related to money settlements in zloty in the Polish banking sector.

Moreover, the Council issued its half-yearly assessment of the Polish payment system operation.

### 7.7. Collaboration with the banking sector regarding other interbank projects

In 2006, the NBP continued its collaboration with the Polish Bank Association. Within the collaboration the following activities were undertaken:

- activities for the development of non-cash transactions, which influence the efficiency and safety of the payment system;
- the future course and schedule of implementation of the Single Euro Payment Area (SEPA) in Poland;
- works connected with the implementation of mechanisms streamlining interbank settlements;
- working out of a single standard for the exchange of information concerning standing orders;



- works on the amendment of the Polish Standard PN-F-01101 *Banking and related financial services – Specimen bank forms – Payment order/ cash deposit form*, connected with the introduction of MPS and KTR code words and the bar code used by mass payments issuers;
- preparing the position of the banking sector concerning the introduction of the IBAN (International Bank Account Number) standard with the BIC identifier to identify bank account numbers for cross-border settlements.

#### The most important activities of the NBP in 2006

- Accounts of 55 banks were held in the SORBNET system at the NBP, while the number of accounts held in the SORBNET-EURO system amounted to 37.
- Preparatory works enabling the NBP to participate in the TARGET2 system since 19 May 2008 were continued.
- Within the framework of works of the Payment System Council and the Polish Bank Association, the following issues were discussed, *inter alia*: the concept of the TARGET2 system and regulations connected with the project of establishing of the Single Euro Payments Area (SEPA).
- The NBP participated in the works on preparing the new issue of the Blue Book.



## EDUCATION AND INFORMATION

Pursuant to Article 59 of the Act on the NBP, the National Bank of Poland conducts publishing and promotional activity. Within its framework, it implements educational and informational projects designed to enhance the transparency of its operations and enhance public knowledge regarding the principles of operation of the central bank, the banking system, and the market economy.

The NBP models its information and education activities on leading central banks.

## 8.1. Education

### 8.1.1. Programme of Economic Education

The National Bank of Poland conducts activities fostering dissemination of the economic knowledge, understanding the principles of functioning of the market economy and economic processes, and elaborating the skills necessary for efficient operation in the market economy.

Objectives of the projects implemented under the programme have been developed primarily on the basis of detailed analyses of educational activity of other central banks, projects conducted by Polish institutions and non-governmental organisations operating in Poland, and on research on the level of economic knowledge and public opinion surveys.

In 2006, the NBP continued its activities started in the period of 2002–2005. It also launched new projects targeted at a wide range of recipients, conducted in cooperation with mass media.

#### 8.1.1.1. *Economic Education Portal – NBPortal.pl*

In 2006, the Economic Education Portal NBPortal.pl, launched in 2003, was further developed. In order to adjust it to users' expectations new functions were added, it also received a new outlay. Thanks to the use of new solutions, there is a possibility to create subject gateways and extranet gateways targeted at chosen recipient groups.

In the scope of tightening cooperation with central banks and other institutions fostering economic education, the NBP created an internet-based *Economic Education Resource Bank* ([www.eerb.nbportal.pl](http://www.eerb.nbportal.pl)). The service allows central banks to exchange comments and experience gained when carrying out educational projects. Over 50 central banks use the service and submit their materials.

The following thematic gateways were created in 2006: [www.numizmatyka.nbportal.pl](http://www.numizmatyka.nbportal.pl) – devoted to coins issued by the NBP, and [www.euro.nbportal.pl](http://www.euro.nbportal.pl) – serving as a source of information on the euro currency targeted at businesses and institutions as well as different professional groups, such as teachers and journalists.

In 2006, NBPortal.pl's resources were accessed by nearly 1.3 million users. The number of e-learning courses' participants increased to 57 thousand.

NBPortal.pl was added 9 new games and 30 multimedia presentations. The following e-learning courses were held: *Monetary Policy of the Central Bank*, *Z euro w kieszeni* (The Euro in your Pocket), *Podstawy przedsiębiorczości* (Basic Entrepreneurship), *Akademia umiejętności dydaktycznych nauczycieli* (Teachers' Didactic Skills Academy), *Mikroekonomia* (Microeconomics), and more.

As a result of the NBP's cooperation with the Agricultural Advisory Centre, over 600 persons participated in the e-learning course *Ekonomia wokół nas* (Economics around us). The project *Ekonomia Wprost* (Economics & Wprost) had several thousand participants, out of which ca. 500 were chosen to compete for the main prizes, i.e. MA studies and MBA studies.

Aiming at increasing the efficiency of promotional activities and the development of the Portal, the NBP conducted marketing research on the profile of NBPportal.pl users as well as research on the content of selected sections of the NBPportal.pl in 2006.

#### 8.1.1.2. Programmes for schools, teachers, and journalists

Secondary school students and teachers are a target group of particular importance to the NBP. NBP's educational activity is aimed at adding variety to teaching economics in schools. In 2006, the following projects were carried out:

- The *Ekonomia w szkole* (Economics in School) programme. The programme has been developed in collaboration with the Junior Achievement Foundation and implemented in a three-year cycle. It organises 255 teachers of *Basics of Entrepreneurship* classes in upper-secondary schools. Classes held by trained teachers were attended by over 500 thousand students. Additional teaching aid for teachers was devised with cooperation of Centralny Ośrodek Doskonalenia Nauczycieli (the National In-Service Teacher Training Centre). A package of ready-to-use scenarios *Classes with Economic Background* aids teachers of other subjects.
- The *Entrepreneurship Club IMPULSE* programme. The Club was established in March 2006 by the NBP and the Junior Achievement Foundation. It is aimed at providing incentives for entrepreneurship teachers of lower and upper secondary schools as well as aiding them in conducting activities connected with economic education of youth on the widest possible scale. The Club supplements the *Ekonomia w szkole* (Economics in School) programme. By the end of 2006, nearly 600 teachers volunteered to participate in the IMPULSE Club from over 100 lower secondary schools and 350 upper secondary schools nationwide. The first ceremonial meeting of Club members took place in November 2006.
- The *Moje finanse* (My finances) programme. The objective of the programme is to provide high quality teaching aids to teachers, in order to familiarise students with the principles of operation of the banking system, and to train the skill of private finance management. The programme is implemented in cooperation with the Junior Achievement Foundation and the Leopold Kronenberg Bank Foundation. 2,550 teachers as well as over 100 thousand students participate in the programme. It is also accompanied by *Z klasy do kasy* (From My Class to Some Cash) competition, an investment game for student teams from all over the country.
- The *Ekonomia na co dzień* (Day-to-day Economics) programme. The programme was developed in collaboration with the Junior Achievement Foundation. More than 2,800 teachers took part in trainings devoted to teaching economic issues in lower secondary schools. Over 200,000 lower secondary school students take part in interactive economic education (*inter alia*, planning a career, time management, creating an image, managing a personal budget). The programme was expanded by the *Lower secondary school skirmish* competition.
- The fifth edition of the competition addressed to lower and upper secondary school students for a written paper. The competition was organised in collaboration with the National In-Service Teacher Training Centre. In 2006, the formula of the competition was amended. Topics for lower and upper secondary school students were different: *What factors influence the number of new jobs?* versus *What are the reasons behind unemployment and what can be done to lower its rate?* The total of 1,925 papers were filed and 12 students were awarded prizes.

The NBP also co-organised the national *Entrepreneurship Olympics*. The initiative's objective is to increase the significance of the school subject *Basics of Entrepreneurship*. Prize winners are admitted to state economic universities nationwide. Almost 20 thousand students took part in the 2<sup>nd</sup> edition of the Olympics.



In 2006, the NBP cooperated with state-owned and privately-owned media. The NBP also prepared, *inter alia*, the following educational programs:

- TV series entitled *Pogromczynie mitów* (The Myth Busters). The series, presenting examples of unfamiliarity with basic economics principles, was broadcasted at the end of 2005 and at the beginning of 2006 on TVP 3 channel. Each episode had an audience of 600 thousand;
- Economic and financial knowledge competition *Złoty dla zuchwałych, czyli Polacy i pieniądze 2006* (Złoty for the Daring, or Poles and Money 2006). The program was broadcasted in February 2006 on TVN channel. Its audience amounted to more than 8 million viewers. The competition was accompanied by media events: over 100 thousand people attempted at a test at Onet.pl portal, a few hundred thousand internet users visited the program's website [www.zloty.onet.pl](http://www.zloty.onet.pl), a number of newspapers published articles and features expanding readers' economic knowledge;
- Radio drama entitled *Motel w pół drogi* (The Midway Motel). The drama was first broadcasted in November 2006 on Program 1 of the Polish Radio. It has been produced in cooperation with the "Super Express" daily and Wirtualna Polska ([www.wp.pl](http://www.wp.pl)) internet portal. Each episode gathered over 1 million listeners.

In addition to schools and universities, another important addressee of NBP educational activity are mass media and journalists. In 2006, the following events were held:

- The 4<sup>th</sup> edition of competition for economic journalists, organised in collaboration with Reuters Polska, the Polish Journalists Association and "Press" monthly. The Władysław Grabski prize, awarded in the competition, is aimed to honour journalists, whose articles and radio and television broadcasts contribute to increasing economic knowledge of the public. 74 economic journalists from all over the country entered the competition. In May 2006, the Chapter granted 1 main award and 4 distinctions;
- Training sessions for journalists on the topic *Central Bank in the market economy*. The cycle of 12 training sessions that started in 2005 and ended in 2006 was aimed at broadening the knowledge of journalists about the functioning of the central bank in free market economy, taking into consideration the economic integration processes in Europe. The trainings were carried out with the use of a computer simulation game. 174 journalists from all voivodeships took part in the trainings.

### 8.1.1.3. Scholarship programme

The National Bank of Poland, in cooperation with the Educational Enterprise Foundation, the Agricultural Property Agency, the Polish-American Freedom Foundation, and non-governmental organisations, took part in the fifth edition of the Bridging Scholarship Programme. In 2006, the sponsors of the programme managed to raise a total of over PLN 4.5 m, which made it possible to grant scholarships to continue education on the tertiary level to 1,147 upper secondary school graduates, mainly from small towns and villages.

## 8.2. Information

### 8.2.1. Liaising with the media and market analysts

In 2006, the NBP organised 25 press conferences and published about 140 press releases. In order to enhance transparency of the monetary policy, press conferences were arranged after meetings of the Monetary Policy Council, there were also conferences devoted to inflation projections.



Over 280 responses to questions of journalists concerning the activities of the NBP were provided, and about 150 interviews and meetings with members of the Management Board of the NBP and of the Monetary Policy Council were held. In December 2006 the NBP started a comprehensive program of cooperation with regional and local media *Kontakt* (Contact).

### 8.2.2. Information activities regarding the euro

The NBP conducted information activity concerning preparations for adoption of the single currency in Poland, and the consequences of Poland's joining the euro area.

In December 2006 an internet service devoted to the euro was launched at [www.euro.nbpportal.pl](http://www.euro.nbpportal.pl), which is to constitute the main, comprehensive and reliable source of information on the EU single currency. Information on subjects connected with the euro were also published in an insert to a daily newspaper published nationwide.

In respect of Slovenia's entry into the euro zone, the NBP carried out an information campaign aimed at increasing Poles' knowledge on extending the euro zone, as well as conditions and consequences of introducing the single currency and stereotypes connected with the euro.

### 8.2.3. Examining petitions, complaints, requests and letters

In 2006, the NBP examined 8,607 issues (i.e. 18.5% more compared to 2005), of which 7,491 letters and 1,116 complaints and requests. Out of all submitted issues, 7,618 were examined by the NBP itself and 989 were forwarded to other banks and institutions, according to their competence.

Issues examined by the NBP were mainly: requests for financial support for the treatment of ill children and adults, requests for information on liquidated banks and institutions, requests for information on collector coins and their purchase possibilities, and requests for information on exchange rates and job offers.

In 2006, the NBP forwarded letters to commercial banks and other institutions, mainly on banking services. The forwarded issues were connected, for the most part, with formal and substantive mistakes in loan-granting procedures, reservations as to loan interest rates and methods of calculating interest of some banks, reservations as to loan restructuring and irregularities of loan execution, settlements with payment cards, reservations as to conducting transfer orders, erroneous entries in bank accounts, fees and charges on banking services, as well as efficiency and standards of customer service.

## 8.3. Promotional activity

### 8.3.1. Promotion of numismatics

#### 8.3.1.1. Promotion of the collector note

In 2006, the NBP issued the first collector note in the history of Poland "John Paul II", accompanied by many promotional and informative activities: inserts on the subject were added to local and nationwide newspapers, promotional and advertising materials were devised (in print as well as electronic – to be published on the internet), a special website devoted to the banknote was created, and 2 press conferences were held with the participation of the Catholic Church representatives.

In order to distribute the note in the most efficient way, the NBP started cooperation with the Polish Post and Bank Pocztowy SA.



There was also a campaign aimed at selling the banknote, during which Bank Pocztowy donated 50 grosz from every note ordered in the subscription to charity. Thanks to the campaign, over PLN 50,000 were donated to the "Work of the New Millennium" Foundation, with the purpose of granting scholarships to gifted youth from indigent families. An auction of a set of 3 collectors banknotes was carried out by the internet service [www.allegro.pl](http://www.allegro.pl). Funds of PLN 21,301 thus gathered were also donated to the "Work of the New Millennium" Foundation.

The NBP also donated 3 collector notes for an auction connected with the 15th Great Finale of the Great Orchestra of Christmas Charity Foundation (WOŚP). Funds gathered, of about PLN 10,000, were donated to the WOŚP Foundation.

### 8.3.1.2. Promotion of collector coins

In 2006, the NBP continued promoting collector coins and coins of PLN 2 face value stuck in Nordic Gold alloy of the *Historical Cities in Poland* series. Each issue of a collector coin was accompanied by a number of contests, held in local and nationwide media, in which the prizes were coins donated by the NBP.

Some collector coin issues were accompanied by special events, organised by the NBP in cooperation with interested milieux, aimed at drawing public attention to NBP's activity of currency issue.

In 2006, the NBP continued its cooperation with [wp.pl](http://wp.pl) portal, where it has regularly held contests for people interested in numismatics.

Reports on those events, coin presentation and promotion can be found at a special internet service created by the NBP in cooperation with Onet.pl: [www.monetyNBP.onet.pl](http://www.monetyNBP.onet.pl).

### 8.3.2. Open Days at the NBP

One of the methods of communicating to the public the role and functions of the central bank in Poland is organising the so-called Open Days, both at the Head Office and at the regional branches of the NBP. The central theme of the 2006 Open Days was economic education and promotion of educational projects conducted by the NBP. Visitors also had the possibility to acquaint themselves with the main fields of the central bank's activity. In 2006, there were about 11 thousand visitors to the NBP Head Office and the Warsaw regional branch (including students). 13 regional branches were visited by 1,000 to 5,000 people. During the Open Days the NBP was visited by the total of 40,000 people. In 2006, for the first time in history, the Open days were organised in the Katowice Regional Branch.

### 8.3.3. NBP publications and website

In 2006, as in previous years, the NBP issued numerous periodic publications, including: the *Annual Report*, *Inflation Report*, *Monetary Policy Guidelines*, *Report on Monetary Policy Implementation*, *Report on NBP Activity*, *Information Bulletin*, *Preliminary Information*, *Report on Financial System Stability*, *Financial System Development in Poland*, *Balance of Payments of the Republic of Poland*, as well as *Bank i Kredyt* (Bank and Credit) monthly, to which an insert entitled *Bankowość centralna od A do Z* (A to Z of Central Banking) was added throughout the year.

On 1 April 2006 the President of the NBP appointed the new editorial board of the *Bank and Credit* monthly. The task of the President is to introduce essential changes to the functioning of the monthly in order to make it the most influential magazine for economists (academics and others) that research Polish economy. *Bank and Credit's* international scientific council was also established, which consists of 25 persons.



The following studies were published in 2006: *National Bank of Poland 2001–2006*, *Banking Supervision 1989–2006* and *Cooperative Banks in Poland*.

In 2006, the National Bank of Poland published the European Central Bank's *Information Bulletin* quarterly in the Polish language.

Moreover, the NBP published a number of studies in the scope of the publishing series *Materiały i Studia* (Materials and Studies).

Numismatic brochures and posters were also published, presenting issued collector coins. In 2006, the NBP continued publishing posters and brochures presenting coins of PLN 2 face value of the *Historical Cities in Poland* series.

A detailed list of publications is included in Appendix No. 8.

An important source of information concerning the activity of the NBP is its website. It includes information about the ongoing activity of the NBP, presents official positions of the Bank's management, as well as documents, statistics, and analyses elaborated at the NBP. In 2006, the number of visits on the website grew to 5 m (from 3.7 m in 2005), whereas the number of regular users amounted to the average of over 150 thousand every month (100 thousand in 2005).

NBP website was updated on an ongoing basis, particularly within the scope of statistical data, as well as NBP publications on monetary policy, supervisory policy, payment system, and financial system stability. Announcements of the most important events at the NBP were posted on an ongoing basis.

#### 8.4. NBP Central Library

The publications at NBP Central Library pertain to economics, with particular emphasis on banking and the money. Its book collections, unique in Poland, are made available in the reading room with 29 seats, or through the lending room. The Library lends publications directly to NBP employees, and to other interested parties as interlibrary loans, within generally accepted rules.

There are 8 computer workstations for the disposal of library visitors, where the Library catalogue is made available. The Library provides catalogue, bibliographic, and substantive information on the basis of its own collections. The internet workstation was used by approximately 2 thousand users until the end of 2006.

In 2006 the library continued the subscription of the following databases: *ABI/INFORM*, *Business Periodical on Disc* (PROQUEST), the archival JSTOR periodicals database, and the SOURCE OECD database. The "Financial Times" archive is also available on CD-ROM (until 2001), as well as the *LEX-OMEGA* database of legal acts. Access to databases at the NBP Central Library is free of charge and available to the general public.

Table 11

## Collections of NBP Central Library

Type of publication	31 Dec 2002	31 Dec 2003	31 Dec 2004	31 Dec 2005	31 Dec 2006
Self-contained publications	85 462 volumes	89 773 volumes	94 466 volumes	99 237 volumes	103 574 volumes
Serial publications	33 300 volumes	33 167 volumes	34 936 volumes	37 685 volumes	38 500 volumes
Current periodicals	398 titles	386 titles	386 titles	525 titles	525 titles

Source: NBP data.

The World Bank Depository Library amounts to 5,160 volumes of books and 34 titles of periodicals.

In 2006, there were 4.8 visitors to the lending room, and almost 11,963 thousand volumes of books and 311 volumes of periodicals were made available to them.

There were approximately 4.6 thousand visitors to the reading room, and 22,069 volumes of books and periodicals were made available to them. In 2006, the Central Library was visited by 142 youth groups.

In September 2006 the Library catalogues were transferred from "Co-Liber" to ALEPH system and made available in the new system. Library catalogues contain approximately 3 thousand titles of periodicals and 52 thousand titles of books. The catalogue of books may be reviewed at [www.nbp.pl](http://www.nbp.pl). One may contact NBP Central Library via electronic mail at [biblioteka@nbp.pl](mailto:biblioteka@nbp.pl).

#### The most important activities of the NBP in 2006

- The NBP created an internet-based *Economic Education Resource Bank* ([www.eerb.nbpportal.pl](http://www.eerb.nbpportal.pl)).
- Over a dozen million Poles were covered by educational media activities of the NBP.
- There were approximately 40 thousand visitors to the NBP Head Office and the regional branches during the Open Days.
- In 2006, NBPportal.pl's resources were accessed by nearly 1.3 million users and the number of accounts enabling users to participate in e-learning courses increased to 57 thousand.

## SERVICES TO CENTRAL GOVERNMENT

The responsibilities of the National Bank of Poland within the framework of services to the central government include operating central government accounts, servicing the international receivables and liabilities of the central government, trading in Treasury securities and public debt management, particularly with regard to central government debt.

## 9.1. Bank accounts operated at the NBP

Within the services to the central government, in 2006 the NBP operated the bank accounts referred to in Article 160 of the Public Finance Act of 30 June 2005<sup>42</sup>, including, inter alia, central government account, current accounts of the government institutions, current accounts of government special-purpose funds, current accounts of auxiliary enterprises of government institutions as well as accounts for permanent expenses of those units.

Furthermore, the National Bank of Poland operates, with the approval of the President of the NBP, accounts of other legal persons pursuant to Article 51 para. 1 subpara. 4 of the Act on the National Bank of Poland (i.a. Social Insurance Institution (Zakład Ubezpieczeń Społecznych – ZUS), the Polish Agency for Enterprise Development (Państwowa Agencja Rozwoju Przedsiębiorczości), the Agricultural Market Agency (Agencja Rynku Rolnego) and the Agency for Restructuring and Modernisation of Agriculture (Agencja Restrukturyzacji i Modernizacji Rolnictwa). From 1 January 2006 NBP allowed the account holders authorised to make deposits at NBP pursuant to separate regulations to make term deposits in zloty.

By operating central government accounts, the National Bank of Poland contributes to ensuring the safety and liquidity of public funds settlements.

### 9.1.1. Operating bank accounts

The transactions executed by the National Bank of Poland on central government accounts pertain to cash and non-cash receipts and expenditures, using mainly the *enbepe* electronic banking system. A cross-system B2B interface combining the Integrated Accounting System of the NBP with the TREZOR system of the Ministry of Finance is used for operating bank accounts of the State Budget Department of the Ministry of Finance.

In 2006, the National Bank of Poland provided services to 3,752 account holders (3,500 in 2005). Nearly 100% of account holders serviced by the NBP used *enbepe* electronic banking system.

On 24 July 2006 a cross-system interface called Business to Business (B2B) was launched. It combined the NBP Integrated Accounting System with the SIMIK IT system of the Ministry of Finance which supports the management of resources from structural funds and the Cohesion Fund. The B2B cross-system interface provided the Ministry of Finance with:

- the scope of services adjusted to its needs and requirements;
- quicker and reliable exchange of communication between the MF and the NBP owing to the direct connection of two independent accounting systems;
- modern manner of communication with the NBP, owing to the application of a standard specified by the Electronic Banking Council at the Polish Bank Association;
- high level of safety of data transferred and security of communication;
- lower costs of account servicing.

<sup>42</sup> Dziennik Ustaw No. 249/2005, item 2104, as amended. The Act entered into force on 1 January 2006.





In 2006, the works continued with regard to the launch of the cross-system B2B interface for other account holders, i.e. Agricultural Social Insurance Fund (KRUS), Agricultural Market Agency, Agency for Restructuring and Modernisation of Agriculture and the Polish Patent Office. In addition, further works were conducted with the Ministry of Finance on the introduction of new rulers for the provision of services to the central government, e.g. central government institutions received the possibility to view the current balances and turnover on the current accounts of their directly subordinate units.

### 9.1.2. Types of accounts operated by the NBP

In 2006, the National Bank of Poland provided services to 3,752 account holders. Within the framework of those services, the NBP regional branches operated around 15,780 bank accounts, including:

- in PLN:
  - 8,205 current accounts (8,070 in 2005),
  - 3,972 ancillary accounts (3,067 in 2005),
  - 2,817 accounts of special-purpose funds and enterprise social benefit funds of central government institutions (2,700 in 2005),
- in foreign currencies:
  - 133 current and ancillary accounts in EUR to service the funding from the structural funds received within the framework of the Common Agricultural Policy (113 in 2005),
  - 222 accounts in foreign currencies of the government institutions (324 in 2005).

The increase in the number of current accounts in PLN results mainly from the opening of additional expenditure accounts by the central government institutions, separately for each budget part.

In 2006, the number of ancillary accounts continued to grow. The increase in their number was related mainly to the opening of permanent appropriations accounts and own revenue accounts by the central government institutions.

### 9.1.3. Procedures for operating accounts

The operation of central government accounts was regulated by:

- bank accounts agreements;
- resolutions of the NBP Management Board concerning:
  - *Regulamin otwierania i prowadzenia przez Narodowy Bank Polski rachunków bankowych w złotych z wykorzystaniem Bankowości Elektronicznej* (Regulations for opening and maintaining bank accounts in złoty using electronic banking at the National Bank of Poland);
  - *Regulamin otwierania i prowadzenia przez Narodowy Bank Polski rachunków bankowych w złotych* (Regulations for opening and maintaining bank accounts in złoty at the National Bank of Poland);
  - *Regulamin otwierania i prowadzenia przez Narodowy Bank Polski rachunków*

*bankowych w walutach obcych* (Regulations for opening and maintaining bank accounts in foreign currency at the National Bank of Poland);

– *Regulamin otwierania i prowadzenia przez Narodowy Bank Polski rachunków bankowych w walutach obcych z wykorzystaniem Bankowości Elektronicznej* (Regulations for opening and maintaining bank accounts in foreign currency using electronic banking at the National Bank of Poland);

- the Regulation of the Minister of Finance of 29 June 2006 on the detailed manner of the implementation of the central budget<sup>43</sup>, amending the Regulation of 28 December 2004<sup>44</sup>;
- the Regulation of the Minister of Finance of 29 June 2006 on types and manner of performing the operations on the bank accounts maintained for the services for the central budget and the scope and dates of providing the information about the balances on these accounts<sup>45</sup>, amending the Regulation of 28 December 2004.<sup>46</sup>

Services were provided to customers by 16 NBP regional branches.

In 2006, the number of holders of accounts which were operated according to the alternative cash service procedure slightly decreased and amounted to 2,119 (2,124 in 2005). Alternative cash service is provided at the expense of the NBP where account holders have their registered offices outside the area of location of NBP organisational units.

## 9.2. Servicing international receivables and liabilities of central government

The NBP continued, pursuant to the contracts of agency signed in previous years with the Minister of Finance, to service the receivables and liabilities of the central government arising from:

- loan agreements concluded by the government of the Republic of Poland with international institutions and financial organisations or guaranteed by the government;
- Poland's membership in international institutions and financial organisations;
- loans received from governments of other countries.

In total, the NBP administered:

- 49 government loan agreements (53 in 2005);
- 56 guarantee agreements (53 in 2005);
- 4 agreements concerning the provision of loan finance to domestic entities (5 in 2005).

The NBP supervised the repayment of liabilities by two domestic banks within the administration of World Bank loans. In 2006 the NBP started to service 9 new loans on the basis of the signed agreements, including:

- 5 government loan agreements concerning loans extended by:

<sup>43</sup> Dziennik Ustaw No. 116/2006, item 784, as amended. The Regulation entered into force on 1 July 2006.

<sup>44</sup> Dziennik Ustaw No. 285/2004, item 2854, as amended.

<sup>45</sup> Dziennik Ustaw No. 116/2006, item 785, as amended. The Regulation entered into force on 1 July 2006.

<sup>46</sup> Dziennik Ustaw No. 285/2004, item 2855, as amended.



- the European Investment Bank – for the financing of two projects related to the development of science, education and technology and the project of reconstruction of selected segments of public roads;
- the World Bank – for the financing of the programme of road reconstruction and the post-accession rural development programme;
- 4 guarantee agreements concerning loans granted to Poland by the European Investment Bank, the Council of Europe Development Bank and Deutsche Bank AG – branch in London:
- for projects involving improvement of road infrastructure in Poland, as well as the modernisation of certain sections of the railway network in Poland;
- for the repayment of liabilities related to the first bond issue by Bank Gospodarstwa Krajowego.

Acting as depositary for the World Bank, its agencies and the European Bank for Reconstruction and Development, in 2006 the NBP administered 20 promissory notes issued by the government of the Republic of Poland in connection with Poland's membership in those organisations. In 2006, 3 promissory notes were paid in full.

### 9.3. Organising trading in Treasury securities

The NBP, in its capacity of the issuing agent for Treasury securities, is obliged to organise Treasury bills tenders and buyback tenders as well as Treasury bonds tenders, buyback and switch tenders.

#### 9.3.1. Treasury securities tenders

##### 9.3.1.1. Treasury bills tenders

In 2006, the NBP organised 24 Treasury bill tenders (37 in 2005).

Treasury bill tenders took place twice a month, on the first business day of a week. In 2006, the Ministry of Finance offered for sale T-bills totalling PLN 29.0 bn (PLN 27.0 bn in total in 2005). The nominal demand for those bills amounted to PLN 81.3 bn, and the accepted bids amounted to PLN 29.0 bn (PLN 83.0 bn and PLN 26.9 bn respectively in 2005). T-bills were dominated by 52-week bills which accounted for 81.4% of total sales. In 2006 the Ministry of Finance issued also 3-, 5-, 13- and 26-week T-bills which accounted for 18.6% of total sales.

##### 9.3.1.2. Treasury bond tenders

In 2006, 52 Treasury bond tenders were organised by the NBP, out of which 16 were noncompetitive tenders (compared to 50 and 17 in 2005, respectively). The Ministry of Finance offered for sale Treasury securities totalling PLN 71.7 bn. The demand amounted to PLN 214.4 bn. The securities worth PLN 70.8 bn were sold.

In 2006 the sales of T-bonds were dominated by the tenders for the following bonds:

- zero-coupon bonds (18 tenders, including 6 noncompetitive ones); the value of their sale accounted for 40.2% of all sold bonds;
- five and ten-year fixed-rate bonds, whose total value accounted for 42.2% of all sold bonds.

In 2006, the Ministry of Finance offered for sale only one type of floating-rate bonds, whose sale amounted to PLN 8.6 bn. The lowest sale was recorded with regard to five-year inflation-indexed bonds and twenty-year fixed-rate bonds.

In 2006 no bond buy-back tenders were organised.

### 9.3.1.3. Treasury bond switch tenders

In 2006, the Ministry of Finance organised twelve bond switch tenders during which it bought back bonds for PLN 27.5 bn and sold bonds for PLN 27.4 bn (PLN 16.2 bn and PLN 15.8 bn respectively in 2005). Fixed-rate bonds constituted the majority of bonds sold by the Ministry of Finance at switch tenders: 42% – bonds with ten years to maturity, 33% – bonds with five years to maturity, 17% – bonds with twenty years to maturity in 2022. In addition, the Ministry of Finance sold seven-year floating-rate bonds (7.5%) and zero-coupon bonds (0.1%).

A twelve-year inflation-indexed fixed-rate bond was sold at the tender organised in November. However, the offer aroused no great interest in the market (demand – PLN 0.88 bn, sale – PLN 0.19 bn).

### 9.3.2. Treasury Securities Dealer system

The Treasury Securities Dealer system<sup>47</sup> is one of the key responsibilities included in the *Strategy of the Public Finance Sector Debt Management*.

In 2006, pursuant to the *Agreement on cooperation with regard to the functioning of the Treasury Securities Dealer system* concluded with the Ministry of Finance, the NBP performed the following obligations:

- provided quarterly assessments of the activity of banks being candidates for the Treasury Securities Dealers in the Treasury bills and bonds market and in the market for derivatives;
- organised the Treasury securities fixing on the electronic platform MTS-CeTO chosen by the Ministry of Finance, the launch of the platform was to improve the transparency of trading in securities<sup>48</sup>; participated in the meetings of the Council of Market Participants, arranged by the Ministry of Finance once a month.

In addition, within the framework of cooperation with the Ministry of Finance, the NBP performed examination and verification activities at banks whose accounts and securities deposit accounts are maintained in the Securities Register.

## 9.4. Public debt management activities

Public debt management activities cover primarily cooperation between the NBP and the Ministry of Finance within the Public Debt Management Committee.<sup>49</sup>

The objective is to exchange information with a view of coordinating the public debt

<sup>47</sup> The main purpose of the Treasury Securities Dealer system is to separate a group of banks (the so-called *primary dealers*) which, in exchange for certain privileges, are obliged to actively operate in the Treasury securities market in order to ensure its liquidity, transparency and efficiency.

<sup>48</sup> The banks acting as primary dealers have an obligation of everyday quotation of prices of purchase and sale of T-bonds (mainly benchmark) on the organised electronic secondary market (MTS – CeTO), an obligation to conclude the transactions pursuant to the price adopted at the MTS – CeTO and to inform the market in real time about the quotation.

<sup>49</sup> Appointed in 1994 pursuant to an agreement between the National Bank of Poland and the Minister of Finance acting on behalf of the State Treasury.



management policy (carried out by the Ministry of Finance) with the monetary and exchange rate policies (implemented by the NBP). The most important responsibilities of the Committee include the development of a long-term public debt extension strategy, minimisation of the cost of debt servicing and the creation of conditions for the development of financial markets.

#### The most important activities of the NBP in 2006

- The NBP serviced 3,752 customers and operated 15,780 accounts.
- The cross-system B2B interface was launched and connected the NBP Integrated Accounting System with the system of the Ministry of Finance supporting the management of resources from the European Union funds (SIMIK).





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## RESEARCH ACTIVITY



The NBP research activity covers on-going macro and microeconomic research and the development of economic and monetary forecasts. In 2006, the research work focused mainly on the monetary policy and inflation processes, business cycle, public finances, structural changes in the economy, standing of enterprises and households, the labour market and real estate market, as well as on the global economy. The research related to Poland's participation in the Exchange Rate Mechanism II (ERM II) and adoption of the euro was continued.

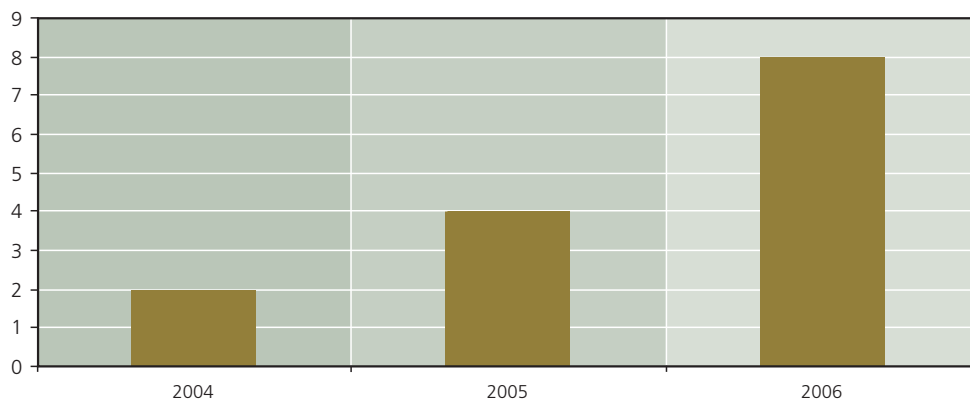
The results of the conducted analyses were used to design monetary and exchange rate policies and constituted a basis for the decisions taken by the Management Board of the NBP and the Monetary Policy Council.

In addition, the NBP carried out research in cooperation with scientific institutions at home and abroad, including the ECB, aiming at the publication of the results of research and organising domestic and international scientific conferences.

In 2006, 153 academic publications (128 in 2005) prepared by the employees of the NBP research departments were released in recognised national and international periodicals, including 101 publications in Polish and 52 publications in English, out of which 8 in magazines from the Philadelphia list. A detailed list of publications from the magazines from the Philadelphia list in 2006 is presented in Appendix 9 to the *Report*.

**Figure 15**

**Number of publications of the NBP employees in magazines from the Philadelphia list between 2004 and 2006**



Source: NBP data.

### 10.1. Research related to participation in the ERM II and the euro area

- Research related to the participation of the Polish currency in the ERM II

Research concerning the optimal balance on the current account was conducted, different variants of the equilibrium exchange rate for zloty were developed and the evaluations of the scale of deviation of the current exchange rate from the equilibrium exchange rate were made. In addition, the previous calculations were updated. The results of the research were published in the article entitled *Fundamental equilibrium exchange rate for the Polish zloty*.

- Analysis of costs and benefits of euro adoption

The works focused on the analysis of the reasons for the lending boom. The efficiency of instruments used to reduce the excessive lending was analysed. The results of the analyses were published in *Lending Booms in the New EU Member States: Will Euro Adoption Matter?*

- Ongoing analyses

The elements of economic policy in the candidate countries to the EU and the euro area.

## 10.2. Enterprise and household surveys

- Quarterly surveys on the economic standing of enterprises

In 2006 with the use of the surveys, the state and the forecasts of the business cycle were evaluated and the following research problems were analysed:

- investment activity, including in particular the impact on uncertainty of demand on the investment decisions of enterprises;
- price generating mechanisms, including the comparison of these mechanisms in Polish enterprises and in the EU countries;
- Availability of credit, especially for the small and medium-sized enterprises sector (SMEs);
- increase in demand of enterprises for labour, including the impact of the shortage of labour on the standing of an enterprise.

The results of the analyses were presented in the publication entitled *Competitiveness of Polish Enterprises after the Accession to the European Union – Results of the Survey*.

- Analysis of the behaviour of enterprises and competition in the economy

Work was conducted on the determination of factors influencing the export decisions of Polish enterprises. The analyses were conducted using a microeconomic model where the following variables were defined: productivity, size of an enterprise, level of import penetration and technical barriers to trade.

Using the data base on enterprises, the analysis of monopolistic markups and return of scale in the Polish economy was conducted.

The changes in the manner and sources of financing of the economic activity of enterprises between 2002 and 2005 were analysed, taking into account the improvement of their financial standing within that period. The study focused on the analysis of the share of bank loans as the external source of enterprise financing. The changes of the importance of alternative sources of the enterprises' activity financing, i.e. equity, trade credit and provisions for liabilities, were also analysed.

The statistics obtained as a result of using econometric models were used as a basis for analysing the cyclical nature of economic activity in Poland between 1995 and 2005. The results of the analysis were presented in the publication entitled *The New Leading Indicator of Economic Activity in Poland – Implementation of Modern Econometric Methods*.

In the fourth quarter of 2006 the studies began on the impact of privatisation on the effectiveness of the functioning of non-financial corporations. The objective was to determine whether and to what extent the privatisation of enterprises influenced their ongoing activities and development. The analysis is to establish whether the change in the

form of ownership resulted in the improvement of the financial results of enterprises due to structural transformations, in particular the targeted sale structure, production costs structure, inventory structure and the structure of the sources of financing of operating and investment activity.

- **Analysis of the household sector**

The analytical work covered the issues concerning: income generation and distribution, consumer demand, saving processes and debt-related issues, including the inflation processes. The analysis covered the mechanisms and factors determining the disposable income of households, types of income and the trends of changes in their level and structure. In addition, the factors influencing the consumption of households were analysed, including the variety of directions and forms of households' investments in real and financial assets.

The analyses used the results of the studies of the condition of households concerning the evaluation of the state and forecasts, inter alia, the financial standing of households, the economic situation of the country and the plans regarding consumption and saving.

- **Examination of real property prices in Poland**

The development of the real property sector, i.e. construction, commercial and housing property and legal and institutional environment, was monitored. The system of examination of real property prices on 16 local housing markets was introduced. The results included the following reports: *Analysis of a Sample of Portfolios of Housing Loans granted on the bank market in Poland in 2005*, *Initial results from the examination of prices on the housing property market*, *Housing property market and its specificity as factors determining the risk of mortgage lending*.

- **Research on the relationship between the labour market and monetary policy**

The objective of work in this field was to evaluate the flexibility of the Polish labour market.

National research was initiated in order to collect the information about the changes taking place on the labour market, which are not adequately covered by the available statistical sources. The analyses are to evaluate the wage pressure and structural mismatch between the demand and the supply of labour. In addition, the study analyses the issues related to the labour market flexibility and the size and scope of grey economy.

Within the framework of preparation for national research, in April 2006 the pilot study was carried out in the Świętokrzyskie voivodship. The result of the study was to prepare the methodology and questionnaires for the national study. The results of the regional study were published in the publication entitled *Mismatch between Demand and Supply on the Labour Market in the Świętokrzyskie Voivodship*. The first national study in the field was carried out by the NBP Regional Branch in Katowice in October 2006 with the help of all other regional branches of the NBP.

### 10.3. Other macroeconomic research

- **Monetary policy**

– The methods of conducting monetary policy by selected central banks pursuing direct inflation targeting strategy and by the European Central Bank were analysed and the changes in this regard were monitored. The analysis concerned the basic aspects of monetary policy strategy, such as the level and the method of establishing the inflation

target, the used exchange rate system, the applied instruments as well as the decision process and the method of communication of the central bank with the outside. The results of the analyses were published in the following documents: *IT in Poland: Why, How, And What Next* and *Central Banks' Response to Oil Price Shocks in the 1970s*.

- The analyses of selected elements of the monetary transmission mechanism were carried out in order to better understand the changes taking place in the transmission mechanism and to improve the forecast models used at the NBP. The article entitled *Impact of globalisation? Changes in the MTM in Poland was presented during the 59th East Jour Fixe*, Oesterreichische Nationalbank.
- The analyses concerning the communication of central banks in the Czech Republic, Poland and Hungary, including the bank's announcements and the statements of individual decision-makers aimed at determining the impact of communication on the prices of financial assets, as well as the predictability of the decisions made by the central bank. Based on the empirical analysis, the studies for the first time showed that the implementation of the inflation and exchange rate target in the conditions of free flow of capital will lead to the contradictions in the communication of the central bank ("communicative", impossible to implement triangle). The results of work were presented i.a. in the publication entitled: *Quest for central bank communication. Does it pay to be "talkative"?*
- The analyses of the natural rate of interest in Poland were conducted in order to estimate it and then to establish the reasons for its high level (4.5–5% in real terms between 1998 and 2003). The results of the analyses were published in the articles entitled: *The Information Content of the Neutral Rate of Interest: The Case of Poland* and *The Differences between Natural Rates of Interest in Poland and the Czech Republic*.
- Other selected theoretical and practical issues of monetary and exchange rate policy were also analysed. The results of the analyses were published in the articles entitled: *Poland's Experience in Dealing with Capital Inflows: Policies, Challenges and Effectiveness of Measures*, *Interest Rate as an Argument in the Money Demand Function* and *Theoretical Premises for Limited Efficiency of Sterilized Foreign Exchange Interventions*.

- **Analyses and examinations of consumer prices**

Methodological work was conducted with regard to the construction, functioning and evolution of Consumer Price Indices (CPI) and the studies related to the core inflation measures. In addition, the studies and analyses of the impact of the changes of regulated prices and of indirect taxes' rates on inflation processes in the economy.

Within the framework of sectoral analyses, the work was conducted with regard to the structure and functioning of the market of electric energy, gas fuels, liquid fuels and telecommunications. The impact of the liberalization energy and telecommunications markets on inflation processes was also analysed, as well as the determinants of the changes of food prices in Poland. The impact of foreign trade on inflation processes in Poland was also examined through the comparison of the data on import of selected products, their import prices and the prices on the domestic market. The results were published in the articles entitled: *Controlled Prices and Inflation in the European Union*, *Changes in the Costs of Living of Households in New Member States after the accession to the EU* and *Core inflation measures: The case of Poland*.

- **Analyses of the real sector of the economy**

As a continuation of work started in 2005, the estimation of fixed assets in the economy was made according to the type structure, both in terms of resources and the stream of

provided services. In addition, a comparative analysis of the quality of seasonal adjustment of statistical data was made using two most popular methods, namely, X-12-ARIMA and TRAMO/SEATS. The review was made of the criteria which should be used by analysts under data deseasoning procedures which are important for short-term analyses of economic trends.

- **Analysis of the regulatory framework of the economy**

Legal constraints on the economic activity in Poland between 1989 and 2005 were analysed. Moreover, a pilot study was made of the costs incurred by banks in relation to the administrative obligations resulting from the Banking Law Act. The results of work include the following publications: *Statutory restrictions on economic freedom in Poland between 1989 and 2003 and Business demography, job flows and productivity in the enterprise sector in Poland*.

- **Analysis and modelling of the balance of payments**

In 2006 the main areas of research included the liberalization of world trade and the changes in the structure of the Polish foreign trade, modelling of prices and the volume of exports and imports, re-estimation of the export and import equations as well as of the exchange rate in the ECMOD model.

- **Analysis of the financial condition of the general government sector, studies of the relationship between the monetary and fiscal policies**

Work concerned the determination of fiscal policy evaluation measures (a new method of calculating structural deficit, compliant with the ECB's requirements, was developed) and fiscal stability through, inter alia, the search for solutions curbing the high growth of public expenditure and the examination of the sources of excessive public sector deficit in Poland. In cooperation with other institutions, the methodology was developed with regard to the preparation of forecast for the European Commission on expenditure related to aging population and vulnerability of tax income to business cycle fluctuations.

- **Use of EU aid funds in 2006**

Pilot research entitled *The EU aid funds use and their impact on investments in Poland*, implemented in cooperation with the NBP regional branch in Łódź, was completed. The main objective of the study which is to be conducted in all voivodships is to establish the level of EU aid funds' use in individual regions and their impact on the investments and the GDP growth rate in Poland. It is also to identify the most important barriers to the use of funds which have an impact on the scale of investments. Moreover, the study is to identify the size of imports of foreign services or goods as a result of the implementation of investment projects financed from the EU funds.

- **Computable general equilibrium (CGE) model for Poland**

Work was conducted on the use of the CGE model to examine the results of the fiscal consolidation programme which allows for fulfilling a fiscal criterion from Maastricht and the impact of globalisation on the Polish economy. The results were presented on domestic and foreign conferences and were also published in the article entitled *An Empirical Recursive-Dynamic General Equilibrium Model of Poland's Economy*.

- **The adjustment of macroeconomic forecasting to ECB practices**

Work continued on the improvement of macroeconomic forecasting model of the Polish economy ECMOD and its adjustment to the structure of the ESCB's forecasting models.

Twice a year, the NBP's forecasts (along with the forecasts of other central banks of the European Union member states) were used for cyclical evaluation of the perspectives for the euro area and its neighbourhood development. Work was also conducted on the applications of the ECMOD model for the simulations of the results of fiscal reforms allowing for fulfilling a fiscal criterion from Maastricht and the impact of globalisation on the Polish economy.

- **Participation in the research conducted by the ESCB**

Within the framework of permanent cooperation with the ESCB, the basis of the DSGE (Dynamic Stochastic General Equilibrium) model was reconstructed in order to adjust the model to the Polish conditions. The obtained results were described in the publication entitled *SOE-PL – DSGE model of small open economy estimated using Polish data. Methodology, specifications, estimation results and first applications.*

- **Research concerning globalisation and its impact on the international business cycle, including the economic situation in the EU countries.**

Works covered the analyses of the impact of globalisation on inflation and monetary policy and the analysis of the phenomenon of the so-called global imbalance.

Research was conducted on the modelling of the US economy and the economies of the euro area, international interest rates and business cycles. To this end, an econometric model was built for the US economy and the euro area (EURUS model). The results were published in the following articles: *Global imbalance: reasons and possible solutions, Chances for Poland in the globalisation process through the European Union, Globalisation – opportunities for Poland and Analysis of the synchronisation of business cycles within the euro area.*

#### 10.4. Research into the development and stability of the financial system

In 2006, research was conducted on various aspects of financial system stability and development in Poland.

- The *2005 Financial Stability Report* and the *Financial Stability Review – First Half of 2006* were published, presenting the analyses of the stability of the most important segments of the Polish financial system (such as banking, insurance and pensions sectors), including the evaluation of the current situation and the prospects for the following quarters. The publications pointed to the issues which were of particular importance within the period covered by the analysis, such as fast growth of loans for housing purposes and possible consequences of easing of the banks' lending policy.
- Quarterly reports on loan market condition, compiled on the basis of the results of surveys among the largest banks, were presented. The reports present trends and causes of changes in lending policies and borrowing demand. The reports are available at the NBP website.
- Another edition of the *Financial System Development in 2005* report was drawn up. The report describes the developments in the financial system, presents trends, barriers and probable scenarios of development of all individual segments of the financial system in Poland. The changes in the infrastructure and legal regulations relating to the financial sector were also analysed, as well as initiatives aimed at financial market integration in the European Union.



## 10.5. Conferences and academic seminars organised by the NBP

In 2006, the NBP continued to organise conferences and seminars aimed at the exchange of experience between central bank and international financial institution representatives.

- In January 2006, the NBP together with the International Monetary Fund (IMF) and the Joint Vienna Institute (JVI) organised an international scientific conference entitled *Labor and Capital Flows in Europe Following Enlargement*. The conference focused on the problems of the labour market and capital flows in the EU following its enlargement in 2004. The impact of the European Union enlargement on the labour markets of individual countries, economic growth and public finance was discussed. The analysis of profits and losses resulting from the EU enlargement and the change in the mobility of labour force and capital was conducted.
- In February international academic workshop on *The role of inflation expectations in modelling and monetary policy making* took place. It focused on the use of information about the inflation expectations in macroeconomic modelling and monetary policy. The workshop aimed at the creation of the forum for discussion and exchange of experience between the representatives of central banks and academics on the measurement of expectations of economic operators, the method of their formulation and the role they play in economic processes.
- In April together with the World Bank, the NBP organised a conference entitled *Public expenditure management benchmarking and peer learning network*. The conference discussed the issues related to the public expenditure management systems in the countries of Central and Eastern Europe and the Central Asia. The conference was attended by the representatives of the countries covered by the poverty reduction programme (PRSP) and the representatives of the European Union member states from Central and Eastern Europe (EU-8).
- In June, the NBP, together with the World Bank, organised a conference entitled *Financing of housing real property in Poland*. The issues discussed during the conference included the development of the housing leasing market in Poland, the evaluation of the mortgage loan market and the comparison of Polish and American experience.
- In September 2006 the National Bank of Poland:

Together with CEPR (Centre for Economic Policy Research) and ESI (European Summer Institute) held a *conference Globalisation and Monetary Policy*. The conference discussed the phenomenon of globalisation and its impact on the monetary policy. The meeting was attended by the representatives of central banks, international financial institutions, the Ministry of Finance, the members of the ECB Monetary Policy Committee, economic advisors and chief economists from large financial institutions.

Together with the Polish Banks' Association and the XBRL<sup>50</sup> Association organised a conference entitled *XBRL as a financial reporting standard in Europe for regulatory purposes*. The objective of the conference was to present the use of the XBRL standard for the purposes of prudential policy in relation to the approaching entry into force of the New Capital Accord and the harmonisation of the scope of supervisory reporting in the European Union countries. The meeting was attended by the representatives of Polish commercial banks.

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<sup>50</sup> It is a language of financial reporting.





Together with the Federal Reserve Bank of New York and the European Central Bank organised an international conference entitled: *The Role of Central Banks in Economic and Personal Finance Education*. The aim of the conference was to exchange experience with regard to economic education between the representatives of central banks and institutions involved in economic education on an international scale. It was attended by the representatives of 40 central banks from all over the world.

- In addition, in 2006, the NBP organised 13 open academic seminars on, *inter alia*, monetary policy, including inflation forecasting, single currency unions, standing of households and wage rigidity. A detailed list of seminar topics is to be found in Appendix 10 to this *Report*.

#### The most important activities of the NBP in 2006

- In 2006, 153 academic publications were released in recognised national and international periodicals, including 101 publications in Polish and 52 publications in English, out of which 8 in magazines from the Philadelphia list.
- National research was initiated in order to collect the information about the changes taking place on the labour market, which are not adequately covered by the available statistical sources.
- The system of examination of real property prices on local housing markets was introduced.
- Other editions of the *Report on Financial System Stability and Financial System Development* were published.
- Seven international conferences and 13 open academic seminars were held.



## STATISTICAL ACTIVITY

After Poland's accession to the European Union, the National Bank of Poland took intensive steps to adjust its statistical activity to EU requirements. In 2006, the NBP continued the harmonisation work and cooperated with the European Central Bank in that respect on an ongoing basis. The cooperation encompassed mainly monetary and financial statistics, the balance of payments and statistics of other financial intermediaries. Harmonisation and coordination work was also carried out aimed at meeting the ECB requirements concerning financial accounts, the general government sector statistics and real economy statistics. Harmonisation work was conducted in accordance with tasks set out in the NBP *Plan of activity for years 2004–2006*.

In performing its monetary policy responsibilities, the National Bank of Poland largely relies on the statistical data it collects and processes. The information published by the NBP constitutes one of the basic premises of economic decisions taken by external recipients. The NBP also submits reports to international institutions.

### 11.1. Responsibilities regarding monetary and financial statistics, the balance of payments and the international investment position

In 2006, the statistical responsibilities included:

- collection, validation checks, processing and ongoing analysis of data regarding:
  - the balance of payments, the external debt and the international investment position;
  - balance-sheet data from banks and credit unions, collected for the purposes of the monetary policy pursued by the NBP and for the purposes of supervision and the ECB;
  - interest rates applied by banks;
- development of methodology for compilation of the monetary statistics, the balance of payments and the general government sector statistics;
- interpretation of monetary developments and operations with regard to the balance of payments, for the purposes of ongoing monitoring of monetary developments;
- processing and analyses of corporate finance data;
- modification of the IT systems applied in the collection and processing of statistical data;
- managing the *List of monetary financial institutions*, updating it monthly, publishing it on the NBP website and sending its content to the ECB;
- participating in works on preparing the initial concept of the new reporting system of the NBP.

Statistical work resulted in numerous tables, analytical materials and publications addressed to both internal and external users. The most important of those included:

- quarterly reports on the balance of payments and the annual report on Poland's international investment position, which, having been approved by the Management Board of the NBP and the Monetary Policy Council, are submitted to the Sejm, the Council of Ministers and other users;
- quarterly figures on Poland's external debt;

- monthly balance of payments data;
- annual reports on foreign investments in Poland and Polish investments abroad;
- consolidated balance sheet of the MFI sector which forms a basis for the development of, among others, the *Information Bulletin (Biuletyn Informacyjny)* and the *Remarks on the Tables Regarding the Financial Assets of Households (Komentarz do zestawień dotyczących aktywów finansowych gospodarstw domowych)*.

Data obtained from banks and other entities were forwarded to institutions which analyse economic situation of the country, such as the Central Statistical Office, the Sejm and to academic institutes. The data were also submitted to international organisations such as the IMF, the World Bank, the OECD, the BIS and also European Union bodies, in particular the European Central Bank and the Eurostat. The NBP took part in preparing the *Convergence Report*, which assesses the extent to which the statistical and economic criteria for membership have been met by EU Member States.

## 11.2. Adjustment measures regarding ECB statistical requirements

The scope of NBP adjustment to ECB requirements was discussed, inter alia, during the work of the ECB Statistics Committee and the working groups operating therewithin, in the Eurostat working groups and in the meetings of the Committee on Monetary, Financial and Balance of Payments Statistics (CMFB), in which the NBP representatives were actively involved.

### 11.2.1. Harmonisation of monetary statistics and financial institutions and markets

In 2006, the NBP started providing the ECB with harmonised data with regard to the consolidated balance sheet of monetary financial institutions (MFIs)<sup>51</sup> and interest rate statistics<sup>52</sup> on a regular basis. In 2006, the NBP verified a sample of banks reporting on interest rate statistics, according to ECB methodology. As a result of the verification, the sample was expanded, which will lead to increased representativeness of data.

In 2006, the ECB started its planned modification of the scope of reporting data from monetary financial institutions, in respect of the consolidated balance sheet of MFIs and interest rate statistics. The NBP actively participated in the works, within the framework of the ECB Statistics Committee. The process was divided into two stages: the so-called procedures for projecting costs and benefits. The procedures are employed by ESCB countries prior to every modification of reporting obligations in order to optimise their requirements, i.e. minimise costs and burden of reporting units and, simultaneously, provide data users with an optimal set of statistical data. The NBP participated in the procedures for the first time. Chosen banks underwent two surveys aimed at assessing the significance and the scale of operations that were to constitute new reporting data, as well as the possibility and cost of collecting the data from banks.

In 2006, the NBP started work on creating a new monetary statistics system. Information collected within the system will ensure ongoing monitoring and projecting the implementation of the central bank's monetary policy. The information will constitute the basis for analyses of monetary aggregates and processes, it will also meet the information needs of the ECB, other

<sup>51</sup> Regulation No. 2423/2001 of the European Central Bank of 22 November 2001 concerning the consolidated balance sheet of the monetary financial institutions sector (ECB/2001/13).

<sup>52</sup> Regulation No. 63/2001 of the European Central Bank of 20 December 2001 concerning statistics on interest rates applied by monetary financial institutions to deposits and loans vis-à-vis households and non-financial corporations (ECB/2001/18).

internal and external recipients and NBP users. In 2006, the scope of information collected within the new system was drafted. The draft also encompasses the new scope of data envisaged in the modified ECB regulations.

In respect of preparing the principles of statistics for other financial intermediaries, the NBP participated in the works of the ECB connected with creating regulations on statistics of investment funds and institutions whose activity concerns securitisation of assets. The NBP also researched the legal and organisational possibilities of gathering data from investment funds. It drafted the scope of data to be gathered in respect of the new statistics and devised working agreements with future reporting units.

#### 11.2.2. Harmonisation of quarterly financial accounts

In 2006, preparatory works were continued to ensure that the NBP meets the ECB requirements concerning quarterly financial accounts. Pilot accounts were devised, encompassing balance sheet data on financial assets and liabilities as of the end of 2004 according to the layout defined by the ECB. Financial accounts will be compiled based on the NBP data and data obtained from external sources (e.g. the Central Statistical Office and the Commission for Financial Supervision).

#### 11.2.3. Harmonisation of general government sector statistics

In 2006, the Working Group on General Government Statistics appointed by the President of the Central Statistical Office continued its work; the Working Group consists of the Central Statistical Office, Ministry of Finance and NBP representatives. Responsibilities of the Working Group encompass, *inter alia*, the development of methodological solutions for compiling general government sector statistical data according to the ECB requirements. In 2006, the works concentrated on the development of methodology for compiling data on the revenues and expenditure of the general government sector in compliance with the EU standards.

Moreover, in 2006 the NBP devised a full set of data on the indebtedness of the general government sector according to the layout defined by the ECB, in cooperation with the Ministry of Finance.

#### 11.2.4. Harmonisation of real sector statistics

In 2006, the NBP joined the European Committee of Central Balance Sheet Data Offices as a fully-fledged member, as well as its working group BACH (*Bank for the Accounts of Companies Harmonised*). As part of the work of the Committee, the possibility of the NBP providing data on non-financial entities to the BACH database was checked on merits, incl. time series length of the data and the schedule of reporting.

In 2006, the NBP actively participated in the works coordinated by the Central Statistical Office called *Operacja 2007* (Operation 2007) aimed at harmonising statistical classifications on the European level, in respect of harmonising them with global classifications adopted by the UN. The works of the European Union's Statistical Office (Eurostat) were mainly concentrated on the *Statistical Classification of Economic Activities in the European Community* NACE Rev. 2, which has become the basis for devising the Polish Classification of Activities (PKD) 2007. Moreover, in 2006 works begun on the European *Classification of Products by Activity* (CPA) as well as on its Polish counterpart – the *Polish Classification of Products by Activity* (PKWiU) 2008.

#### 11.2.5. Harmonisation of the balance of payments statistics

In 2006, the NBP:

- conducted work on the new system of data collection and processing in the field of the

balance of payments statistics. The new system will now rely to a larger extent on data coming directly from foreign trade participants. The work has been conducted in the scope of the project *Development of the new system for foreign trade statistics* (PEGAZ). The project's aim is to enable the NBP to develop the balance of payment statistics in a situation when changes to legal regulations would prevent gathering data on bank payments. The aim will be achieved by means of:

- developing the new system of data compilation for the needs of the balance of payments statistics; the primary source of data will be monthly reports from business entities participating in foreign trade,
- developing the new IT system gathering information in electronic form, which will lead to abandoning reporting on paper; in 2006, the works were concentrated on establishing requirements and assumptions of the new system's functioning.
- continued to work on increasing the frequency of compiling the international investment position;
- participated in the work of the working groups appointed by the President of the Central Statistical Office:
  - the Working Group on Foreign Sector Statistics for the Purposes of National Accounts and Balance of Payments, whose responsibilities include: work coordination with regard to the information flow between the Central Statistical Office and the NBP, development of proposed methodological and organisational arrangements and proposing motions related thereto. In 2006, requirements were defined concerning national accounts and balance of payments, regarding compilation of foreign sector current accounts and the possibility of fulfilling those requirements.
  - the Working Group on Residents and Non-residents Labour Income Statistics that aims at developing a method for estimating labour income of residents and non-residents and proposing to extend the current survey or initiate a new one. In 2006, the work focused on the analysis of the presently conducted studies and their suitability for estimating residents' and non-residents' income.
- Participation in the preparation of the subsequent edition of the publication entitled *European Union on Balance of Payments and International Investment Position Statistical Methods (BoP Book)*, which describes the balance of payments methodology in EU Member States.

### 11.3. Other tasks

Systematic development of the Integrated Economic Database (IED)<sup>53</sup> is carried out on an ongoing basis. The database provides the employees with access to current, complete and well-arranged dataset. In order to ensure automatic IED input monitoring and improve the quality and consistency of the database, in 2006 additional application components were tested and implemented, i.e. the module *Monitoring of IED time series input and module IED substantive control based on the rules of correctness*.

In 2006, work was conducted on the System of Data Exchange with External Institutions (SWDIZ), which enhances the exchange of data with the Bank for International Settlements (BIS) and in the future with the Central Statistical Office. In 2006, the SWDIZ database was launched and work on client applications started. The SWDIZ system will streamline the work of

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<sup>53</sup> Introduced in 2004.

administrators responsible for data exchange by automatically downloading data from IED repository. The system allows performing the following:

- generating messages in the GESMES/TS<sup>54</sup> format;
- viewing the content of sent and received messages;
- conducting statistics of data exchange.

Storage of copies of time series resources from the BIS DataBank database is the additional function of the system.

#### The most important activities of the NBP in 2006

- In 2006, the NBP started work on creating a new monetary statistics system.
- The NBP conducted work on the new system to gather and process data for the needs of the balance of payments statistics.
- In 2006, the NBP joined the *European Committee of Central Balance Sheet Data Offices* as a fully-fledged member, as well as its working group BACH (*Bank for the Accounts of Companies Harmonised*).

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<sup>54</sup> A model of exchanging reports with the European Central Bank and EUROSTAT.



## LEGISLATIVE ACTIVITY

## 12.1. Legislative activity of NBP governing bodies and of the Commission for Banking Supervision

In 2005, 81 legal acts were issued by the governing bodies of the National Bank of Poland.<sup>55</sup> A schedule of legal acts published in Monitor Polski (Official Gazette) and the Official Journal of the National Bank of Poland is enclosed in Appendix 3 to this *Report*.<sup>56</sup>

## 12.2. Participation of the NBP in the state authorities' work on draft normative and non-normative acts

Pursuant to the Act on the National Bank of Poland, the NBP cooperated with the state authorities by issuing opinions on draft normative and non-normative acts regarding economic policy and the banking system. Within the framework of this cooperation, it worked to ensure the stability of the financial system, the safety and development of the banking system and the monetary stability.

In 2006, the National Bank of Poland issued opinions on the following documents submitted by the state authorities:

- 131 documents received in the course of inter-ministerial consultations;
- 791 documents received prior to their examination by the Committee of the Council of Ministers;
- around 2,700 documents received prior to their examination by the European Committee of the Council of Ministers and the Committee for European Integration.

Within the inter-ministerial cooperation and at the meetings of the European Committee of the Council of Ministers, the NBP participated in giving opinions on Community and national documents related to Poland's European Union membership. In 2006, the following documents were, *inter alia*, subject to consultation:

- The Convergence Programme 2005 update;
- The National Development Strategy for years 2007–2015;
- Drafts of Government positions as to the third and fourth report of the European Commission on the practical preparations for the future enlargement of the euro area;
- The National Strategic Reference Framework for years 2007–2013;
- Assumptions of the financial management system for programmes conducted under the National Cohesion Strategy for years 2007–2013;
- White Paper on the future strategy on financial services;
- Green Paper on Mortgage Credit in the EU;
- Report on the progress of the National Reform Programme aimed at implementing the Lisbon Strategy;

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<sup>55</sup> The Commission for Banking Supervision did not issue legal acts in 2006.

<sup>56</sup> According to the rule adopted in the *Report*, legal acts concerning particular areas of the NBP activity are discussed in relevant chapters.



- Draft Positions of the Polish Government regarding the assumptions of the internal market policy after 2006 and draft Directive on services for the internal market.

In 2006, representatives of the NBP participated in the work of 36 inter-ministerial consultative conferences and legal committees as well as 83 meetings of Sejm committees and subcommittees, and meetings of Senate committees.

The NBP also took part in the development of solutions regarding major areas of the state's operation by participating in the work of the following bodies:

- Securities and Exchange Commission (*Komisja Papierów Wartościowych i Giełd*; until 18 September 2006);
- Insurance and Pension Funds Supervisory Commission (*Komisja Nadzoru Ubezpieczeń i Funduszy Emerytalnych*; until 18 September 2006);
- Commission for Financial Supervision (*Komisja Nadzoru Finansowego*; until 19 September 2006);
- Commission for Banking Supervision (*Komisja Nadzoru Bankowego*, until 18 September 2006 the President of the NBP was also the President of the KNB; since 19 September 2006 a Deputy President appointed by the President is a member of the Commission);
- Council for Financial Market Development (*Rada Rozwoju Rynku Finansowego*);
- Trilateral Commission for Social and Economic Affairs (*Trójstronna Komisja ds. Społeczno-Gospodarczych*);
- Public Debt Management Committee (*Komitet Zarządzania Długiem Publicznym*);
- Export Insurance Policy Committee (*Komitet Polityki Ubezpieczeń Eksportowych*);
- Accounting Standards Committee (*Komitet Standardów Rachunkowości*).

The most important draft legal acts on which the NBP issued opinions in 2006, which do not pertain directly to the banking sector (legal acts on the banking sector have been discussed in detail in Section 12.3), include:

- bill amending the Act on Publishing Normative and Some Other Types of Legal Acts as well as the Act on Electronic Signature<sup>57</sup>;
- bill amending the Act on Freedom of Economic Activity and Other Acts;
- bill on the Principles of Covering Costs of Producers Connected with Early Cancelling of Long-Term Agreements on the Sales of Power and Electricity;
- bill amending the Act Code of Civil Procedure and Other Acts<sup>58</sup>;
- bill amending the Tax Ordinance Act and Other Acts, bill amending the Act on Personal Income Tax and Other Acts, bill amending the Act on Corporate Income Tax.<sup>59</sup>

Moreover, the NBP issued opinions on government documents which were not draft

<sup>57</sup> The Act adopted on 21 January 2006, Dziennik Ustaw No. 145, item 1050.

<sup>58</sup> Dziennik Ustaw No. 235/2006, item 1699.

<sup>59</sup> Acts adopted on 16 January 2006, Dziennik Ustaw No. 217, item 1590, Dziennik Ustaw No. 217, item 1588, Dziennik Ustaw No. 217, item 1589.

normative acts, such as *the Strategy of the Public Finance Sector Debt Management for 2005–2007 and Proposals of Directional Changes in Legal Solutions Pertaining to Credit Unions*.

### 12.3. Draft legislation pertaining to the operation of the banking system

#### 12.3.1. Bills developed at the National Bank of Poland

- **Bill amending the Banking Law Act<sup>60</sup>**

The bill transposes the provisions of the Capital Requirements Directive (CRD). The Directive constitutes the amendment to Directive 2000/12/EC of the European Parliament and of the Council of 20 March 2000 relating to the taking up and pursuit of the business of credit institutions as well as Directive 93/6/EEC of 15 March 1993 on the capital adequacy of investments firms and credit institutions.

- **Bill amending the Act on Registered Pledge and the Register of Pledges and Other Acts<sup>61</sup>**

The changes stipulated in the bill are aimed at popularising the registered pledge, as one of the methods to collateralise claims, and streamlining the operation of the register of pledges, especially by simplifying its proceedings. The changes moreover encompass the provisions of the Act of 18 September 2001 on Electronic Signature.

- **Bill amending the Act on the Register of Deeds and Mortgage<sup>62</sup>**

The bill is aimed at organising regulations connected with mortgage by introducing consistency, dispelling doubts connected with the interpretation of existing regulations and adjusting them to the needs of modern conduct of legal transactions. The bill includes proposals increasing the significance of mortgage as loan collateral.

#### 12.3.2. Other bills

##### 12.3.2.1. Adopted acts

- **Bill amending the Public Procurement Act<sup>63</sup>**

The bill adjusts domestic regulations to requirements stipulated in EU directives in respect of granting public procurements. It also establishes the institution of the central employer, who conducts centralised procurements for government administration.

- **Bill on Financial Market Supervision<sup>64</sup>**

The bill introduced the integrated financial market supervision. The supervision, exercised by the Commission for Financial Supervision, encompasses oversight of the capital, insurance and pension market as well as supplementary supervision. Since 1 January 2008 it will also encompass banking supervision and supervision of electronic money institutions.

<sup>60</sup> The Act adopted on 26 January 2007, Dziennik Ustaw No 42/2007, item 272. See the chapter *Banking supervision* for more details.

<sup>61</sup> Submitted to the Justice Minister, as well as to the Sejm as government draft.

<sup>62</sup> Submitted to the Justice Minister.

<sup>63</sup> The Act adopted on 26 January 2006, Dziennik Ustaw No. 79, item 551.

<sup>64</sup> The Act adopted on 21 July 2006, Dziennik Ustaw No 157, item 1119. See the chapter *Banking supervision* for more details.

- **Bill amending the Banking Law<sup>65</sup>**

Solutions stipulated in the bill allow banks in the form of a joint stock company to be subject to a corporate division in a manner laid down in the Commercial Companies Code.

- **Bill amending the Public Finance Act<sup>66</sup>**

The bill's new regulations concern mainly altering the definition of foreign non-repayable funds from the EU and including those funds into income and expenses of the central government and other public finance sector organs. The bill obligates agencies and other legal persons to append their budget projections to the Budget Act draft. According to drafters, the new regulations are to increase transparency of the country's finances as well as consolidate the procedures of public finance management.

- **Bill on Disposing of Unclaimed Deposits<sup>67</sup>**

The bill regulates the principles and procedures to dispose of unclaimed deposits. It introduces the rule that a court ruling is necessary for the Treasury to take over unclaimed deposits. The bill takes into consideration the ruling of the Constitutional Tribunal of 16 March 2004.

- **Bill amending the Foreign Exchange Act and the Polish Penal and Fiscal Code<sup>68</sup>**

The bill stipulates, above all, the abolishment of the remaining limitations of foreign exchange (capital flow and payments) between Poland and EU Member States.

#### 12.3.2.2. *Bills under consideration and opinion*

- **Bill amending the Act on the National Bank of Poland**

The bill was submitted to the Speaker of the Sejm on 1 December 2005, together with a self-amendment, by a group of deputies from the Parliamentary Club of the Self-Defence of the Republic of Poland. The bill envisaged amending the provisions of the Act on the NBP in respect of: the objectives of the NBP activity, the formula of the oath taken by the President of the NBP, reasons for the dismissal of the President of the NBP and the MPC Members prior to the end of their term, monetary policy instruments, the system for setting zloty exchange rate against foreign currencies, the principles of accounting and financial management applied by the NBP. The NBP's opinion indicated that arrangements adopted in the bill are in conflict with the Constitution of the Republic of Poland and with central bank independence arising from the Treaty establishing the European Community (TEC). On 11 January 2007 the Legislative Commission recognised the bill as unacceptable.

Bill submitted by the Parliamentary Club of the League of Polish Families (LPR). It stipulated changing the person acting as the Chairman of the Commission for Banking Supervision from the President of the NBP to the person appointed by the Prime Minister. Moreover, the bill stipulated extending the number of the Commission's members by four (apart from the Chairman appointed by the Prime Minister the Commission would also encompass four representatives of the Sejm). Due to the fact that the Act on Financial Market Supervision entered force, the work on the bill was stopped.

<sup>65</sup> The Act adopted on 18 October 2006, Dziennik Ustaw No. 190, item 1401.

<sup>66</sup> The Act adopted on 26 December 2006, Dziennik Ustaw No. 249, item 1832.

<sup>67</sup> The Act adopted on 18 October 2006, Dziennik Ustaw No. 208, item 1573

<sup>68</sup> The Act adopted on 26 January 2007, Dziennik Ustaw No. 61, item 410. See the chapter *Foreign exchange operations* for more details.

- **Bill on Preventing Insolvency of Natural Persons and Consumer Bankruptcy**

The aim of the bill is to create a separate system of consumer bankruptcy proceedings. The bill stipulates three kinds of proceedings: proceedings to prevent insolvency, consumer bankruptcy with the possibility of entering into agreement with creditors and consumer bankruptcy encompassing liquidation of the debtor's possessions.

- **Bills: amending the Act on Investment Funds, amending the Act on Trading in Financial Instruments and amending the Act on Public Offering and Conditions Governing the Introduction of Financial Instruments to Organised Trading and on Public Companies<sup>69</sup>**

The amendments encompass: the activity of investment funds, the functioning of the financial instruments markets, the activity of investment companies and the mode of exercising oversight of those entities and their activity by the Commission for Financial Supervision. The proposed amendments resulted from the need to harmonise Polish regulations with EU directives.

- **Bill on the amendment of the Act on Certain Forms of Supporting Housing Construction**

The amendment is primarily aimed at liberalising and widening the scope of regulations on sales and securitisation of liabilities of the National Housing Fund (KFM). That would facilitate conducting such transactions at the Bank of National Administration (BGK), a part of which the KFM constitutes. Another goal of the amendment is to exclude the norms of exposure concentration stipulated by the Banking Law in connection with loans extended by the BGK out of KFM funds.

- **Bill on Restrictions on Holding Public Offices**

The bill stipulates responsibilities, restrictions and bans connected with holding public offices. Apart from disciplinary measures, the bill stipulates also criminal liability and dismissal from posts in case of holding possessions and withholding information on their origin.

## 12.4. Participation of the NBP in consulting Community bills and draft national legislation of the EU Member States

The NBP, as an ESCB member, participates in the process of consulting Community bills and draft national legislation where there is an obligation to consult the ECB, as required by the Treaty establishing the European Community and the Statute of the ESCB and the Statute of the ECB. The obligation to consult the ECB arises from Article 105 Para 4 of the Treaty and lies with both domestic and Community authorities. In 2006, the European Central Bank issued 66 draft opinions: 49 draft opinions on draft national legislation (including four Polish drafts)<sup>70</sup> and 17 draft opinions on the Community regulations. The most important drafts on which the ECB issued opinions include:

- Proposal of the amendment of Council Decision of 17 December 2001 establishing an exchange, assistance and training programme for the protection of the euro against counterfeiting (the Pericles programme) and the amendment of the proposal of Council Decision extending the application of the above-mentioned Decision to Member States that have not entered the single currency zone;
- Proposal of the Directive amending the Directive 92/49/EC and Directives 2002/83/EC, 2004/39/EC, 2005/68/EC and 2006/48/EC as regards procedural rules and evaluation criteria for the prudential assessment of acquisitions and increases of shareholdings in the financial sector;

<sup>69</sup> See the chapter *Development of the payment system* for more details.

<sup>70</sup> The drafts were: the bill amending the Act on the National Bank of Poland, the bill amending the Banking Law Act, the bill on financial market supervision, the bill amending the Foreign Exchange Act and Other Acts.

According to the European Commission, the aim of the proposed Directive is increasing legal assurance and transparency of the process of approving transactions of purchasing and increasing shares in companies from the banking, insurance and securities sector by supervising bodies;

- Portuguese draft legal act on the recycling, sorting and detecting counterfeit of euro notes;
- Draft regulations of the Bank of Sweden on cash supplies;
- Bill on the introduction of the euro in Slovenia;

The Act was adopted on 26 October 2006. It regulates issues connected with the introduction of the euro to Slovenia. The Act encompasses inter alia the following regulations: the length of the dual circulation period of the euro and the Slovenian tolar, conditions of exchanging the domestic currency for the euro, converting sums from tolar into euro and rounding them off as well as the continuity of agreements.

- Council Directive amending certain definitions of Council Directive 85/611/EEC on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS);
- ECB guidelines on accountancy and financial reporting;
- Draft ECB regulation amending Regulation ECB/2001/13 on the consolidated balance sheet of the monetary financial institutions sector.

The NBP also participated in consultations regarding draft documents and Community legal acts in connection with the work of other Community bodies.<sup>71</sup> The most important drafts on which the NBP issued opinions in 2006 include:

- Draft Directive on Payment Services in the Internal Market;

The Directive is aimed at introducing unified rules for providing payment services in the EU. It is to establish conditions of access of non-banking institutions to the payment services market as well as rights and duties of entities providing and using payment services (including duties connected with proper customer information).

- Working document of the European Parliament and Council *Working document on possible implementing measures to Directive 2005/06/EC of the European Parliament and of the Council of 26 October 2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing*;
- Proposal of the European Commission on definitions of certain financial services of the Sixth Council Directive of 17 May 1977 on the harmonization of the laws of the Member States;
- White Paper of the European Commission on the policy of financial services for years 2005–2010.

The aim of the document is to determine the European Commission's strategy on financial services for years 2005–2010. The Commission's priorities in the period encompass: introducing regulations provided for in the European Commission's Activity Plan on Financial Services, providing appropriate EU regulatory and supervisory structures, finalising the legislative process inter alia in the scope of retail banking and insurance companies' solvency,

<sup>71</sup> More in subchapter 13.1.2.



taking up new initiatives in respect of investment funds and retail financial services, developing consultations on financial services between the EU and the US and widening the scope of consultations with Japan, China, Russia and India.

- White Paper of the European Commission on improving the legal framework of the common market for investment funds;
- Draft Directive on consumer credit.

The NBP also took part in issuing opinions on documents connected with expanding the ESCB (since 1 January 2007) on, inter alia, the key for subscription of capital as well as drafts of the ECB Report. *Recent developments in supervisory structures in EU and acceding countries, and Monitoring of central bank's compliance with the provisions of Articles 101 and 102 of the Treaty.*

#### The most important activities of the NBP in 2006

- The NBP devised: bill amending the Banking Law Act, the bill amending the Act on Registered Pledge and the Register of Pledges and the bill amending the Act on the Register of Deeds and Mortgage.
- The NBP participated in issuing opinions on bills and government draft legal acts and other government documents on the functioning of the economy and the banking system.
- In the framework of consultations conducted by the ECB and the ESCB, the NBP took part in issuing opinions on drafts of domestic and Community legal acts.



## INTERNATIONAL ACTIVITY

## 13.1. Activities related to the performance of responsibilities arising from Poland's membership in the European Union<sup>72</sup>

### 13.1.1. Cooperation with the European System of Central Banks

Poland has been a member of the Economic and Monetary Union as a Member State with a derogation. As a result, NBP representatives participate in the works of the ECB and the ESCB within the scope specified for the EU Member States which remain outside the euro area.

In 2006, the President of the NBP participated in quarterly meetings of the General Council of the ECB which comprises governors of national central banks of the EU Member States as well as the President and Vice-President of the ECB. The competencies of the Council stem from the provisions of the Statute of the ESCB and the ECB and include inter alia expressing opinions on legislative acts passed by the ECB Governing Council, cooperation in the performance of statistical reporting responsibilities and participation in the determination of exchange rates in countries joining the euro area.

In 2006, the General Council considered the following issues: economic development of the euro area, fiscal and monetary policy, cross-border banking and banking statistics. In addition, at the request of Slovenia and Lithuania, the state of preparation of the *Convergence Reports* concerning those countries was discussed, as well as the *Convergence Reports* regarding 9 remaining countries with a derogation.

NBP representatives participated as members in the works of 12 Committees of the ESCB:

- International Relations Committee – IRC,
- Monetary Policy Committee – MPC,
- Banknote Committee – BANCO,
- External Communications Committee – ECCO,
- Internal Auditors Committee – IAC,
- Banking Supervision Committee – BSC,
- Legal Committee – LEGCO,
- Market Operations Committee – MOC,
- Information Technology Committee – ITC,
- Payment and Settlement Systems Committee – PSSC,
- Statistics Committee – STC,
- Accounting and Monetary Income Committee – AMICO.

Moreover, NBP employees participated in the work of 48 working groups and task forces within the ESCB where the following issues were discussed and prepared:

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<sup>72</sup> Participation of the NBP in the consulting of drafts of Community legislation was described in detail in Section 12.4.



- cross-border banking, crisis management, banking structures and the stability of the European banking system;
- selected aspects of ERM II;
- implementation of statistical requirements by countries outside the euro area;
- creation of TARGET2 system, including the legal form of the system.

In June 2006 the meeting of the Monitoring Working Group of the European Central Bank took place at the NBP. The aim of the meeting was to discuss the development of financial markets.

In addition, the cyclical evaluation of the fiscal situation of the Member States was made, the reports on the coordination of monetary policy were prepared and the legal risk of the activities of the Member States' central banks was analysed.

On 21 December 2006 the NBP acceded, within the framework of the ESCB, to the agreement on transportation of euro banknotes between Member States (*ESCB Agreement of 21 December 2006 on co-operation regarding transportation of euro banknotes between Member States*).

In 2006 the NBP established closer bilateral cooperation with the central banks of the EU Member States, including in particular Deutsche Bundesbank and the Bank of Finland. The cooperation included the exchange of experience related to the euro adoption and the practical aspects of membership in the EU and the euro area.

### 13.1.2. The NBP's participation in the work of Community bodies

In 2006, NBP representatives took part in the work of the following EU bodies:

- ECOFIN Council (unofficial meetings),
- committees and working groups of the EU Council and the European Commission (also as a cooperating institution)<sup>73</sup>,
- the Committee for Monetary, Financial and Balance of Payments Statistics (CMFB) and the Eurostat working groups.

Together with ministries and central agencies, the NBP was involved in the preparation of opinions on Community documents during meetings of the above mentioned bodies.

### 13.1.3. Other activity

NBP monitored events related to the activities of the EU pertaining to the central bank, including the information about cooperation between Poland and the Community institutions, national and Community level preparations to the implementation of the euro, opinion polls regarding these issues, information about the impact of the cohesion policy financed by the funds from the EU budget on the Polish economy, as well as the progress of work on the Directive on services on the internal market.

<sup>73</sup> Economic and Financial Committee, including the Financial Stability Table, the Economic Policy Committee of the EU Council, the Financial Services Committee of the EU Council, the Working Party on Competitiveness and Growth of the EU Council, PAN II Group of the European Commission, the Financial Counsellors group of the EU Council, Counterfeit Coin Experts Group affiliated with the European Anti-Fraud Office (OLAF).

## 13.2. Activity of the National Bank of Poland aimed at adoption of the euro in Poland

### 13.2.1. Participation of NBP representatives in the works of EU bodies dealing with issues related to adoption of the euro

NBP representatives participated in discussions on issues related to the single currency at the meetings of the following bodies:

- ESCB committees and working groups, such as the Legal Committee, the Banknote Committee and the Communications Committee,
- the EU Council committees and working groups, such as the Economic and Financial Committee, Euro-Coin Sub-Committee and the Working Group of Financial and Legal Experts,
- Working groups of the European Commission:
  - the PAN II (Public Administration Network) group dealing with practical aspects of the future adoption of the euro by the new EU Member States,
  - the Counterfeit Coin Experts Group affiliated with the European Anti-Fraud Office (OLAF),
  - the DIR COM Group for Information and Communication affiliated with the Directorate General for Economic and Financial Affairs of the European Commission.

Until the end of June 2006, the project of twinning cooperation between the NBP and Deutsche Bundesbank, which began in March 2005 and was co-financed by European Commission funds, was implemented. The aim of the cooperation was to share German experience on the information campaign about the introduction of euro to the cash circulation.

## 13.3. Collaboration with international economic and financial institutions

### 13.3.1. The Organisation for Economic Co-operation and Development

In 2006, the National Bank of Poland cooperated with the Ministry of Finance, the Ministry of Economy, the National Coordinator of Poland-OECD Cooperation and the Permanent Representative of the Republic of Poland to the OECD in the implementation of the tasks arising from Poland's membership in this organisation. As in the previous years, the National Bank of Poland provided the data on basic monetary aggregates and statistics concerning international trade in services and FDI.

In 2006, NBP representatives took part in the works of the following OECD target committees and working groups:

- Economic Policy Committee:
  - Working Group on Short-Term Economic Prospects,
  - Working Party on Macroeconomic and Structural Policy Analysis,
- Committee on Financial Markets:
  - Working Party on Financial Statistics,

- Committee on Investments:
  - Task Force on Investment Policy Framework,
  - OECD Workshop on Foreign Direct Investment Statistics,
- Economic and Development Review Committee,
- Employment, Labour and Social Affairs Committee,
- Committee on Industry and Business Environment,
- Working Party No. 2 on Competition and Regulation.

In January 2006, the second mission of the OECD visited Poland to prepare the 9th Review of the Polish Economy. The main topic of the Review was education and training. The meeting with the NBP representatives was devoted to the monetary and exchange rate policy, the euro adoption and the situation in the banking sector. The Review was summarised on 26 April 2006 at the meeting of the OECD Economic and Development Review Committee. The report pointed to the need of balancing the monetary and fiscal policy, extend the reform of the education system and support investments through the simplification of legislation.

In relation to the 10<sup>th</sup> anniversary of Poland's accession to the OECD which fell on November 2006, the OECD Secretary-General paid a visit to Poland. During the meeting with the President of the NBP, the current economic situation of Poland was discussed, as well as the role of the economic education of the society in the implementation of economic reforms. OECD representatives were also interested in the adoption of the euro by Poland and the implementation of the consolidated financial supervision.

### 13.3.2. The World Bank and the International Monetary Fund

The main topics of the discussions at the spring meeting of the Council of Governors of the World Bank and the International Monetary Fund in Washington in April 2006, which was attended by the NBP delegation, included access to energy sources, global monitoring of development, condition of the world economy and medium-term strategy for the IMF.

In May 2006, a mission, organised within Article IV consultations held pursuant to the provisions of the IMF Statute, visited Poland. The aim of the mission was to get acquainted with Poland's current economic situation, plans regarding economic, budgetary and monetary policies, and to collect statistical data required to compile the IMF annual report on Poland. In November 2006 a second consultative mission took place. It assessed the economic policy implementation in 2005 and set macroeconomic guidelines for the following year. Representatives of the IMF made a positive assessment of the monetary policy implemented by the NBP and the Polish banking system was perceived as stable and well supervised. The need of close cooperation between the Polish Financial Supervisory Authority, the Commission for Banking Supervision and the NBP with regard to establishment of new banking supervision organisational framework was emphasized.

In May 2006 the IMF, together with the World Bank, performed the review of the Polish financial system under the *Financial Sector Assessment Program (FSAP)*. The review covered financial stability, banking sector, enterprise sector, insurance and pension funds sector and the capital market. According to the FSAP mission, the main challenge for the banking sector is to ensure high quality risk management in the conditions of high lending growth in some market segments, as well as the efficient implementation of the New Capital Accord.

The Annual Meeting of the Board of Governors of the World Bank and the IMF in Singapore in September 2006 focused on the implementation of the Millennium Development Goals, Multilateral Debt Relief Initiative (MDRI), the liberalization of the global trade and the environmental pollution.

In November 2006, the fourth World Bank report on *Doing Business 2007: How to Reform* was published. The authors of the report once again pointed to the need of reforms of economic judiciary in Poland. This issue was also discussed in the World Bank and the NBP report entitled: *Poland: Legal Barriers to Contract Enforcement*.

### 13.3.3. The Bank for International Settlements

In 2006, the President of the NBP took part in six meetings of the Board of Governors of the Bank for International Settlements (BIS).

The 76<sup>th</sup> General Meeting of BIS Shareholders adopted the *Annual Report* and approved the balance sheet as at 31 March 2006 and the profit and loss account. The net profit amounted to SDR<sup>74</sup> 599.2 m after the deduction of administrative expenses, out of which SDP 132.4 m were allocated for dividends, paid out in a convertible SDR basket currency and amounting to SDR 245 per share. As the BIS shareholder, the NBP holds 8,000 shares of the nominal value of SDR 40 m and received dividend amounting to SDR 1.96 m (a 4.3% increase as compared to 2005).

Employees of the NBP took part in training courses and seminars organised by the BIS in collaboration with the Financial Stability Institute (FSI) and the Joint Vienna Institute (JVI), also as lecturers. The courses covered such topics as market and liquidity risk, financial globalisation, macroeconomic management and fiscal policy, macroeconomic stability, macroeconomic forecasting and inflation projection.

In 2006 the Irving Fisher Committee on Central Bank Statistics (IFC) was established at the BIS. The main task of the Committee is to promote the exchange of opinions and experience of central bank statisticians and economists concerning the central banking statistics and other economic issues.

In 2006 a database on available macroeconomic data bases (*Statistical Data and Metadata Exchange (SDMX)*) was established at the BIS. The access to the database will be granted to the employees of central banks which are BIS shareholders.

### 13.3.4. The European Bank for Reconstruction and Development

- In May 2006, the President of the NBP took part in the 15th Annual Meeting of the Board of Governors of the European Bank for Reconstruction and Development (EBRD). In his speech, he pointed to the need for the EBRD to continue its further involvement in new EU Member States, and in particular to finance higher-risk investment projects as well as innovative projects and research and development projects. The presentation of the Polish economy prepared together with the representatives of the Ministry of Finance, Ministry of Economy, Polish Information and Foreign Investment Agency and the private sector focused on the indicators concerning the Polish economy, prospects as regards fulfilment of the convergence criteria by Poland and Poland's attractiveness as a FDI location.
- In January 2006 the NBP and the EBRD published a joint report entitled *The impact of the legal framework on the secured credit market in Poland* which contained the analysis of the current functioning of registered pledge and mortgage and the recommendations. The report became the basis for the work of the team of government and academic experts and practitioners affiliated with the NBP who prepared the draft act amending the Act on

<sup>74</sup> BIS settlement unit – Special Drawing Rights

registered pledge and register of pledges and amending other acts, as well as the draft act amending the Act on land register and mortgage. The drafts were submitted to the Minister of Justice.

- In April an NBP representative took part in a consultative meeting organised by the World Bank and the EBRD on the policy of those organisations towards medium-income countries. The meeting focused on the justification of the continuation of lending activity in those countries and the simplification and acceleration of the loan programming cycle.
- In November, the report entitled *Law in Transition Online* was presented at the EBRD office. The report concerned the changes taking place in legal systems of the countries which joined the EU in 2004, including new Polish regulations on public trading in securities.
- The EBRD report entitled *Transition Report 2006 – Finance in Transition* was presented at the NBP's in December.

In 2006 the NBP and the Ministry of Finance conducted inter-ministry consultation on *Capital Resources Review (CRR-3)*, i.e. the document on the EBRD activity in the period 2006–2010 and the European Bank for Reconstruction and Development Strategy for Poland 2006–2008. As regards the Strategy for Poland, it was deemed justified to provide our country with the access to the widest possible range of EBRD financial instruments and the involvement of the EBRD in the area of infrastructure, energy sector, modernisation of certain sectors of the economy, financing of small and medium-sized enterprises, support for foreign investments, technology transfer and innovativeness.

### 13.3.5. The International Bank for Economic Cooperation

In 2006 NBP representatives participated in the meetings of the IBEC Council and in working meetings. The delegation also included representatives of the Ministry of Finance.

The IBEC continued the works aimed at the introduction of international accounting standards which would allow for full-scope audit of the bank's financial reporting. It will allow the member states to choose a strategic concept of further development, including the participation in a new supra-regional international banking institution.

### 13.3.6. Other activity

NBP representatives participated in the works of international expert groups dealing in international financial law, i.e. UNCITRAL, UNIDROIT.<sup>75</sup>

### 13.3.7. International cooperation in banking supervision

In April 2006, the representatives of central banks, banking sector supervisory authorities and the ministries of finance of the EU Member States participated in an exercise simulating the financial crisis management organised at the ECB. From the point of view of banking supervision, the most important thing was to check the functioning of the Memorandum of Understanding on crisis management which was signed by central banks, banking supervisory authorities and the ministries of finance of the EU countries within the framework of the prepared crisis situation scenarios. An important element of the exercise was the distribution of costs of recovery of the bank operating in numerous Member States. The exercise was to evaluate crisis management in the context of the situation of euro area countries.

<sup>75</sup> UNCITRAL – United Nations Commission on International Trade Law; UNIDROIT – International Institute for the Unification of Private Law.



Employees of the Polish banking supervision participated in the works of working groups in the EU, i.e. the Committee of European Banking Supervisors (CEBS) and the ECB. They are involved in the issues related to the introduction of the New Capital Accord and practical solutions regarding the supervision of the banks in international groups.

### 13.3.8. Training assistance to central banks and supervisory authorities from other countries

In 2006 the interest of central banks from countries undergoing the transformation in technical and training assistance offered by the NBP increased.

The NBP organised 18 study visits, 7 traineeships for central bank employees (from Georgia, Kyrgyzstan, Moldova, Mongolia, Azerbaijan) and 9 expert visits in seven central banks (Serbia, Montenegro, Bosnia and Herzegovina, Albania, Armenia, Vietnam and Azerbaijan). In addition, 3 seminars were organised on forecasting inflation (in cooperation with the Swiss National Bank), financial stability and the payment system.

The topics of the training included monetary policy, accounting, statistics, NBP experience in setting forth the inflation target, information policy on the direct inflation target, use of econometric models in the Polish economy, internal audit in risk management, personnel management and organisation of professional training courses, management of foreign currency reserves, financial monitoring, banking supervision and the integration with the EU. 155 people from 18 countries participated in various activities organised by the NBP within the framework of technical assistance (excluding expert visits).

In 2006 the NBP continued the programme of training assistance for supervisory authorities under the TIBS (*Training Initiative for Banking Supervision*) programme. Two international seminars were organised on financing the property market and effective operational risk management. They were attended by 52 people from Montenegro, Moldova, Belarus, Bulgaria, Romania, Ukraine, Armenia, Lithuania, Hungary, Georgia, Slovakia, Macedonia, Estonia and Slovenia.

Between 2001 and 2006 a total of 16 seminars were organised under the programme, including 12 independently and 4 in cooperation with other institutions such as the Financial Stability Institute and the Toronto Centre. In total, 452 representatives of supervisory authorities from 28 countries took part in seminars organised or co-organised by the TIBS.

#### The most important activities of the NBP in 2006

- NBP representatives participated in the works of committees and working groups of the ESCB, EU Council and European Commission.
- The NBP participated in an exercise simulating the banking crisis management organised at the ECB.
- The NBP acceded to the agreement on transportation of euro banknotes between Member States within the framework of the ESCB.

## INTERNAL DEVELOPMENT OF THE NBP

## 14.1. Human resources management

### 14.1.1. NBP staffing

In 2006, the average staffing at the NBP was 4,481 full-time posts and declined by 146 posts, i.e. 3.2% as compared to 2005. Personnel expense decreased again (by 0.7%) as a consequence of reduction in staffing initiated in 2002.

In relation to the rationalisation of staffing in regional offices carried out in the period 2004–2006, the employment at the branches decreased by 477 full-time posts.

Women dominated the staff and constituted 58.4% of total headcount (compared to 59.5% in 2005).

The proportion of staff up to the age of 35 in the total number of employees amounted to 20.5% (21.7% in 2005), while employees over 55 years of age represented 13% (12% in 2005).

At year-end 2006, the number of NBP employees with higher education constituted 54.3% of all staff (as compared to 52.7% in 2005).

### 14.1.2. Developing staff qualifications

In 2006, training activities were continued to reach one of the major objectives of the NBP, i.e. achieving the position of a significant economic research centre, both at home and within the European System of Central Banks. As a result, a lot of attention was paid to the development of specialist training. The training of the bank's employees participating in the works of international bodies, especially the EU bodies, continued. The courses were devoted both to individual areas of the NBP's activities, the principles of operation of European institutions, negotiation skills and improving one's command of foreign languages.

As in previous years, priority tasks of the NBP were taken into account when planning training courses. The application of this principle guarantees efficient use of funds allocated to training.

In 2006, 9,808 employees took part in training sessions organised by the NBP.<sup>76</sup> The number of trainees was the same as in 2005 (9,941 people).

The National Bank of Poland offered the following types of training courses to its employees:

- Internal training sessions featuring local and foreign lecturers

The internal specialised training covered primarily: law, balance of payments, financial markets, banking supervision, macroeconomics, statistics and econometrics, risk management at the bank, accounting and monetary policy. The training on IT software had an important role. A number of mandatory training sessions were also conducted. These covered the issues of protection of the bank's property as well as occupational health and safety. Foreign language tutoring was organised in the form of specialised courses and conversation classes with native speakers. The language courses focused on improving communication skills in specific areas and the preparation for internationally recognised examinations.

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<sup>76</sup> Some employees attended training sessions more than once.



- Domestic external training sessions

The thematic scope of the training included various aspects of law, accounting, taxes, foreign languages learning, audit and control, analysis of financial markets, human resources management, risk management at the bank and IT.

- Training sessions abroad

Such training included seminars, courses, conferences and study visits organised by central banks, international financial institutions and other educational institutions. The participating employees of the NBP had an opportunity to exchange experience on macroeconomics and monetary policy, financial stability, monetary settlement system, risk management, banking supervision, issuance of money and IT. The training courses abroad were organised in accordance with priorities approved for individual departments by the Management Board of the NBP.

- Internships at European institutions

The NBP employees completed internships at the European Central Bank, the European Commission, Deutsche Bundesbank, the World Bank, the International Monetary Fund and the Bank for International Settlements.

- Other forms of training

The employees also completed their education on under- and post-graduate university courses, PhD courses and legal counsel training. The scope of undergraduate university studies included: economics, administration, banking, management, finance. The scope of postgraduate studies included: banking and finance, accounting (financial and managerial accounting, controlling), IT and public procurement. The PhD studies were related to economics, law and IT.

### 14.1.3. Code of Ethics of NBP Employees

In 2004 the National Bank of Poland introduced *The Code of Ethics of NBP Employees*. The use of such regulations mitigated personnel risk at the NBP.

The employees' compliance with the *Code* in 2006 was analysed and presented to the Management Board by the assigned member of the NBP Management Board.

## 14.2. Premises and equipment

In 2006, the capital spending of the National Bank of Poland related to the performance of its responsibilities and investment purchases amounted to PLN 71,286 thousand, down by 61.8% as compared to 2005. As in previous years, the expenditure was primarily allocated to the following:

- ICT and telecommunications equipment investments and purchases,
- investment in construction,
- purchases of fixed assets.

The principal directions of investment activities in 2006 were compliant with the NBP *Plan of activity for 2004–2006* and pertained to:

- adjustment of the ICT infrastructure at the NBP to the requirements of the new reporting system, reduction of the operating costs of the *enbepe* Electronic Banking system and the introduction of the monitoring of another elements of the bank's critical functions,
- improvement of the banking security systems,
- continued automation of vaults and cash and vault operations to increase the efficiency of counting notes and coins and to increase the security of cash storage and transport,
- expansion and upgrading of the Bank's premises to adjust them to the functions performed by the NBP, to improve their technical condition and replace worn-out and depreciated assets.

### 14.3. IT support to the banking system and the NBP

The IT works performed in 2006 consisted in:

- the implementation of ongoing modifications to the IT systems, resulting from Poland's integration with the EU, and in particular from the participation of the NBP in the ESCB,
- the adjustment of supervision reporting to the New Capital Accord,
- the improvement of the existing ICT infrastructure,
- the continuation of long-term projects to ensure adequate level of modernity, availability and security of NBP systems.

While these tasks were implemented in 2006:

- the IT works related to the inclusion of the SORBNET-EURO system to TARGET2<sup>77</sup> were initiated;
- the works began on the construction of the system for external statistics purposes (PEGAZ)<sup>78</sup>;
- the final stage of branch system migration was completed under the Integrated Accounting System, i.e. the previous applications in all NBP units were replaced with a new ZSK-O subsystem;
- the Cash and Issue System, integrated with the central database of accounts and customers (ZSK-C), was launched. It took over the tasks of ISAPOD regarding cash and issue.

Another modules of the SES Central Subsystem implementing specific tasks related to the issue of currency notes were introduced;

- a new version of the Integrated Economic Database (IED)<sup>79</sup> was launched;

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<sup>77</sup> More on the issue in Chapter 7 "Development of the payment system".

<sup>78</sup> More on the issue in Chapter 11 "Statistical activity".

<sup>79</sup> Ibid.

- the following reporting systems were further modified in order to adjust them to the EU requirements:
  - the data processing system for the balance of payments (Roza);
  - SIS reporting system;
- the construction of the Banking Supervision IT System<sup>80</sup> was completed;
- the Labour Market Research system (BaRP) and the register of bureaux de change (REJKAN) were built; the work began on the Transaction Systems Archive (AST);
- a B2B interface between the ZSK-NBP system and the SIMIK-MF system<sup>81</sup> was launched; the work on the integration of the system with the Agricultural Social Insurance Fund system began;
- the work began on the extension of functions of the economic data warehouse in order to improve the reporting for the purposes of the ECB and Eurostat;
- the emergency node of the ESCB ITC network was built and the emergency teleconference system was launched.

#### 14.4. Safety and security

In 2006, as in previous years, work on maintaining proper security standards at the NBP was conducted. Further internal regulations regarding the protection of classified information and personal data, IT system security management, provision of cryptographic and certification services, technical security and physical safety, as well as business continuity, arising from the NBP security policy, were developed and implemented.

Additionally:

- The scope of services provided by the National Certification Centre was extended. The Centre serves as the main certification office in the Polish Public Key Infrastructure;
- The business continuity plan (BCP) was developed and tested for the critical functions implemented at the NBP in the case of unavailability of the NBP Head Office.

In addition, the following activities took place at the NBP regional branches:

- Special exercises were completed (in cooperation with the Police) to enhance cooperation principles and procedures in the case of crises in the NBP facilities;
- A non-standard system of monitoring of the transaction room with the recording of image and sound was implemented;
- Work on the construction of notes and coins transport verification and authorisation systems continued.

In 2006 analytical work consisting in the establishment of the banking facilities security risk was completed.

<sup>80</sup> More on the issue in Chapter 3 *Banking Supervision*.

<sup>81</sup> More on the issue in Chapter 9 *Services to Central Government*.

## 14.5. Internal audit

In 2006 further works were conducted to ensure full compliance of the internal audit activities with the International Standards for the Professional Practice of Internal Auditing developed by the Institute of Internal Auditors. The efficiency of the quality assurance system in the field of audit was evaluated<sup>82</sup> and the works aimed at making appropriate changes to the internal procedures in force were conducted.

In 2006 the IT programme GALILEO was implemented. It enhanced the performance of internal auditing function, mainly with regard to the audit process management.

In 2006, 43 audits were conducted (as compared to 44 in 2005), including 2 audits at the request of the ESCB's Internal Auditors Committee. They covered 34 topics stipulated in the *Internal Audit Activity Plan for 2006*. The works of 17 organisational units of the Head Office, the General Inspectorate of Banking Supervision and 12 regional branches of the NBP were audited.

No threats to the NBP activity were found in course of internal audits.

Additionally:

- the implementation of audit findings and recommendations was monitored,
- tasks going beyond the scope of audit were implemented, including analytical and consulting tasks.

## 14.6. Risk management

The works related to the implementation of a modern integrated risk management system, hereinafter referred to as the RMS, which began in 2004 were continued in 2006. The works in 2006 pertained to the implementation of the second (interdepartmental) level of the RMS, including the development and implementation of the policy of management of two types of operational risk (personnel and ICT) and of a new Business Continuity Plan (BCP) for the NBP. The measures undertaken and completed in 2006 strengthened the mechanisms of the operational risk management within the integrated RMS in the NBP, as well the financial risk management. The RMS development works led to the further integration of the system and raising awareness on the best methods, mechanisms and tools applied in the risk management process. In addition, tests and analyses were conducted with regard to the further development of the RMS.

The following tasks were implemented within the framework of activities related to the RMS implementation:

- the level of operational and financial risk was monitored on an ongoing basis;
- necessary measures related to the reduction of risk at the NBP were undertaken and monitored;
- the testing and development of the new Business Continuity Plan at the NBP was monitored;
- the functioning of the Risk Base was improved;
- training courses and consultations on the theory and practice of operational risk management were conducted for employees involved in the RMS implementation project;

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<sup>82</sup> The evaluation was made by Ernst & Young audit company.



- tests and analyses were conducted on mechanisms and procedures of advanced operational risk management which will be implemented in subsequent stages of the RMS construction;
- the activities aimed at ensuring the compliance of the RMS development with global trends in this regard were continued;
- the work on main processes modelling began.

The implementation of the above tasks was coordinated by the Risk Management Commission.

The activities aimed at the expansion of the RMS in the NBP by new elements, including advanced methodologies, techniques and tools for risk management in modern institutions, will continue within the framework of works of the Risk Management Commission in the following years.

#### The most important activities of the NBP in 2006

- The employment at the NBP was further reduced – by 146 full-time jobs, i.e. 3.2%.
- Further works were conducted to ensure full compliance of the internal audit activities with the International Standards for the Professional Practice of Internal Auditing by the Institute of Internal Auditors.
- The Business Continuity Plan (BCP) was developed for the critical functions implemented at the NBP.
- Works related to the Risk Management System development were conducted.



BALANCE SHEET AND PROFIT & LOSS  
ACCOUNT OF THE NBP

The financial statements of the National Bank of Poland were prepared as at 31 December 2006. In order to ensure comparability, the balance sheet and the profit and loss account as at 31 December 2005 were modified to take account of the changes in accounting principles in force since 1 January 2006.

### 15.1. Legal basis for the accounting of the NBP

The financial statements of the NBP were prepared on the basis of accounting books complying with the following regulations:

- the Act on the National Bank of Poland of 29 August 1997<sup>83</sup>,
- Resolution No. 16/2003 of the Monetary Policy Council of 16 December 2003 regarding the accounting principles, the structure of assets and liabilities in the balance sheet and the profit and loss account of the National Bank of Poland as amended, hereinafter referred to as Resolution No. 16/2003,
- Resolution No. 17/2003 of the Monetary Policy Council of 16 December 2003 regarding the rules of creating and releasing the currency revaluation reserve at the NBP to account for the risk of change in the exchange rate of the zloty to foreign currencies, hereinafter referred to as Resolution No. 17/2003,
- Resolution No. 57/2003 of the Management Board of the National Bank of Poland of 30 December 2003 regarding the way of performing tasks related to accounting at the National Bank of Poland, as amended, hereinafter referred to as Resolution No. 57/2003.

### 15.2. Basic accounting principles at the NBP

Pursuant to Article 67 of the Act on the NBP, the NBP accounting principles should conform to the ESCB standards. Therefore, on 1 January 2004, the NBP accounting rules were adjusted to *Guidelines of the European Central Bank of 5 December 2002 regarding the legal framework of accounting and financial reporting in the European System of Central Banks*.

The main accounting principles adhered to when preparing the financial statements of the NBP are as follows:

- **The principle of true and fair view**

The NBP applies the accounting principles so as to ensure a true and fair view of the economic and financial standing and the financial performance, in accordance with the true nature and economic importance of economic events.

- **The going concern principle**

Pursuant to Article 58 of the Act on the NBP, the bankruptcy of the NBP cannot be declared.

- **The prudence principle**

The valuation of assets and liabilities and recognition of revenues as part of the profit and loss account is performed with caution.

- **The materiality principle**

<sup>83</sup> Dziennik Ustaw No. 1/2005, item 2, No. 167/2005, item 1398, No. 157/2006, item 1119, item 162, No. 61/2007, item 410.

A simplified method for grouping economic operations on accounts, for the valuation of assets and liabilities and for the recognition of income and expense may be applied at the NBP, provided that it does not adversely affect either the true and fair view of the material and financial standing or financial performance.

- **The comparability principle**

The accounting principles are applied throughout. In subsequent financial years, the grouping of economic operations on accounts, the valuation of assets and liabilities, the establishment of the financial result and the preparation of financial statements are similar, so that the information included therein is comparable through subsequent years. The value of assets and liabilities shown in the accounting books as at the end of the year is recognised in a similar way in the accounting books that are opened for the subsequent financial year.

- **The accrual basis. An economic approach**

All economic events in a given financial year are recognised in accounting books for that year. Foreign currencies and gold that complies with the international standards of purity, which were purchased or sold as a result of a current or forward transaction, as well as debt securities purchased or sold as a result of a forward transaction are recognised on off-balance sheet accounts from the contract date to the settlement date. Debt securities purchased or sold in a current transaction and cash received or deposited by the NBP to be repaid are recognised on the balance sheet accounts on the settlement day. Interest, discount and premium on assets and liabilities and on off-balance sheet instruments are recognised in the financial result at the end of each operating day, except for interest on current assets in foreign currencies kept by the NBP on current accounts of other banks, interest on the required reserve payment and interest on assets and liabilities related to internal management, which is recognised in the financial result on the day of payment.

- **Events after the balance sheet date**

The balance sheet and the profit and loss account recognise the events of which the information was obtained after the balance sheet date and before the approval of the annual financial statements if these materially influence their contents.

- **Principles of the recognition of assets, liabilities, income and expense**

Assets, liabilities, income and expense are recognised in accounting books if:

- it is probable that any future economic benefits will flow in or liabilities will be paid,
- the risk or benefit related to an asset or liability has been transferred to the NBP,
- the value of an asset or liability and income or expense may be estimated reliably.

All income and expense regarding a given fiscal year are recognised in the financial result of that fiscal year. The following principles are observed:

- unrealised income is not recognised in the profit and loss account, with the exception of income due to a decrease in the revaluation account,
- unrealised costs on the valuation of the foreign currency resources, debt securities and gold resources are recognised in the profit and loss account as at the balance sheet date,
- deferred income or expense are recognised in assets or liabilities.

- Outstanding issues

Outstanding issues not laid down in the NBP accounting regulations are resolved as provided for by ECB guidelines, reports and decisions of the Accounting and Monetary Income Committee – AMICO of the ECB, preparatory works regarding ECB guidelines and international accounting standards in force as at the date of drawing up the financial statements. The aim of the NBP is to present true and fair view of the financial statements.

### 15.3. Certified auditor and its selection

The NBP annual financial statements drawn up as at 31 December 2006 are to be examined and evaluated by a certified auditor, i.e. Ernst & Young Audit sp. z o.o. with its principal place of business in Warsaw.

The certified auditor was selected by the Monetary Policy Council pursuant to Article 69 para. 1 of the Act on the National Bank of Poland. The selection was made by unlimited tender pursuant to the Public Procurement Act<sup>84</sup> of 29 January 2004. Ernst & Young Audit sp. z o.o. with its principal place of business in Warsaw was selected for two years (the company audited the NBP financial statements for 2005).

### 15.4. Changes in legal regulations pertaining to the NBP accounting in the financial year 2006

On 1 January 2006 Resolution No. 13/2005 of the Monetary Policy Council of 20 December 2005 entered into force, changing Resolution No. 16/2003 regarding the accounting principles, the structure of assets and liabilities in the balance sheet and the profit and loss account of the National Bank of Poland.<sup>85</sup>

Starting with 1 January 2006 all assets and liabilities of the NBP denominated in foreign currencies, excluding the assets and liabilities in foreign currencies related to internal management, are covered with the uniform accounting principles, which so far only concerned the assets and liabilities in foreign currencies related to holding and managing the official foreign exchange reserves.

At the same time foreign currency resources related and unrelated to the holding and management of the official foreign exchange reserves were merged.

The foreign currency resources created as a result of the merger are subject to adjustments to the average cost of the holdings and to the valuation on the basis of the average exchange rate.

The foreign exchange resources related to internal management are excluded from the unified foreign exchange process adjusted exclusively to the equivalent in the zloty following from the application of the NBP average exchange rates (in compliance with the regulations in force since 31 December 2005). This exclusion was dictated by the small materiality of those resources and the subsequent exchange rate differences.

### 15.5. Changes in the arrangement of assets and liabilities in the NBP balance sheet, and of the NBP profit and loss account

Pursuant to Resolution No. 16/2003, since 1 January 2004 the arrangement of the balance sheet, the profit and loss account and the content of asset and liability items have been adjusted to the ECB guidelines.

<sup>84</sup> Dziennik Ustaw No. 19/2006, item 177, as amended.

<sup>85</sup> Official Journal of the NBP No. 21/2005, item 30.

The arrangement of the balance sheet and of the profit and loss account of the NBP did not change in the financial year 2006.

Within the balance sheet liabilities changes were introduced in the way of presentation, which did not influence the balance sheet total:

- The NBP's liabilities due to alternative cash service, so far presented in item 4.1. "Liabilities to general government", were transferred to item 3, "Other liabilities". This service is provided by domestic banks, which make cash payments on the basis of cheques submitted by central government institutions with offices outside cities where the NBP has branches.
- The balance of the current account in euro maintained for the Secretariat of the Group of Banking Supervisors from Central and Eastern Europe as at the end of 2005 presented in item 7 "Liabilities to non-residents in foreign currency" was transferred to item 6 "Liabilities to residents in foreign currency."

A change in the way of presentation also took place in the profit and loss account. The change – which did not affect the value of the total profit of the NBP – consisted in transferring the interest expense on the account maintained for the Export Credit Insurance Corporation (KUKI) within the segment of "Interest, discount and premium expense" from item "Other expense" to "Expense on interest on current accounts and time deposits operated by the NBP."

## 15.6. Changes in the items of the NBP balance sheet

The balance sheet total of the National Bank of Poland as at 31 December 2006 was PLN 154,011,379.5 thousand and increased by PLN 4,346,750.4 thousand (2.9%) as compared to 31 December 2005, i.e. PLN 149,664,629.1 thousand.

The comparable data are presented in tables in the column "Comparable data" and cover the changes in the way of presentation in the liabilities of the balance sheet, as well as the changes due to the changes in accounting principles.

### 15.6.1. Changes in asset items

The main cause of the increase in total assets was the increase in lombard loans extended to banks on the last operating day, which resulted in an increase by PLN 2,722,239.2 thousand of item 5 "Claims on other domestic monetary financial institutions related to monetary policy operations denominated in national currency" and the increase in the balance of official reserve assets of the NBP.

In nominal terms, official reserve assets grew by EUR 862.6 m, which, despite the appreciation of the zloty (10.8% against the US dollar and 0.7% against the euro), had an impact on the increase by PLN 2,181,602.2 thousand of item 2.2 "Balances with foreign institutions, securities, granted loans and other foreign assets", which accounts for 95.4% of official reserve assets of the NBP. Table 12 presents changes in asset items of the NBP balance sheet in 2006.<sup>86</sup>

<sup>86</sup> In order to ensure comparability of financial data in the financial statements for 2006, the NBP modified the appropriate balance sheet items as at 31 December 2005 and items on the profit and loss account for 2005, as if the accounting principles adopted as at 1 January 2006 had been in force since 1 January 2005.



Table 12

## Changes in asset items of the NBP balance sheet

Item	Balance as at			Change	
	31.12.2005 Data from the approved financial statements	31.12.2005 comparable data	31.12.2006	31.12.2005-31.12.2006	
	PLN thousand				%
<b>ASSETS</b>					
1. Gold and gold receivables conforming to international standards of purity	5 535 040.4	5 535 040.4	6 120 942.1	585 901.7	10.6
2. Claims on non-residents denominated in foreign currency	133 770 335.2	133 770 335.2	135 484 279.2	1 713 944.0	1.3
2.1. Receivables from the IMF	1 269 440.2	1 269 440.2	801 782.0	-467 658.2	-36.8
2.2. Balances with foreign institutions, securities, granted loans and other foreign assets	132 500 895.0	132 500 895.0	134 682 497.2	2 181 602.2	1.6
3. Claims on residents denominated in foreign currency	107 671.6	107 671.6	0.0	-107 671.6	-100.0
4. Claims on non-residents denominated in national currency	0.0	0.0	0.0	0.0	0.0
5. Claims on other domestic monetary financial institutions related to monetary policy operations denominated in national currency	464 000.0	464 000.0	3 186 239.2	2 722 239.2	586.7
6. Other claims on other domestic monetary financial institutions denominated in national currency	2 699 968.5	2 699 968.5	2 254 761.0	-445 207.5	-16.5
7. Securities of residents denominated in national currency	0.0	0.0	0.0	0.0	0.0
8. Claims on general government denominated in national currency	0.1	0.1	0.4	0.3	300.0
9. Items in course of settlement	0.0	0.0	0.0	0.0	0.0
10. Other assets	7 087 613.3	7 087 613.3	6 965 157.6	-122 455.7	-1.7
10.1. Tangible and intangible fixed assets	1 140 746.9	1 140 746.9	1 044 065.9	-96 681.0	-8.5
10.2. Other financial assets	5 649 565.0	5 649 565.0	5 677 685.5	28 120.5	0.5
10.3. Off-balance sheet instruments revaluation differences	0.3	0.3	0.3	0.0	0.0
10.4. Accruals and prepaid expenses	59 086.3	59 086.3	32 389.6	-26 696.7	-45.2
10.5. Sundry	238 214.8	238 214.8	211 016.3	-27 198.5	-11.4
<b>TOTAL ASSETS</b>	<b>149 664 629.1</b>	<b>149 664 629.1</b>	<b>154 011 379.5</b>	<b>4 346 750.4</b>	<b>2.9</b>

Source: NBP data.

The change in the total assets resulted from the increase in:

- item 1. "Gold and gold receivables conforming to international standards of purity" by PLN 585,901.7 thousand, following increased market prices of gold,

and the decrease in:

- item 2.1. "Receivables from the IMF" by PLN 467,658.2 thousand, primarily following operations performed by the IMF within the annual transactions plan of the Fund according to the transaction exchange rates set by the IMF;
- item 6. "Other claims on other domestic monetary financial institutions denominated in

national currency" by PLN 445,207.5 thousand, due to repayment of instalments of a loan granted by the NBP for central investments;

- item 10. "Other assets" by PLN 122,455.7 thousand, primarily due to the decreased value of tangible and intangible fixed assets.

The value of items 4 "Claims on non-residents denominated in national currency", 7 "Securities of residents denominated in national currency", and 9 "Items in course of settlement" was zero as at 31 December 2006 (as at 31 December 2005).

### 15.6.2. Changes in liability items

The increase in total liabilities as at 31 December 2006 as compared to 31 December 2005 was primarily influenced by the increase in the amount of notes and coin in circulation by PLN 12,780,353.3 thousand, as a result of increased demand for cash. Table 13 presents changes in liability items of the NBP balance sheet in 2006.

Moreover, the change in total liabilities resulted from the increase in:

- item 2.1. "Current accounts (covering the minimum reserve accounts)" by PLN 3,846,401.2 thousand,
- item 4. "Liabilities to other residents denominated in national currency" by PLN 3,147,903.6 thousand, primarily as a result of the increase in liabilities to general government,
- item 8. "Liabilities to the IMF" by PLN 99,316.1 thousand, mainly due to the increase in contribution to the IMF in national currency,
- item 14. "Total profit" by PLN 1,951,916.2 thousand (when compared to the data from the approved financial statements the increase amounts to PLN 1,389,720.6 thousand);

and the decrease in:

- item 12. "Revaluation accounts" by PLN 7,920,424.8 thousand, which comprises:
  - the revaluation account – the value as at 31 December 2006 was PLN 1,949,048.2 thousand and decreased by PLN 4,428,657.4 thousand as compared to 31 December 2005; in comparison with the data from the approved financial statements the decrease in the revaluation account amounts to PLN 3,893,132.1 thousand,
  - unrealised gains from exchange rate valuation – the value as at 31 December 2006 was PLN 2,113,918.1 thousand and was lower by PLN 3,385,459.3 thousand as compared to 31 December 2005; in comparison with the data from the approved financial statements the decrease in unrealised gains from exchange rate valuation amounts to PLN 3,358,789.0 thousand,
  - unrealised gains from price valuation – the value as at 31 December 2006 was PLN 50,374.3 thousand and was lower by PLN 106,308.1 thousand as compared to 31 December 2005,
- item 2.4. "Other monetary policy operations" by PLN 4,729,092.7 thousand,
- item 7. "Liabilities to non-residents in foreign currency" by PLN 2,976,307.4 thousand,
- item 6. "Liabilities to residents in foreign currency" by PLN 2,011,763.3 thousand.

The value of items 2.3 "Fixed-term deposits", 9 "Items in course of settlement" and 13.3 "Reserves" was zero, as at 31 December 2005.

Table 13

## Changes in liability items of the NBP balance sheet

Item	Balance as at			Change	
	31.12.2005 data from the approved financial statements	31.12.2005 comparable data	31.12.2006	31.12.2005-31.12.2006	
	PLN thousand				
<b>LIABILITIES</b>					
1. Notes and coins in circulation	62 596 882.8	62 596 882.8	75 377 236.1	12 780 353.3	20.4
2. Liabilities to other domestic monetary financial institutions related to monetary policy operations in national currency	41 758 335.0	41 758 335.0	40 941 690.2	-816 644.8	-2.0
2.1. Current accounts (covering the minimum reserve accounts)	7 954 726.0	7 954 726.0	11 801 127.2	3 846 401.2	48.4
2.2. Deposit facility	2 582 234.4	2 582 234.4	2 648 281.1	66 046.7	2.6
2.3. Fixed-term deposits	0.0	0.0	0.0	0.0	-
2.4. Other monetary policy operations	31 221 374.6	31 221 374.6	26 492 281.9	-4 729 092.7	-15.1
3. Other liabilities to other domestic monetary financial institutions in national currency	60 731.1	69 280.5	144 936.9	75 656.4	109.2
4. Liabilities to other residents denominated in national currency	10 131 386.5	10 122 837.1	13 270 740.7	3 147 903.6	31.1
4.1. Liabilities to general government	10 024 016.2	10 015 466.8	12 909 206.8	2 893 740.0	28.9
4.2. Other liabilities	107 370.3	107 370.3	361 533.9	254 163.6	236.7
5. Liabilities to non-residents denominated in national currency	36 552.2	36 552.2	39 216.9	2 664.7	7.3
6. Liabilities to residents in foreign currency	7 787 912.8	7 787 920.5	5 776 157.2	-2 011 763.3	-25.8
7. Liabilities to non-residents in foreign currency	6 508 388.1	6 508 380.4	3 532 073.0	-2 976 307.4	-45.7
8. Liabilities to IMF	5 398 513.8	5 398 513.8	5 497 829.9	99 316.1	1.8
9. Items in course of settlement	0.0	0.0	0.0	0.0	-
10. Other liabilities	311 661.4	311 661.4	266 450.7	-45 210.7	-14.5
10.1. Off-balance sheet instruments revaluation differences	-9.2	-9.2	-1 417.0	-1 407.8	15302.2
10.2. Accruals and income collected in advance	242 938.8	242 938.8	232 575.0	-10 363.8	-4.3
10.3. Sundry	68 731.8	68 731.8	35 292.7	-33 439.1	-48.7
11. Provisions	105 753.3	105 753.3	104 095.6	-1 657.7	-1.6
12. Revaluation accounts	11 471 569.8	12 033 765.4	4 113 340.6	-7 920 424.8	-65.8
12.1. Revaluation account	5 842 180.3	6 377 705.6	1 949 048.2	-4 428 657.4	-69.4
12.2. Differences on exchange rate valuation of assets, liabilities and off-balance sheet instruments in foreign currency	5 472 707.1	5 499 377.4	2 113 918.1	-3 385 459.3	-61.6
12.3. Assets and liabilities price valuation differences	156 682.4	156 682.4	50 374.3	-106 308.1	-67.8
13. Capital and reserves	2 277 966.4	2 277 966.4	2 338 915.2	60 948.8	2.7
13.1. Authorised capital	1 500 000.0	1 500 000.0	1 500 000.0	0.0	0.0
13.2. Reserve capital	777 966.4	777 966.4	838 915.2	60 948.8	7.8
13.3. Reserves	0.0	0.0	0.0	0.0	-
14. Total profit	1 218 975.9	656 780.3	2 608 696.5	1 951 916.2	297.2
<b>TOTAL LIABILITIES</b>	<b>149 664 629.1</b>	<b>149 664 629.1</b>	<b>154 011 379.5</b>	<b>4 346 750.4</b>	<b>2.9</b>

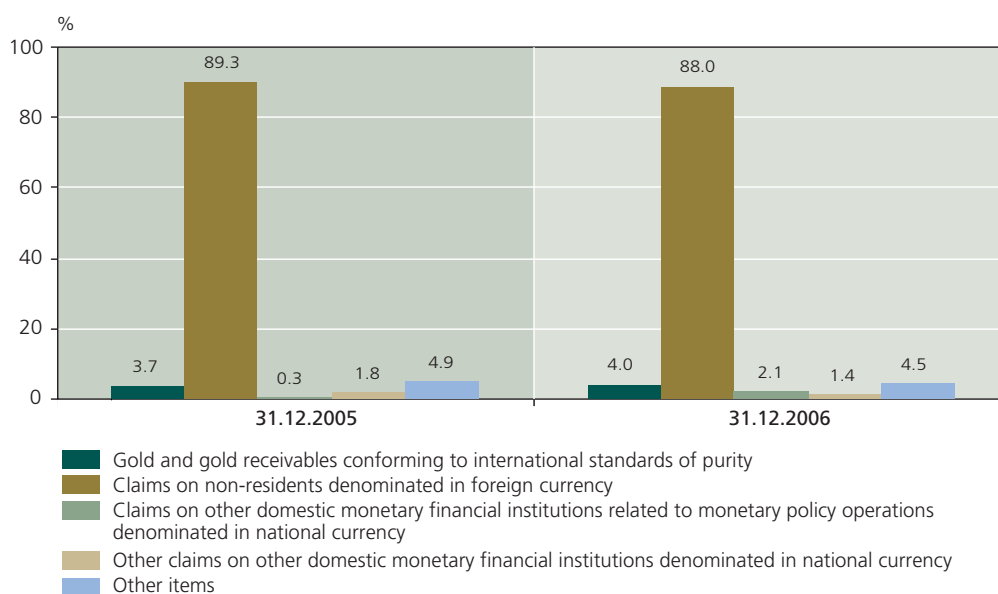
Source: NBP data.

### 15.6.3. Movements in assets

Claims on non-residents denominated in foreign currency were the main asset item both as at 31 December 2004 and as at 31 December 2005 (89.3% and 88.0% of the balance sheet total, respectively). Fig. 16 presents the comparison of the structure of assets in 2005 and 2006.

**Figure 16**

#### Structure of NBP balance-sheet assets in 2005 (comparable data) and 2006



Source: NBP data.

Increase in share in the structure of assets concerned the following items:

- claims on other domestic monetary financial institutions related to monetary policy operations denominated in national currency by 1.8 percentage points, from 0.3% up to 2.1%,
- gold and gold receivables by 0.3 percentage points, from 3.7% up to 4.0%,

and was accompanied by the decrease in:

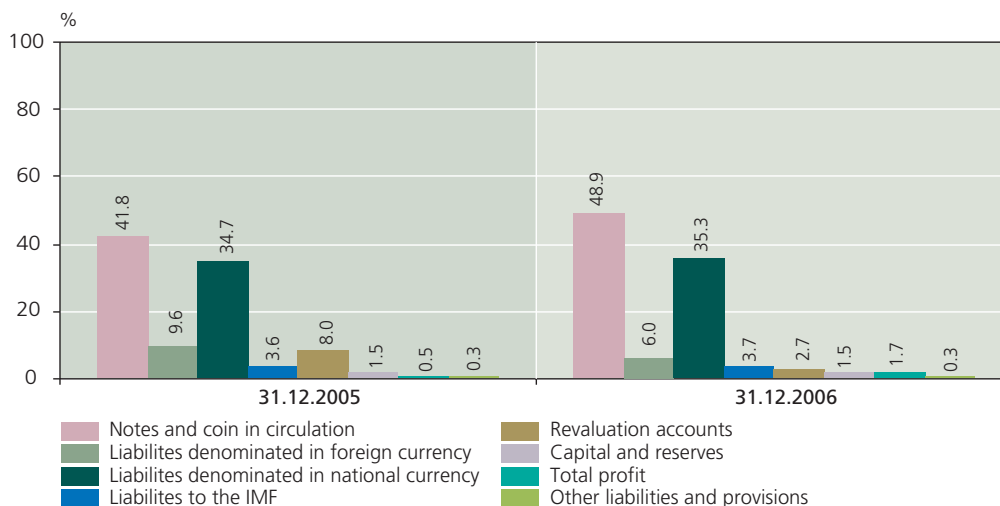
- claims on non-residents denominated in foreign currency by 1.3 percentage points, from 89.3% down to 88%,
- other claims on other domestic monetary financial institutions denominated in national currency (item 6) by 0.4 percentage points, from 1.8% down to 1.4%,
- other assets (item 10) by 0.3 percentage points, from 4.8% down to 4.5%,
- claims on residents denominated in foreign currency (item 3) by 0.1 percentage points, from 0.1% down to 0.0%.

### 15.6.4. Movements in liabilities

Figure 17 illustrates the movements that occurred in the NBP balance sheet on the side of liabilities in 2006.

Figure 17

## Structure of NBP balance-sheet liabilities in 2005 (comparable data) and 2006



Source: NBP data.

The most important movement, i.e. an increase by 7.1 percentage points, occurred in item 1 "Notes and coin in circulation", which is the largest liability item in the NBP balance sheet. The share of this item in the balance sheet total was 48.9% as at 31 December 2006 (as at 31 December 2005 – 41.8%). Additionally, the movements in liabilities were influenced by the increase in:

- total profit by 1.2 percentage points, from 0.5% up to 1.7%,
- liabilities denominated in national currency – by a total of 0.6 percentage points, from 34.7% up to 35.3%,

and the decrease in:

- revaluation accounts by 5.3 percentage points, from 8.0% down to 2.7%,
- liabilities denominated in foreign currency – by a total of 3.6 percentage points, from 9.6% down to 6.0%.

## 15.7. Movements in the NBP profit and loss account

The changes in accounting principles had bearing on some of the NBP's income and expense items grouped in the segment of "Net income/expense on financial operations on the profit and loss account."

As at 31 December 2006, the activity of the NBP brought profit amounting to PLN 2,608,696.5 thousand, i.e. PLN 1,951,916.2 thousand (297.2%) more than in 2004. As compared to the profit in the approved financial statements of the NBP for 2005 the total profit for 2006 increased by PLN 1,389,720.6 thousand (114.0%). Table 14 illustrates movements in the profit and loss account.

The almost four-fold increase in the total profit of the NBP as compared to 2005 is primarily a result of the increase in the net interest, discount and premium income by PLN 1,629,531.1 thousand, i.e. by 103.0%. The increase in this item was also influenced by other items on the profit and loss account, which increased the total profit by a total of PLN 322,385.1 thousand. Figure 18 presents the structure of NBP income as at 31 December 2005 and 2006.

Table 14

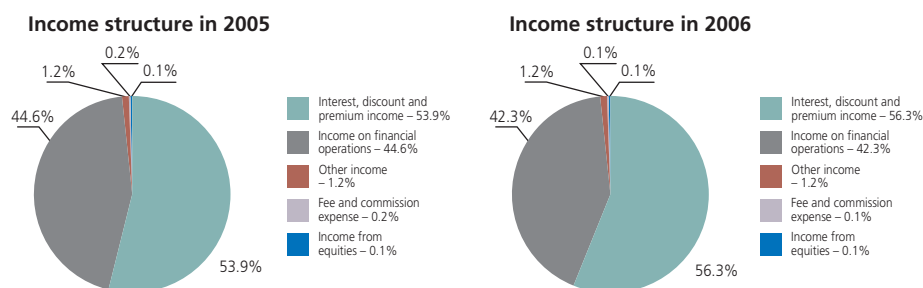
## NBP profit and loss account, 2005–2006

Item	Data for year			Change	
	2005		2006		
	data from the approved financial statements	comparable data		PLN thousand	%
Total profit	1 218 975.9	656 780.3	2 608 696.5	1 951 916.2	297.2
1. Net interest, discount and premium income/expense	1 581 617.7	1 581 617.7	3 211 148.8	1 629 531.1	103.0
2. Net income/expense on financial operations	774 503.9	212 308.3	474 368.2	262 059.9	123.4
FX gains	3 426 381.7	542 310.9	536 621.2	-5 689.7	-1.0
FX losses	2 586 754.8	264 879.6	110 330.4	-154 549.2	-58.3
Unrealised losses related to exchange rate valuation	3 181 805.4	2 646 280.1	2 886 892.1	240 612.0	9.1
Income on decrease in revaluation account balance	3 569 165.5	3 033 640.2	3 866 461.8	832 821.6	27.5
3. Net fee & commission income/expense	-12 608.3	-12 608.3	-10 914.9	1 693.4	-13.4
4. Income from equities	10 736.0	10 736.0	10 681.1	-54.9	-0.5
5. Other income	109 425.5	109 425.5	123 993.5	14 568.0	13.3
6. Personnel expense	405 849.5	405 849.5	403 817.2	-2 032.3	-0.5
7. Administrative expense	344 110.7	344 110.7	349 751.5	5 640.8	1.6
8. Depreciation	166 177.5	166 177.5	158 635.9	-7 541.6	-4.5
9. Issue of notes and coin expense	246 982.0	246 982.0	205 982.8	-40 999.2	-16.6
10. Other expense	81 579.2	81 579.2	82 392.8	813.6	1.0

Source: NBP data.

Figure 18

## Income structure in 2005 (comparable data) and 2006

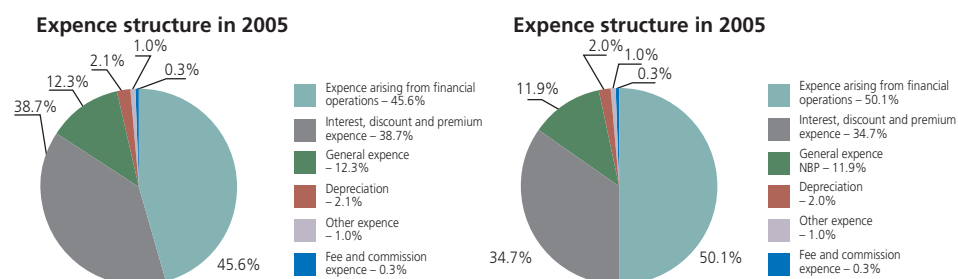


Source: NBP data

Slight movements occurred in income structure in 2006. The share of net income on interest, discount and premium increased by 2.4 percentage points (from the level of 53.9% in 2005 up to 56.3% in 2006). This occurred at the expense of the share of net income on financial operations, which decreased by 2.3 percentage points (from 44.6% in 2005 down to 42.3% in 2006). Figure 19 presents movements in the structure of NBP expense as at 31 December 2005 and 2006.

**Figure 19**

**Structure of NBP expense in 2005 (comparable data) and 2006.**



Source: NBP data.

Within the structure of expense the share of expense arising from financial operations increased from 45.6% in 2005 up to 50.1% in 2006, while the share of interest, discount and premium expense fell from 38.7% in 2005 down to 34.5% in 2006.

### 15.7.1. Net interest, discount and premium income/expense

Net interest, discount and premium income/expense amounted to PLN 3,211,148.8 thousand and as compared with 2005 was higher by PLN 1,629,531.1 thousand, i.e. by 103.0%. The increase in items was caused by the increase in income by PLN 1,306,506.6 thousand (27.7%) and by the decrease in expense by PLN 323,024.5 thousand (10.3%).

**Table 15**

**Net interest, discount and premium income/expense, 2005–2006**

Item	Data for year		Change		Structure	
	2005	2006			2005	2006
	PLN thousand				%	
Net interest, discount and premium income/expense	1 581 617.7	3 211 148.8	1 629 531.1	103.0	–	–
1. Income	4 716 864.7	6 023 371.3	1 306 506.6	27.7	100.0	100.0
on securities	3 591 773.5	4 422 227.4	830 453.9	23.1	76.1	73.4
on NBP funds held in bank accounts	901 661.9	1 424 394.1	522 732.2	58.0	19.1	23.7
on loans and advances	172 184.7	150 275.4	-21 909.3	-12.7	3.7	2.5
other income	51 244.6	26 474.4	-24 770.2	-48.3	1.1	0.4
2. Expense	3 135 247.0	2 812 222.5	-323 024.5	-10.3	100.0	100.0
interest, discount and premium on securities	1 919 198.8	1 566 690.9	-352 507.9	-18.4	61.2	55.7
interest on current accounts and time deposits operated by the NBP	1 215 678.6	1 245 380.7	29 702.1	2.4	38.8	44.3
on loans and advances denominated foreign currency	10.7	–	-10.7	-100.0	–	–
other expense	358.9	150.9	-208.0	-58.0	–	–

Source: NBP data.

The increase in income was mainly due to the increased income on:

- interest and discount on securities, by PLN 830,453.9 thousand (23.1%), of which:
  - foreign – increase by PLN 830,909.0 thousand (23.1%),



– national – decrease by PLN 455.1 thousand (40.4%);

- interest on NBP funds held in bank accounts in foreign currency by PLN 522,732.2 thousand.

The increase in the value of these items stemmed mainly from increased foreign currency reserves, additionally strengthened by an increased interest on investment instruments denominated in euro and USD (primarily inter-bank deposits, reverse repo transactions and discount securities). The positive impact of these factors on the NBP profit was partially offset by the annual average appreciation of the zloty against foreign currencies.

Decreased interest, discount and premium expense pertained mainly to expense on securities. As compared to the previous reporting period this expense decreased by PLN 352,507.9 thousand (18.4%), primarily as a result of the decreased expense on:

- premium on foreign securities by PLN 168,515.4 thousand (29.7%), mainly as a result of the decrease in the share of the foreign coupon securities in the investment composition of foreign exchange reserves and a lower annual average exchange rate of the zloty against foreign currencies,
- interest on NBP bonds by PLN 125,049.6 thousand (26.1%), as a result of their lower annual average interest rate (4.5% in 2006 as compared to 6.2% in 2005),
- discount on money bills by PLN 58,942.9 thousand (6.7%), primarily as a result of their lower annual average interest rate (4.1% in 2006 as compared to 5.3% in 2005).

#### 15.7.2. Net income/expense on financial operations

In 2006 net income/expense on financial operations amounted to PLN 474,368.2 thousand and was higher by PLN 262,059.9 thousand than in 2005, i.e. by 123.4%. This resulted mainly from the increase in:

- net income/expense on realised foreign exchange differences, which in 2006 was at PLN 426,290.8 thousand, i.e. higher by PLN 148,859.5 thousand than in 2005,
- income on decrease in revaluation account balance due to the increase in sales of foreign currencies for zloty by PLN 631,614.4 thousand.<sup>87</sup>

The positive impact of the above mentioned factors on the NBP earnings was partially offset by the decrease in the net income/expense on realised price differences, which in 2006 was at the level of PLN 283,104.5 thousand, PLN 465,306.0 thousand lower than in 2005. This decrease resulted mainly from the decrease in the prices of securities, whose effects were augmented by the increased scale of sales transactions.

Net income/expense on financial operations for 2006 as compared with the data in the approved financial statements for 2005 decreased by PLN 300,135.7 thousand, i.e. by 38.8%. This resulted mainly from the decrease in income/expense on realised foreign exchange differences by PLN 413,336.1 thousand.

<sup>87</sup> Income on decrease in revaluation account balance in 2006 amounted to PLN 3,866,461.8 thousand (in 2005: PLN 3,033,640.2 thousand), of which PLN 2,886,892.1 thousand (2005: PLN 2,646,280.1 thousand) pertained to the unrealised costs on exchange rate valuation, PLN 53.1 thousand (2005: PLN 39,457.9 thousand) – to the income on release of the revaluation account in gold, the remaining amount of PLN 979,516.6 thousand (2005: PLN 347,902.2 thousand) pertains to the sale of foreign currencies for the zloty. What follows is that income on decrease in revaluation account balance due to the sales of foreign currencies for zloty increased by PLN 631,614.4 thousand (PLN 979,516.6 – PLN 347,902.2).

Table 16

## Net income/expense on financial operations, 2005–2006

Item	Data for year			Change	Structure		
	2005		2006		2005	2006	
	data from the approved financial statements	comparable data		PLN thousand			%
Net income/expense on financial operations	774 503.9	212 308.3	474 368.2	262 059.9	123.4		
1. Income on financial operations	3 760 435.2	876 364.4	665 603.2	-210 761.2	-24.0	100.0	100.0
FX gains	3 426 381.7	542 310.9	536 621.2	-5 689.7	-1.0	61.9	80.6
Positive price differences	334 053.5	334 053.5	128 981.4	-205 072.1	-61.4	38.1	19.4
Other income on financial operations	–	–	0.6	0.6	–	–	–
2. Expense arising from financial operations	2 738 606.8	416 731.6	522 416.3	105 684.7	25.4	100.0	100.0
FX losses	2 586 754.8	264 879.6	110 330.4	-154 549.2	-58.3	63.6	21.1
Price losses	151 852.0	151 852.0	412 085.9	260 233.9	171.4	36.4	78.9
3. Unrealised expense	3 816 542.6	3 281 017.3	3 537 981.9	256 964.6	7.8	100.0	100.0
Unrealised losses related to exchange rate valuation	3 181 805.4	2 646 280.1	2 886 892.1	240 612.0	9.1	80.7	81.6
Unrealised losses related to price valuation	634 737.2	634 737.2	651 089.8	16 352.6	2.6	19.3	18.4
4. Income on release of provision against risk and reversal of write-downs on financial assets	3 569 218.1	3 033 692.8	3 869 163.2	835 470.4	27.5	100.0	100.0
Income on reversal of writedowns on financial assets	52.6	52.6	2 701.4	2 648.8	5 035.7	–	0.1
Income on decrease in revaluation account balance	3 569 165.5	3 033 640.2	3 866 461.8	832 821.6	27.5	100.0	99.9
5. Expense arising from establishment of provisions against risk and write-downs on financial assets	–	–	–	–	–	–	–
Expense arising from establishment of write-downs on financial assets	–	–	–	–	–	–	–

Source: NBP data.

## 15.7.3. Net fee and commission income/expense

Fee and commission income is earned by the NBP on the provision of banking services to the banking sector, state budget units and government special-purpose funds. Fee and commission expense is incurred principally as a result of the provision by commercial banks of alternative cash services to state budget units and government special-purpose funds in places where the NBP does not have its offices and in relation to clearing services for the NBP by the National Clearing House (Krajowa Izba Rozliczeniowa SA).

Table 17

## Net fee and commission income/expense, 2005–2006 (comparable)

Item	Data for year		Change	%
	2005	2006		
	PLN thousand			
Net fee and commission income/expense	-12 608.3	-10 914.9	1 693.4	-13.4
1. Fee and commission income	15 204.8	15 687.3	482.5	3.2
2. Fee and commission expense	27 813.1	26 602.2	-1 210.9	-4.4

Source: NBP data.

The fee and commission expense as at 31 December 2006 amounted to PLN 10,914.9 thousand, which was lower by PLN 1,693.4 thousand than in 2005. The reduction of this expense followed from:

- The decrease in expense by PLN 1,210.9 thousand, mainly as a result of the reduction of fee and commission expense on performance of own payment orders and on alternative cash services – by a total of PLN 2,214.2 thousand. The above changes were partially offset by the increase by PLN 838.3 thousand in expense arising from opening and operating NBP accounts in foreign currencies.
- The increase in income by PLN 482.5 thousand, mainly due to the higher income on securities lent to Euroclear Bank within the *Securities Lending and Borrowing* programme (by PLN 1 764.2 thousand) and the increase in fees and commissions received in relation to the operation by the NBP of current and auxiliary accounts (by PLN 203.1 thousand). This income was partially offset by the decrease in income on performing payment orders (by PLN 1,605.7 thousand), primarily as a result of the decrease in income on commission for the realisation of payment orders from the KSOK (which followed from a radical reduction of the number of orders addressed by the KSKOK to the NBP).

#### 15.7.4. Income from equities

Income on equities as at the end of 2006 amounted to PLN 10,681.1 thousand, which means that they were lower by PLN 54.9 thousand (0.5%) than at the end of 2005. The income was the sum of the income from dividends on shares in KIR SA (PLN 1,562.5 thousand) and the Bank for International Settlements in Basel (PLN 9,118.6 thousand).

**Table 18**

##### Income from equities, 2005–2006 (comparable)

Item	Data for year		Change		Structure	
	2005	2006			2005	2006
	PLN thousand			%		
Income from equities	10 736.0	10 681.1	-54.9	-0.5	100.0	100.0
Income from shares held	10 736.0	10 681.1	-54.9	-0.5	100.0	100.0

Source: NBP data.

#### 15.7.5. Other income

Other income was at the level of PLN 123,993.5 thousand and increased by PLN 14,568.0 thousand (13.3%) as compared to 2005. Other operating income increased by PLN 16,748.3 thousand, in particular the income on the sale of collector coin and collector's note.

**Table 19**

##### Other income, 2005–2006 (comparable)

Item	Data for year		Change		Structure	
	2005	2006			2005	2006
	PLN thousand			%		
Other income	109 425.5	123 993.5	14 568.0	13.3	100.0	100.0
Income on reversal of write-downs on other assets	30.7	34.1	3.4	11.1	–	0.0
Income on release of provisions	4 487.7	1 873.0	-2 614.7	-58.3	4.1	1.5
Other operating income	104 907.1	121 655.4	16 748.3	16.0	95.9	98.1
Adjustment on other expense from previous years	–	431.0	431.0	–	–	0.4

Source: NBP data.

**15.7.6. General expense****15.7.6.1. Personnel expense**

Personnel expense in 2006 was at PLN 403,817.2 thousand and was lower by PLN 2,032.3 thousand (0.5%) than in 2005. The decrease in expense was primarily a result of reduced staffing in the NBP and lower expense on establishing provisions for future liabilities to employees.

**Table 20****Personnel expense, 2005–2006 (comparable)**

Item	Data for year		Change		Structure	
	2005	2006			2005	2006
	PLN thousand				%	
Personnel expense	405 849.5	403 817.2	-2 032.3	-0.5	100.0	100.0
Salaries	331 613.5	329 326.4	-2 287.1	-0.7	81.7	81.6
Associated payroll costs	74 236.0	74 490.8	254.8	0.3	18.3	18.4
<i>of which: costs of the Employees' Pension Scheme</i>	<i>19 834.5</i>	<i>20 149.7</i>	<i>315.2</i>	<i>1.6</i>	<i>4.9</i>	<i>5.0</i>

Source: NBP data.

**15.7.6.2. Administrative expense**

In 2006 administrative expense was at the level of PLN 349,751.5 thousand, i.e. was higher by PLN 5,640.8 thousand (1.6%) as compared to 2005. The increase resulted mainly from the compulsory charge to the Bank Guarantee Fund higher by PLN 8,051.4 thousand (13%). The impact of the increase in this charge on the total profit was partially offset by the decrease in administrative expense in most other groups, in particular the decrease in external services expense by PLN 3,611.2 thousand and in expense on materials and energy by PLN 3,070.2 thousand.

**Table 21****Administrative expense, 2005–2006 (comparable)**

Item	Data for year		Change		Structure	
	2005	2006			2005	2006
	PLN thousand				%	
Administrative expense	344 110.7	349 751.5	5 640.8	1.6	100.0	100.0
Materials and energy	29 953.8	26 883.6	-3 070.2	-10.2	8.7	7.7
Benefits for employees and other entitled parties	16 045.2	14 037.5	-2 007.7	-12.5	4.7	4.0
Business travel	8 737.8	8 744.6	6.8	-0.1	2.5	2.5
External services	202 401.9	198 790.7	-3 611.2	-1.8	58.8	56.9
Taxes and official charges	71 557.9	77 276.8	5 718.9	8.0	20.8	22.1
<i>of which: BGF charges</i>	<i>62 123.5</i>	<i>70 174.9</i>	<i>8 051.4</i>	<i>13.0</i>	<i>18.1</i>	<i>20.1</i>
Transfers to special funds (enterprise social benefits fund)	3 884.3	3 967.4	83.1	2.1	1.1	1.1
Other administrative expense	11 529.8	20 050.9	8 521.1	73.9	3.4	5.7

Source: NBP data.

**15.7.6.3. Issue of notes and coin expense**

Issue of notes and coin expense at the end of 2006 was at the level of PLN 205,982.8, i.e. lower by PLN 40,999.2 thousand (16.6%) than in 2005. The decrease resulted mainly from the rationalised use of stocks held and from the reduction in coin production expense.

**Table 22****Issue of notes and coin expense, 2005–2006 (comparable)**

Item	Data for year		Change		Structure	
	2005	2006			2005	2006
	PLN thousand				%	
Issue of notes and coin expense	246 982.0	205 982.8	-40 999.2	-16.6	100.0	100.0
Banknote issue expense	151 888.2	133 818.4	-18 069.8	-11.9	61.5	65.0
Coin issue expense	95 093.8	72 164.4	-22 929.4	-24.1	38.5	35.0

Source: NBP data.

**15.7.6.4. Depreciation**

At the end of 2006, depreciation expense amounted to PLN 158,635.9 thousand, i.e. was lower by PLN 7,541.6 thousand (4.5%) than in 2005. This item includes:

- depreciation of fixed assets amounting to PLN 98,530.0 thousand,
- amortisation of intangibles amounting to PLN 60,105.9 thousand.

The decrease in the said expense category resulted mainly from the lowering of depreciation rates.

**15.7.6.5. Other expense**

The increase in other expense in 2006 by PLN 813.6 thousand (i.e. 1.0%) as compared to 2005 pertained mainly to other operating expense related to the issue of Poland's first collector note, which resulted in the allocation of the book value of the sold notes as expense. This increase was partially offset by the decrease in expense on free-of-charge transfer of fixed assets (this expense follows from the settlement of the unredeemed part of the transferred assets).

**Table 23****Other expense, 2005–2006 (comparable)**

Item	Data for year		Change		Structure	
	2004	2005			2004	2005
	PLN thousand				%	
Other expense	81 579.2	82 392.8	813.6	1.0	100.0	100.0
Expense arising from revaluation of write-downs on other assets	463.7	86.3	-377.4	-81.4	0.6	0.8
Expense arising from establishing provisions	206.7	453.8	247.1	119.5	0.2	0.5
Other operating expense	80 908.8	81 851.0	942.2	1.2	99.2	98.7
Adjustment on other income from previous years	–	1.7	1.7	–	–	–

Source: NBP data.

### 15.7.7. Annual profit of the NBP and its distribution

As at 31 December 2006, the profit of the NBP totalled PLN 2,608,696.5 thousand, i.e. was higher by:

- PLN 1,951,916.2 thousand (297.2%) as compared to the profit in 2005 according to comparable data,
- PLN 1,389,720.6 thousand (114.0%) as compared to the profit in 2005 according to the data from the approved financial statements.

Pursuant to Article 62 and Article 69 of the Act on the National Bank of Poland of 29 August 1997, the earnings of the NBP shall be distributed in the following manner (upon the audit of the NBP annual financial statements by an external auditor and the approval of the financial statements by the Council of Ministers):

- appropriation to the NBP reserve capital (5% of the profit) – PLN 130,434.8 thousand,
- transfer to the State Treasury – PLN 2,478,261.7 thousand.

### 15.8. Movements in the NBP off-balance sheet items

Table 24 presents a list of off-balance sheet items whose values are registered.

The largest movements in off-balance sheet items pertained to receivables and liabilities related to operations of currency exchange, performed for the value date up to 2 business days from the date of their conclusion (items 1–4). These operations were performed mainly for the sector of Polish general and local government institutions and were settled in the first days of January 2007.

Table 25 presents a list of off-balance sheet items whose quantity is registered.

The balance of precious metals<sup>88</sup> as at 31 December 2006 was 4,991,768.2 grams and was lower by 2,322,275.3 grams (31.8%) as compared to the balance at the end of December 2005. The change resulted from the designation of precious metals for the production of collector coins.

<sup>88</sup> In relation to gold not conforming to international standards of purity, the register is kept outside the balance sheet, in grams.

Table 24

## Movements in off-balance sheet items of the NBP registered by value

Item	Balance as at		Change	
	31.12.2005	31.12.2006	31.12.2005–31.12.2006	
	PLN thousand		%	
1. Receivables in foreign currencies related to current operations of currency exchange	1 032.8	6 159.7	5 126.9	496.4
2. Liabilities in foreign currencies related to current operations of currency exchange	1 654.0	131 513.7	129 859.7	7 851.3
3. Receivables in national currency related to current operations of currency exchange	1 406.4	126 268.8	124 862.4	8 878.2
4. Liabilities in national currency related to current operations of currency exchange	785.2	914.8	129.6	16.5
5. Receivables in foreign currencies related to forward operations of currency exchange	0.0	0.0	0.0	0.0
6. Liabilities in foreign currencies related to forward operations of currency exchange	0.0	0.0	0.0	0.0
7. Receivables in national currency related to forward operations of currency exchange	0.0	0.0	0.0	0.0
8. Liabilities in national currency related to forward operations of currency exchange	0.0	0.0	0.0	0.0
9. Financial liabilities				
– received	0.0	43 490.0	43 490.0	–
– granted	0.0	0.0	0.0	0.0
10. Guarantee liabilities				
– received	21 700.0	19 514.9	-2 185.1	-10.1
– granted	12 490.0	0.0	-12 490.0	-100.0
11. Conditional receivables	1 183 436.5	1 183 406.8	-29.7	0.0
12. Off-balance sheet operations related to own management	110 525.1	109 979.5	-545.6	-0.5
13. Foreign currency accepted for collection	0.4	1.4	1.0	250.0
14. Numismatic collection	253.4	256.0	2.6	1.0

Source: NBP data.

Table 25

## Movements in off-balance sheet items of the NBP registered by quantity

Item	Balance as at		Change	
	31.12.2005	31.12.2006	31.12.2005–31.12.2006	
	in grams		%	
Precious metals:	7 314 053.5	4 991 768.2	-2 322 285.3	-31.8
– gold	2 085 964.0	1 624 009.5	-461 954.5	-22.1
– silver	5 228 089.5	3 367 758.7	-1 860 330.8	-35.6
	in thousand items		%	
Deposit of valuables	6.1	6.8	0.7	11.5

Source: NBP data.







# APPENDICES

## APPENDIX 1

SELECTED INFORMATION ON THE BANKING SECTOR<sup>89</sup>

The banking sector is the largest and the most developed segment of the Polish financial market. At the end of 2006, its assets amounted to PLN 681.1 bn and were by 16.1% higher than in the previous year. The assets to GDP ratio increased to 65% of the GDP (from 60% at the end of 2005).

**Table 26**  
**Asset structure of the banking sector**

Item	Value (in PLN billion)		Dynamics (in %)	Structure (in %)	
	2005	2006	2005 = 100	2005	2006
Cash and due from central bank	17.8	23.0	129.0	3.0	3.4
Due from financial corporations	122.3	134.0	109.6	20.9	19.7
Due from non-financial customers, including:	248.6	315.1	126.8	42.4	46.3
– net loans to non-financial customers, of which:	238.5	305.4	128.1	40.7	44.8
– to enterprises	110.3	130.3	118.2	18.8	19.1
– to households	127.4	174.1	136.7	21.7	25.6
Due from general government	21.6	22.7	105.4	3.7	3.3
Due from reverse repo transactions	1.2	1.7	146.3	0.2	0.3
Securities, of which:	133.9	142.2	106.2	22.8	20.9
– NBP money bills and bonds	31.2	25.9	83.0	5.3	3.8
– Treasury bills and bonds	89.1	98.7	110.7	15.2	14.5
Fixed assets	20.7	20.3	97.7	3.5	3.0
Other assets	20.4	22.1	108.2	3.5	3.2
Total assets of the banking sector	586.4	681.1	116.1	100.0	100.0

Source: NBP data.

The net financial result of the sector reached PLN 10.6 bn and turned out to be the highest since the beginning of transformation (16.9% higher than in 2005). In the commercial banks the net result increased by 17.9%, and in the co-operative ones it decreased by 0.5%. As in the previous year, the result was primarily impacted by: increase in income from retail customers due to consumer and housing loans, from the fees and commissions as well as lower encumbrance with provisions.

The profitability of the Polish banking sector has improved for another time since 2004. Return on assets (ROA) and return on equity (ROE) in the commercial banks increased as compared to 2005 by 0.2 pp and 1.8 pp, while in co-operative banks they decreased by 0.2 pp and 2.9 pp.

The banks' regulatory capitals were corresponding to the incurred risk and allowed for their further development. The increase in funds resulted mainly from the reinvestment of the 2005 profit.

The average solvency ratio was higher than the required minimum and amounted to 13.2% (13.2% in domestic commercial banks, 14.0% in co-operative banks).

<sup>89</sup> Data for 2005 after audits, for 2006 – preliminary data. The dynamics and structure was calculated on the basis of data in PLN thousand.

Table 27

## Liabilities structure of the banking sector

Item	Value (in PLN billion)		Dynamics (in %)	Structure (in %)	
	2005	2006	2005 = 100	2005	2006
Due to central bank	2.5	5.0	197.5	0.4	0.7
Due to financial corporations	92.3	119.0	128.9	15.7	17.5
Due to non-financial customers, including:	337.4	383.9	113.8	57.5	56.4
– deposits of non-financial customers, of which:	329.1	375.6	114.1	56.1	55.1
– from enterprises	99.2	125.9	126.9	16.9	18.5
– from households	219.9	238.8	108.6	37.5	35.1
Due to general government	29.5	32.5	110.1	5.0	4.8
Due to reverse reproto transactions	11.5	13.1	113.6	2.0	1.9
Due to issue of own securities	9.4	15.9	169.3	1.6	2.3
Other liabilities	38.4	41.7	108.6	6.5	6.1
Specific provisions for off-balance sheet liabilities	0.4	0.4	92.9	0.1	0.1
General risk provision	0.9	0.7	76.1	0.1	0.1
Capital (funds) and subordinated debt	55.0	59.1	107.6	9.4	8.7
Profit/loss during approval procedures	0.1	-0.7		0.0	-0.1
Current year profit/loss	9.1	10.6	116.9	1.6	1.6
Total liabilities of the banking sector	586.4	681.1	116.1	100.0	100.0

Source: NBP data.

Table 28

## Relationships with non-residents

Item	Contributions (in %)	
	2005	2006
Contribution of operations with non-residents		
– in total assets of the banking sector	15.6	13.8
– in total liabilities of the banking sector	9.3	10.6

Source: NBP data.

Table 29

## Financial result of the banking sector

Item	Value (in PLN bn)		Dynamics (in %)
	2005	2006	2005 = 100
Gross financial results	10.9	13.0	119.0
Net financial results	9.1	10.6	116.9

Source: NBP data.

Table 30

## Profitability of the banking sector

Item	Return rate (in %)	
	2005	2006
ROA – net	1.6	1.8
ROE – net	20.6	22.4

Source: NBP data.

Table 31

## Own funds and distributed earnings of the banking sector

Item	2005	2006	Dynamics
	in PLN bn		in %
Regulatory own funds	45.6	51.1	112.0
Distributed profit, of which:	7.4	10.0	134.9
– own funds	2.9	4.1	141.8
– dividends	4.2	5.2	124.2

Source: NBP data.

Table 32

## Solvency ratio of the domestic banking sector

Item	2005	2006	Change
	in %		in pp
Solvency ratio	14.6	13.2	-1.4

Source: NBP data.

## APPENDIX 2

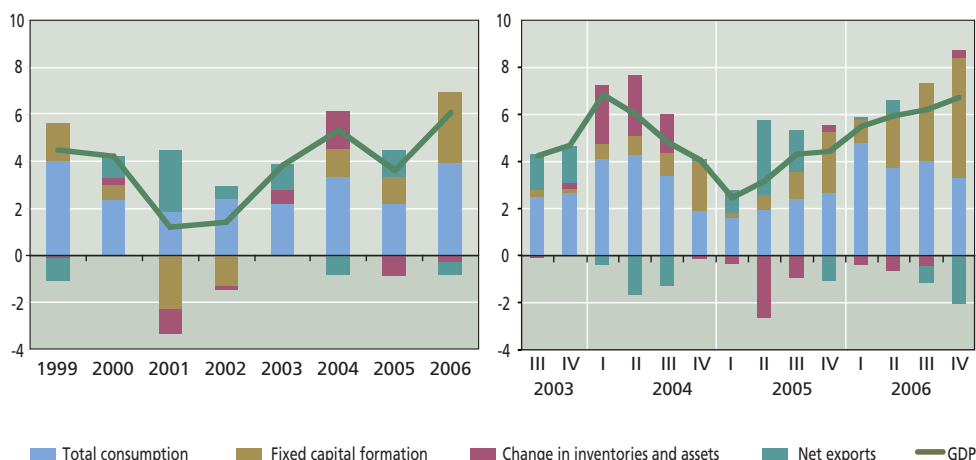
### GDP AND FINAL DEMAND

In 2006, domestic demand grew by 6.6% as compared with a 2.4% rise in 2005. The rise in the annual growth of domestic demand resulted from significantly higher private consumption (an increase from 2.0% to 5.2%) and gross fixed capital formation (a rise from 6.5% to 16.5%) in relation to the preceding year. As in 2006 public consumption rose by 3.9%, the total growth in consumption amounted to 4.8%. In 2006, inventories were growing at a slower rate than one year before and the growth rate of gross capital formation (14.1%) was lower than investment growth. Exports grew slower than imports, which means the reversal of the tendency of 2000–2005 (except for 2004).

The growth rate of gross value added<sup>90</sup> in 2006 was at 6.2%, while a year before this category recorded a rise of 3.3%. The rise in gross value added in 2006 primarily resulted from a recovery in market services and industry (their contributions to total value added growth amounted to 2.4 percentage points and 2.3 percentage points, respectively), and in the second half of the year also in construction. The scale of value added growth in market services was determined by trade and repairs.

Figure 20

Share of final demand components in the GDP growth



Source: NBP and GUS data.

The growth rate of gross investment outlays in 2006 was markedly higher than a year before, while the growth in inventories was lower. The acceleration in investment outlays was in part the result of the growing inflow of EU structural funds.

Due to much faster growth of disposable income than in the previous year, the growth rate of private consumption in 2006 was considerably faster than one year before. Improving labour market situation contributed to a rise of 7.2% in income from paid employment in 2006 (in current prices, data on income according to NBP estimates) and the indexation of old-age and disability pensions led to a rise of 4.7% in social benefits. The consumption growth in 2006 was in a significant degree financed by the rising income of private businesses and income from property. In turn, the payments to farmers under the Common Agricultural Policy in 2006 were close to the 2005 levels.

<sup>90</sup> GDP equals gross value added increased by the net balance of taxes on products (including import duties) and product subsidies.

Table 33

## GDP and domestic demand 1999–2006

	1999	2000	2001	2002	2003	2004	2005	2006
<b>Growth rate</b>								
GDP	4.5	4.3	1.2	1.4	3.9	5.3	3.6	6.1
Domestic demand	5.2	3.1	-1.3	0.9	2.7	6.0	2.4	6.6
Consumption	5.0	2.9	2.3	3.0	2.6	4.0	2.7	4.8
Private consumption	5.4	3.1	2.3	3.4	2.0	4.4	2.0	5.2
Capital formation	6.0	3.9	-13.4	-7.2	3.3	14.7	1.4	14.1
Gross fixed capital formation	6.6	2.7	-9.7	-6.3	-0.1	6.4	6.5	16.5
Exports	-2.5	23.2	3.1	4.8	14.2	14.0	8.0	14.5
Imports	1.0	15.5	-5.3	2.7	9.3	15.2	4.7	15.8
Contribution of net exports to GDP growth (percentage points)	-1.0	0.9	2.6	0.5	1.1	-0.8	1.1	-0.5
<b>GDP structure in current prices</b>								
Domestic demand	105.9	106.4	103.7	103.4	102.6	102.0	100.3	100.8
Consumption	80.7	81.6	82.9	84.8	83.8	81.9	81.1	80.2
Capital formation	25.3	24.8	20.8	18.6	18.7	20.1	19.2	20.5
Net exports	-5.9	-6.4	-3.7	-3.4	-2.6	-2.0	-0.3	-0.8

Source: GUS data.

The year 2006 was the fifth consecutive year of growth in exports and imports. The rate of growth in foreign trade turnover was significantly higher than in the preceding year and was markedly above the GDP growth. In the conditions of quickly rising domestic demand, imports in 2006 were rising faster than exports, which had the effect of a negative contribution of net exports to real GDP growth. In consequence, there was a slight rise in the current account deficit (in relation to GDP, from 1.7% in 2005 to 2.3% in 2006).



## APPENDIX 3

### PRICES OF CONSUMER GOODS AND SERVICES

In 2006 the annual CPI remained at a low level. In the first half of the year the annual inflation ran below the level of 1% (ranging from 0.6% in January to 0.8% in June), which was driven by drops (in annual terms) in the prices of food and other goods and services coupled with a high growth rate of regulated prices. In the second half of 2006, the annual inflation was close to the lower tolerance limit for deviations from the inflation target (ranging from 1.1% in July to 1.4% in December), which was driven by growing prices of food and other goods and services, combined with decelerating growth of regulated prices. The average annual inflation rate, which amounted to 1.0%, suggests low inflation in the whole of 2006.

The index of prices of food and non-alcoholic beverages in 2006 showed fluctuations and ranged from -0.9% y/y in January to 1.8% y/y in December (the highest growth in those prices was recorded in September: 2.4% y/y). The first half of 2006 was marked by a persistent downward tendency in the 12-month index of prices, mainly driven by drops in meat prices.<sup>91</sup> This was coupled with persistently low growth rate in other foods (except for vegetables). The second half of 2006 was marked by a reversal in food price developments. In the summer months, mainly as a result of declining supply of crop output caused by drought, the growth rate of food prices dramatically accelerated, reaching the level of 2.4% y/y in September. The reversal in the prior downward trend was mainly impacted by increases in the prices of bread and cereals and vegetables; yet, the growth rate in other groups marked a slight increase. At the same time, the mitigating effect of low meat prices was gradually fading. Although in 2006 Q4 the growth rate in food prices was slightly decreasing, it remained at a relatively high level.

Regulated price index<sup>92</sup> in 2006 underwent fluctuations and ranged from 3.6% y/y in January to 1.9% y/y in December (the highest growth rate of regulated prices was recorded in May: 4.5% y/y). In 2006 the annual growth rate of regulated prices was mainly determined by fluctuating growth rate of prices of fuel and natural gas. Other price groups in regulated prices were characterised by relatively stable growth rate. Hence, the annual price index of tobacco products, electricity, hot water and central heating in the whole of 2006 exceeded the regulated price index, with regulated transportation and communications curbing the rate of growth of regulated prices. Two periods may be distinguished in the developments of regulated prices in 2006. In the period January–September 2006 the annual regulated price index stayed at a high level, reaching its peak in May (4.5% y/y). This was driven by a rise in prices of natural gas in January (by 4.3% m/m) and April (by 10.0% m/m), causing the annual index of gas prices to reach the level of 13.9% and 26.6% respectively, as well as growing fuel prices brought about by hikes in crude oil and petrol prices in the world market. On the other hand, in the period October–December 2006 the annual growth rate of regulated prices was curbed mainly as a result of a drop in fuel prices (to -6.3% y/y in December) and limited increase in natural gas prices driven by the ending of the base effect in October 2006.

<sup>91</sup> The decline in meat prices (in annual terms) was driven by a high supply on this market coupled with a limited demand for meat resulting from bird flu cases being reported in Poland and the ban on Polish food imports in Russia (introduced in November 2005) and in Ukraine (introduced in March 2006).

<sup>92</sup> Regulated prices include prices of goods and services whose developments are not fully shaped by market factors. This group encompasses goods whose retail price is mainly composed of excise tax (fuels, alcoholic beverages, tobacco products) and goods and services whose prices are largely impacted by the decisions of central and local government institutions (public administration services, certain transportation services) and market regulators (electricity, gas, communications).

Table 34

## Changes (y/y) in main groups of prices of consumer goods and services in 2005–2006

	CPI	Food and non-alcoholic beverages	Regulated prices		Other goods and services	of which:	
				of which fuels		non-food products	services
CPI weight structure							
2005	100.00	26.94	26.62	3.84	46.44	26.81	19.63
2006	100.00	27.18	27.52	3.89	45.30	26.69	18.61
Change in relation to the corresponding period of the previous year (in %)							
Jan 2005	3.7	6.7	3.4	9.9	2.3	1.6	3.2
Feb	3.6	5.9	3.4	10.2	2.3	1.7	3.2
Mar	3.4	5.3	3.3	9.1	2.4	1.5	3.6
Apr	3.0	3.7	3.7	11.9	2.3	1.4	3.5
May	2.5	4.3	3.0	6.8	1.2	-0.4	3.3
Jun	1.4	0.4	3.3	8.4	0.9	-0.6	3.0
Jul	1.3	-0.8	4.2	13.1	0.8	-0.7	2.9
Aug	1.6	0.5	4.4	14.7	0.7	-0.9	2.8
Sep	1.8	1.0	4.7	16.5	0.6	-1.0	2.9
Oct	1.6	0.8	4.4	12.8	0.4	-1.1	2.6
Nov	1.0	-0.5	3.9	9.6	0.2	-1.2	2.2
Dec	0.7	-1.3	3.4	6.4	0.2	-1.2	2.2
Jan 2006	0.6	-0.9	3.6	6.4	-0.4	-1.6	1.4
Feb	0.7	-0.2	3.3	4.6	-0.4	-1.6	1.4
Mar	0.4	-0.7	3.2	3.4	-0.6	-1.6	0.8
Apr	0.7	-0.6	4.3	4.4	-0.6	-1.7	0.9
May	0.9	-0.2	4.5	7.1	-0.6	-1.6	0.8
Jun	0.8	-0.5	4.3	5.9	-0.6	-1.6	1.0
Jul	1.1	0.2	3.8	4.6	0.0	-1.7	2.5
Aug	1.6	1.8	3.9	4.9	0.1	-1.7	2.7
Sep	1.6	2.4	3.0	-1.1	0.2	-1.5	2.5
Oct	1.2	2.2	1.9	-6.2	0.2	-1.3	2.4
Nov	1.4	2.2	1.8	-7.1	0.7	-1.2	3.5
Dec	1.4	1.8	1.9	-6.3	0.8	-1.1	3.6
Jan–Dec 2005	2.1	2.1	3.7	10.8	1.2	-0.1	2.9
Jan–Dec 2006	1.0	0.6	3.3	1.5	-0.1	-1.5	2.0

Source: NBP calculations based on GUS data.

The index of other consumer goods and services in 2006 increased gradually from -0.4% y/y in January 2006 to +0.8% y/y in December 2006. This was mainly driven by an increase in the growth rate of prices of services to 3.6% y/y in December 2006 as compared with 1.4% in January 2006. Rising growth rate of prices of services was largely impacted by statistical effects connected with changes in the prices of Internet services.<sup>93</sup> The growth rate of prices of services excluding Internet services was lower and rose from 2.3% y/y in January 2006 to 2.5% y/y in December 2006. Drops in the prices of non-food products (-1.6% in January 2006 as compared with 1.1% in December 2006) were conducive to lowering the annual growth rate of prices of other goods and services. The main reason behind the decline in the prices of goods were persistent drops in the prices of clothes and footwear, electronic equipment, i.e. goods in considerable part imported from low cost countries. At the same time, the decline in the prices of non-food products was curbed by rising prices of heating fuel (by 5.5% y/y in December 2006 against 2.8% in January 2006) and rising growth rate of prices of materials for the maintenance and repair of the dwelling (from -0.7% y/y in January 2006 to +2.1% y/y in December 2006).

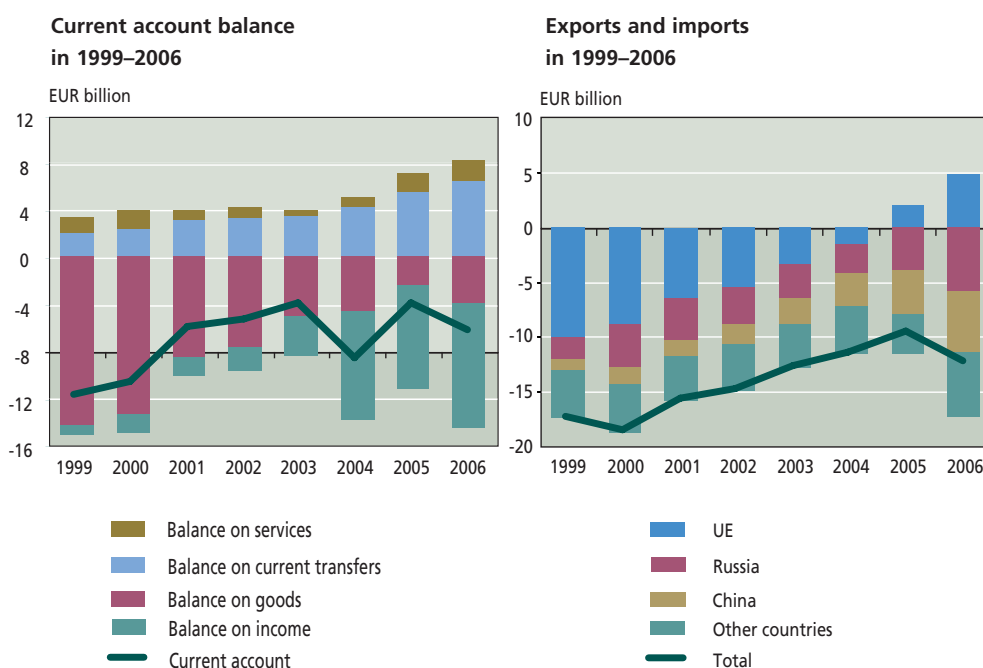
<sup>93</sup> The annual growth rate of prices of Internet services (growth from -27.3% in January 2006 to +55.3% in December 2006) was impacted by strong statistical effects connected with a price promotion launched by one Internet provider, started in November 2005 (drop of 34.9% m/m) and ended in July 2006 (increase of 60.0% m/m).

## APPENDIX 4

### BALANCE OF PAYMENTS

In 2005 the current account deficit of the balance of payments increased by over EUR 2.1 billion as compared with the previous year. The negative current account balance amounted to EUR 6.3 billion, and the relation of the current account deficit to GDP grew from 1.7% in 2005 to 2.3% in 2006. The deterioration in the current account balance was driven by the deepening trade deficit in goods and income. Similarly to 2005, the rising surplus in current transfers and services was conducive to the lowering of the current account deficit.

**Figure 21**  
Current account balance and Poland's foreign trade balance in 1999–2006



Source: NBP data.

Source: GUS data.

In 2006 the growth rate of both exports and imports grew as a result of significant acceleration in demand in the Polish economy and its environment.<sup>94</sup> The growth rate of imports hit the highest level in the last six years and for the first time since 1999 exceed the growth rate of exports.<sup>95</sup> Such level of imports was driven by both a strong growth rate of the volume of imports and import prices. The growth of transaction prices in imports<sup>96</sup> exceeding those in exports was conducive to deteriorating terms of trade in Polish foreign trade.<sup>97</sup> Acceleration in the growth of imports was driven by high growth in investment and consumer demand in Poland, rising demand in the export sector and further increase in crude oil prices in international markets.<sup>98</sup>

<sup>94</sup> In 2006 the volume of exports stepped up by 15.9% y/y (as compared with an increase of 10.6% in 2005), whereas the volume of imports increased by 15.8% y/y (5.2%); in 2006 the value of imports grew by 23.2% (against 13.8% in 2005) whereas the value of exports grew by 22.6% (19.6%).

<sup>95</sup> According to GUS data, the negative balance in Poland's foreign trade amounted to EUR 12.5 billion against EUR 9.7 billion in 2005.

<sup>96</sup> Import transaction prices expressed in EUR increased in 2006 by 6.4% (against 8.1% in 2005) whereas the export prices increased by 5.8% (8.2%).

<sup>97</sup> In 2006 the terms of trade index was 99.5 as compared with 100.1 in the previous year.

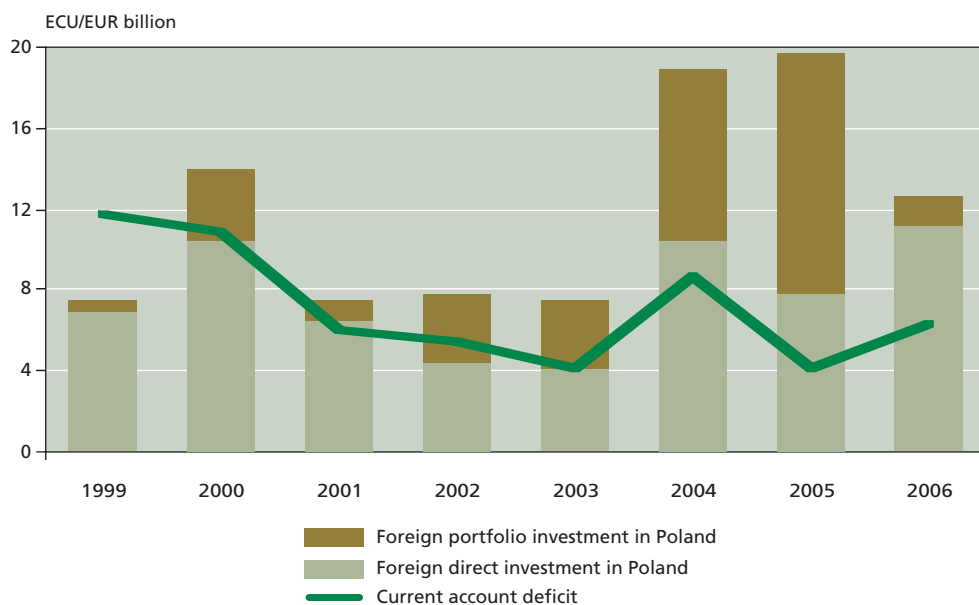
<sup>98</sup> The prices of imports of crude oil to Poland expressed in EUR stepped up in 2006 by 24.8% as compared with the previous year (against an increase of 42.2% in 2005).

Analysis of changes in the foreign trade balance broken down into Poland's major trading partners shows that deepening of deficit in 2006 was primarily driven by continued increase in the negative trade balance with non-EU countries, especially with Russia and China. This was coupled with a further increase in the positive trade balance with EU member states<sup>99</sup>, which was the result of accelerating growth rate of exports to the euro area<sup>100</sup> as compared with 2005. The highest growth in domestic demand in the euro area since 2000 constituted a driving force behind strong acceleration in the import demand in that region. Rising demand in the export sector of the euro area was mainly reflected in increased imports of intermediate products. A considerable share of this group of products in Polish exports and intensifying links of the Polish economy with the euro area resulted in increased imports from Poland in 2006, which appeared to be one of the highest among major trading partners of the euro area.<sup>101</sup>

In 2006 the nominal zloty exchange rate continued to strengthen – the average annual exchange rate of the zloty was 3.2% stronger against the euro, and 4.1% stronger against the US dollar. In the period 2006 Q1 – 2006 Q4 the real effective exchange rate of the zloty deflated with unit labour costs<sup>102</sup> in manufacturing appreciated less than the nominal rate i.e. by 0.6% as compared with 3.6% for the nominal effective exchange rate of the zloty.<sup>103</sup> The real appreciation of the effective exchange of the zloty deflated with CPI<sup>104</sup> in 2006 reached 2.7%.

**Figure 22**

**Current account deficit versus foreign investment inflows in 1999–2006**



Source: NBP data.

<sup>99</sup> This was driven by both lowering deficit on trade with the euro area countries and improved positive trade balance with the "old" EU member states and new EU member states.

<sup>100</sup> The volume of euro area exports in 2006 increased by 8.3% (as compared with an increase of 4.2% in 2005).

<sup>101</sup> The rate of growth of euro area imports from Poland reached in 2006 26%, as compared with an increase of 13% recorded in the total euro area imports. See: Euro-indicators, news release 42/2007 of 22 March 2007, Eurostat.

<sup>102</sup> An appropriate measure to assess changes in the competitive position of producers in international markets is an index reflecting production costs. Moreover, most of trade has so far involved the products of the manufacturing industry. For these reasons, the real exchange rate deflated with unit labour costs in manufacturing is the appropriate indicator of the international competitive position of producers. Calculations are based on estimates for 2006 Q4.

<sup>103</sup> Year over year changes based on monthly data.

<sup>104</sup> Concerns the average real effective exchange rate deflated with CPI calculated on the basis of monthly data.

In 2006 most of major financial indicators reflecting the external equilibrium of the Polish economy marked a slight deterioration as compared with the year 2005. Yet, they remained at a safe level. Current account deficit was entirely financed by the inflow of foreign capital in the form of foreign direct investment. The relation of foreign debt servicing to the value of exports of goods and services declined.

**Table 35****Main warning indicators (in %)**

Warning indicator	2004	2005	2006
Current account balance/GDP	-4.2	-1.7	-2.3
Current account balance + capital balance/GDP	-3.8	-1.4	-1.7
Trade balance/GDP	-2.2	-0.9	-1.5
Direct investment/current account balance	111.4	126.2	123.9
(Current account balance + capital balance + direct investment)/GDP	0.9	0.8	1.2
Foreign debt servicing/exports of goods and services	35.4	32.3	29.8
Foreign reserves expressed in terms of monthly imports of goods and services	4.0	4.7	4.0

Source: NBP calculations.

## APPENDIX 5

### MONEY AND CREDIT

The year 2006 saw continued growth of households' indebtedness with monetary financial institutions (MFI<sup>105</sup>) which was driven by steady improvement in the income of households. The upward trend was recorded mainly in housing loans denominated in foreign currency. The second half of the year was marked by a gradual shift in borrowers' inclination towards zloty denominated loans.

Despite a considerable increase in housing loans, the demand for consumer loans did not decline. This was possible thanks to the extension of the period of loans granted to households. This resulted also from a marked drop in interest rate on housing loans and an increase in the household disposable income.

After several years of stagnation, there was a marked revival in the corporate loan market. Improving investment conditions spurred growing interest among economic entities in zloty denominated loans, mainly medium- and long-term ones.

The year 2006 saw a continued trend, noted a year before, of regular reallocation of household financial assets in non-banking saving. This was mainly driven by low yields on funds deposited in bank accounts.

Rapid development of bank lending for household and corporate sectors found its reflection in the developments of monetary aggregates. At the end of 2006, the growth rate of M3 exceeded 15% y/y.

#### Loans to households

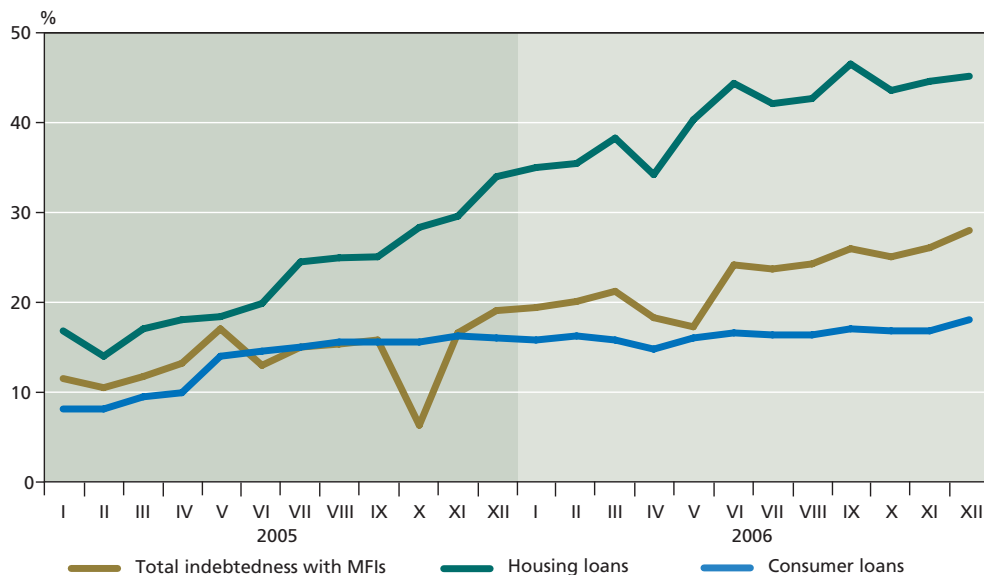
The total increase in households' indebtedness with monetary financial institutions in 2006 reached PLN 47.2 billion (33.4%) as compared with PLN 26.3 billion (22.8%) a year before. At the end of December 2006 the debt totalled PLN 188.5 billion.

Households used loans mainly to finance housing expenses. Their indebtedness with banks resulting from housing loans increased by PLN 27.3 billion, and its growth rate in the previous year increased by 13.3 percentage points to reach 54.1%.

Foreign currency denominated loans accounted for the major part of increase in the bank housing loans. In 2006 their value increased by PLN 17.6 billion (54.9%) as compared with an increase of PLN 9.7 billion (52.8%) in zloty denominated loans. As a result of exchange rate fluctuations in 2006 the fall in the value of foreign currency debt resulting from housing loans amounted to PLN 1.8 billion. This factor marked its significance especially in the second half of the year. In the period June-December 2006 the rate of growth of housing loans denominated in foreign currency decreased from 71.6% to 60.5% y/y (and from 69.8% to 54.9% r/r based on raw data).

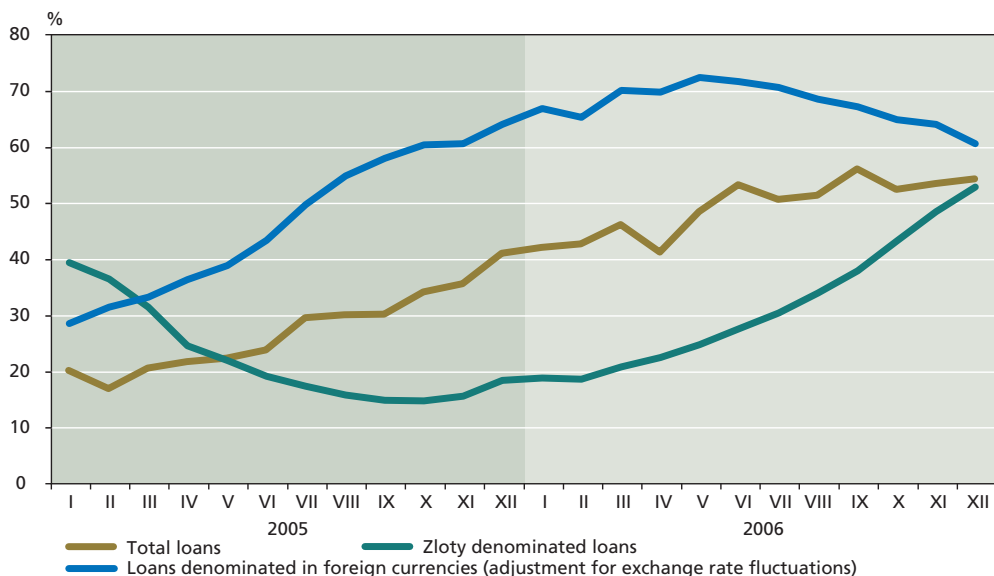
<sup>105</sup> Monetary financial institutions sector includes, apart from banks operating in Poland and branches of credit institutions and branches of foreign banks which are resident in Poland, also Credit Unions (*Spółdzielcze Kasy Oszczędnościowo-Kredytowe – SKOK*) and money market funds. The MIF sector does not include banking institutions which have been declared bankrupt or banking institutions either in liquidation or in organisation. In order to ensure comparability, the data for December 2004 were supplemented with SKOK data.

**Figure 23**  
**Households' indebtedness, annual growth rate**



Source: NBP data.

**Figure 24**  
**Housing loans to households, annual growth rate**



Source: NBP data.

A slow-down in the growth rate of foreign currency debt was accompanied by a markedly increased interest among households in zloty denominated housing loans. Their growth rate in 2006 stepped up by 34.5 percentage points reaching 52.8% y/y.

High demand for housing loans did not drive down demand for consumer loans.<sup>106</sup> Their value increased in 2006 by PLN 13.7 billion (21.5%). Despite high interest rate, exceeding on average 14%, the growth rate of consumer loans remained stable at the level of approx. 20% y/y since mid-2005.

<sup>106</sup> They include overdraft facilities, credit card facilities, hire purchase facilities and other – mainly car loans, cash and seasonal facilities.

## Loans to enterprises

The annual growth rate of corporate debt in monetary financial institutions rose in 2006 by 11.1 percentage points reaching 14.1%. The total debt of enterprises at the end of December 2006 amounted to PLN 140.2 billion – PLN 17.3 billion more than at the end of 2005.

Bank loans for pro-development projects – with repayment period exceeding 5 years – accounted for the largest share in the total debt increase. The end of 2006 saw a marked surge in interest in medium-term loans – from 1 to 5 years inclusive. At the end of December 2006 they recorded the highest growth (17.7% y/y as compared with 8.2% y/y a year before). Long-term loans increased in this period by 15.1% y/y (6.4% y/y in 2005), and short-term loans – up to one year including current accounts by 10.2% y/y (a year before they recorded a drop of 4.7% y/y).

**Figure 25**

### Corporate indebtedness, annual growth rate



Source: NBP data.

In order to finance both day-to-day operations as well as investment projects enterprises used mainly zloty denominated loans. The growth rate of zloty denominated loans increased steadily starting from 2006 Q1, to reach at the end of 2006 the level of 15.7% y/y (11.5 percentage points higher than a year before). After a fall in the value of foreign currency denominated loans in 2005 by PLN 0.8 billion (2.7%), their value in 2006 increased by PLN 2.4 billion (8.5%). The share of foreign currency denominated loans was rather stable and remained at the level of approx. 22%.

As shown by the balance of payments data, domestic sources of corporate financing were largely supplemented by foreign debt which increased in 2006 by PLN 31 billion (16.7%) up to PLN 216.7 billion, mainly as a result of growing share of non-trade loans from direct investors (growth of PLN 18.3 billion, i.e. by 35.8%). The value of trade loans increased in this period by PLN 6 billion (10.9%). On the other hand, the value of debt securities held by foreign portfolio investors fell by PLN 4.9 billion (32.1%).



## Deposits of households

2006 saw continuation of the trend of further reallocation of households' financial assets to non-banking forms of saving. Accounts held by individuals in monetary financial institutions gradually lost their significance as a form of investment which resulted primarily from their low yield. As a result, the reduction of savings in fixed-term deposit accounts of households<sup>107</sup> in 2006 amounted to PLN 4.1 billion (2.7%).

Contrary to fixed-term deposits, monetary financial institutions recorded a high increase – by PLN 23.5 billion – in households' current deposits. It was almost two times bigger than in 2005. The annual growth rate of current deposits increased in 2006 by 12.7 percentage points to 33.1%.

Bank deposits continue to be the main form of household savings. Yet, their share in the sector's financial assets fell by 5.7 percentage points to 45.9%. At the same time, the share of assets of investment funds increased by 4.5 percentage points to 18.2%. In 2006 the value of households' financial assets increased by the total of PLN 93.7 billion (22.2%). Investment funds' assets accounted for almost 40% of the increase.

**Table 36**

### Financial assets of households

Specification	Dec 05	Mar 06	Jun 06	Sep 06	Dec 06
1. Bank deposits	218.4	222.1	226.3	229.6	237.2
2. Shares <sup>1</sup>	25.8	30.8	32.1	38.1	45.3
3. Investment fund assets <sup>2</sup>	57.9	68.8	72.9	80.1	94.0
4. Life assurance undertaking <sup>3 4</sup>	41.8	44.2	46.8	49.3	53.1
5. Value of deposits with Credit Unions (SKOK)	5.0	5.2	5.3	5.4	5.6
6. Treasury bonds <sup>5</sup>	15.2	14.5	13.3	12.6	12.1
7. Treasury bills <sup>6</sup>	1.6	1.2	0.8	0.9	0.8
8. Notes and coin in circulation (excluding vault cash) <sup>7</sup>	57.2	58.4	64.2	66.2	68.8
9. Bank bonds	0.2	0.1	0.1	0.1	0.1
<b>TOTAL (items 1–9)</b>	<b>423.1</b>	<b>445.2</b>	<b>461.7</b>	<b>482.2</b>	<b>516.8</b>

<sup>1</sup> Shares and allotment certificates deposited in accounts in brokerage offices and houses and in trust companies.

– for reporting periods: for December 2005 according to GUS data, for June and December 2005 according to data of GUS and Polish Financial Supervision Authority, for remaining periods NBP estimates.

<sup>2</sup> Does not account for data from funds known to be oriented at legal entities only.

<sup>3</sup> Figures represent value of technical provisions in life assurance (including provisions where investment risk is borne by the policy holder).

<sup>4</sup> Own estimates.

<sup>5</sup> According to data of Ministry of Finance.

<sup>6</sup> According to data of Domestic Operations Department.

<sup>7</sup> It was assumed that the whole cash in the market was held by households.

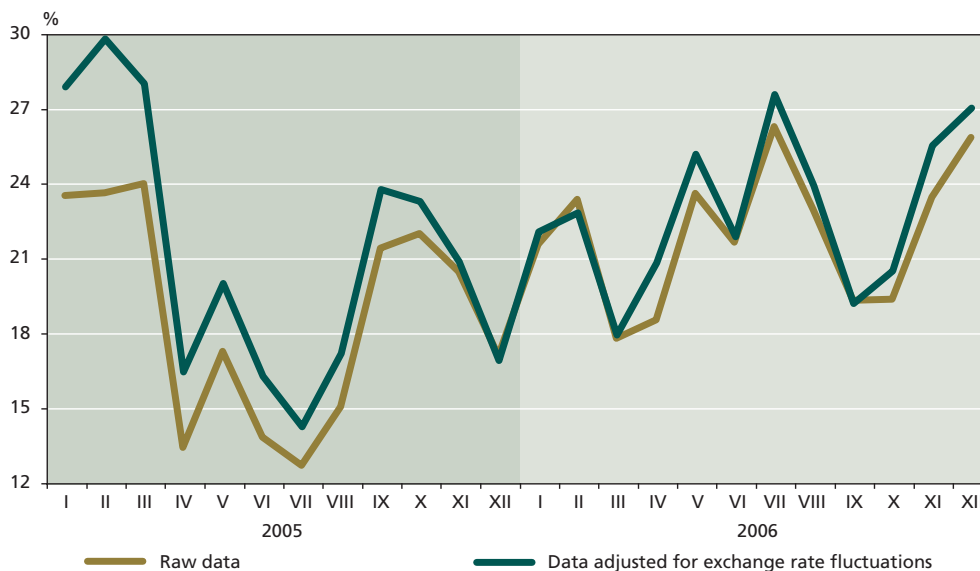
## Deposits of enterprises

The annual growth rate of corporate deposits<sup>108</sup> increased in 2006 by 8.8 percentage points to 25.8%, reaching at the end of December 2006 PLN 126.5 billion, thus exceeding by PLN 26 billion (25.8%) the level recorded at the end of 2005. A year before the increase in the sector's deposits was lower by more than PLN 11 billion.

<sup>107</sup> Along with deposits of more than 2 years and deposits with notice period exceeding 3 months – not classified as M3 aggregate.

<sup>108</sup> Including deposits of more than 2 years and deposits with notice period exceeding 3 months – not classified as M3 aggregate.

**Figure 26**  
**Deposits of enterprises, annual growth rate**



Source: NBP data.

High level of monetary assets in the accounts of enterprises reflects their good liquidity position. As suggested by the NBP's survey studies<sup>109</sup>, at the end of December 2006 the number of respondents giving a positive assessment of the level of financial liquidity grew considerably. In this period 74.9% of the surveyed enterprises did not report any liquidity problems – 5.6 percentage points more than in the corresponding period of 2005.

### Monetary aggregates

Rapid development of bank lending to households and corporate sector found its reflection in the developments of monetary aggregates in 2006. The value of M3 aggregate grew in this period by PLN 64.5 billion (15.6%) to PLN 477 billion – the increase was PLN 25.5 billion higher than in 2005. After the period of stabilised growth of M3 aggregate at the level slightly exceeding 10% y/y, the second half of 2006 was marked by a clear increase of this index. In the whole period its value rose by 5.2 percentage points to 15.6 % y/y. The fastest growth was recorded by the most liquid components of M1 aggregate (currency in circulation and current deposits). Their annual growth rate stepped up in comparison with the end of 2005 by 7 percentage points to 25.3%. The growth rate of less liquid components of the broad money (M3–M1) also increased by 2.4 percentage points to 5.8% y/y.

Among components of the narrow money M1, a nominal growth in currency in circulation recorded an increase of PLN 11.6 billion as compared with an increase of PLN 6.4 billion, which was almost two times higher than in 2005. This was mainly brought about by growing income of individuals driving higher transaction demand for cash.

<sup>109</sup> *The condition of non-financial enterprises in the first quarter of 2007*, NBP – the Macroeconomic and Structural Analyses Department of the NBP (available at [www.nbp.pl](http://www.nbp.pl)).

Table 37

## Monetary aggregates and their components

Item	Level		Growth	
	Dec 2006	Dec 2005	PLN billion	%
1. Currency in circulation (excluding cashat banks)	68.8	57.2	11.6	20.3
2. Deposits and other liabilities	191.8	150.9	41.0	27.2
– households	223.1	203.5	19.6	9.6
– non-monetary financial institutions	19.2	15.2	4.1	26.7
– enterprises	125.2	99.5	25.7	25.8
– non-commercial institutions serving households	10.4	9.7	0.7	7.5
– local governments	14.6	13.7	0.9	6.3
– social security funds	4.7	3.8	0.9	23.4
3. MONEY M1(1+2)	260.6	208.0	52.6	25.3
4. MONEY M2	466.0	402.5	63.4	15.8
5. MONEY M3	477.0	412.5	64.5	15.6

Source: NBP data.

Table 38

## MFI assets from domestic sectors

Item	Level		Growth	
	Dec 2006	Dec 2005	PLN billion	%
Loans, facilities and other receivables	361.0	292.9	68.1	23.3
– households	188.5	141.3	47.2	33.4
– non-monetary financial institutions serving households	14.0	11.4	2.6	23.0
– enterprises	140.2	122.9	17.3	14.1
– non-commercial institutions serving households	1.0	0.8	0.2	19.4
– local governments	14.8	11.9	2.8	23.6
– social security funds	2.6	4.6	-2.0	-43.0

Source: NBP data.

## APPENDIX 6

## INFLATION PROJECTIONS OF THE NBP

The *Inflation Report* prepared quarterly by the MPC, together with the attached inflation projection prepared by the NBP's economists, is a very important instrument of communication with market participants. The *Inflation Report* is a document presenting the Monetary Policy Council's assessment of the current and future macroeconomic developments influencing inflation.

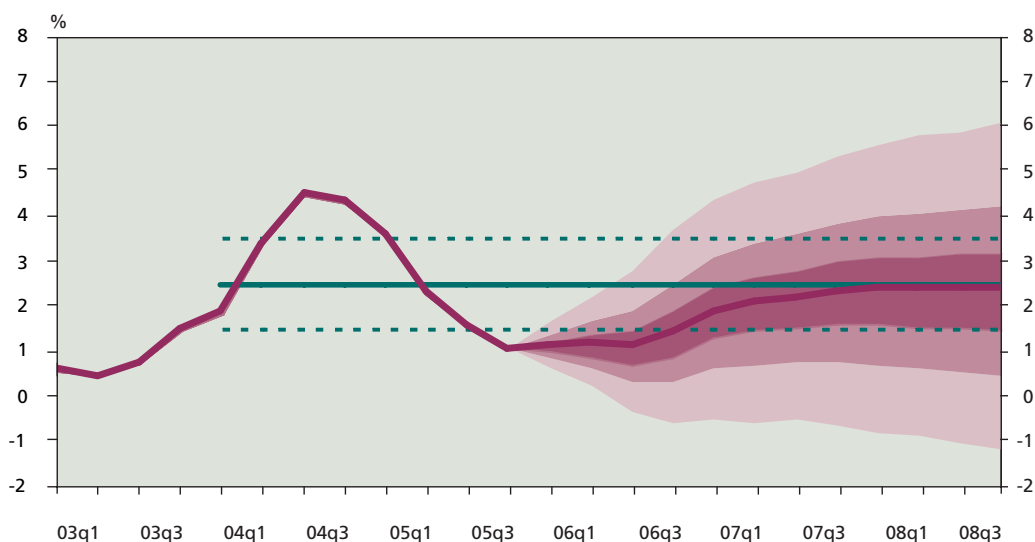
In view of the need to account for delays in the transmission mechanism of monetary policy impulses, in pursuing its forward-looking policy, the MPC made use of, among other things, inflation projections. At the same time, the inclusion of projection results and the assessment of the balance of factors influencing future inflation into Inflation Reports warranted the transparency of the implemented monetary policy.

Since August 2004 *Inflation Reports* have included the results of inflation projections (and since May 2005 – also GDP projection results). The projection presented in Chapter 4 of the Report is prepared with the use of an econometric model of the Polish economy, called ECMOD<sup>110</sup>, by a team of NBP economists. The projection horizon encompasses the year of its preparation and two subsequent calendar years. The inflation projection is prepared under the assumption of unchanged interest rates. The inflation projection is one of the inputs to the Monetary Policy Council's decision-making process on NBP interest rates.

The below presented fan charts depict the results of projections published in 2006. Fan charts reflect the main sources of uncertainty only (e.g. uncertainty connected with price food developments). The types of uncertainty not accounted for in the fan chart are discussed in detail in projection descriptions in *Inflation Reports*.

Figure 27

**Central inflation projection, fan chart of future inflation path and inflation target of the MPC – January 2006**

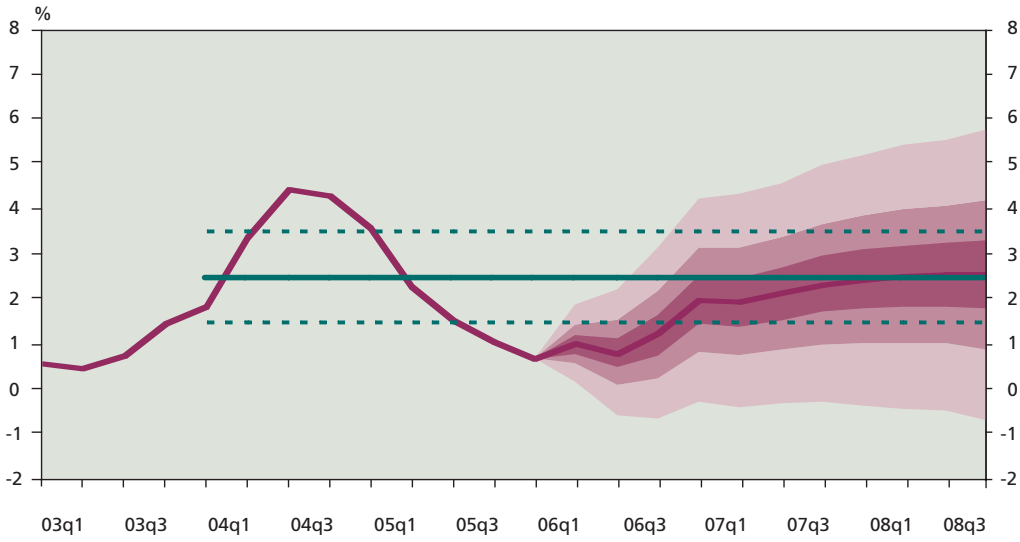


Source: *Inflation Report*, January 2006, NBP.

<sup>110</sup> Description of the model was published in: Fic T., Kolasa M., Kot A., Murawski K., Rubaszek M., Tarnicka M., "Model gospodarki polskiej ECMOD" [ECMOD – a model of the Polish economy], *Materiały i Studia*, NBP, No. 194, May 2005. Abbreviated version of the model is available at the NBP website at: [http://www.nbp.pl/Publikacje/o\\_polityce\\_pienieznej/raport\\_o\\_inflacji/ecmod\\_kwiecien.pdf](http://www.nbp.pl/Publikacje/o_polityce_pienieznej/raport_o_inflacji/ecmod_kwiecien.pdf)

**Figure 28**

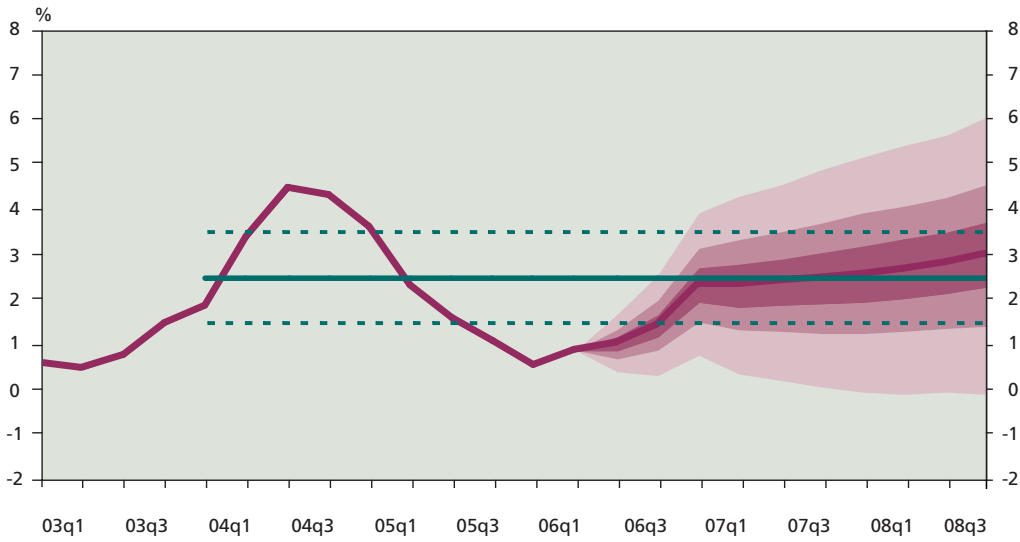
**Central inflation projection, fan chart of future inflation path and inflation target of the MPC  
– April 2006**



Source: *Inflation Report*, April 2006, NBP.

**Figure 29**

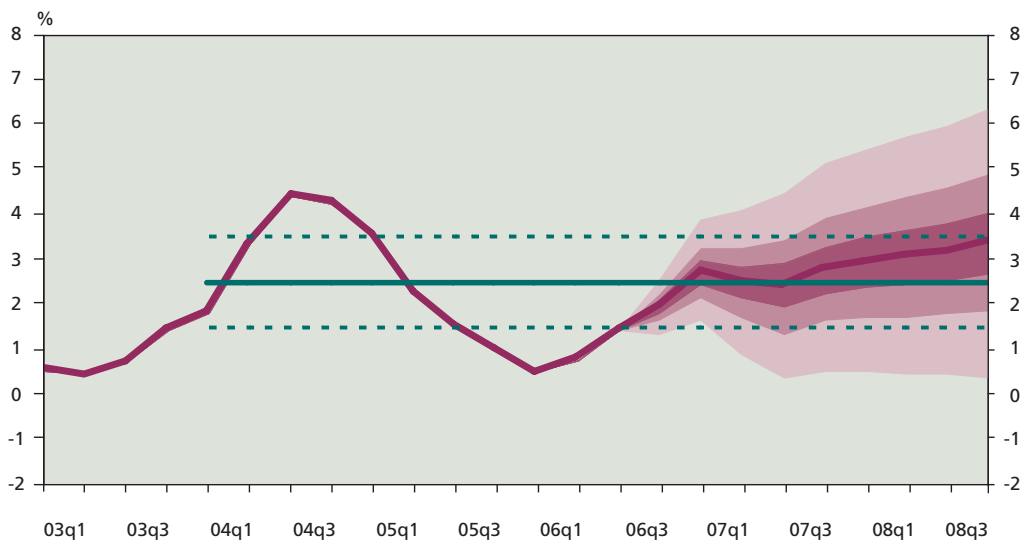
**Central inflation projection, fan chart of future inflation path and inflation target of the MPC  
– July 2006**



Source: *Inflation Report*, July 2006, NBP.

**Figure 30**

**Central inflation projection, fan chart of future inflation path and inflation target of the MPC – October 2006**



Source: *Inflation Report*, October 2006, NBP.

### How should fan charts be interpreted?

Every projection of future values of economic variables is subject to risk and uncertainty. Central banks present the size and scope of quantifiable inflation projection risk through the use of fan charts. The width of the "fan" corresponds to the overall level of risk, which usually changes from quarter to quarter. The further ahead, the wider it gets as the uncertainty of the assessments of the future usually grows proportionally to the length of the time horizon.

In inflation projections prepared by the NBP, probability distribution of their possible realisations is determined for each quarter. The most probable realisations, i.e. the mode of the distributions in particular quarters, are adopted as the central projection. At the same time, 30- percent confidence intervals are constructed around distribution medians. These constitute the central band of the fan, indicated with the darkest shade. Thus, the probability of inflation settling within this band is equal to 30%. Next, the fan is expanded on both sides so that the probability of the variable running between the extended boundaries increases by another 30 percentage points – 15 points on the above, and 15 on the below. The subsequent extensions create successive bands of the fan marked with increasingly lighter shades. The entire fan represents a 90-percent band of confidence around the medians – there is a 90-percent probability of inflation running within the fan.

For example, the chart which refers to the July inflation projection shows that the probability of inflation in 2007 Q1 staying within the tolerance band around the inflation target amounts to approx. 70%, the probability of higher inflation is equal to approx. 10%, whereas the probability of lower inflation could be assessed at approx. 20%. For 2008 Q1 these probabilities correspond to 47%, 28% and 25%, respectively. The inflation projection is characterised by slight asymmetry, which reflects approximately equal probabilities of inflation running above the central path as well as below the central path.

Fan charts depict the uncertainty associated with assumptions exogenous to the projection model and connected with inaccuracy of the model's statistical mapping of the relations holding between macroeconomic variables. Fan charts, however, do not account for all kinds of uncertainty, such as the uncertainty related to possible changes in the structure of the Polish economy, the approximate nature of any replication of economic reality by a model or the potential instability of estimated relationships in time. A detailed discussion of the sources of uncertainty not accounted for in the fan chart can be found in *Inflation Reports*.

## APPENDIX 7

### LIST OF EXECUTIVE LEGAL ACTS ISSUED IN 2006 BY THE BODIES OF THE NATIONAL BANK OF POLAND (PROMULGATED)

- 7.1. Regulations of the President of the National Bank of Poland
- 7.2. Resolutions of the Monetary Policy Council
- 7.3. Resolutions of the National Bank of Poland's Management Board



## Appendix 7.1

## Regulations of the President of the National Bank of Poland

No.	Reference number	Adopted	Took effect	Title (subject matter)	Where published
1.	1/2006	16.01.2006	20.01.2006	concerning the establishment of the designs, metal, fineness, weight and mintage of coins of the face value of 2 zloty, 10 zloty and 200 zloty and the date of their introduction into circulation	Official Gazette No. 4, item 71
2.	2/2006	20.01.2006	26.01.2006	concerning the establishment of the design, metal, weight and mintage of coin of the face value of 2 zloty and the date of its introduction into circulation	Official Gazette No. 6, item 101
3.	3/2006	10.02.2006	20.02.2006	concerning the establishment of designs, metal, fineness, weight and mintage of coins of the face value of 2 zloty and 20 zloty and the date of their introduction into circulation	Official Gazette No.12, item 155
4.	4/2006	28.02.2006	03.03.2006	concerning the establishment of the design, metal, fineness, weight and mintage of coins of the face value of 2 zloty and the date of its introduction into circulation	Official Gazette No. 15, item 198
5.	5/2006	20.03.2006	28.03.2006	concerning the establishment of designs, metal, fineness, weight and mintage of coins of the face value of 2 zloty and 10 zloty and the date of their introduction into circulation	Official Gazette No. 23, item 257
6.	6/2006	21.03.2006	04.04.2006	concerning the establishment of the designs, metal, fineness, weight and mintage of coins of the face value of 2 zloty and the date of its introduction into circulation	Official Gazette No. 24, item 270
7.	7/2006	13.04.2006	25.04.2006	concerning the establishment of designs, metal, fineness, weight and mintage of coins of the face value of 2 zloty, 10 zloty and 100 zloty and the date of their introduction into circulation	Official Gazette No. 29, item 316
8.	8/2006	28.04.2006	12.05.2006	concerning the establishment of the designs, metal, weight and mintage of coin of the face value of 2 zloty and the date of its introduction into circulation	Official Gazette No. 32, item 352
9.	9/2006	18.05.2006	23.05.2006	concerning the establishment of designs, metal, fineness, weight and mintage of coins of the face value of 2 zloty and 20 zloty and the date of their introduction into circulation	Official Gazette No. 35, item 388
10.	10/2006	23.05.2006	30.05.2006	concerning the establishment of the design, metal, weight and mintage of coin of the face value of 2 zloty and the date of its introduction into circulation	Official Gazette No. 36, item 397
11.	11/2006	29.05.2006	29.06.2006 except §5, which took effect on 1.07.2007	on the scope, manner and dates for submitting information to the Bank Guarantee Fund by the banks covered by the compulsory guarantee scheme	Official Journal of the NBP No. 5, item 5
12.	12/2006	5.06.2006	19.06.2006	concerning the establishment of designs, metal, fineness, weight and mintage of coins of the face value of 2 zloty and 10 zloty and the date of their introduction into circulation	Official Gazette No. 40 item 442
13.	13/2006	20.06.2006	28.06.2006	concerning the establishment of the design, metal, weight and mintage of coin of the face value of 2 zloty and the date of its introduction into circulation	Official Gazette No. 43, item 463
14.	14/2006	18.07.2006	28.07.2006	concerning the establishment of the design, metal, weight and mintage of coin of the face value of 2 zloty and the date of its introduction into circulation	Official Gazette No. 51, item 555
15.	15/2006	02.08.2006	19.08.2006	amending the resolution on the methods and procedure on counting, sorting, packing and labelling the packaging of banknotes and coins and performing actions related to providing banks with these banknotes and coins	Official Journal of the NBP No. 8, item 8
16.	16/2006	16.08.2006	25.08.2006	concerning the establishment of the design, metal, weight and mintage of coin of the face value of 2 zloty and the date of its introduction into circulation	Official Gazette No. 57, item 608
17.	17/2006	24.08.2006	7.09.2006	concerning the establishment of designs, metal, fineness, weight and mintage of coins of the face value of 2 zloty and 20 zloty and the date of their introduction into circulation	Official Gazette No. 60, item 635
18.	18/2006	15.09.2006	25.09.2006	concerning the establishment of the design, metal, weight and mintage of coin of the face value of 2 zloty and the date of its introduction into circulation	Official Gazette No. 64, item 671
19.	19/2006	2.10.2006	10.10.2006	concerning the establishment of designs, metal, fineness, weight and mintage of coins of the face value of 2 zloty, 10 zloty and 200 zloty and the date of their introduction into circulation	Official Gazette No. 69, item 705
20.	20/2006	9.10.2006	13.10.2006	concerning the establishment of the design and mintage of coin of the face value of 50 zloty and the date of its introduction into circulation	Official Gazette No. 70, item 712
21.	21/2006	23.10.2006	2.11.2006	concerning the establishment of the design, metal, weight and mintage of coin of the face value of 2 zloty and the date of its introduction into circulation	Official Gazette No. 77, item 776
22.	22/2006	25.10.2006	2.11.2006	concerning the establishment of designs, metal, fineness, weight and mintage of coins of the face value of 2 zloty, 10 zloty and 100 zloty the date of their introduction into circulation	Official Gazette No. 77, item 777
23.	23/2006	15.11.2006	21.11.2006	concerning the establishment of designs, metal, fineness, weight and mintage of coins of the face value of 2 zloty, 10 zloty and 200 zloty and the date of their introduction into circulation	Official Gazette No. 82, item 828
24.	24/2006	27.11.2006	4.12.2006	concerning the establishment of designs, metal, fineness, weight and mintage of coins of the face value of 2 zloty and 20 zloty and the date of their introduction into circulation	Official Gazette No. 86, item 879
25.	26/2006	20.12.2006	29.12.2006	concerning the establishment of the design, metal, weight and mintage of coin of the face value of 2 zloty and the date of its introduction into circulation	Official Gazette No. 90, item 949

## Appendix 7.2

## Resolutions of the Monetary Policy Council

No.	Reference number	Adopted	Took effect	Title (subject matter)	Where published
1.	1/2006	31.01.2006	1.02.2006	concerning the reference rate, the interest charged on refinancing loans, the interest charged on time deposits and the rediscount rate at the National Bank of Poland	Official Journal of the NBP No. 5, item 5
2.	2/2006	28.02.2006	1.03.2006	concerning the reference rate, the interest charged on refinancing loans, the interest charged on time deposits and the rediscount rate at the National Bank of Poland	Official Journal of the NBP No. 2, item 2
3.	3/2006	25.04.2006	25.04.2006	concerning the approval of the annual accounts of the National Bank of Poland drawn up as at december 31, 2005	Official Journal of the NBP No. 4, item 4
4.	4/2006	30.05.2006	30.05.2006	concerning the approval of the report on the monetary policy implementation in 2005	Official Gazette No. 39, item 429
5.	5/2006	30.05.2006	30.05.2006	concerning the approval of the report on the National Bank of Poland's activities in 2005	Official Journal of the NBP No. 6, item 6
6.	6/2006	30.05.2006	30.05.2006	concerning the assessment of the activity of the Management Board of the National Bank of Poland in the area of execution of the monetary policy guidelines in 2005	Official Gazette No. 39, item 420
7.	7/2006	27.09.2006	1.01.2007	concerning the determination of the upper limit of liabilities resulting from drawing loans in foreign banking and financial institutions by the National Bank of Poland	Official Journal of the NBP No. 11, item 12
8.	8/2006	27.09.2006	1.01.2007	concerning the determination of the monetary policy guidelines for 2007	Official Gazette No. 72, item 719
9.	9/2006	19.12.2006	1.01.2007	concerning the principles for creating and releasing a reserve for the risk of the zloty to foreign currency exchange rate fluctuations at the National Bank of Poland	Official Journal of the NBP No. 13, item 16
10.	10/2006	19.12.2006	19.12.2006	concerning the approval of the financial plan of the National Bank of Poland for 2007	Official Journal of the NBP No. 13, item 17

## Appendix 7.3

## Resolutions of the National Bank of Poland's Management Board

No.	Reference number	Adopted	Took effect	Title (subject matter)	Where published
1.	1/2006	13.01.2006	13.01.2006	concerning the terms and conditions of sales of coins, notes and numismatic items by the National Bank of Poland for collection and other purposes	Official Gazette No. 4, item 68
2.	5/2006	15.03.2006	16.03.2006	amending the resolution on the terms of opening and maintaining bank accounts at the National Bank of Poland	Official Journal of the NBP No. 3, item 3
3.	17/2006	12.07.2006	14.07.2006	repealing certain regulations of the President of the National Bank of Poland	Official Journal of the NBP No. 7, item 7
4.	20/2006	21.08.2006	1.01.2007	amending the resolution on procedures and detailed principles for forwarding by the banks to the National Bank of Poland of data indispensable for establishing the monetary policy and periodic assessments of the monetary situation of the country and the evaluation of the financial standing of the banks and the banking sector's risk	Official Journal of the NBP No. 10, item 10
5.	21/2006	21.08.2006	30.08.2006	amending the resolution on the issuance of money market bills of the National Bank of Poland	Official Journal of the NBP No. 10, item 11
6.	29/2006	17.11.2006	12.12.2006	amending the resolution on the introduction of the "Regulations of maintaining of securities accounts and securities deposit accounts at the National bank of Poland and servicing trading in securities and its recording on securities accounts and securities deposit accounts"	Official Journal of the NBP No. 11, item 13
7.	33/2006	1.12.2006	19.02.2007	amending the resolutions on the introductions of "Regulations of execution of payment orders and cheque operations in foreign trading and purchase and sale of foreign currencies for bank account holders with the National Bank of Poland"	Official Journal of the NBP No. 12, item 14
8.	34/2006	5.12.2006	1.01.2007	amending the resolution on procedures and detailed principles for forwarding by the banks to the National Bank of Poland of data indispensable for establishing the monetary policy and periodic assessments of the monetary situation of the country and the evaluation of the financial standing of the banks and the banking sector's risk	Official Journal of the NBP No. 12, item 15
9.	45/2006	22.12.2006	1.01.2007	amending the resolution on the types of bills of exchange accepted by the National Bank of Poland for rediscounting and the principles and procedure of their rediscounting	Official Journal of the NBP No. 14, item 18

## APPENDIX 8

## PUBLICATIONS AND THE WEBSITE OF THE NATIONAL BANK OF POLAND IN 2006

Title	Subject	Language
<b>Annual publications</b>		
Annual Report 2005	Information on the activity of the NBP in 2005. In addition, the statistical annex contains the balance sheet of the NBP, basic data on economic results, financial market, the banking system and the supply of money and the factors of its creation.	<ul style="list-style-type: none"> <li>• Polish</li> <li>• English</li> </ul>
Report on activities of the NBP in 2005 <i>(Sprawozdanie z działalności Narodowego Banku Polskiego w 2005 roku)</i>	Information concerning the realisation of particular functions of the central bank in 2005, balance sheet and earnings of the NBP.	<ul style="list-style-type: none"> <li>• Polish</li> </ul>
Monetary Policy Guidelines for 2005	Presentation of the monetary policy guidelines adopted each year by the Monetary Policy Council (MPC). Description of external and internal factors influencing the monetary policy, monetary policy objectives and instruments of its implementation.	<ul style="list-style-type: none"> <li>• Polish</li> <li>• English</li> </ul>
Report on Monetary Policy Implementation in 2005	Description of implementation of the inflation target, monetary policy instruments, as well as description of execution of other monetary policy tasks	<ul style="list-style-type: none"> <li>• Polish</li> <li>• English</li> </ul>
International Investment Position of Poland in 2005 <i>(Międzynarodowa pozycja inwestycyjna Polski w 2005 roku)</i>	Information on the balance of Polish foreign assets and liabilities as at the end of 2005, expressed in euro, broken down by objects and subjects.	<ul style="list-style-type: none"> <li>• Polish</li> </ul>
Foreign direct investment in Poland <i>(Zagraniczne inwestycje bezpośrednie w Polsce)</i>	Analysis of inflow of direct investments in 2005.	<ul style="list-style-type: none"> <li>• Polish</li> </ul>
Polish direct investment abroad <i>(Polskie inwestycje bezpośrednie za granicą)</i>	Analysis of outflow of capital due to direct investment abroad in the analysed period.	<ul style="list-style-type: none"> <li>• Polish</li> </ul>
Assessment of the financial condition of enterprises in 2005 (according to surveys and data from the GUS) <i>(Ocena kondycji finansowej przedsiębiorstw w 2005 r. w świetle danych GUS. Synteza)</i>	Assessment of the situation of the sector of non-financial corporations based on the data of the Central Statistical Office (GUS).	<ul style="list-style-type: none"> <li>• Polish</li> </ul>
Report on the Activity of the Commission for Banking Supervision 2005	Description of principal directions of activity of banking supervision, broken down into licensing tasks, analytical tasks, tasks related to the cooperative banking sector, examination tasks, regulatory tasks and foreign liaison and training activity. It also presents the current composition of the Commission for Banking Supervision, along with its legal framework and working procedures. Apart from that, it contains a specification of resolutions and matters examined by the Commission for Banking Supervision.	<ul style="list-style-type: none"> <li>• Polish</li> <li>• English</li> </ul>
Monetary policy instruments against the banking system liquidity in 2005 <i>(Instrumenty polityki pieniężnej na tle płynności sektora bankowego w 2005 roku)</i>	The report presents the developments in the liquidity position of the banking sector in Poland in 2005. It focuses on the description of instruments used by the National Bank of Poland for the stabilisation of interbank market rates. Available only on the website of the NBP.	<ul style="list-style-type: none"> <li>• Polish</li> </ul>
Financial System Development in Poland 2005	Complex description of regulations, infrastructure and developments of particular segments of the domestic financial system, and – depending on the availability of statistical data – comparisons with	<ul style="list-style-type: none"> <li>• Polish</li> <li>• English</li> </ul>



Title	Subject	Language
	the financial systems of European countries. The Report also presents the probable scenarios of further development of the institutions and financial markets in Poland and identifies the obstacles to the development prevailing in selected segments of the financial market.	
Financial Stability Report 2005	The review of the stability of key segments of the financial market (including banking, insurance and pension sectors and the payment system) in 2005 and the presentation of prospects for the coming quarters.	<ul style="list-style-type: none"> <li>• Polish</li> <li>• English</li> </ul>
<b>Semi-annual publications</b>		
Financial Stability Review First half of 2006	The review of the stability of key elements of the financial system in Poland (including banking, insurance and pension sector) in a given half-year together with the presentation of trends for the coming quarters.	<ul style="list-style-type: none"> <li>• Polish</li> <li>• English</li> </ul>
<b>Quarterly publications</b>		
Inflation Report	Characteristics of the inflationary tendencies in a given period, monetary aspects of inflationary processes and non-monetary internal and external determinants of inflation. The Report contains the forecast of inflation and the GDP.	<ul style="list-style-type: none"> <li>• Polish</li> <li>• English</li> </ul>
Balance of Payments of the Republic of Poland ( <i>Bilans płatniczy RP</i> )	Balance of payments information about economic transactions between domestic businesses and foreign businesses during the analysed quarter.	<ul style="list-style-type: none"> <li>• Polish</li> </ul>
Preliminary information on the condition of the corporate sector and economic climate	Analysis of the economic climate in the enterprise sector based on the results of rapid monitoring of the NBP, results of studies of the economic climate carried out in other domestic centres and available surveys of the Central Statistical Office.	<ul style="list-style-type: none"> <li>• Polish</li> <li>• English</li> </ul>
Summary evaluation of the financial situation of Polish banks	Description of financial position of banks established by the General Inspectorate of Banking Supervision based on the reporting data from banks. The overall presentation of the main items of assets, liabilities and off-balance sheet items, their structure in terms of quality, established specific provisions, and also the developments in the own funds of banks (including their ownership structure) and capital adequacy ratio.	<ul style="list-style-type: none"> <li>• Polish</li> <li>• semi-annual editions – also in English</li> </ul>
ECB Monthly Bulletin	The NBP publishes ECB Monthly Bulletin for the last month of each quarter. The Bulletin contains information, inter alia, on economic and monetary situation in the EU, and also outside of the EU. It also presents current decisions taken by the Governing Council of the ECB concerning the monetary policy of the ECB. The statistical part presents macroeconomic indices of the Euro area, inter alia, the consolidated financial reports of Eurosystem, information on the financial markets, public finances, the ECB interest rates and current foreign exchange rates.	<ul style="list-style-type: none"> <li>• Polish</li> </ul>
Senior loan officer opinion survey on bank lending practices and credit conditions	The changes of the lending policy of banks (criteria and conditions for lending) broken down by individual segments of the loan market and the credit demand as perceived by banks in the previous quarter and the prospects for the coming quarter.	<ul style="list-style-type: none"> <li>• Polish</li> <li>• English</li> </ul>
<b>Monthly publications</b>		
Information Bulletin	Basic data concerning the economic results and earnings as well as the monetary policy of the central bank. Quarterly issues contain an additional descriptive part, which presents basic trends in the macroeconomic situation, developments in money supply and factors of money creation, balance of payments and basic monetary policy instruments.	<ul style="list-style-type: none"> <li>• Polish</li> <li>• English</li> </ul>
Preliminary Information	An abridged publication containing initial data concerning economic results, the banking system and the balance sheet of the National Bank of Poland, as well as the balance of payments of the Republic of Poland.	<ul style="list-style-type: none"> <li>• Polish</li> <li>• English</li> </ul>
Bank and Credit ( <i>Bank i Kredyt</i> )	Analytical studies of the financial sector, in particular the banking sector, macroeconomic problems of the Polish and world economy, as well as articles of information character. Presentation of the most important issues related to the activity and strategic initiatives of the NBP as the central bank.	<ul style="list-style-type: none"> <li>• Polish</li> <li>• summary in English</li> </ul>



Title	Subject	Language
Official Journal of the NBP ( <i>Dziennik Urzędowy NBP</i> )	Contains legal acts concerning the functioning of banks: regulations of the President of the National Bank of Poland, resolutions of the Monetary Policy Council, resolutions and directives of the Commission for Banking Supervision, resolutions of the Management Board of the National Bank of Poland and announcements concerning the establishment, liquidation and bankruptcy of banks, interest on refinancing and lombard loans, discount rate and rediscount rate on bills of exchange and banks' reserve requirements.	• Polish
<b>Non-periodical publications</b>		
The information booklet on the NBP	Discussion of the main areas of the central bank's activities in Poland. The booklet is supplemented with information on the bodies of the NBP, the organisational structure and outline of the main publications of the NBP.	• Polish • English
Materials and Studies ( <i>Materiały i Studia</i> )	A publication series, where studies resulting from research projects of the NBP's employees are published, as well as publications of authors working for academic and financial institutions. They focus on important issues related to the banking and the monetary policy.	• Polish (No.199–214) • English (No.37–38)
Cooperative banks in Poland ( <i>Banki Spółdzielcze w Polsce</i> )	The publication presents the information about the transformation of the cooperative banks sector between 1989 and 2004, supervisory policies, external assistance for the sectors, changes in economic situation, as well as key cooperative networks in France, the Netherlands and Germany.	• Polish
ECB Annual Report 2005	The Report contains a general overview of the economic and financial performance of the euro area countries. It also contains the description of the sector and the banking system of Eurosystem, as well as the trends and tendencies of the economic development of the European Union.	• Polish
Monetary policy implementation in the euro area ( <i>Realizacja polityki pieniężnej w strefie euro</i> )	Presentation of operating procedures of the Eurosystem for the single monetary policy in the euro area.	• Polish
Convergence Report, May 2006	The Report prepared by the ECB presents the key macroeconomic indicators and the convergence level of Lithuania and Slovenia.	• Polish
Convergence Report, December 2006	The Report contains the economic and legal assessment of the convergence of the EU Member States from outside the euro area.	• Polish
<b>Website of the NBP</b>		
www.NBP.pl	Presentation of the Bank: its organisational structure and principles of operation of the Bank, legal acts, statistical information (including exchange rates tables announced by the NBP), notes and coin issued by the NBP, list of banks operating in Poland, publications, current news concerning the NBP.  Subsites present the information on economic education programmes, accounting and reporting, conferences and NBP training initiatives, tenders and job offers, as well as the catalogue of the NBP Central Library (in the ALEPH system) and the Electronic Mailbox.	• Polish • English
<b>Economic Education Website of the National Bank of Poland, NBPportal.pl</b>		
www.NBPportal.pl	Economic Education Website of the National Bank of Poland NBPportal.pl describes economic issues in a simple and clear language. This website provides, inter alia: - about 200 hours of open to public multimedia e-learning courses, - economic news, - subject-oriented modules covering the key economic issues, - multimedia presentations, - guides helping to comprehend the world of loans, deposits, payment cards, insurance or pensions, - special virtual library stocked with over 1000 unabridged and downloadable publications, - economics through games: jackpots and strategic plays, crossword puzzles, quizzes, puzzles, competitions, etc.	• Polish

## APPENDIX 9

## PUBLICATIONS OF THE NBP EMPLOYEES IN THE PHILADELPHIA LIST JOURNALS IN 2006

1. Brzoza-Brzezina Michał, *The Information Content of the Neutral Rate of Interest: The Case of Poland*, *Economics of Transition*, 2006
2. Charemza Wojciech, *Ex ante Dynamics of Real Effects of Monetary Policy: Theory and Evidence for Poland and Russia, 2001–2003*, *Comparative Economic Studies*, 2006
3. Kolasa Marcin, *Comparing the growth performance of the new EU countries*, *Eastern European Economics*, 2006
4. Łyziak Tomasz, Stanisławska Ewa, *Central bank transparency and credibility. The case of Poland, 1998–2004*, *European Journal of Political Economy*, 2006
5. Rybiński Krzysztof, Orłowski Lucjan T., *Implications of ERM2 for Poland's monetary policy*, *Economic Systems*, 2006
6. Serwa Dobromił *Testing for financial spillovers in calm and turbulent periods*, *The Quarterly Review of Economics and Finance*, 2006
7. Sztaba Lucyna, Rybiński Krzysztof, Szwaja Radosław *Quest for central bank communication: Does it pay to be „talkative“?*, *European Journal of Political Economy*, 2006
8. Żółkiewski Zbigniew, Gradzewicz Michał, *An Empirical Recursive-Dynamic General Equilibrium Model of Poland's Economy*, *World Bank*, 2006

## APPENDIX 10

### LIST OF OPEN-TO-PUBLIC SEMINARS HELD AT THE NBP IN 2006

In 2007 13 open-to-public academic seminars were held. The seminars included the presentation of the works of the NBP employees, representatives of financial institutions and higher education institutions.

1. Profitability of Foreign and Domestic Banks in Central and Eastern Europe: Does the Model of Entry Matter?
2. Creating and Evaluating Combinations of Density Forecasts
3. The Treatment of Expectations in Macroeconomic Models. Structural change and the Kalman Filter. Maximum Likelihood Estimation of a Unit Root Bilinear Model with an Application to Prices. Bilinear Forecast Risk Assessment for Non-systematic Inflation: Theory and Evidence
4. Monetary Policy Rules in Poland: a Dynamic Probit Approach
5. Corporate Governance on the Polish Capital Market in the Context of Global Trends.
6. New Elements of the Stability and Growth Pact
7. State Guarantees and Warranties as a Source of Fiscal Risk – Analysis of International and Polish Experience
8. Market Discipline in Banking on the Developing Markets – Most Important Findings
9. Are Polish Wages Rigid? Analysis of Microdata and Consequences for Monetary Policy
10. Reasons for the Creation and Characteristics of Contemporary Currency Unions
11. On Artificial Structural Unemployment under Monopolistic Competition with a Coordinated Market Restriction
12. Impact of Discussion and Exchange of Information within a Group on the Quality of the Central Bank's Decisions
13. Analysis of the Distribution of Debt Repayment Burden of Households and Stress Tests on Interest Rate and Exchange Rate Growth on the Basis of Data from Central Statistical Office research on Household Budgets



## APPENDIX 11

VOTING RECORDS OF MONETARY POLICY COUNCIL MEMBERS  
ON MOTIONS AND RESOLUTIONS IN 2006

Date	Subject matter of motion or resolution	MPC decision	Voting of Council members	
			For:	Against:
31 Jan 2006	Resolution on the level of the reference rate, lombard rate, deposit rate and rediscount rate of the National Bank of Poland	All interest rates reduced by 0.25 percentage point	J. Czekaj S. Nieckarz S. Owsiak M. Pietrewicz A. Sławiński H. Wasilewska-Trenkner A. Wojtyna	L. Balcerowicz D. Filar M. Noga
28 Feb 2006	Resolution on the level of the reference rate, lombard rate, deposit rate and rediscount rate of the National Bank of Poland	All interest rates reduced by 0.25 percentage point	J. Czekaj S. Nieckarz S. Owsiak M. Pietrewicz A. Sławiński A. Wojtyna	L. Balcerowicz D. Filar M. Noga H. Wasilewska-Trenkner
25 Apr 2006	Resolution on approving the Annual Financial Report of the National Bank of Poland prepared as of 31 December 2005		L. Balcerowicz J. Czekaj D. Filar S. Nieckarz M. Noga S. Owsiak M. Pietrewicz A. Sławiński H. Wasilewska-Trenkner A. Wojtyna	
30 May 2006	Resolution on approving the Report on Monetary Policy Implementation in 2005		L. Balcerowicz J. Czekaj D. Filar S. Nieckarz M. Noga S. Owsiak M. Pietrewicz A. Sławiński H. Wasilewska-Trenkner A. Wojtyna	
30 May 2006	Resolution on approving the Report on the Operations of the National Bank of Poland in 2005		L. Balcerowicz J. Czekaj D. Filar S. Nieckarz M. Noga S. Owsiak M. Pietrewicz A. Sławiński H. Wasilewska-Trenkner A. Wojtyna	



Date	Subject matter of motion or resolution	MPC decision	Voting of Council members	
			For:	Against:
30 May 2006	Resolution on the assessment of the activities of the NBP Management Board as regards the monetary policy implementation in 2005		L. Balcerowicz J. Czekaj D. Filar S. Nieckarz M. Noga S. Owsiak M. Pietrewicz A. Sławiński H. Wasilewska-Trenkner A. Wojtyna	
27 Sep 2006	Resolution on establishing the upper limit for liabilities incurred by the National Bank of Poland by way of loans from foreign banking and financial institutions		L. Balcerowicz J. Czekaj D. Filar S. Nieckarz M. Noga S. Owsiak M. Pietrewicz A. Sławiński H. Wasilewska-Trenkner A. Wojtyna	
27 Sep 2006	Resolution on establishing the monetary policy guidelines for 2007		L. Balcerowicz J. Czekaj D. Filar S. Nieckarz M. Noga S. Owsiak M. Pietrewicz A. Sławiński H. Wasilewska-Trenkner A. Wojtyna	
25 Oct 2006	Motion to raise interest rates by 0.25 percentage point	Motion did not receive a majority vote	L. Balcerowicz D. Filar M. Noga H. Wasilewska-Trenkner	J. Czekaj S. Nieckarz S. Owsiak M. Pietrewicz A. Sławiński A. Wojtyna
29 Nov 2006	Motion to raise interest rates by 0.25 percentage point	Motion did not receive a majority vote	L. Balcerowicz D. Filar M. Noga H. Wasilewska-Trenkner	J. Czekaj S. Nieckarz S. Owsiak M. Pietrewicz A. Sławiński A. Wojtyna
19 Dec 2006	Resolution on creating and unwinding provisions against the FX risk of the zloty against foreign currencies at the National Bank of Poland		L. Balcerowicz D. Filar S. Nieckarz M. Noga S. Owsiak M. Pietrewicz A. Sławiński H. Wasilewska-Trenkner A. Wojtyna	

*J. Czekaj was absent from the meeting.*



Date	Subject matter of motion or resolution	MPC decision	Voting of Council members	
			For:	Against:
19 Dec 2006	Resolution on creating and unwinding provisions against the FX risk of the zloty against foreign currencies at the National Bank of Poland		L. Balcerowicz D. Filar S. Nieckarz M. Noga S. Owsiak M. Pietrewicz A. Sławiński H. Wasilewska-Trenkner A. Wojtyna	
			<i>J. Czekaj was absent from the meeting.</i>	
19 Dec 2006	Motion to raise interest rates by 0.25 percentage point	Motion did not receive a majority vote	L. Balcerowicz D. Filar M. Noga H. Wasilewska-Trenkner	S. Nieckarz S. Owsiak M. Pietrewicz A. Sławiński A. Wojtyna
			<i>J. Czekaj was absent from the meeting.</i>	

## APPENDIX 12

## INDEPENDENT AUDITOR'S REPORT



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## OPINIA NIEZALEŻNEGO BIEGŁEGO REWIDENTA

## Dla Rady Polityki Pieniężnej Narodowego Banku Polskiego

1. Przeprowadziliśmy badanie załączonego sprawozdania finansowego za rok zakończony dnia 31 grudnia 2006 roku Narodowego Banku Polskiego (zwanego dalej „NBP”) z siedzibą w Warszawie przy ulicy Świętokrzyskiej 11/21, obejmującego:
  - bilans sporządzony na dzień 31 grudnia 2006 roku, który po stronie aktywów i pasywów wykazuje sumę 154.011.379,5 tysięcy złotych,
  - rachunek zysków i strat za okres od dnia 1 stycznia 2006 roku do dnia 31 grudnia 2006 roku wykazujący zysk w wysokości 2.608.696,5 tysięcy złotych, oraz
  - informację dodatkową („załączone sprawozdanie finansowe”).
2. Za rzetelność, prawidłowość i jasność załączonego sprawozdania finansowego, jak również za prawidłowość ksiąg rachunkowych odpowiada Zarząd NBP. Naszym zadaniem było zbadanie załączonego sprawozdania finansowego i wyrażenie, na podstawie badania, opinii o tym, czy sprawozdanie finansowe jest, we wszystkich istotnych aspektach, rzetelne, prawidłowe i jasne oraz czy księgi rachunkowe stanowiące podstawę jego sporządzenia są prowadzone, we wszystkich istotnych aspektach, w sposób prawidłowy.
3. Badanie załączonego sprawozdania finansowego przeprowadziliśmy stosownie do obowiązujących w Polsce postanowień:
  - rozdziału 7 ustawy z dnia 29 września 1994 roku o rachunkowości („ustawa o rachunkowości”),
  - norm wykonywania zawodu biegłego rewidenta wydanych przez Krajową Radę Biegłych Rewidentów,

w taki sposób, aby uzyskać racjonalną pewność czy sprawozdanie to nie zawiera istotnych nieprawidłowości. W szczególności, badanie obejmowało sprawdzenie – w dużej mierze metodą wrywkową – dokumentacji, z której wynikają kwoty i informacje zawarte w załączonym sprawozdaniu finansowym. Badanie obejmowało również ocenę poprawności przyjętych przez Radę Polityki Pieniężnej i stosowanych przez Zarząd zasad rachunkowości i znaczących szacunków dokonanych przez Zarząd, jak i ogólnej prezentacji załączonego sprawozdania finansowego. Uważamy, że przeprowadzone przez nas badanie dostarczyło nam wystarczających podstaw do wyrażenia opinii o załączonym sprawozdaniu finansowym traktowanym jako całość.



4. Naszym zdaniem załączone sprawozdanie finansowe, we wszystkich istotnych aspektach:
- przedstawia rzetelnie i jasno wszystkie informacje istotne dla oceny wyniku finansowego za okres od dnia 1 stycznia 2006 roku do dnia 31 grudnia 2006 roku, jak też sytuacji majątkowej i finansowej NBP na dzień 31 grudnia 2006 roku;
  - sporządzone zostało na podstawie przepisów Ustawy z dnia 29 sierpnia 1997 roku o Narodowym Banku Polskim (tekst jednolity Dz. U. z 2005 r. Nr 1, poz. 2 z późniejszymi zmianami), Uchwały Nr 16/2003 Rady Polityki Pieniężnej (dalej „RPP”) z dnia 16 grudnia 2003 roku w sprawie zasad rachunkowości, układu aktywów i pasywów bilansu oraz rachunku zysków i strat Narodowego Banku Polskiego (Dz. Urz. NBP z 2003 r. Nr 22, poz. 38 z późniejszymi zmianami), Uchwały Nr 17/2003 RPP z dnia 16 grudnia 2003 roku w sprawie zasad tworzenia i rozwiązywania rezerwy na pokrycie ryzyka zmian kursu złotego do walut obcych w Narodowym Banku Polskim (Dz. Urz. NBP z 2003 r. Nr 22, poz. 39), Uchwały Nr 57/2003 Zarządu Narodowego Banku Polskiego z dnia 30 grudnia 2003 roku w sprawie sposobu wykonywania zadań z zakresu rachunkowości w Narodowym Banku Polskim wraz z późniejszymi zmianami, na podstawie prawidłowo prowadzonych ksiąg rachunkowych;
  - jest zgodne z powołanymi wyżej przepisami.
5. Nie zgłaszając zastrzeżeń, zwracamy uwagę na następującą kwestię:
- Jak szerzej opisano w punkcie 1.3 Informacji Ogólnej załączonego sprawozdania finansowego, od dnia 1 stycznia 2007 roku wchodzi w życie przepisy uchwały RPP Nr 9/2006 z dnia 19 grudnia 2006 roku w sprawie zasad tworzenia i rozwiązywania rezerwy na pokrycie ryzyka zmian kursu złotego do walut obcych w Narodowym Banku Polskim (Dz. Urz. NBP z 2006 r. Nr 13, poz. 16). W konsekwencji zastosowania postanowień powyższej uchwały, za rok 2007 i za lata kolejne NBP może nie wykazywać dodatniego wyniku finansowego.

Dorota Snarska - Kuman  
Biegły rewident Nr 9667/7232

w imieniu  
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Nr ewid. 130

Jacek Hryniuk  
Biegły rewident Nr 9262/6958

**ERNST & YOUNG**  
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Warszawa, dnia 18 kwietnia 2007 roku





# STATISTICAL ANNEX

TABLE I

## Basic Economic Data

Period	1. Industrial output			2. Construction output			3. Consumer Price Index			4. Producer Price index	
	current prices	constans prices		current prices	w cenach stalych		the same month previous year = 100	previous month = 100	December previous year = 100	the same month previous year = 100	previous month = 100
		the same month previous year = 100	previous month = 100		the same month previous year = 100	previous month = 100					
	million zloty	%	%	million zloty	%	%	%	%	%	%	%
1	2	3	4	5	6	7	8	9	10	11	
XII 2005	58 834.0	109.6	98.7	5 774.0	108.2	151.5	100.7	99.8	100.7	100.2	99.3
I 2006	54 731.4	109.8	92.0	1 619.9	92.2	27.8	100.6	100.2	100.2	100.3	100.2
II	54 355.3	110.2	100.0	1 827.3	96.5	113.1	100.7	100.0	100.2	100.7	99.9
III	63 377.0	116.4	116.4	2 453.4	115.5	134.0	100.4	99.9	100.1	100.9	100.7
IV	58 065.7	105.7	90.4	2 761.3	104.1	112.4	100.7	100.7	100.8	101.7	101.5
V	62 009.4	119.1	107.3	3 690.1	113.4	133.3	100.9	100.5	101.3	102.3	100.4
VI	64 229.7	112.2	102.6	4 611.0	115.7	124.6	100.8	99.7	101.0	103.0	100.9
VII	61 127.7	114.3	93.8	4 117.5	104.9	88.8	101.1	100.0	101.0	103.5	100.7
VIII	62 440.6	112.6	102.4	4 641.9	115.3	112.3	101.6	100.3	101.3	103.3	99.9
IX	67 425.6	111.6	109.2	5 546.6	121.0	118.9	101.6	100.2	101.5	103.6	100.0
X	69 849.6	114.8	104.3	6 189.8	128.7	110.9	101.2	100.1	101.6	103.2	99.5
XI	67 840.8	112.0	97.3	4 883.9	123.3	78.6	101.4	100.0	101.6	102.5	99.3
XII	63 407.8	105.9	93.3	7 107.3	117.9	144.8	101.4	99.8	101.4	102.6	99.5

Period	12. Corporate financial performance												
	revenues		operating costs		pre-tax profit/loss	statutory deductions	net profit/loss	cost sales ratio	net margin	quick liquidity ratio	total current assets	accounts receivable and associated claims	accounts payable
	total	of which: sales of goods & services	total	of which: cost of sales									
	million zloty	million zloty	million zloty	million zloty	million zloty	million zloty	million zloty	%	%	%	million zloty	million zloty	million zloty
22	23	24	25	26	27	28	29	30	31	32	33	34	
XII 2005	1 314 630.6	809 174.5	1 250 067.3	805 407.7	64 963.8	13 554.1	51 409.7	95.1	3.9	97.3	396 349.1	158 943.9	157 697.5
I 2006	.	.	.	.	.	.	.	.	.	.	.	.	.
II	.	.	.	.	.	.	.	.	.	.	.	.	.
III	329 614.5	203 981.9	313 760.1	201 822.7	15 864.4	3 849.0	12 015.4	95.2	3.6	100.3	396 632.3	158 323.9	144 717.0
IV	.	.	.	.	.	.	.	.	.	.	.	.	.
V	.	.	.	.	.	.	.	.	.	.	.	.	.
VI	691 855.3	427 105.4	653 326.6	420 984.8	38 526.3	7 682.4	30 843.9	94.4	4.5	99.3	422 166.5	171 725.4	156 158.3
VII	.	.	.	.	.	.	.	.	.	.	.	.	.
VIII	.	.	.	.	.	.	.	.	.	.	.	.	.
IX	1 079 802.7	665 331.4	1 016 729.1	656 727.4	63 093.0	12 368.8	50 724.2	94.2	4.7	103.0	443 711.4	180 847.6	163 807.3
X	.	.	.	.	.	.	.	.	.	.	.	.	.
XI	.	.	.	.	.	.	.	.	.	.	.	.	.
XII	1 497 743.4	913 993.1	1 411 513.4	907 544.6	86 339.3	16 542.5	69 796.8	94.2	4.7	101.0	458 836.2	181 156.2	173 916.0



Period	5. Construction Price Index		6. Number of employed corporate sector total	7. Average employment, corporate sector total	8. Number of unemployed	9. Unemployment rate	10. Average monthly employee earnings, gross, corporate sector	11. National Budget revenue & expenditure							
	the same month previous year = 100	previous month = 100						revenue	expenditure	financial surplus/deficit and net foreign lending/borrowing					
	%	%						thousands	thousands	thousands	%	zloty	million zloty	million zloty	million zloty
	12	13						14	15	16	17	18	19	20	21
XII 2005	102.3	100.1	4 972.0	4 799.0	2 773.0	17.6	2 789.08	179 772.2	208 132.9	-16 330.2					
I 2006	102.3	100.1	5 049.0	4 862.0	2 866.7	18.0	2 471.09	19 592.1	18 819.9	1 304.4					
II	102.2	100.1	5 059.0	4 861.0	2 865.9	18.0	2 526.22	32 031.8	38 748.0	-5 303.7					
III	102.2	100.2	5 071.0	4 870.0	2 822.0	17.8	2 613.67	46 785.0	56 060.4	-7 197.4					
IV	102.2	100.3	5 088.0	4 889.0	2 703.6	17.2	2 570.05	63 353.9	73 424.1	-6 888.0					
V	102.3	100.3	5 108.0	4 901.0	2 583.0	16.5	2 549.70	77 923.4	92 641.3	-11 321.5					
VI	102.5	100.4	5 126.0	4 918.0	2 487.6	15.9	2 624.93	92 310.6	110 004.8	-13 852.1					
VII	102.6	100.4	5 134.0	4 928.0	2 443.4	15.7	2 647.80	109 927.7	125 471.1	-11 113.7					
VIII	102.9	100.5	5 149.0	4 943.0	2 411.6	15.5	2 611.93	128 240.5	142 723.0	-9 614.9					
IX	103.4	100.7	5 159.0	4 957.0	2 363.6	15.2	2 611.16	144 181.7	158 791.9	-9 544.9					
X	103.9	100.6	5 178.0	4 971.0	2 301.8	14.9	2 657.99	162 709.3	179 346.0	-11 334.8					
XI	104.1	100.3	5 195.0	4 986.0	2 287.3	14.8	2 759.65	180 304.8	198 885.3	-12 550.0					
XII	104.3	100.4	5 171.0	4 995.0	2 309.4	14.9	3 027.51	197 673.5	222 757.6	-18 178.9					

TABLE II

## Financial Market – Basic Information

Period	1. NBP interest rates					2. Reserve requirement								
	Lombard rate	Rediscount rate	Refinancing rate	Deposit rate	Minimum yield on open market operations (reverse repo rate)	Reserve requirement ratio on zloty deposits		Reserve requirement ratio on foreign currency deposits (zloty)		Reserve requirement ratio on repo operations	Interest on reserve requirement	Total required reserves held		
						demand	time	demand	time			total	of which:	
	%	%	%	%	%	%	%	%	%	%	%	million zloty	million zloty	million zloty
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
XII 2005	6.00	4.75	6.0/7.0	3.00	4.50	3.5	3.5	3.5	3.5	0.0	0.9*	12 065.3	12 065.3	.
I 2006	6.00	4.75	6.0/7.0	3.00	4.50	3.5	3.5	3.5	3.5	0.0	0.9*	12 147.1	12 147.1	.
II	5.75	4.50	5.75/6.75	2.75	4.25	3.5	3.5	3.5	3.5	0.0	0.9*	12 161.8	12 161.8	.
III	5.50	4.25	5.50/6.50	2.50	4.00	3.5	3.5	3.5	3.5	0.0	0.9*	12 305.9	12 305.9	.
IV	5.50	4.25	5.50/6.50	2.50	4.00	3.5	3.5	3.5	3.5	0.0	0.9*	12 305.9	12 305.9	.
V	5.50	4.25	5.50/6.50	2.50	4.00	3.5	3.5	3.5	3.5	0.0	0.9*	12 549.2	12 549.2	.
VI	5.50	4.25	5.50/6.50	2.50	4.00	3.5	3.5	3.5	3.5	0.0	0.9*	12 598.5	12 598.5	.
VII	5.50	4.25	5.50/6.50	2.50	4.00	3.5	3.5	3.5	3.5	0.0	0.9*	12 861.2	12 861.2	.
VIII	5.50	4.25	5.50/6.50	2.50	4.00	3.5	3.5	3.5	3.5	0.0	0.9*	13 002.6	13 002.6	.
IX	5.50	4.25	5.50/6.50	2.50	4.00	3.5	3.5	3.5	3.5	0.0	0.9*	13 002.6	13 002.6	.
X	5.50	4.25	5.50/6.50	2.50	4.00	3.5	3.5	3.5	3.5	0.0	0.9*	13 358.1	13 358.1	.
XI	5.50	4.25	5.50/6.50	2.50	4.00	3.5	3.5	3.5	3.5	0.0	0.9*	13 969.9	13 969.9	.
XII	5.50	4.25	5.50/6.50	2.50	4.00	3.5	3.5	3.5	3.5	0.0	0.9*	13 969.9	13 969.9	.

\* of the rediscount rate

Period	3. Treasury bill tenders											
	Total	Demand declared by bidders (at face value)										
		of which for:										
		1-week	2-week	3-week	5-week	6-week	8-week	10-week	13-week	26-week	39-week	52-week
	million zloty	million zloty	million zloty	million zloty	million zloty	million zloty	million zloty	million zloty	million zloty	million zloty	million zloty	million zloty
28	29	30	31	32	33	34	35	36	37	38	39	
XII 2005	5 339.90	0.00	0.00	0.00	.	0.00	0.00	0.00	754.57	0.00	0.00	4 585.33
I 2006	15 400.48	0.00	0.00	9 735.73	.	0.00	0.00	0.00	810.44	0.00	0.00	4 854.31
II	7 344.04	0.00	0.00	0.00	.	0.00	0.00	0.00	0.00	0.00	0.00	7 344.04
III	4 803.75	0.00	0.00	0.00	.	0.00	0.00	0.00	0.00	0.00	0.00	4 803.75
IV	7 852.47	0.00	0.00	0.00	.	0.00	0.00	0.00	0.00	3 140.64	0.00	4 711.83
V	3 865.36	0.00	0.00	0.00	.	0.00	0.00	0.00	0.00	0.00	0.00	3 865.36
VI	2 905.98	0.00	0.00	0.00	.	0.00	0.00	0.00	0.00	0.00	0.00	2 905.98
VII	4 324.15	0.00	0.00	0.00	.	0.00	0.00	0.00	0.00	0.00	0.00	4 324.15
VIII	5 675.93	0.00	0.00	0.00	.	0.00	0.00	0.00	0.00	0.00	0.00	5 675.93
IX	6 108.91	0.00	0.00	0.00	.	0.00	0.00	0.00	0.00	0.00	0.00	6 108.91
X	4 460.27	0.00	0.00	0.00	.	0.00	0.00	0.00	0.00	0.00	0.00	4 460.27
XI	3 877.64	0.00	0.00	0.00	.	0.00	0.00	0.00	0.00	0.00	0.00	3 877.64
XII	14 642.16	0.00	0.00	0.00	10 248.88	0.00	0.00	0.00	0.00	0.00	0.00	4 393.28

Period	3. Treasury bill tenders												
	Number of tenders during month	Face value of bills offered for sale											
		Total	of which:										
			1-week	2-week	3-week	5-week	6-week	8-week	10-week	13-week	26-week	39-week	52-week
		million zloty	million zloty	million zloty	million zloty	million zloty	million zloty	million zloty	million zloty	million zloty	million zloty	million zloty	million zloty
	15	16	17	18	19	20	21	22	23	24	25	26	27
XII 2005	2	2 300.00	0.00	0.00	0.00	.	0.00	0.00	0.00	200.00	0.00	0.00	2 100.00
I 2006	2	4 300.00	0.00	0.00	2 000.00	.	0.00	0.00	0.00	200.00	0.00	0.00	2 100.00
II	2	2 000.00	0.00	0.00	0.00	.	0.00	0.00	0.00	0.00	0.00	0.00	2 000.00
III	2	2 300.00	0.00	0.00	0.00	.	0.00	0.00	0.00	0.00	0.00	0.00	2 300.00
IV	2	3 000.00	0.00	0.00	0.00	.	0.00	0.00	0.00	0.00	1 000.00	0.00	2 000.00
V	2	2 000.00	0.00	0.00	0.00	.	0.00	0.00	0.00	0.00	0.00	0.00	2 000.00
VI	2	2 000.00	0.00	0.00	0.00	.	0.00	0.00	0.00	0.00	0.00	0.00	2 000.00
VII	2	2 000.00	0.00	0.00	0.00	.	0.00	0.00	0.00	0.00	0.00	0.00	2 000.00
VIII	2	2 000.00	0.00	0.00	0.00	.	0.00	0.00	0.00	0.00	0.00	0.00	2 000.00
IX	2	2 000.00	0.00	0.00	0.00	.	0.00	0.00	0.00	0.00	0.00	0.00	2 000.00
X	2	1 600.00	0.00	0.00	0.00	.	0.00	0.00	0.00	0.00	0.00	0.00	1 600.00
XI	2	1 600.00	0.00	0.00	0.00	.	0.00	0.00	0.00	0.00	0.00	0.00	1 600.00
XII	2	4 200.00	0.00	0.00	0.00	2 200.00	0.00	0.00	0.00	0.00	0.00	0.00	2 000.00

Period	3. Treasury bill tenders												
	Total	Face value of bills sold											
		of which:											
		1-week	2-week	3-week	5-week	6-week	8-week	10-week	13-week	26-week	39-week	52-week	
		million zloty	million zloty	million zloty	million zloty	million zloty	million zloty	million zloty	million zloty	million zloty	million zloty	million zloty	million zloty
	40	41	42	43	44	45	46	47	48	49	50	51	
XII 2005	2 300.00	0.00	0.00	0.00	.	0.00	0.00	0.00	200.00	0.00	0.00	2 100.00	
I 2006	4 300.00	0.00	0.00	2 000.00	.	0.00	0.00	0.00	200.00	0.00	0.00	2 100.00	
II	2 000.00	0.00	0.00	0.00	.	0.00	0.00	0.00	0.00	0.00	0.00	2 000.00	
III	2 300.00	0.00	0.00	0.00	.	0.00	0.00	0.00	0.00	0.00	0.00	2 300.00	
IV	3 000.00	0.00	0.00	0.00	.	0.00	0.00	0.00	0.00	1 000.00	0.00	2 000.00	
V	2 000.00	0.00	0.00	0.00	.	0.00	0.00	0.00	0.00	0.00	0.00	2 000.00	
VI	2 000.00	0.00	0.00	0.00	.	0.00	0.00	0.00	0.00	0.00	0.00	2 000.00	
VII	2 000.00	0.00	0.00	0.00	.	0.00	0.00	0.00	0.00	0.00	0.00	2 000.00	
VIII	2 000.00	0.00	0.00	0.00	.	0.00	0.00	0.00	0.00	0.00	0.00	2 000.00	
IX	2 000.00	0.00	0.00	0.00	.	0.00	0.00	0.00	0.00	0.00	0.00	2 000.00	
X	1 600.00	0.00	0.00	0.00	.	0.00	0.00	0.00	0.00	0.00	0.00	1 600.00	
XI	1 600.00	0.00	0.00	0.00	.	0.00	0.00	0.00	0.00	0.00	0.00	1 600.00	
XII	4 200.00	0.00	0.00	0.00	2 200.00	0.00	0.00	0.00	0.00	0.00	0.00	2 000.00	

TABLE II

## Financial Market – Basic Information

Period	3. Treasury bill tenders, cont													Bills outstanding from tender sales at month end (purchase prices) million zloty
	Yield on bills purchased, weighted average													
	Total	of which on:												
		1-week	2-week	3-week	5-week	6-week	8-week	10-week	13-week	26-week	39-week	52-week		
	%	%	%	%	%	%	%	%	%	%	%	%		
52	53	54	55	56	57	58	59	60	61	62	63	64		
XII 2005	4.40	0.00	0.00	0.00	.	0.00	0.00	0.00	4.27	0.00	0.00	4.41	23 198.69	
I 2006	4.33	0.00	0.00	4.35	.	0.00	0.00	0.00	4.24	0.00	0.00	4.31	22 860.24	
II	4.00	0.00	0.00	0.00	.	0.00	0.00	0.00	0.00	0.00	0.00	4.00	21 766.86	
III	3.87	0.00	0.00	0.00	.	0.00	0.00	0.00	0.00	0.00	0.00	3.87	19 993.48	
IV	3.96	0.00	0.00	0.00	.	0.00	0.00	0.00	0.00	3.92	0.00	3.98	19 283.06	
V	4.03	0.00	0.00	0.00	.	0.00	0.00	0.00	0.00	0.00	0.00	4.03	19 778.54	
VI	4.14	0.00	0.00	0.00	.	0.00	0.00	0.00	0.00	0.00	0.00	4.14	19 599.52	
VII	4.43	0.00	0.00	0.00	.	0.00	0.00	0.00	0.00	0.00	0.00	4.43	20 171.93	
VIII	4.37	0.00	0.00	0.00	.	0.00	0.00	0.00	0.00	0.00	0.00	4.37	21 129.63	
IX	4.45	0.00	0.00	0.00	.	0.00	0.00	0.00	0.00	0.00	0.00	4.45	22 275.90	
X	4.35	0.00	0.00	0.00	.	0.00	0.00	0.00	0.00	0.00	0.00	4.35	22 060.49	
XI	4.29	0.00	0.00	0.00	.	0.00	0.00	0.00	0.00	0.00	0.00	4.29	22 732.18	
XII	4.06	0.00	0.00	0.00	3.91	0.00	0.00	0.00	0.00	0.00	0.00	4.21	24 831.72	

Period	4. Tenders for NBP money-market bills											Bills outstanding for tender sales at month end (purchase prices) million zloty
	Face value of bills sold					Yield on bills purchased, weighted average						
	Total	of which:				Total	of which on:					
		1-day	7-day	14-day	28-day		1-day	7-day	14-day	28-day		
	million zloty	million zloty	million zloty	million zloty	million zloty	%	%	%	%	%		
76	77	78	79	80	81	82	83	84	85	86		
XII 2005	107 343.50	0.00	107 343.50	0.00	0.00	4.50	0.00	4.50	0.00	0.00	22 979.88	
I 2006	74 000.00	0.00	74 000.00	0.00	0.00	4.50	0.00	4.50	0.00	0.00	14 487.31	
II	77 200.00	0.00	77 200.00	0.00	0.00	4.25	0.00	4.25	0.00	0.00	22 481.42	
III	105 800.00	0.00	105 800.00	0.00	0.00	4.00	0.00	4.00	0.00	0.00	21 183.51	
IV	78 200.00	0.00	78 200.00	0.00	0.00	4.00	0.00	4.00	0.00	0.00	18 185.84	
V	81 300.00	0.00	81 300.00	0.00	0.00	4.00	0.00	4.00	0.00	0.00	21 483.27	
VI	105 100.00	0.00	105 100.00	0.00	0.00	4.00	0.00	4.00	0.00	0.00	18 985.21	
VII	79 900.00	0.00	79 900.00	0.00	0.00	4.00	0.00	4.00	0.00	0.00	21 483.27	
VIII	80 300.00	0.00	80 300.00	0.00	0.00	4.00	0.00	4.00	0.00	0.00	20 184.28	
IX	104 500.00	0.00	104 500.00	0.00	0.00	4.00	0.00	4.00	0.00	0.00	24 480.94	
X	77 300.00	0.00	77 300.00	0.00	0.00	4.00	0.00	4.00	0.00	0.00	21 283.43	
XI	71 800.00	0.00	71 800.00	0.00	0.00	4.00	0.00	4.00	0.00	0.00	19 484.83	
XII	89 600.00	0.00	89 600.00	0.00	0.00	4.00	0.00	4.00	0.00	0.00	18 385.68	

Period	4. Tenders for NBP money-market bills										
	Numbers of tenders during month	Total	Face value of bills offered for sale				Total	Demand declared by bidders (at face value)			
			of which:					of which for:			
			1-day	7-day	14-day	28-day		1-day	7-day	14-day	28-day
		million zloty	million zloty	million zloty	million zloty	million zloty	million zloty	million zloty	million zloty	million zloty	million zloty
65	66	67	68	69	70	71	72	73	74	75	
XII 2005	5	113 500.00	0.00	113 500.00	0.00	0.00	115 291.00	0.00	115 291.00	0.00	0.00
I 2006	4	74 000.00	0.00	74 000.00	0.00	0.00	120 733.80	0.00	120 733.80	0.00	0.00
II	4	77 200.00	0.00	77 200.00	0.00	0.00	123 419.70	0.00	123 419.70	0.00	0.00
III	5	105 800.00	0.00	105 800.00	0.00	0.00	151 947.40	0.00	151 947.40	0.00	0.00
IV	4	78 200.00	0.00	78 200.00	0.00	0.00	104 602.00	0.00	104 602.00	0.00	0.00
V	4	81 300.00	0.00	81 300.00	0.00	0.00	130 676.80	0.00	130 676.80	0.00	0.00
VI	5	105 100.00	0.00	105 100.00	0.00	0.00	175 577.50	0.00	175 577.50	0.00	0.00
VII	4	79 900.00	0.00	79 900.00	0.00	0.00	180 794.00	0.00	180 794.00	0.00	0.00
VIII	4	80 300.00	0.00	80 300.00	0.00	0.00	162 381.70	0.00	162 381.70	0.00	0.00
IX	5	104 500.00	0.00	104 500.00	0.00	0.00	249 990.80	0.00	249 990.80	0.00	0.00
X	4	77 300.00	0.00	77 300.00	0.00	0.00	234 459.80	0.00	234 459.80	0.00	0.00
XI	4	71 800.00	0.00	71 800.00	0.00	0.00	347 696.00	0.00	347 696.00	0.00	0.00
XII	5	89 600.00	0.00	89 600.00	0.00	0.00	718 155.42	0.00	718 155.42	0.00	0.00

Period	5. Outright sales of securities by NBP					6. Data on trading sessions of Warsaw Stock Exchange									
	Numbers of tenders	face value of securities allotted for sale	face value of bids submitted by banks	face value of bids accepted	value of bids accepted	Number of companies at month end	Capitalisation at month end	P/E ratio at month end	Warsaw Stock Exchange Index (WIG) at month end	WIG monthly average	Second-Tier Market Index (WIRR) at month end	WIRR monthly average	Monthly turnover	Turn-over ratio	
		million zloty	million zloty	million zloty	million zloty		million zloty						million zloty	%	
	87	88	89	90	91	92	93	94	95	96	97	98	99	100	
XII 2005	0	0.00	0.00	0.00	0.00	255	308 417.6	14.3	35 600.8	34 962.4	5 471.3	5 240.0	17 327.6	2.2	
I 2006	0	0.00	0.00	0.00	0.00	254	326 083.5	15.1	37 855.0	38 145.4	6 838.8	6 259.2	29 074.0	3.6	
II	0	0.00	0.00	0.00	0.00	254	336 145.3	14.9	38 854.4	38 466.6	7 536.8	7 329.0	21 859.9	2.8	
III	0	0.00	0.00	0.00	0.00	253	344 688.9	15.1	40 220.3	39 064.6	8 415.5	7 715.5	23 685.9	3.0	
IV	0	0.00	0.00	0.00	0.00	254	375 443.7	16.5	43 998.6	42 596.7	9 429.2	9 033.6	27 403.3	3.2	
V	0	0.00	0.00	0.00	0.00	252	335 242.8	14.2	39 632.3	42 760.1	8 897.0	9 692.9	33 586.1	4.0	
VI	0	0.00	0.00	0.00	0.00	256	338 802.3	14.6	40 644.6	38 636.6	8 410.8	8 480.2	25 260.7	3.2	
VII	0	0.00	0.00	0.00	0.00	259	374 141.7	16.0	45 894.9	43 040.1	9 213.2	8 772.2	20 142.9	2.4	
VIII	0	0.00	0.00	0.00	0.00	268	362 385.5	15.2	43 363.3	43 488.0	9 524.0	9 184.4	21 337.1	2.5	
IX	0	0.00	0.00	0.00	0.00	269	369 186.4	15.5	44 052.5	44 313.0	10 404.3	10 015.6	22 806.6	2.7	
X	0	0.00	0.00	0.00	0.00	271	400 002.4	16.9	47 358.1	46 610.2	11 532.6	11 014.0	29 436.3	3.2	
XI	0	0.00	0.00	0.00	0.00	274	429 721.8	17.4	50 230.3	49 052.8	12 968.1	12 105.7	36 898.5	3.4	
XII	0	0.00	0.00	0.00	0.00	284	437 719.2	17.7	50 411.8	51 350.3	12 716.6	13 033.4	28 799.4	2.4	

TABLE III

PLN/USD and PLN/EUR daily Exchange Rates, 2006 (in zloty)

Days	December 2005			January 2006			February 2006			March 2006		
	NBP average exchange rate		USD/EUR	NBP average exchange rate		USD/EUR	NBP average exchange rate		USD/EUR	NBP average exchange rate		USD/EUR
	PLN/USD	PLN/EUR		PLN/USD	PLN/EUR		PLN/USD	PLN/EUR		PLN/USD	PLN/EUR	
	1	2	3	4	5	6	7	8	9	10	11	12
1	3.3366	3.9318	1.1784	3.2613	3.8598	1.1835	3.1409	3.8064	1.2119	3.1627	3.7756	1.1938
2	3.3138	3.8814	1.1713	3.2582	3.8610	1.1850	3.1720	3.8273	1.2066	3.1580	3.7693	1.1936
3	3.3138	3.8814	1.1713	3.2488	3.8618	1.1887	3.1720	3.8300	1.2074	3.1670	3.8058	1.2017
4	3.3138	3.8814	1.1713	3.1858	3.8451	1.2069	3.1720	3.8300	1.2074	3.1670	3.8058	1.2017
5	3.2979	3.8594	1.1703	3.1416	3.8008	1.2098	3.1720	3.8300	1.2074	3.1670	3.8058	1.2017
6	3.2555	3.8330	1.1774	3.1507	3.8094	1.2091	3.1838	3.8175	1.1990	3.1660	3.8157	1.2052
7	3.2742	3.8420	1.1734	3.1507	3.8094	1.2091	3.1842	3.8219	1.2003	3.2347	3.8574	1.1925
8	3.2828	3.8628	1.1767	3.1507	3.8094	1.2091	3.1949	3.8254	1.1973	3.2453	3.8695	1.1923
9	3.2817	3.8652	1.1778	3.1228	3.7750	1.2089	3.1896	3.8173	1.1968	3.2478	3.8749	1.1931
10	3.2817	3.8652	1.1778	3.1280	3.7790	1.2081	3.1638	3.7898	1.1979	3.2643	3.8905	1.1918
11	3.2817	3.8652	1.1778	3.1353	3.7793	1.2054	3.1638	3.7898	1.1979	3.2643	3.8905	1.1918
12	3.2435	3.8511	1.1873	3.1229	3.7933	1.2147	3.1638	3.7898	1.1979	3.2643	3.8905	1.1918
13	3.2060	3.8223	1.1922	3.1542	3.8085	1.2074	3.1893	3.7911	1.1887	3.2652	3.8952	1.1929
14	3.1865	3.8321	1.2026	3.1542	3.8085	1.2074	3.1868	3.7972	1.1915	3.2900	3.9390	1.1973
15	3.1960	3.8456	1.2033	3.1542	3.8085	1.2074	3.1768	3.7837	1.1910	3.2277	3.8788	1.2017
16	3.2257	3.8731	1.2007	3.1321	3.8062	1.2152	3.1700	3.7640	1.1874	3.2118	3.8780	1.2074
17	3.2257	3.8731	1.2007	3.1521	3.8146	1.2102	3.1669	3.7641	1.1886	3.1450	3.8319	1.2184
18	3.2257	3.8731	1.2007	3.1887	3.8643	1.2119	3.1669	3.7641	1.1886	3.1450	3.8319	1.2184
19	3.2215	3.8704	1.2014	3.1772	3.8388	1.2082	3.1669	3.7641	1.1886	3.1450	3.8319	1.2184
20	3.2101	3.8431	1.1972	3.1868	3.8500	1.2081	3.1456	3.7565	1.1942	3.1909	3.8874	1.2183
21	3.2245	3.8348	1.1893	3.1868	3.8500	1.2081	3.1701	3.7769	1.1914	3.2110	3.8967	1.2135
22	3.2393	3.8333	1.1834	3.1868	3.8500	1.2081	3.1991	3.8065	1.1899	3.2458	3.9217	1.2082
23	3.2325	3.8404	1.1881	3.1397	3.8502	1.2263	3.1715	3.7854	1.1936	3.2269	3.8937	1.2066
24	3.2325	3.8404	1.1881	3.1333	3.8457	1.2274	3.1807	3.7849	1.1900	3.2617	3.9051	1.1973
25	3.2325	3.8404	1.1881	3.0950	3.8115	1.2315	3.1807	3.7849	1.1900	3.2617	3.9051	1.1973
26	3.2325	3.8404	1.1881	3.1253	3.8299	1.2255	3.1807	3.7849	1.1900	3.2617	3.9051	1.1973
27	3.2308	3.8330	1.1864	3.1379	3.8310	1.2209	3.1803	3.7671	1.1845	3.2335	3.8917	1.2036
28	3.2262	3.8403	1.1903	3.1379	3.8310	1.2209	3.1768	3.7726	1.1875	3.2680	3.9435	1.2067
29	3.2570	3.8584	1.1846	3.1379	3.8310	1.2209				3.3008	3.9617	1.2002
30	3.2613	3.8598	1.1835	3.1559	3.8170	1.2095				3.2611	3.9335	1.2062
31	3.2613	3.8598	1.1835	3.1630	3.8285	1.2104				3.2491	3.9357	1.2113
Average monthly rate	3.2518	3.8559	X	3.1599	3.8245	X	3.1744	3.7937	X	3.2229	3.8748	X

Days	April 2006			May 2006			June 2006			July 2006		
	NBP average exchange rate		USD/EUR	NBP average exchange rate		USD/EUR	NBP average exchange rate		USD/EUR	NBP average exchange rate		USD/EUR
	PLN/USD	PLN/EUR		PLN/USD	PLN/EUR		PLN/USD	PLN/EUR		PLN/USD	PLN/EUR	
	13	14	15	15	17	18	19	20	21	22	23	24
1	3.2491	3.9357	1.2113	3.0841	3.8740	1.2561	3.0833	3.9414	1.2783	3.1816	4.0434	1.2709
2	3.2491	3.9357	1.2113	3.0571	3.8583	1.2621	3.0627	3.9236	1.2811	3.1816	4.0434	1.2709
3	3.2538	3.9250	1.2063	3.0571	3.8583	1.2621	3.0627	3.9236	1.2811	3.1708	4.0503	1.2774
4	3.2417	3.9407	1.2156	3.0406	3.8229	1.2573	3.0627	3.9236	1.2811	3.1264	4.0070	1.2817
5	3.2418	3.9789	1.2274	3.0129	3.8212	1.2683	3.0482	3.9536	1.2970	3.1530	4.0246	1.2764
6	3.2389	3.9870	1.2310	3.0129	3.8212	1.2683	3.0720	3.9629	1.2900	3.1813	4.0509	1.2733
7	3.2543	3.9665	1.2188	3.0129	3.8212	1.2683	3.0817	3.9490	1.2814	3.1520	4.0263	1.2774
8	3.2543	3.9665	1.2188	2.9929	3.8230	1.2774	3.0989	3.9567	1.2768	3.1520	4.0263	1.2774
9	3.2543	3.9665	1.2188	3.0157	3.8290	1.2697	3.1248	3.9520	1.2647	3.1520	4.0263	1.2774
10	3.2659	3.9584	1.2120	3.0104	3.8459	1.2775	3.1248	3.9520	1.2647	3.1619	4.0493	1.2807
11	3.2576	3.9524	1.2133	3.0060	3.8194	1.2706	3.1248	3.9520	1.2647	3.1611	4.0275	1.2741
12	3.2255	3.9203	1.2154	3.0012	3.8700	1.2895	3.1553	3.9801	1.2614	3.1585	4.0267	1.2749
13	3.2477	3.9354	1.2117	3.0012	3.8700	1.2895	3.2012	4.0298	1.2588	3.1885	4.0553	1.2719
14	3.2499	3.9325	1.2100	3.0012	3.8700	1.2895	3.1936	4.0176	1.2580	3.1861	4.0390	1.2677
15	3.2499	3.9325	1.2100	3.0608	3.9310	1.2843	3.1936	4.0176	1.2580	3.1861	4.0390	1.2677
16	3.2499	3.9325	1.2100	3.0640	3.9250	1.2810	3.1860	4.0350	1.2665	3.1861	4.0390	1.2677
17	3.2499	3.9325	1.2100	3.0039	3.8750	1.2900	3.1860	4.0350	1.2665	3.2155	4.0394	1.2562
18	3.2071	3.9265	1.2243	3.0875	3.9487	1.2789	3.1860	4.0350	1.2665	3.2185	4.0321	1.2528
19	3.1567	3.8998	1.2354	3.0828	3.9390	1.2777	3.2104	4.0414	1.2588	3.2181	4.0209	1.2495
20	3.1528	3.8941	1.2351	3.0828	3.9390	1.2777	3.2288	4.0590	1.2571	3.1387	3.9572	1.2608
21	3.1541	3.8870	1.2324	3.0828	3.9390	1.2777	3.2310	4.0788	1.2624	3.1193	3.9511	1.2667
22	3.1541	3.8870	1.2324	3.1023	3.9590	1.2761	3.2186	4.0673	1.2637	3.1193	3.9511	1.2667
23	3.1541	3.8870	1.2324	3.0841	3.9622	1.2847	3.2715	4.1062	1.2551	3.1193	3.9511	1.2667
24	3.1218	3.8640	1.2377	3.0842	3.9646	1.2855	3.2715	4.1062	1.2551	3.1375	3.9585	1.2617
25	3.1172	3.8641	1.2396	3.0850	3.9440	1.2784	3.2715	4.1062	1.2551	3.1038	3.9228	1.2639
26	3.1334	3.8848	1.2398	3.0642	3.9272	1.2816	3.2683	4.1065	1.2565	3.1181	3.9244	1.2586
27	3.1086	3.8665	1.2438	3.0642	3.9272	1.2816	3.2308	4.0676	1.2590	3.0725	3.9117	1.2731
28	3.0841	3.8740	1.2561	3.0642	3.9272	1.2816	3.2471	4.0823	1.2572	3.0945	3.9265	1.2689
29	3.0841	3.8740	1.2561	3.0747	3.9210	1.2752	3.2592	4.0863	1.2538	3.0945	3.9265	1.2689
30	3.0841	3.8740	1.2561	3.0628	3.9367	1.2853	3.1816	4.0434	1.2709	3.0945	3.9265	1.2689
31				3.0671	3.9472	1.2869				3.0831	3.9321	1.2754
Average monthly rate	3.1982	3.9194	X	3.0491	3.8941	X	3.1713	4.0164	X	3.1492	3.9970	X

TABLE III

PLN/USD and PLN/EUR daily Exchange Rates, 2006 (in zloty)

Days	August 2006			September 2006			October 2006		
	NBP average exchange rate		USD/EUR	NBP average exchange rate		USD/EUR	NBP average exchange rate		USD/EUR
	PLN/USD	PLN/EUR		PLN/USD	PLN/EUR		PLN/USD	PLN/EUR	
	25	26	27	28	29	30	31	32	33
1	3.0881	3.9360	1.2746	3.0845	3.9550	1.2822	3.1425	3.9835	1.2676
2	3.0748	3.9365	1.2802	3.0845	3.9550	1.2822	3.1350	3.9745	1.2678
3	3.0698	3.9177	1.2762	3.0845	3.9550	1.2822	3.1068	3.9581	1.2740
4	3.0570	3.9080	1.2784	3.0890	3.9670	1.2842	3.1086	3.9448	1.2690
5	3.0570	3.9080	1.2784	3.0918	3.9687	1.2836	3.0967	3.9348	1.2706
6	3.0570	3.9080	1.2784	3.0921	3.9628	1.2816	3.1034	3.9333	1.2674
7	3.0086	3.8724	1.2871	3.1194	3.9885	1.2786	3.1034	3.9333	1.2674
8	3.0151	3.8723	1.2843	3.1323	3.9840	1.2719	3.1034	3.9333	1.2674
9	3.0053	3.8673	1.2868	3.1323	3.9840	1.2719	3.1109	3.9190	1.2598
10	3.0035	3.8635	1.2863	3.1323	3.9840	1.2719	3.1103	3.9092	1.2569
11	3.0250	3.8675	1.2785	3.1338	3.9835	1.2711	3.1096	3.9000	1.2542
12	3.0250	3.8675	1.2785	3.1322	3.9819	1.2713	3.1200	3.9182	1.2558
13	3.0250	3.8675	1.2785	3.1276	3.9690	1.2690	3.1002	3.8930	1.2557
14	3.0358	3.8667	1.2737	3.1244	3.9635	1.2686	3.1002	3.8930	1.2557
15	3.0358	3.8667	1.2737	3.1185	3.9638	1.2711	3.1002	3.8930	1.2557
16	3.0333	3.8810	1.2795	3.1185	3.9638	1.2711	3.0992	3.8790	1.2516
17	3.0030	3.8658	1.2873	3.1185	3.9638	1.2711	3.1011	3.8888	1.2540
18	3.0284	3.8869	1.2835	3.1123	3.9426	1.2668	3.1125	3.9041	1.2543
19	3.0284	3.8869	1.2835	3.1250	3.9600	1.2672	3.0947	3.8878	1.2563
20	3.0284	3.8869	1.2835	3.1132	3.9473	1.2679	3.0573	3.8610	1.2629
21	3.0373	3.9178	1.2899	3.1035	3.9488	1.2724	3.0573	3.8610	1.2629
22	3.0358	3.9070	1.2870	3.1060	3.9840	1.2827	3.0573	3.8610	1.2629
23	3.0416	3.8986	1.2818	3.1060	3.9840	1.2827	3.0713	3.8624	1.2576
24	3.0556	3.9218	1.2835	3.1060	3.9840	1.2827	3.0865	3.8719	1.2545
25	3.0789	3.9315	1.2769	3.1065	3.9715	1.2784	3.0933	3.8880	1.2569
26	3.0789	3.9315	1.2769	3.1172	3.9650	1.2720	3.0669	3.8826	1.2660
27	3.0789	3.9315	1.2769	3.1314	3.9748	1.2693	3.0595	3.8779	1.2675
28	3.0691	3.9323	1.2813	3.1315	3.9824	1.2717	3.0595	3.8779	1.2675
29	3.0821	3.9506	1.2818	3.1425	3.9835	1.2676	3.0595	3.8779	1.2675
30	3.0784	3.9513	1.2836	3.1425	3.9835	1.2676	3.0593	3.8919	1.2722
31	3.0651	3.9369	1.2844				3.0631	3.8871	1.2690
Average monthly rate	3.0454	3.9014	X	3.1153	3.9702	X	3.0919	3.9026	X



Days	November 2006			December 2006		
	NBP average exchange rate		USD/EUR	NBP average exchange rate		USD/EUR
	PLN/USD	PLN/EUR		PLN/USD	PLN/EUR	
	34	35	36	37	38	39
1	3.0631	3.8871	1.2690	2.8700	3.7982	1.3234
2	3.0248	3.8608	1.2764	2.8700	3.7982	1.3234
3	3.0261	3.8670	1.2779	2.8700	3.7982	1.3234
4	3.0261	3.8670	1.2779	2.8672	3.8138	1.3301
5	3.0261	3.8670	1.2779	2.8628	3.8092	1.3306
6	3.0135	3.8270	1.2700	2.8678	3.8050	1.3268
7	3.0000	3.8294	1.2765	2.8669	3.8150	1.3307
8	2.9930	3.8317	1.2802	2.8870	3.8350	1.3284
9	3.0023	3.8370	1.2780	2.8870	3.8350	1.3284
10	2.9840	3.8433	1.2880	2.8870	3.8350	1.3284
11	2.9840	3.8433	1.2880	2.8927	3.8165	1.3194
12	2.9840	3.8433	1.2880	2.8763	3.8106	1.3248
13	2.9811	3.8281	1.2841	2.8639	3.8000	1.3269
14	2.9772	3.8212	1.2835	2.8738	3.8014	1.3228
15	2.9715	3.8085	1.2817	2.8925	3.7900	1.3103
16	2.9682	3.8011	1.2806	2.8925	3.7900	1.3103
17	2.9761	3.8019	1.2775	2.8925	3.7900	1.3103
18	2.9761	3.8019	1.2775	2.8951	3.7938	1.3104
19	2.9761	3.8019	1.2775	2.8896	3.8026	1.3160
20	2.9639	3.8083	1.2849	2.8849	3.8140	1.3221
21	2.9608	3.7958	1.2820	2.8796	3.8003	1.3197
22	2.9554	3.8036	1.2870	2.8908	3.8163	1.3202
23	2.9450	3.8200	1.2971	2.8908	3.8163	1.3202
24	2.9325	3.8315	1.3066	2.8908	3.8163	1.3202
25	2.9325	3.8315	1.3066	2.8908	3.8163	1.3202
26	2.9325	3.8315	1.3066	2.8908	3.8163	1.3202
27	2.9176	3.8308	1.3130	2.9183	3.8383	1.3153
28	2.9176	3.8355	1.3146	2.9194	3.8368	1.3142
29	2.9035	3.8235	1.3169	2.9105	3.8312	1.3163
30	2.8911	3.8166	1.3201	2.9105	3.8312	1.3163
31				2.9105	3.8312	1.3163
Average monthly rate	2.9735	3.8299	X	2.8868	3.8130	X

TABLE IV

Weighted Interest Rates on Zloty  
Deposit Offered by Commercial Banks

Period	Zloty deposits								
	households								
	current accounts (private entrepreneurs and farmers)	checking accounts (ROR)	time deposits:						total
			1 month	3 months	6 months	1 year	2 years	> 2 years	
1	2	3	4	5	6	7	8	9	
XII 2005	0.1	0.4	2.4	2.4	2.4	3.2	3.2	3.8	2.8
I 2006	0.1	0.4	2.5	2.3	2.5	3.2	3.2	3.8	2.8
II	0.1	0.3	2.4	2.2	2.4	3.0	3.0	3.4	2.7
III	0.1	0.3	2.3	2.2	2.4	3.0	2.9	3.2	2.6
IV	0.1	0.3	2.3	2.2	2.4	3.0	2.9	3.2	2.6
V	0.1	0.3	2.3	2.2	2.4	3.1	2.9	3.2	2.7
VI	0.1	0.3	2.3	2.3	2.4	3.1	3.0	3.2	2.7
VII	0.1	0.4	2.3	2.2	2.3	3.0	3.1	3.2	2.6
VIII	0.1	0.4	2.2	2.2	2.2	3.0	3.1	3.2	2.6
IX	0.1	0.3	2.2	2.2	2.2	3.1	3.1	3.2	2.6
X	0.1	0.3	2.3	2.2	2.2	3.1	3.1	3.2	2.6
XI	0.1	0.3	2.2	2.2	2.3	3.1	3.2	3.2	2.7
XII	0.1	0.3	2.2	2.1	2.3	3.1	3.2	3.3	2.6

TABLE V

Weighted Average Interest Rates on Zloty Lending  
Offered by Commercial Banks

Period	Zloty loans																			
	non-financial corporations							households												
	Over- drafts	original maturity of:					total	Over- drafts	consumer loans with original maturity of:					housing loans with original maturity of:					total	
		1 year	2 years	3 years	5 years	>5 years			1 year	2 years	3 years	5 years	>5 years	1 year	2 years	3 years	5 years	>5 years		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	
XII 2005	6.2	6.1	6.5	6.6	6.6	6.5	6.3	14.9	14.4	15.8	15.2	16.0	15.5	15.2	5.7	5.7	5.9	6.6	6.1	6.0
I 2006	5.9	5.7	6.1	6.1	6.1	6.1	5.9	14.8	12.7	15.4	14.9	15.6	15.0	14.3	5.6	5.6	5.7	6.4	5.9	5.8
II	5.8	5.6	5.9	5.9	5.9	6.0	5.8	14.6	12.6	15.2	14.9	15.7	14.9	14.3	5.4	5.5	5.4	6.1	5.7	5.6
III	5.8	5.5	5.8	5.9	5.8	5.8	5.7	14.5	12.6	15.2	14.9	15.6	14.9	14.3	5.4	5.5	5.4	6.1	5.7	5.6
IV	5.7	5.5	5.8	5.9	5.7	5.8	5.7	14.5	12.6	15.2	14.9	15.6	14.9	14.3	5.4	5.5	5.4	6.1	5.6	5.6
V	5.7	5.4	5.8	5.8	5.7	5.7	5.6	14.4	12.6	15.1	15.0	15.6	14.9	14.3	5.4	5.5	5.4	6.1	5.7	5.6
VI	5.7	5.4	5.8	5.9	5.8	5.7	5.6	14.4	12.7	15.0	15.1	15.6	14.9	14.3	5.5	5.6	5.5	6.1	5.7	5.7
VII	5.7	5.4	5.8	5.8	5.8	5.7	5.6	14.1	12.7	15.1	15.2	15.6	14.9	14.3	5.3	5.4	5.3	6.0	5.6	5.6
VIII	5.6	5.4	5.8	5.8	5.8	5.7	5.6	14.1	12.7	15.1	15.2	15.6	14.9	14.4	5.3	5.4	5.3	6.0	5.6	5.6
IX	5.6	5.4	5.7	5.8	5.7	5.8	5.6	14.1	12.7	15.1	15.2	15.7	14.9	14.4	5.3	5.5	5.4	6.0	5.7	5.6
X	5.6	5.5	5.8	5.8	5.8	5.8	5.6	14.0	12.7	15.1	15.3	15.7	14.9	14.3	5.3	5.5	5.4	6.0	5.6	5.6
XI	5.6	5.5	5.8	5.7	5.7	5.8	5.6	14.0	12.6	15.0	15.2	15.7	14.9	14.3	5.3	5.4	5.3	5.9	5.6	5.6
XII	5.6	5.4	5.7	5.7	5.7	5.7	5.6	14.0	12.6	15.0	15.2	15.6	14.8	14.3	5.3	5.4	5.3	5.9	5.6	5.5

Zloty deposits								
non-financial corporations								Total
current accounts	time deposits:						total	
	1 month	3 months	6 months	1 year	2 years	> 2 years		
10	11	12	13	14	15	16	17	18
0.1	2.2	2.1	2.0	2.2	3.1	4.0	2.2	2.7
0.1	2.3	2.1	2.0	2.1	3.3	3.7	2.3	2.7
0.1	2.1	2.0	1.9	2.0	3.1	3.7	2.1	2.6
0.1	2.0	1.8	1.8	1.9	3.0	3.2	2.0	2.5
0.1	2.1	1.9	1.8	1.9	3.0	3.2	2.0	2.5
0.1	2.0	1.9	1.7	1.9	3.0	3.2	2.0	2.5
0.1	2.0	1.9	1.8	1.9	3.0	3.2	2.0	2.5
0.1	2.0	1.8	1.8	1.9	3.1	3.2	2.0	2.5
0.0	2.1	1.8	1.9	1.9	3.0	3.4	2.1	2.5
0.0	2.0	1.9	1.9	2.0	3.1	3.4	2.0	2.5
0.0	2.1	1.9	2.0	2.0	3.0	3.4	2.0	2.5
0.0	2.1	1.9	1.9	2.0	3.0	3.4	2.1	2.5
0.0	2.0	1.9	1.9	2.1	3.0	3.4	2.0	2.5

Zloty loans																				
households																			Total	total loans to non-financial corporations and consumer
loans to private entrepreneurs with original maturity of:						agricultural loans with original maturity of:						other loans with original maturity of:						total		
1 year	2 years	3 years	5 years	>5 years	total	1 year	2 years	3 years	5 years	>5 years	total	1 year	2 years	3 years	5 years	>5 years	total			
21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41
7.3	7.7	7.1	6.7	7.2	7.2	5.6	5.9	5.8	5.8	5.9	5.8	10.6	9.6	9.8	8.8	8.2	9.5	10.3	8.6	8.9
6.9	7.3	6.7	6.3	6.6	6.7	5.6	5.9	5.8	5.8	5.9	5.8	9.0	8.8	9.2	8.1	6.9	8.2	9.7	8.1	8.4
6.7	7.0	6.5	6.1	6.4	6.6	5.3	5.7	5.6	5.6	5.6	5.6	9.0	8.8	9.5	8.2	6.7	8.2	9.6	8.0	8.3
6.6	6.9	6.3	6.0	6.2	6.4	5.3	5.3	5.3	5.3	5.3	5.3	9.3	9.0	9.3	8.0	6.6	8.2	9.6	7.9	8.2
6.6	6.9	6.3	5.9	6.2	6.4	5.3	5.3	5.3	5.3	5.3	5.3	9.3	9.0	9.3	8.0	6.6	8.2	9.5	7.9	8.2
6.5	6.9	6.3	5.9	6.2	6.4	5.3	5.3	5.3	5.3	5.3	5.3	9.4	9.0	9.3	8.0	6.6	8.2	9.5	7.9	8.3
6.6	6.9	6.2	5.8	6.2	6.4	5.3	5.3	5.2	5.3	5.2	5.3	9.4	9.0	9.4	8.1	6.7	8.2	9.5	8.0	8.3
6.6	6.9	6.3	5.8	6.2	6.4	5.3	5.3	5.2	5.2	5.3	5.3	9.5	8.9	9.3	8.1	6.7	8.2	9.5	7.9	8.3
6.6	6.8	6.3	5.8	6.2	6.4	5.3	5.3	5.2	5.3	5.3	5.3	9.1	8.9	9.2	8.1	6.6	8.1	9.4	7.9	8.3
6.5	6.8	6.3	5.8	6.1	6.3	5.3	5.3	5.2	5.3	5.3	5.3	9.5	8.7	9.2	8.1	6.7	8.2	9.4	7.9	8.4
6.6	6.8	6.3	5.8	6.1	6.4	5.3	5.3	5.2	5.3	5.3	5.3	9.4	8.9	9.2	8.1	6.7	8.1	9.3	7.9	8.4
6.5	6.7	6.2	5.8	6.1	6.3	5.3	5.3	5.2	5.3	5.3	5.3	9.2	8.9	9.2	8.1	6.7	8.0	9.3	7.8	8.4
6.5	6.6	6.2	5.8	6.1	6.3	5.3	5.3	5.2	5.2	5.3	5.3	8.9	8.7	9.1	8.1	6.6	7.9	9.2	7.8	8.5

TABLE VI

Aggregated Balance Sheet of Other  
Monetary Financial Institutions (million zloty)  
**ASSETS**

Period	Loans to domestic residents	Monetary financial instructions	Central government	Other domestic residents <sup>1</sup>	Holdings of securities other than shares issued by domestic residents	Monetary financial institutions	General government	Other domestic residents <sup>1</sup>
	1	2	3	4	5	6	7	8
XII 2005	349 935.0	52 088.9	21 507.2	276 338.9	126 528.3	32 396.3	91 642.8	2 489.2
I 2006	353 767.3	53 648.8	20 560.0	279 558.5	119 477.5	23 761.0	93 056.2	2 660.3
II	360 801.0	58 447.4	20 606.9	281 746.7	128 314.0	31 626.7	94 186.0	2 501.3
III	363 965.1	55 233.6	21 027.0	287 704.5	125 280.9	29 867.6	93 127.2	2 286.1
IV	368 936.8	55 498.1	20 725.2	292 713.5	120 784.3	26 639.7	91 696.9	2 447.7
V	381 382.4	61 206.8	20 866.1	299 309.5	130 614.6	30 614.4	97 349.0	2 651.2
VI	383 272.2	57 398.3	20 737.1	305 136.8	131 290.1	27 802.1	100 700.9	2 787.1
VII	384 229.7	55 422.2	18 711.2	310 096.3	132 740.6	30 534.0	99 094.3	3 112.3
VIII	393 478.5	56 095.1	20 455.7	316 927.7	131 251.6	29 312.1	98 896.8	3 042.7
IX	405 522.6	59 723.8	21 461.7	324 337.1	138 108.3	33 743.9	101 196.0	3 168.4
X	409 018.1	57 575.7	21 443.7	329 998.7	136 936.0	30 586.5	103 178.4	3 171.1
XI	424 843.6	64 859.0	23 362.2	336 622.4	135 011.6	28 751.7	102 966.4	3 293.5
XII	430 252.6	63 974.6	22 676.2	343 601.8	134 047.7	28 520.8	101 765.2	3 761.7

<sup>1</sup> non-monetary financial institutions and non-financial sector

<sup>2</sup> excluding financial fixed assets, included in column 10

\* See: Methodological Notes

TABLE VI

Aggregated Balance Sheet of Other  
Monetary Financial Institutions (million zloty)  
**LIABILITES**

Period	Deposits of domestic residents	Monetary financial instructions	Central government	Other domestic residents <sup>1</sup>	overnight	with agreed maturity	redeemable at notice	repurchase agreements
	1	2	3	4	5	6	7	8
XII 2005	434 316.5	44 156.0	13 381.1	376 779.4	149 605.5	217 375.0	37.4	9 761.5
I 2006	432 177.4	45 176.4	14 079.6	372 921.4	147 866.2	215 885.4	55.8	9 114.0
II	447 216.4	48 925.2	17 245.6	381 045.6	153 809.1	215 521.9	39.3	11 675.3
III	443 303.8	47 990.0	15 048.7	380 265.1	149 791.3	221 147.1	39.9	9 286.8
IV	445 253.0	46 872.9	15 334.1	383 046.0	146 696.1	225 574.1	40.6	10 735.2
V	461 100.1	51 809.3	15 960.4	393 330.4	161 046.7	219 608.5	43.3	12 631.9
XII	458 864.4	48 399.9	14 570.6	395 893.9	160 929.6	224 064.4	41.3	10 858.6
VII	461 216.3	49 847.1	14 214.8	397 154.4	166 939.3	219 526.1	41.2	10 647.8
VIII	466 227.5	47 831.0	14 517.7	403 878.8	169 382.4	223 115.0	45.4	11 336.0
IX	485 827.7	55 691.6	21 026.3	409 109.8	171 956.7	224 709.1	47.3	12 396.7
X	489 781.7	53 306.2	21 619.4	414 856.1	172 766.1	228 499.2	47.5	13 543.3
XI	496 950.0	56 335.8	20 146.9	420 467.3	181 925.0	224 580.9	46.1	13 915.3
XII	498 451.6	54 856.9	14 841.7	428 753.0	189 749.1	228 345.6	48.9	10 609.4

<sup>1</sup> non-monetary financial institutions, local government, social security funds and non-financial sector

\* See: Methodological Notes

Money Market Fund Shares/Units*	Holdings of shares/other equality issued by domestic residence			External assets	Fixed assets <sup>2</sup>	Remaining assets	Total assets
		Monetary financial institutions	Other domestic residents <sup>1</sup>				
9	10	11	12	13	14	15	16
.	6 447.9	839.9	5 608.0	91 519.5	30 902.9	25 472.5	630 806.1
147.4	6 694.1	896.1	5 798.0	92 751.6	30 953.9	28 995.0	632 786.8
137.6	6 501.2	893.2	5 608.0	97 678.7	30 975.9	30 359.8	654 768.2
154.0	5 653.5	897.3	4 756.2	94 225.2	30 933.8	28 593.0	648 805.5
172.0	5 705.9	991.8	4 714.1	98 656.5	31 009.6	29 534.3	654 799.4
173.5	5 768.9	986.5	4 782.4	95 160.6	31 025.0	29 121.7	673 246.7
181.4	5 881.4	1 019.7	4 861.7	92 005.7	31 087.9	30 674.3	674 393.0
177.7	5 886.0	1 020.7	4 865.3	90 313.5	31 190.8	30 694.6	675 232.9
206.1	5 970.9	1 009.7	4 961.2	88 529.6	31 227.9	29 012.5	679 677.1
206.8	6 295.5	1 037.5	5 258.0	91 701.7	31 288.3	27 601.6	700 724.8
200.0	6 242.0	1 044.6	5 197.4	97 297.1	31 430.1	28 862.1	709 985.4
209.2	6 191.7	1 044.7	5 147.0	95 621.9	31 489.9	30 032.4	723 400.3
206.4	6 489.0	1 040.2	5 448.8	93 667.9	32 165.3	29 185.0	726 013.9

Money Market Funds Shares/Units*	Debt securities issued	Capital and reserves				External liabilities	Remaining liabilities	Total liabilities
			Tier-1 capital	Tier-2 capital	Reserves			
9	10	11	12	13	14	15	16	17
.	5 444.4	92 445.3	50 538.2	1 862.6	40 044.5	53 923.4	44 676.5	630 806.1
284.7	5 891.3	92 800.7	50 812.2	1 858.9	40 129.6	53 715.8	47 916.9	632 786.8
284.7	5 659.9	93 186.1	50 794.6	2 209.2	40 182.3	57 898.5	50 522.6	654 768.2
284.7	6 842.4	93 246.7	51 298.8	1 845.9	40 102.0	56 160.3	48 967.6	648 805.5
284.7	6 529.1	94 771.7	53 003.3	1 602.0	40 166.4	59 159.0	48 801.9	654 799.4
508.0	6 749.7	95 339.3	53 442.0	1 494.5	40 402.8	61 560.8	47 988.8	673 246.7
508.0	7 076.6	95 929.9	55 084.8	893.6	39 951.5	65 685.3	46 328.8	674 393.0
508.0	7 030.5	96 315.1	55 188.3	1 103.2	40 023.6	62 776.9	47 386.1	675 232.9
508.0	7 173.8	96 167.3	55 189.1	770.9	40 207.3	65 081.7	44 518.8	679 677.1
566.4	7 288.3	95 739.8	55 107.8	987.1	39 644.9	66 293.0	45 009.6	700 724.8
566.4	8 343.6	96 184.7	55 325.1	1 314.2	39 545.4	67 129.2	47 979.8	709 985.4
566.4	7 823.0	96 176.2	55 347.1	1 408.2	39 420.9	71 063.3	50 821.4	723 400.3
566.4	9 326.4	95 883.8	55 701.5	1 795.3	38 387.0	71 684.1	50 101.6	726 013.9

## TABLE VII

Balance Sheet of the National Bank of Poland (million zloty)  
ASSETS

Period	Loans to domestic residents				Holdings of securities other than shares issued by domestic residents			Holdings of shares/other equity issued by domestic residents			External assets	Fixed assets <sup>2</sup>	Remaining assets	Total assets
	Loans to domestic residents	Other monetary financial institutions	General governments	Other domestic residents <sup>1</sup>	Holdings of securities other than shares issued by domestic residents	Other monetary financial institutions	General governments	Holdings of shares/other equity issued by domestic residents	Other monetary financial institutions	Other domestic residents <sup>1</sup>				
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
XII 2005	3 081.9	3 056.0	0.0	25.9	73.3	73.3	0.0	80.9	0.0	80.9	144 827.8	2 046.3	521.3	150 631.5
I 2006	2 616.9	2 591.7	0.0	25.2	73.4	73.4	0.0	80.9	0.0	80.9	143 099.8	2 054.0	1 098.5	149 023.5
II	2 616.8	2 591.7	0.0	25.1	73.4	73.4	0.0	80.9	0.0	80.9	151 042.4	2 054.8	2 131.7	158 000.0
III	2 523.9	2 498.5	0.0	25.4	73.5	73.5	0.0	80.9	0.0	80.9	150 314.3	2 057.5	1 196.8	156 246.9
IV	3 688.1	3 662.5	0.0	25.6	73.6	73.6	0.0	80.9	0.0	80.9	146 467.0	2 061.3	1 459.0	153 829.9
V	2 535.1	2 509.0	0.0	26.1	73.6	73.6	0.0	53.9	0.0	53.9	155 218.2	2 054.1	1 151.2	161 086.1
VI	2 431.7	2 405.4	0.0	26.3	73.7	73.7	0.0	53.9	0.0	53.9	155 617.4	2 060.0	1 391.3	161 628.0
VII	2 431.9	2 405.4	0.0	26.5	73.7	73.7	0.0	53.9	0.0	53.9	155 615.3	2 064.5	1 068.4	161 307.7
VIII	2 431.8	2 405.4	0.0	26.4	73.9	73.8	1.0	53.9	0.0	53.9	155 659.9	2 065.8	947.6	161 232.9
IX	2 338.3	2 312.3	0.0	26.0	73.9	73.9	0.0	53.9	0.0	53.9	159 387.2	2 069.3	792.7	164 715.3
X	2 338.2	2 312.3	0.0	25.9	73.9	73.9	0.0	53.9	0.0	53.9	150 832.1	2 071.7	915.2	156 285.0
XI	2 337.8	2 312.3	0.0	25.5	56.8	56.8	0.0	53.9	0.0	53.9	149 407.4	2 071.9	4 251.3	158 179.1
XII	5 465.1	5 440.2	0.0	24.9	5.7	5.7	0.0	53.9	0.0	53.9	147 455.4	2 078.3	253.0	155 311.4

<sup>1</sup> non-monetary financial institutions and non-financial sector<sup>2</sup> excluding financial fixed assets, included column 8

## TABLE VII

Balance Sheet of the National Bank of Poland (million zloty)  
LIABILITIES

Period						Debts securities issued	Capital and reserves			External liabilities	Remaining liabilities	Total liabilities
	Currency in circulations	Deposits of domestic residents	Other monetary financial institutions	Central government	Other domestic residents <sup>1</sup>			Tier-1 capital	Reserves			
	1	2	3	4	5	6	7	8	9	10	11	12
XII 2005	62 596.9	28 347.6	10 679.1	16 417.2	1 251.3	30 816.4	3 244.8	2 278.0	966.8	11 953.6	13 672.2	150 631.5
I 2006	60 218.0	38 696.9	12 136.3	25 313.1	1 247.5	22 316.4	3 260.8	2 278.0	982.8	12 179.1	12 352.3	149 023.5
II	61 122.8	40 062.9	12 916.5	25 740.9	1 405.5	30 316.4	3 275.4	2 278.0	997.4	10 734.6	12 487.9	158 000.0
III	63 437.9	36 078.3	11 388.8	23 203.9	1 485.6	29 016.4	3 290.0	2 278.0	1 012.0	9 599.2	14 825.1	156 246.9
IV	66 524.4	36 639.1	12 956.5	21 952.0	1 730.6	26 016.4	3 304.7	2 278.0	1 026.7	9 323.1	12 022.2	153 829.9
V	66 391.0	34 985.1	12 792.7	20 623.9	1 568.5	29 316.4	3 287.8	2 278.0	1 009.8	14 169.5	12 936.3	161 086.1
VI	69 885.2	34 508.8	12 296.3	21 109.8	1 102.7	26 816.4	3 302.5	2 278.0	1 024.5	10 818.0	16 297.1	161 628.0
VII	70 466.8	33 338.2	11 353.2	20 700.3	1 284.7	29 316.4	3 377.5	2 338.9	1 038.6	12 776.7	12 032.1	161 307.7
VIII	70 478.0	34 884.5	14 373.4	19 336.8	1 174.3	28 016.4	3 390.9	2 338.9	1 052.0	12 214.7	12 248.4	161 232.9
IX	71 518.5	29 456.7	11 420.0	16 803.6	1 233.1	32 316.4	3 404.7	2 338.9	1 065.8	13 350.1	14 668.9	164 715.3
X	72 378.5	26 979.0	10 475.7	15 274.7	1 228.6	29 116.4	3 421.5	2 338.9	1 082.6	12 679.8	11 709.8	156 285.0
XI	71 430.2	31 705.7	16 464.9	13 810.3	1 430.5	27 316.4	3 433.8	2 338.9	1 094.9	13 531.1	10 761.9	158 179.1
XII	75 072.7	33 233.0	14 612.0	16 545.1	2 075.9	26 216.4	3 450.2	2 338.9	1 111.3	9 304.0	8 035.1	155 311.4

<sup>1</sup> non-monetary financial institutions, local government, social security funds and non-financial sector

TABLE VIII

Consolidated Balance Sheet of  
Monetary Financial Institutions (million zloty)  
**ASSETS**

Period	Loans to domestic residents	General government	Other domestic residents <sup>1</sup>	Holdings of securities other than shares issued by domestic residents	General government	Other domestic residents <sup>1</sup>	Holdings of shares/other equity <sup>2</sup> issued by other domestic residents <sup>1</sup>	External assets	Fixed assets <sup>3</sup>	Remaining assets <sup>4</sup>	Total assets
	1	2	3	4	5	6	7	8	9	10	11
XII 2005	297 872.0	21 507.2	276 364.8	94 132.0	91 642.8	2 489.2	5 688.9	236 347.3	32 949.2	20 551.7	687 541.1
I 2006	300 143.7	20 560.0	279 583.7	95 716.5	93 056.2	2 660.3	5 878.9	235 851.4	33 007.9	25 222.3	695 820.7
II	302 378.7	20 606.9	281 771.8	96 687.3	94 186.0	2 501.3	5 688.9	248 721.1	33 030.7	27 690.3	714 197.0
III	308 756.9	21 027.0	287 729.9	95 413.3	93 127.2	2 286.1	4 837.1	244 539.5	32 991.3	24 760.2	711 298.3
IV	313 464.3	20 752.2	292 739.1	94 144.6	91 696.9	2 447.7	4 795.0	245 123.5	33 070.9	25 722.0	716 320.3
V	320 201.7	20 866.1	299 335.6	100 000.2	97 349.0	2 651.2	4 836.3	250 378.8	33 079.1	25 040.0	733 536.1
XII	325 900.2	20 737.1	305 163.1	103 488.0	100 700.9	2 787.1	4 915.6	247 623.1	33 147.9	26 392.5	741 467.3
VII	328 834.0	18 711.2	310 122.8	102 206.6	99 094.3	3 112.3	4 919.2	245 928.8	33 255.3	26 188.2	741 332.1
VIII	337 409.8	20 455.7	316 954.1	101 939.6	98 896.9	3 042.7	5 015.1	244 189.5	33 293.7	24 427.1	764 274.8
IX	345 824.8	21 461.7	324 363.1	104 364.4	101 196.0	3 168.4	5 311.9	251 088.9	33 357.6	23 068.5	763 016.1
X	351 468.3	21 443.7	330 024.6	106 349.5	103 178.4	3 171.1	5 251.3	248 129.2	33 501.8	23 710.4	768 410.5
XI	360 010.1	23 362.2	336 647.9	106 259.9	102 966.4	3 293.5	5 200.9	245 029.3	33 561.8	28 887.1	778 949.1
XII	366 302.9	22 676.2	343 626.7	105 526.9	101 765.2	3 761.7	5 502.7	241 123.3	34 243.6	23 132.9	775 832.3

<sup>1</sup> non-monetary financial institutions, and non-financial sector

<sup>2</sup> including rights issues (to XII 2003), units in investment funds and financial fixed assets

<sup>3</sup> excluding financial fixed assets, incorporated in column 7

<sup>4</sup> including rights issues (from I 2004)

TABLE IXa

## M3 and Counterparts (million zloty)

Period	Currency in circulation (excluding vault cash)	Currency in circulation (including vault cash)	Cash in banks vaults	Overnight deposits and other liabilities	Households	of which individuals	Non-monetary financial institutions	Non-financial corporations	Non-profit institutions serving households	Local government	Social security funds	M1
	1	2	3	4	5	6	7	8	9	10	11	12
XII 2005	57 154.7	62 596.9	5 442.2	150 856.8	70 807.1	56 360.8	8 840.6	54 886.5	4 545.9	10 505.3	1 271.3	208 011.5
I 2006	55 346.9	60 218.0	4 871.1	149 113.7	70 084.4	56 749.7	8 936.0	53 889.9	4 297.2	10 394.0	1 512.2	204 460.6
II	56 321.5	61 122.8	4 801.3	155 214.6	72 111.8	59 467.1	9 902.5	55 303.0	4 327.5	11 676.1	1 893.7	211 536.1
III	58 408.3	63 437.9	5 029.6	151 276.9	75 126.3	61 663.6	8 361.1	50 715.4	4 335.4	11 239.0	1 499.8	209 685.2
IV	61 253.1	66 524.4	5 271.4	148 426.7	76 290.3	62 803.1	7 927.9	47 229.3	4 394.7	10 267.3	2 317.3	209 679.8
V	61 158.2	66 391.0	5 232.8	162 615.0	77 908.6	63 542.6	9 302.7	57 105.4	4 532.9	11 928.1	1 837.2	223 773.2
VI	64 212.1	69 885.2	5 673.1	162 032.3	80 894.1	66 043.9	8 804.2	54 609.5	4 685.6	11 847.4	1 191.5	226 244.5
VII	64 892.0	70 466.8	5 574.8	168 224.0	82 336.7	67 364.6	9 244.9	58 352.8	4 882.2	12 283.1	1 124.2	233 116.0
VIII	64 944.9	70 478.0	5 533.0	170 556.8	83 680.2	68 122.5	9 636.0	59 071.5	5 045.4	12 048.0	1 075.7	235 501.7
IX	66 192.8	71 518.5	5 325.7	173 189.8	84 683.0	69 143.0	9 767.9	59 879.7	5 212.9	12 534.6	1 111.7	239 382.6
X	66 311.6	72 378.5	6 066.9	173 994.7	85 513.1	69 674.5	11 292.3	58 330.3	5 111.3	12 836.5	907.2	240 306.3
XI	66 033.6	71 430.2	5 396.6	183 355.5	87 459.1	71 258.9	12 367.5	64 118.8	5 187.9	13 086.8	1 134.7	249 389.1
XII	68 767.6	75 072.7	6 305.0	191 825.0	94 267.1	74 569.0	12 271.3	66 749.2	5 540.0	11 134.8	1 862.6	260 592.7



TABLE VIII

Consolidated Balance Sheet of  
Monetary Financial Institutions (million zloty)  
**LIABILITIES**

Period	Currency in circulation	Deposits of central government	Deposits of other domestic residents <sup>1</sup>					Money Market Fund Shares/Units*	Debt securities issued	Capital and reserves	External liabilities	Remaining liabilities	Excess of inter-MFI liabilities	Total liabilities
				overnight	with agreed maturity	redeemable at notice	repurchase agreements							
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
XII 2005	57 154.8	29 798.3	378 030.7	150 856.8	217 375.0	37.4	9 761.5	.	3 791.2	94 972.2	65 877.0	58 226.7	-309.8	687 541.1
I 2006	55 346.8	39 392.7	374 168.9	149 113.7	215 885.4	55.8	9 114.0	137.3	4 373.3	95 165.4	65 894.9	60 269.2	1 072.2	695 820.7
II	56 321.6	42 986.5	382 451.1	155 214.6	215 521.9	39.3	11 675.3	147.1	4 276.2	95 568.3	68 633.1	63 010.5	802.6	714 197.0
III	58 408.3	38 252.6	381 750.7	151 276.9	221 147.1	39.9	9 286.8	130.7	5 917.7	95 639.4	65 759.5	63 792.7	1 646.7	711 298.3
IV	61 253.1	37 286.1	384 776.6	148 426.7	225 574.1	40.6	10 735.2	112.7	5 832.2	97 084.6	68 482.1	60 824.1	668.8	716 320.3
V	61 158.1	36 584.3	394 898.9	162 615.2	219 608.5	43.3	12 631.9	334.5	5 378.1	97 640.6	75 730.3	60 925.1	886.2	733 536.1
VI	64 212.1	35 680.4	396 996.6	162 032.3	224 064.4	41.3	10 858.6	326.6	6 017.2	98 212.7	76 503.3	62 625.9	892.5	741 467.3
VII	64 892.0	34 915.1	398 439.1	168 224.0	219 526.1	41.2	10 647.8	330.3	5 739.2	98 671.9	75 553.6	59 418.2	3 372.7	741 332.1
VIII	64 945.0	33 854.5	405 053.1	170 556.7	223 115.0	45.4	11 336.0	301.9	5 804.3	98 548.5	77 296.4	56 767.2	3 703.9	746 274.8
IX	66 192.7	37 829.9	410 342.9	173 189.8	224 709.1	47.3	12 396.7	359.6	5 786.9	98 107.0	79 643.1	59 678.5	5 075.5	763 016.1
X	66 311.6	36 894.1	416 084.7	173 994.7	228 499.2	47.5	13 543.3	366.4	6 799.6	98 561.6	79 809.0	59 689.6	3 893.9	768 410.5
XI	66 033.6	33 957.2	421 897.8	183 355.5	224 580.9	46.1	13 915.3	357.2	6 330.9	98 565.3	84 594.4	61 583.3	5 629.4	778 949.1
XII	68 767.6	31 386.8	430 828.9	191 825.0	228 345.6	48.9	10 609.4	360.0	7 016.3	98 293.8	80 988.1	58 136.7	54.1	775 832.3

<sup>1</sup> non-monetary financial institutions, local government, social security funds and non-financial sector

\* See: Methodological Notes

Deposits and other liabilities with agreed maturity up to 2 years and-blocked deposits	Households							Deposits redeemable at notice up to 3 months	M2	Repurchase agreements	Debt securities issued with maturity up to 2 years	Money market fund shares	M3
	Households	of which individuals	Non-monetary financial institutions	Non-financial corporations	Non-profit institutions serving households	Local government	Social security funds						
13	14	15	16	17	18	19	20	21	22	23	24	25	26
194 511.3	132 729.9	130 243.5	6 323.7	44 583.7	5 163.9	3 197.0	2 513.2	13.2	402 536.0	9 761.5	167.8	.	412 465.2
192 763.7	132 846.0	130 466.1	5 840.9	41 926.2	5 388.8	5 315.6	1 446.2	10.9	397 235.2	9 114.0	152.8	137.3	406 639.2
192 572.3	132 037.0	129 583.1	6 632.9	41 274.2	5 383.9	5 832.7	1 411.6	10.9	404 119.3	11 675.3	151.6	147.0	416 093.3
198 366.9	132 203.7	129 750.0	6 666.7	46 038.7	5 574.9	6 036.9	1 845.9	10.8	408 062.9	9 286.8	131.5	130.7	417 611.9
202 583.6	129 879.7	127 519.9	7 315.7	50 106.0	5 777.0	7 297.1	2 208.1	11.1	412 274.5	10 735.2	112.7	112.6	423 235.0
192 218.6	128 383.6	126 212.3	6 087.6	46 642.7	5 641.8	7 191.4	2 271.6	13.5	420 005.3	12 631.9	109.2	334.5	433 080.9
204 316.9	129 956.1	127 428.8	6 117.6	49 937.5	5 697.1	6 249.3	2 359.3	11.2	426 572.5	10 858.6	101.8	326.6	437 859.5
196 103.5	128 663.5	126 235.6	5 626.1	47 214.3	5 727.2	6 033.0	2 839.4	10.7	429 230.2	10 647.8	57.3	330.3	440 265.7
200 002.2	129 489.5	126 973.3	6 427.3	49 653.2	5 606.7	5 970.6	2 854.9	14.5	435 518.4	11 336.0	58.6	301.9	447 214.8
200 890.3	129 776.4	127 133.4	5 962.5	51 076.4	5 546.7	5 449.8	3 078.5	16.0	440 288.9	12 396.7	57.3	359.5	453 102.4
204 347.1	128 788.1	126 116.9	5 451.3	55 417.5	5 867.3	5 617.0	3 205.9	15.8	444 669.2	13 543.3	58.6	366.4	458 637.5
201 942.8	127 377.7	124 723.8	7 502.0	52 783.4	5 746.2	5 542.0	2 991.4	13.9	451 345.8	13 915.3	59.9	357.1	465 678.1
205 369.3	128 860.5	125 653.9	6 946.5	58 431.9	4 894.6	3 429.0	2 806.7	15.6	465 977.5	10 609.4	59.7	359.9	477 006.6

TABLE IXb

## M3 and Counterparts (million zloty)

Period	Net extremal assets			Credit to other domestic residence	Loans to other domestic residents	Households	of which individuals	Non-monetary financial institutions	Non-financial corporations	Non-profit institutions serving households	Local government
	Extremal assets	Extremal liabilities									
	1	2	3	4	5	6	7	8	9	10	11
XII 2005	170 470.2	236 374.3	65 877.1	303 335.7	292 858.2	141 252.4	111 887.0	11 368.5	122 908.5	835.4	11 941.3
I 2006	169 956.5	235 851.4	65 894.9	307 150.5	296 297.6	142 626.2	113 064.3	11 126.9	124 995.3	835.3	11 709.2
II	180 088.0	248 721.0	68 633.1	309 039.0	298 525.1	142 708.4	112 987.2	11 636.8	126 589.4	837.1	11 563.4
III	178 780.0	244 539.5	65 759.6	314 327.5	304 881.6	147 908.1	117 778.9	12 106.2	126 874.2	841.4	11 344.8
IV	176 641.4	245 123.6	68 482.1	318 349.9	308 847.3	150 786.1	120 149.1	12 967.4	128 139.6	845.9	11 413.2
V	174 648.6	250 378.8	75 730.2	325 652.8	315 940.2	156 722.5	125 580.4	12 433.2	129 315.0	864.9	11 433.3
VI	171 119.9	247 623.1	76 503.2	331 832.4	321 915.9	161 834.4	130 186.8	12 463.9	130 042.5	822.3	11 605.9
VII	170 375.2	245 928.8	75 553.6	335 481.0	325 220.3	165 189.0	133 028.2	11 948.7	132 140.4	844.7	11 815.4
VIII	166 893.0	244 189.4	77 296.4	344 095.4	333 807.8	170 080.2	137 292.5	12 218.6	133 789.4	865.8	12 075.5
IX	171 445.8	251 088.9	79 643.1	351 374.4	340 712.8	175 244.6	141 954.2	12 933.2	135 299.4	886.0	12 318.3
X	168 320.2	248 129.2	79 809.1	358 263.0	347 540.8	178 885.0	145 163.6	13 232.0	136 987.0	920.7	12 788.0
XI	160 434.9	245 029.3	84 594.5	366 749.3	355 862.6	183 334.3	148 680.6	13 953.9	138 407.9	951.8	13 289.5
XII	160 135.2	241 123.3	80 988.1	372 792.1	360 983.0	188 469.8	152 960.2	13 982.6	140 177.2	997.2	14 760.0

Period	Credit to central government	of which:		Deposits of central government	Longer-term financial liabilities	Deposits with agreed maturity over 2 years and deposits redeemable at notice over 3 months	Households	of which individuals	Non-monetary financial institutions
		Loans	Debts securities issued						
		21	22						
XII 2005	94 357.2	3 579.6	89 343.4	29 798.2	118 021.5	22 888.0	19 724.4	19 299.9	1 749.8
I 2006	94 588.6	3 560.6	90 742.5	39 392.7	118 493.6	23 166.7	19 982.3	19 549.4	1 758.0
II	95 715.9	3 556.0	91 862.2	42 986.5	118 707.4	22 978.0	19 781.3	19 352.1	1 800.8
III	94 679.9	3 579.1	90 804.5	38 252.6	118 609.6	22 809.3	19 836.6	19 392.9	1 573.2
IV	94 053.9	3 591.7	89 437.0	37 286.1	120 265.6	23 019.9	19 754.8	19 337.8	1 832.6
V	99 385.3	3 189.3	95 123.8	36 584.3	121 221.3	23 419.6	20 265.2	19 854.7	1 782.8
VI	102 471.4	2 796.3	98 487.1	35 680.4	122 151.4	23 777.6	20 584.1	20 139.6	1 762.5
VII	100 478.7	2 616.1	96 865.0	34 915.2	122 286.0	23 453.0	20 215.0	19 773.1	1 756.3
VIII	100 269.1	2 444.6	96 667.1	33 854.5	121 853.2	23 143.7	20 122.2	19 683.1	1 522.4
IX	104 126.7	2 326.9	99 014.6	37 829.9	122 118.2	23 850.1	20 501.8	20 030.6	1 755.3
X	104 806.2	1 907.3	100 878.6	36 894.1	122 900.1	24 183.8	20 790.8	20 316.3	1 752.5
XI	104 721.6	1 921.2	100 574.1	33 957.2	121 388.8	22 670.3	19 349.0	18 854.0	1 703.0
XII	104 540.4	1 961.8	99 220.5	31 386.8	121 460.7	23 009.6	19 491.9	18 965.7	1 779.6

Social security funds	Holdings of securities other than shares	of which issued by:			Holdings of shares/other equality	of which:		Credit to central government, net
		Non-monetary financial institutions	Non-financial corporations	Local government		Non-monetary financial institutions	Non-financial corporations	
4 552.2	4 788.6	377.8	2 111.3	2 299.4	5 688.9	4 157.2	1 531.7	64 558.9
5 004.7	4 974.0	191.7	2 468.6	2 313.7	5 878.9	4 332.2	1 546.7	55 196.0
5 189.9	4 825.1	251.6	2 249.7	2 323.8	5 688.9	4 156.9	1 532.0	52 729.3
5 806.8	4 608.8	279.6	2 006.6	2 322.7	4 837.1	3 292.7	1 544.4	56 427.3
4 695.1	4 707.6	339.8	2 107.9	2 259.9	4 795.0	3 306.1	1 488.9	56 767.8
5 171.3	4 876.4	429.5	2 221.7	2 225.2	4 836.2	3 369.9	1 466.4	62 801.0
5 146.9	5 001.0	426.5	2 360.6	2 213.8	4 915.6	3 391.0	1 524.5	66 791.1
3 282.0	5 341.5	584.8	2 527.4	2 229.3	4 919.2	3 363.8	1 555.4	65 563.6
4 778.3	5 272.5	469.3	2 573.4	2 229.8	5 015.1	3 431.1	1 584.0	66 414.6
4 031.3	5 349.8	490.8	2 677.5	2 181.4	5 311.9	3 614.7	1 697.1	66 296.8
4 728.1	5 470.9	524.4	2 646.7	2 299.8	5 251.3	3 609.8	1 641.5	67 912.1
5 925.2	5 685.9	386.6	2 906.9	2 392.4	5 200.9	3 594.2	1 606.7	70 764.4
2 596.2	6 306.5	683.2	3 078.5	2 544.7	5 502.6	3 965.5	1 537.2	73 153.6

Non-financial corporations	Non-profit institutions serving households	Local government	Social security funds	Debt securities issued with maturity over 2 years	Capital and reserves	Fixed assets (excluding financial fixed assets)	Other items (net)
30	31	32	33	34	35	36	37
1 101.5	288.7	23.5	0.0	161.5	94 972.0	32 949.2	-40 827.3
1 132.3	275.3	18.7	0.1	161.5	95 165.4	33 007.9	-40 178.1
1 097.3	279.3	19.2	0.1	161.1	95 568.3	33 030.6	-40 086.2
1 098.3	282.0	19.2	0.1	161.1	95 639.3	32 991.3	-46 304.4
1 133.4	280.5	18.5	0.1	161.1	97 084.6	33 071.0	-41 329.5
1 057.7	294.0	19.9	0.1	161.1	97 640.6	33 079.0	-41 879.2
1 105.2	304.0	21.7	0.1	161.1	98 212.7	33 148.0	-42 880.5
1 152.4	307.5	21.8	0.1	161.1	98 671.9	33 255.3	-42 123.4
1 163.7	314.8	20.6	0.1	161.1	98 548.5	33 293.7	-41 628.6
1 245.1	325.2	22.6	0.1	161.1	98 107.0	33 357.6	-47 254.0
1 281.2	335.9	23.2	0.1	154.6	98 561.7	33 501.8	-46 459.4
1 237.8	352.6	27.8	0.1	153.2	98 565.2	33 561.9	-44 443.6
1 341.0	369.7	27.4	0.1	157.4	98 293.8	34 243.6	-41 857.3

TABLE X

## Reserve Money and Counterparts (million zloty)

Period	External assets, net	Official reserve assets	Refinancing credit						
				Rediscount credit	Lombard credit	Credit for rehabilitation programmes	Credit for central government investment projects	Other credit	Overdue credit
	1	2	3	4	5	6	7	8	9
XII 2005 *	132 874.2	138 837.6	3 055.7	0.0	464.0	0.0	2 591.7	0.0	0.0
I 2006	130 920.8	136 648.2	2 591.7	0.0	0.0	0.0	2 591.7	0.0	0.0
II	140 307.8	144 566.0	2 591.7	0.0	0.0	0.0	2 591.7	0.0	0.0
III	140 715.1	143 837.1	2 498.5	0.0	0.0	0.0	2 498.5	0.0	0.0
IV	137 143.9	140 011.4	3 662.5	0.0	1 164.0	0.0	2 498.5	0.0	0.0
V	141 048.7	148 844.1	2 509.0	0.0	0.0	0.0	2 498.5	10.4	0.0
VI	144 799.5	149 275.2	2 405.4	0.0	0.0	0.0	2 405.4	0.0	0.0
VII	142 838.6	149 309.9	2 405.4	0.0	0.0	0.0	2 405.4	0.0	0.0
VIII	143 445.2	149 310.3	2 405.4	0.0	0.0	0.0	2 405.4	0.0	0.0
IX	146 037.1	153 023.2	2 312.3	0.0	0.0	0.0	2 312.3	0.0	0.0
X	138 152.4	144 502.2	2 312.3	0.0	0.0	0.0	2 312.3	0.0	0.0
XI	135 876.3	143 060.8	2 312.3	0.0	0.0	0.0	2 312.3	0.0	0.0
XII	138 151.4	141 113.7	5 440.2	0.0	3 186.2	0.0	2 219.1	34.8	0.0

\* Effective from January 2005, values from "Other loans" were transferred to "Net balance of other items" owing to the implementation of MFI list, used in monetary statistic while drawing up the sectoral qualification of entities.

\*\* Since December 2006, volumes of banknotes and collector's coins as well as banknotes and coins withdraw from issue have been transferred from „Currency in circulations" to "Other items net".  
Impact of these amounts on the total "Cash in circulation" was insignificant.

Open market operations (net)	Auction credit	Auction deposits	NBP bills	Credit to central government, net	Other items (net)	Central Bank reserve money	Currency in circulation (including vault cash)	Bank current accounts	Reserve requirements accounts
-23 000.0	0.0	0.0	-23 000.0	-16 417.2	-26 007.7	70 505.0	62 596.9	7 880.7	27.4
-14 500.0	0.0	0.0	-14 500.0	-25 313.1	-21 545.1	72 154.3	60 218.0	11 904.3	32.0
-22 500.0	0.0	0.0	-22 500.0	-25 740.9	-20 802.0	73 856.5	61 122.8	12 697.8	36.0
-21 200.0	0.0	0.0	-21 200.0	-23 203.9	-24 147.5	74 662.3	63 437.9	11 187.3	37.1
-18 200.0	0.0	0.0	-18 200.0	-21 952.0	-22 034.3	78 620.1	66 524.4	12 054.0	41.8
-21 500.0	0.0	0.0	-21 500.0	-20 623.9	-22 481.1	78 952.7	66 391.0	12 520.2	41.5
-19 000.0	0.0	0.0	-19 000.0	-21 109.8	-25 116.7	81 978.4	69 885.2	12 050.3	42.8
-21 500.0	0.0	0.0	-21 500.0	-20 700.3	-21 395.0	81 648.6	70 466.8	11 133.2	48.6
-20 200.0	0.0	0.0	-20 200.0	-19 336.7	-21 670.6	84 643.3	70 478.0	14 120.9	44.4
-24 500.0	0.0	0.0	-24 500.0	-16 803.6	-26 402.1	80 643.7	71 518.5	9 080.4	44.8
-21 300.0	0.0	0.0	-21 300.0	-15 274.7	-21 255.6	82 634.3	72 378.5	10 209.0	46.8
-19 500.0	0.0	0.0	-19 500.0	-13 810.3	-17 230.2	87 648.0	71 430.2	16 163.8	53.9
-18 400.0	0.0	0.0	-18 400.0	-16 545.1	-21 820.7	86 825.7	75 072.7**	11 698.6	54.4

## METHODOLOGICAL NOTES

**TABLE I**  
**Basic Statistical Data**

Information contained in Table I is derived from the "Statistical Bulletin" of the Central Statistical Office [GUS]. Definitions of the categories presented in the Table can be found in GUS publications.

1. Data presented in pts 1, 2, 6, 7, 10 and 12 comprise national economy entities regardless of their ownership type, i.e. public sector entities (state-owned entities, units of local government and mixed ownership, where public sector entities prevail) and private sector entities.

2. The corporate sector comprises entities which conduct their economic activities in the fields of: forestry, including the provision of services; marine fishing; mining, manufacturing; electricity, water and gas production and supply; construction; wholesale and retail trade; repair of motor vehicles, motorcycles as well as personal and household goods; hotels and restaurants; transport, storage and communication; real estate renting and related business activities, renting machines and equipment without an operator and of personal and household goods; computer and related activities; other business activities; sewage and refuse disposal, sanitation management and other sanitation services; recreational, cultural, sporting and other services.

3. According to the Polish Statistical Classification of Economic Activities [PKD], the notion of "industry" applies to the following sections: "mining", "manufacturing" and "electricity, gas and water production and supply".

4. Data on the sold production of industry (pt 1), and the construction and assembly production (pt 2) refer to:  
– economic entities with more than 9 employees.

5. Data on the value of the sold production of industry (pt 1) and the construction and assembly production (pt 2) are disclosed net without the due value added tax (VAT) and the excise tax, while they include subsidies for specific purposes to products and services in the so-called base prices.

6. Construction and assembly production data (pt 2) refer to works performed on commission in Poland by the business entities of the construction sector, i.e. classified under "construction" according to the PKD.

7. Information on the sold production of industry (pt 1) and the construction assembly production (pt 2) are disclosed without seasonal adjustments.

8. Data on the employed, the unemployed and the unemployment rate are derived from the model survey on the labour force (BAEL i.e. labour force survey). Employed persons include: persons who operate their own business activity (with at least one employee), are single proprietors, are employed under employment contract and are bona fide employees of family business. Those who temporarily do not perform work owing to sick leave, holiday leave, suspended operations of the workplace, force majeure such as weather or strike, yet remain in labour relationship with the employer are also regarded as employed.

9. The unemployment rate (pt 9) denotes the proportion of the registered unemployed to the professionally active civilian population of more than 15 years of age. For conceptual notes on denoting the harmonised unemployment rate please refer to News Release 67/2004 dated June 4 2002.

10. Revenues from privatisation do not constitute the current revenues of the state budget; instead they finance the budget deficit (pt 11).

11. Financial performance of non-financial corporations (pt 12) concerns economic entities which keep account books and are obliged to prepare statements on their revenues, costs and financial results on a quarterly basis; however, the data for all types of economic activities apply to the entities with a number of employees exceeding 49.

**TABLE II**  
**Financial Market – Basic Information**

Information comprised in Table II has been derived from the National Bank of Poland (save for the data in pt 6, supplied by the Warsaw Stock Exchange).

1. Interest rates in Table II are presented on an annual basis at the level which was binding on the last day of a given month. The average monthly interest rate has been given only for the weighted average yield on purchased T-bills or the NBP money-market bills.

2. Two interest rates are shown in one column (pt 1, col. 3 – interest rate on refinancing loan) means that the first interest rate refers to the refinancing loan for financing central investment projects which have a State Treasury guarantee. It is equal to the Lombard rate. The other rate, which is higher by 1 percentage point, refers to other refinancing loans.

3. As of 1 December 2001, the NBP introduced a central bank deposit rate (pt 1 col. 4). This rate sets the price offered by the central bank to commercial banks for short-term deposits.

4. Total reserve requirements (pt 2, col. 12) pertain to the volumes declared by banks and binding on the last day of the month. Since 28 February 2002, the total required reserves are held exclusively on the NBP accounts.

5. Information on Treasury bill tenders (pt 3, except for the stocks of bills in circulation at the end of the month – col. 64) comprises data from tenders conducted within one month. The average yield on bills purchased is weighted by the share of the sale of bills with different maturities in the total value of bills purchased. The stock of bills in circulation at month end has been determined on the basis of the agreed maturity, calculated from the day after the tender which resulted in the sale of the bill. The above stock does not include bills in circulation which do not stem from tenders.

6. Information on tenders for the NBP money-market bills (pt 4, except for the stock of bills in circulation at month end – col. 86) comprises data from tenders conducted within one month. The average yield on bills purchased is weighted by the share of the sale of bills with different maturities in the total value of bills purchased.

7. Information on the results of the trading sessions on the Warsaw Stock Exchange (pt 6) is disclosed on the basis of the Warset stock exchange system introduced in November 2000. To assure data comparability, the data for the period from January to November 2000 have been recalculated. The National bank of Poland has no available recalculated data for 1999.

8. The Warsaw Stock Exchange Index [WIG Index] and the Warsaw Parallel Market Index [WIRR Index] are calculated by the so-called capital formula which reflects percentage changes in the market value of listed companies. The market value of all primary market companies for the WIG Index and of the parallel market companies for the WIRR Index (stock capitalisation) is calculated at each session and compared to the value in the preceding sessions. It has been

assumed that the base values of the WIG Index at the first WSE session held on 16 April 1991 and the WIRR Index from the end of 1994 were equal to 1,000 points.

9. The indices comprise companies from all the quotation markets.

10. Capitalisation refers only to domestic companies.

11. The P/E ratio shows the relation of the market price to net earnings and is calculated as a quotient of the total market value of companies at month end to their aggregated profits and losses generated within the last 4 quarters, for which financial data are available.

12. The turnover ratio shows the relation between the value of sold shares to the average value of shares quoted in a given month.

13. The monthly turnover value and the turnover ratio comprise the continuous quotation and fixing.

#### TABLE III PLN/USD and PLN/EUR daily exchange rates in 2006

The information has been based on the data of the National Bank of Poland.

1. The NBP average exchange rate is the official exchange rate used for statistical and accounting purposes.

2. The average PLN/USD and PLN/EUR exchange rates and the USD/EUR ratio were calculated as the arithmetic average of the NBP average exchange rates for a month (based on daily exchange rates).

#### SECTORAL CLASSIFICATION OF ITEMS IN TABLES IV, V, VI, VII, VIII, IX and X

**financial sector** comprises the following sub-sectors:

- monetary financial institutions<sup>1</sup> (including the central bank and other monetary financial institutions). In Poland, the concept of other monetary financial institutions applies to banks and – from January 2005 – to credit unions (SKOK) and money market funds;

- insurance corporations and pension funds;

- other financial intermediaries (including SKOK [Co-operative Saving and Credit Unions] to December 2004, financial leasing companies, factoring companies, brokerage offices, investment funds, including money market funds to December 2004, and financial companies created for securitization);

- financial auxiliaries (including bureaux de change, bourses, hire purchase institutions).

**non-financial sector** comprises the following sub-sectors:

- state-owned corporations;

- private corporations and co-operatives;

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<sup>1</sup> In accordance with the ECB definition, monetary financial institutions (MFIs) comprise financial institutions whose business is to receive deposits and/or close substitutes for deposits from entities other than MFIs and, for their own account, to grant credits and/or to make investments in securities.



- individual entrepreneurs<sup>2</sup>;
- farmers;
- individuals;
- non-profit institutions serving households.

In Table IX “*M3 and counterparts*”, claims and liabilities of banks to the non-financial sector are sub-divided into three sectors:

- *households* comprising:
  - individuals;
  - farmers;
  - individual entrepreneurs (natural persons conducting business activities on their own account, with a maximum of 9 employees);
- *non-financial corporations* comprising:
  - state-owned corporations;
  - private corporations and co-operatives (including individual entrepreneurs with more than 9 employees);
- *non-profit institutions serving households* (separate legal entities which serve households. Their principal resources, apart from those derived from occasional sales, are derived from voluntary contributions in cash or in kind from households, from payments made by general governments and from property income);

**general government** comprises the following sub-sectors:

- central government (including public governing bodies, government administration bodies, state control and law protection bodies, courts and tribunals, state universities, state institutions of culture and welfare, etc.);
- local government (including local administrative offices [at gmina and powiat level], local parliaments, public elementary schools, institutions of culture financed by local governments, welfare institutions, etc.);
- social security funds (comprise the Social Insurance Institution, the Agricultural Social Insurance Fund and the funds they manage, healthcare funds).

Details on sectoral breakdown of relevant subjects and monetary aggregates are available on NBP website ([www.nbp.pl](http://www.nbp.pl) ⇒ sprawozdawczość ⇒ dla NBP przekazywana przez banki ⇒ instrukcje).

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<sup>2</sup> Natural persons conducting business activities on their own account with a maximum of 9 employees.

**Table IV**  
**Weighted interest rates on zloty deposit offered by commercial banks**

Weighted interest rates are calculated on the basis of data derived from 11 commercial banks, i.e.:

Powszechna Kasa Oszczędności – Bank Polski SA,  
Bank Handlowy w Warszawie SA,  
ING Bank Śląski SA,  
Bank BPH SA,  
Bank Zachodni WBK SA,  
BRE Bank SA,  
Bank Millennium SA,  
Bank Polska Kasa Opieki SA,  
Kredyt Bank SA,  
Bank Gospodarki Żywnościowej SA,  
Raiffeisen Bank Polska SA.

In the case of residents, these banks held 79% of household zloty deposits and 77% of corporate zloty deposits as at the end of December 2006.

The data on interest rates offered by banks are derived from the monthly reporting to the NBP as of the last day of each reporting month. Interest rates are disclosed on an annual basis, without capitalisation. Banks supply the data on the interest rates of a product with the highest share in a given item category. In the calculations, floating interest rates have been given a priority. Fixed interest rates are taken into account only when floating interest rates are not available. Banks which do not offer any products in a given category have not been included in the calculation.

**Table V**  
**Weighted average interest rates on zloty loans offered by commercial banks**

General rules for their calculation are the same as for zloty deposits presented in Table IV and refer to the same group of banks. Their share in the zloty loans to non-financial corporations amounted to 69% and 58% for loans extended to households. As a rule, interest rates offered to the clients with the highest creditworthiness are included in the reports sent to the NBP.

#### **General comments on Tables VI, VII and VIII**

1. The figures refer to the end of each reporting month and have been derived from balance sheets received from the banks within the framework of the "Banking Reporting Information System (BIS)" and from the balance sheet of the National Bank of Poland and credit unions (SKOK).

2. The presentation is structured in accordance with the ECB standards.

3. Assets in Tables VI, VII and VIII are shown gross of provisions, accumulated depreciation and write downs (except for securities presented at market price).

4. Apart from external assets/liabilities, capital and reserves, all categories reflect operations with residents.

#### **EXPLANATIONS TO THE CHANGES IN THE METHODOLOGY**

Please be advised that in line with ECB recommendations, the NBP, striving for harmonisation of data within ESBC, publishes monetary aggregates based on the data received from MFIs sector.

Until December 2004 data on the MFI sector were derived from Polish banks, branches of foreign credit institutions having their registered office in Poland, branches of foreign banks.

Effective from January 2005 this sector comprises also credit unions (SKOK).

Banks in bankruptcy, liquidation and under development were excluded from the MFI sector as from January 2005.

Since January 2006, data on the MFI sector have been supplemented with data on money market funds (MMFs).

The hereinabove notes refer to Tables: VI, VII and VIII.

#### Table VI

#### Aggregated Balance Sheet of Other Monetary Financial Institutions – Assets and Liabilities

1. **Credits, loans and other claims to domestic residents** (assets col. 1) include current accounts, reserve requirements, open market operations, deposits, loans and credits, debt purchased, realised guarantees and sureties, other claims, interest due and claims on securities purchased under repurchase agreements.

2. **Debt securities issued by domestic residents** (assets col. 5) held by other monetary financial institutions.

3. **Securities, other shares and other equity issued by domestic residents** (assets col. 10) include shares, investment fund participation units, investment certificates and fixed financial assets (shares).

4. **External assets** (assets col. 13) include all assets of non-residents denominated in zloty and foreign currencies.

5. **Fixed assets** (assets col. 14) include total fixed assets except for financial fixed assets.

6. **Other assets** (assets col. 15) include vault cash i.e. cash and other cash equivalents held at other monetary financial institutions, as well as other claims and interest due and not due from all sectors, settlement accounts, claims on various debtors, deferred income and expenditure, other financial assets, rights issue, other assets, other operations, interest on securities purchased under repurchase agreement.

7. **Deposits and other liabilities to domestic residents** (liabilities col. 1) represent overnight deposits, deposits with agreed maturities, blocked deposits, deposits redeemable at notice, received credit and loans, including refinancing, auction (open market operations) and claims from cash collateral (classified to "with agreed maturities"), other liabilities and claims on repurchase agreements, subordinated claims save for those in securities issued.

8. **Debt securities issued** (liabilities col. 10) are liabilities on own debt securities issued by other monetary financial institutions, subordinated claims in securities issued.

9. **Capital and reserves** (liabilities col. 11) are divided into: a) core fund comprising share paid-in capital, called-up capital unpaid, own shares, accumulated reserves, general risk provisions, reserve capital and retained earnings, b) supplementary funds i.e. revaluation reserves and other supplementary funds specified in the Act Banking Law (assigned both to residents and non-residents), other components of equity capital, c) provisions, including specific provisions,

impairment allowances, mortgage notes reserves (residents, non-residents), specific provisions for off-balance liabilities (residents, non-residents), general risk provisions (residents, non-residents).

10. **External liabilities** (liabilities col. 15) include all liabilities of non-residents denominated in zloty and foreign currencies, except for reserves included in point 9, which comprise residents and non-residents.

11. **Other liabilities** (liabilities col. 16) include interest on the above-mentioned liabilities, settlement accounts, liabilities to various creditors, deferred income and expenditure, suspended revenue, other liabilities from financial instruments, other liabilities, exchange rate fluctuations resulting from the conversion of subordinated liabilities, reserves for risk and expenditures not associated with the basic activities of the reporting bank, subordinated liabilities, other operations, interest on subordinated liabilities, value adjustments profit/loss during approval procedures, current year profit/loss.

#### Table VII

#### Balance Sheet of the National Bank of Poland – Assets and Liabilities

1. The item **credits, loans and other claims to domestic residents** (assets col. 1) comprises receivables from granted loans, including rediscount, lombard and refinancing loans for central investments, granted from foreign credit facilities, open market operations, other loans and receivables from current and fixed term deposits.

2. **Debt securities issued by domestic residents** (assets col. 5) are securities held by the National Bank of Poland.

3. **Securities, other shares and other equity issued by domestic residents** (assets col. 8) – at the moment in the case of the NBP they include only fixed financial assets (equity).

3. **External assets** (assets col. 11) include all assets of non-residents denominated in zloty and foreign currencies.

4. **Fixed assets** (assets col. 12) include total fixed assets except for financial fixed assets.

5. **Other assets** (assets col. 13) include interest due and not due on the above-listed operations, deferred costs, inter-branch settlements and other assets excluding fixed assets.

7. **Deposits of domestic residents** (liabilities col. 2) represent liabilities on overnight deposits, deposits with agreed maturity, reserve requirements, auction deposits (open market operations), separated funds and other deposits.

8. **Debt securities issued** (liabilities col. 6) represent liabilities on the NBP debt securities issued by the NBP.

9. **Capital and reserves** (liabilities col. 7) in the case of the NBP it comprises equity i.e. authorised capital, as well as reserve fund and provisions which include specific provisions, accumulated depreciation and valuation allowances.

10. **External liabilities** (liabilities col. 10) include all liabilities of non-residents denominated in zloty and foreign currencies.

11. **Other liabilities** (liabilities col. 11) include interest on the above-mentioned categories of liabilities, deferred income, inter and intra-MFI settlements, other liabilities and financial performance.

**Table VIII****Consolidated Balance Sheet of Monetary Financial Institutions –  
Assets and Liabilities**

1. Table VIII comprises a consolidated balance sheet of monetary financial institutions (commercial banks, NBP, credit unions, money market funds, branches of foreign banks, branches of foreign credit institutions having their registered office in Poland).

2. In the assets and liabilities of the above-mentioned balance sheet, domestic inter-MFI operations have been netted out.

3. Other assets (assets col. 10) and currency in circulation (liabilities col. 1) were decreased by cash in vaults of other monetary financial institutions.



## ABBREVIATIONS

ARIMR	Agencja Restrukturyzacji i Modernizacji Rolnictwa The Agency for Restructuring and Modernisation of Agriculture
BCI/DIT	Bezpośredni cel inflacyjny Direct Inflation Targeting
BFG	Bankowy Fundusz Gwarancyjny Bank Guarantee Fund
BIS	Bank Rozrachunków Międzynarodowych Bank for International Settlements
CAEL	Adekwatność kapitału (C), jakość aktywów (A), wyniki finansowe (E) i płynność (L) Capital Asset Earnings Liquidity
CEBS	Europejski Komitet Nadzoru Bankowego Committee of European Banking Supervisors
CMFB	Komitet ds. Statystyki Monetarnej, Finansowej i Bilansu Płatniczego Committee on Monetary, Financial and Balance of Payment Statistics
CPI	Wskaźnik cen towarów i usług konsumpcyjnych Consumer Price Index
CRD	Dyrektywa w sprawie wymogów kapitałowych Capital Requirements Directive
DSPW	Dealerzy Skarbowych Papierów Wartościowych Treasury Securities Dealers
EBC/ECB	Europejski Bank Centralny European Central Bank
EBOiR/EBRD	Europejski Bank Odbudowy i Rozwoju European Bank of Reconstruction and Development
ELIXIR	System wymiany zleceń płatniczych w formie elektronicznej w KIR SA The Electronic Clearings Systems
EOG/EEA	Europejski Obszar Gospodarczy European Economic Area
ERM II	Europejski Mechanizm Kursowy Exchange Rate Mechanism II
ESBC/ESCB	Europejski System Banków Centralnych European System of Central Banks
FSI	Instytut Stabilności Finansowej Financial Stability Institute
GIIF	Generalny Inspektor Informacji Finansowej General Inspector of Financial Information
GINB	Generalny Inspektorat Nadzoru Bankowego General Inspectorate of Banking Supervision
GUS	Główny Urząd Statystyczny Central Statistical Office
HICP	Zharmonizowany indeks cen konsumpcyjnych Harmonised Index of Consumer Prices
IBAN	Międzynarodowy Numer Rachunku Bankowego International Bank Account Number
JVI	Joint Vienna Institute
KIR SA	Krajowa Izba Rozliczeniowa SA National Clearing House SA
KDPW SA	Krajowy Depozyt Papierów Wartościowych SA National Depository for Securities SA
KFM	Krajowy Fundusz Mieszkaniowy National Housing Fund
KNB	Komisja Nadzoru Bankowego Commission for Banking Supervision
KNF	Komisja Nadzoru Finansowego Polish Financial Supervision Authority
KNUIFE	Komisja Nadzoru Ubezpieczeń i Funduszy Emerytalnych Insurance and Pension Funds Supervisory Commission

KPWIG	Komisja Papierów Wartościowych i Giełd The Polish Securities and Exchange Commission
KRUS	Kasa Rolniczego Ubezpieczenia Społecznego Agricultural Social Insurance Fund
KSKOK	Krajowa Spółdzielcza Kasa Oszczędnościowo-Kredytowa National Association of Cooperative Savings and Credit Unions
MFW/IMF	Międzynarodowy Fundusz Walutowy International Monetary Fund
MP SA	Mennica Polska SA Polish State Mint
MSP/SME	Małe i średnie przedsiębiorstwa Small and medium-sized enterprises
MSR/IAS	Międzynarodowe Standardy Rachunkowości International Accounting Standards
MSSF/IFRS	Międzynarodowe Standardy Sprawozdawczości Finansowej International Financial Reporting Standards
NBP	Narodowy Bank Polski National Bank of Poland
NRB	Numer Rachunku Bankowego Bank Account Number
NUK	Nowa Umowa Kapitałowa New Capital Accord
OECD	Organizacja Współpracy Gospodarczej i Rozwoju Organisation for Economic Co-operation and Development
Pb/b.p.	Punkt bazowy Base point
PKB/GDP	Produkt krajowy brutto Gross Domestic Product
PKN	Polski Komitet Normalizacyjny Polish Committee for Standardization
PWPW SA	Państwowa Wytwórnia Papierów Wartościowych SA Polish Securities Printing Works
RPP/MPC	Rada Polityki Pieniężnej Monetary Policy Council
RTGS	System rozrachunku brutto w czasie rzeczywistym Real-Time Gross Settlement
SDR	Specjalne Prawa Ciągnięcia Special Drawing Rights
SORBNET	System Obsługi Rachunków Banków w Centrali NBP Real-Time Gross Settlement System [RTGS] at the NBP Head Office
SODPW	System Obsługi Dłużnych Papierów Wartościowych Debt Securities Service System
SEPA	Jednolity Obszar Płatności w Euro Single Euro Payment Area
TARGET	Transeuropejski zautomatyzowany system rozrachunku brutto w czasie rzeczywistym Trans-European Automated Real-time Gross Settlement Express Transfer System
UE/EU	Unia Europejska European Union
UGW/EMU	Unia Gospodarcza i Walutowa Economic and Monetary Union
UOKiK/OCCP	Urząd Ochrony Konkurencji i Konsumenta Office of Competition and Consumer Protection
XML	Rozszerzalny język znaczników Extensible Markup Language
ZBDE/IED	Zintegrowana Baza Danych Ekonomicznych Integrated Economic Database
ZBP/PBA	Związek Banków Polskich Polish Banking Association
ZSK/IAS	Zintegrowany System Księgowy Integrated Accounting System



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