



Annual Report 2011



Marek Belka
President of the National Bank of Poland



The *Annual Report* presenting the activities of the National Bank of Poland in 2011 discusses the most important monetary policy measures of the central bank and other statutory functions and tasks of the NBP.

The past year was a difficult period for the global economy, in particular for euro area countries. It was characterised by significant volatility in financial markets and weakening global economic climate. Whereas in the first half of 2011 signs of revival were observed in the world economy, global economic growth slowed down markedly in the second half of the year. The slowdown was primarily driven by the intensification of the debt crisis in some euro area countries, the weak economic climate in the United States, high commodity prices in global markets and curbed lending by banks. These factors have led to a considerable worsening of sentiment in global markets and a rise in uncertainty about the future economic climate in the world economy.

Developments in international financial markets had a significant impact on the situation in the domestic financial market and determined measures taken by the National Bank of Poland. Market participants' concerns about mounting budgetary difficulties of several euro area countries resulted in heightened risk aversion and capital outflows from some European emerging markets, which led to the weakening of currency exchange rates and an increase in their volatility.

Poland's situation is good compared to that in euro area countries. Economic growth of 4.3% in 2011 makes our economy stand out among European economies and allows us to be moderately optimistic as regards prospects for 2012. Yet, inflation remained at a heightened level in 2011. The annual price index of consumer goods and services amounted to 4.3% and was lower than in the previous year by 1.7 percentage points. Factors that contributed to the rise in inflation were mainly those beyond the direct impact of domestic monetary policy, such as a significant increase in global commodity prices, limited supply of some food products and zloty depreciation driven by the worsening of sentiment in financial markets, as well as the increase in VAT rates at the beginning of 2011. The Monetary Policy Council tightened monetary policy in an attempt to prevent inflation from consolidation at a heightened level and to maintain a sustainable economic growth. Interest rates of the National Bank of Poland were raised four times in 2011 – in January, April, May and June – by a total of 100 basis points. As a consequence, the NBP reference rate increased from 3.5% to 4.5%.

One of the core areas of the NBP's activity is the management of foreign exchange reserves, which constitute an important element of the state's financial safety and, at the same time, enhance the credibility of Poland in global financial markets. In 2011, the official reserve assets of the National Bank of Poland increased by EUR 5.7 billion, to EUR 75.7 billion. Although in the management of the reserves the NBP focuses primarily on investing funds in liquid financial instruments in a safe way, the financial aspect of this activity is worth mentioning. Last year the National Bank of Poland posted a 3.5% rate of return on the reserves in terms of the currency of the instruments and 17.9% in zloty terms. In 2011, income from investing foreign exchange reserves amounted to PLN 7.3 billion, and foreign exchange gains stood at PLN 6.6 billion.

The financial result of the NBP for 2011 exceeded PLN 8.6 billion and was higher by PLN 2.1 billion compared to the previous year. In accordance with the provisions of law, 95% of profit generated by the NBP, i.e. PLN 8.2 billion, was allocated to the State budget in 2012.

The year 2011 saw intensified activity of the NBP in the international arena. The National Bank of Poland participated in the work related to Poland's leadership in the Council of the European Union. Representatives of the central bank participated in cyclical meetings of the World Bank governors, the International Monetary Fund, the Bank for International Settlements and the ECB General Council. In addition, technical and training assistance was granted under the international cooperation framework to non-EU central banks of transition countries. The assistance was primarily addressed to countries covered by the Eastern Partnership project, i.e. Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine.

The central bank has the exclusive right to issue currency. Due to putting banknotes and coins into circulation, the NBP ensures full liquidity of cash settlements and the appropriate quality of banknotes and coins in circulation. As of 31 December 2011, the value of banknotes and coins in circulation amounted to PLN 112.1 billion representing a rise by 8.8% compared to the previous year. This rise resulted primarily from increased demand for cash transaction purposes. The National Bank of Poland also issues collector coins and banknotes that meet with great interest. Last year, 39.5 thousand pieces of gold coins and 840 thousand pieces of silver coins covering 14 subject matters were issued. The 2011 issuance of collector coins devoted to events important to Poland is worth mentioning here – the beatification of John Paul II and the Smoleńsk crash.

In summary, the past year was another good period for the Polish economy, one of the few economies that maintained stable growth. The macroeconomic policy pursued was conducive to maintaining sustainable economic growth in the environment of financial system stability. As the President of the National Bank of Poland, I can assure you that the institution I head will continue to take all the necessary measures to fulfil the constitutional and statutory obligations of the National Bank of Poland in an effective manner.

Marek Belka

President of the National Bank of Poland

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Monetary Policy Council

Chairperson

Marek Belka

Members:

Andrzej Bratkowski

Elżbieta Chojna-Duch

Zyta Gilowska

Adam Glapiński

Jerzy Hausner

Andrzej Kaźmierczak

Andrzej Rzońca

Jan Winiecki

Anna Zielińska-Głębocka



Management Board of the National Bank of Poland

Chairperson

Marek Belka

First Deputy President of the NBP

Piotr Wiesiołek

Deputy President of the NBP

Witold Koziński

Members:

Eugeniusz Gatnar

Zbigniew Hockuba

Andrzej Raczko

Jakub Skiba

Zdzisław Sokal

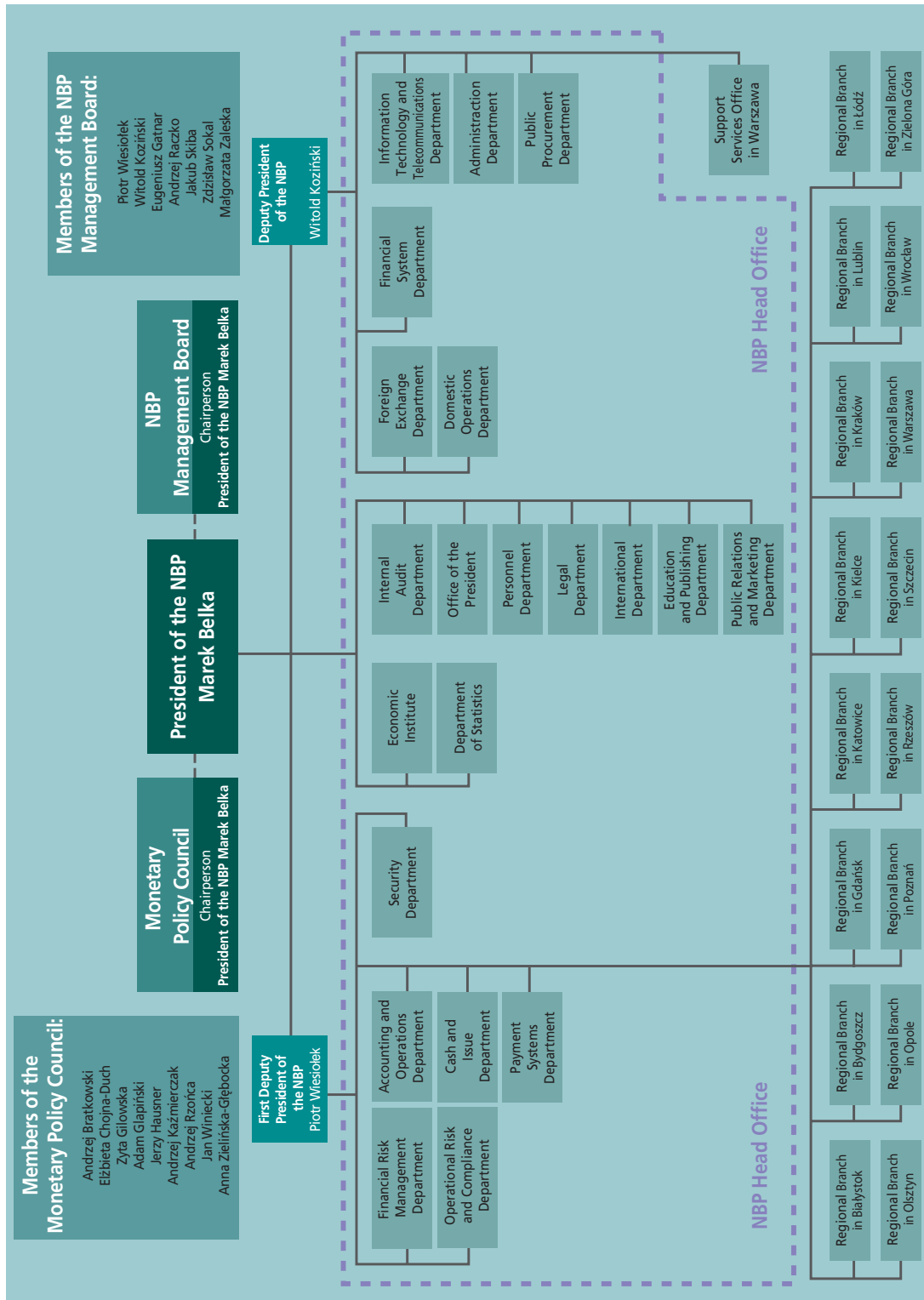
Małgorzata Zaleska

As of 25 August 2011 Zbigniew Hockuba ceased to act as a member of the NBP Management Board.



Organisation chart of the National Bank of Poland

Valid since 31 December 2011







SUMMARY



1. Pursuant to Article 227 (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, as well as in the Treaty on the Functioning of the European Union and in the Statute of the ESCB and of the ECB. In 2011, the NBP conducted its activities pursuant to the *Monetary Policy Guidelines for 2011* and the *National Bank of Poland Plan of Activity 2010–2012*.
2. This Report describes the performance of the statutory responsibilities of the NBP in 2011 with regard to the following areas: monetary policy, pursuit of the financial system stability, issue of currency, foreign exchange reserves management, foreign exchange activities, the payment system, services to the State Treasury, research, statistics, education and information and international co-operation. The *Report* also presents the Bank's legislative activity and its internal development as well as the opinion of an independent certified auditor and condensed Financial Statements of the NBP as at 31 December 2011.
3. Pursuant to the Constitution of the Republic of Poland and the Act on the National Bank of Poland, the directing bodies of the NBP are: the President of the National Bank of Poland, the Monetary Policy Council and the Management Board of the National Bank of Poland. In 2011, the organisational structure of the NBP consisted of the Head Office and 17 organisational units.
4. In 2011, the global economy grew at a rate slower than a year before and continued on a gradual downward trend. Improved business conditions in the global economy observed in the first half of 2011 were marred by the natural disaster in Japan, which strongly dragged down the global economic output. Along with the escalation of the sovereign debt crisis in some countries of the euro area, business sentiment worsened dramatically, and the outlook for global economic growth was downgraded. Throughout the whole of 2011, as in the preceding years, balance sheet restructuring in the financial and non-financial sector accompanied by a persistently unfavourable situation in the labour market adversely affected business conditions in many economies. In many countries economic activity was hampered by high prices of commodities, which also spurred global inflation. In 2011, global inflation – though ebbed down at the year-end – remained elevated.

Despite elevated inflation, major central banks from developed economies increased the scale of their monetary expansion. Meanwhile, following the monetary tightening in 2010 and in the first half of 2011, monetary policy eased up in the second half of 2011 in a number of emerging as well as small open economies, amidst deteriorating global business conditions and easing of inflationary pressure.

Whereas the considerable inflow of capital to emerging economies persisted in the first half of 2010, the second half of the year brought capital outflow, as a result of higher risk aversion in the global financial markets. As a result, the exchange rate of many currencies of the emerging countries experienced a strong depreciation.

A further relatively robust economic growth in Poland in 2011 derived its momentum primarily from stable growth in the domestic demand. Weaker growth in consumption demand over the year coincided with a faster growth in investment. A positive contribution of net exports to GDP growth in the second half of 2011 was another factor stimulating economic growth.

In the first half of 2011 the economic upturn boosted the number of working persons, though growth lost some of its momentum in the second half of the year. Similarly to 2011, the number of the economically active persons grew. As a result of labour supply exceeding labour demand, unemployment grew putting downward pressure on wage growth in the economy.



Following a decline in the years 2009–2010, the value of banking loans to the corporate sector grew in 2011. At the same time, growth in the value of household loans remained almost unchanged on the 2010 level.

After 2010 when inflation reached 2.6%, in 2011 the annual Consumer Price Index (CPI) stood at 4.3%, i.e. above the NBP inflation target of $2.5\% \pm 1$ p.p. The elevated level of inflation was largely driven by factors beyond the direct reach of the domestic monetary policy, i.e. a surge in global commodity prices, disadvantageous supply-side conditions in the domestic agricultural market in the first half of the year and the depreciation of the zloty in the second half of 2011, reflecting a souring sentiment in the international financial markets. All the above mentioned factors most particularly translated in higher than anticipated increase in food and energy prices, which sent the administered and regulated prices significantly upwards. Inflation growth was also fuelled by VAT rate increases in January 2011. The modest upward pressure of demand on prices is confirmed by a marked fall in the growth of consumption demand in 2011.

In the first half of 2011 the MPC raised the NBP policy rates on four occasions: in January, April, May and June, each time by 0.25 p.p. including the reference rate from 3.5% to 4.5%, i.e. by 1 p.p. in total. The Council was of the opinion that a relatively robust economic growth alongside with employment growth posed a risk of gradually mounting wage pressure. Moreover, growth in current inflation, amidst a strong rise in global commodity prices, and the concurrent increase in inflationary expectations posed a risk of price growth settling at an elevated level.

In the second half of 2011, the MPC kept the NBP rates unchanged. Monetary policy at that time was, to a large extent, driven by the escalating sovereign debt crisis in the euro area along with a significantly increased uncertainty regarding future outlook for global economic situation. The MPC judged that the expected slowdown in the domestic economic growth 2012, driven by the anticipated slowdown in the global economic growth, amidst the tightening of fiscal and monetary policy in the first half of 2011, should allow inflation return to the target over the medium term. At the same time, the MPC in its announcements indicated that it would not rule out the possibility of further monetary policy adjustment should the outlook for inflation returning to the target deteriorate. Amidst growing risk aversion in the international financial markets, on the back of mounting concerns about the fiscal situation in some euro area countries the second half of 2011 saw increased volatility and depreciation of exchange rates of emerging countries' currencies, including the Polish zloty. Over that period the Council tended to reiterate that the impact of the situation in the financial markets on the zloty exchange rate developments might additionally push up inflation over a short term. The NBP intervened in the currency market on several occasions, selling foreign currencies for the zloty, which moderated fluctuations of the zloty exchange rate.

5. In 2011, the National Bank of Poland carried out its monetary policy by taking a recourse to a set of instruments adopted by the Monetary Policy Council in *Monetary Policy Guidelines for 2011*. The short-term interest rate remained the main instrument of the set. The NBP reference rate determined the yield on main open market operations, while influencing, at the same time, the level of short-term market interest rates. The NBP deposit rate and the lombard rate determined the profitability of standing facilities, constituting the band of fluctuations for the overnight market rate.

In 2011, main operations took the form of the issue of money market bills with 7-day maturity which helped absorb liquidity surplus from the banking sector. The NBP also continued short-term fine-tuning operations, initiated in December 2010, with a view to bringing the POLONIA rate closer to the NBP reference rate. Additionally, banks could replenish shortages and invest surplus funds at the central bank, by taking recourse to lombard loan and overnight deposit offered by the NBP.



6. The level of short-term excess liquidity in the banking sector, measured as average annualised balance of operations carried out by the NBP (the total of money market bills issued by the NBP and standing facilities) in 2011 amounted to PLN 95,928 million and was by PLN 25,021 million higher as compared to the average level in 2010. Excess liquidity growth peaked in the first half of 2011, primarily fuelled by the surplus of foreign currency purchase by the NBP over its sale. The purchase of foreign currency by the NBP reflected the use of the EU funds in zloty (both under the Common Agricultural Policy and the structural funds) and the purchase of foreign currencies from the Ministry of Finance's foreign currency account operated by the NBP. In mid-2011 the NBP supplied the state budget with PLN 6,203 million from the NBP profit. Liquidity surplus was moderated by an increased level of currency in circulation and increased level of banks' required reserve. The NBP money market bills averaged PLN 95,217 million in 2011. The recourse to fine-tuning operations grew throughout the year. In 2011, in average terms, the main operations stood at PLN 93,764 million, fine-tuning operations – at PLN 1,453 million, whereas the standing facilities at PLN 711 million. No repo operations were conducted.
7. Pursuant to Article 3 (2.6) 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 taking steps to maintain a stable and low level of inflation. In 2011, the NBP also focused on cooperation with the financial safety net institutions, i.e. the Ministry of Finance (MF) and the Polish Financial Supervision Authority (PFSA) (see point 8 of the Summary) and activities aimed at enhancing the development of the payment system and safeguarding its liquidity (see point 12 of the Summary). Moreover, the Bank participated in the development of legal provisions concerning the banking sector, conducted research on the stability of the financial system and cooperated with the Bank Guarantee Fund and the Polish Bank Association.
8. Activities for the stability of the financial system in 2011 included primarily: analyses of the stability and development of the domestic financial system, participation in the work of the new institutions of financial supervision and oversight in the EU, participation in the meetings of the Financial Stability Committee, establishment of the Systemic Risk Committee at the NBP, as well as issuing opinions on legal acts material to the stability and development of the financial system both in Poland and in the EU. In 2011, the NBP published two *Financial Stability Reports* and a report on the *Financial System Development in Poland in 2010*.
9. The main goal of issue of currency by the NBP was to ensure safety and liquidity of cash transactions. At the end of December 2011, the value of currency in circulation (including bank vault cash) amounted to PLN 112,089.5 million, which represented an increase of 8.8% as compared to the end of 2010. In 2011, the NBP continued to issue collector items. The issue included 39.5 thousand pieces of gold coins and 840 thousand pieces of silver coins. Collector coins issued by the NBP won prestigious awards in international competitions.
10. In the management of foreign exchange reserves, the NBP seeks to maximise the return on the reserves while ensuring the safety and requisite liquidity of invested funds. In 2011, the rate of return on reserves, determined both in terms of the currency of the instruments and in the zloty, was the highest since 2008 (3.5% and 17.9%, respectively).
11. The NBP – as part of its foreign exchange activity – maintained a register of bureaux de change, controlled foreign exchange transactions and issued decisions on foreign exchange matters. In 2011, the majority of inspections relating to foreign exchange trading concerned the execution by economic entities of their responsibilities stemming from the amended regulations on providing the NBP with data required to draw up the balance of payments and international investment position.
12. The activities of the National Bank of Poland with respect to the payment system principally consisted in the operation and maintenance of the payment systems and the performance of



interbank settlements, organisation of monetary settlements, oversight of payment systems, authorisation and clearing systems as well as securities settlement systems. Moreover, the works were completed on migrating settlements of all banks from the SORBNET-EURO system to the TARGET2 system. The NBP evaluated *kdpw_stream* system for compliance with ESCB-CESR Recommendations. Additionally, the NBP participated in the works on developing the TARGET2-Securities system and popularised non-cash transactions. The NBP continued its cooperation with the banking sector relative to the development of the basic bank account and reducing the interchange fee in Poland.

13. By maintaining central government accounts the National Bank of Poland contributes to the safety and liquidity of public fund settlements. In 2011, further to the amendment of the public finance act, the number of accounts operated by the NBP declined (from 19,215 at the end of 2010 to 16,643 at the end of 2011). Moreover, the central bank serviced foreign liabilities and receivables of the central government, trade in Treasury securities, and cooperated with the Ministry of Finance in the management of the public debt.
14. Research activity conducted at the NBP addressed issues related to monetary and macroprudential policy, inflation processes, the economic condition of enterprises and households, labour and property markets and the impact of the global financial crisis on the performance of the world markets. Research projects completed in 2011 included, i.a., the impact of the financial crisis on the monetary policy transmission mechanism in Poland, key factors influencing the relation of household loan to GDP, assessment of the degree of forward-looking character of central banks pursuing the strategy of direct inflation targeting, taking account – in the linear DSGE models – of the shocks with skewed normal distribution, assessment of the impact of location of dwellings on their market value. The findings of this research served to build and improve the modelling tools employed in forecast development. Furthermore, they constituted inputs to decisions taken by the NBP Management Board and the Monetary Policy Council. In 2011, ten scientific publications of the NBP employees were included in the so-called Philadelphia list.¹
15. In 2011, the NBP participated in work on statistics conducted by the ECB and other international institutions. Data on investment funds were published for the first time. As a result of work on reducing the size of the balance of errors and omissions, revised balance of payments data were also published. In 2011, the NBP participated in the statistical work conducted by the ECB and other international institutions.
16. As a part of education and information activities carried out in 2011, the NBP organised Open Days and implemented 206 educational projects. The NBP's presence in the Internet was enhanced, i.a. due to periodical Internet transmission of press conferences and the development of the Obserwator Finansowy portal. Further work progressed on the establishment of the NBP Money Centre in memory of Sławomir S. Skrzypek (the late NBP President). The Bank presented its activities to the wide audience in about 80 press briefings and almost 120 interviews. Also, 70 meetings dedicated to the NBP activities were held with journalists. The President of the NBP, members of the MPC and the Management Board of the NBP gave nearly 240 interviews.
17. The NBP representatives participated in the meetings of the Committee of the Council of Ministers and the Committee on European Affairs. In 2011, the NBP participated in the work of numerous inter-departmental bodies and cooperated with state authorities, issuing opinions on draft legal acts relating to economic policy and banking system. The NBP representatives also participated in the work of the inter-departmental body for the introduction of the euro in Poland.

¹ Philadelphia list of Journals (ISI Master Journal List) – a list of scientific journals developed and updated by the ISI databases. The list contains the titles of journals which have passed the accreditation process and have been included in the ISI databases.



18. In 2011, NBP representatives participated in the activities of the European bodies, including: the ECB General Council, the ESCB committees and working groups, the ECOFIN Council (at informal meetings), the EU Council and the European Commission committees and working groups. These activities focused on the issues related to the position of the euro among world currencies and the activities dedicated to providing financing during the crisis. Moreover, the NBP cooperated with international institutions, i.e. OECD, the World Bank, IMF, EBRD and BIS. The NBP also participated in work which resulted in the Flexible Credit Line funds being put at Poland's disposal. The Bank also engaged in tasks attendant upon Poland's Presidency in the EU Council. Once again, the scope of technical aid provided to central banks of the non-EU Member States undergoing economic transformation was expanded. The NBP was also involved in the EU and IMF's aid projects designed for central banks of countries undergoing economic transformation.
19. In 2011, the average annual employment level at the NBP was close to the corresponding figures of 2010 and amounted to 3,642 posts.
20. Pursuant to Article 69 (1) of the Act on the National Bank of Poland, the NBP Financial Statements for 2011 have been reviewed by a certified auditor selected by the Monetary Policy Council. The *Opinion of the independent certified auditor on the condensed financial statements* is presented in Chapter 15, after the condensed financial statements as at 31 December 2011.
21. The financial result of NBP as at the end of 2011 amounted to PLN 8.6 billion.

GOVERNING BODIES OF THE NBP



Pursuant to the Act on the National Bank of Poland of 29 August 1997,¹ which took effect on 1 January 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

As part of his responsibilities, the President of the National Bank of Poland has chaired the meetings of the Monetary Policy Council and the Management Board of the NBP and participated in the meetings of international banking and financial institutions.

In 2011, while representing the National Bank of Poland and the Republic of Poland in liaising with foreign institutions, the President of the NBP attended the following meetings:

- meetings of the General Council of the European Central Bank in Frankfurt am Main,
- the annual meeting of the Board of Governors of the European Bank of Reconstruction and Development,
- the annual meeting of the Board of Governors of the World Bank and the International Monetary Fund,
- informal sessions of the ECOFIN Council,
- meetings of Governors of the Bank for International Settlements in Basel.

On 3 November 2011 the NBP President took up the office of the WB and IMF Development Committee Chairman (see chapter International activity).

In 2011, the President of the NBP issued:

- 30 ordinances, including those concerning: the scope, procedure and deadlines for submission of statistical data to the Bank Guarantee Fund by banks covered by the obligatory deposit guarantee scheme; amendment to the ordinance on the interbank settlement procedures;
- 2 announcements: on the list of convertible currencies as well as on the balance sheet and the profit and loss account of the National Bank of Poland for 2010.

Moreover, in his capacity as the head of staff, the President of the NBP participated in developing and implementing the Bank's human resources policy and in overseeing compliance with work standards at the NBP.

¹ Journal of Laws of 2005, No. 1, item 2, as amended.



1.2. Monetary Policy Council

In 2011, the Monetary Policy Council acted in accordance with the *Monetary Policy Guidelines for 2011*.

In 2011, the MPC held 20 meetings (including 10 two-day ones) and adopted 13 normative resolutions subsequently published in Monitor Polski (Official Gazette) and Dziennik Urzędowy NBP (Official Journal of the National Bank of Poland).

In 2011, the MPC adopted 4 resolutions on the reference rate, interest rate on refinancing loans, interest rate on term deposit and rediscount rate on the bills of exchange at the National Bank of Poland. Table 1.1 shows the level of interest rates at the NBP at the end of 2010 and 2011.

Table 1.1
NBP interest rates as at the end of 2010 and 2011 (in %)

Reference rate		Lombard loan		Deposit at the NBP		Bill of exchange rediscount		Bill of exchange discount*	
31.12.10	31.12.11	31.12.10	31.12.11	31.12.10	31.12.11	31.12.10	31.12.11	31.12.10	31.12.11
3.5	4.5	5.0	6.0	2.0	3.0	3.75	4.75	4.0	–

* On 22 December 2010, the MPC decided to abandon the bill of exchange discount rate, as of 1 January 2011.

Source: NBP data.

The remaining resolutions of the MPC pertained to:

- approval of the *Annual Financial Statements* of the National Bank of Poland, presented as at 31 December 2010,
- approval of the *Report on Monetary Policy Implementation* in 2010,
- evaluation of the activities of the NBP Management Board as regards the implementation of the 2010 *Monetary Policy Guidelines*,
- approval of the *Report on NBP Operations 2010*,
- determination of the monetary policy guidelines for 2012,
- establishment of the 2012 ceiling for liabilities arising from loans and credits drawn by the National Bank of Poland at foreign banking and financial institutions,
- amendment of the resolution on the minimum reserve requirement and the remuneration on the required reserves,²
- approval of the NBP financial plan for 2012,
- rules of the MPC.

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

- *Balance of Payments of the Republic of Poland* for 2010 Q3 and Q4 and for 2011 Q1 and Q2,
- *International Investment Position of Poland in 2010*,

² The resolution set reserve requirement for sell-buy-back operations at 0%.



- *Forecast of Poland's Balance of Payments in 2012,*
- *Opinion on the 2011 Budget Bill.*

The Council also examined inflation projections and adopted 3 reports on inflation (in March, July and November).

Furthermore:

- On 17 May 2011, the MPC met the PFSA to discuss the situation in the banking sector – according to the *Report on the condition of Polish Banks in 2010*, compiled by the PFSA.
- On 7 October 2011, the *Monetary Policy Guidelines for 2012* were presented at the annual meeting of the Council with the representatives of commercial banks.

MPC members also participated in:

- meetings with the IMF missions visiting Poland (in May and December 2011),
- international conferences and foreign seminars, including the annual meetings of Institute of International Finance in Washington and New Delhi,
- the annual conference organized by the World Bank, International Monetary Fund and Federal Reserve Bank dedicated to challenges for the financial sector (*Annual International Seminar on Policy Challenges for the Financial Sector*).

MPC members also held a number of meetings with the representatives of international financial institutions and the economists of domestic banks.

1.3. Management Board of the National Bank of Poland

Pursuant to the Act on the National Bank of Poland, the activities of the NBP are directed by the Management Board. The NBP Management Board adopts resolutions on matters which are not the exclusive competence of other governing bodies of the NBP, and implements the resolutions of the MPC. The Management Board of the NBP performed its basic responsibilities according to the *Monetary Policy Guidelines for 2011*, the *National Bank of Poland Plan of Activity 2010–2012* and the *Financial Plan of the National Bank of Poland for 2011*.

Pursuant to the Act on the NBP, the Management Board examined draft resolutions and materials to be discussed at the meetings of the MPC, concerning in particular:

- inflation projections,
- current macroeconomic developments, including the course of inflation processes, the position of public finance, the economic situation of enterprises and households, the developments in the labour as well as financial and credit markets,
- current developments in the euro area financial markets,
- financial stability in Poland, including the assessment of the operation of the banking system and the perspectives for its development,
- the situation in the interbank market and open market operations,



- the liquidity of the banking sector.

Moreover, the Management Board of the NBP discussed:

- the management of official reserves, including the option of extending the set of investment instruments,
- participation of the NBP in the work of the Polish Presidency of the European Union Council,
- operation of the Polish payment system,
- research and development activities of the NBP,
- streamlining the service of selling collectors' items,
- actions related to making the Flexible Credit Line available by the International Monetary Fund,
- the NBP's participation in the New Arrangements to Borrow.

In 2011, the NBP Management Board held 51 meetings and altogether adopted 79 normative resolutions, 33 non-normative resolutions and 300 decisions.

The Management Board of the NBP adopted resolutions primarily concerning the following matters:

- the procedure and specific terms and conditions of transferring by banks to the NBP of the data required to determine monetary policy and periodical assessment of monetary situation of the state and assessment of banks' financial situation and banking sector risk (see chapter *Statistics*),
- introduction of *Rules for implementation by the National Bank of Poland in the domestic and foreign trade order of payments in foreign currencies and the domestic currency, as well as purchase and sale of foreign currencies, for bank account owners*,
- amendment to the resolution on terms and conditions of sale of coins, banknotes and numismatic items intended for collections and other purposes by the National Bank of Poland (see chapter *The issue of currency*).

Moreover, the Management Board took decisions concerning, among other things, the following matters:

- approval for the Memorandum of Understanding between the NBP and the Central Bank of Qatar,
- NBP's accession to the European Association for Banking and Financial History,
- formation of the Euro Information Centre at the NBP Regional Branch in Łódź (see chapter *Education and information*),
- approval for concluding the Agreement with the Minister of Finance about the NBP's share in the temporary increase in the IMF funds – New Arrangements to Borrow (see chapter *International activity*),



– NBP's accession to the "Bruegel" Association³ with the status of an institutional member.

1.4. Implementation of the *National Bank of Poland Plan of Activity 2010–2012*

On 13 October 2011, the NBP Management Board adopted the updated version of *NBP Plan of Activity 2010–2012*.

The principal tasks included in the Plan are as follows: to reinforce the financial safety net at home country and in collaboration with the EU institutions to build a system of the NBP integrated Internet services and to launch the NBP Money Centre⁴, dedicated to the memory of the NBP President, Sławomir S. Skrzypek.

³ "Bruegel" association – a think tank established in 2004 in Brussels as a private non-profit association. Established as a partnership of EU member states and large European corporations, later joined by some other European institutions and international corporations. The Association seeks to contribute to the improvement of the quality of the process of developing the economic policy. The European Investment Bank, the European Bank for Reconstruction and Development and the Bank of France have been vested with the so-called institutional member status.

⁴ The respective chapters describe the tasks effected in 2011.



2

MONETARY POLICY¹

¹ The chapter *Monetary policy* presents the *Report on Monetary Policy Implementation* for 2011 adopted by the Monetary Policy Council at its meeting on 8 May 2011. The responsibilities in this field are exercised in pursuance with Article 3 section 2 point 5, Article 12, Article 16, Article 17 section 3 point 1 and section 4 point 2, 4, Articles 23–24 and provisions of Chapter 6 of the Act on the NBP.



Under article 227 of the Constitution of the Republic of Poland, the Report on Monetary Policy Implementation is submitted by the Monetary Policy Council to the Sejm, within five months following the end of the fiscal year. Under article 53 of the Act on the National Bank of Poland, the Report on Monetary Policy Implementation is published in the Official Gazette of the Republic of Poland "Monitor Polski".

The *Report* presents the main elements of the implemented strategy of monetary policy, a description of macroeconomic conditions and decisions taken with respect to monetary policy in the reported year, as well as a description of the applied monetary policy tools.

The *Report* is accompanied by Appendices presenting the development of important macroeconomic variables, as well as by *Minutes of the Monetary Policy Council decision-making meetings*² and the voting records of the Council's members on motions and resolutions.

An *ex post* assessment of the conduct of monetary policy should take into account, above all, that the decisions of monetary authorities affect the economy with considerable lags, with the strongest impact being observed after several quarters. Moreover, the economy is subject to macroeconomic shocks, which, while remaining in most cases outside the control of the domestic monetary policy, may to a large extent affect the economic situation and domestic inflationary processes in the short, and sometimes in the medium term.

2.1. Monetary policy strategy in 2011

In 2011, the Monetary Policy Council implemented the *Monetary Policy Guidelines for 2011*, adopted on 29 September 2010. In the *Guidelines*, the main elements of the monetary policy strategy implemented in 2011 were presented as follows.

According to Article 227 section 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 section 1 that the basic objective of NBP activity is to maintain price stability and, at the same time, act in support of Government economic policies, insofar as this does not constrain the pursuit of the basic objective of the NBP. Nowadays central banks understand price stability in terms of inflation as low as not to negatively affect decisions taken by economic agents, including investment and savings decisions. Ensuring thus understood price stability is a fundamental way in which the central bank contributes, by means of its decisions, to high and sustainable economic growth. In pursuit of the task of maintaining price stability, central banks respond both to inflationary and deflationary threats.

Since 1998, the Council has based its monetary policy on inflation targeting (IT). Beginning 2004, the Council adopted a permanent inflation target of 2.5% with a symmetrical band for deviations of ± 1 percentage point. The Council pursues the strategy under a floating exchange rate regime. However, the floating exchange rate regime does not rule out foreign exchange interventions should they turn out necessary to ensure domestic macroeconomic and financial stability, which is conducive to meeting the inflation target in the medium term.

The experience of the National Bank of Poland, hereinafter "the NBP", and other central banks shows that IT is an effective way to ensure price stability. The global financial crisis has shown that in order to ensure long-term price stability factors related to financial system stability should play a more pronounced role in monetary policy than to date. Inflation targeting enables the pursuit of such a policy while providing support for the regulatory and supervisory policies addressed to the financial sector.

² Appendix *Minutes of the Monetary Policy Council decision-making meetings* was not attached to this *Report* due to its length. It is available in the source document and in *Inflation Reports* in printed version and on www.nbp.pl.



In pursuing monetary policy the Council is guided by the following principles, which – to a significant extent – remain unchanged of their hitherto understanding:

- 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 the use of quarterly and annual inflation indices is also justified, such as those applied in the NBP's inflation projection, in the state budget and in the statistics of the European Union, including the harmonized index of consumer prices – HICP. An important role in the assessment of inflationary pressure is also played by core inflation indices which make it easier to distinguish between temporary changes in the consumer price index from more sustained changes in inflation pressure.
- Second, monetary policy is unequivocally focused on maintaining inflation as close as possible to the target of 2.5% and not just within the band. This is to facilitate the anchoring of inflation expectations and thus to allow the central bank to change monetary policy parameters less frequently in response to potential shocks affecting current inflation. It may also lead to lower volatility of long-term interest rates.
- Third, the occurrence of shocks in the economy is inevitable. Depending on the strength of the shock and the degree of inertia of inflation expectations, the scale and the duration of inflation deviation from the adopted target may differ. In countries with sustained low inflation, the central bank usually does not respond to deviations from the inflation target if it deems them temporary, even when inflation leaves the band. When assessing the need for response, the Council will, however, take into account the fact that in Poland low inflation expectations have not been sufficiently anchored. The extent to which inflation expectations are anchored affects the scale and persistence of the impact of supply and demand shocks on inflation. In the case of shocks which, in the Council's opinion, may lead to a relatively permanent increase in inflation expectations and, as a result, to the rise in inflation due to the emergence of the so-called second-round effects, the central bank will adjust its monetary policy parameters accordingly.
- Fourth, the monetary policy response to shocks also depends on their causes and nature. In the case of demand shocks inflation and output move in the same direction. An interest rate increase weakens economic activity in the short term and, subsequently, inflationary pressure. In the case of supply shocks output and inflation move in opposite directions. An attempt to fully neutralise the impact of a supply shock on inflation using monetary policy instruments may lead to an unnecessary plunge in output growth which is already lowered by the supply shock's negative impact on consumption and investment. On the other hand, an attempt to fully accommodate – by pursuing expansionary monetary policy – the real effects of a supply shock resulting in a rise in inflation and a decline in output growth usually leads to persistently higher inflation. This, in turn, requires far more restrictive monetary policy in subsequent periods. This leads to a stronger deceleration in economic growth than the monetary tightening that prevents inflation from being sustained at a heightened level. The response of the central bank to the shock should depend on the assessment of the persistence of the shock's effects, including the assessment of the risk of second-round effects.
- Fifth, because of the lags in the response of output and inflation to the monetary policy, the impact of monetary policy on the current inflation is limited. Current decisions of the monetary authorities affect price developments in the future just as the current inflation is influenced by interest rate changes made several quarters before. However, the time lag between an interest rate decision and its strongest impact on real variables (output, employment) and then on inflation is not constant. It depends, to a large extent, on structural and institutional changes in the economy. Changes in the monetary transmission mechanism means that central banks can only approximately assess this time lag. Turmoil in the domestic and international financial system may constitute an additional factor disrupting the monetary transmission mechanism.



- Sixth, monetary policy should take into account the need to maintain financial stability which is indispensable to ensure price stability in the longer term and which enables effective functioning of the monetary policy transmission mechanism. In this context, when assessing the balance of risks to future inflation and economic growth, asset price developments are of particular importance. Excessive interest rates cuts and the long-lasting maintaining lowered interest rates amidst low inflation and simultaneous fast economic growth may lead to a rapid asset price growth, thus increasing the risk of the so-called speculative bubbles. Rapid asset price growth is accompanied by the growing likelihood of asset price deviation from the levels justified by fundamentals, which increases the risk of an abrupt and significant decline in asset prices in the future. Rapid increase in asset prices, especially if it is accompanied by a fast rise in lending, poses a threat to the financial system stability, and consequently – in the longer term – to sustainable economic growth and price stability. Monetary policy supporting financial system stability is thus consistent, in the longer term, with the achievement of the basic objective of the central bank's activity i.e. ensuring price stability, although it may occasionally pose a risk of temporary deviation of inflation from the target. In order to maintain consistency between attempting to keep inflation at the target and supporting financial system stability, under certain conditions it may be necessary to lengthen the inflation target horizon.
- Seventh, in assessing the risk of turmoil in the financial system and the inflation outlook in the longer run, it is useful to analyse monetary and credit aggregates. A fast increase in these aggregates may lead to growing macroeconomic imbalances in the economy, including imbalances in the asset markets. Monetary policy decisions should take into account the risk connected with excessive increase in these aggregates. Regulatory and supervisory policies in the financial sector that have an impact on credit growth and its structure are an important factor influencing monetary policy.
- Eighth, in assessing the degree of monetary policy restrictiveness not only should the level of real interest rates be considered but also the level of the real exchange rate. Thus understood restrictiveness of monetary policy impacts, along with the implemented fiscal policy, the total restrictiveness of macroeconomic policy. Ensuring price stability amidst an overly expansive fiscal policy may require keeping interest rates at a higher level.
- Ninth, monetary policy is pursued under uncertainty which excludes strict control of economic processes. This uncertainty means that while taking decisions related to monetary policy it is necessary to take into account all available information relevant for inflation developments, rather than the results of inflation projection only. Models used by central banks to forecast inflation may be imperfect in adequately reproducing behaviour of the economy if only because of its ongoing structural changes. In addition, it is not possible to adopt a simple policy rule which could be known *ex ante* to market participants.
- Tenth, an important input into the monetary policy decision-making process is the balance of factors affecting the probabilities of future inflation running above or below the target. This balance is based on the assessment of the actual economic developments, including the inflation projection. While assessing the factors affecting future inflation, the Council takes into consideration the past inflation developments since they have a bearing on the anchoring of inflation expectations at the inflation target. In particular, the Council takes into account the length of the period in which inflation remained close to the target and the length of the period in which it deviated from the target.

In the *Guidelines for 2011*, the Council announced that if a decision was taken on Poland joining the ERM II, the Council would make all necessary adjustments of the monetary policy strategy and – in consultation with the Council of Ministers – of the exchange rate policy to conditions ensuing from the necessity of meeting the convergence criteria required for the euro adoption. In the *Guidelines* the Council also stated that Poland's accession to ERM II and the euro area should take place at the earliest possible date after meeting all the required legal, economic and organizational conditions.



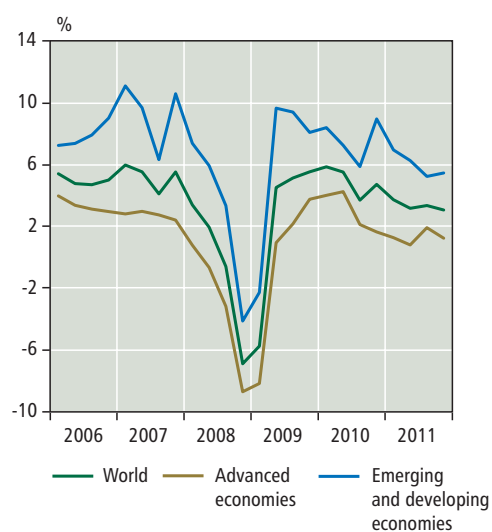
2.2. Monetary policy and its developments in 2011

2.2.1. Macroeconomic developments of the NBP monetary policy in 2011

In 2011, the global economy grew at a rate slower than the year before and was gradually decelerating (Figure 2.1). The improvement in global business conditions in the first half of 2011 was undermined by the natural disaster in Japan, which disrupted the supply chain in the industrial sector, leading, in effect, to a considerable slowdown in the world's output growth. In the second half of 2011, as the debt crisis in some euro area countries intensified, the sentiment of economic agents deteriorated significantly and the forecasts of global growth were revised downwards. Throughout 2011, economic activity in many countries was curbed by high commodity prices, which also drove inflation up. At the same time, like in the previous years, business conditions in many countries continued to be adversely affected by on-going adjustments in the balance sheets of both financial and non-financial sectors, as well as the persistently unfavourable situation in labour market. Uncertainty surrounding both future business conditions and the situation in the financial and public finance sectors dampened economic growth in the developed and emerging economies, although the situation continued to vary across regions and countries (Figure 2.1, Figure 2.2).

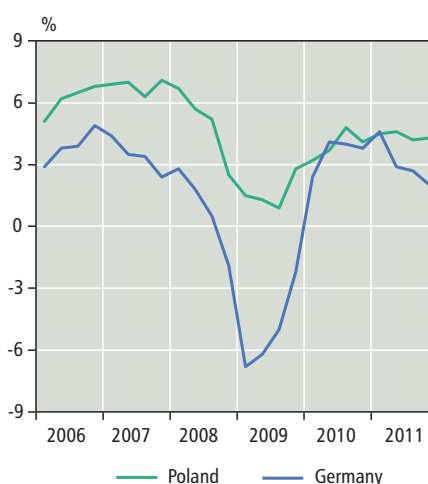
In the United States, economic growth was driven by the relatively steady rise in domestic demand. Within the euro area the situation was highly diversified. Economic activity in Germany, Poland's main trading partner, was supported by strong demand from emerging economies – notwithstanding the disturbances related to the natural disasters in Japan – combined with favourable domestic conditions, including a favourable situation in labour market situation. In turn, in the euro area economies affected by the debt crisis, economic activity remained low amidst fiscal tightening, considerable uncertainty about future business conditions and a continued weak labour market. Emerging economies saw robust economic growth in the first three quarters of 2011, which, however, decreased somewhat towards the end of the year in response to prior tightening of their macroeconomic policies and weakening demand from the advanced economies. However, the scale of the slowdown in the emerging economies varied across countries and was the largest in those most closely linked to the euro area.

Figure 2.1
Economic growth in the world (y/y)*



Source: IMF data.
*Aggregates based on: *World Economic Outlook Update*, January 2012.

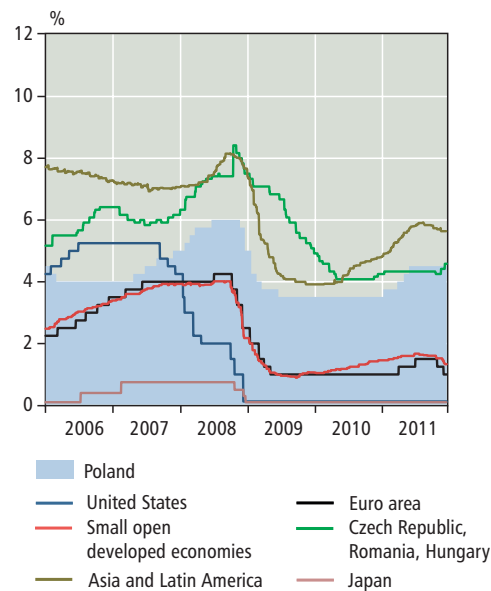
Figure 2.2
Economic growth in Poland and Germany (y/y)*



Source: Eurostat data.
* Economic growth for Central and Eastern Europe with the exclusion of Poland is an aggregate (GDP weighted) taking into account economic growth in Bulgaria, Czech Republic, Estonia, Latvia, Slovenia, Lithuania, Hungary and Slovakia.

In 2011, central banks in major developed economies increased the scale of monetary expansion, although during the year, their policies differed to some extent (Figure 2.3, Figure 2.4). The Federal Reserve Bank (Fed) and the Bank of Japan (BoJ) maintained their interest rates at a level close to zero. The European Central Bank (ECB) raised interest rates twice in the first half of 2011 and subsequently cut them twice in 2011 Q4, down to the level from before the hikes. Until mid-2011, the Fed continued the asset purchase programmes launched in 2010. In the second half of 2011, in response to the signs of economic slowdown, the Fed started to gradually extend the average maturity of the assets held (the so-called Operation Twist). BoJ and ECB continued their programmes of quantitative easing of monetary policy throughout 2011. In the second half of 2011, the ECB decided to supplement its liquidity providing programmes with one- and three-year long-term refinancing operations. Following a tightening in 2010 and the first half of 2011, monetary policy in many emerging economies and small open developed economies – in contrast to Poland – was eased in the latter half of 2011, amidst global slowdown and weaker inflationary pressure.

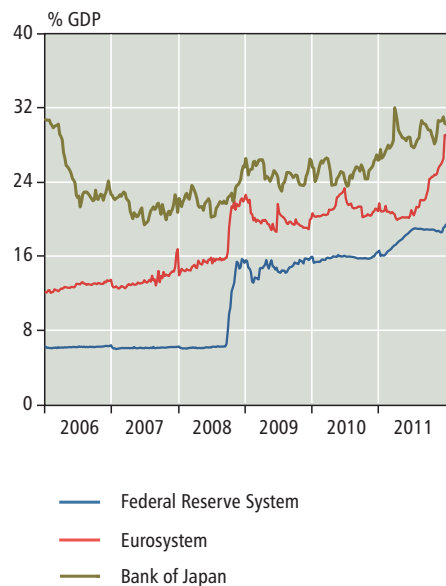
Figure 2.3
Base central bank interest rates in the world*



Source: Data of national central banks, Reuters Ecowin data, NBP calculations.

* Regional aggregates are arithmetic means including:
 – for the Asia and Latin America region: India, Indonesia, Malaysia, the Philippines, South Korea, Taiwan, Thailand, Brazil, Chile and Colombia,
 – for the small developed open-economy group: Australia, Canada, Norway, Sweden and Switzerland.

Figure 2.4
Assets of selected central banks in relation to GDP



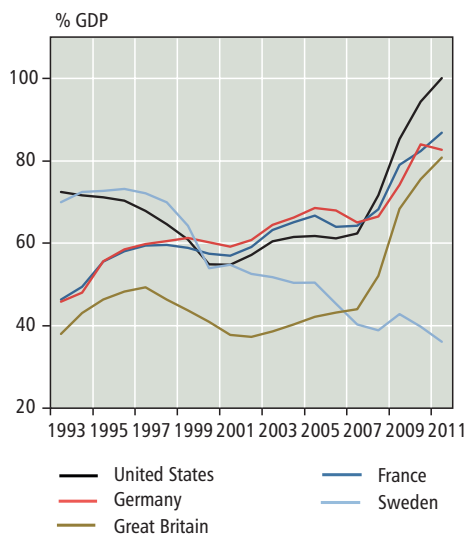
Source: Data of national central banks, Reuters Ecowin data, NBP calculations.

In 2011, in spite of governments' activities aimed at curbing the public finance sector imbalances, the general government deficits remained high in most developed countries, and their public debt continued to rise (Figure 2.5, Figure 2.6). Measures launched by some governments to cut fiscal imbalances, in particular in the peripheral countries of the euro area, were deemed insufficient by investors, which led to heightened concerns over the solvency of these countries. These concerns were reflected in considerable surge in yields, rating downgrades of bonds issued by many euro area countries and increasing turmoil in the global financial markets (Figure 2.8).

In response to tensions in the financial markets resulting from mounting concerns about the solvency of euro area peripheral countries, EU institutions, the ECB and the governments of the EU countries took a range of measures to mitigate the risk of the financial crisis exacerbating in Europe.

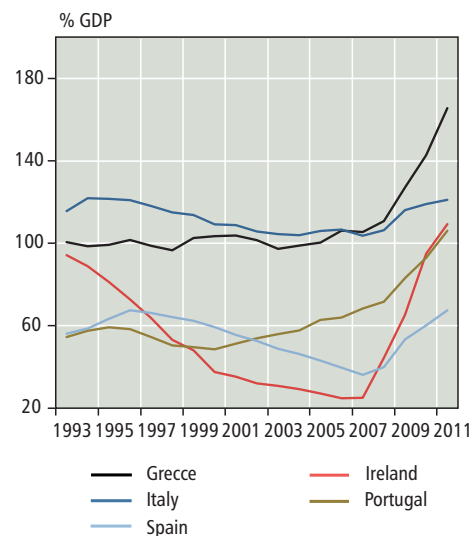


Figure 2.5
General government sector debt in selected countries



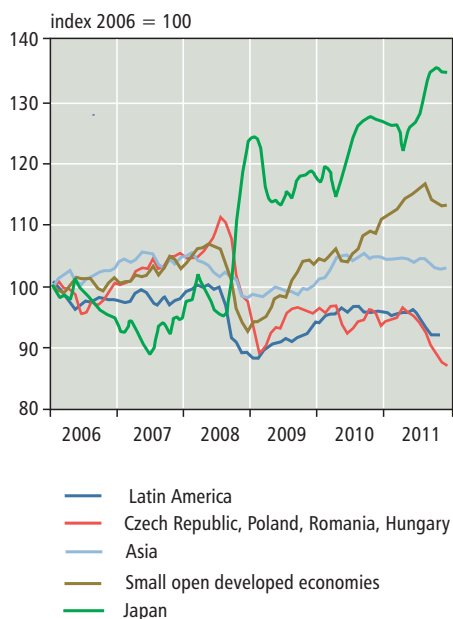
Source: IMF.

Figure 2.6
General government sector debt in selected countries



Source: IMF.

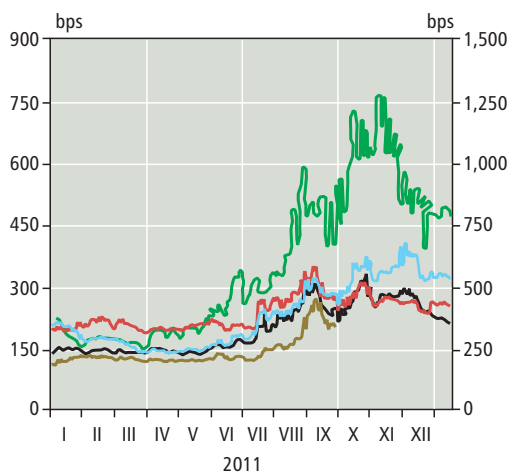
Figure 2.7
Nominal effective exchange rates*
(increase denotes appreciation)



Source: BIS data.

* Regional aggregates are arithmetic means including:
 – for the Asia region: India, Indonesia, Malaysia, the Philippines, South Korea, Taiwan and Thailand,
 – for the Latin America region: Brazil, Chile and Colombia,
 – for the small developed open-economy group: Australia, Canada, Norway, Sweden and Switzerland.

Figure 2.8
5-year CDS rates in selected country groups*



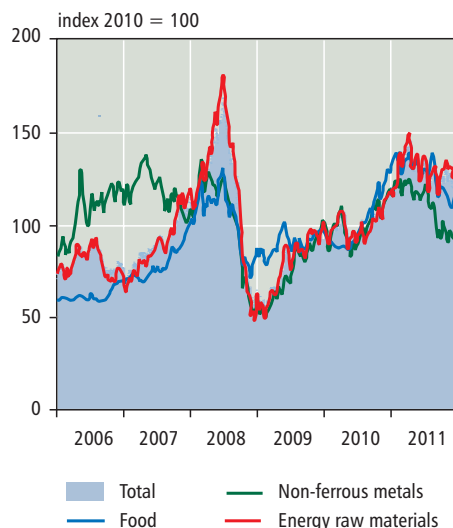
Source: Bloomberg data.

* Regional aggregates are (GDP-weighted) averages of 5-year CDS, including:
 – for the peripheral euro area countries: Greece, Ireland, Italy, Portugal and Spain,
 – for South-East Asia: Indonesia, Malaysia, Thailand and the Philippines,
 – for Latin America: Argentina, Brazil, Chile, Colombia, Ecuador, Mexico, Peru and Venezuela.

The first half of 2011 saw a sustainable, albeit somewhat lower than in 2010 capital inflow to the emerging markets. However, in the latter half of 2011, rising risk aversion in the global financial markets triggered a capital outflow from the emerging markets. This considerably affected the emerging economies of Central and Eastern Europe, i.e. those with close links to the euro area. Amidst decreasing capital inflow, many emerging market currencies significantly depreciated in the second half of 2011. At the same time, the currencies of some developed economies strongly appreciated (Figure 2.7). Part of the countries – both with depreciating and appreciating currencies – intervened in the market.

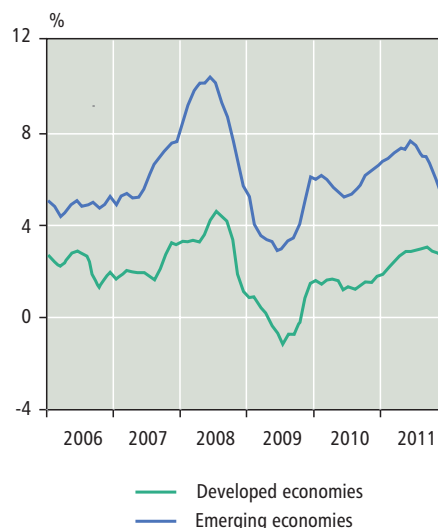
In 2011, commodity prices were significantly higher than a year before (Figure 2.9). The sharpest increase, supported by the sustained high demand in the emerging markets, was observed in prices of energy commodities. Political unrest in the Middle East, natural disasters in Asia and Pacific regions and ample liquidity in the global financial markets additionally fuelled global commodity prices, in particular in the first half of 2011. Surging commodity prices contributed to growth in global inflation, which in 2011 – in spite of a decline at the end of the year – remained elevated (Figure 2.10). In some countries, inflation was additionally boosted by the depreciation of their currencies, or by certain measures aimed at curbing the general government deficit, such as indirect tax and administered price increases.

Figure 2.9
Index of commodity prices in the global markets



Source: HWWI data.

Figure 2.10
Global inflation*



Source: Reuters Ecowin, IMF data, NBP calculations.
*Aggregates in accordance with the division adopted by the IMF (GDP-weighted). Weighted average inflation in the developed and the largest emerging economies (accounting for 80% of GDP in this group of countries in 2010).

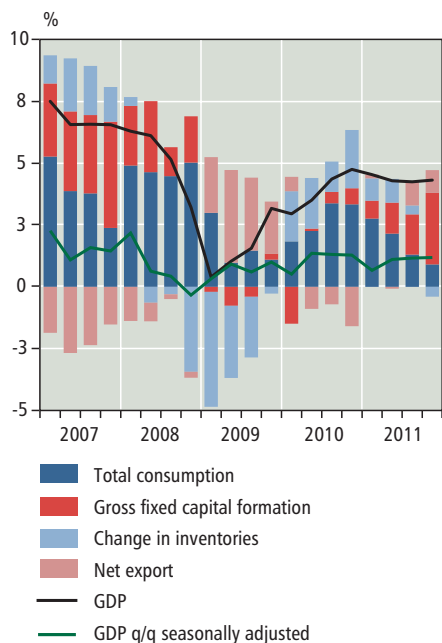
In Poland, fairly robust growth continued in 2011, driven primarily by steady rise in domestic demand (Figure 2.11 and Appendix 1). The gradually decelerating, over the year, consumer demand was coupled with accelerating investment (Figure 2.12). In the second half of 2011, higher economic activity was additionally supported by a positive contribution of net exports to GDP growth.

Rise in households' consumption demand was dragged down by a slow real disposable income growth resulting from sluggish rise in employment in the second half of 2011, elevated inflation and a slow increase in social benefits. In the second half of 2011, private consumption was additionally dampened by the zloty depreciation and the resulting rise in the zloty value of the previously taken currency loans, coupled with tightening credit policies for granting consumer loans to households. In this environment, household sentiment weakened, with an adverse effect on consumption growth. At the same time, investment growth accelerated steadily in 2011. Rising



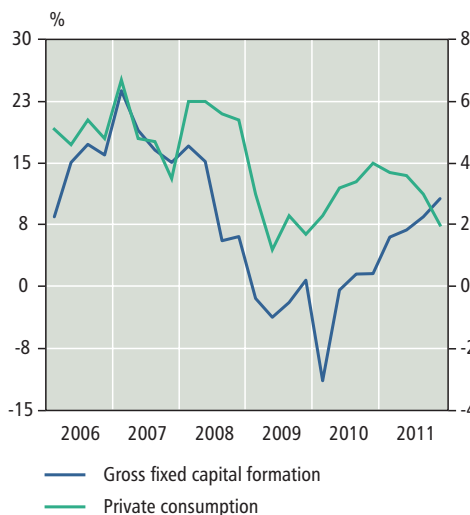
investment outlays were largely driven by robust public investment growth supported by the inflow of EU funds. Moreover, corporate investment picked up, fuelled by relatively high capacity utilisation and a good financial situation of enterprises. Similarly, households' housing investment rebounded in 2011, following a dip in 2010.

Figure 2.11
Contribution of aggregate demand components to GDP growth



Source: GUS data, NBP calculations.

Figure 2.12
Annual consumption and investment growth in Poland



Source: GUS data, NBP calculations.

In spite of the slowing demand from Poland's main trading partners, the country's balance of trade improved due to the weaker growth in import demand in Poland and the depreciation of the zloty in the latter half of 2011.

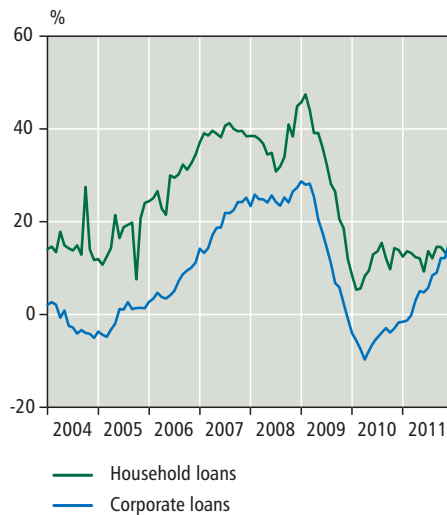
In the first half of 2011, favourable business conditions were conducive to an increase in the number of working persons, although in the second half of the year the increase became markedly more subdued. As in the previous year, in 2011 the number of economically active persons increased. Also in parallel to 2010, labour supply growth exceeded that of labour demand, contributing to higher unemployment rate. Throughout 2011, unemployment rate remained slightly higher than in 2010, thus hampering wage growth in the economy³ (Figure 2.14). As labour productivity growth continued at a relatively stable rate, moderate wage growth was conducive to sustained slow unit labour cost dynamics.

In 2011, the general government deficit was considerably reduced (from 7.8% of GDP in 2010 to 5.1% of GDP, in ESA95 terms). Its narrowing in relation to GDP resulted from measures set forth in the *2011 Budget Act*, the reduction of social security contribution transferred to the Open Pension Funds (OFE) enacted in March 2011, and the relatively high GDP growth. Slower public expenditure growth – including, in particular, expenditure by local government units and the Labour Fund – also contributed to deficit reduction. In the course of the year, further plans were presented aimed at curbing the general government deficit in the coming years. Some of these measures were reflected in the *2012 Budget Act*.

³ Except for the third quarter of 2011. However, the hike in wage growth in that period resulted from a statistical effect.

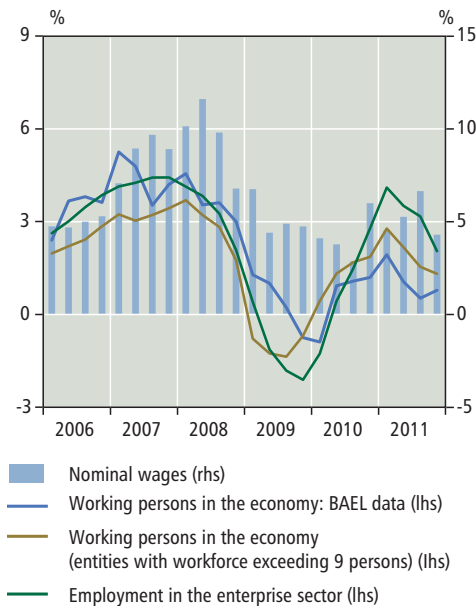


Figure 2.13
Annual growth in loans to the corporate and household sectors



Source: NBP data.

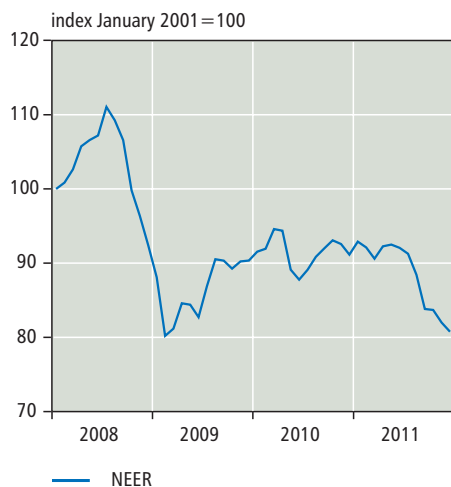
Figure 2.14
Annual growth in the number of persons working in the economy and in the corporate sector and the annual wage growth



Source: GUS data.

Bank loans to the corporate sector – following a decrease in the years 2009–2010 – increased in 2011 (Figure 2.13 and Appendix 4). The rebound in corporate lending in 2011 comprised of both higher current loans as well as higher investment and real property loans. At the same time, loans to households remained almost unchanged on its 2010 level, as a result of further relatively strong growth in housing loans combined with decline in consumer loans. In 2011, the majority of newly granted housing loans were loans in zloty.

Figure 2.15
Nominal effective zloty exchange rate (increase denotes appreciation)



Source: Reuters Ecwin, OECD data, NBP calculations.

Figure 2.16
Main stock exchange indices in Poland



Source: Reuters Ecwin data.

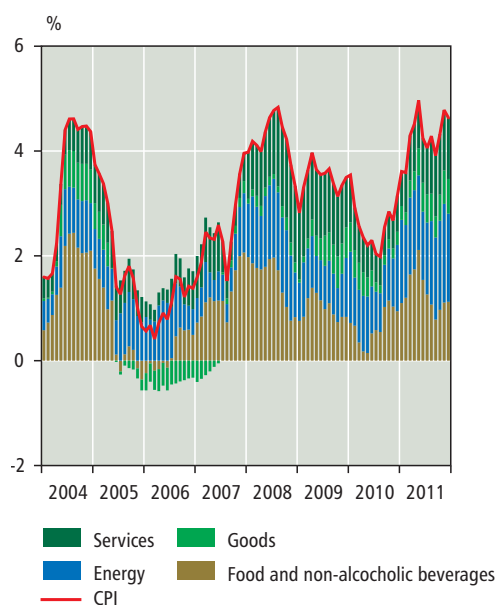


Changes in global financial markets had a significant impact on the situation in the domestic financial market. In the first half of 2011, improved sentiment abroad and data on the strong performance of the Polish economy were conducive to rising prices of domestic financial assets and stable zloty exchange rate. In the second half of 2011, risk aversion increased considerably triggered by the intensifying debt crisis in the peripheral countries of the euro area. This led to a significant slump in share prices and strong depreciation of the zloty (Figure 2.15, Figure 2.16), as well as a slight rise in the yields on Polish bonds. The relatively small increase in the yields on Polish Treasury bonds was supported by a stable inflow of capital to the Polish Treasury securities market (Appendix 3).

After 2010, when inflation stood at 2.6%, in 2011 the annual consumer price index (CPI) reached 4.3%, thus exceeding the NBP inflation target set at 2.5% ±1 percentage point (Figure 2.17, Figure 2.18 and Appendix 2). In all the months of 2011, the annual CPI inflation remained above the upper band for deviations from the target, i.e. above 3.5%. The elevated inflation was largely the effect of factors beyond the direct influence of the domestic monetary policy, i.e. surging commodity prices in the global markets, tight supply conditions in the domestic agricultural market in the first half of 2011 as well as the zloty depreciation in the second half of 2011 due to deteriorating sentiment in the global financial markets. The above factors translated, in particular, into higher than expected increase in food and energy prices, the latter fuelling a significant rise in administered and regulated prices. Another driver of inflation was the VAT rate increase in January 2011. A limited impact of demand pressure on price growth was evidenced by significantly decelerating consumer demand growth in 2011.

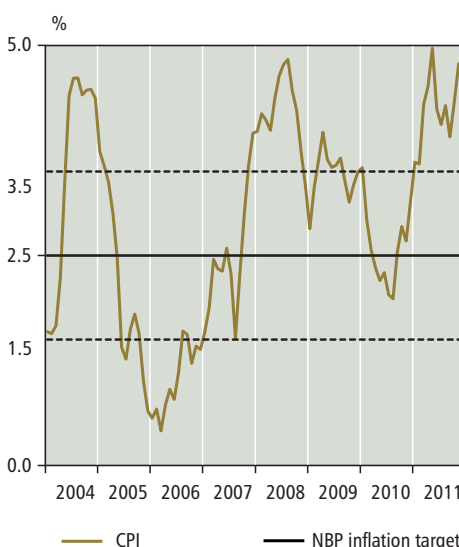
In 2011 it was expected that the impact of most factors increasing inflation would wane – in the case of food prices, since the beginning of a new agricultural season, and in the case of energy prices and VAT increases – over the one year horizon. Similarly, the significant zloty depreciation in the second half of 2011, related to adverse conditions in the global financial markets could have been treated as a factor whose impact on inflation, although significant, would prove temporary. Most of the above mentioned factors also affected price developments abroad, keeping inflation rates in a number of countries – both developed and emerging – above the target levels.

Figure 2.17
Annual price growth in the prices of consumer goods and services and contribution of main price categories to CPI



Source: GUS data, NBP calculations.

Figure 2.18
Annual CPI and the inflation target



Source: GUS data.



2.2.2. Monetary policy in 2011

Similarly to the previous years, in 2011 in its monetary policy decisions the Council considered, on each occasion, the outlook for inflation in the medium term. The decisions of the Council were affected by the changing assessment of factors influencing inflationary processes over the monetary policy horizon, including, above all, the risk of inflation deviating from the NBP target in the medium term. The assessment took into account the information on current economic developments as well as macroeconomic forecasts prepared by the NBP and external institutions.

In the first half of 2011, the Council increased the NBP interest rates four times: in January, April, May and June, each time by 0.25 percentage point, in particular the reference rate was increased from 3.5% to 4.5%, i.e. by a total of 1 percentage point. Interest rate hikes reflected the Council's assessment that the relatively strong economic growth combined with rising employment posed the risk of gradually mounting wage pressure. Moreover, in the Council's opinion, increasing current inflation amidst surging global commodity prices, coupled with the rise in inflation expectations generated the risk of persistently elevated inflation.

In the second half of 2011, the MPC kept the NBP rates unchanged in view of the intensifying debt crisis in the euro area and the ensuing surge in uncertainty about the outlook for global business conditions. In the Council's opinion the expected deceleration in the domestic economic growth in 2012, triggered by the anticipated global slowdown, amid fiscal tightening and interest rate increases implemented in the first half of 2011 should enable inflation to return to the target in the medium term. At the same time, the Council stressed in its press releases that it did not rule out the possibility of further monetary policy adjustments, should the outlook for inflation returning to the target deteriorate.

Rising risk aversion in the global financial markets related to heightened concerns about the fiscal problems of some euro area countries in the second half of 2011, contributed to both depreciation and higher exchange rate volatility of the currencies of the emerging economies, including of the zloty exchange rate. At that time, the Council emphasised that the impact of developments in the global financial markets upon the zloty exchange rate may temporarily add to inflation. The NBP conducted several currency interventions selling foreign currencies in exchange for zlotys, which curbed the volatility of the zloty exchange rate.

The measures taken by the NBP in 2011 were conducive to inflation returning to the target in the medium term. These measures are presented below in greater detail, along with the circumstances under which they were taken.

In 2011 Q1, the incoming data indicated that the recovery in the global economy had consolidated at the turn of 2010 and 2011. Growth continued in the United States and in the euro area. Favourable business conditions sustained in Germany, Poland's main trading partner. However, economic activity in many developed countries was persistently curbed by high unemployment. In the emerging economies, especially the Asian ones, GDP continued to expand fast.

Robust activity in the global economy, especially in the emerging countries, was conducive to rising demand for commodities, which drove their prices up. In turn, surging commodity prices triggered a rise in inflation across the world. In the emerging economies, fast economic growth added to inflationary pressures.

In the period under review, strong macroeconomic data supported improving sentiment in the global financial markets. Yet, the persisting uncertainty about the fiscal situation of some euro area countries, political tensions in the Middle East and Northern Africa, as well as the natural disaster in Japan enhanced risk aversion.

Major central banks continued expansionary monetary policies by maintaining their interest rates at historically low levels, while simultaneously pursuing other, non-standard monetary policy



activities. At the same time, major emerging economies kept tightening their monetary policies in order to curb inflation.

In Poland, 2010 Q4 data, pointed to a stabilisation of economic growth at a relatively high level (4.7% y/y), supported by a strong increase in consumption which was driven by rising employment. Incoming monthly data, including those on retail sales, industrial and construction/assembly output indicated sustained robust economic activity in 2011 Q1. Mortgage lending to households continued to rise relatively steeply, whereas consumer loans declined. At the same time, the number of economically active persons in the labour market increased, which, in spite of the upward trend in employment, translating into an elevated unemployment rate. Consequently, wage growth in enterprises remained moderate.

In 2011 Q1, inflation increased and exceeded the upper band for deviations from the inflation target (in this period inflation amounted to 3.8%, on average). Acceleration in inflation took place amidst moderate demand pressure and was mainly the result of higher than expected growth in food and energy prices, related to unfavourable supply conditions in the domestic food market on the one hand, and rising global commodity prices on the other. Price growth at the beginning of 2011 was additionally boosted by the increase in VAT rates. Core inflation and inflation expectations also rose.

Under these circumstances, the Council assessed that the relatively strong economic growth and rising employment might gradually drive up wage and inflationary pressures in the medium term. A surge in global commodity prices combined with economic recovery generated the risk of persistently elevated inflation expectations. To reduce the risk of heightened inflation persisting in the medium term, the Council raised the NBP rates in January and April 2011, each time by 0.25 percentage point, in particular the reference rate was increased from 3.5% to 4.0%. At the same time, in its press releases the Council emphasised that it would continue to analyse possible signs of mounting inflationary pressure. This indicated the possibility of further interest rate hikes.

Data incoming in 2011 Q2 confirmed a sustained upward trend in the global economy in 2011 Q1, despite a slowdown in the United States. The euro area saw a continued recovery in economic activity, particularly robust in Germany. In many developed countries, however, growth was still curbed by the persistently high unemployment.

In turn, data on 2011 Q2 signalled a possible slowdown abroad. In particular, global business confidence indicators in manufacturing and services deteriorated, and the volume of world trade decreased. Economic activity continued to be adversely affected by the aftermath of the natural disaster in Japan in March 2011, high commodity prices and persisting fiscal problems in some countries, all adding up to uncertainty about future business conditions. On the other hand, a gradual recovery in private consumption in the developed economies and the sustained strong domestic demand in the emerging countries were conducive to higher economic growth.

Concerns about the global economic outlook, particularly in the United States, contributed to slowing the rise in global commodity prices. Yet, commodity prices remained high, which led to rising inflation across the world. In the emerging economies, inflation continued to be additionally fuelled by robust economic growth.

In 2011 Q2, concerns about the stability of public finance in some peripheral countries of the euro area intensified, as reflected in ratings downgrades and rising yields on the bonds of these countries (Greece, Portugal and Ireland). There were also mounting concerns about the situation of the public finance in the United States, which led to a lowered outlook on the long-term rating for US bonds.

Monetary policy in major developed countries remained expansionary, although became somewhat diversified. While most major central banks maintained their interest rates at historically low levels, the ECB raised its rate in April 2011 for the first time in three years (by 0.25 percentage

point). Amidst fast economic growth and rising inflation, central banks in most emerging economies continued to tighten their monetary policies.

Incoming 2011 Q2 data on the Polish economy confirmed a sustained, relatively high GDP growth in 2011 Q1 (4.5% y/y), which was driven by – apart from the steadily expanding private consumption – rising investment. At the same time, LFS data for 2011 Q1 indicated an accelerated growth in the number of persons working in the economy and a reduction in the unemployment rate, while wage pressure did not rise.

Monthly 2011 Q2 data, including those on industrial and construction/assembly output and on retail sales showed sustained, relatively robust economic activity. Mortgage lending to households continued to rise relatively fast. At the same time, lending to corporates accelerated.

In 2011 Q2, inflation continued to increase (to an average of 4.6% y/y), driven mostly by further – faster than expected – food price growth related to the persistently tight supply conditions in the domestic food market. Simultaneously, the growth in the prices of the remaining goods accelerated somewhat, thus contributing to higher core inflation. Inflation expectations remained elevated.

The Council maintained its assessment that the relatively strong economic growth combined with a further rise in employment might gradually drive up wage pressure, leading to sustained heightened inflation. The elevated inflation expectations added to the risk that heightened inflation would persist. In order to curb this risk, in May and June 2011, the Council continued to tighten monetary policy by raising the NBP rates, each time by 0.25 percentage point, in particular the reference rate was increased from 4.0% to 4.5%. In June 2011 – after the interest rate increase – the Council hinted the possibility of keeping interest rates unchanged in the subsequent months, and assessed that the substantial monetary tightening implemented since the beginning of the year should enable inflation to return to the target in the medium term. At the same time, the Council did not rule out further adjustment of monetary policy, should the outlook for inflation returning to the target deteriorate.

Data on GDP in 2011 Q2, incoming in the subsequent period, signalled a deeper than expected economic slowdown in the United States and the euro area, accompanied by weaker performance of the emerging economies, including China. In 2011 Q3, the sentiment of economic agents deteriorated considerably across the world, and economic growth forecasts for many countries were revised downward. Current and future business conditions were adversely affected by mounting concerns about the fiscal stability of many countries, high (though gradually subsiding) commodity prices and slow household consumption growth in the developed countries, curbed by the persistently weak labour market. Inflation in both developed and emerging economies remained elevated.

Simultaneously, in 2011 Q3, the downgrade of long-term US Treasury bond rating was accompanied by a slump in equity prices and a further decline in global commodity prices. Against the backdrop of rising risk aversion in global financial markets, emerging market currencies weakened, including considerable depreciation of the zloty.

The monetary policy of major central banks was diversified in that period: the ECB raised interest rates again in July 2011, by 0.25 percentage point, while the Fed, Bank of England and the Swiss National Bank maintained policy interest rates at historically low levels. Moreover, in September the Fed initiated the program of extending the average maturity of its portfolio (the so-called Operation Twist), thus exerting downward pressure on long-term interest rates. At the same time, monetary policy was eased in some emerging economies.

In Poland, data on GDP in 2011 Q2 confirmed relatively strong and stable growth (4.3% y/y), fuelled by steadily rising private consumption and accelerating investment. At the same time, following a period of solid growth, employment slowed down and the unemployment rate remained at an elevated level. Wage growth temporarily accelerated in 2011 Q2, driven mainly by



disbursement of additional remuneration components related to very good financial performance of enterprises.

In 2011 Q3, the incoming monthly data suggested slower growth in the corporate sector employment and in industrial output amid further strong performance in construction/assembly output and retail sales. At the same time, business confidence indicators deteriorated, signalling a possible slowdown in economic activity in the subsequent quarters. Lending to corporates continued to rise and a relatively fast growth in mortgage lending was sustained.

In 2011 Q3, the CPI inflation decreased driven by slower growth in food prices. Yet, the annual CPI index – as well as inflation expectations – remained high (it amounted to 4.1% on average in 2011 Q3) and persisted markedly above the NBP's inflation target. Energy price growth picked up again, including the prices of fuel, which rose considerably after the deep depreciation of the zloty in August and September related to strong increase in risk aversion in the global financial markets. At the same time, core inflation increased, in part as a result of rising administered prices of services relating to home maintenance.

Given the above, the Council assessed that in the medium term inflation would be curbed by the anticipated slower domestic economic growth, amidst the fiscal tightening, including reduced public investment spending, coupled with interest rate increases implemented in the first half of 2011 and the likely global economic slowdown. In the opinion of the Council, the significant monetary policy tightening implemented in the first half of 2011 should be conducive to inflation returning to the target in the medium term. Consequently, in 2011 Q3 the Council kept the NBP interest rates unchanged. However, in its press releases the Council still did not rule out the possibility of further monetary policy adjustments, should the outlook for inflation returning to the target deteriorate.

At the same time, the Council pointed out that the impact of the developments in global financial markets upon the zloty exchange rate might pose an upside risk to inflation. Strong depreciation and heightened volatility of the zloty exchange rate, triggered mostly by rising risk aversion in the global financial markets, could temporarily contribute to rising inflation. At the end of 2011 Q3, the NBP intervened in the currency market by selling foreign currencies in exchange for zlotys.

Data incoming in 2011 Q4 showed that global growth in 2011 Q3 continued at a sluggish pace and economic conditions varied considerably across countries. In the United States, GDP growth accelerated, while in the euro area it remained slightly above zero. In Germany, GDP growth accelerated in 2011 Q3, supported by favourable conditions in the labour market and relatively strong economic growth in Asia; yet, incoming monthly data pointed to a weakening in this economy in the next quarter. In the major emerging economies, 2011 Q3 economic growth slowed down, in most cases largely as a result of a prior tightening of their macroeconomic policies.

A gradual decrease in commodity prices combined with deteriorating economic activity across the world in 2011 Q4 favoured lowering inflation, both in the developed and in the emerging economies. However, inflation persisted at elevated levels in most countries.

Like in the preceding quarter, in 2011 Q4 the fiscal problems of euro area countries continued to fuel uncertainty concerning future developments in global economic activity, with an adverse effect on the sentiment of economic agents, thus contributing to increasing tensions in the global financial markets.

In the period under review, major central banks were conducting expansionary monetary policy; the ECB – after increasing interest rates in April and in July – decreased them again in November and December, bringing them back to the level seen at the beginning of 2011. Moreover, in December the ECB launched additional long-term operations providing liquidity to financial institutions of the euro area and extended the range of assets eligible as collateral in open market operations, which had a mitigating effect on tensions in the international markets. Also central banks in many emerging countries eased their monetary policies at the end of 2011.



Data on the Polish economy indicated that GDP growth in 2011 Q3 remained relatively robust (4.2%), mainly due to expanding domestic demand. At the same time, the contribution of net exports to GDP growth increased markedly, driven by the zloty depreciation. Although business confidence indicators continued to signal a possible slowdown in economic activity, 2011 Q4 saw further strong growth in industrial as well as construction/assembly output and retail sales. At the same time, lending to corporates continued to increase, accompanied by a relatively fast growth in zloty-denominated mortgage loans to households, amid a further decline in consumer loans.

The number of persons working in the economy continued to rise at an increasingly sluggish pace in 2011 Q3, while the unemployment rate remained elevated. Even though wage growth picked up, this was primarily due to statistical factors. Incoming 2011 Q4 labour market data showed falling employment in the corporate sector in monthly terms and further moderate wage growth.

In the period under review, the annual CPI inflation increased again (in 2011 Q4, it averaged 4.6% y/y), remaining markedly above the NBP's inflation target, which fuelled elevated inflation expectations. Rising inflation was largely driven by a significant zloty depreciation observed from August 2011 and related to persistently heightened risk aversion. The significant depreciation of the zloty exchange rate contributed to a rise in energy prices (including, in particular, fuel prices), food prices and the prices of the remaining imported goods. As a result, zloty depreciation also translated into higher core inflation.

In 2011 Q4, the Council upheld its opinion that medium-term inflation would be curbed by gradually decelerating domestic demand amidst fiscal tightening, including reduced public investment spending, and the NBP interest rate increases in the first half of 2011, as well as the expected global economic slowdown. Assessing that the monetary policy tightening of the first half of 2011 should enable inflation to return to the target in the medium term, and taking into account the elevated uncertainty about global economic conditions in the subsequent quarters, the Council kept the interest rates unchanged in 2011 Q4. The Council still did not rule out the possibility of further monetary policy adjustments, should the outlook for inflation returning to the target deteriorate.

At the same time the Council continued to emphasise that the potential impact of developments in global financial markets upon the zloty exchange rate posed an upside risk to domestic price growth. Amidst the persistent considerable zloty exchange rate volatility in 2011 Q4, the NBP conducted several interventions in the currency market.

In 2011 – as in the previous years – communication with the public was an important element in conducting monetary policy based on inflation targeting regime. It involved the Council's presentation of its assessment of the current condition of the economy and future path of economic developments. The most important instruments of communication in 2011 continued to include the following cyclical publications: *Inflation Reports*, *Information from the meeting of the Monetary Policy Council* (with accompanying press conferences held after the Council's meetings), *Minutes of the Monetary Policy Council decision-making meetings*, as well as the annually published: *Report on Monetary Policy Implementation* and the *Monetary Policy Guidelines*.⁴ In the *Monetary Policy Guidelines for 2012*, the Council confirmed the main elements of the hitherto pursued monetary policy strategy of the NBP, introducing some minor amendments thereto.

From April 2011, the Council also decided to speed up the publication of the MPC voting records on the motions and resolutions concerning interest rates. This decision was made with a view to further increasing the transparency of monetary policy.

⁴ The *Minutes of the Monetary Policy Council decision-making meetings* present a more detailed discussion of the problems and arguments which had a significant impact on the decisions taken by the Council in 2011.



2.3. Monetary policy instruments in 2011

In 2011, the National Bank of Poland pursued the monetary policy by influencing the level of inflation through the interest rate policy. The Monetary Policy Council set the NBP's official interest rates, which determined the yield on other monetary policy instruments.

The range of instruments applied in the implementation of monetary policy did not substantially differ from that used in 2010 and comprised the NBP interest rates, open market operations, standing facilities and the reserve requirement. The NBP's set of available monetary policy instruments to be used was aligned with the monetary policy strategy implemented by NBP as well as with the persisting liquidity surplus in the banking sector. In addition, the range of the adopted monetary policy instruments for 2011 enabled the NBP to launch additional operations at any time, should the situation in the financial markets, particularly in the domestic banking sector, deteriorate.

With the help of the monetary policy instruments, the Council was influencing the level of money market short-term interest rates. In doing so, the Council strove to attain a level of interest rates in the economy that would be conducive to achieving the adopted inflation target in the medium term.

2.3.1. Liquidity in the banking sector in 2011

In 2011, the NBP pursued its monetary policy amidst liquidity surplus prevailing in the banking sector,⁵ amounting to an average of PLN 95,928 million. This represents an increase of PLN 25,021 million, i.e. 35%, on the 2010 level.⁶ The amount of liquidity surplus in the banking sector rose steadily until July, with the trend reversing in the subsequent months of 2011.

In the course of the year 2011, changes in the level of the banking sector liquidity surplus were primarily driven by factors beyond the NBP's control (the so-called autonomous liquidity factors).

Key influences here include the purchase by the NBP of foreign currencies deriving mainly from EU funds, and the operations involving exchange of foreign-currency funds into zloty performed by the Ministry of Finance at the NBP. As the net balance of currency purchases by the NBP (i.e. one reduced by the value of currencies sold by the NBP) posted a surplus, liquidity surplus rose by an average of PLN 11,598 million. This was further boosted by the disbursement of PLN 6,203 million from the NBP profit to the Treasury and the payment of discount on the NBP bills, with the average amount standing at PLN 4,062 million.

Factors limiting the level of liquidity surplus in 2011 included increase in volume of cash in circulation (by an average of PLN 8,452 million) as well as in the level of the required reserves (by an average of PLN 6,044 million).

The Council was informed, on an on-going basis, of the amount of the banking sector liquidity surplus.

⁵ Liquidity surplus of the banking sector is the surplus of funds retained by the banking sector in excess of the average level of banks' current accounts with the NBP, as determined by the required reserve ratio in the required reserve maintenance period. Liquidity surplus is measured by the total balance of the following operations: main operations, fine-tuning operations such as foreign exchange swaps (none were conducted in 2011) and standing facilities.

⁶ The data on overall excess liquidity as well as the respective monetary policy operations (presented further on in this chapter) are averages for the required reserve maintenance period.



2.3.2. NBP interest rates

In 2011, the principal instrument of the NBP's monetary policy was the short-term interest rate, i.e. the NBP's reference rate. Changes in the level of this rate set the direction of the monetary policy pursued. The reference rate determined the yield on the main open market operations and at the same time affected the level of short-term market interest rates.

The NBP deposit rate and the lombard rate set the corridor for overnight interest rate fluctuations in the interbank market. The rediscount rate, in turn, indirectly determined the interest on the required reserve holdings.⁷

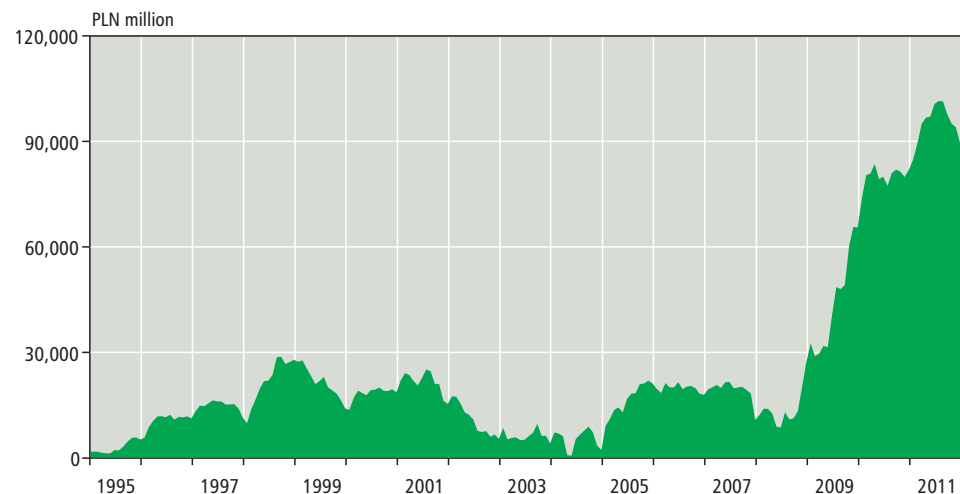
In the first half of 2011, the Council raised the NBP interest rates four times, by a total of 1 percentage point. As a result of these decisions, from June 2011, the NBP reference rate stood at 4.50%, the Lombard rate at 6.00%, the deposit rate at 3.00% and the rediscount rate at 4.75%.

2.3.3. Open market operations

In 2011 the NBP strove to influence liquidity conditions in the banking sector through conducting open market operations, seeking to ensure that short-term market interest rates are kept at a level consistent with the NBP's reference rate as set by the Council. The goal was pursued through open market operations conducted on a scale sufficient to allow the POLONIA rate to run close to the NBP's reference rate.⁸

In 2011, the main open market operations were carried out on a regular weekly basis, in the form of issue of the NBP bills with a 7-day maturity. In 2011, the average issue of bills under the main operations amounted to PLN 95,217 million and exceeded the 2010 level by PLN 22,249 million (Figure 2.19).

Figure 2.19
Average monthly balance of open market operations



Source: NBP data.

⁷ In 2011, the remuneration on the required reserve holding amounted to 0.9 of the rediscount rate.

⁹ POLONIA (Polish Overnight Index Average) – average overnight rate weighted with the value of transactions in the unsecured interbank deposit market. The NBP publishes the levels of this rate on the Reuters website (NBPS) every day at 5.00 p.m.



In 2011, the Bank also issued the NBP bills as its fine-tuning operations. The maturity of these operations was shorter than that of the main operations. They were designed to curb the impact of changes in the liquidity conditions in the banking sector on short-term market interest rates. A total of 27 fine-tuning operations were carried out throughout the year. The average issue of the NBP bills under the fine-tuning operations amounted to PLN 1,453 million and exceeded the 2010 level by PLN 1,405 million.

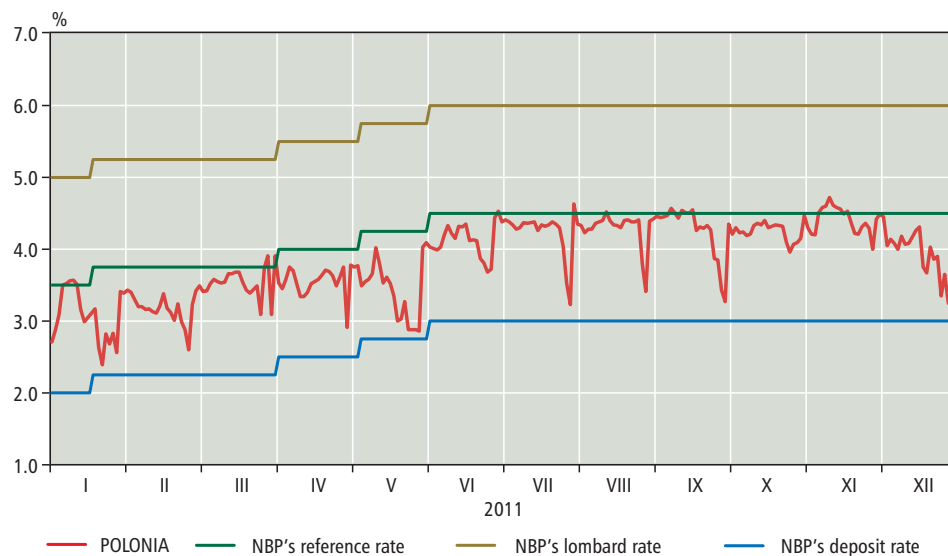
The volume of bills issued, rising until July 2011, was driven by growing liquidity surplus in the banking sector. Lower issues in the subsequent months of 2011 resulted from the above mentioned reversal of the trend in developing liquidity conditions within the banking sector.

As in the preceding year, in 2011 the global financial markets were marred by turmoil which intensified, in particular, in 2011 Q4. As a result, banks became more cautious in managing their own liquidity position, tending to do it on an overnight basis and to build up liquidity buffers. Interbank market participants still maintained low-level lending limits on mutual transactions.

The above patterns hampered the effectiveness of the NBP's main open market operations. This was evidenced by episodes of underbidding⁹ during the NBP's main operations conducted through tenders.

In spite of adverse trends persisting in the financial markets, in 2011 the POLONIA rate came closer to the NBP reference rate than in the previous years. The positive trend in this respect became particularly pronounced in the second half of 2011, when the deviation of the POLONIA rate was reduced to levels seen only before the collapse of Lehman Brothers (Figure 2.20).

Figure 2.20
The NBP interest rates and the POLONIA rate in 2011



Source: NBP data.

⁹ A situation in which during monetary policy operations conducted in the form of tender, the banks' total bid is lower than the supply offered by the central bank.



The gap between the POLONIA rate and the NBP reference rate gradually narrowed over 2011, primarily as a result of short-term fine-tuning operations launched by the NBP in December 2010. Initially, the NBP resorted to fine-tuning operations on an ad-hoc basis, within the required reserve maintenance period, in order to affect the liquidity conditions prevailing in the banking sector. These were usually operations with a 2-day or 3-day maturity. As of June 2011, they were supplemented with fine-tuning operations offered at the end of the required reserve maintenance period. These enabled banks to balance their liquidity position over the entire reserve maintenance period.

Fine-tuning open market operations conducted by the NBP substantially reduced banks' use of deposit facility as compared to the period after the Lehman Brothers' collapse. This can be put down to the fact that shorter maturity of the instruments offered under fine-tuning operations, compared with the 7-day maturity of the main operations, coupled with their higher yield versus the remuneration of deposit facility (150 basis points difference) encouraged banks to invest more of their liquidity buffer in the NBP bills (under fine-tuning operations). Consequently, as compared to the previous years, the impact of the deposit facility remuneration (the NBP deposit rate), relatively largely used by banks in the previous years, on the POLONIA rate, diminished. Market participants began to expect the central bank to be able to balance the liquidity conditions in the banking sector predominantly through open market operations with yields equal to the NBP's reference rate.

The effectiveness of fine-tuning operations conducted by the NBP is also evidenced by the limited impact of adverse developments in the global financial markets, which intensified in the second half of 2011 (along with the exacerbation of the sovereign debt crisis in some euro area countries), on the POLONIA rate in that period.

The average absolute deviation of the POLONIA rate from the reference rate stood at 43 basis points in 2011 (56 basis points in the period January-May and 34 basis points in the period June-December, i.e. before and after the NBP launched fine-tuning operations at the end of the required reserve maintenance period respectively).¹⁰ Thus, it was 26 basis points lower than in 2010 and 46 basis points lower than in 2009. However, this level was still higher than that observed before the onset of the crisis in the global financial markets, due to persistence of factors contributing to banks' propensity to maintain liquidity surpluses.

At the same time, volatility of the POLONIA rate, as measured by standard deviation, also decreased in 2011. Compared to 2010, this indicator was 4 basis points lower and stood at 34 basis points. An equal decline in the volatility of the POLONIA rate on the previous year's level was recorded in 2010.

2.3.4. Reserve requirement

The requirement to maintain a certain amount of reserves on accounts with the NBP applied to banks, branches of credit institutions and Polish subsidiaries of foreign banks. The required reserves were maintained on an averaged basis, i.e. banks were obliged to hold the average balance of funds on accounts with the NBP in the reserve maintenance period at a level not lower than the amount of the reserve requirement.

Required reserves were calculated on the basis of banks' collected deposits and funds coming from sale of securities. Excluded from reserve calculation were funds received from another domestic bank, acquired from foreign sources for at least 2-year period and those deposited in credit and savings accounts of building societies and in individual pension accounts. Required reserves were calculated and maintained in the Polish zloty. Banks reduced the amount of the calculated reserve requirement by the PLN equivalent of EUR 500 thousand.

¹⁰ Average deviation of the POLONIA rate was calculated according to the uniform base of 365 days in the year.



In 2011, the reserve requirement ratio amounted to 3.5% on all liabilities, except for funds coming from the sale of securities under repurchase agreements, in which case the reserve requirement stood at 0%.

The amount of required reserves as of 31 December 2011 amounted to PLN 28,039 million, posting an increase of PLN 2,091 million on the corresponding amount as of 31 December 2010 (increase of PLN 8.1%).

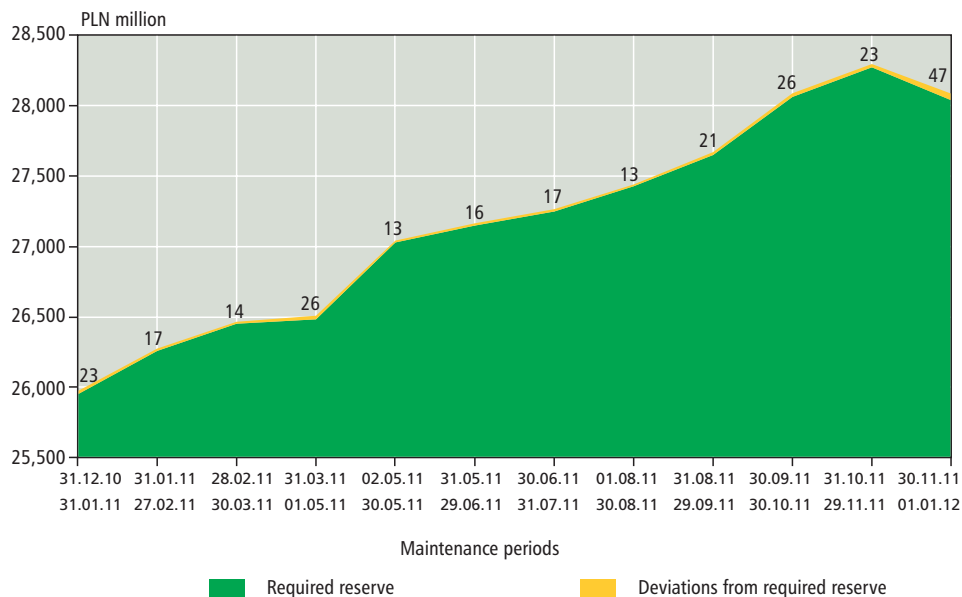
The interest earned on banks' required reserve holdings on accounts with the NBP was equivalent to 0.9% of the NBP's rediscount rate. Given the fact that the rediscount rate was increased, by the decision of the Council, from 3.75% to 4.75% over 2011, average interest on the required reserve holdings rose from 3.38% in 2010 to 4.03% in 2011.

In all reserve maintenance periods, average balances held by banks at the NBP remained slightly in excess of the required reserve level, the surplus ranging from PLN 12.7 million in August to PLN 46.9 million in December. The average excess reserves on banks' accounts amounted to PLN 21.3 million, accounting for 0.08% of the average required reserve (Figure 2.21).

The difference between the reserve holdings and the required reserve in respective reserve maintenance periods could be minimised owing to the range of instruments facilitating the management of funds on accounts with the NBP (standing facilities and intra-day credit facility) and the fact that interest earned on reserve funds was paid only up to the amount of the required reserve.

In 2011, one instance was recorded of breach of the reserve obligation by a commercial bank. All the co-operative banks maintained the mandatory level of required reserve.

Figure 2.21
Changes in the required reserves level and deviations from the reserve requirement in 2011



Source: NBP data.



2.3.5. Standing facilities

Standing facilities (overnight deposit and lombard credit) served to smooth the level of liquidity in the interbank market and the fluctuations in the overnight rates. These operations were conducted at the initiative of commercial banks, and were designed primarily to provide, on a short-term basis, more liquidity to the banking sector and enable banks to place excess available funds with the NBP for one-day period.

Remuneration of lombard credit facility, which determines the price of money obtainable from the NBP, set the ceiling on fluctuations of overnight rates in the interbank market, while the deposit rate constituted the floor.

Drawings on the lombard credit were moderate in 2011 and totalled PLN 173.0 million as against PLN 184.2 million in 2010. The average daily use of the lombard credit amounted to PLN 0.5 million, in similarity to the previous year.

The average daily level of deposits placed by banks at the end of the business day amounted to PLN 261.1 billion in 2011 and was 31% lower than during the previous year. The average overnight deposit amounted to PLN 711.4 million, as against PLN 1,036.1 million in 2010. The facility was most heavily used, as a rule, on the last days of reserve maintenance periods.

Intra-day credit facility helps banks manage liquidity during the business day, while, at the same time, ensuring the liquidity of interbank settlements at the NBP. It is a non-interest bearing loan secured with debt instruments, incurred and repaid on the same business day. In 2011, daily liquidity provision to the banks in the form of intra-day credit facility ranged from PLN 15.4 billion to PLN 41.1 billion. Drawings on intra-day credit facility had increased by 45.5% on its 2010 value.

Intra-day credit in the euro is an instrument ensuring liquidity of settlements in the SORBNET-EURO and TARGET2-NBP systems. The loan, collateralised with Treasury bonds previously admitted by the ECB was incurred and repaid on the same business day. In 2011, daily operational euro liquidity provision to banks fluctuated between EUR 2.0 million and EUR 54.5 million (in 2010, from EUR 2.3 million to EUR 3.5 million, respectively).

2.3.6. Foreign exchange swaps

By using foreign exchange swap transactions, the NBP was able to purchase (or sell) zloty for foreign currency in the spot market with a simultaneous sale (repurchase) in a fixed-date forward transaction.

Despite the NBP's continued readiness to offer this type of transaction, in 2011, like the previous year, there was no demand from the banking sector for foreign currency liquidity which the central bank could provide in the form of foreign exchange swap transactions.

2.3.7. Currency interventions

The NBP sold certain amounts of foreign currency between September and December 2011. Foreign exchange interventions were conducted amid heightened global risk aversion resulting in increased volatility of exchange rates of the emerging economy currencies, including the zloty.

The currency interventions were compliant with the monetary policy strategy pursued by the NBP in 2011.



3

FINANCIAL SYSTEM¹

¹ Tasks in this field are fulfilled pursuant to Article 3 section 2 para. 6 and para. 6a of the Act on the NBP.



Promoting financial stability has developed into a regular task implemented by central banks of the EU Member States and is one of the core objectives of the National Bank of Poland. The formal commitment to the support of the stability of the domestic financial system was laid down by the Act on the Financial Stability Committee of 13 December 2008,² which supplemented the Act on the NBP. The former Act imposed the obligation on the NBP Management Board to analyse the stability of the domestic financial system.

Preserving the stability of the financial system is essential for the implementation of the NBP's basic goal, i.e. maintaining price stability.

3.1. Cooperation with financial safety net institutions

In 2011, the NBP participated in the work of the Financial Stability Committee. The meetings addressed issues linked to the development of both domestic and European structure of financial system supervision and issues concerning the escalation of the debt crisis in some euro area countries and its potential impact on the Polish financial sector. Particular attention was drawn to the results of stress-tests conducted at European banks. After the meeting of 15 July 2011, the NBP and the Ministry of Finance issued a joint communique on the results of such tests.

The National Bank of Poland – as part of an inter-institutional working group established by the Financial Stability Committee – also contributed to developing principles of orderly bank resolution in Poland. The Bank cooperated with the Polish Financial Supervision Authority (PFSA), including via membership of the NBP Vice President in the PFSA.³

Furthermore, in accordance with the statutory authorisation concerning the rules for the submission of information the NBP collaborated with the PFSA Office.⁴ This cooperation involved information and data sharing and meetings of experts.

In 2011, the NBP cooperated with the Bank Guarantee Fund – 2 representatives appointed by the President of the NBP are members of the BFG Council.

3.2. Establishment of the Systemic Risk Committee

The recent financial crisis revealed that the execution of financial supervision lacked a macro-prudential approach which consists in analysis of the financial sector as a whole and its links with the real economy, including early identification and response to threats to financial system stability.

In response to those challenges, a number of countries started to implement new institutional solutions, by establishing institutions of macro-prudential supervision. In Poland, the first step in this direction was made in January 2011 when the Systemic Risk Committee was established within the NBP structure. The committee's objective is to express opinions and formulate recommendations for NBP bodies as regards activities undertaken to reduce systemic risk and supporting the stability of the domestic financial system.

² Journal of Laws 2008, No. 209, item 1317.

³ Pursuant to Article 5 section 3 of the Act of 21 July 2006 on Financial Market Supervision – Journal of Laws 2006, No. 157, item 1119.

⁴ Article 17 paragraphs 1 and 2 of the Act on Financial Market Supervision.



3.3. Analyses and research for the needs of the financial system

As part of its activities towards financial stability, the NBP analyses the stability and development of particular financial markets in Poland. In 2011, stress tests were conducted in the banking sector and the situation of major entities of the sector was monitored. A considerable part of the results of those analyses was presented on the meeting of the Financial Stability Committee and published in NBP materials. The following publications were released in 2011:

- *Financial Stability Report* (in June and December). The documents addressed the main areas of risk to operation of the financial system in Poland. As demonstrated, the situation of Polish banks was good and they continued to maintain high capacity to absorb potential losses, and the financial system remained stable. Nonetheless, high uncertainty prevailed about the economic outlook abroad. The risk factors included: the risk of economic slowdown, the risk for banks to have no access to external funding and a risk arising from ownership changes. The results of the macro stress tests, presented in *Stability Reports*, showed that a significant majority of domestic commercial banks held sufficient capital to absorb the effects of a severe economic slowdown. Even in the event of a strong shock, most banks would maintain the capacity to generate a net positive operating income that would contain a negative impact of potential loan impairment charges on capital levels.
- *Bank lending practices and credit conditions* (quarterly senior loan officer opinion surveys). These surveys describe changes in banks' lending policy, i.e. changes in lending standards and terms as well as changes in demand for main categories of loans, including changes in the past quarter and expectations for the nearest quarter. Whereas the tightening of the standards of granting housing loans to households was observed throughout 2010, the standards of granting consumer loans and loans to large enterprises were only slightly changed. Towards the end of the year, the banks markedly tightened the standards of granting loans to small and medium-sized enterprises and housing loans.
- *Financial System Development in Poland 2010*. This report describes major developments in the domestic financial system in 2010 against the escalating sovereign debt crisis in some countries of the euro area. In 2010, the financial system continued to grow in importance in the Polish economy. Its assets rose by 11.6%, most specifically thanks to the development of the banking sector. The relation of the financial system's assets to GDP grew by 6.6 percentage points compared with 2009, to stand at 117.6%. Financial institutions expanded, stimulated by the recovery and growth in households' financial assets. Buoyant growth in the assets of investment funds and pension funds contributed to maintaining the downward trend in a banking sector's share in the assets of the Polish financial sector. Between 2004 and 2010, the share of non-bank financial institutions in the total assets of the financial sector grew from 25.9% to 30.4%. At the same time, the majority of domestic financial market segments recorded higher turnover than in the previous year.

3.4. International cooperation for financial stability

In 2011, the NBP's participation in the work of the European Systemic Risk Board (ESRB)⁵ was an important area of its activities. ESRB was established on 1 January 2011 as an independent body responsible for the macro-prudential oversight within the EU. The ESRB is mandated to prevent and mitigate systemic risks to financial stability in the European Union. Central banks' governors play a major role in the work of the ESRB, which is chaired by the President of the ECB. The National

⁵ Regulation (EU) No. 1092/2010 of the European Parliament and of the Council of 24 November 2010 on European Union Macro-Prudential Oversight of the Financial System and establishing a European Systemic Risk Board, OJ UE L 331 15.12.2010, www.eur-lex.europa.eu.



Bank of Poland is represented in the ESRB by the President of the NBP, who is member of the General Board, with the right to vote. In 2011, the President of the NBP was also appointed to the ESRB's Steering Committee (for a 3-year term of office).

Moreover:

- The NBP representatives participated in the work of the Advisory Technical Committee, (ATC⁶) and a number of ESRB expert groups. As part of this work they analysed threats to the stability of the European financial system and developed relevant recommendations. The NBP representative managed the work of the task group whose outcomes led to the issue of the first ESRB recommendation on lending in foreign currencies.⁷
- The NBP participated in the work of the ESRB. This involved the issuance of opinions on the EU draft legislation with macro-prudential policy in view: the draft regulation and amendment to the directive on the capital requirements (CRD IV/CRR) and draft regulation on OTC derivatives, central partners and trade repositories (the so-called EMIR⁸).

The NBP also participated (with no right to vote) in the work of the European Banking Authority (EBA). The body in question, which has been operating since 1 January 2011, is responsible for improving the quality and consistency of rules for supervision effected by individual national authorities, enhancing supervision over the cross-border financial groups and compilation of a single rulebook applying to credit institutions in the EU.

The NBP also joined the ESBC expert group to work on financial stability challenges in EU candidate countries. The work aimed to produce a report which would assess financial stability in EU candidate countries.

3.5. Participation of the National Bank of Poland in bank resolution programmes

In 2011, no funds of the NBP were involved in the implementation of the bank resolution programmes. As at 31 December 2011, no bank was exempt from maintaining the reserve requirement.

Highlights of 2011:

- establishment of the Systemic Risk Committee,
- participation in the work of new financial supervision institutions in the EU.

⁶ The Advisory Technical Committee (ATC) advises the ESRB and supports it in the performance of vested tasks, in particular by conducting analyses aimed to identify systemic risk and discussing draft documents to be handed over to the ESRB General Council.

⁷ Recommendation of the European Systemic Risk Board of 21 September 2011 on lending in foreign currencies, OJ EU C 342 22.11.2011, www.eur-lex.europa.eu.

⁸ EMIR stands for the European Market Infrastructure Regulation. This is an unofficial name of the draft regulation: Proposal for a Regulation of the European Parliament and of the Council on OTC derivative transactions, central counterparties and trade repositories. In February 2012, the tripartite negotiations were accomplished under the so-called dialogue between the European Commission, the Council and the European Parliament. A draft regulation agreed as a result of those negotiations was adopted by European Parliament on the session on 29 March 2012.

THE ISSUE OF CURRENCY¹

¹Tasks in this field are performed, among others, pursuant to Article 4 and Articles 31–37 of the Act on the NBP.



Pursuant to the Act on the NBP, the central bank holds the exclusive right to issue the currency of the Republic of Poland. By introducing into circulation banknotes and coin of full nominal structure the NBP guarantees smooth cash settlements and the adequate quality of currency in circulation.

4.1. Currency in circulation

The value of currency in circulation (including bank vault cash) as at 31 December 2011 amounted to PLN 112,089.5 million. This represents an increase in the value of currency by PLN 9,025.2 million, i.e. by 8.8% as compared to the figure as at 31 December 2010.

In 2011, manufacturers of legal tender delivered to the NBP 335,060,000 pieces of notes and 632,472,700 pieces of coins (in 2009, they delivered 325,120,000 pieces of notes and 565,138,500 pieces of coins).

As at 31 December 2011, notes accounted for 97.1% of all zloty-denominated currency in circulation by value, whilst coins represented 2.9% (in 2010 – 97.0% and 3.0%, respectively). In terms of volume, notes accounted for 9.4% of all currency in circulation, whilst coins represented 90.6%.

In terms of face value, 100 zloty and 200 zloty notes accounted for the largest share of all notes in circulation at the end of 2011, totalling 66.8% and 22.7%, respectively (66.8% and 22.0% in 2010). In the case of coins, 5 zloty and 2 zloty coins held the largest share of all coins in circulation, accounting for 30.5% and 29.6% of the overall value of coins, respectively (31.1% and 29.2% in 2009).

In terms of volume, 100 zloty and 50 zloty notes held the largest share in the notes in circulation at the end of 2011, amounting to 59.1% and 14.1%, respectively (in 2010, their respective shares stood at 58.2% and 14.7%). With regard to coins, 1 grosz and 2 grosz denominated coins prevailed, with their respective shares at 36.4% and 18.3% (in 2010, respectively, 36.2% and 18.2%).

4.2. Issue of collector coins

The National Bank of Poland issues collector coins and notes, commemorating national or international events, important historical anniversaries and famous Poles. In 2011, 39,500 pieces of gold collector coins and 840,000 pieces of silver collector coins were issued (in 2010, respectively: 66,500 and 1,050,000). The design elements covered 14 topics.

In 2011, 24 types of collector coins were issued (8 gold coins with face values of 1000, 200, 100, and 25 zloty and 16 silver coins with face values of 20, 10, and 5 zloty), including the following non-standard coins²:

- gold coin with the face value of 100 zloty (*Beatification of John Paul II 1 V 2011*);
- gold coin with the face value of 25 zloty (*Beatification of John Paul II 1 V 2011*);
- silver coin with the face value of 5 zloty (*Polish Football Clubs – Polonia Warszawa*);

² Standard NBP collector coins are gold coins with face values of 100 zloty and 200 zloty, as well as silver coins with face values of 10 zloty and 20 zloty.



- silver rectangular pad-printed coin, with the face value of 20 zloty (*Polish Painters of the Turn of 19th and 20th Centuries – Zofia Stryjeńska*);
- silver rectangular pad-printed coin, with the face value of 20 zloty (*Beatification of John Paul II 1 V 2011*);
- silver rectangular coin, with the face value of 10 zloty (*History of the Polish Cavalry – Uhlan of the Second Republic of Poland*);
- silver square coin, with the face value of 10 zloty (*History of the Polish Popular Music – Jeremi Przybora and Jerzy Wasowski*).

In 2011, the NBP issued 21 occasional general circulation coins struck in the Nordic Gold alloy. Coins commemorating six cities and towns: Gdynia, Kalisz, Kraków, Łódź, Mława and Poznań, were introduced as part of the *Cities and Towns in Poland* series.

The NBP also issued:

- a collector banknote commemorating the 100th anniversary of the awarding of the Nobel Prize in chemistry to Marie Skłodowska-Curie, with the face value of 20 zloty and a circulation of 60,000 pieces.
- gold bullion *White-tailed eagle* coins with the face values of 50, 100, 200 and 500 zloty were issued (4,000 pieces).

Collector coins issued by the NBP were recognised during prestigious international competitions. A silver (round) coin with the face value of 10 zloty – from the series *History of Polish Popular Music – Krzysztof Komeda* – won a special prize by the Organisational Committee at the international Coin Constellation 2011 competition. The same coin won the title the Most Beautiful coin of the year at the International Numismatic Prizes Vicenza Numismatica in Italy.

4.3. Change in the principles for sale of collector values

In 2011, the principles for purchasing collector values³ changed. New forms of payments and securities were introduced at the auctions of collector values, i.e.:

- private customers were authorised to pay by money transfer for the successfully bid collector coins and notes;
- guarantee deposit was introduced to secure bids of the total value above PLN 20,000 submitted in one auction by private and institutional bidders; this amendment significantly enhanced the security of transactions.

Furthermore, the public legal tender for operating payments for the purchased collector values by means of payment cards, was conducted and settled.

³ Resolution No. 17/2011 of the Management Board of the National Bank of Poland of 17 March 2011, amending Resolution No. 73/2009 of the Management Board of the National Bank of Poland of 26 October 2009 on terms and conditions of sale of coins, banknotes and numismatic items intended for collections and other purposes by the National Bank of Poland.



4.4. Withdrawal of notes and coins from circulation due to wear and tear or damage

In 2011, 340.4 million pieces of notes and coins were withdrawn (as compared to 340.6 million pieces in 2010) due to wear and tear or damage or loss of counterfeit protection features.

4.5. Counterfeit Polish currency

The number of counterfeit Polish currency notes and coins of current issue fell by 35.1% as compared to 2010. Table 2 presents the number of counterfeits reported in the years 2008–2011.

Table 4.1

The number of counterfeit Polish notes and coins in the years 2008–2011

Counterfeit notes and coins	2008	2009	2010	2011
Banknotes issued in 1994 the "Polish Monarchs" series	16,228	17,891	15,944	9,353
Coins of current issue	12,704	8,023	8,519	6,519
Total	28,932	25,914	24,463	15,872

Source: NBP data.

Moreover, 2011 saw the detection of:

- 969 pieces of authentic coins of the issue withdrawn from circulation in 1994, with face values of 10 and 20 zlotys, which were recognised as counterfeit due to the fact that they had been reshaped and used in coin-operated vending machines (968 in 2010);
- 342 pieces of counterfeit banknotes of old "Great Poles" issue (173 in 2010).

4.6. Supply of notes and coins to banks

In 2011, commercial banks purchased PLN 179.0 billion worth of Polish notes and coins from the NBP (PLN 168.6 billion in 2010), of which:

- PLN 96.3 billion, i.e. 53.8% of the total value, accounted for purchase transactions of notes and coins under agreements on storing and purchasing notes and coins deposited at the NBP⁴ (57.2% in 2010),
- PLN 82.7 billion, i.e. 46.2% of the total value, accounted for transactions of purchase concluded on the basis of agreements on the execution of agreements of sale-purchase of Polish currency notes and coins⁵ (42.8% in 2010).

⁴ Pursuant to the said agreement, banks keep in their vaults notes and coins which are the property of the NBP, with the option to redeem them.

⁵ I.e. agreement regulating the flow of notes and coins to/from banks from/to the NBP.



Highlights of 2011:

- provision for smooth cash settlements,
- implementation of new forms of payments and security measures at the sales of collector notes and coins.



FOREIGN EXCHANGE RESERVES MANAGEMENT¹

¹Tasks in this field are performed pursuant to, i.a., Article 3 para. 2 point 2 and Article 52 of the Act on the NBP.



Pursuant to Article 52 para. 1 of the Act on the National Bank of Poland, the NBP performs functions of a central foreign exchange authority. Accordingly, the Bank holds and manages foreign exchange reserves, carries out banking operations and takes other measures to ensure security of Poland's foreign exchange transactions and its payment liquidity.

In the context of floating exchange rate, the role of foreign exchange reserves is primarily to underpin the country's financial stability, by reducing the costs of financing in the global markets and moderating risk of a sudden outflow of capital. They could also help to support the stability of financial markets or the banking sector, most specially by supplying liquidity in foreign currency in the event of dysfunctional financial markets.

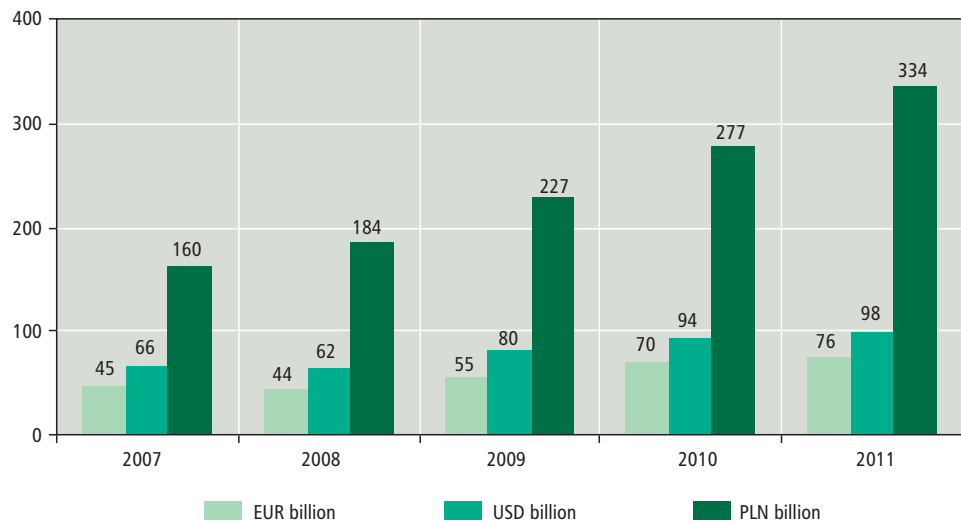
5.1. Level of the official reserve assets²

In 2011, the NBP official reserve assets rose:

- in euro terms, by EUR 5.7 billion, to EUR 75.7 billion (i.e. by 8.2%);
- in US dollar terms, by USD 4.4 billion, to USD 97.9 billion (i.e. by 4.7%);
- in zloty terms, by PLN 57.3 billion, to PLN 334.4 billion (i.e. by 20.7%).

Figure 5.1 presents the level of official foreign exchange reserves in 2007–2011.

Figure 5.1
Official reserve assets in 2007–2011



Source: NBP data.

The accumulation of the official reserve assets in 2011 was accounted for by income from investment of reserve, as well as a positive balance of external flows, including the inflow of funds from the European Union.

² According to the definition of the International Monetary Fund (IMF), the official reserve assets include easily disposable, liquid foreign assets held by the central bank. This category includes monetary gold, special drawing rights (SDR), IMF reserve position and foreign currency assets, mainly in the form of securities, term deposits and cash.



The strongest growth in zloty-denominated official reserve assets stemmed from depreciation of the zloty against all other reserve currencies (the USD/PLN exchange rate increased by 15.3%; the EUR/PLN – by 11.5%; the GBP/PLN – by 14.7%, the AUD/PLN – by 14.9%, while the EUR/NOK exchange rate increased by 11.9%).³

5.2. Foreign currency reserves management strategy

In carrying out tasks related to the management of foreign exchange reserves, in accordance with the *Long-term Foreign Exchange Reserves Management Strategy of the National Bank of Poland* the NBP seeks to maximise the return on those reserves while ensuring high security and essential liquidity of the invested funds.

As part of the adopted decision-making procedure, the NBP Management Board determines, on an annual basis, the Strategic Allocation of Assets, through its decisions regarding:

- currency and instrument composition of the reserves;
- the level of modified duration, which illustrates the sensitivity of investment to changes in the yield on the instrument (interest rate risk);
- the scope of active investment policy.

Taking account of the results of the analysis of global macroeconomic outlook, forecasts of developments in global financial markets and the operational analysis, the NBP Management Board decided to reduce the share of USD (by 2 percentage points) and euro (by 3 percentage points) in the foreign currency reserves composition and increase the share of GBP (by 2 percentage points) AUD (by 2 percentage points) and NOK (by 1 percentage point). The modified duration of reserves was kept at 1.8 in 2011. Table 5.1 presents the currency composition of the benchmark in 2007–2011.

Table 5.1
Strategic Assets Allocation currency composition in 2007–2011 (%)

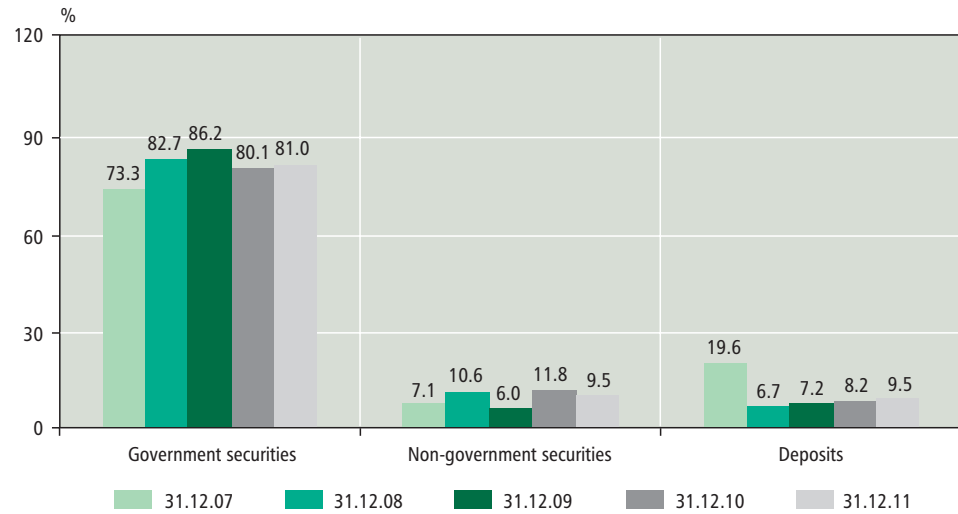
	Strategic Assets Allocation currency composition				
	USD	EUR	GBP	AUD	NOK
2007	40	40	15	5	0
2008	40	35	15	5	5
2009	40	35	15	5	5
2010	38	35	13	8	6
2011	36	32	15	10	7

Source: NBP data.

For the most part the NBP invests the foreign currency reserves in government securities which feature the highest degree of security and liquidity – mainly in the American, German, British, French and Australian. The non-government securities held in an investment portfolio are first of all issued by international institutions and government agencies. Some part of the reserves is held in short-term deposits at banks with a high creditworthiness.

³ Fluctuations in foreign exchange rates determined to 4 decimal places.

Figure 5.2
Share of investment instruments in the NBP foreign currency reserves in 2007–2011
(balance at the end of particular years)



Source: NBP data.

The current investment strategy implemented as a part of the Bank’s pro-active investment policy is in line with medium- and short-term market expectations.

5.3. Financial risk management in the foreign exchange reserves management process

The management of investment risk is one of the key elements in the management of foreign exchange reserves. It is based on a system of investment limits and restrictions.

Table 5.2
List of investment limits and restrictions applicable at the NBP in the financial risk management process

Risk	Mitigation methods
Credit risk	Limited share of deposit transactions and non-government securities Counterparty selection criteria and ongoing monitoring of their creditworthiness Counterparty limits on deposit and foreign exchange transactions Minimum rating of securities Limited term to maturity of deposit transactions Limits for issuers of securities Collateral in investment transactions with securities repurchase agreement
Foreign exchange risk	Currency composition of the Strategic Allocation of Assets along with fluctuation ranges indicating the scope of active investment policy
Interest rate risk	Maximum level of modified duration of the reserves Level of modified duration of the Strategic Allocation of Assets along with fluctuation ranges indicating the scope of active investment policy
Liquidity risk	Investments in currencies of countries with the most liquid financial markets Limited share of deposit transactions Security selection criteria

Source: NBP data.



5.4. Market environment in 2011

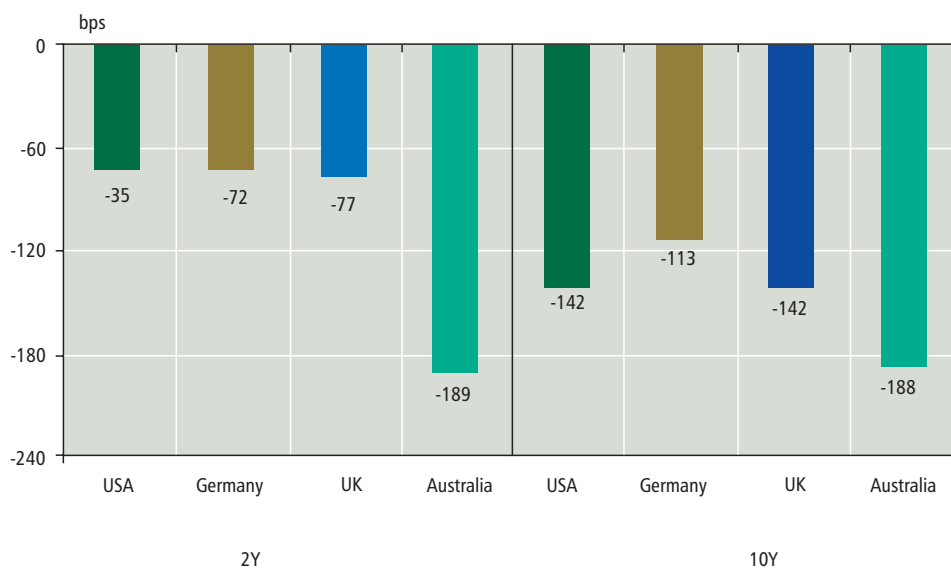
In 2011, developments in financial markets primarily reflected the growing risk aversion resulting from concerns about:

- spread of sovereign debt crisis across the euro area, amidst fervent frenzy about inevitability of Greek debt restructuring, insecurity about subsequent countries of the euro area – in particular Italy – being able to service their debt, threat of a crisis in the European banking sector,
- fiscal developments in the USA – problems in the adoption of a new debt limit by the USA Congress, this contributing to downgrading of this country long-term investment rating by the Standard & Poor’s to AA+,
- slowdown in the global economy.

In effect of stronger flight to quality the US dollar appreciated and yields declined in the major government securities markets.

The extent of fall in the yields on 10-year securities ranged from 188 percentage points in the Australian market to 113 percentage points in the German market. The yields on 2-year government securities fell from 189 percentage points (Australian bonds) to 35 percentage points (US bonds).

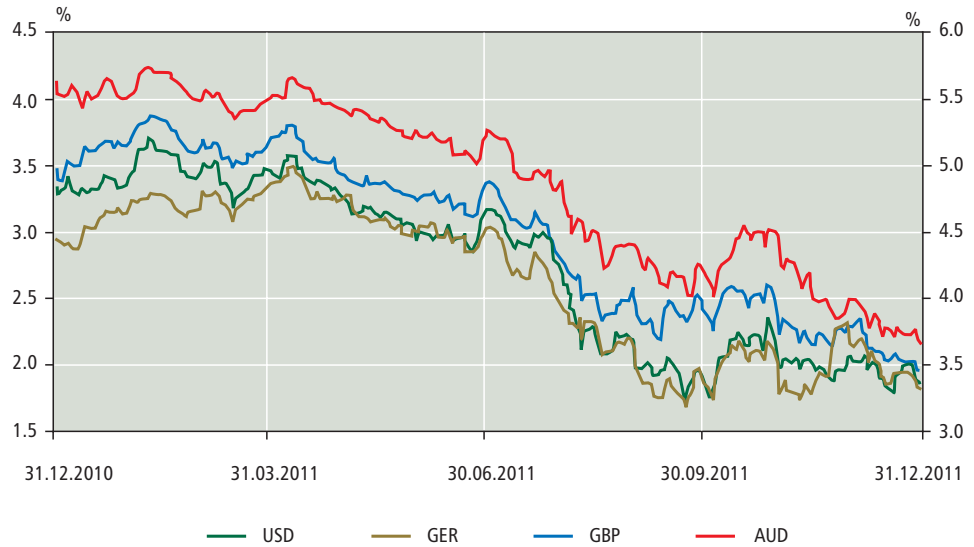
Figure 5.3
Changes in yields on 2-year and 10-year government securities in the US, Germany, the UK and Australia



Source: NBP calculations based on Bloomberg data.

The German Treasury securities benefited the most by the capital outflow from the euro area markets struck by the sovereign debt crisis. Their yield – in historical terms – bottomed out (for 2- and 10-year bonds, respectively to 0.14% (30 December 2011), and 1.67% (22 September 2011). Record low yields on 2- and 10-year bonds was also recorded in the government securities markets of the USA, the UK and Australia.

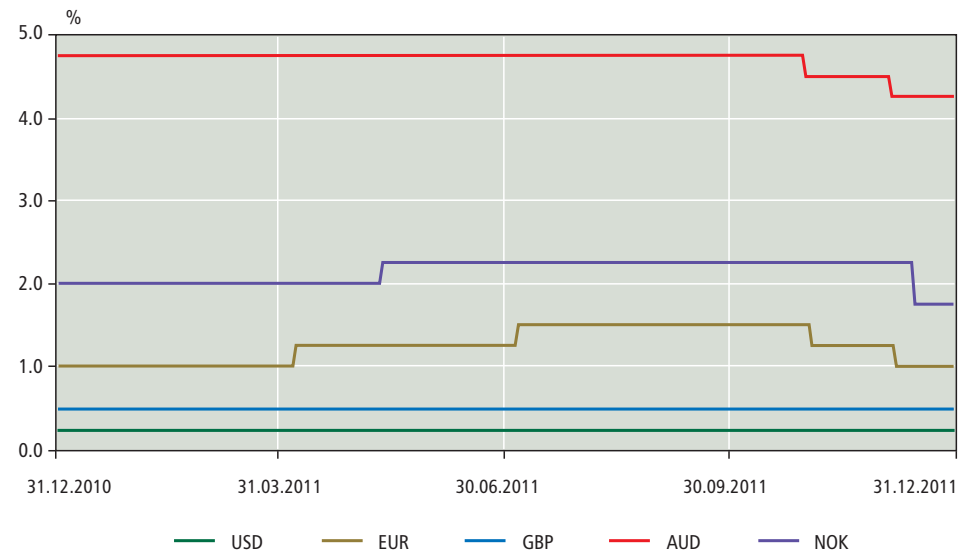
Figure 5.4
Yields on 10-year US, German, UK and Australian government securities



Source: NBP calculations based on Bloomberg data.

Policy measures pursued by the central banks also had a dampening impact on yields in the foregoing securities markets. In 2011, the Federal Reserve Bank (Fed) and the Bank of England (BoE) kept the official interest rates on the then effective historical lows, continuing the securities purchase programmes designed to boost the economic recovery.

Figure 5.5
Official interest rates in the US, the euro area, the UK, Australia and Norway



Source: NBP calculations based on Bloomberg data.

The ECB, which initially – in order to curb inflation – on 2 occasions raised the cost of money by a total of 50 percentage points to 1.5% – in the last quarter of 2011, effected 2 cuts of interest rates of 25 basis points each, bringing back the refinancing rate to the historical low of 1.0%. In response to a surge in the yield on securities issued by the countries with lower fiscal ratios, in August 2011, the ECB commenced to buy in Spanish and Italian government bonds.



Also Norges Bank (NB) decided to raise deposit rate by 25 basis points, up to 2.25% in the first half of the year, yet on the back of the intensification of the debt crisis in Europe and worsening of global economic forecasts, it cut the interest rates by 50 basis points, down to 1.75% in December 2011.

In 2011 Q4, the Reserve Bank of Australia (RBA) cut its cash rate twice, each time by 25 basis points, down to 4.25%.

5.5. Return on foreign currency reserves

The return on the invested foreign currency reserves depends on market conditions – foreign exchange rate fluctuations and prices of investment instruments. The parameters of Strategic Assets Allocation also exert their impact.

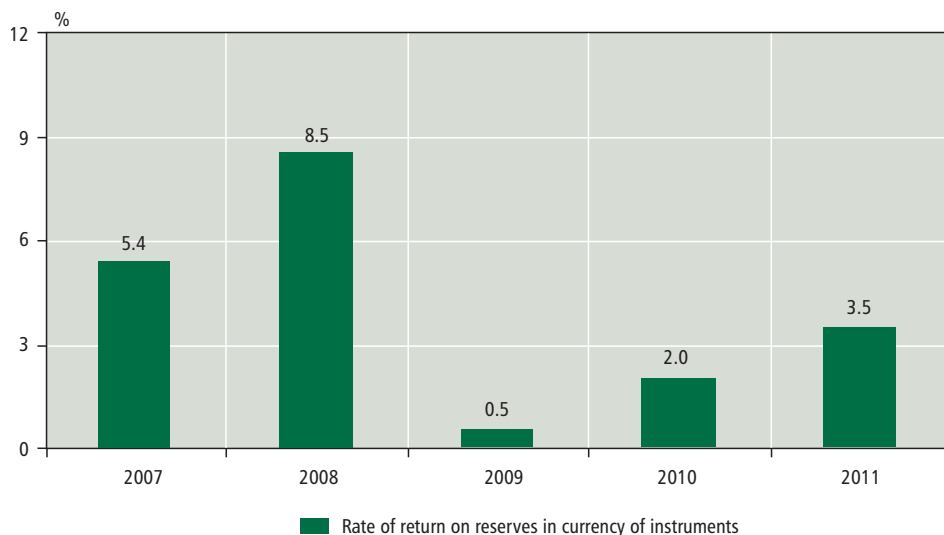
As a result of a marked fall in yields on the government bonds in 2011 the NBP recorded the highest rate of return on foreign currency reserves determined in the currency of instruments⁴ since 2008 – i.e. 3.5% (Figure 5.6).

The aggregate rate of return on reserves, calculated in the currency of the instruments since the introduction of the *Long-term Foreign Exchange Reserves Management Strategy of the National Bank of Poland* in early 2008, stood at 15.2%.

The rate of return on reserves, calculated in PLN⁵ stood at 17.9% in 2011 (Figure 5.7). It was additionally affected by appreciation of all the reserve currencies relative to the zloty (Figure 5.8).

In the period from 1 January 2008 until 31 December 2011, the aggregate rate of return on the reserves, calculated in PLN, stood at 51.7%.

Figure 5.6
Rate of return on the NBP foreign currency reserves in 2007–2011 (excluding the impact of fluctuations of exchange rates)

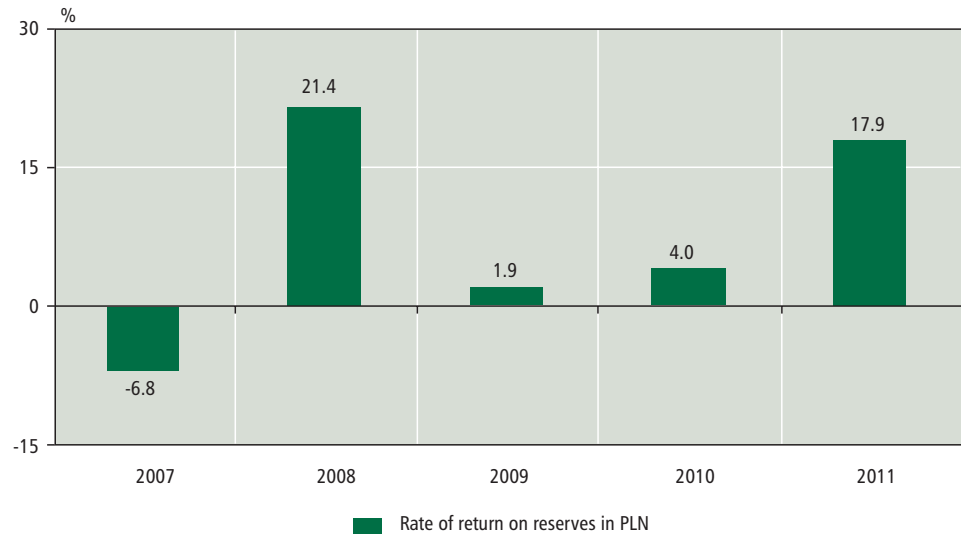


Source: NBP data.

⁴ The rate of return on foreign exchange reserves in the currency of individual investment portfolios is calculated on the basis of daily fluctuations in the market value of instruments.

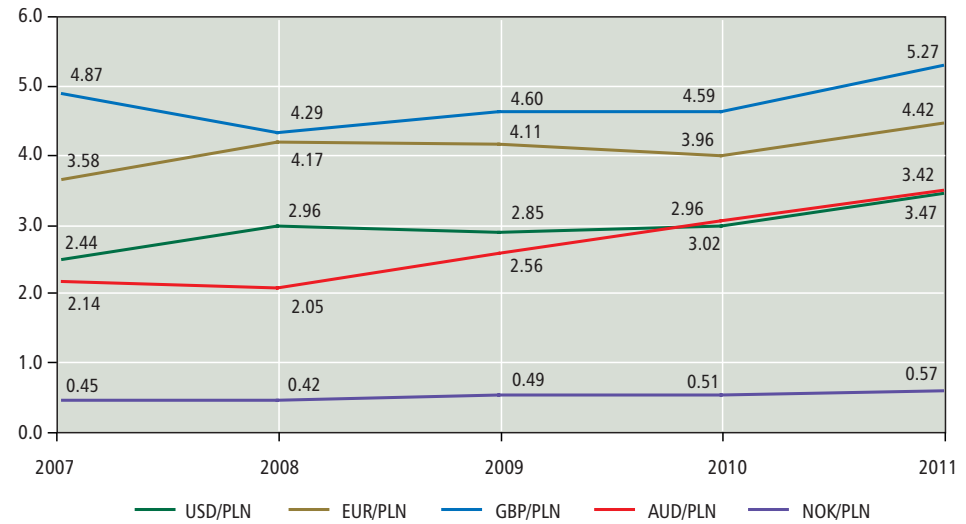
⁵ The return on foreign currency reserves in PLN also includes the effect of fluctuations in the exchange rates of reserve currencies in relation to PLN.

Figure 5.7
Rate of return on the NBP foreign currency reserves in 2007–2011 (including the impact of fluctuations of exchange rates)



Source: NBP data.

Figure 5.8
Exchange rates of reserve currencies relative to PLN in 2007–2011 (as at ends of periods)



Source: NBP data.



5.6. Investment income

In 2011, income from investment activity related to the management of foreign currency reserves, excluding the realised and unrealised exchange rate valuation effects, stood at PLN 7.3 billion (as compared to PLN 4.5 billion in 2010), which is an equivalent to EUR 1.8 billion⁶ or USD 2.5 billion.⁷

The balance of realised and unrealised exchange rate differences amounted in 2011 to PLN 6.6 billion.⁸

Highlights of 2011:

- the highest rate of return on reserves reaches since 2008, both in the currency of instruments and in PLN (respectively 3.5% and 17.9%),
- comprehensive analysis of foreign currency reserves management strategy, taking into account evolution of the global financial system, current trends in the management of central banks reserves and development prospects of the selected financial markets.

⁶Data in EUR and USD calculated based on average exchange rates EUR/PLN and USD/PLN in 2011.

⁷While calculating this income positive price differences (unrealised income) were not taken into account. In accordance with the NBP accounting principles, these are recognised in the liabilities of the NBP balance sheet. Increase in the market value of investments portfolios may considerably affect the reserve return rate. Such a situation occurred in 2011. At that time the fall in yields on securities increase the reserve return rate.

⁸Determination of this income takes no account of foreign exchange gains (unrealised income). Under the NBP accountancy principles, these are recognised in the liabilities of the NBP balance sheet and do not affect the NBP financial position. On the other hand, expenses from unrealised foreign exchange loss diminish the NBP financial position.



FOREIGN EXCHANGE ACTIVITY¹

¹Tasks in this field are performed pursuant to, i.a. Article 3 para. 2 point 3 and Article 52 para. 2 of the Act on the NBP, Article 21 para. 3 point 1 of the Act on counteracting money laundering and terrorism financing, and the provisions of the Foreign Exchange Act.



Foreign exchange activity consists primarily in maintaining a register of bureaux de change, issuing decisions on foreign exchange matters and foreign exchange control. The purpose of this activity is to ensure security of foreign exchange transactions.

6.1. Register of bureaux de change

In 2011, 915 entries were made to the register of bureaux de change (as compared to 1,229 in 2010), of which 223 entries regarded new entities (as compared to 218 in 2010) and the remainder regarded deletion of entities or updates. As at 31 December 2011, 4,415 bureaux de change were operating in Poland (as compared to 4,330 as at 31 December 2010).

6.2. Foreign exchange related decisions

In 2011, a total of 34 decisions on foreign exchange were issued (as compared to 282 in 2009), including 20 permits and 14 other decisions² (in 2010 – 39 decisions).

6.3. Foreign exchange control

In 2011, a total of 2,194 inspections were carried out (as compared to 2,496 in 2010), including:

- 1381 inspections concerning performance of the reporting responsibilities in respect of the balance of payments (in 2010 – 738),
- 813 inspections regarding bureaux de change activity (in 2010 – 1,758).

On account of the provisions of the Minister of Finance's Regulation of 23 October 2009 on providing the NBP with data required to draw up balance of payment and international investment position inspections of residents activities carried out to meet the reporting responsibilities in this area were given priority.

In 2011, 1,029 inspections, i.e. 47% of all the conducted inspections, detected irregularities (as compared to 36% in 2010). Growth in detected irregularities resulted from a large number of defaults in executing reporting duty. If such defaults had occurred, post-inspection recommendations were submitted to the managers of the inspected units, calling on to comply with the applicable regulations or, as it was the case of bureau de change activity, administrative sanctions were applied and the entities entries were deleted, by decision, from the register of bureau de change.

² These referred to discontinuance of process and amendments to permits.



Highlights in 2011:

- 915 entries in the register of bureaux de change,
- 34 decisions concerning foreign exchange issues,
- 2,194 inspections concerning foreign exchange matters.



PAYMENT SYSTEM ORIENTED ACTIVITIES¹

¹ Tasks in this field are fulfilled pursuant to i.a. Article 3 para. 2 points 1 and 6 of the Act on the NBP as well as pursuant to the Act on the finality of settlement in payment systems, security settlement systems and principles of oversight of these systems.



The activities of the National Bank of Poland with respect to the payment system include:

- operational tasks, including the operation and maintenance of the payment systems and performance of interbank settlements;
- activities relating to payment system policy and development, including organisation of monetary settlements and drawing up of appropriate legal regulations;
- oversight of payment systems, authorisation and clearing systems as well as securities settlement systems.

7.1. Performance of operational tasks²

7.1.1. Operation of accounts in the SORBNET system

As at the end of December 2011, accounts operated by the SORBNET system included current accounts in PLN for 52 banks (i.e. 2 less than in 2010), as well as auxiliary accounts for the National Clearing House (KIR SA) and the National Depository for Securities (KDPW SA).

In 2011, 2 current accounts in PLN for 2 banks were closed.³ No new current account was opened over that period.

In 2011, about 2,619 thousand operations were performed in the banks' current accounts in PLN (2,166 thousand in 2010) for the total amount of PLN 44.9 trillion (PLN 38.9 trillion in 2010). This translates into an increase in the number of operations by 453 thousand (about 20.9%) and an increase in their total value by PLN 6.0 trillion (about 15.4%) as compared to 2010. The average value of a transaction in 2011 fell by about 5.0%, to reach PLN 17.1 million (PLN 18.0 million in 2010).

Table 7.1 presents the breakdown of the turnover in banks' current accounts in PLN held in the SORBNET system, while Table 7.2 provides the number of payment orders in breakdown by main categories of operations performed in those accounts.

Table 7.1
Breakdown of turnover in banks' current accounts in PLN in the SORBNET system in 2011

Types of current account transactions	Turnover (in PLN million)			Turnover breakdown (in %)	
	balance	of which:		debits	credits
		debits	credits		
Balance of funds in bank's accounts (in PLN million):					
– as at the beginning of the year:	–	–	–	–	–
36,414.4					
– as at the end of the year:					
20,155.9					
Movement in balance of funds in banks' current accounts, of which:	-16,258.5	44,941,684.3	44,925,425.8	100.0	100.0
1) customer payment orders	308,095.3	23,701,450.5	24,009,545.8	52.7	53.4
2) drawings on or repayments of NBP loans to banks	0.0	7,564,642.9	7,564,642.9	16.8	16.8

² The lack of appropriate summing up of data in some columns and rows in tables of sub-chapter 7.1. may result from approximations or the statistical method adopted.

³ The closed accounts are those of: AIG Bank Polska – 17 March, because of merge with Santander Consumer Bank SA, and Mazowiecki Bank Regionalny – 8 September, taking over by SGB Bank SA (until 28 October – GBW SA).



3) purchase (buyback) of securities from the NBP	-14,699.4	5,096,034.3	5,081,335.0	11.3	11.3
4) interbank transactions	0.0	4,622,474.5	4,622,474.5	10.3	10.3
5) transactions and operations settled by the National Depository for Securities	12,645.3	2,762,495.9	2,775,141.2	6.1	6.2
6) exchange of payment orders via the National Clearing House	-318,194.9	766,268.2	448,073.4	1.7	1.0
7) purchase or sale of notes and coins at the NBP	-9,454.4	179,503.9	170,049.5	0.4	0.4
8) placements and refunds of term deposits at the NBP	-5,474.5	148,302.1	142,827.6	0.3	0.3
9) purchase or redemption of Treasury securities	14,980.3	72,094.7	87,075.0	0.2	0.2
10) interest paid or received by banks	961.8	49.2	1,011.1	0.0	0.0
11) transactions in required reserve accounts	-4.2	365.5	361.4	0.0	0.0
12) open market operations	0.0	0.0	0.0	0.0	0.0
13) other transactions	-5,113.8	28,002.4	22,888.6	0.1	0.1

Source: NBP data.

Table 7.2

Number of payment orders by principal types of transactions performed in banks' current accounts in PLN in the SORBNET system in 2011

Item	Number of payment orders performed in current accounts			Order breakdown (in %)	
	in total	of which:		debits	credits
		debits	credits		
Total number of payment orders performed in banks' current accounts, of which:	2,618,681	2,456,597	2,509,024	100.0	100.0
1) customer payment orders	2,322,495	2,272,817	2,297,054	92.5	91.6
2) drawings on or repayments of NBP loans to banks	26,198	9,317	16,881	0.4	0.7
3) purchase (buyback) of securities from the NBP	4,697	2,339	2,358	0.1	0.1
4) interbank transactions	93,111	93,111	93,111	3.8	3.7
5) transactions and operations settled by the National Depository for Securities	41,342	19,472	25,026	0.8	1.0
6) exchange of payment orders via the National Clearing House	37,657	16,446	21,211	0.7	0.8
7) purchase or sale of notes and coins at the NBP	77,465	33,930	43,535	1.4	1.7
8) placements and refunds of term deposits at the NBP	1,431	746	685	0.0	0.0
9) purchase or redemption of Treasury securities	3,299	1,109	2,190	0.0	0.1
10) interest paid or received by banks	2,917	1,572	1,345	0.1	0.1
11) transactions in required reserve accounts	110	64	46	0.0	0.0
12) open market operations	0	0	0	0.0	0.0
13) other transactions	7,959	5,775	5,582	0.2	0.2

Source: NBP data.



7.1.2. Operation of accounts in the SORBNET-EURO system

As at the end of December 2011, no accounts in EUR were maintained in the SORBNET-EURO for any user, as a result of the NBP discontinuing services of intermediation in access to the system TARGET2 for banks and external systems, as of 21 November 2011.

In 2011, 25 current accounts, i.e. 24 banks' accounts and 1 KDPW SA account were closed.⁴

In 2011, about 131 thousand operations were performed in the banks' current accounts in EUR in the SORBNET-EURO system (226 thousand in 2010) for the total amount of EUR 18.3 billion (EUR 22.6 billion in 2010). This translates into a fall both in the number of operations (by 95 thousand, i.e. about 42.0%), and in their the value (by EUR 4.3 billion, i.e. about 19.0%) as compared to 2010. The average value of transactions amounted to about EUR 139.7 thousand (99.9 thousand in 2010), in other words it rose by EUR 39.8 thousand, i.e. by about 39.8%.

Table 7.3 presents the breakdown of the turnover in banks' current accounts in the SORBNET-EURO system, while Table 7.4 provides the breakdown of orders by main types of operations performed in those accounts.

Table 7.3
Breakdown of turnover in banks' current accounts in EUR in the SORBNET-EURO system in 2010

Types of current account transactions	Turnover (in EUR thousand)			Turnover breakdown (in %)	
	balance	of which:		debits	credits
		debits	credits		
Balance of funds in bank's accounts (in EUR thousand):					
– as at the beginning of the year:	–	–	–	–	–
49,023.2					
– as at the end of the year:					
0.0					
Movement in balance of funds in banks' current accounts, of which:	-49,023.2	18,275,601.5	18,226,578.3	100.0	100.0
1) cross-border interbank payments	-8,280,901.8	15,457,064.6	7,176,162.7	84.6	39.4
2) cross-border customer payments	5,415,690.8	56,294.1	5,471,984.8	0.3	30.0
3) exchange of orders via the National Clearing House	2,494,557.3	1,399,371.9	3,893,929.2	7.7	21.4
4) drawings on or repayments of the NBP intraday loans to banks	0.0	757,913.3	757,913.3	4.1	4.2
5) domestic operations on the interbank market	0.0	567,862.3	567,862.3	3.1	3.1
6) domestic customer payment orders	303,160.2	36,236.1	339,396.4	0.2	1.9

⁴ The accounts of the following banks were closed:

- Bank BPH SA, BRE Bank SA, Bank Polska Kasa Opieki SA, Bank Polskiej Spółdzielczości SA and Alior Bank SA – 6 June, which was connected with the shift to direct settlement in the TARGET2-NBP system,
- Meritum Bank ICB SA – 17 June, which was connected with giving up settlements in the euro,
- Mazowiecki Bank Regionalny SA – 8 September, which was connected with the takeover by SGB-Bank SA (until 28 October – GBW SA),
- Bank Pocztowy SA, Bank Ochrony Środowiska SA, Getin Noble Bank SA, SGB-Bank SA, INVEST-BANK SA,
- DZ BANK Polska SA and Credit Agricole Bank Polska SA – 21 November, which was connected with the final migration of participants and the shift to direct settlement in the TARGET2-NBP system,
- Bank Handlowy w Warszawie SA, BNP Paribas Bank Polska SA, Polski Bank Przedsiębiorczości SA, Pekao Bank Hipoteczny SA, Bank Gospodarki Żywnościowej SA, VOLKSWAGEN BANK POLSKA SA, BRE Bank Hipoteczny SA, Bank DnB NORD Polska SA, Credit Agricole Corporate and Investment Bank SA Branch in Poland, and Polbank EFG SA – 21 November, which was connected with ensuring intermediation of other banks in the TARGET2 system,
- KDPW SA – 21 November 2011, which was connected with the shift to direct settlement in the TARGET2-NBP system.



7) transactions and operations settled by the National Depository for Securities	18,487.1	0.0	18,487.1	0.0	0.1
8) interest paid or received by banks	-16.7	108.0	91.3	0.0	0.0
9) other transactions	0.0	751.3	751.3	0.0	0.0

Source: NBP data.

Table 7.4
Number of payment orders by principal types of transactions performed in banks' current accounts in EUR in the SORBNET-EURO system in 2011

Items	Number of payment orders performed in current accounts			Order breakdown (in %)	
	in total	of which:		debits	credits
		debits	credits		
Total number of payment orders performed in banks' current accounts, of which:	130,576	14,343	116,819	100.0	100.0
1) cross-border interbank payments	30,263	7,732	22,531	53.9	19.3
2) cross-border customer payments	91,384				
3) exchange of orders via the National Clearing House	6,810	1,395	5,415	9.7	4.6
4) drawings on or repayments of the NBP intraday loans to banks	671	336	335	2.3	0.3
5) domestic operations on the interbank market	230	230	230	1.6	0.2
6) domestic customer orders	545	385	516	2.7	0.4
7) transactions and operations settled by the National Depository for Securities	109	0	109	0.0	0.1
8) interest paid or received by banks	554	365	189	2.5	0.2
9) other transactions	10	5	5	0.0	0.0

Source: NBP data.

7.1.3. Operation of accounts in the TARGET2-NBP system

As at the end of December 2011, the TARGET2-NBP system operated accounts in EUR for 23 participants: the NBP, 20 commercial banks and KIR SA and KDPW SA) i.e. 13 more than the year before.

In 2011, due to switching into direct settlement in the TARGET2-NBP accounts denominated in EUR were opened for 12 banks and KDPW SA.⁵

In 2011, about 1,039 thousand transactions were performed in the TARGET2-NBP system (612 thousand in 2010) for the total amount of EUR 616.5 billion (EUR 381.5 billion in 2010). This translates into an increase in the number of operations by 427 thousand (about 69.8%) and an increase in their total value by PLN 235.0 billion (about 61.6%) as compared to 2010. This is the effect of 5 large banks migrating to the system (from SORBNET-EURO system). The average value of transactions amounted to about EUR 0.6 million, i.e. the same as the year before.

⁵ Accounts were opened for:

- Bank BPH SA, BRE Bank SA, Bank Polska Kasa Opieki SA, Bank Polskiej Spółdzielczości SA and Alior Bank SA – 6 June,
- Bank Pocztowy SA, Bank Ochrony Środowiska SA, Getin Noble Bank SA, SGB-Bank SA, INVEST-BANK SA, DZ BANK Polska SA, Credit Agricole Bank Polska SA and KDPW SA – 21 November.

Table 7.5 presents the balance of funds, number and value of orders performed in banks' accounts in EUR in the TARGET2-NBP system.

Table 7.5
Balance of funds, number and value of orders performed in banks' accounts in EUR
in the TARGET2-NBP system in 2010

No.	Items	Name of unit	Total	Monthly average
1.	Balance of funds on the NBP account:			
1.1.	as at beginning of the year	83.4	EUR million	–
1.2.	as at the end of the year	19.4	EUR million	–
2.	Balance of funds on the banks' accounts:			
2.1.	as at beginning of the year	85.4	EUR million	–
2.2.	as at the end of the year	97.9	EUR million	–
3.	Total balance of funds (1 + 2)	117.3		
4.	Number of orders performed:	pcs.	1,038,895	86,575
4.1.	domestic payments	pcs.	84,992	7,083
4.2.	cross-border payments sent	pcs.	438,883	36,574
4.3.	cross-border payments received	pcs.	515,020	42,918
5.	Value of orders performed:	EUR million	616,527.1	51,377.3
5.1.	domestic payments	EUR million	95,951.0	7,995.9
5.2.	cross-border payments sent	EUR million	260,313.8	21,692.8
5.3.	cross-border payments received	EUR million	260,262.3	21,688.5
6.	Average value of orders:	EUR million	–	0.6
6.1.	domestic payments	EUR million	–	1.1
6.2.	cross-border payments sent	EUR million	–	0.6
6.3.	cross-border payments received	EUR million	–	0.5

Source: NBP data.

7.2. Policy measures and development of the payment system

7.2.1. Regulatory activities

In 2011, the NBP Management Board passed resolutions, which amended the principles of operating the accounts in the TARGET2-NBP and SORBNET-EURO systems.⁶

Furthermore, the NBP issued opinions with respect to Polish and EU draft legislation insofar as: payment services,⁷ finality of settlement in payment systems and securities clearing systems, as well as principles of oversight of those systems,⁸ technical requirement for credit transfers and

⁶ Resolution No. 70/2011 of 17 November 2011 on introduction of a template of agreement on terms and conditions of opening and operating accounts in euro in TARGET2-NBP and resolution No. 77/2011 of 19 December 2011 repealing the resolution on introduction of a template of an agreement on terms and conditions of opening and operating RTGS account in the SORBNET-EURO system.

⁷ Bill on payment services, which implements Directive 2007/64/EC of the European Parliament and of the Council of 13 November 2007 on payment services in the internal market amending Directives 97/7/EC, 2002/65/EC, 2005/60/EC and 2006/48/EC and repealing Directive 97/5/EC. The act was adopted on 19 August 2011.

⁸ Bill amending the act on finality of settlement in payment systems and securities settlement systems and principles of oversight of those systems and the Bankruptcy and Reorganization Law, which aims to implement to the Polish legislation Directive 2009/44/EC amending Directive 98/26/EC on settlement finality in payment and securities settlement systems and Directive 2002/47/EC on financial collateral arrangements with reference to bounded systems and to credit claims insofar as it applies amendments to the foregoing indicated Directive 98/26/EC.



direct debits in euros,⁹ taking up and pursuit of business by electronic money,¹⁰ and prudential supervision of their operations, as well as trade in financial instruments.

7.2.2. Development of the functionalities of domestic large value payment systems and adjusting them to payment systems operated in the EU countries

The process of migrating settlements in EUR of all banks from the SORBNET-EURO system to the TARGET2 system came to an end on 21 November 2011. Respectively, the SORBNET-EURO system was closed on 31 December 2011. A new application NBP-PHA was launched on 1 January 2012. It is compatible with TARGET2 and was developed for the use at the NBP to conduct settlement in euro.

Work progressed on a new version of the SORBNET system – the SORBNET2 which operates on a new technological platform (i.e. Oracle Database Management System) and uses the SWIFT network to communicate with participants. According to plans, SORBNET2 will be launched on 25 March 2013.

7.2.3. Popularisation of non-cash transactions

In 2011 the NBP:

- continued work with a view to adopting the *Scheme for Development of Non-Cash Transactions in Poland for the Years 2010–2013* in the form of a government document,
- carried out educational and promotional activities related to the popularisation of non-cash transactions,
- participated in the work of Basic Bank Account Team operating at the Payment System Committee of the Polish Bank Association. The Team seeks to draw up recommendations regarding the standard of the basic account, designed for people who do not use banking services or who are affected by financial exclusion.

7.2.4. Actions aiming at the development of SEPA

The NBP continued efforts to implement Single Euro Payments Area – SEPA.

In 2011, the NBP continued to provide banks, which have signed an appropriate agreement, with the possibility of indirect participation in the STEP2 SEPA Credit Transfer (SCT) system. As at 31 December 2011, 17 banks participated in the SCT scheme through the NBP (3 commercial banks joined the scheme in 2011).

In 2011, the SEPA transactions in the EuroELIXIR system increased considerably in the number and value – from 347,206 transactions which valued EUR 2,055.5 million in January to 697,121 transactions – EUR 23,701.5 million in December.

In December 2011, a list of BIC codes applied in SEPA transactions by the banks operating in Poland¹¹ was published on the NBP website.

⁹ Proposal for a regulation of the European Parliament and of the Council, establishing technical requirements for credit transfers and direct debits in euro and amending Regulation (EC) No. 924/2009.

¹⁰ Draft Directive 2009/110/EC of the European Parliament and of the Council of 16 September 2009 on the taking up, pursuit and prudential supervision of the business of electronic money institutions amending Directives 2005/60/EC and 2006/48/EC and repealing Directive 2000/46/EC.

¹¹ Information accessible in the *List of numbers of banks and their organisational units*.



7.2.5. Payment System Council activity

The Payment System Council on an ongoing basis analyses and evaluates the Polish payment system and legal regulations applicable to it.

In 2011, the Council discussed issues concerning:

- launching of derivative and repo transactions settlement in KDPW_CCP,¹²
- progress of works on a new generation of the SORBNET system (SORBNET2) and migration of interbank settlement in euro from the SORBNET-EURO system to the single common platform of the TARGET2 system,
- prospects for adoption of *Scheme for Development of Non-Cash Transactions in Poland for the Years 2010–2013*, as a governmental programme,
- results of comparing selected elements of the Polish payment system against its counterparts in the EU countries,
- examination of the level of fees and commissions applied in money settlements in the Polish banking sector,
- implementation in Poland of the European Commission's recommendation on access to a basic payment account.

In 2011, the Council appointed the Working Team for Interchange Fee¹³ (ZRIF), which gathers the NBP experts and the representatives of all concerned parties: entities involved in non-cash payments, consumers and governmental institutions. All they pursue works to explore the possibilities of changing the structure and level of the interchange fee in Poland.

7.3. Oversight of payment systems, authorisation and clearing systems and securities settlement systems

Oversight of payment systems, authorisation and clearing systems and securities settlement systems seeks to minimise the risk related to possible disruptions to the operations of those systems and to maintain financial stability.

7.3.1. Oversight of payment systems, authorisation and clearing systems

As part of the oversight exercised over the payment systems, including authorization and clearing systems,¹⁴ the NBP President in 2011 took decisions approving:

- PayPro system – an authorisation and clearing system, operated by Paypro SA,
- System płatności BlueCash (Blue Cash Payment System) – an immediate payment system, operated by Blue Media SA,

¹² KDPW_CCP SA – a proper name of the company (clearing house); CCP – central counterparty – an entity (clearing house), mandated to curb systemic risk by accepting and relevant hedging of credit risk of primary parties to transactions in financial instruments.

¹³ Interchange fee – fee paid by a clearing agent for the benefit of the issuing bank on each non-cash transaction effected by means of a payment card.

¹⁴ Pursuant to the Act of 24 August 2001 on finality of settlement in payment systems and financial collateral arrangements and principles of oversight of those systems (Journal of Laws No. 112/2010, item 743 as amended and the Act of 12 September 2002 on electronic payment instruments (Journal of Laws No. 169/2001, item 1385 as amended).



- modifications to the EuroELIXIR payment system introduced by the National Clearing House; the changes involved implementing a third settlement run in the system,
- modifications to the System płatności.pl, authorisation and clearing system, introduced by PayU SA; the changes involved the option of PayU SA taking recourse to its own authorisation and clearing centre, in addition to the intermediary institution. Moreover the system was renamed into System PayU.PL,
- System Rozliczeń Płatności Natychmiastowych (Immediate Payment Clearing System) – an immediate payment system operated by the National Clearing House.

Furthermore, the NBP on an ongoing basis analysed statistical data and information on the overseen systems. The Bank also assessed incidents disruptive to their operations and undertook actions aimed at ensuring their secure and efficient functioning.

7.3.2. Oversight of securities settlement systems

In 2011, the National Bank of Poland in collaboration with the PFSA evaluated the *kdpw_stream* system,¹⁵ operated by the National Clearing House, to check whether it complies with “Recommendations for the securities clearing systems” drawn up by the joint working group of the ESBC and the Committee of European Securities Regulators (CESR). The inspection yielded positive assessment.

As part of its oversight the NBP issued opinions for the PFSA concerning the requests for amendments to the regulations of the KDPW SA and KDPW_CCP SA, and in particular for migration of the clearing function from KDPW to KDPW_CCP.¹⁶

Highlights of 2011:

- completion of migration of last participants to the TARGET2-NBP system,
- closing the SORBNET-EURO system,
- continuation of work on migrating the SORBNET system to a new technological platform and development of a new SORBNET2 system,
- appointment of the Working Team for Interchange Fee (ZRIF),
- evaluation of *kdpw_stream* system for compliance with the ESCB-CESR Recommendation.

¹⁵ *kdpw_stream* – a deposit system organised, operated and supervised by KDPW SA, designed to ensure settlement of trade in financial instruments.

¹⁶ Migration effected on 1 July 2011 came after amendment to the rules of KDPW SA and introduction of rules of KDPW_CCP SA for transaction settlement and of KDPW_CCP SA Settlement Fund (positively assessed by the NBP President).



SERVICES TO THE CENTRAL GOVERNMENT¹

¹Tasks in this field are fulfilled pursuant to, i.a., Article 3 para. 2 point 4, Articles 49, 51 and 52 of the Act on the National Bank of Poland, provisions of the Act on Public Finance and provisions of the Banking Act.



Tasks fulfilled by the National Bank of Poland as a part of services to the central government include: operating central government accounts, handling international liabilities and receivables of the central government, trading in central government securities and public debt management, particularly with regard to the central government debt.

8.1. Bank accounts operated by the NBP

In 2011, the NBP operated bank accounts referred to in Article 196 of the Act on Public Finance of 27 August 2009, primarily including the current account of the central government, current accounts of the budgetary entities, including offices providing services for tax authorities, as well as accounts for permanent expenses of those units. The NBP also maintained term deposit accounts in PLN and foreign currencies for entities authorised to hold accounts with the NBP.

By operating central government accounts, the NBP contributed to the safety and smooth processing of public fund settlements.

Moreover, pursuant to Article 51 para. 1 point 4 of the Act on the National Bank of Poland, the NBP operated, with the approval of the President of the NBP, accounts of other legal persons (primarily the Demographic Reserve Fund, the Social Insurance Institution, Export Credit Insurance Corporation Joint Stock Company, Agricultural Market Agency, Polish Agency for Enterprise Development,² agricultural consultancy entities, trade unions of the NBP employees, the Bank for International Settlements in Basel, the European Commission as well as central banks of: France, Hungary, Germany, and the Czech Republic.

8.1.1. Operating bank accounts

The NBP performed operations on central government accounts – in non-cash form, mainly in the *enbepe* Electronic Banking system, as well as in cash form. A B2B inter-system interface, connecting the Integrated Accounting System of the NBP (ZSK) with the computer accounting system of the Ministry of Finance is used for operating bank accounts of the State Budget Department and the Paying Authority Department in the Ministry of Finance. B2B interface also helped operate the accounts of the Agency for Restructuring and Modernisation of Agriculture and the Main Inspectorate of Road Transport.

In 2011, further work progressed on introduction of new principles for services provided to the central government, jointly with the Ministry of Finance.

8.1.2. Categories of accounts operated by the NBP

The NBP operates accounts in PLN and in foreign currencies, including accounts for handling funds coming from the EU budget.

In 2011,³ the NBP provided services for 3,922 customers (in 2010 – 4,237), for whom regional branches operated 16,643 accounts (in 2010 – 19,215), of which 8,233 accounts were operated as part of a third-party external cashier service (in 2010 – 11,352).⁴

A decrease in the number of customers and accounts operated by regional branches resulted primarily from the liquidation as of 31 December 2010 of the state budgetary establishments

² PAED accounts had been operated up to 19 October 2011.

³ As at 31 December 2011.

⁴ Third-party external cashier service is provided to those account holders whose registered offices are located outside the city in which the regional branch of the NBP is located.



and ancillary enterprises and separate accounts of own revenues,⁵ as well as from closing of the accounts of state earmarked funds, in accordance with the amendment to the Act on Public Finance of 16 December 2010.⁶

8.2. Handling international liabilities and receivables of central government

Pursuant to the contracts of agency signed in previous years with the Minister of Finance, the NBP handled the central government liabilities and receivables arising from:

- 56 loans granted by international institutions and financial organisations to the government of the Republic of Poland;
- 57 foreign loans guaranteed by the government of the Republic of Poland, granted to domestic entities;
- 1 agreement on making loans available to domestic entities.

While acting as a depository for the World Bank and its agents the NBP administered 18 promissory notes issued by the government of the Republic of Poland in connection with Poland's membership in those organisations.

8.3. Organisation of trade in Treasury securities

8.3.1. Treasury securities auctions

In its capacity of the issuing agent for Treasury securities, the NBP is committed to organise the sale and redemption auctions of Treasury bills and the sale, redemption and swap auctions of Treasury bonds. In 2011 the following auctions were organised:

- 19 Treasury bill auctions; the total supply amounted to PLN 22.2 billion, the total amount bid – PLN 57.0 billion; bills worth PLN 18.7 billion were allotted. The Ministry of Finance modified the terms and conditions of T-bills issue. The issue was effected under the sale of bills with the same term to maturity in several auctions. In other words, the Ministry sold 52-week bills on one auction, whereas those of 51-, 50- and 49-week were sold on the next auctions.
- 20 Treasury bond sale auctions, including 4 non-competitive complimentary auctions. The total supply amounted to PLN 61.7 billion, the total amount bid PLN 130.3 billion, bills worth PLN 57.2 billion were allotted. The majority of bonds offered by the Ministry of Finance were zero-coupon bonds; their amount allotted constituted 52.6% of the total amount allotted.
- 12 Treasury bond swap auctions, where the Ministry of Finance redeemed bonds worth PLN 49.2 billion, and allotted bonds worth PLN 49.4 billion. Floating-rate bonds represented the majority of bonds allotted on all swap auctions (44.7%), while fixed-rate bonds represented 42.4% of the total amount allotted.

⁵ Act – provisions implementing the Public finance Act (Journal of Laws of 2009, No. 157, item 1241).

⁶ Act of 16 December 2010 on amendment to the Public finance act and some other acts (Journal of Laws of 2010, No. 257, item 1726).



- 5 Treasury bill redemption auctions; the total supply of Treasury bills for redemption stood at PLN 33.2 billion, but the Ministry of Finance redeemed Treasury bills for PLN 6.6 billion.

No Treasury bond redemption auctions were held in 2011.

In 2011, 5 Treasury bond sale auctions were held, of bonds issued by BGK (Bank Gospodarstwa Krajowego) and secured and guaranteed by the State Treasury. Fixed-rate bonds were allotted on those auctions. The total supply amounted to PLN 9.0 billion, the total amount bid – PLN 15.0 billion; bills worth PLN 7.8 billion were allotted.

8.3.2. Treasury Securities Dealer system (DSPW)

In 2011, similarly to previous years, the NBP, engaged in tasks linked to the Treasury Securities Dealer System (DSPW).⁷ In accordance with the Agreement concluded with the Ministry of Finance, the NBP did the following duties:

- submitted to the Ministry of Finance with monthly and quarterly assessments of the activities of the DSPW banks and those seeking to perform this function, on the Treasury bill and bond primary and secondary markets, and also on a derivative market,
- organised the Treasury securities fixing,⁸
- participated in periodic meetings of the Council of Market Participants, arranged by the Ministry of Finance.

In addition, within the framework of cooperation with the Ministry of Finance, the NBP examined and reviewed banks whose accounts and Treasury securities deposit accounts are maintained in the Securities Register.

8.4. Public debt management

Public debt management covers primarily the cooperation between the NBP and the Ministry of Finance within the Public Debt Management Committee. The objective of the cooperation is to exchange information in order to coordinate the public debt management policy of the Ministry of Finance with the monetary and foreign exchange policy of the NBP. Duties of the Committee include development of a long-term public debt management strategy, minimising the cost of debt servicing and creating conditions for the development of financial markets.

⁷ The main aim of the system is to distinguish a group of banks (the so-called primary dealers) which, in return for specific privileges, are obliged to provide liquidity, transparency and efficiency of the Treasury securities market.

⁸ DSPW banks are committed to quote every day the purchase and sale prices of bonds specified by the issuer on the organised electronic market, to close transactions according to the price accepted on the platform, as well as to inform the market in real time on these quotations.



Highlights in 2011:

- operation of 16,643 accounts for 3,922 customers,
- organization of Treasury bill sale and redemption auctions and Treasury bond sale and swap auctions.



RESEARCH ACTIVITY¹

¹The tasks in this field are implemented, in particular, pursuant to Article 59 of the Act on NBP.

In 2011, research activity addressed issues related to monetary and macroprudential policy, inflation processes, public finance, economic processes unfolding in the euro area, the economic condition of enterprises and households as well as the labour and property markets. The national and international economic climate, determinants of economic growth, the impact of the global financial crisis on the performance of the world markets came under review, along with structural changes in the economy. All those subjects translated into a number of specific research projects.

The findings of this research served to build and improve the modelling tools employed in forecast development. Furthermore, they constituted inputs to decisions taken by the NBP Management Board and the Monetary Policy Council.

In 2011, well-renowned national periodicals and international scientific journals published 155 academic publications of the NBP employees, including 99 in Polish and 56 in English. 10 publications were included in on the so-called Philadelphia list (cf. Appendix 5).

9.1. Analytical and conceptual framework for the economic processes unfolding in the euro area

- Analyses of the flexibility of the Polish economy against euro area economies

Studies were drafted on labour markets adjustments in the euro area and in Poland during the crisis and the impact of complete opening of the EU labour markets on the Polish and German economies.

- Analyses of structural reforms in euro area countries

A study was prepared presenting the analysis of pension systems in the euro area countries.

An attempt was made to assess the competitiveness of the members of the common currency area in the context of the global financial crisis and the economic situation worldwide.

- Analysis of the role of the euro in the world economy and in the financial system

The international role of the euro was monitored, including the impact on this currency of the global financial crisis.

Studies were made on the macroeconomic and social situation in Estonia following the introduction of the euro.

Research was conducted on currency interventions, foreign exchange policy of the developing and developed countries, and also on the aspects of external imbalance.

Econometric analyses were carried out concerning the links between the real PLN/EUR exchange rate with its short- and long-term determinants under the equilibrium exchange rate models BEER (behavioural equilibrium exchange rate model) and CHEER (capital enhanced equilibrium exchange rate model).



9.2. Studies of monetary policy, inflation processes and expectations

- Analyses and studies of monetary policy

National and global macroeconomic situation was analysed with a view to drawing up: *Inflation Reports*, the *Report on Monetary Policy Implementation in 2010* and *Monetary Policy Guidelines for 2012*.

Other central banks' monetary policy and communication with the environment was monitored.

Changes in the monetary policy strategy of the main central banks were analysed in the context of the international economic crisis.

- Analyses of monetary policy transmission mechanism and its changes (i.e. those related to the financial crisis)

A comprehensive assessment was made of the operation of mechanism of monetary policy transmission in Poland and disruptions to this mechanism during the financial crisis.

International publications were reviewed describing models with heterogeneity of business entities, to check their suitability for analysing monetary policy.

Research was carried out to assess the degree of the forward-looking character of central banks pursuing the strategy of direct inflation targeting.

- Analyses and research into institutional framework of monetary policy

A base was established comprising descriptions of institutional features of economies, which will provide a foundation for further studies into relations between the institutional characteristics and inflationary and macrofinancial processes.

With reference to the analyses of international economy competitiveness, EOS2011 survey was conducted in cooperation with the World Economic Forum. The findings fed into *Global Competitiveness Report 2011–2012*.

Research was made into the financing structure of non-financial corporations, including the relations between companies and banks in Poland with reference to substituting bank loan with trade credit and identification of determinants affecting those relations.

- Analyses of inflation expectations

A comprehensive review was made of inflation expectations of consumers, corporates and financial sector analysts.

A quarterly *NBP Survey of Professional Forecasters* was launched, targeted at professional macroeconomic forecasters. Survey questions referred to the forecast of the main macroeconomic indices in different time horizons and allow to reflect different scenarios of economic situation development. *Findings of the NBP Survey* will provide technical input to substantiate monetary policy decisions.

- Analyses and research into the prices of consumer goods and services

These involved the following:

Ongoing monitoring and analyses of inflation processes in the national economy and developing short-term inflation forecasts for selected categories of goods and services.

Analysis of the impact of prices in the global commodity markets on prices in the national economy.

Conducting methodological, analytical and research work with regard to the measures of consumer goods and services price movements and core inflation measures.

Monthly calculation and announcement of four core inflation measures.

Study and analysis of the impact of changes in indirect tax rates, regulated prices and foreign exchange rates on inflationary processes in the economy.

9.3. Enterprise and household surveys

- Survey studies of financial standing of enterprises

Quarterly analyses were carried out of the development of economic trends in the sector of enterprises, taking primarily account of: companies' decisions on production and employment, investment, finance and pricing, i.a. decisions taken in response to changes in the environment.

A study entitled *NBP Annual Survey* was conducted, concentrating on: long-term corporate development tendencies, investment policy, sources of internal and external financing and determinants of price-related corporate decisions.

A survey was conducted on the demand for loan of non-financial, including the phenomenon of reluctance to lend and forms of credit rationing.

- Research on economic activity of enterprises

Cyclical analyses were conducted on the financial standing and the sources of changes in the profitability of the corporate sector.

A structural analysis was conducted concerning the determinants of long-term upward trends in corporate sector liquidity in Poland.

- Research on households' conditions

Cyclical analyses were conducted on the household sector's financial standing with reference to decisions determining income, savings and consumption, as well as the accumulation of financial assets and borrowing of households.

Sensitivity of different categories of household expenditure to changes in income over a longer term was examined.

Analyses were conducted addressing changes in households' debt repayment burden relating to foreign currency mortgage loans depending on the level of income.

Key factors with an impact on the relation of household loans to GDP were examined; the analysis covered the influence of amendments to legislation on owner's private contribution during purchase of flat on households' behaviour.

9.4. Other macroeconomic research

- Labour market research

Cyclical analyses were conducted on labour market developments, labour market flows conducive to changes in employment and unemployment. Analyses covered the minimum wage, flexible forms of employment, hysteresis of unemployment, sources of labour participation and sensitivity of employment changes to the GDP fluctuations.

Labour Market Survey was conducted, combining information from businesses and from the unemployed. Analysis covered issues linked to the flow of labour force, labour market mismatches, determinants of wage pressure and adjustment activities of the enterprises in relation to the changes in the environment.

- Examination of real property prices in Poland

Research was conducted on the factors diversifying the prices of dwellings in province capitals and studies on theoretical foundations of constructing hedonic models.

Structural research progressed on the local housing markets and methodological work continued on the commercial property.

Work was conducted on a pilot project of spatial regression. Geographical indices were derived to assess the impact of location of flats on their market value.

- Analyses and research on the public finance sector

Ongoing analyses and forecasts were conducted of the condition of the state budget and other units of the public finance sector.

Studies on public finance situation in EU member states and fiscal exit strategies were developed, with a particular emphasis on the countries experiencing the debt crisis and a potential impact of new institutional solutions adopted by the EU (the so-called six-pack) on the EU public finance.

Methodological work was carried out relating to/on fiscal aspects of macroeconomic imbalance estimates.

- Analyses and research on the external sector of the Polish economy

Systematic forecast was made concerning the Polish balance of payments (three times a year) along with an assessment of the stability of external imbalance indices of the Polish economy.

The zloty effective exchange rate was monitored, as a factor to assess the competitiveness of the Polish economy.

- Analysis and studies of the global economy

Monthly and quarterly analyses of international economic conditions were drafted, including the current and forecast situation in the main developed and developing economies (BRIC) and trends prevailing in financial and commodity markets.

Analyses were conducted concerning the modelling and forecasting long-term interest rates in the USA and other developed economies.



The impact of the global financial crisis on the international trade was examined.

Two half-year reports were drafted concerning the economic situation in CEE countries, with a special emphasis on the implications of the crisis in the euro area.

- Research into the impact of the financial turmoil on the economy

Bayesian methodology was applied to assess two popular methods of including financial frictions in the DSGE standard models.

A new monetary restrictiveness measure was proposed, derived from the deviation of the yield curve from its equilibrium level. The measure better shows the degree of monetary policy restrictiveness in a situation of a deflationary trap.

9.5. Forecasting and research

This included:

Respecification of some equations of the main forecasting model (NECMOD) and reestimation of its parameters.

Modification of methodology applied to construct fan charts for inflation and GDP projections. Respectively, the projections were derived in accordance with alternative scenarios of macroeconomic developments. A methodology was developed for decomposition of inflation and GDP projection.

Completion of work on implementing short-term forecasting models to forecast GDP components.

Development of a method to combine model forecasts with expert forecasts which uses the principles of Bayesian inference.

Implementation of a project aimed at verifying the accuracy of macroeconomic forecast derived by using the models of the DSGE class vis-à-vis expert forecasts and Bayesian models of vector autoregression.

Implementation of a project whose objective was to take account, in the linear DSGE models, of the shocks with skewed normal distribution in order to reflect the asymmetry observed in the distribution of basic macroeconomic variables. The proposed solution awarded a positive verification. An observation was made that the parameters of thus constructed models could be estimated by taking recourse to a traditional method.

A study of the impact of the climate and energy package on economic activity in Poland, with particular emphasis on short-term price effects and their implication for the monetary policy. This analysis derived from the results of econometric research (model of cost impulse pass-through onto the CPI inflation), simulation of the reaction of the economy with the use of the general equilibrium model and NECMOD model, as well as the microeconomic research of the results of the package on energetic poverty in Poland and the corporate sector situation.



9.6. Activity of the NBP Economic Research Committee

As part of 2nd competition for the research projects to be carried out by NBP employees and outside researchers, the NBP Economic Research Committee selected 10 projects for implementation in 2011. In November 2011, the next 10 were selected for implementation in 2012.

9.7. Conferences and seminars organised by the NBP

In 2011, the NBP held three international conferences and 1 national conference:

- 4 March 2011 – *Monetary Policy after the Crisis*. The conference was organised jointly by the NBP and the European Money and Finance Forum. The latest data on the monetary, fiscal and supervisory policy following the financial crisis were presented. The debate was held to diagnose the sources of the current crisis, determine the methods of departure from the unconventional forms of conducting monetary policy and the rationale for and possibility of incorporating elements of supervisory policy of the financial system to monetary policy in order to escape the financial crises in the future.
- 29–30 September 2011 – *DSGE and beyond – Expanding the Paradigm in Monetary Policy Research?* The conference discussed the recent trends in macroeconomic modelling for monetary policy, including models taking account of heterogeneity of economic entities and their limited rationality.
- 21–22 October 2011 – *Towards a More Integrated and Stable Europe: Challenges ahead of the Euro Area and Central, Eastern and Southeastern Europe*. The conference was held as part of Poland's Presidency in the EU Council in order to discuss barriers on the way to a more integrated and economically stable Europe. Progress in the European integration was assessed and the conclusions were drawn concerning the required changes in the area. The conference was attended by: the President of the Republic of Poland, the President of the European Parliament, the President of the ECB, presidents and governors of central banks, representatives of major international financial institutions and recognized economists and finance experts.
- 5 December 2011 – *Monetary Policy Transmission Mechanism in Poland. What Do We Know in 2011?* It was the first in the cycle of planned seminars on the mechanism of monetary policy transmission in Poland. The project aims to present the current evaluation of transmission mechanism efficiency on the basis of NBP research so far, and also to compare the evaluation with the opinion of the academic community at home. During the seminar a report was presented on the monetary policy transmission mechanism in Poland and also the selected empirical studies on the issue in question.

In total the conferences and seminars of the NBP attracted c. 1,600 participants, including 600 viewers on-line.

Moreover, 24 open-to-public academic seminars were organised in 2011. Their list is presented in Appendix 5.



Highlights in 2011:

- 155 research papers published by NBP employees in well-renowned national and international periodicals,
- more changes launched into forecasting tools and processes,
- 9 research projects in 2nd competition launched by the NBP Economic Research Committee,
- 3 international conferences, a national seminar and 24 open scientific seminars.

¹ Tasks in this field are fulfilled pursuant to, i.a., Article 3 para. 2 point 7, Article 17 para. 4 point 13 and Article 23 of the Act on the NBP and the Act on Public Statistics.

Planning and implementation of monetary policy require a broad range of high-quality statistical data. They are necessary to monitor risk in the financial sector and to study financial stability. This task has gained a special importance during the global financial crisis.

The data published by the NBP is also used by a number of external recipients. The NBP submits reports to domestic and international institutions, including, in particular, the European Central Bank, on an ongoing basis.

10.1. Standard tasks performed by the NBP with respect to statistics

As part of its regular statistical tasks, the NBP performed the following:

- collected, processed and conducted ongoing analysis of data regarding the balance of payments, external debt and international investment position, balance-sheets of banks which provide information used for conducting monetary policy and for supervising banks, interest rates applied by banks, the financial standing of enterprises, including business tendency and monetary policy transmission mechanisms, assets and liabilities of investment funds,
- developed the methodology for compiling and presenting monetary and financial statistics and b.o.p. statistics.

The findings of the research helped develop compilation, analytical materials and publications addressed to both internal and external recipients. The most important of them included:

- quarterly reports on the balance of payments and the annual report *International Investment Position of Poland*,
- quarterly data on Poland's external debt and international investment,
- monthly balance of payments data,
- monthly consolidated balance sheet of MFIs, including key monetary aggregates (M3 money supply and its counterparts),
- monthly data on average interest rate of bank deposits and loans,
- quarterly and annual financial accounts,
- quarterly data on assets and liabilities of investment funds and financial vehicle corporations engaged in securitisation transactions (FVCs).

Statistical information was made available to domestic institutions such as: the Sejm, the Council of Ministers, the Central Statistical Office and to academic institutes. This was also forwarded to the ECB and other international organisations, such as the IMF, the World Bank, the OECD, the BIS and the Eurostat.

Moreover, in 2010, the NBP:

- continued works on development of statistical and econometric methods applied to construct leading indices of the major Polish macroeconomic variables. As part of research a group of variables was also extended by the variables in the financial risk area;



- developed collaboration with the ECB and Eurostat on the development of a set of recommendations involving a seasonal adjustment of the HICP index and its components;
- completed work (with participation of the ECB and Eurostat) on the publication containing instruction of statistical data deseasoning by the open Demetra+ software;²
- continued work on a statistical database for central banks, i.e. the so-called enterprise sector demography and long-term forecasts of public finance stability in Poland.

10.2. Statistical tasks deriving from the NBP participation in the ESCB and in other international institutions

As in previous years, the NBP participated in work on statistics conducted by the ECB and other international institutions. In particular, it participated in the work of the ECB Statistics Committee and its task groups, Eurostat working groups, as well as the Committee on Monetary, Financial and Balance of Payments Statistics, the Committee of European Banking Supervisors and the European Commission.

10.2.1. Monetary and financial statistics

The NBP provides the ECB with cyclical harmonised data on the consolidated balance sheet of monetary financial institutions (MFIs),³ as well as interest rate statistics⁴ and investment funds statistics.⁵

Data required for the consolidated MFI balance sheet and interest rate statistics are obtained from the banks in accordance with the NBP Management Board resolution. New legislation was issued in this field in 2011: the NBP Management Board resolution No. 53/2011 of 22 September 2011 concerning the manner, the detailed scope and deadlines of passing to the National Bank of Poland data necessary to define the monetary policy and periodical evaluations of the state's monetary situation and financial assessment of banks and banking sector risk. The resolution has unified the regulatory provisions, following the amendments of the preceding years and introduced the new ones, whereby:

- the number of cross-sections of information for monetary statistics concerning securities portfolio has been reduced and the data on transactions as regards currency pairs involving the Swiss franc (CHF) have been supplemented with further details,
- additional reporting package concerning large exposure of banks has been introduced to meet the needs of supervisory and prudential statistics.

Data required for investment funds statistics are obtained from investment funds in accordance with the provisions of the Regulation of the Ministry of Finance of 16 December 2009 concerning the manner, the detailed scope and deadlines of passing to the National Bank of Poland data necessary to define the monetary policy and periodical evaluations of the state's monetary

² Publication available in the Eurostat Internet service.

³ Regulation No. 25/2009/2002 of the European Central Bank of 19 December 2008 concerning the balance sheet of the monetary financial institutions sector (ECB/2008/32).

⁴ Regulation No. 63/2002 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), amended by the Regulation No. 290/2009 of 31 March 2009 (ECB/2009/7).

⁵ Regulation No. 958/2007 of the European Central Bank of 27 July 2007 concerning statistics on the assets and liabilities of investment funds (ECB/2007/8).



situation.⁶ Since July 2011 the NBP has been systematically transferring the data covering that area to the ECB.

Furthermore, in 2011, the NBP:

- Participated in the work of Working Group on Monetary and Financial Statistics operating within the ECB. Works conducted in 2011 concentrated on preparation of implementation of principles included in the European System of Accounts 2010 (ESA 2010). Likewise, analyses were conducted and agreements were concluded with the European Insurance and Occupational Pensions Authority (EIOPA), in order to determine an integrated scheme of reporting data obtained from insurance institutions;
- Completed work on the second stage of developing a reporting system of investment funds – INTER-FIN, whereby tools were prepared, which would allow to verify the reporting data and to generate the data aggregates. In July 2011, the NBP for the first time published data on the investment funds assets and liabilities, along with a series of historical data up to June 2010;
- Collaborated with the ECB and other ESCB members in developing principles for a new register of financial institutions – RIAD (Register of Institutions and Affiliates Database).

10.2.2. Financial accounts statistics

Since 2009, the NBP has regularly published quarterly financial accounts, compiled in accordance with the ECB requirements. In 2011, it published for the first time the annual financial accounts and forwarded Eurostat the previous year data covering that area, as well as the historical data for the period 2004–2009 drawn up in compliance with the requirements specified in the *ESA Transmission Programme*.

10.2.3. General government sector statistics

In 2011, experts of GUS, MF and the NBP included in the Working Group on General Government Statistics, appointed by the GUS President, conducted further work on adjusting the methodology for determining the revenues and expenditure of this sector to the EU standards.

10.2.4. Real sector statistics

The NBP participated in the activities of the BACH-ESD working group,⁷ in view to analysing the methodological issues related to the contents of the corporate balance sheet reports in international breakdown. The project aims to compile a set of data comparable between the countries and provide further details to the balance sheet and profit and loss account categories included in the BACH-ESD base.

10.2.5. Statistics of the balance of payments and the international investment position

In 2011 methodological work on the b.o.p. statistics primarily sought to identify the reasons for excessive balance of errors and omissions. In effect of those work the time series in that item since 2004 could be adjusted – most specifically the data on the import of second-hand cars,

⁶ Journal of Laws of 2009, No. 221, item 1740.

⁷ Working Group on Bank for the Accounts of Companies Harmonised-European Sectoral Database – a working group within the European Committee of Central Balance Sheet Data Offices (ECCBSO).



transfers of natural persons, portfolio investments and foreign assets of non-financial entities were adjusted. Those changes considerably improved the quality of the b.o.p. statistics and were positively assessed by the International Monetary Fund experts.

Furthermore:

- another research was conducted on the Polish migrants working abroad and methodological work commenced on the prospective research on foreigners working in Poland,
- the NBP representatives participated in the work of interdepartmental (GUS, NBP, MF) working group on the issues regarding the “foreign” sector, appointed by the GUS President. The work aims at preparing the Polish statistics for the implementation of new requirements for the national accounts and the balance of payment and at increasing the comparability of macroeconomic statistics concerning the “foreign” sector.

Highlights in 2011:

- completion of the 2nd stage of developing the INTER-FIN system, a reporting system for investment funds,
- publication of statistical data on the investment funds and launching their systematic transmission to the ECB,
- implementation of the new reporting package concerning large exposures of banks,
- publication of verified b.o.p. data as a result of work on explaining the reasons for and reduction itself of the balance of errors and omissions.



EDUCATION AND INFORMATION



Pursuant to Article 59 of the Act on the National Bank of Poland, the central bank carries out information, educational, publishing and promotional activities. The Bank implements educational projects aimed at disseminating the economic knowledge amongst the general public in order to enhance the understanding of the central bank operation, the market economy, economic processes, including those related to the European Monetary Union (EMU).

11.1. Economic education programme

Economic education is an important instrument supporting the performance of the central bank's basic tasks. It contributes to the development of stable behaviour patterns in the financial markets and mature use of its instruments, spurs to the development of the financial systems and boosts social capital which influences the economic development.

In 2011, the NBP partially funded a total number of 206 educational projects of different scale, including 82 national ones and 124 local and regional ones.

The undertakings aimed at different social and professional communities, including school and university students, journalists and people from villages and small towns. The following projects were carried out: *Moje finanse* ("My Finances"; over 140 thousand students and 1.6 thousand teachers), *Ekonomia na co dzień* ("Day-to-day Economics"; over 290 thousand students and 5 thousand teachers), essay competition, Entrepreneurship Olympics (over 19 thousand students), Olympics of Knowledge on Finance (about 14 thousand students), Olympics of Economic Knowledge (about 48 thousand students), postgraduate studies in the financial system and monetary policy, postgraduate studies in business basics for teachers, competition for the NBP President Award for the best M.A. dissertation in the field of economic sciences (90 works), scholarship programme for persons who study economics and are eligible to be granted the Polish Charter („Karta Polaka”), bridge scholarship programme for youth from rural areas and small towns who take up studies related to banking, finance or economics and *Ekonomiczny Uniwersytet Dziecięcy* ("Children's Economic University"; about 1,500 children).

Furthermore, projects staged in collaboration with the media addressed the main tasks of a central bank – preventing inflation and supporting financial stability, and also referred to combating the phenomenon of financial exclusion and promoting cashless trade. As part of those activities the Bank partially funded educational series published in a number of dailies and weeklies, in radio and TV stations and in the Internet services and in over 80 local newspapers.

In 2011, new principles of carrying out educational activity by the National Bank of Poland¹ were introduced. Amended regulations cover, i.a.: more precise specification of mechanism of planning educational projects and taking decision on partial funding, involving an expert institution in the project-assessment process (Economic Education Council – a circle of authorities in the field of social education from non-banking sector) and establishment of a complex system to evaluate educational activity of the NBP.

11.2. Presentation of the NBP's activity in the Internet

In 2011, seeking to present its activity in the Internet, the NBP:

- launched systematic transmissions on the Internet of press conferences after the MPC meetings and selected international conferences organised by the NBP (simultaneous interpreting into the English),

¹ Resolution of the National Bank of Poland's Management Board of 9 June 2011 on terms and conditions of conducting educational activity by the National Bank of Poland.



- developed its Internet sub-site promoting the NBP Open Days,
- launched its profile on the social networking services (Facebook, Twitter) and extended the NBP film channel in YouTube,
- commenced work on developing the NBP's integrated Internet services.

The Bank's website recorded more than a million visits a month.

Furthermore:

- Educational activity was conducted via the Economic Education Portal. In 2011, NBPortal.pl posted over 900 thousand users, over 18 thousand new accounts were opened, and about 3.3 thousand people completed e-learning courses.
- The scope of information presented on the Internet portal *Obserwator Finansowy* ("The Financial Observer") has been extended (primarily by papers by globally renowned economists: Joseph Stiglitz, Daniel Gros, Mohamed A. El-Erian, Kenneth Rogoff, Stephen S. Roach and expert analyses *The Economist Intelligence Unit*). In total about 1.1 thousand papers appeared in *Obserwator* in 2011.

11.3. The NBP Money Centre in memory of Sławomir S. Skrzypek

The National Bank of Poland continued preparations to establish an educational facility presenting the history of money, the history of commercial and central banking as well as economic systems and general mechanisms governing the economy.

In 2011 the following activities were carried out:

- a public procurement competition, to develop the concept of the exhibition at the NBP Money Centre in memory of Sławomir S. Skrzypek (the late NBP President), was adjudicated. The contract with the company selected in the competition proceedings was signed on 3 June 2011;
- the Committee for the NBP Money Centre in memory of Sławomir S. Skrzypek has been established, under leadership of a member of the NBP Management Board, with the agenda to strictly collaborate with the design company within the scope of execution of particular stages of the contract and monitoring of the timeliness of works.

According to plans, the Money Centre will open at the turn of 2012 and 2013.

11.4. Promotion

11.4.1. Campaigns promoting collector notes and coins

Innovative promotional activities concerning the issue of collector coins and notes were carried out in 2011, in particular:

- A project dedicated to 50-year collaboration between the NBP and the designer of the Polish banknotes, Andrzej Heidrich (a documentary movie, exhibition at the NBP Regional Branch in Warsaw and the album summing up the legacy of the artist).



- A theatre performance *Smuteczek – czyli ostatni naiwni* ("Little sorrow – or the last naives"), promoting the coins of the series *History of Polish Popular Music – Jeremi Przybora, Jerzy Wasowski*. The performance was rebroadcast by the Polish State Television. The total audience surpassed 2.6 million (26 December 2011 and 6 January 2012). After the completed promotional campaign, the information on the coins reached the total of about 13 million people.
- A series of photographic exhibitions presenting famous Poles promoting the NBP coins. The exhibition which toured around all provincial capitals was seen by about 1.5 million visitors.
- Promotion of the NBP coin *WOŚP – 20 years*.

11.4.2. Open Days at the NBP

For the eighth time, the NBP organised the Open Days, during which the Head Office and regional branches were visited by a total of 70 thousand people (about 15% more than in the previous years). The days were organised under a motto *Spotkaj Wielkich Polaków* ("Meet great Poles"). For the first time, an Internet sub-site dedicated to that event was created.

11.5. Information

11.5.1. Campaign concerning Economic and Monetary Union and euro currency

In 2011, the NBP was engaged in educational and promotional activities concerning the euro currency. The NBP experts participated in editing press inserts, appeared in radio programmes and in TV debates, and trained journalists.

Furthermore, the NBP:

- co-organised a conference *European Integration Process in the New Regional and Global Settings*,
- provided information on the euro currency during the NBP Open Days,
- launched postgraduate studies on the mechanisms of euro area functioning at 17 best universities throughout the country.

11.5.2. Opening the Euro Information Centre

In 2011, the NBP Management Board decided to open the Euro Information Centre at the NBP Regional Branch in Łódź which took place on 10 February 2012. The main goal of its activities is to extend the general public knowledge about EMU and implications of adopting the common currency by Poland.

11.5.3. Liaising with the media and market analysts

In 2011, nearly 80 meetings with journalists were held, including: press conferences after MPC meetings, presentations of *Inflation Reports*, interviews given on the occasion of international science conferences and visits of foreign official delegations at the NBP. Meetings with the media were also organised on the occasion of introducing collector coins into circulation. The NBP



President, members of the NBP Management Board, as well as the Bank's employees gave about 120 interviews. Answers were also provided to 450 questions put by the press.

11.6. Publishing

In 2010 – the NBP's publishing activity included periodic publications, i.e.: the *Annual Report*, *Report on NBP Operations*, *Monetary Policy Guidelines*, *Report on Monetary Policy Implementation*, *Financial System Development in Poland*, *International Investment Position of Poland*, *Inflation Report*, *Balance of Payments of the Republic of Poland*, and *Bank i Kredyt (Bank and Credit)*.

As a part of the cooperation with the European Central Bank, the NBP published quarterly editions of the ECB *Monthly Bulletin* in Polish.

Studies from the *Materiały i Studia* series and the NBP Working Paper were also published (for a 2011 detailed list, see Appendix 5).

11.7. Consideration of petitions, complaints, requests and letters

In 2011, 6,099 cases addressed to the NBP were considered (5,985 in 2010), including 5,948 letters (5,847 in 2010) and 151 complaints and applications (138 in 2009).

Out of the submitted cases 5,832 were resolved at the NBP, whilst 267 (4.4%) were handed over, according to subject-matter, to banks and other institutions. Cases considered at the NBP concerned: the availability of collector coins, granting aids to workers, giving information on the foreign exchange rates, granting financial support, allowing access to archive information and statistical data. Correspondence directed by the NBP to banks and other institutions concerned primarily banking services, including irregularities in the provision of services and loan extension, collection of receivables, performance of transfers and settlement of payments made with payment cards. The remaining cases concerned, among other things, bonds issued before 1939, assistance in determining legal successors of banks (liquidated or transformed) as well as information about bank products and other issues related to banking, finance and the history of the NBP.

11.8. NBP Central Library

The NBP Central Library is a research library. The Library's collections are made available to all interested persons in the reading room or via lending library. The Library lends publications to the NBP employees and to other interested parties – as a part of interlibrary lending on the principles specified in the Act on Libraries.

In 2011, 12,600 persons used the Library, borrowing about 26,400 books.



Table 11.1
NBP Central Library's collection

Type of publications	31.12.2007	31.12.2008	31.12.2009	31.12.2010	31.12.2011
Non-serial publications	108,017 volumes	112,630 volumes	116,421 volumes	121,145 volumes	124,150 volumes
Serial publications	39,000 volumes	40,300 volumes	41,500 volumes	31,000 volumes	34,400 volumes
Current magazines	505 titles	505 titles	505 titles	400 titles	405 titles

Source: NBP data.

Highlights in 2011:

- improvement of the principles of conducting educational activities by the NBP, including planning, classifying and evaluating projects and establishment of a consultative body with the participation of external experts,
- launching 206 educational projects of a diverse range of influence, addressed to different social and professional groups,
- development of the innovative campaigns promoting collector items issued by the NBP,
- organisation of the NBP Open Days which attracted a record high number of visitors,
- continuation of preparations for opening the NBP Money Centre in memory of Sławomir S. Skrzypek.

LEGISLATIVE ACTIVITY¹

¹Tasks in this field are fulfilled pursuant to, i.a., Article 7, Article 12, Article 16 para. 3, Article 17 para. 3 point 2 and para. 4 of the Act on the NBP, as well as pursuant to the provisions of other acts in compliance with delegations included therein, for NBP governing bodies to adopt legal acts.



12.1. Legislation by NBP governing bodies

In 2011, the governing bodies of the NBP issued 157 normative legal acts, including 32 by the President of the NBP, 13 by the MPC and 112 by the Management Board of the NBP. Of all the legal acts issued by the governing bodies of the NBP:

- 23 regulations of the President of the NBP were published in Monitor Polski (the Official Gazette of the Republic of Poland), and two in the Official Journal of the National Bank of Poland,
- three resolutions by the Management Board of the NBP were published in Monitor Polski and eight in the Official Journal of the National Bank of Poland,
- four resolutions by the MPC were published in Monitor Polski and nine in the Official Journal of the National Bank of Poland,
- one announcement by the President of the NBP was published in Monitor Polski, and one in the Official Journal of the National Bank of Poland.

12.2. The NBP contribution to legislative activity by state authorities with respect to 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 which concerned economic policy and were relevant to the banking system. By participating in this process, the NBP contributed to the stability of the financial system and the safety and development of the banking system.

In 2011, the NBP received:

- 191 documents as part of inter-ministerial consultations;
- 755 documents in the context of the work of the Committee of the Council of Ministers;
- 43 draft acts from the Chancellery of the Sejm.

In 2011, NBP employees participated in 20 consultative conferences, five legal committees, as well as in 56 meetings of Sejm and Senate committees and subcommittees. The key draft legal acts on which the NBP issued opinions in 2011 and which do not pertain to the banking sector (legal acts on the banking sector are discussed in detail in section 12.3), include:

- Act of 15 April 2011 Amending the Bond Act (Journal of Laws No. 129/2011, item 731),
- Act of 28 April 2011 Amending the Act – Bankruptcy and Reorganisation Law (Journal of Laws No. 138/2011, item 810),
- Act of 16 September 2011 Amending the Act on Trading in Financial Instruments and Some Other Acts (Journal of Laws No. 234/2011, item 1391),
- Act of 21 December 2011 Amending Certain Acts Related to Implementation of the Budget Act,



- government Bill on Electronic Signatures (parliamentary document No. 3629, 6th term of office²),
- parliamentary Bill Amending the Act on Electronic Signature, the Act on Goods and Services Tax, the Act – Civil Code and the Act on Population Registration and Identity Cards (parliamentary document No. 3768, 6th term of office),
- parliamentary Bill on Consumer Bankruptcy (parliamentary document No. 3799, 6th term of office),
- government Bill Amending the Act on Finality of Settlement in Payment Systems and Financial Collateral Arrangements and Principles of Oversight of those Systems, the Act on some Financial Collaterals and the Act – Bankruptcy and Reorganisation Law (parliamentary document No. 72, 7th term of office).

The NBP also issued opinions, with a view to developing the Government of the Republic of Poland official position, on draft legislation of the European Parliament and the Council regarding the financial system. The key opinions included:

- Commission's proposals about the amendments to Directive 94/19/EC on deposit-guarantee schemes,
- draft directive on markets in financial instruments abrogating Directive 2004/39/EC of the European Parliament and of the Council,
- draft regulation on markets in financial instruments and amending a regulation on OTC derivatives, central counterparties and trade repositories.

Furthermore the NBP presented comments on 19 out of approximately three thousand documents delivered in connection with the work of the Committee for European Affairs. The key documents included:

- Bill amending the Act on Providing Services by Electronic Means,
- Bill amending the Law of 28 August 1997 on the Organisation and Operation of Pension Funds Regarding the Implementation of Provisions of Directive 2003/41/EC of the European Parliament and of the Council of 3 June 2003 on the activities and supervision of institutions for occupational retirement provision,
- the Government of the Republic of Poland official position with reference to the Directive of the European Parliament and of the Council on credit agreements relating to residential property,
- project fiches of the Polish Presidency in the EU Council in the second half of 2011.

The NBP also contributed to developing solutions in the major areas of the state's operation by participating in the activities of the following bodies:

- the Polish Financial Supervision Authority;
- the Financial Stability Committee;
- the Polish Accounting Standards Committee;
- the Export Insurance Policy Committee;

² Bills initiated in 6th term of office are subject to the principle of discontinuation of work.



- the Financial Market Development Council;
- the Trilateral Commission for Social and Economic Affairs.

Furthermore the NBP:

- referred to the President of the Council of Ministers its opinion to the document *Convergence Programme. Update 2011*,
- participated in the meetings organised at the Ministry of Finance, dedicated to drafting specific legislation for the SKOK savings and loan associations, which are to be placed under the PFSA supervision.

12.3. Draft legislation related to the operation of the banking system

The NBP issued opinions on:

- Bills which subsequently became:
 - Act of 5 January 2011 Amending the Act on Bank Gospodarstwa Krajowego and Certain Other Acts (Journal of Laws No. 28/2011, item 143),
 - Act of 1 February 2011 Amending the Act on Provision of State Treasury Support to Financial Institutions and the Act on Recapitalisation of Certain Financial Institutions (Journal of Laws No. 38/2011, item 196),
 - Act of 28 April 2011 Amending the Law – Banking Act, Act on Trading in Financial Instruments and Supervision of the Financial Market (Journal of Laws No. 131/2011, item 763),
 - Act of 12 May 2011 on Consumer Loan (Journal of Laws No. 126/2011, item 715),
 - Act of 10 June 2011 Amending the Law – Banking Act and Some Other Acts (Journal of Laws No. 134/2011, item 781),
 - Act of 29 July 2011 Amending the Law – Banking Act and Some Other Acts (Journal of Laws No. 165/2011, item 984),
 - Act of 15 July 2011 Amending the Act on Provision of State Treasury Support to Financial Institutions (Journal of Laws No. 186/2011, item 1101),
 - Act of 19 August 2011 on Payment Services (Journal of Laws No. 199/2011, item 1175),
 - Act of 19 August 2011 r. Amending the Law – Banking Act (Journal of Laws No. 201/2011, item 1181).
- Bills to be discontinued upon the end of the sixth term of office of the Sejm:
 - presidential Bill on Amendment to the Constitution of the Republic of Poland (parliamentary document No. 3598); which provides for cancellation of the NBP President's constitutional accountability stemming from art. 198 para. 1 of the Constitution of the Republic of Poland, cancellation of the Monetary Policy Council and specific/subjective restrictions with reference to audits effected by the Supreme Chamber of Control,



- parliamentary Bill on Building Societies and State Support for Home Savings Schemes (parliamentary document No. 3674),
- parliamentary Bill on Tax from Some Financial Institutions (parliamentary document No. 3838),
- parliamentary Bill on Taxing Some Financial Institutions (parliamentary document No. 4250).

12.4. Consulting Community laws and draft national legislation of the EU Member States

In 2011, the NBP participated in assessing 94 proposals for legislative acts on which ECB issued opinions.³

The key opinions in relation to the proposals for Community laws included:

- the Commission's proposals on economic governance in the European Union (the so-called Six-Pack),
- proposal for a Regulation on the issuance of euro coins and on a proposal for a Regulation on denominations and technical specifications of euro coins intended for circulation,
- proposal for a Council Regulation on the European system of national and regional accounts in the Community.

Consultations also concerned numerous draft acts, i.a., Cypriot, Dutch, Irish, Romanian and Hungarian legislation, passed in response to the prevailing financial crisis and designed to restore or reinforce financial stability in the respective countries.

As regards domestic legislation, opinions concerned also Polish drafts indicated in items 12.2 and 12.3.⁴

12.5. Work related to the adoption of the euro by Poland

The National Bank of Poland continued the work of Cross-institutional Task Forces for the Euro Adoption by the Republic of Poland.⁵

The plenipotentiary of the Management Board of the NBP for euro introduction co-chairs the National Euro Coordination Committee and the Coordination Council. Representatives of the NBP participated in the work of seven out of eight working teams, performing such functions as:

³ According to the provisions of the Treaty on the Functioning of the European Union and the Statutes of the ESCB and the ECB, the ECB is entrusted with the task of issuing opinions on Member State and Community level draft legislative acts concerning the issue of currency, legal tenders, the status and activities of national central banks, the monetary statistics, payment systems and financial institutions.

⁴ Titles of opinions to individual draft Polish legal acts, available at the ECB website, refer to the technical content of a given draft and differ from the titles of the source drafts, e.g. Opinion of the European Central Bank of 17 August 2011 on the introduction of omnibus accounts in the legal framework for clearing and settlement systems (CON/2011/63) pertains to the Bill Amending the Law on Trading in Financial Instruments and Certain Other Laws.

⁵ Regulation of the Council of Ministers of 3 November 2009 on the Establishment of the National Coordination Committee for Euro, Coordination Council and Cross-institutional Working Teams for Preparation for Introduction of Euro Currency by the Republic of Poland (Journal of Laws No. 195/2009, item 1505, as amended).



- the chairperson – in the Working Team for Introduction of Euro Notes and Coins Working Team for Communication Strategy (since 2011); they were also serving functions of the members of the Coordination Council,
- deputy chairpersons – in the Working Team for Macroeconomic Issues and Working Team for the Financial Sector,
- members – in the Working Team for Legal Adjustments, Non-financial Institutions and Consumer Protection.

The NBP representatives also joined a newly appointed Tasks Group for Financial Stability as the chairperson and members of the Group.

Work in 2011 concentrated on compiling *The National Plan for the Adoption of the Euro* and supplementary documents: *Areas of Legislative Change in Connection with the Adoption of the Euro in the Republic of Poland* and *The National Communications Strategy in the Process of the Adoption of the Euro in Poland*.

Highlights in 2011:

- issuing opinions on draft acts from EU states experiencing financial crisis, aimed at restoration of financial stability,
- participation in work of Cross-institutional Task Forces for the Euro Adoption in Poland.

INTERNATIONAL ACTIVITY¹

¹ Tasks in this field are fulfilled pursuant to, i.a., Article 5, Article 11 (2) and (3), Article 23 (7) of the Act on the NBP, as well as pursuant to the provisions of the Statutes of the ECB and the ESCB.

13.1. Duties resulting from Poland's membership in the European Union

13.1.1. Co-operation within the European System of Central Banks

NBP representatives participated in the work of the ESCB to the extent resulting from the status of the central bank of a EU Member State which remains outside the euro area.

In 2011, the President of the NBP participated in quarterly meetings of the ECB General Council (the decision-making body of the ECB). As part of its remit, the General Council: issues opinions on legislative acts adopted by the ECB Governing Council, contributes to the performance of statistical reporting responsibilities and participates in determining irrevocable exchange rates in countries joining the euro area.

The ECB General Council's meetings addressed primarily issues concerning: the macroeconomic situation of the EU Member States, financial stability, ERM II, monitoring of central banks with regard to the so-called prohibition on monetary financing of the public sector with central bank funds² and prohibition of privileged access.³

The NBP representatives affiliated in 12 Committees of the ESCB and numerous work groups and task forces of the ESCB discussed and developed solutions concerning:

- position of the euro among world currencies and the role of the IMF and regional financing mechanisms in providing financing during the crisis,
- currency exchange rates and food and commodity prices developments,
- current fiscal situation in the EU countries and situation in global financial markets,
- experience of ESCB central banks in market communication during the crisis,
- Proposal for a Regulation of the European Parliament and of the Council creating a European Account Preservation Order to facilitate cross-border debt recovery in civil and commercial matters,
- concept of creating global uniform standards concerning data on securities and their holders,
- work on the introduction of statistics of insurance institutions, pension funds and securities holders,
- work on the TARGET2-Securities system.

13.1.2. Collaboration with other Community bodies

In 2011, NBP representatives participated in activities related to the operation of the following EU bodies:

- ECOFIN (informal meetings);
- committees of the Council of the EU, including the Economic and Financial Committee (EFC);

² Which follows from Article 123 of the Treaty on the Functioning of the European Union.

³ Which follows from Article 124 of the Treaty on the Functioning of the European Union.



- committees and working groups of the European Commission;
- the Committee for Monetary, Financial and Balance of Payments Statistics (CMFB), as well as working groups of the Eurostat.

13.1.3. Duties resulting from the Polish Presidency in the Council of the European Union

In the first half of 2011, the NBP participated in preparations for the Polish Presidency in the EU Council, scheduled in the second half of 2011, coordinated by the Ministry of Foreign Affairs.

After Poland assumed the Presidency, the NBP, in its capacity, engaged in the work of the Presidency in the area of economy and finance. The NBP co-participated in the development of Presidency documents, and the representatives of the Bank took part in the meetings of the bodies of the EU and other international organisations.

The NBP organised, in co-operation with the Ministry of Finance and the Ministry of Foreign Affairs an informal meeting of the ECOFIN Council in Wrocław on 16–17 September 2011.

13.2. Collaboration with international economic and financial institutions

13.2.1. Organisation for Economic Co-operation and Development (OECD)

In 2011, as part of cooperation with the OECD the NBP experts participated in:

- meetings of committees and working groups of the OECD (including the Economic Policy Committee, Working Group on Short-term Economic Prospects, Working Group on Macroeconomic and Structural Policy Analysis, Committee on Financial Markets and Working Group on Financial Statistics),
- conferences and meetings of the Working Group under the OECD International Network on Financial Education initiative,
- meeting of the Inter-Ministerial Team for the Organisation for Economic Cooperation and Development (OECD) at the Ministry of Economy; which discussed, i.a.: preparations for the 12th review of the Polish economy and Poland's involvement in the implementation of the Eurasia Competitiveness Programme.

In June and November 2011, the missions of the OECD Secretariat visited Warsaw, to prepare the 12th Review of the Polish Economy centred around "green growth"⁴ and health care system. The agenda of the meetings with NBP experts covered, i.a. the current economic conditions, monetary and exchange rate policy and financial stability in Poland.

In September 2011, the NBP Vice-President met the OECD Deputy Secretary General, who visited Poland on the official visit on the occasion of the 15th anniversary of Poland's joining the OECD. During the meeting the issues of exchange rate policy, the banking sector situation and the crisis in the euro area came to be discussed.

⁴ The concept of green growth, as assumed by the OECD, deems exit from the crisis and necessity of providing for sustainable development in socio-ecological terms as the key challenge for the coming years.

13.2.2. The World Bank Group

In cooperation with the World Bank Group, the representatives of the NBP participated in:

- Spring Meetings of the Boards of Governors of the World Bank (WB) and the International Monetary Fund.⁵ The meetings were primarily dedicated to progress in the implementation of the Millennium Development Goals and methods of counteracting disadvantageous implications of considerable price fluctuations prevailing in food markets.
- Annual Meetings of the Boards of Governors of the WB and the IMF.⁶ The key topics of the discussion were: the assessment of efficiency of action undertaken by the WB and impact of projects counteracting gender-related discrimination on the socio-economic development.
- Meeting of the representatives of the states within the Swiss Constituency.⁷ The agenda covered the existing track record of collaboration within the Constituency and the outlook for future development.

In 2011, the NBP collaborated with the WB on:

- organisation (in January 2011) of the seminar attended by the Executive Director of the WB entitled *The success of Poland's economic transformation – how to share it? Perspectives for development assistance in Poland.*; aimed at discussing the options and directions of Poland's participation in the international developmental aid;
- a project of energy strategy of the WB; May 2011 saw a meeting, attended by the representatives of the Ministries of the Environment, Economy, Finances and Foreign Affairs with the aim of developing an opinion to the WB strategy;
- *WB Golden Growth Report*. The NBP President took patronage over the development of the document and participated in its official presentation in Brussels (in November 2011); the presentation of the report was an event accompanying the Polish Presidency in the EU Council.

In November 2011 the NBP President was selected as the WB and IMF Development Committee Chairman. The Development Committee operates in composition of 25 members, who represent nearly 190 members of the Bank and the Fund. The Committee advises the Boards of Governors of the Bank and Fund on critical development issues. The Development Committee meets twice a year at the time of the joint Bank-Fund Annual Meetings. The President oversees the preparation and chairing of the Committee meetings.

13.2.3. The International Monetary Fund

As part of cooperation with the IMF, the representatives of the NBP primarily participated in:

- work which resulted in IMF placing in January 2011 SDR 19,166,000 thousand at the disposal of Poland under the Flexible Credit Line for 2 years,
- meetings with IMF representatives during the Fund's mission in Poland and under IMF experts' visits to the NBP dedicated to selected aspects of collaboration with the Fund,
- consultations related to the documents reviewed by the Council of IMF Executive Directors.

⁵ In April 2011 in Washington.

⁶ In September 2011 in Washington.

⁷ In September 2011 in Turkmenistan.



Further to the completion of work on reforming shares and votes in the IMF commenced in 2008⁸ and in pursuance with the resolution of the Council of Ministers of 6 October 2008, Poland acquired new shares in the IMF in March 2011. Paying the stake was financed by the NBP. Currently, Poland's share in the IMF stands at SDR 1,688,400 thousand.

On 15 November 2011 the NBP became a shareholder of New Arrangements to Borrow (NAB), which can be joined by the IMF Member States or their central banks. In its character of a NAB member, the Bank stands ready to extend interest-bearing loan to the IMF, up to the equivalent of SDR 2,528,590 thousand. Funds will be transferred if the IMF deems it necessary to request NAB members for a loan with a view to expanding funds at its disposal. Up to the end of 2011 the NBP – within the NAB – had provided the IMF with the equivalent of SDR 174 million.

By its accession to the NAB, the NBP fulfills Poland's commitment to participate in a temporary increase in IMF funds, as undertaken at the EU level (European Council's decisions of March and June 2009). Funds made available to the IMF within the NAB count as the NBP official currency reserves.

13.2.4. The European Bank for Reconstruction and Development

In 2010, the 20th Annual Meeting of the Board of Governors of the European Bank for Reconstruction and Development (EBRD) was held in Astana. During the meeting, a decision was made to initiate the procedure of extending the area of EBRD operations to include non-European Mediterranean countries.

In April 2011 Poland subscribed 11.5 thousand shares (of total value of EUR 115.3 million) toward raising EBRD's callable capital. The present value of Poland's shares in EBRD stands at EUR 384.2 million.

Furthermore in November 2011 the NBP held a conference dedicated to the presentation of EBRD cyclical publication *Transition Report 2011*, entitled: *Crisis and Transition: The People's Perspective*.

13.2.5. The Bank for International Settlements (BIS)

In 2011, NBP representatives participated in 6 meetings of BIS Governors and the annual meeting of deputy governors of emerging economies.

The annual General Meeting of BIS Shareholders on 26 June 2011 adopted the 81st *Annual Report* and approved the balance sheet of the Bank as at 31 March 2011. The profit and loss account, which indicated a net profit of SDR 816 million, was also approved. SDR 161.1 million of this amount was assigned for the disbursement of dividend. The NBP received a dividend amounting to SDR 2,360 thousand.

13.2.6. International Bank for Economic Cooperation

In 2011, the representatives of the NBP, together with representatives of the Ministry of Finance, participated in the meetings of the IBEC Council and in working meetings, dedicated to developing a stance on issues related to the operation of the Bank.

⁸The relevant IMF Board of Governor's resolution on that issue was adopted on 28 April 2008.



13.3. Technical and training assistance

In 2011 technical assistance offered by the NBP under Technical Cooperation for Transition initiative enjoyed great interest of central banks in non-EU countries undergoing economic transformation. Such assistance reached central banks of Bangladesh, Liban, South Africa, Syria and Turkmenistan. To date, 36 central banks have benefited from NBP's technical assistance.

In 2011, the NBP organised the following assistance projects:

- 27 study visits, 18 expert visits and 2 apprenticeships,
- 4 seminars (including 1 in collaboration with the National Bank of Switzerland and 1 in collaboration with the Polish Security Printing Works joint-stock company) dedicated to financial stability, the issue of money and production of banknotes, payment system and statistics,
- 7 workshops dedicated to monetary policy, IT systems in central banking, security on banking premises, financial risk management, balance of payment and economic education.

The programmes gathered 323 people⁹ from 33 central banks.

Beyond the hitherto effective forms of technical assistance the NBP is ever more actively reaching out for new areas of activity, e.g. European Commission's twinning projects and assistance programs of international financial institutions. In 2011:

- The twinning project of the National Bank of Poland and Deutsche Bundesbank for the National Bank of Ukraine, entitled *Strengthening NBU Potential through Approximation to EU Standards of Central Banking* – commenced in 2009 – came to an end. It was the major technical assistance project completed by the NBP so far.
- The NBP joined the twinning project of the Bank of France and the Central Bank of Tunisia – *Setting a Monetary Policy Framework Based on Inflation Targeting at the Central Bank of Tunisia*. The task of the NBP is, i.a., to analyse the monetary transmission mechanism aimed to prepare the Bank of Tunisia to introduce the direct inflation target policy.
- The NBP continued activities within the ECB support programme for the National Bank of Serbia.

⁹ Excluding NBP experts' trips to the beneficiary states.



Highlights in 2011:

- NBP participation in the exercise of the Polish Presidency in the Council of the European Union,
- appointment of the NBP President to the office of WB and IMF Development Committee Chairman,
- NBP's accession to the New Arrangements to Borrow (NAB) – as part of Poland's share in the temporary increase in IMF funds,
- accomplishment of the biggest, so far, NBP project of technical assistance.



INTERNAL DEVELOPMENT OF THE NBP¹

¹Tasks in this field are fulfilled pursuant to, i.e., Articles 7–8, 10–11, Article 17 para. 1, para. 3 point 2 and para. 4 as well as Articles 56–57 of the Act on the NBP.



14.1. Human resources management

14.1.1. NBP employment level

In 2011, the National Bank of Poland's employment averaged 3,642 full-time posts and declined by 24 posts (0.7%) as against 2010.

The decrease in employment was a result of:

- further execution of the decision taken in 2010 to dissolve the Cleaning Services Section in the Support Services Office,
- lower than before employment of seasonal employees in the Bank's holiday centre in Ruciane Nida.

Table 14.1 presents changes in NBP average employment level in the years 2008–2011.

Table 14.1
Change in the NBP average employment level in 2008–2011

	2008	2009	2009-2008	2010	2010-2009	2011	2011-2010	2010-2009
Total	3,968	3,770	-199	3,666	-104	3,642	-24	-327
Head Office	1,604	1,638	34	1,690	52	1,702	12	98
Regional branches	2,101	1,842	-259	1,720	-122	1,716	-4	-385
Support Services Office	264	290	26	256	-34	224	-32	-40

Source: NBP data.

In 2011, remuneration expenses along with the related provisions and payroll tax expenses increased by 2.5% on the actually recorded 2010 figure. Gross of provisions for future liabilities to employees they went up by 4.4%.

14.1.2. Developing staff qualifications

The purpose of the NBP training activity is to help achieve NBP strategic objectives,² by ensuring the competence and reliability of the staff and by preparing the employees for operation within the ESCB structures.

In 2011 every employee participated in, on average, 4 training events (as against 3.2 in 2010).

The National Bank of Poland evaluates the effectiveness of training sessions on an ongoing basis. Evaluation covers: trainers' knowledge of the topic, educational skills, the programme of the training, training materials and organization.

² National Bank of Poland Plan of Activity 2010–2012 available at: www.nbp.pl.



14.1.3. Other activities

In 2011, the NBP introduced internal regulations aimed at combating mobbing to further improve conditions for efficient performance of tasks.

14.2. Organisational changes

In 2011, as a result of permanent monitoring and analysis of the NBP organisational structure and with a view to optimisation of the operations of NBP Head Office the following organisational changes were introduced:

- as of 1 January 2011 the Operational Risk Unit was dissolved and Operational Risk and Compliance Department was established in its stead;
- as of 31 May 2011 Macrostability Policy Bureau was set up in the Economic Institute;
- as of 1 August 2011 Bureau for the Integration with the Euro Area in the Economic Institute was set up and the Department for the Integration with the Euro Area was dissolved;
- as of 13 October 2011 Strategic Management Department was dissolved.

14.3. Operational and compliance risk management

On 1 January 2011 Operational Risk and Compliance Department was established, which took over the competencies of the Operational Risk Unit related to operational risk and the competencies of Internal Audit Department as regards compliance function.

Further actions were pursued aimed at operational risk mitigation, i.e. minimising the probability of adverse events arising of poor management and unreliable operation of the Bank's resources (including IT systems, property, staff, etc.).

The level of operational risk was assessed on an ongoing basis and the findings were discussed at the Risk Management Commission and NBP Management Board.

14.4. Investment and renovation

Expenditure on investment tasks and purchases stood at PLN 66.2 million in 2011 (as compared to PLN 91.9 million in 2010).

PLN 40.1 million was spent on construction projects (60.5% of total expenditure). The key projects included:

- modernisation of office space formerly occupied by the Polish Academy of Sciences – PLN 31.5 million,
- modernisation of the courtyard of the Regional Branch in Poznań – PLN 2.8 million,



- rainwater drainage installation in the Regional Branch in Lublin – PLN 1 million.

Expenditures on construction projects aimed at modernisation of the NBP Head Office facilities to gain additional office space, modernisation of technical and ITC security, improvement in the technical condition of the Bank's facilities and utility systems.

Purchases related to IT and communications were yet another investment item (PLN 20 million; 30.3% of total expenditure).

The key tasks carried out in this area in 2011 include:

- purchase of LAN network active equipment for new NBP facilities – PLN 6.1 million,
- tool and administration software – PLN 4.8 million,
- servers – PLN 2.9 million,
- Storage Area Network (SAN) restructuring – PLN 1.9 million,
- development of Service Oriented Architecture (SOA) platform – PLN 1.4 million.

The investment enabled the NBP, in particular, to: adapt its IT system to the requirements resulting from the implementation of multi-year tasks, ensure a requisite level of system security, replace depreciated IT and communications infrastructure and maintain a high level of NBP customer service.

PLN 6.1 million was spent on purchases of off-the-shelf tangible assets. The largest expenses related the following items: purchases aimed at automation of vaults and cash and vaults operations (PLN 1.3 million) and purchase of three flats (to relocate tenants of the apartments in the facilities of the Regional Branch in Kraków: PLN 1 million).

In 2011 the NBP expenditure on renovation and maintenance of its property totalled PLN 44.4 million (in 2010 – PLN 40.9 million). The costs incurred covered:

- facility renovations – PLN 6.8 million,
- maintenance – PLN 37.6 million (including: facility and utility maintenance – PLN 7.8 million, maintenance of equipment and cash-and-vault facilities as well as cash-in-transit vehicles – PLN 9.3 million, maintenance of IT and communications equipment – PLN 17.5 million, maintenance of security systems – PLN 1.3 million, other machinery and equipment maintenance – PLN 1.7 million).

14.5. IT support for the banking system and the NBP

In 2011, the following ICT activities were carried out:

- The project was completed regarding the development of NBP SOA platform. The platform will form the base for the operation of new IT systems at the NBP.
- Development works continued under the SORBNET_EURO 2012 project. The new system substituting the SORBNET-EURO system was implemented on 1 January 2012 (see chapter *Payment system oriented activities*).



- NBP IT systems were improved (Netbank network, system for making data security backup copies in Windows environment, system for the management of cryptographic cards, SWIFT system, Windows central infrastructure).
- New system project works were carried out, including: SKARBNET4 system (merging the functions of SKARBNET3 and SEBOP systems), SORBNET2 interbank settlement system in PLN, Reporting Information System expansion, System For Internal Documents Circulation – SODGW.
- NBP portals and Active Directory migration was completed, new electronic mail system based on Outlook was introduced.
- Tests were continued as regards the possibility to launch a Support Centre in Radom.

14.6. Internal audit

In 2011 34 audits³ (32 in 2010) and 6 advisory tasks (2 in 2010) were conducted, covering a total of 35 topics (27 in 2010). Work of 16 Head Office organisational units and 6 regional branches was inspected. The audits resulted in recommendations and aimed at improvement of applied organisational solutions.

14.7. Safety and security

In 2011 work progressed on maintaining an adequate level of security at the NBP, including in particular: protection of classified data and personal information, IT systems, provision of cryptographic and certification services, security of facilities, persons and money and ensuring business continuity. These works covered, in particular:

- Adjustment of NBP procedures to the new act on the protection of classified data, including especially financial data.
- Implementation of European System of Central Banks' procedure for the protection of classified information.
- Closer cooperation with the Polish Bank Association in the area of improving the level of document security. A joint conference organised for the banking sector – with participation of experts from the banking sector, Polish Security Printing Works and specialists in criminology – on public documents security and combating forgery of these documents.

14.8. Services

As in preceding years, in 2011, tasks in the scope of services performer by the Services Support Office included in particular: office service, printing service and transport service, including transport of cash.

³Including 3 audits upon order of the ESCB Internal Audit Committee (2 in 2010).



Highlights in 2011:

- organisational changes improving the operations of NBP Head Office.



CONDENSED FINANCIAL STATEMENTS
OF THE NATIONAL BANK OF POLAND
AS AT 31 DECEMBER 2011¹

¹ The responsibilities in this field are exercised, i.a., in pursuance with Chapter 10 (Articles 60–70) of the Act on the NBP.



Balance sheet of the National Bank of Poland as at 31 December 2011

Assets		Note	31 December 2010	31 December 2011
			PLN thousand	
1.	Gold and gold receivables	1	13,831,663.5	17,804,260.4
2.	Claims on non-residents denominated in foreign currency		263,380,105.3	316,654,533.9
2.1.	<i>Receivables from the IMF</i>	2	7,505,332.2	10,145,391.3
2.2.	<i>Balances with foreign institutions, securities, loans granted and other foreign assets</i>	3	255,874,773.1	306,509,142.6
3.	Claims on residents denominated in foreign currency	4	448.7	0.0
4.	Claims on non-residents denominated in domestic currency		0.0	0.0
5.	Claims on other domestic monetary financial institutions related to monetary policy operations denominated in domestic currency		0.0	0.0
5.1.	<i>Main refinancing operations</i>		0.0	0.0
5.2.	<i>Long-term refinancing operations</i>		0.0	0.0
5.3.	<i>Fine-tuning operations</i>		0.0	0.0
5.4.	<i>Structural operations</i>		0.0	0.0
5.5.	<i>Marginal lending facilities</i>		0.0	0.0
6.	Other claims on other domestic monetary financial institutions denominated in domestic currency	5	728,945.8	356,402.0
7.	Securities of residents denominated in domestic currency		0.0	0.0
8.	Claims on general government denominated in domestic currency		0.0	0.0
9.	Items in course of settlement		0.0	0.0
10.	Other assets		1,399,221.5	1,957,070.8
10.1.	<i>Tangible and intangible fixed assets</i>	6	885,615.4	873,744.9
10.2.	<i>Other financial assets</i>	7	178,323.0	193,895.2
10.3.	<i>Off-balance-sheet instruments revaluation differences</i>	8	2,919.3	72,111.0
10.4.	<i>Accruals and prepaid expenses</i>	9	60,231.3	56,741.2
10.5.	<i>Sundry</i>	10	272,132.5	760,578.5
TOTAL ASSETS			279,340,384.8	336,772,267.1



Liabilities		Note	31 December 2010	31 December 2011
			PLN thousand	
1.	Banknotes and coins in circulation	11	103,064,357.1	112,089,532.0
2.	Liabilities to other domestic monetary financial institutions related to monetary policy operations denominated in domestic currency	12	111,703,477.5	119,823,979.6
2.1.	<i>Current accounts (including the required minimum reserve accounts)</i>		36,562,970.1	20,417,008.4
2.2.	<i>Deposit facilities</i>		500,827.4	5,976,261.2
2.3.	<i>Fixed-interest deposits</i>		0.0	0.0
2.4.	<i>Other monetary policy operations</i>		74,639,680.0	93,430,710.0
3.	Other liabilities to other domestic monetary financial institutions denominated in domestic currency	13	71,135.0	169,616.1
4.	Liabilities to other residents denominated in domestic currency	14	6,961,633.8	4,655,713.7
4.1.	<i>Liabilities to general government</i>		6,938,331.2	4,606,627.8
4.2.	<i>Other liabilities</i>		23,302.6	49,085.9
5.	Liabilities to non-residents denominated in domestic currency	15	471,511.8	323,361.4
6.	Liabilities to residents denominated in foreign currency	16	7,480,666.7	16,126,196.1
7.	Liabilities to non-residents denominated in foreign currency	17	13,982,819.8	10,056,395.7
8.	Liabilities to the IMF	18	5,995,355.5	6,844,178.1
9.	Items in course of settlement		0.0	0.0
10.	Other liabilities		299,341.2	862,282.6
10.1.	<i>Off-balance-sheet instruments revaluation differences</i>	19	44,199.7	547,786.7
10.2.	<i>Accruals and deferred income</i>	20	204,510.8	200,961.9
10.3.	<i>Sundry</i>	21	50,630.7	113,534.0
11.	Provisions for future liabilities	22	99,659.9	105,412.5
12.	Revaluation accounts	23	19,830,056.2	54,667,609.7
13.	Capital and reserves	24	14,309,163.3	13,868,759.7
13.1.	<i>Statutory fund</i>		1,500,000.0	1,500,000.0
13.2.	<i>Reserve fund</i>		208,277.7	534,733.7
13.3.	<i>Reserves</i>		12,600,885.6	11,834,026.0
14.	Financial result	25	-4,928,793.0	-2,820,770.1
14.1.	<i>Financial result for the current year</i>		6,529,118.7	8,637,141.6
14.2.	<i>Loss of previous years</i>		-11,457,911.7	-11,457,911.7
TOTAL LIABILITIES			279,340,384.8	336,772,267.1

Director of Accounting and Operations Department
/-/ Grażyna Gielecińska

Management Board of the NB
/-/ Marek Belka
/-/ Piotr Wiesiołek
/-/ Witold Koziński
/-/ Eugeniusz Gatnar
/-/ Andrzej Raczko
/-/ Jakub Skiba
/-/ Zdzisław Sokal
/-/ Małgorzata Zaleska

Warsaw, 26 March 2012



Profit and loss account of the National Bank of Poland for the year ended on 31 December 2011

		Note	2010	2011
			PLN thousand	
1.	Net result on interest, discount and premium		517,233.1	-1,275,714.6
1.1.	<i>Interest, discount and premium income</i>	30	6,197,387.4	6,427,078.2
1.2.	<i>Interest, discount and premium expenses</i>	31	5,680,154.3	7,702,792.8
2.	Net result on financial operations		6,982,656.6	10,546,580.5
2.1.	<i>Income on financial operations</i>	32	6,772,009.6	11,121,839.0
2.2.	<i>Expenses on financial operations</i>	33	2,114,850.7	1,341,839.5
2.3.	<i>Unrealised losses</i>	34	1,465,581.1	278.6
2.4.	<i>Income on transfers from risk provisions and on reversal of write-downs of financial assets</i>	35	3,791,078.8	766,859.6
2.5.	<i>Expenses on transfers to risk provisions and on write-downs of financial assets</i>		0.0	0.0
3.	Net result on fees and commissions		-65,062.2	-902.1
3.1.	<i>Fees and commissions income</i>	36	31,191.4	35,488.9
3.2.	<i>Fees and commissions expenses</i>	37	96,253.6	36,391.0
4.	Income on shares and equities	38	27,853.2	72,783.3
5.	Other income	39	151,589.9	342,596.2
A.	Total net income [1 + 2 + 3 + 4 + 5]		7,614,270.6	9,685,343.3
6.	Salaries and social contributions	40	411,819.5	429,935.1
7.	Administrative expenses	41	256,691.7	259,270.7
8.	Depreciation and amortization expenses	42	81,312.3	77,345.0
9.	Cost of issue of banknotes and coins	43	308,249.2	262,048.3
10.	Other expenses	44	27,079.2	19,602.6
B.	Financial result for the current year [A-6-7-8-9-10]	45	6,529,118.7	8,637,141.6

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/-/ Małgorzata Zaleska

Warsaw, 26 March 2012



NOTES – GENERAL INFORMATION

1. Introduction

1.1. Legal basis, scope of activities and bodies of the NBP

In accordance with Article 227 of the Constitution of the Republic of Poland, the central bank of the State shall be the National Bank of Poland, hereinafter referred to as the "NBP". It shall have the exclusive right to issue money as well as to formulate and implement monetary policy. The NBP shall be responsible for the value of Polish currency.

The NBP has a legal personality and is not subject to entry into the register of state enterprises. The NBP performs its activities in the territory of the Republic of Poland, and its registered office is in Warsaw.

The role, functions and tasks of the NBP are set forth in the following acts and regulations:

- the Act of 29 August 1997 on the National Bank of Poland (consolidated text: Journal of Laws of 2005, No. 1, item 2, as amended), hereinafter referred to as the "Act on the NBP",
- the Act of 29 August 1997 – Banking Law (consolidated text: Journal of Laws of 2002, No. 72, item 665, as amended),
- the Treaty on European Union (Journal of Laws of 2004, No. 90, item 864/30, as amended) and the Treaty on the functioning of the European Union (Journal of Laws of 2004, No. 90, item 864/2, as amended).

The basic objective of the activity of the NBP is to maintain price stability, while supporting the economic policies of the government, insofar as it does not constrain the basic objective of the NBP.

The tasks of the NBP also include:

- organising monetary clearing,
- managing the foreign exchange reserves,
- conducting foreign exchange activities within the bounds stipulated by relevant laws,
- providing banking services to the State budget,
- regulating the liquidity of banks and providing them with refinancing facilities,
- establishing the necessary conditions for the development of the banking system,
- acting in favour of the stability of the domestic financial system,
- compiling monetary and banking statistics, the balance of payments and the international investment position,
- performing other tasks as specified by laws.



In accordance with the Constitution of the Republic of Poland and the Act on the NBP, the bodies of the NBP are:

- President of the National Bank of Poland (appointed for a six-year term of office),
- Monetary Policy Council (its members are appointed for a six-year, non-renewable term of office),
- Management Board of the National Bank of Poland (its members are appointed for a six-year term of office).

The composition of the NBP bodies as at 31 December 2011 was as follows:

President of the NBP	Marek Belka – appointed on 10 June 2010 – the term began on 11 June 2010
Monetary Policy Council	
Chairperson	Marek Belka – from 11 June 2010
Members	Andrzej Bratkowski – from 10 January 2010 Elżbieta Chojna-Duch – from 10 January 2010 Zyta Gilowska – from 19 February 2010 Adam Glapiński – from 19 February 2010 Jerzy Hausner – from 24 January 2010 Andrzej Kaźmierczak – from 19 February 2010 Andrzej Rzońca – from 24 January 2010 Jan Winiecki – from 24 January 2010 Anna Zielińska-Głębocka – from 9 February 2010
Management Board of the NBP	
Chairperson	Marek Belka – from 11 June 2010
First Deputy President of the NBP	Piotr Wiesiołek – from 6 March 2008
Deputy President of the NBP	Witold Koziński – from 24 October 2008
Members	Eugeniusz Gatnar – from 25 March 2010 Andrzej Raczko – from 7 September 2010 Jakub Skiba – from 2 November 2007 Zdzisław Sokal – from 13 March 2007 Małgorzata Zaleska – from 3 August 2009

On 25 August 2011, Zbigniew Hockuba ceased to act as member of the Management Board of the NBP.

1.2. Legal basis of preparation of the financial statements

The financial statements of the NBP as at 31 December 2011 were prepared on the basis of the following provisions:

- the Act on the NBP,
- Resolution No. 16/2003 of the Monetary Policy Council of 16 December 2003 on the accounting principles, format of the balance sheet and the profit and loss account of the National Bank of Poland (NBP Official Journal of 2003 No. 22, item 38, as amended), hereinafter referred to as “Resolution No. 16/2003”,



- Resolution No. 12/2010 of the Monetary Policy Council of 14 December 2010 on the principles for creating and releasing the provision against the foreign exchange rate risk of the zloty at the National Bank of Poland (NBP Official Journal of 2010 No. 17, item 19), hereinafter referred to as the “Resolution No. 12/2010”,
- Resolution No. 63/2008 of the Management Board of the National Bank of Poland of 11 December 2008 on performing tasks in the area of accounting at the National Bank of Poland, as amended,
- Resolution No. 29/2007 of the Management Board of the National Bank of Poland of 25 October 2007 on the management of fixed assets in the National Bank of Poland, as amended.

1.3. Period covered by the financial statements

The financial statements cover the calendar year from 1 January 2011 to 31 December 2011.

1.4. Certified auditor and its selection

The NBP annual financial statements drawn up as at 31 December 2011 are subject to examination and evaluation by a certified auditor, PricewaterhouseCoopers Sp. z o.o. with its registered office in Warsaw. The certified auditor was appointed by the Monetary Policy Council, hereinafter referred to as the “MPC”, in 2010 in accordance with Article 69 para. 1 of the Act on the NBP. The selection was made following an open tendering, pursuant to the Act of 29 January 2004 – Public Procurement Law (consolidated text: Journal of Laws of 2007 No. 223, item 1655, as amended), for a period of three years (audit of the financial statements for the years 2010, 2011 and 2012).

1.5. Information on the adoption and approval of the NBP financial statements for 2010

The annual financial statements of the NBP drawn up as at 31 December 2010 were adopted by the MPC by Resolution No. 3/2011 on 4 April 2011 and approved by the Council of Ministers by Resolution No. 101/2011 on 14 June 2011. The certified auditor in charge of auditing the financial statements – PricewaterhouseCoopers Sp. z o.o. – issued an unqualified opinion on the audited financial statements.

In the financial statements drawn up as at 31 December 2010, the NBP recorded a financial result in the amount of PLN 6,529,118.7 thousand. Consequently, in 2011 the NBP paid a contribution from profit to the State budget in the amount of PLN 6,202,662.7 thousand. In accordance with Article 62 of the Act on the NBP, 5% of the annual profit, i.e. the amount of PLN 326,456.0 thousand, was allocated to the reserve fund.

2. Description of significant accounting principles

2.1. Basic accounting principles

The accounting principles of the NBP conform to the standards applied in the European System of Central Banks, the basis of which is the Guideline of the European Central Bank of 11 November 2010 on the legal framework for accounting and financial reporting in the European System of Central Banks (ECB/2010/20, as amended), hereinafter referred to as “the ECB Guideline”.

The following accounting principles are applied during the preparation of the NBP financial statements:

- true and fair view,



- going concern,
- prudence,
- materiality,
- comparability,
- accrual.

2.2. *Going concern*

The NBP financial statements were drawn up under the assumption of the going concern principle. In accordance with Article 58 of the Act on the NBP, the NBP cannot be declared bankrupt.

2.3. *Recognition of transactions in the accounting books*

All economic events of a given financial year are recognised in the accounting books for that year.

Assets and liabilities, income and expenses are recognised in the accounting books when:

- it is likely that any future economic benefits will flow in or obligations will be settled,
- risks or rewards related to an asset or a liability were transferred to the NBP,
- the value of an asset or a liability, and of income or expense can be measured reliably.

When recognising transactions in the accounting books, the NBP follows the so called economic approach as laid down in the ECB Guideline. Consequently, the NBP applies the following rules:

- foreign currencies and gold purchased or sold in a spot transaction or a forward transaction are recognised in the accounting books (on off-balance sheet accounts) on the trade date,
- interest, discount and premium on assets and liabilities as well as on off-balance-sheet instruments are taken to the profit and loss account at the end of each operating day.²

Securities purchased or sold in a spot transaction are recognised in the NBP accounting books in accordance with the so called cash approach, i.e. on the settlement date.

2.4. *Valuation as at the balance sheet date*

In financial statements, for gold, foreign currencies, securities purchased by the NBP (except for securities held to maturity and non-marketable securities) and off-balance sheet financial instruments the principle of balance sheet valuation at market prices/exchange rates is applied. The results of the assets and liabilities valuation at market prices/exchange rates effective as at the balance sheet date are recognised in accordance with the following rules:

- unrealised losses (revaluation losses) are recognised in the financial result,

² Except for:

- interest on nostro accounts balances, which are recognised as at the payment date,
- interest payable on the required minimum reserve and interest on assets and liabilities related to own administrative activities, which are recognised at the month-end.



- unrealised gains (revaluation gains) are not recognised in the financial result – they are recognised on the liabilities side of the balance sheet as *Revaluation accounts*.

The remaining assets and liabilities are valued on the basis of historical cost.

2.5. Principles for recognition and valuation of assets, liabilities and off-balance sheet financial instruments and for recognition of income and expenses in the financial result

2.5.1. Gold

Gold purchased is recognised in the accounting books at purchase price while gold receivables and liabilities – at the average market price of gold as at the date of recognition of the economic event in the accounting books. Gold prices expressed in USD are translated into domestic currency according to the NBP average USD exchange rate effective as at the date of recognition of the economic event in the accounting books.

Assets and liabilities in gold, including spot transactions recognised on off-balance sheet accounts and off-balance sheet financial instruments in gold, constitute a holding of gold, for which the average cost is calculated. The average cost of gold holding which is the average cost of purchasing an ounce of gold by the NBP is used to calculate income and expenses arising from the sale of gold (realised foreign exchange gains or losses) and determine the results of balance sheet valuation. At the end of the operating day, the value in domestic currency of positions in gold is adjusted to the average cost of gold holding.

At the balance sheet date, gold is valued according to the average market price of gold, translated into domestic currency according to the NBP average USD exchange rate effective as at the balance sheet date. No distinction is made between the results of currency and price valuation of gold – they are treated jointly as currency revaluation differences. Unrealised losses, recognised in the financial result on the balance sheet date, change the average cost of gold holding.

2.5.2. Foreign currency

Foreign currency purchased or sold by the NBP for:

- domestic currency – is recognised in the accounting books at the exchange rate specified in an agreement or in a separate regulation,
- other foreign currency – is recognised in the accounting books in the amount of quoted foreign currency, which was translated into domestic currency at the average exchange rate effective as at the date of recognition of the economic event in the accounting books.

In other cases foreign currency is translated into domestic currency at the NBP average exchange rate effective as at the date of the economic event or at the NBP average exchange rate effective as at the date of recognition of the economic event in the accounting books.

Assets and liabilities in a foreign currency, including spot transactions recognised on off-balance sheet accounts and off-balance sheet financial instruments in that foreign currency, constitute a holding of foreign currency, for which the average cost is calculated. A holding of foreign currency is formed for each foreign currency separately. The average cost of foreign currency holding which is the averaged cost of purchasing a unit of foreign currency by the NBP is used to calculate income and expenses arising from the sale of foreign currency (realised foreign exchange gains or losses) and determine the results of balance sheet valuation. At the end of the operating day, the value in domestic currency of positions in foreign currency is adjusted to the average cost of foreign currency holding.



At the balance sheet date, foreign currencies are valued at the average NBP exchange rates effective as at the balance sheet date. Unrealised losses related to a given holding of foreign currency (gold) are not netted with unrealised gains on any other holding of foreign currency (gold). Unrealised losses recognised in the financial result on the balance sheet date change the average cost of a foreign currency holding.

Special Drawing Rights (SDR) are treated as a separate foreign currency. Transactions that entail a change of the SDR position are either transactions denominated in SDR, or transactions in foreign currencies replicating the basket composition of the SDR (according to the respective basket definition and weightings). When recognising unrealised gains and losses at the balance sheet date, it is assumed that a holding of SDR includes individual designated foreign currency holdings underlying the SDR basket (see Section 3).

2.5.3. Securities purchased by the NBP

Securities purchased in a spot transaction are recognised in the accounting books at purchase price.

Discount and premium on securities purchased are recognised in the financial result at the end of each operating day in amounts calculated according to the internal rate of return. Interest on securities purchased is recognised in the financial result at the end of each operating day in amounts calculated pro-rata to the time elapsed between the purchase date and the end of each day.

Securities with the same code (ISIN), in relation to which the NBP has a defined business intention, constitute a holding of securities.

For marketable securities not classified as securities held to maturity the average cost of holding is calculated. The average cost of securities holding which is the average cost of purchasing by the NBP security of a given code (adjusted for the amortised discount and premium) is used to calculate income and expenses arising from the sale of securities (realised price gains or losses) and to determine the results of balance sheet valuation.

At the balance sheet date, marketable securities not classified as securities held to maturity are valued at the average market price effective as at the balance sheet date. Unrealised losses related to a given holding of securities are not netted with unrealised gains on any other holding of securities. Unrealised losses recognised in the financial result on the balance sheet date change the average cost of securities holding.

Marketable securities held to maturity and non-marketable securities are valued as at the balance sheet date at purchase price, adjusted for the amortised discount/premium, less impairment.

2.5.4. Shares and equities

Shares and equities are recognised in the NBP accounting books at purchase price. As at the balance sheet date, the following are valued:

- non-marketable shares and equities – at purchase price less impairment,
- marketable shares – at average market price.

2.5.5. Repo/reverse repo transactions

A repo transaction is a contract under which an entity agrees to sell securities and, simultaneously, agrees to re-purchase these securities after a stated time, for an agreed price. This transaction is recognised in the NBP balance sheet liabilities as a received deposit collateralised with securities whose holding is not decreased on trade date.



A reverse repo transaction is a contract under which an entity agrees to purchase securities and, simultaneously, agrees to re-sell these securities after a stated time, for an agreed price. This transaction is recognised in the NBP balance sheet assets as a loan granted, collateralised with securities whose holding is not increased on trade date. Securities purchased in reverse repo transactions are not subject to valuation and no income or expense on these securities is recognised in the financial result.

The difference between the agreed selling and re-purchasing (purchasing and re-selling) price of securities that constitute a collateral of the repo/reverse repo transactions is taken to the profit and loss account at the end of each operating day in amounts calculated pro-rata to the time elapsed between the date of asset or liability recognition and the end of each day.

2.5.6. Banknotes and coins in circulation

Banknotes and coins in circulation are recognised in the NBP balance sheet liabilities at nominal value of banknotes and coins issued, decreased by nominal value of banknotes and coins:

- at the NBP cash points and vaults,
- deposited in vaults of other banks,
- that have been withdrawn from circulation due to being worn out or damaged.

The cost of issue of banknotes and coins is recognised in the financial result on the date it is incurred, regardless of the date banknotes and coins are put into circulation.

2.5.7. Securities issued by the NBP

Securities issued by the NBP are recognised in the NBP balance sheet liabilities at nominal value.

Discount and premium on securities issued by the NBP are recorded as accruals and recognised in the financial result at the end of each operating day in the amounts calculated for the period for which a given security was issued, pro-rata to the time elapsed between the date of liability recognition and the end of each day.

Interest on securities issued by the NBP is recognised in the financial result at the end of each operating day in the amounts calculated for the period for which a given security was issued, pro-rata to the time elapsed between the date of liability recognition and the end of each day.

2.5.8. Tangible and intangible fixed assets

Tangible and intangible fixed assets are recognised in the NBP balance sheet assets at:

- purchase price, increased by costs directly related to the purchase and adaptation of an asset to the condition enabling its use, or
- production cost (see section 3).

Tangible and intangible fixed assets are depreciated/amortized according to the straight-line method beginning from the month which follows the month when the asset was made available for use. The table below presents the estimated depreciation/amortization period for particular groups of tangible and intangible fixed assets prevailing as at 31 December 2011.

In specific cases individual depreciation/amortization periods are adopted for tangible and intangible fixed assets.



Fixed assets	Depreciation period (months)
Land	Not subject to depreciation
including: <i>right of perpetual usufruct of land</i>	800
Buildings and premises	480–780
Land and water engineering objects	267–480
Boilers and energy machinery	86–300
General application machines, devices and appliances	48–144
Specialist machines, devices and appliances	86–192
Technical devices	36–240
Vehicles	78–180
Tools, technical instruments, movables and equipment	601–240
Intangible assets	Amortization period (months)
Copyrights, including the rights related to inventions, patents, trademarks, utility and ornamental patterns	120
IT software licences	72 or 144
IT software developed by the NBP	120

In the case of tangible and intangible fixed assets with a low initial value, i.e. below PLN 3,500,³ depreciation/amortization may be made on a one-off basis at the end of the month when the assets were made available for use.

As at the balance sheet date, tangible and intangible fixed assets are valued at initial value less depreciation/amortization and impairment.

2.5.9. Inventories

Inventories are recognised in the NBP balance sheet assets at:

- purchase price – materials and goods, gold not conforming to international standards of purity and other precious metals,
- production cost – products,
- nominal value – collector valuables (banknotes and coins) not in circulation.

As at the balance sheet date, inventories are valued at purchase price/production cost, less impairment; in the case of collector valuables (banknotes and coins) not in circulation – at nominal value.

2.5.10. Impairment of assets

Impairment of assets is determined on the balance sheet date by comparing the book value of assets with their value in use or market value, or if it is highly probable that a given asset will not generate expected economic benefits in the future.

2.5.11. Provisions for future liabilities

Provisions for future liabilities are recognised in the accounting books of the NBP when the NBP is under obligation arising from past events or from identified risk and when it is probable that the fulfilment of the obligation or the materialisation of the identified risk will reduce the economic benefits of the NBP, and the amount of this obligation and the amount adequate to cover

³ In 2010, the limit was PLN 4,000, respectively.



the identified risk can be measured reliably. Provisions are created and recognised as expense in the amount that would have to be paid not later than on the balance sheet date to fulfil the above mentioned obligation or would be sufficient to cover the identified risk mentioned above.

As at the balance sheet date, provisions for future liabilities are updated. Provisions for future liabilities unused due to partial or full cessation of obligation or risk justifying their creation, are released as income.

2.5.12. Provision against the foreign exchange rate risk of the zloty

The provision against the foreign exchange rate risk of the zloty is estimated on the basis of financial risk assessment methods which are generally accepted and consistently applied by the NBP (see section 4).

The provision is created, used and released on the balance sheet date.

The provision is created and recognised as expense and must not lead to a negative financial result of the current year for the NBP.

The provision is used – by recognising it as income – exclusively to cover unrealised losses arising from changes in the foreign exchange rate of the zloty in the amount that could result in a loss.

The surplus of provision is released and recognised as income.

2.5.13. Gold revaluation account

Gold revaluation account is released as income in the amount:

- of unrealised gold revaluation losses taken to the profit and loss account on the balance sheet date,
- corresponding to the pro-rata decrease in gold holding as compared to its holding at the balance sheet date of the previous financial year.

2.5.14. Foreign exchange forward

Currency purchased or sold in a foreign exchange forward transaction is recognised from the trade date to the settlement date on off-balance sheet accounts at the agreed spot exchange rate. The difference between the agreed forward exchange rate and the spot rate is recognised in the financial result at the end of each operating day in the amounts calculated pro-rata to the time elapsed between the date commonly adopted for the settlement of a spot transaction and the settlement date of a foreign exchange forward transaction.

2.5.15. Foreign exchange swap

Purchased or sold and, respectively, re-sold or re-purchased currency in a foreign exchange swap transaction is recognised from the trade date to the settlement date on off-balance sheet accounts at the agreed spot exchange rate. The difference between the agreed forward exchange rate and the spot rate is recognised in the financial result at the end of each operating day in the amounts calculated pro-rata to the time elapsed between the settlement date of the spot transaction and the settlement date of the foreign exchange forward transaction.

2.5.16. Forward transactions in securities

Securities purchased or sold in a forward transaction are recognised from the trade date to the settlement date on off-balance sheet accounts at an agreed price. On the trade date securities purchased or sold in a forward transaction do not change the holding of securities.



Securities purchased or sold in a forward transaction are valued at the balance sheet date at the market price of such transactions effective as at the valuation date. The rules for recognition of unrealised gains and losses are applied to income and expenses arising from this valuation.

On the transaction settlement date, securities purchased in a forward transaction increase the holding of securities, while securities sold in a forward transaction decrease the holding of securities.

The result of transaction settlement is calculated:

- for securities purchased in a forward transaction – as the difference between the market price and the agreed price, adjusted for revaluation losses recognised at the balance sheet date,
- for securities sold in a forward transaction – as the difference between the agreed price and the average cost of securities holding, adjusted for revaluation losses recognised at the balance sheet date.

If more than one transaction for the forward purchase or sale of securities has been entered into, valuation and settlement of these transactions are carried out separately.

2.6. Events after the balance sheet date

The balance sheet and the profit and loss account contain the events about which the information was obtained after the balance sheet date and prior to the approval of the annual financial statements, if such events materially influence their content.

3. Changes in accounting principles

On 14 December 2010, Resolution No. 16/2003⁴ was amended, effective from 1 January 2011. The amendments were aimed at:

- updating the provisions related to off-balance sheet financial instruments. The amendments were connected with the NBP's plans to extend its investment instruments portfolio with hitherto unused financial instruments (forward transactions in securities, futures, interest rate swaps, forward rate agreements). In 2011, the NBP started to carry out forward transactions in securities.
- taking into account the amendments of the ECB Guideline of 2010 related to SDR – the amendments concerned introducing a definition of SDR, refining the definition of a foreign currency holding in relation to SDR, and identifying the approach for the recognition of transactions resulting in the change of the holding of this currency, primarily in the context of transactions hedging the SDR exchange rate risk. The above mentioned changes did not impact the amounts presented in the NBP financial statements as at 31 December 2011 – the NBP did not execute any transactions hedging the SDR exchange rate risk either in 2011 or in previous years.
- laying down the principles for recognition and valuation of intangible assets generated internally by the NBP – these amendments concerned extending the category of intangible assets with expenditure incurred by the NBP on development, if it meets the following conditions:

⁴ Resolution No. 11/2010 of the Monetary Policy Council of 14 December 2010, amending Resolution No. 16/2003 of 16 December 2003 on accounting principles, format of the balance sheet and the profit and loss account of the National Bank of Poland (Official Journal of the NBP of 2010, No. 17, item 18).



- it is possible from the technical point of view to complete an intangible assets to be available for use or sale,
- the intention to complete an intangible asset and to use or sell it,
- the ability to use or sell an intangible asset,
- manner in which an intangible asset will generate probable future economic benefits,
- availability of adequate technical, financial and other resources to complete the development and to use or sell an intangible asset,
- it is possible to measure reliably expenditure on development that may be assigned to a given intangible asset.

By 31 December 2010, the expenditure on development had been expensed in the profit and loss account of the NBP at the date it was borne. In 2011, the NBP did not identify expenditure on development that would have met the above-mentioned conditions.

4. Values based on professional judgement and estimates

When preparing financial statements, the NBP makes specific estimates and assumptions that affect the amounts recognised in the financial statements. The estimates and assumptions are based, among others, on historical data and expectations about future events that are believed to be reasonable at the date of the financial statements preparation. As the existing circumstances and expectations about future events may change as a result of market changes or occurrence of factors beyond the NBP's control, the estimates made by the NBP are reviewed on a regular basis.

The key area where the NBP makes estimates is the calculation of the amount of the provision against the foreign exchange rate risk of the zloty.

In accordance with Resolution No. 12/2010, the estimated provision against the foreign exchange rate risk of the zloty is equal to the amount that would cover the potential change in the value of foreign currency holdings due to identified foreign exchange rate risk of the zloty, decreased by estimated unrealised gains arising from changes in the foreign exchange rate of the zloty. The estimated provision must not be lower than the amount of uncovered accumulated loss from previous years, that has arisen from changes in the foreign exchange rate of the zloty.

At the NBP, to perform the analysis of changes in the foreign exchange rate risk of the zloty the Value at Risk (VaR) methodology is used. It estimates the loss expected due to fluctuations of the foreign exchange rate of the zloty, which in normal conditions and with an assumed probability should not be exceeded within the adopted time horizon. The Value at Risk is then decreased by the estimated unrealised gains on changes in the foreign exchange rate of the zloty. The unrealised gains are estimated based on their statistical distribution which is determined by taking into account the foreign currency holdings in the structure of foreign exchange reserves as at the balance sheet date and historical time series of the average cost of currency holdings and of the average NBP exchange rates for these currencies. Such an approach makes it possible to determine a stable level of unrealised gains and thus limits volatility of the provision.

Other areas in which the NBP makes estimates relate, in particular, to:

- setting the amount of provisions for liabilities due to retirement and disability severance payments and jubilee awards (provisions are estimated on the basis of actuarial assessment carried out periodically by an independent actuary),



- setting the periods of use of tangible and intangible assets,
- setting the amount of asset impairment.

5. General overview of changes and structure of the NBP balance sheet and financial result

The NBP balance sheet

The balance sheet total of the NBP as at 31 December 2011 amounted to PLN 336,772,267.1 thousand, which represents an increase by PLN 57,431,882.3 thousand (20.6%) as compared to 31 December 2010.

On the assets side, the increase was mainly related to the official reserve assets which amounted to PLN 334,447,194.3 thousand as at 31 December 2011 and increased by PLN 57,261,088.9 thousand compared to 31 December 2010.⁵ The official reserve assets comprise: monetary gold, reserve tranche in the IMF, loans extended to the IMF,⁶ current accounts and term deposits abroad in foreign currency, foreign securities, reverse repo transactions in foreign currency and foreign currency in stock. The NBP actively manages most of the above mentioned instruments as part of its foreign exchange reserve management. The official reserve assets increase expressed in foreign currencies was due to: net inflows related to servicing State Treasury foreign debt by the NBP, inflows of the EU funds in euro and inflows of foreign currency from the NBP investment activities. At the same time, the increase in the PLN equivalent of the official reserve assets was affected by the currency revaluation carried out as at 31 December 2011.

On the liabilities side, currency revaluation resulted in currency revaluation gains which amounted to PLN 49,399,729.5 thousand as at 31 December 2011, and increased by PLN 32,718,562.9 thousand compared to 31 December 2010. Furthermore, the increase on the liabilities side concerned mainly:

- liabilities due to banknotes and coins in circulation amounting to PLN 112,089,532.0 thousand as at 31 December 2011, which increased by PLN 9,025,174.9 thousand compared to 31 December 2010.
- liabilities to residents denominated in foreign currency (mainly government sector accounts) amounting to PLN 16,126,196.1 thousand as at 31 December 2011, which increased by PLN 8,645,529.4 thousand compared to 31 December 2010,
- liabilities related to monetary policy operations amounting to PLN 119,823,979.6 thousand as at 31 December 2011, which increased by PLN 8,120,502.1 thousand compared to 31 December 2010.

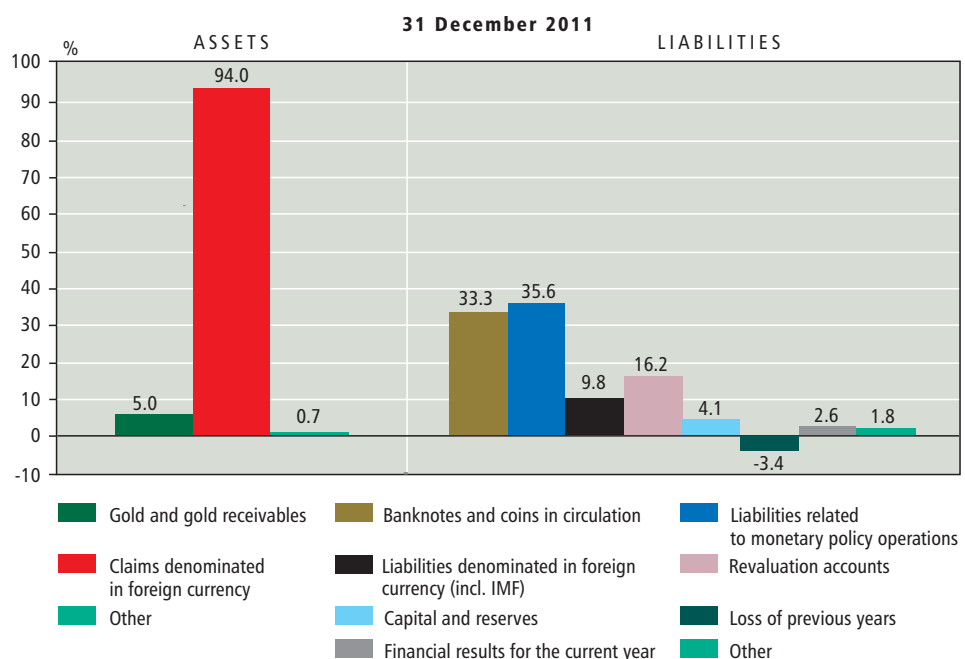
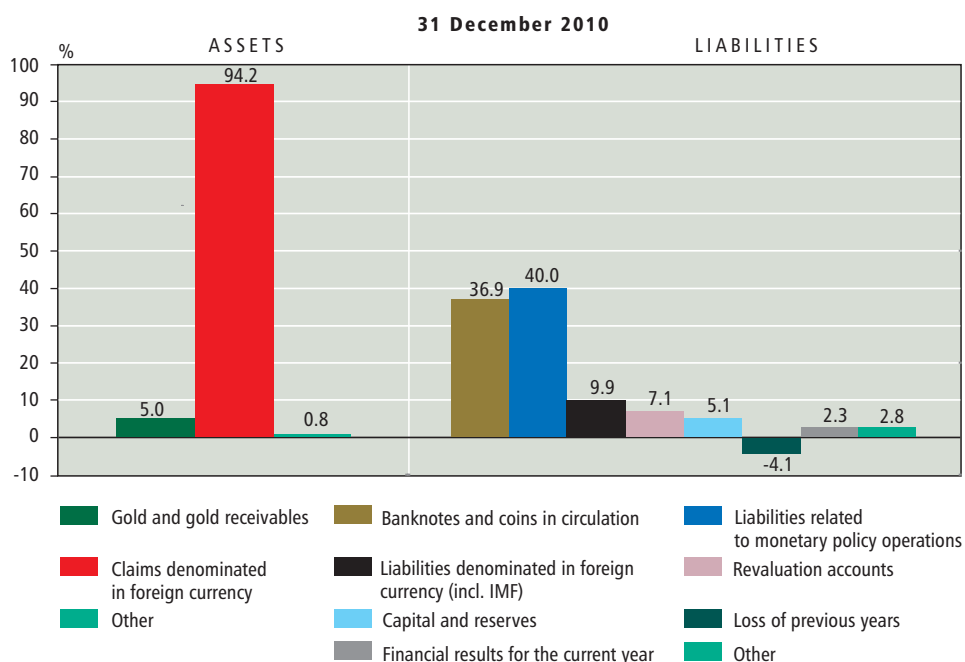
The dominant positions on the assets side of the NBP balance sheet are those in foreign currencies and gold. As at 31 December 2011, their combined share in the balance sheet total amounted to 99.3%, compared to 99.2% as at 31 December 2010. On the liabilities side, the share of liabilities in foreign currencies in the balance sheet total amounted to 9.8%, compared to 9.9% as at 31 December 2010. The main elements of the liabilities are banknotes and coins in circulation and liabilities related to monetary policy operations whose combined share amounted to 68.9% as at 31 December 2011, compared to 76.9% as at 31 December 2010 (see the Figure below).

⁵ Expressed in euro, the official reserve assets amounted to EUR 75,721,607.1 thousand as at 31 December 2011, compared to EUR 69,991,188.9 thousand as at 31 December 2010.

⁶ For statistical purposes, these loans are treated as part of reserve tranche in the IMF.



The NBP balance sheet structure as at 31 December 2010 and 31 December 2011



The NBP financial result

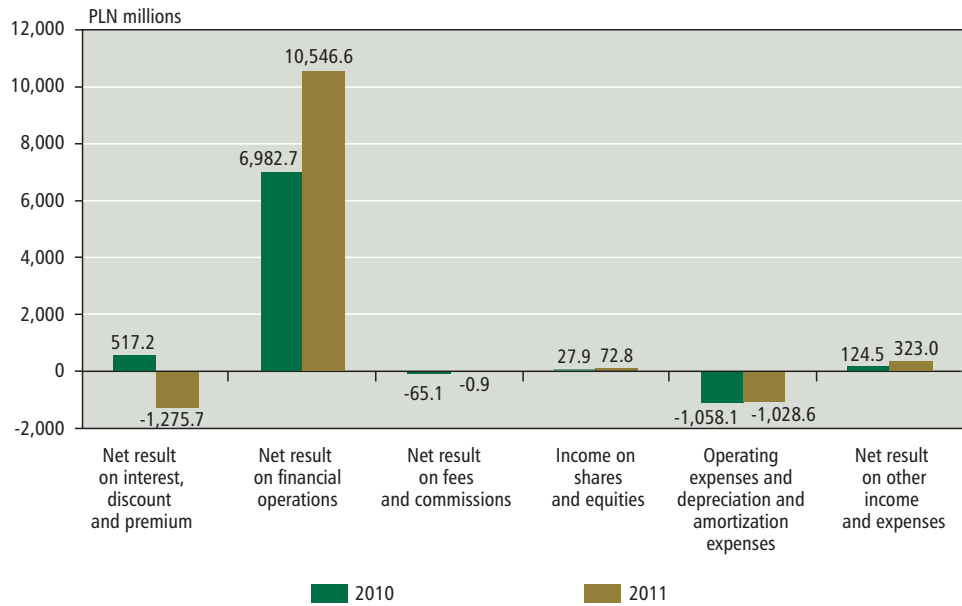
The NBP financial result for 2011 amounted to PLN 8,637,141.6 thousand and increased by PLN 2,108,022.9 thousand (32.3%) compared to 2010.

The increase in the financial result was mainly due to a higher net result on financial operations with a simultaneous decrease in net result on interest, discount and premium.

The structure of the NBP financial result for 2010 and 2011 is presented in the Figure below.



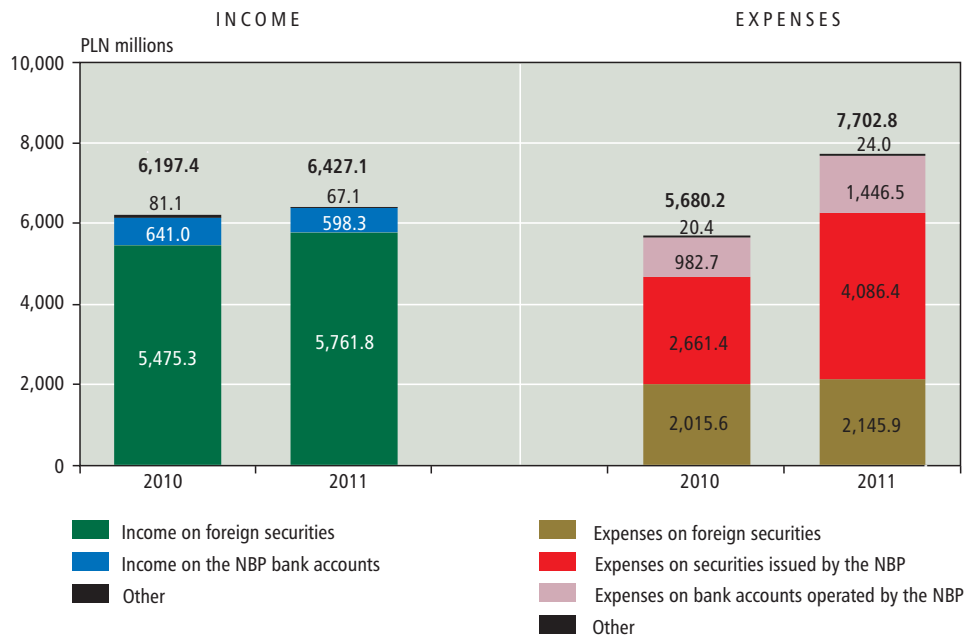
Structure of financial result, 2010–2011



Net result on interest, discount and premium comprises mainly:

- interest, discount and premium income and expenses on investment instruments used for foreign exchange reserves management. These income and expenses are affected by: the level of foreign exchange reserves, its investment and currency structure, changes in interest and prices of investment instruments and changes in foreign exchange rates,
- interest and discount income and expenses on instruments used by the NBP under monetary policy operations (mainly expenses related to the issue of monetary bills),
- interest expenses on bank accounts operated by the NBP for the government sector.

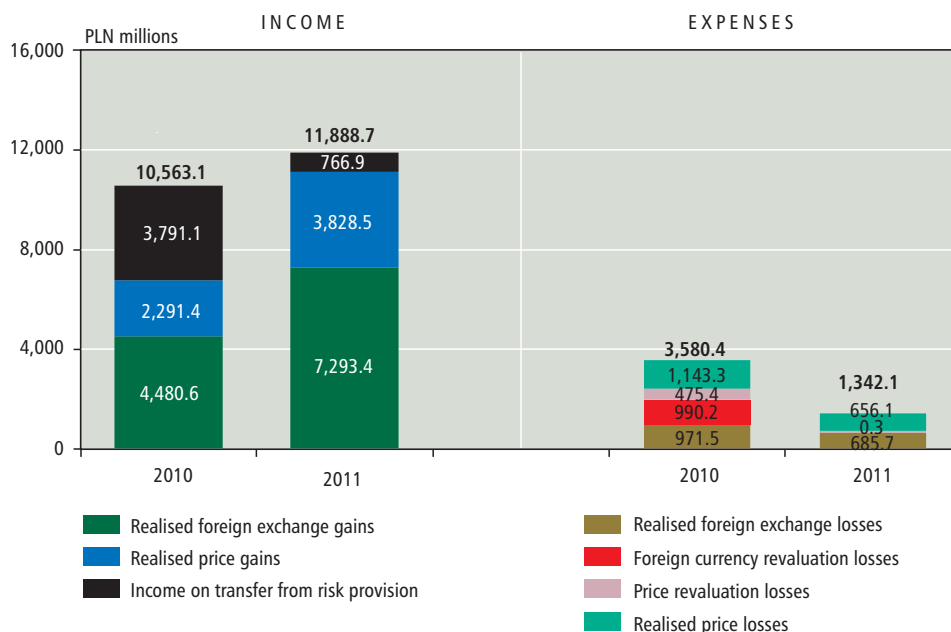
Structure of interest, discount and premium income and expenses, 2010–2011





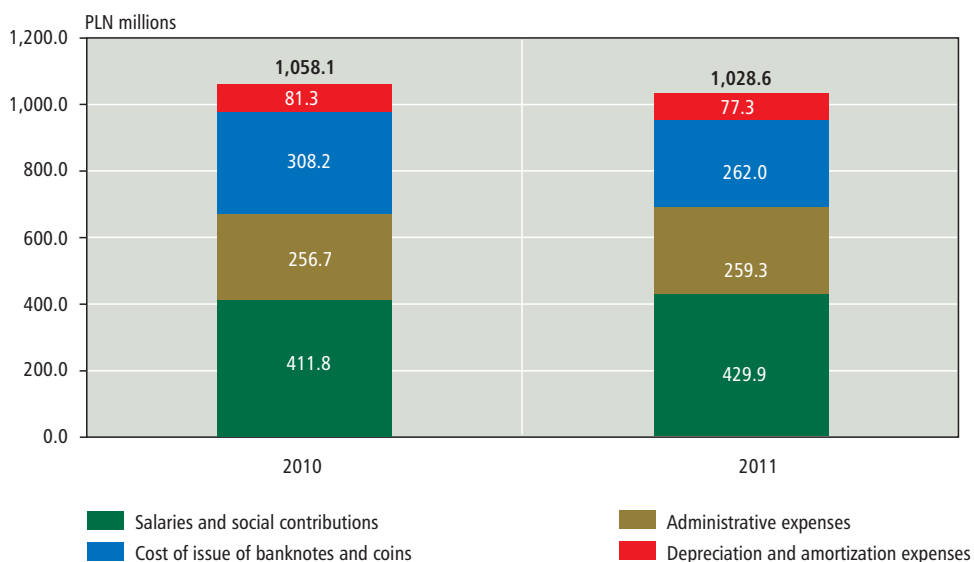
The decline in the net result on interest, discount and premium by PLN 1,792,947.7 thousand was driven mainly by an increase in discount expenses on monetary bills issued by the NBP and interest expenses on bank accounts operated by the NBP (see the Figure above).

Structure of income and expenses included in net result on financial operations, 2010–2011



Net result on financial operations comprises mainly: realised foreign exchange and price gains and losses, foreign currency and price revaluation losses, and the effects of changes in the amount of provision against the foreign exchange rate risk of the zloty.

Structure of operating expenses and depreciation and amortization expenses, 2010–2011



The increase in the net result on financial operations by PLN 3,563,923.9 thousand was mainly driven by:

- lower expenses on financial operations, mainly due to the non-occurrence in 2011 of unrealised foreign currency revaluation losses and a decrease in realised price losses,



- higher income on financial operations due to an increase in realised foreign exchange and price gains with a simultaneous decrease in income on the release of the provision against the foreign exchange rate risk of the zloty (see the Figure above).

The NBP operating expenses include: salaries and social contributions, administrative expenses and cost of issue of banknotes and coins.

In 2011, operating expenses and depreciation and amortization expenses decreased as compared to 2010 by a total of PLN 29,473.6 thousand. The decrease in operating expenses resulted mainly from lower cost of issue of banknotes and coins (see Figure above).

6. Explanatory notes to the balance sheet

Note 1. Gold and gold receivables

The position comprises gold stored at the NBP and deposited in a foreign bank account. As at 31 December 2011, the NBP held 3,308.9 thousand ounces of gold. The gold holding of the NBP remained unchanged as compared with the 31 December 2010.

	31.12.2010	31.12.2011	Change	
	PLN thousand			%
Gold and gold receivables	13,831,663.5	17,804,260.4	3,972,596.9	28.7
of which: currency revaluation differences	9,495,664.0	13,468,260.9	3,972,596.9	41.8

The increase in the position resulted from the currency revaluation of gold (see Note 23).

Note 2. Receivables from the IMF

The position comprises SDR-denominated:

- reserve tranche corresponding to the Republic of Poland's member quota in the IMF amounting to SDR 1,688,400.0 thousand reduced by liabilities due to the account operated by the NBP for the IMF in domestic currency (so-called Account No. 1) whose balance as at 31 December 2011 was PLN 5,865,203.7 thousand,
- current account of the NBP with the IMF on which, among others, funds received by the NBP under SDR allocation are recorded (see Note 18),
- term deposits of the NBP with the IMF,
- loans in foreign currency extended to the IMF under the New Arrangements to Borrow (NAB) (see Note 28).

	31.12.2010	31.12.2011	Change	
	PLN thousand			%
SDR under the reserve tranche	1,484,809.6	3,052,762.1	1,567,952.5	105.6
Current accounts with the IMF	5,988,035.6	6,142,978.4	154,942.8	2.6
Term deposits with the IMF	32,487.0	37,097.7	4,610.7	14.2
Loans extended to the IMF	0.0	912,553.1	912,553.1	–
Total	7,505,332.2	10,145,391.3	2,640,059.1	35.2
of which: currency revaluation differences	393,249.6	987,103.0	593,853.4	151.0



Due to the entry into force on 3 March 2011 of Resolution No. 63-2 on the Reform of Quota and Voice in the IMF, pursuant to which selected countries, including the Republic of Poland, were entitled to increase their quotas in the Fund, on 18 March 2011 the NBP made payment in the amount equivalent to SDR 319,400.0 thousand; as a result, the Republic of Poland's quota in the Fund's capital increased from SDR 1,369,000.0 thousand to SDR 1,688,400.0 thousand.

The increase in the position resulted mainly from:

- increase in the reserve tranche in connection with the transfer to the IMF of foreign currency for other countries under the IMF's Financial Transactions Plans (FTP),
- loan extended by the NBP to the IMF under the NAB,
- currency revaluation of SDR.

Note 3. Balances with foreign institutions, securities, loans granted and other foreign assets

The position comprises assets denominated in foreign currency, mostly in USD, EUR, GBP, AUD and NOK. Securities, term deposit accounts, reverse repo transactions shown in this position are the main investment instruments of foreign exchange reserves.

	31.12.2010	31.12.2011	Change	
	PLN thousand			%
Current accounts in foreign currency	1,279,830.3	9,764,676.7	8,484,846.4	663.0
Term deposits in foreign currency	18,384,253.1	18,975,830.5	591,577.4	3.2
Reverse repo transactions	14,529,072.8	9,900,277.8	-4,628,795.0	-31.9
Securities in foreign currency (marketable securities other than held-to-maturity)	221,314,499.5	267,660,962.9	46,346,463.4	20.9
Foreign banknotes and coins	367,117.4	207,386.0	-159,731.4	-43.5
Other claims in foreign currency	0.0	8.7	8.7	–
Total	255,874,773.1	306,509,142.6	50,634,369.5	19.8
of which:				
– currency revaluation differences	6,031,265.1	38,625,198.8	32,593,933.7	540.4
– price revaluation differences	1,055,459.1	3,649,616.2	2,594,157.1	245.8

The increase in the position resulted mainly from:

- currency revaluation,
- growth in foreign exchange reserves of the NBP⁷ and thereby the bank's increased investment in selected financial instruments,
- price revaluation of securities (see Note 23 and Note 34).

Note 4. Claims on residents denominated in foreign currency

As at 31 December 2011 the position amounted to nil, which was the result of a repayment of receivables by Krajowa Izba Rozliczeniowa SA [National Clearing House] relating to the coverage of a portion of costs incurred by the NBP in connection with the participation in the TARGET2 system.

⁷ Foreign exchange reserves constitute the main component of the official reserve assets (see Chapter 5).



Note 5. Other claims on other domestic monetary financial institutions denominated in domestic currency

The position comprises the NBP's claims on domestic banks unrelated to monetary policy operations. Its main component is the refinancing loan granted by the NBP for central investments.

As at 31 December 2011, the position amounted to PLN 356,402.0 thousand and was by PLN 372,543.8 thousand (51.1%) lower than as at 31 December 2010. The decrease in this position resulted mainly from the repayment to the NBP of the successive instalments of this loan, together with interest.

Note 6. Tangible and intangible fixed assets

The position comprises tangible fixed assets (including tangible fixed assets under construction) and intangible fixed assets (including intangible fixed assets under construction).

	31.12.2010	31.12.2011	Change	
	PLN thousand			%
Gross tangible fixed assets	1,828,026.5	1,863,240.7	35,214.2	1.9
Depreciation	-1,000,987.4	-1,043,262.0	-42,274.6	4.2
Impairment	-16,122.5	-16,095.0	27.5	-0.2
<i>Net tangible fixed assets</i>	<i>810,916.6</i>	<i>803,883.7</i>	<i>-7,032.9</i>	<i>-0.9</i>
Gross intangible fixed assets	329,564.7	337,985.4	8,420.7	2.6
Amortization	-254,865.9	-268,115.3	-13,249.4	5.2
Impairment	0.0	-8.9	-8.9	-
<i>Net intangible fixed asset</i>	<i>74,698.8</i>	<i>69,861.2</i>	<i>-4,837.6</i>	<i>-6.5</i>
Total	885,615.4	873,744.9	-11,870.5	-1.3

As at 31 December 2011 the balance-sheet value of the position comprised mainly real estates, machines, devices and IT software.

Note 7. Other financial assets

The position comprises shares and equities that the NBP holds in domestic entities (including Krajowy Depozyt Papierów Wartościowych SA [National Depository for Securities], Krajowa Izba Rozliczeniowa SA [National Clearing House], Bazy i Systemy Bankowe Sp. z o.o.) and in foreign entities (the Bank for International Settlements in Basel, S.W.I.F.T., the European Central Bank).

	31.12.2010	31.12.2011	Change	
	PLN thousand			%
Shares and equities in domestic entities	53,848.9	53,848.9	0.0	0.0
Share and equities in foreign entities	124,474.1	140,046.3	15,572.2	12.5
Total	178,323.0	193,895.2	15,572.2	8.7

The increase in the position resulted mainly from the currency revaluation of shares and equities in foreign entities.

Since 1 May 2004, i.e. the day Poland joined the European Union, the NBP has had participating interest in the ECB capital. As at 31 December 2011, the amount of the capital paid up by the NBP to the ECB was PLN 87,250.1 thousand (EUR 19,754.1 thousand).

In accordance with Article 28 of the Statute of the European System of Central Banks and the European Central Bank, hereinafter referred to "Statute of the ESCB and ECB", only the national



central banks of the ESCB are entitled to subscribe the ECB capital. The ECB's capital is subscribed according to the key determined in Article 29 of the Statute of the ESCB and ECB, i.e. shares of national central banks in the ECB capital are expressed in percentage and correspond to the shares of individual member states in the population and the combined gross domestic product of EU states (in equal consideration). As at 31 December 2011, the share of the NBP in the ECB's subscribed capital amounted to 4.8954%, which corresponded to the amount of EUR 526,777.0 thousand.

The NBP as a central bank from outside the euro area, is required to pay up the minimum percentage of the ECB capital subscribed by it, which was specified by the ECB General Council (pursuant to Article 47 of the Statute of the ESCB and the ECB) and constitutes the NBP's contribution to the operational costs of the ECB. The percentage has amounted to 3.75% since 29 December 2010. Unlike euro area central banks, the NBP has no right to participate in the ECB's profits nor is required to cover its losses. Upon entry into the euro area, the NBP will be required to pay up the remaining 96.25% of the ECB's capital subscribed by it, i.e. EUR 507,022.8 thousand.

On 29 December 2010, the subscribed capital of the European Central Bank was increased by EUR 5,000,000.0 thousand, from EUR 5,760,652.4 thousand to EUR 10,760,652.4 thousand. On 28 December 2011, the Eurosystem's central banks, which were required to pay up capital to the ECB in three instalments, paid up the second instalment of EUR 1,166,175.0 thousand.

The weightings in the key for capital subscription and the amounts of capital subscribed and paid up by individual national central banks of the ESCB are presented below.

EUR

	Key for capital subscription as at 31.12.2011	Subscribed capital	Paid-up capital	Paid-up capital	Paid-up capital
	(%)	since 29.12.2010	as at 31.12.2010	as at 01.01.2011	since 28.12.2011
Oesterreichische Nationalbank	1.9417	208,939,587.70	144,216,254.37	144,216,254.37	176,577,921.04
Nationale Bank van België	2.4256	261,010,384.68	180,157,051.35	180,157,051.35	220,583,718.02
Central Bank of Cyprus	0.1369	14,731,333.14	10,167,999.81	10,167,999.81	12,449,666.48
Eesti Pank/Bank of Estonia	0.1790	19,261,567.80	722,308.79	13,294,901.14	16,278,234.47
Suomen Pankki/Finlands Bank	1.2539	134,927,820.48	93,131,153.81	93,131,153.81	114,029,487.14
Banque de France	14.2212	1,530,293,899.48	1,056,253,899.48	1,056,253,899.48	1,293,273,899.48
Bank of Greece	1.9649	211,436,059.06	145,939,392.39	145,939,392.39	178,687,725.72
Banco de España	8.3040	893,564,575.51	616,764,575.51	616,764,575.51	755,164,575.51
De Nederlandsche Bank	3.9882	429,156,339.12	296,216,339.12	296,216,339.12	362,686,339.12
Central Bank of Ireland	1.1107	119,518,566.24	82,495,232.91	82,495,232.91	101,006,899.58
Banque centrale du Luxembourg	0.1747	18,798,859.75	12,975,526.42	12,975,526.42	15,887,193.09
Central Bank of Malta	0.0632	6,800,732.32	4,694,065.65	4,694,065.65	5,747,398.98
Deutsche Bundesbank	18.9373	2,037,777,027.43	1,406,533,694.10	1,406,533,694.10	1,722,155,360.77
Banco de Portugal	1.7504	188,354,459.65	130,007,792.98	130,007,792.98	159,181,126.31
Národná banka Slovenska	0.6934	74,614,363.76	51,501,030.43	51,501,030.43	63,057,697.10



Banka Slovenije	0.3288	35,381,025.10	24,421,025.10	24,421,025.10	29,901,025.10
Banca d'Italia	12.4966	1,344,715,688.14	928,162,354.81	928,162,354.81	1,136,439,021.48
<i>National central banks in euro area total</i>	<i>69.9705</i>	<i>7,529,282,289.35</i>	<i>5,184,359,697.03</i>	<i>5,196,932,289.36</i>	<i>6,363,107,289.36</i>
Българска народна банка	0.8686	93,467,026.77	3,505,013.50	3,505,013.50	3,505,013.50
Česka národní banka	1.4472	155,728,161.57	5,839,806.06	5,839,806.06	5,839,806.06
Danmarks Nationalbank	1.4835	159,634,278.39	5,986,285.44	5,986,285.44	5,986,285.44
Lietuvos bankas	0.4256	45,797,336.63	1,717,400.12	1,717,400.12	1,717,400.12
Latvijas Banka	0.2837	30,527,970.87	1,144,798.91	1,144,798.91	1,144,798.91
Narodowy Bank Polski	4.8954	526,776,977.72	19,754,136.66	19,754,136.66	19,754,136.66
Banca Națională a României	2.4645	265,196,278.46	9,944,860.44	9,944,860.44	9,944,860.44
Sveriges Riksbank	2.2582	242,997,052.56	9,112,389.47	9,112,389.47	9,112,389.47
Magyar Nemzeti Bank	1.3856	149,099,599.69	5,591,234.99	5,591,234.99	5,591,234.99
Bank of England	14.5172	1,562,145,430.59	58,580,453.65	58,580,453.65	58,580,453.65
<i>National central banks outside euro area total</i>	<i>30.0295</i>	<i>3,231,370,113.23</i>	<i>121,176,379.25</i>	<i>121,176,379.25</i>	<i>121,176,379.25</i>
Total	100	10,760,652,402.58	5,305,536,076.28	5,318,108,668.61	6,484,283,668.61

Note 8. Off-balance sheet instruments revaluation differences

The position comprises currency revaluation differences on spot transactions recognised on off-balance-sheet accounts (see Note 26) and price revaluation differences on forward transactions in securities (see Note 23 and Note 27).

	31.12.2010	31.12.2011	Change	
	PLN thousand			%
Currency revaluation differences	2,919.3	72,098.6	69,179.3	2,369.7
Price revaluation differences	0.0	12.4	12.4	–
Total	2,919.3	72,111.0	69,191.7	2,370.1

Note 9. Accruals and prepaid expenses

The position comprises accruals relating to securities issued in domestic currency and prepaid expenses relating to services.

As at 31 December 2011 the position amounted to PLN 56,741.2 thousand and was by PLN 3,490.1 thousand (5.8%) lower than as at 31 December 2010. The decrease resulted mainly from lower amount of discount to be amortized on monetary bills issued by the NBP (see Note 12).

Note 10. Sundry

The position comprises mainly balances arising from the adjustment of off-balance-sheet items in foreign currency to the average cost of foreign currency holding, inventories (including precious metals), credits and loans to employees and other receivables.



As at 31 December 2011 the position amounted to PLN 760,578.5 thousand and was by PLN 488,446.0 thousand (179.5%) higher than as at 31 December 2010. The increase in this position resulted mainly from higher balances arising from the adjustment of off-balance-sheet items in foreign currency to the average cost of foreign currency holding, which were due to a larger volume of spot transactions entered into by the NBP in the last days of 2011 (see Note 26).

Note 11. Banknotes and coins in circulation

The position comprises banknotes and coins in circulation issued by the NBP, including collector banknotes and coins, whose value as at 31 December 2011 amounted to PLN 244,239.2 thousand as compared with PLN 251,306.4 thousand as at 31 December 2010.

The average level of banknotes and coins in circulation throughout 2011 amounted to PLN 106,357.0 million as compared with PLN 101,164.5 million in 2010.

	31.12.2010	31.12.2011	Change	
	PLN thousand		%	
Domestic banknotes in circulation	99,916,230.6	108,807,688.4	8,891,457.8	8.9
Domestic coins in circulation	3,148,126.5	3,281,843.6	133,717.1	4.2
Total	103,064,357.1	112,089,532.0	9,025,174.9	8.8

In accordance with the Act of 7 July 1994 on the Redenomination of the Zloty (Journal of Laws No. 84, item 386 and of 1995 No. 16, item 79) banknotes and coins in circulation before 1 January 1995, were, without limitations, subject to exchange until 31 December 2010 in NBP branches and in other banks obliged by the President of the NBP to carry out this service. Banknotes and coins not returned until that date, with the value of PLN 172,093.0 thousand, were recognised by the NBP as income on 1 January 2011, thus decreasing the position *Banknotes and coins in circulation* (see Note 39).

Note 12. Liabilities to other domestic monetary financial institutions related to monetary policy operations denominated in domestic currency

The position comprises liabilities to domestic banks related to monetary policy operations conducted by the NBP. They include:

- liabilities due to issue of securities – monetary bills issued by the NBP under open market operations (shown in the item *Other monetary policy operations*),
- balances on current accounts of domestic banks, used to make interbank settlements in zloty and to hold funds that correspond to the required minimum reserve,
- liabilities due to deposit facilities.

	31.12.2010	31.12.2011	Change	
	PLN thousand		%	
Current accounts (incl. the required minimum reserve accounts)	36,562,970.1	20,417,008.4	-16,145,961.7	-44.2
Deposit facilities	500,827.4	5,976,261.2	5,475,433.8	1,093.3
Other monetary policy operations	74,639,680.0	93,430,710.0	18,791,030.0	25.2
Total	111,703,477.5	119,823,979.6	8,120,502.1	7.3

The increase in the position resulted mainly from the increase in the liabilities due to monetary bills issued and deposit facilities, with the simultaneous decrease in the liabilities due to current accounts.



Note 13. Other liabilities to other domestic monetary financial institutions denominated in domestic currency

The position comprises liabilities to domestic banks due to operations unrelated to monetary policy. Its main component is liabilities resulting from the payment orders of the NBP's customers submitted for settlement in the domestic payment system via Krajowa Izba Rozliczeniowa S.A. [National Clearing House], which were unsettled as at 31 December 2011.

As at 31 December 2011 the position amounted to PLN 169,616.1 thousand and was by PLN 98,481.1 thousand (138.4%) higher than as at 31 December 2010. The increase in this position resulted mainly from the increase in liabilities due to the above-mentioned orders.

Note 14. Liabilities to other residents denominated in domestic currency

The position comprises mainly current accounts, auxiliary accounts and term deposit accounts in domestic currency operated by the NBP for the general government sector, including the state budget and social insurance funds.

	31.12.2010	31.12.2011	Change	
	PLN thousand			%
Liabilities to general government	6,938,331.2	4,606,627.8	-2,331,703.4	-33.6
Other liabilities	23,302.6	49,085.9	25,783.3	110.6
Total	6,961,633.8	4,655,713.7	-2,305,920.1	-33.1

The decrease in the position resulted mainly from the decrease in funds held on current accounts of government sector entities.

Note 15. Liabilities to non-residents denominated in domestic currency

The position comprises current accounts in domestic currency operated by the NBP for international financial and non-financial organisations and central banks, including the account in domestic currency operated by the NBP for the IMF, which is used for the Fund's administrative expenses (so-called Account No. 2).

As at 31 December 2011 the position amounted to PLN 323,361.4 thousand and was by PLN 148,150.4 thousand (31.4%) lower than as at 31 December 2010. The decrease in this position resulted mainly from the decrease in funds held on the account of the European Commission.

Note 16. Liabilities to residents denominated in foreign currency

The position comprises mainly funds held on accounts in foreign currency operated by the NBP for:

- the State budget – current, auxiliary and term deposit accounts,
- domestic banks – current accounts in euro used for settlements in TARGET2.

The increase in the position resulted mainly from:

- increase of funds in foreign currency held on the current accounts of the State budget,
- currency revaluation.



	31.12.2010	31.12.2011	Change	
	PLN thousand			%
Accounts of the State budget	6,899,416.2	15,512,499.8	8,613,083.6	124.8
Accounts of domestic banks for settlement in TARGET2	532,502.3	432,556.0	-99,946.3	-18.8
Other	48,748.2	181,140.3	132,392.1	271.6
Total	7,480,666.7	16,126,196.1	8,645,529.4	115.6
<i>of which: currency revaluation differences</i>	<i>-94,548.8</i>	<i>1,326,483.3</i>	<i>1,421,032.1</i>	<i>-1,503.0</i>

Note 17. Liabilities to non-residents denominated in foreign currency

The position comprises mainly repo transactions in foreign currency carried out with foreign financial institutions. Under the NBP's investment policies these transactions are related to reverse repo transactions (see Note 3).

	31.12.2010	31.12.2011	Change	
	PLN thousand			%
Repo transactions	13,735,376.5	9,899,942.3	-3,835,434.2	-27.9
Other	247,443.3	156,453.4	-90,989.9	-36.8
Total	13,982,819.8	10,056,395.7	-3,926,424.1	-28.1
<i>of which: currency revaluation differences</i>	<i>-30,339.0</i>	<i>1,224,845.0</i>	<i>1,255,184.0</i>	<i>-4,137.2</i>

The decrease in the position resulted mainly from the NBP's reduced involvement in these transactions. Moreover, the value of this position was affected by currency revaluation.

Note 18. Liabilities to the IMF

The position comprises liabilities due to the funds received by the NBP under the SDR allocation, including interest accrued thereon. SDR allocation was conducted in the second half of 2009. Under the general and special allocation, the Republic of Poland received a total of SDR 1,304,639.7 thousand.

	31.12.2010	31.12.2011	Change	
	PLN thousand			%
Liabilities to the IMF	5,995,355.5	6,844,178.1	848,822.6	14.2
<i>of which: currency revaluation differences</i>	<i>314,132.8</i>	<i>665,909.1</i>	<i>351,776.3</i>	<i>112.0</i>

The increase in the position resulted mainly from its adjustment to the average cost of SDR holding and currency revaluation of SDR.

Note 19. Off-balance-sheet instruments revaluation differences

The position comprises currency revaluation differences on spot transactions recognised on off-balance-sheet accounts (see Note 26) and price revaluation differences on forward transactions in securities (see Note 27 and Note 34).

	31.12.2010	31.12.2011	Change	
	PLN thousand			%
Currency revaluation differences	44,199.7	547,736.5	503,536.8	1,139.2
Price revaluation differences	0.0	50.2	50.2	-
Total	44,199.7	547,786.7	503,587.0	1,139.3



Note 20. Accruals and deferred income

The position comprises accruals (accruals in foreign currency) and deferred income.

As at 31 December 2011 the position amounted to PLN 200,961.9 thousand and was by PLN 3,548.9 thousand (1.7%) lower than as at 31 December 2010. The decrease in this position resulted mainly from the decrease in the balance of deferred income.

Note 21. Sundry

The position comprises mainly balances arising from the adjustment of off-balance-sheet items in foreign currency to the average cost of foreign currency holding, liabilities to public authorities, liabilities to suppliers and funds of the Employee Benefit Fund.

As at 31 December 2011 the position amounted to PLN 113,534.0 thousand and was by PLN 62,903.3 thousand (124.2%) higher than as at 31 December 2010. The increase in this position resulted mainly from higher balances arising from the adjustment of off-balance-sheet items in foreign currency to the average cost of foreign currency holding, which were due to a larger volume of spot transactions entered into by the NBP in the last days of 2011 (see Note 26).

Note 22. Provisions for future liabilities

The position comprises mainly provisions for future liabilities to employees due to retirement severance payments, disability severance payments, jubilee awards and untaken leaves.

As at 31 December 2011 the position amounted to PLN 105,412.5 thousand and was by PLN 5,752.6 thousand (5.8%) higher than as at 31 December 2010. The increase in this position resulted mainly from the increase in provisions for future liabilities to employees due to retirement severance payments.

Note 23. Revaluation accounts

As at 31 December 2011 the value of the position resulted mainly from revaluation gains on gold and on the following foreign currencies: USD, EUR, AUD, GBP, NOK, SDR, CHF, CAD, JPY, DKK, SEK, CZK and HUF.

	31.12.2010	31.12.2011	Change	
	PLN thousand			%
Gold revaluation account	1,618,023.2	1,618,023.2	0.0	0.0
Currency revaluation gains, of which:	16,681,166.6	49,399,729.5	32,718,562.9	196.1
– revaluation gains on gold	9,495,664.0	13,468,260.9	3,972,596.9	41.8
– revaluation gains on foreign currencies	7,185,502.6	35,931,468.6	28,745,966.0	400.1
Price revaluation gains, of which:	1,530,866.4	3,649,857.0	2,118,990.6	138.4
– revaluation gains on securities	1,530,866.4	3,649,844.6	2,118,978.2	138.4
– revaluation gains on off-balance-sheet instruments	0.0	12.4	12.4	–
Total	19,830,056.2	54,667,609.7	34,837,553.5	175.7

Revaluation gains are determined for:

- gold – by comparison of the average cost of gold holding with the average market price of gold expressed in PLN, which is higher than the average cost,
- foreign currencies – by comparison of the average cost of foreign currency holding with the average NBP exchange rate, which is higher than the average cost.



The average costs of holdings of individual foreign currencies and gold, the average NBP exchange rates and the average market price of gold are presented below.

	Average cost of holding	Average NBP exchange rate/ average price of gold	Average cost of holding	Average NBP exchange rate/ average price of gold
	31.12.2010		31.12.2011	
AUD	2.4951134193	3.0177	2.7603790448	3.4670
CAD	2.9195067170	2.9691	2.9399527735	3.3440
CHF	2.9500312778	3.1639	3.1620769958	3.6333
CZK	0.1477682188	0.1580	0.1554457455	0.1711
DKK	0.5390868912	0.5313	0.5635496933	0.5941
EUR	4.0142685282	3.9603	4.0563069964	4.4168
GBP	4.5922079667	4.5938	4.6239904984	5.2691
HUF	0.0136439457	0.0142	0.0136698219	0.0142
JPY	0.0347231325	0.0364	0.0383764180	0.0441
NOK	0.4787569358	0.5071	0.4998587622	0.5676
SEK	0.4207589705	0.4415	0.4697496231	0.4950
USD	2.8754225618	2.9641	2.9027468377	3.4174
SDR	4.3519660165	4.5926	4.7341424263	5.2444
Ounce of gold*	1,310.3996257646	4,180.1220	1,310.3996257646	5,380.6963

* Price of an ounce of gold, expressed in USD, was USD 1,410.25 as at 31 December 2010 and USD 1,574.50 as at 31 December 2011.

Price revaluation gains on securities are determined by comparison of the average cost of securities holding with the average market price of these securities, which is higher than the average cost. As at 31 December 2011 price revaluation gains related mainly to interest-bearing securities in USD, AUD, GBP and EUR.

Price revaluation gains on off-balance-sheet instruments related to forward transactions in securities (see Note 27).

Because of the fact that as at 31 December 2011 there were:

- no unrealised gold revaluation losses,
- no decrease in gold holding as compared to the holding at the balance-sheet date of the previous financial year,

the NBP did not release the gold revaluation account.

Note 24. Capital and reserves

The position comprises:

- statutory fund, whose amount is determined by Article 61 of the Act on the NBP,
- reserve fund, which in accordance with Article 62 of the Act on the NBP, is created from the transfer of 5% of the NBP annual profit until it reaches the amount equivalent to the statutory fund. Reserve fund may only be used to cover the NBP's balance-sheet losses,
- the provision against the foreign exchange rate risk of the zloty, created as laid down in Article 65 of the Act on the NBP.



	31.12.2010	31.12.2011	Change	
	PLN thousand			%
Statutory fund	1,500,000.0	1,500,000.0	0.0	0.0
Reserve fund	208,277.7	534,733.7	326,456.0	156.7
Reserves	12,600,885.6	11,834,026.0	-766,859.6	-6.1
Total	14,309,163.3	13,868,759.7	-440,403.6	-3.1

The decrease in the position resulted from the adjustment of the provision – in the amount of PLN 766,859.6 thousand – and a simultaneous increase in the reserve fund due to the transfer from the profit for 2010 – in the amount of PLN 326,456.0 thousand.

Note 25. Financial result

The position comprises:

- financial result for the current year in the amount PLN 8,637,141.6 thousand (see Note 45),
- portion of the NBP's loss for the year 2007, which was not covered by the reserve fund; as at 31 December 2011 this position amounted to PLN 11,457,911.7 thousand and remained unchanged as compared with 31 December 2010.

7. Explanatory notes to off-balance-sheet positions

Note 26. Spot transactions recognised on off-balance-sheet accounts

The increase in the above items resulted from spot foreign exchange transactions carried out by the NBP towards the end of the year with domestic and foreign banks.

	31.12.2010	31.12.2011	Change	
	PLN thousand			%
Receivables arising from spot transactions, of which:	1,816,529.7	6,189,548.5	4,373,018.8	240.7
– receivables denominated in domestic currency	595,560.0	2,657,029.6	2,061,469.6	346.1
– receivables denominated in foreign currency	1,220,969.7	3,532,518.9	2,311,549.2	189.3
Liabilities arising from spot transactions, of which:	1,816,529.7	6,189,548.5	4,373,018.8	240.7
– liabilities denominated in domestic currency	2,961.6	673.1	-2,288.5	-77.3
– liabilities denominated in foreign currency	1,813,568.1	6,188,875.4	4,375,307.3	241.3

Note 27. Off-balance-sheet financial instruments

The recognition of the position as at 31 December 2011 was connected with the fact that in 2011 the NBP started to enter into forward transactions in securities.

	31.12.2010	31.12.2011	Change	
	PLN thousand			%
Securities denominated in foreign currency purchased in forward transactions	0.0	165,292.1	165,292.1	–
Securities denominated in foreign currency sold in forward transactions	0.0	23,313.9	23,313.9	–



Note 28. Limits on loans in foreign currency extended to the IMF

As of 15 November 2011, the NBP became a participant in the New Arrangements to Borrow (NAB), which can be joined by member states of the IMF or their central banks. As a participant in the NAB, the NBP has made a commitment to grant to the IMF an interest-bearing loan of up to SDR 2,528,590.0 thousand. The funds are transferred by the NBP at the request of the IMF.

In 2011, the NBP transferred SDR 174,000.0 thousand to the IMF and, therefore, as at 31 December 2011, the NBP's commitment to the NAB amounted to SDR 2,354,590.0 thousand (PLN 12,348,411.8 thousand according to the NBP average exchange rate as at the balance-sheet date).

Note 29. Other items recognised on off-balance-sheet accounts

As at 31 December 2011, other items recognised on off-balance-sheet accounts mainly related to:

- collaterals received by the NBP in the amount of PLN 21,462.3 thousand (as at 31.12.2010 – PLN 18,413.3 thousand),
- contingent assets claimed by the NBP in the amount of PLN 269.3 thousand (as at 31.12.2010 – PLN 271.2 thousand).

Interest due from Bank Handlowo-Kredytowy S.A. under liquidation accrued after the date of its liquidation (i.e. from 1 April 1992) amounted to PLN 1,183,103.7 thousand; its amount did not change as compared with 31 December 2010.

8. Explanatory notes to profit and loss account

Note 30. Interest, discount and premium income

The position comprises mainly interest and discount income on basic investment instruments of foreign exchange reserves (see Note 3) and on the refinancing loan for central investments (see Note 5).

	2010	2011	Change	
	PLN thousand			%
Interest and discount income on securities denominated in foreign currency	5,475,271.1	5,761,765.7	286,494.6	5.2
Interest income on the NBP's bank accounts, of which:	641,049.8	598,253.0	-42,796.8	-6.7
– on accounts in foreign currency	444,318.9	598,253.0	153,934.1	34.6
– on accounts in domestic currency	196,730.9	0.0	-196,730.9	-100.0
Interest income on credits and loans	58,289.6	36,018.0	-22,271.6	-38.2
Other income	22,776.9	31,041.5	8,264.6	36.3
Total	6,197,387.4	6,427,078.2	229,690.8	3.7

In 2011, the increase in the position resulted mainly from higher income on investment instruments of foreign exchange reserves, due to:

- increase in the average annual level of foreign exchange reserves (their average level amounted to EUR 62,734.0 million in 2011, as compared with EUR 57,501.7 million in 2010),



– changes in average annual exchange rates of the zloty – depreciation of the zloty against EUR, GBP, AUD and NOK (see table below presenting the average annual exchange rates).

At the same time:

– higher, by PLN 286,494.6 thousand, interest and discount income on securities denominated in foreign currency was caused by an increased share of fixed-interest securities in the structure of foreign exchange reserves and an increase in the average rate of return on discount securities denominated in EUR,

– higher, by PLN 153,934.1 thousand, interest income on the NBP's bank accounts in foreign currency was primarily caused by an increased share of term deposits in the structure of foreign exchange reserves and higher interest on deposit transactions in EUR, AUD and NOK.

The lower, by PLN 22,271.6 thousand, interest income on credits and loans resulted mainly from the decrease in receivables on the refinancing loan for central investments, following the repayment of loan instalments in 2011.

Moreover, no interest income on the NBP's bank accounts in domestic currency was recorded in 2011. In 2010, it amounted to PLN 196,730.9 thousand and related to interest on fine-tuning operations of repo type that temporarily provided liquidity to the banking sector.

The average annual exchange rates of the zloty against main foreign currencies in 2010–2011 are presented below.

	Average annual exchange rate			
	2010	2011	Change	
	PLN			%
USD	3.0157	2.9634	-0.0523	-1.7
EUR	3.9946	4.1198	0.1252	3.1
GBP	4.6575	4.7460	0.0885	1.9
AUD	2.7687	3.0557	0.2870	10.4
NOK	0.4986	0.5283	0.0297	6.0

Note 31. Interest, discount and premium expenses

The position comprises mainly interest, discount and premium expenses on instruments used by the NBP under monetary policy operations (see Note 12), on basic investment instruments of foreign exchange reserves (see Note 3 and Note 17) and on other bank accounts operated by the NBP.

	2010	2011	Change	
	PLN thousand			%
Premium expenses on securities denominated in foreign currency	2,015,646.5	2,145,899.2	130,252.7	6.5
Interest and discount expenses on issued securities denominated in domestic currency	2,661,416.3	4,086,416.0	1,424,999.7	53.5
Interest expenses on bank accounts operated by the NBP, of which:	982,722.7	1,446,470.6	463,747.9	47.2
– on accounts in foreign currency	138,009.8	187,202.4	49,192.6	35.6
– on accounts in domestic currency	844,712.9	1,259,268.2	414,555.3	49.1
Other expenses	20,368.8	24,007.0	3,638.2	17.9
Total	5,680,154.3	7,702,792.8	2,022,638.5	35.6



In 2011, the increase in the position resulted mainly from:

- higher, by PLN 1,424,999.7 thousand, discount expenses on issued securities, denominated in domestic currency, due to:
 - increase in the issue of the NBP's monetary bills under open market operations; the level of main operations, on an average annual basis, amounted to PLN 93,870.4 million in 2011, as compared to PLN 75,012.2 million in 2010, and of fine-tuning operations – to PLN 1,407.1 million in 2011, as compared to PLN 48.1 million in 2010,⁸
 - increase in the average annual level of the reference rate that determines the yield on monetary bills – from 3.50% in 2010 to 4.22% in 2011,
- higher, by PLN 414,555.3 thousand, interest expenses on bank accounts operated by the NBP in domestic currency; this change stemmed mainly from higher interest expenses on the required minimum reserves of the banks and the term deposits of the State budget,
- higher, by PLN 130,252.7 thousand, premium expenses on securities denominated in foreign currency, mainly as a result of:
 - a fall of yields on securities,
 - a larger share of fixed-interest securities in the structure of foreign exchange reserves.

At the same time, higher premium expenses were also affected by:

- increase in the average annual level of foreign exchange reserves (see Note 30),
- changes in the average annual exchange rates of the zloty – depreciation of the zloty against EUR, GBP and AUD (see Note 30 – table presenting the average annual exchange rates).

Note 32. Income on financial operations

The position comprises mainly:

- realised foreign exchange gains on foreign currency transactions,
- realised price gains on the sale of securities in spot transactions,
- realised price gains from the settlement of forward transactions in securities.

	2010	2011	Change	
	PLN thousand			%
Realised foreign exchange gains	4,480,631.5	7,293,367.6	2,812,736.1	62.8
Realised price gains, of which:	2,291,370.1	3,828,465.1	1,537,095.0	67.1
– on spot transactions in securities	2,291,370.1	3,224,720.1	933,350.0	40.7
– on off-balance-sheet financial instruments	0.0	603,745.0	603,745.0	–
Other income on financial operations	8.0	6.3	-1.7	-21.3
Total	6,772,009.6	11,121,839.0	4,349,829.4	64.2

⁸ All calendar days from 1 January to 31 December of each year were taken into account to calculate average annual values.



In 2011, the increase in the position resulted mainly from:

- higher realised foreign exchange gains on transactions in: EUR, AUD, GBP, USD and NOK,
- higher realised price gains on the spot sale of interest-bearing securities denominated in USD, GBP and AUD and of discount securities denominated in EUR,
- recognition of realised price gains on forward transactions in securities.

Note 33. Expenses on financial operations

The position comprises mainly:

- realised foreign exchange losses on foreign currency transactions,
- realised price losses on the sale of securities in spot transactions,
- realised price losses on the settlement of forward transactions in securities.

	2010	2011	Change	
	PLN thousand			%
Realised foreign exchange losses	971,509.6	685,741.6	-285,768.0	-29.4
Realised price losses, of which:	1,143,339.3	656,085.4	-487,253.9	-42.6
– on spot transactions in securities	1,143,339.3	520,449.7	-622,889.6	-54.5
– on off-balance-sheet financial instruments	0.0	135,635.7	135,635.7	–
Other expenses on financial operations	1.8	12.5	10.7	594.4
Total	2,114,850.7	1,341,839.5	-773,011.2	-36.6

In 2011, the decrease in the position resulted mainly from:

- lower realised foreign exchange losses on transactions in EUR, accompanied by higher foreign exchange losses on transactions in USD,
- lower realised price losses on the spot sale of interest-bearing securities in USD and AUD.

At the same time, in 2011, realised price losses on forward transactions in securities were recognised.

Note 34. Unrealised losses

In 2011, no foreign currency revaluation losses were recorded.

Currency revaluation losses are determined by comparison of the average cost of foreign currency holding with the average NBP exchange rate, which is lower than the average cost (see Note 23).

	2010	2011	Change	
	PLN thousand			%
Foreign currency revaluation losses	990,173.8	0.0	-990,173.8	-100.0
Price revaluation losses, of which:	475,407.3	278.6	-475,128.7	-99.9
– revaluation losses on securities	475,407.3	228.4	-475,178.9	-100.0
– revaluation losses on off-balance-sheet instruments	0.0	50.2	50.2	–
Total	1,465,581.1	278.6	-1,465,302.5	-100.0



In 2011, the unrealised losses resulted from price revaluation losses on securities and off-balance sheet instruments recognised as at 31 December 2011.

Price revaluation losses on securities are determined by comparison of the average cost of securities holding with the average market price of these securities which is lower than the average cost. As at 31 December 2011, price revaluation losses related to securities denominated in USD and EUR.

Price revaluation losses on off-balance-sheet instruments related to forward transactions in securities (see Note 27).

Note 35. Income on transfers from risk provisions and on reversal of write-downs of financial assets

In 2011, income in the amount of PLN 766,859.6 thousand resulted from the adjustment of the provision against the foreign exchange rate risk of the zloty (see Note 24).

Note 36. Fees and commissions income

The position comprises mainly fees and commissions income relating to payment orders executed by the NBP, operating bank accounts and participation in the TARGET2 system.

In 2011, the position amounted to PLN 35,488.9 thousand and was by PLN 4,297.5 thousand (13.8%) higher as compared with 2010.

Note 37. Fees and commissions expenses

The position comprises mainly fees and commissions expensed by the NBP due to:

- substitution cash services provided by other banks to the State budget on behalf of the NBP (in cities and towns in which the NBP does not have its own branches),
- participation in the TARGET2 system,
- maintenance of the NBP's accounts in foreign currency abroad,
- execution of own payment orders.

In 2011, the position amounted to PLN 36,391.0 thousand and was by PLN 59,862.6 thousand (62.2%) lower as compared with 2010.

In 2010 a portion (in the amount of PLN 60,752.8 thousand) of prepaid expenses on the IMF fee for the access of the Republic of Poland to the Flexible Credit Line, expensed in May 2009, was recognised in this position. In 2011, the NBP did not record any expense related to the IMF fee (see Note 46).

Note 38. Income on shares and equities

The position comprises income on dividends from shares and equities held by the NBP in domestic and foreign entities (see Note 7).

	2010	2011	Change	
	PLN thousand			%
Income on shares and equities in domestic entities	1,437.5	62,502.5	61,065.0	4,248.0
Income on shares and equities in foreign entities	26,415.7	10,280.8	-16,134.9	-61.1
Total	27,853.2	72,783.3	44,930.1	161.3



As at 31 December 2011, the income resulted from dividend proceeds from shares in the National Depository for Securities, the National Clearing House and in the Bank for International Settlements in Basel.

Note 39. Other income

The position comprises mainly income on the sale of collector coins and banknotes, rental of office premises and sale of IT services, and in 2011 also income on the non-returned banknotes and coins.

In 2011, the position amounted to PLN 342,596.2 thousand and was by PLN 191,006.3 thousand (126.0%) higher, as compared with 2010. The increase in this position resulted mainly from the income on the non-returned banknotes and coins (see Note 11).

Note 40. Salaries and social contributions

The position comprises salaries, social contributions as well as expenses for provisions for future liabilities to employees due to retirement and disability severance payments, jubilee awards and untaken leaves.

In 2011, the position amounted to PLN 429,935.1 thousand and was by PLN 18,115.6 thousand (4.4%) higher, as compared with 2010. The increase resulted mainly from higher, by PLN 7,886.0 thousand, costs of creating provisions for future liabilities to employees as well as higher by PLN 7,145.7 thousand costs of salaries, in line with the adopted Human Resources and payroll policy.

Note 41. Administrative expenses

The increase in the position resulted mainly from higher expenses on materials and energy, employee benefits and business travels, while simultaneously the expenses on services from third parties and other administrative expenses declined.

	2010	2011	Change	
	PLN thousand			%
Materials and energy used	29,969.4	33,903.5	3,934.1	13.1
Benefits for employees and other eligible persons	10,820.9	12,248.0	1,427.1	13.2
Business travels	5,823.2	6,870.6	1,047.4	18.0
Services from third parties	155,779.1	152,493.0	-3,286.1	-2.1
Taxes and fees	14,472.6	15,234.6	762.0	5.3
Transfers to special funds	4,582.6	4,759.6	177.0	3.9
Other administrative expenses	35,243.9	33,761.4	-1,482.5	-4.2
Total	256,691.7	259,270.7	2,579.0	1.0

Note 42. Depreciation and amortization expenses

In 2011 fixed assets depreciation expenses related mainly to the depreciation of buildings and premises, machines and devices, while intangible assets amortization expenses related to computer software.

	2010	2011	Change	
	PLN thousand			%
Fixed assets depreciation expenses	66,307.3	63,457.2	-2,850.1	-4.3
Intangible assets amortization expenses	15,005.0	13,887.8	-1,117.2	-7.4
Total	81,312.3	77,345.0	-3,967.3	-4.9



Note 43. Cost of issue of banknotes and coins

The position comprises the cost of issue of banknotes and coins, including collector banknotes and coins.

In 2011 the position amounted to PLN 262,048.3 thousand and was by PLN 46,200.9 thousand (15%) lower, as compared with 2010. The decrease in this position resulted mainly from the beneficial prices the NBP received for the purchase of banknotes and coins, rationalisation of banknotes and coins inventories and from the bank's decrease in orders for the supply of collector coins.

Note 44. Other expenses

The position comprises mainly expenses corresponding to the nominal value of collector coins and banknotes sold, costs of creating provisions for future liabilities and costs of write-downs on other assets.

In 2011 the position amounted to PLN 19,602.6 thousand and was by PLN 7,476.6 thousand (27.6%) lower as compared with 2010. The decrease in this position resulted mainly from lower impairment losses on fixed assets.

Note 45. Financial result for the current year and its allocation

The NBP profit for 2011 amounted to PLN 8,637,141.6 thousand and was by PLN 2,108,022.9 thousand (32.3%) higher, as compared with 2010.

In accordance with Article 62 and 69 of the Act on the National Bank of Poland, the NBP profit will be allocated (within 14 days following the approval of the annual financial statements of the NBP by the Council of Ministers) to:

- the NBP reserve fund (5% of profit) – PLN 431,857.1 thousand,
- the State budget, as the NBP's contribution from profit – PLN 8,205,284.5 thousand.

9. Other explanatory notes

Note 46. Flexible Credit Line

Flexible Credit Line is an IMF instrument intended for countries with sound fundamentals and positive macroeconomic outlook. In the case of Poland, it is a precautionary facility.

On 2 July 2010, the Executive Board of the International Monetary Fund approved the Poland's request for access to the Flexible Credit Line arrangement in the amount of SDR 13,690,000.0 thousand. This IMF instrument was made available to the Republic of Poland for a period of 1 year. The Government of the Republic of Poland was an authorising entity of the FCL, while the NBP serviced it as the fiscal agency of the Government.

On 21 January 2011, the Executive Board of the IMF cancelled the Line extended to Poland on 2 July 2010 and granted access to the Flexible Credit Line arrangement under new rules: the amount was increased to SDR 19,166,000.0 thousand (PLN 100,514,170.4 according to the NBP average exchange rate as at the balance sheet date) and the access was granted for a period of 2 years (i.e. until 20 January 2013). Also in this case, the Government of the Republic of Poland is an authorising entity of the new Flexible Credit Line, while the NBP is the Government's fiscal agency.



Note 47. Foundation of the National Bank of Poland

On 10 August 2009, the NBP established the Foundation of the National Bank of Poland whose main statutory purpose is to support activities promoting the development of economics and economic education. On 31 August 2009, the Foundation was entered into the National Court Register. The registered capital of the Foundation amounts to PLN 1,500.0 thousand, of which PLN 750.0 thousand is earmarked for business activities. Income generated by the Foundation can be used for statutory purposes only.

Note 48. Events after the balance sheet date

By the day on which the financial statements were approved, no events had occurred the information of which was obtained after the balance sheet date and which could materially affect the content of the financial statements.

10. Financial and operational risk

The National Bank of Poland operates a risk management system which is a continuous and repeatable decision-making process that supports the attainment of NBP goals while using appropriate organisational, procedural and technical solutions.

Risk management system embraces three inherently connected levels:

- decentralised operational risk management in all departments and organisational units of the NBP, by directors of individual units, with the participation of the so-called "risk managers" responsible for risk monitoring;
- activities of specialised organisational units:
 - the Financial Risk Management Department responsible for financial risk management,
 - the Operational Risk and Compliance Department that develops, among others, draft rules and methodologies, analyses and monitors operational risk and compliance risk,
 - the Commission for Risk Management that assesses, among others, the effectiveness of operational risk management in the Bank as a whole and issues recommendations in this respect,
- strategic decision-making by the Management Board of the NBP.

Tasks carried out under the risk management system comprise:

- on-going identification and analysis of individual types of risk,
- measurement of risk level,
- selection and application of risk mitigation mechanisms,
- monitoring and day-to-day control of the efficiency of applied risk mitigation mechanisms,
- provision of periodical information about the results of risk management,
- acceptance/no acceptance of the existing risk level.



10.1. Financial risk

The main types of financial risk underlying the activities of the NBP are: credit risk, liquidity risk and market risk (interest rate risk and foreign exchange rate risk). The accepted level of financial risk is set through the system of investment limits and constraints, and exposure to various types of risk under the adopted constraints is monitored on an on-going basis by the Financial Risk Management Department. The analysis of exposure to financial risk is presented to the Management Board of the NBP on a regular basis.

10.1.1. Credit risk

Credit risk is related to potential financial losses arising from counterparty default, in particular, failure to repay, in full or in part, principal and interest within the agreed time, or due to a decrease in the market value of investment instruments arising from the deterioration in the creditworthiness of the issuer.

Credit risk in foreign exchange reserve management

In the process of foreign exchange reserve management, the NBP uses the following credit risk mitigation methods:

- limiting the share of term deposits and non-government securities transactions,
- counterparty selection criteria and on-going monitoring of their creditworthiness,
- limits imposed on counterparties of term deposit transactions and currency exchange transactions,
- limitation of the maturity of term deposit transactions,
- selection criteria for issuers of securities,
- limits for issuers of securities,
- entering into framework agreements with counterparties,
- collateral in reverse repo agreements.

Credit risk analyses are conducted by the NBP using both data related to the financial position of counterparties and assignments of ratings agencies as well as risk valuation reflected in market quotations.

The dominant portion of foreign exchange reserves is invested in government securities, characterised by the highest level of safety and liquidity – mainly U.S., German, British, French and Australian government securities. Non-government securities held in the investment portfolios are issued primarily by international institutions and government agencies. Due to the renewed increase in credit risk arising from the aggravating sovereign debt problems of some euro area countries, in 2011, a limited share of term deposits in foreign exchange reserves and the shortened investment horizon for term deposits was maintained to enable a quick response to a change in the counterparty financial situation.

Credit risk underlying domestic credit operations

The NBP makes the following instruments available to domestic banks under domestic credit operations:

- marginal lending facility,



- intraday credit in PLN,
- intraday credit in euro.

Risk management in the above mentioned operations concentrates on setting the list of securities that are eligible as collateral as well as setting the required level of risk, determined by its haircut rate. The purpose of applying the haircut is to reduce the probability of a drop in the market value of the collateral below the value of extended loan as a result of a decrease in the market price of securities and/or unfavourable exchange rate changes.

Treasury and NBP securities denominated in PLN are the primary collateral presented by banks in credit operations, though the list of securities accepted as collateral comprises also other securities deposited with the National Depository of Securities, including mortgage bonds, municipal bonds, corporate bonds, bonds issued by the European Investment Bank, denominated in PLN, as well as Polish Eurobonds.

The haircut rate for marginal lending facility and intraday credit in PLN is set on the basis of the ratio of securities market price to their nominal value. Intraday credit in euro is extended in accordance with the principles laid down by the ECB, and it may be only collateralised by liquid Treasury bonds participating in BondSpot S.A. fixing (in addition, haircut related to the exchange rate risk is taken into account).

10.1.2. Liquidity risk

Liquidity risk is related to the possibility of incurring additional expenses, if an urgent need arises to raise liquid funds.

Due to the fact that the National Bank of Poland has the exclusive right to issue banknotes and coins of the Republic of Poland, the NBP is capable of creating liquidity in domestic currency. It is, however, constrained by the responsibility of the National Bank of Poland for the stability of domestic currency. The assumptions of monetary policy are set annually by the Monetary Policy Council, which, based on the above assumptions, also approves the financial plan of the NBP.

In the process of foreign exchange management, the NBP ensures adequate liquidity of funds by matching current and expected cash flows. Investments are made in markets ensuring immediate funds availability – all reserve currencies and investment instruments exhibit high liquidity.

10.1.3. Interest rate risk

Interest rate risk is related to a potential decline in the market value of financial instruments due to an unfavourable change in their market yield.

The primary measure of interest rate risk applied by the NBP is modified duration that specifies the vulnerability of investment portfolios values to changes in the yield on financial instruments.

In the process of foreign exchange reserves management, the NBP applies the following interest rate risk mitigation methods:

- maximum level of modified duration of reserves,
- optimization of modified duration of reserves specified in the benchmark,
- benchmark volatility ranges of modified duration of foreign exchange portfolios.

Given the increased risk aversion of investors, in 2011 a significant decrease in yields on government securities occurred, accompanied by a rise in yield volatility to the highest level since the subprime crisis.



10.1.4. Foreign exchange rate risk

Foreign exchange rate risk arises out of a potential decline in the value of foreign currency holdings as a result of unfavourable exchange rates fluctuations in the foreign exchange market.

The assessment of exposure to foreign exchange rate risk is carried out by the NBP based on parametric Value at Risk (VaR) methodology. The level of VaR calculated as at the balance sheet date is taken into account for calculating the amount of the provision against the foreign exchange rate risk of the zloty (see section 4).

In addition, the following risk mitigation methods are applied by the NBP in the foreign exchange reserves management process:

- optimization of the benchmark currency composition,
- benchmark volatility ranges of currency composition.

In 2011, benchmark currency composition changed as compared to the structure applicable to 2010 and was the following: USD – 36% (decrease by 2 percentage points), EUR – 32% (decrease by 3 percentage points), GBP – 15% (increase by 2 percentage points), AUD – 10% (increase by 2 percentage points), NOK – 7% (increase by 1 percentage point).

Since mid-2011, as investor sentiment deteriorated, the foreign exchange rate risk measured with the volatility of exchange rates has increased, running, however, much below the level observed during the subprime crisis.

10.2. Operational risk

Operational risk is the potential possibility of incurring financial or non-financial damages at the NBP, resulting from inappropriate management or malfunction of the NBP resources, including mainly IT systems, property, personnel or provisions of internal regulations, as well as damages caused by internal or external events, failure or failure of an employee. Operational risk encompasses the following risk sub-categories: safety risk, personnel risk, legal risk, technological risk and management risk.

Operational risk management embraces, in particular:

- day-to-day operational risk identification, analysis and measurement,
- selection and application of mechanisms eliminating, transferring or mitigating operational risk,
- acceptance of the existing operational risk level and – in absence of acceptance – seeking additional mechanisms eliminating, transferring or mitigating operational risk,
- making necessary changes to work organisation, creating conditions for full and timely task performance, managing own resources and setting internal procedures to eliminate, transfer or mitigate operational risk.

The NBP applies various methods of risk mitigation, prevention of incidents⁹ and limiting their consequences. These mechanisms include, in particular:

- external and internal regulations,

⁹ Incident – a one-off event of incorrect functioning of NBP resources or an external event that leads or may lead to negative financial or non-financial consequences for the NBP.



- the scope of job responsibilities and division of duties,
- data reconciliation, and the “four-eyes” principle,
- the system of (financial, time) limits and restrictions,
- access control as well as IT and telecommunications, physical and electronic safeguards,
- backup copies, contingency and evacuation plans,
- insurance,
- internal audit.

One of the methods for limiting the occurrence of incidents whose probability is low, but potential effects would be significant, is the Business Continuity Plan of the National Bank of Poland (BCP-NBP). It is applied to the critical functions listed below:

- settlement of payments in SORBNET and SORBNET-EURO systems (from 1 January 2012, when the SORBNET-EURO system was closed, payments are settled in SORBNET and NBP-PHA systems),
- foreign exchange reserve management,
- service provided to the account holder,
- implementing monetary policy and exchange rate policy,
- performing tasks of a securities issuing agent and keeping the securities register,
- providing banks with banknotes and coins.

Director of Accounting and Operations Department
/-/ Grażyna Gielecińska

Management Board of the NBP
/-/ Marek Belka
/-/ Piotr Wiesiołek
/-/ Witold Kozimiński
/-/ Eugeniusz Gatnar
/-/ Andrzej Raczko
/-/ Jakub Skiba
/-/ Zdzisław Sokal
/-/ Małgorzata Zaleska

Warsaw, 26 March 2012



Independent auditor's opinion



This document is a translation of the document originally issued in Polish. The only binding version is the original Polish version.

REGISTERED AUDITOR'S OPINION ON THE ABBREVIATED FINANCIAL STATEMENTS

TO THE MONETARY POLICY COUNCIL

The attached abbreviated financial statements of the National Bank of Poland, Warsaw, ul. Świętokrzyska 11/21, (hereafter referred to as "the NBP") were prepared by the Management Board of the NBP based on the audited financial statements of the NBP for the year ended 31 December 2011 ("the financial statements"). The financial statements were prepared on the basis of the provisions of the Act on the National Bank of Poland of 29 August 1997 (Journal of Laws of 2005, No 1, item 2 as amended); Resolution No. 16/2003 of the Monetary Policy Council of 16 December 2003 on the accounting policies, the structure of balance sheet assets and equity & liabilities and the income statement of the National Bank of Poland (NBP Official Journal of 2003, No. 22, item 38 as amended); Resolution No. 12/2010 of the Monetary Policy Council of 14 December 2010 on the principles for creating and reversing a provision for the risk of changes in the exchange rates of the Polish zloty at the National Bank of Poland (NBP Official Journal of 2010, No. 17, item 19); Resolution No. 63/2008 of the Management Board of the National Bank of Poland of 11 December 2008 on the method of performing accounting tasks at the National Bank of Poland (as amended) and Resolution No. 29/2007 of the Management Board of the National Bank of Poland of 25 October 2007 on the management of fixed assets at the National Bank of Poland (as amended).

We have audited the financial statements of the NBP, from which the abbreviated financial statements were derived, in accordance with chapter 7 of the Accounting Act of 29 September 1994 (Journal of Laws of 2009, No. 152, item 1223 as amended), the national auditing standards issued by the National Chamber of Registered Auditors and the International Standards on Auditing. On 26 March 2012 we issued an unqualified audit opinion on these financial statements.

In our opinion, the accompanying abbreviated financial statements are consistent, in all material respects, with the NBP financial statements from which they were derived.

For a fuller understanding of the NBP financial position and the results of its operations for the year ended 31 December 2011, the abbreviated financial statements should be read in conjunction with the financial statements from which they were derived and our opinion and audit report thereon.

Conducting the audit on behalf of PricewaterhouseCoopers Sp. z o.o., registered audit company No. 144:

Antoni F. Reczek
Chairman of the Management Board
Key Registered Auditor
No. 90011

Warsaw, 11 May 2012





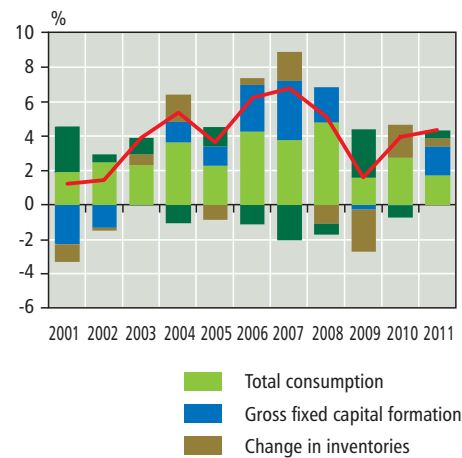
APPENDICES

Appendix 1

GDP and aggregate demand

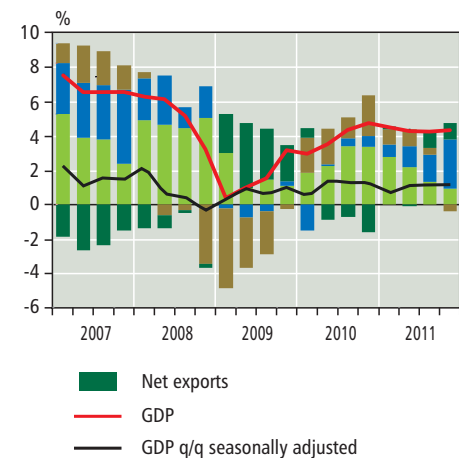
In 2011, relatively buoyant GDP growth was sustained (4.3% y/y as against 3.9% y/y in 2010). It was driven, amidst weakening aggregate consumption growth, by a marked acceleration in investment, which was accompanied by a positive contribution of net exports to GDP growth in the second half of 2011 (Figure A1.1, Figure A1.2, Table A1.1).

Figure A1.1
Contribution of aggregate demand components to GDP growth (annualized data)



Source: GUS data.

Figure A1.2
Contribution of aggregate demand components to GDP growth (quarterly data)



Source: GUS data, NBP calculations.

2011 saw a gradual decline in the growth of consumption demand, particularly pronounced in the second half of 2011. Among factors conducive to weaker private consumption growth were: low real disposable income growth, including moderate wage growth, modest increase in social benefits, continued heightened inflation and moreover, in the second half of 2011, zloty depreciation adding to households' debt burden resulting from FX loans. Lower private consumption growth could have also resulted – albeit to a lesser extent – from a decline in consumer loans, and, in particular, deteriorating household expectations about future economic situation, in particular, amidst persistently elevated unemployment rate and decelerating growth in employment in the second half of 2011.¹

Gross fixed capital formation rose significantly in 2011, with their growth rate accelerating considerably during the year. The strong rise in investment was supported by a robust growth in public investment, in particular, infrastructural investment, which was largely fuelled by high utilization of EU funds. Growth in households' housing investment and corporate investment was another factor conducive to higher fixed capital formation. According to the available data, corporate investment expenditure in 2011 rose markedly, which was driven by a relatively high production capacity utilization. Sound financial condition of enterprises was conducive to higher investment expenditure. On the other hand, persisting uncertainty about the overall economic situation deterred companies from significantly expanding their production potential. This was reflected in a high share of replacement investment in the new investment projects.

¹ Negative household sentiment was reflected in the persistently low Current and Leading Consumer Confidence Index published by the GUS. The unemployment rate component of the latter points to concerns about unemployment mounting significantly since 2011 Q2.



Changes in inventories had a positive – albeit lower than in 2010 – contribution to GDP growth in 2011. The inventory cycle, which started at the beginning of 2010, came to an end in the second half of 2011 which might have been connected with mounting concerns about economic slowdown in the euro area.

Public consumption was the only GDP component posting a negative growth in 2011. The decline in public consumption might have been connected with the curbing of current expenditure in the public finance sector caused by attempts to tighten fiscal policy.

2011 saw a continued rise in foreign trade; yet, foreign trade growth declined as compared to 2010. A significant fall in import growth was accompanied by a strong depreciation of the zloty, coupled with slightly weakened export growth in the second half of the year, translated into a positive contribution of net exports to GDP growth.

Figure A1.3
Contribution to gross value added growth
(annual data)

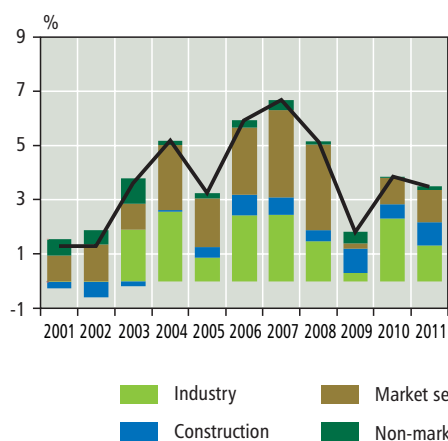
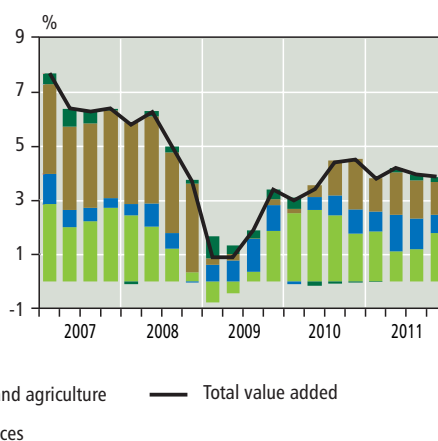


Figure A1.4
Contribution to gross value added growth
(quarterly data)



Source: GUS data, NBP calculations.

Source: GUS data, NBP calculations.

Growth in the gross value added in 2011 remained close to that recorded in 2010 (4.0% y/y and 3.9% y/y, respectively). The three main production sectors made positive contributions to the growth of gross value added, while industry was the only sector whose contribution diminished as compared to 2010. Despite this decline, industry continued to make the largest contribution to gross value added growth (of 1.3 percentage points), followed by market services and agriculture (both of 1.2 percentage points) and construction making a contribution of 0.9 percentage point (Figure A.1.3, Figure A.1.4).

Table A1.1
GDP and domestic demand

	2003	2004	2005	2006	2007	2008	2009	2010	2011
Growth rate of GDP and its components at constant prices (%)									
GDP	3.9	5.3	3.6	6.2	6.8	5.1	1.6	3.9	4.3
Domestic demand	2.8	6.2	2.5	7.3	8.7	5.6	-1.1	4.6	3.8
Consumption	2.7	4.3	2.7	5.2	4.6	6.1	2.0	3.4	2.2
Private consumption	2.1	4.7	2.1	5.0	4.9	5.7	2.1	3.2	3.1
Capital formation	3.3	14.7	1.4	16.1	24.3	4.0	-11.5	9.3	10.0
Gross fixed capital formation	-0.1	6.4	6.5	14.9	17.6	9.6	-1.2	-0.2	8.5
Exports	14.2	14.0	8.0	14.6	9.1	7.1	-6.8	12.1	7.3



Imports	9.6	15.8	4.7	17.3	13.7	8.0	-12.4	13.9	5.9
Contribution of net exports to GDP growth (percentage points)	1.0	-1.0	1.1	-1.1	-2.1	-0.6	2.7	-0.7	0.5
Structure of GDP at current prices (%)									
GDP	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Domestic demand	102.7	102.4	100.7	101.8	102.9	104.0	99.9	101.2	101.3
Consumption	83.9	82.3	81.5	80.8	78.4	80.1	79.6	80.3	79.5
Private consumption	64.8	63.7	62.5	61.6	59.6	60.7	60.3	60.6	60.5
Capital formation	18.7	20.1	19.3	21.1	24.4	23.9	20.4	21.0	21.8
Gross fixed capital formation	18.2	18.1	18.2	19.7	21.6	22.3	21.2	19.9	20.3
Exports	33.3	37.5	37.1	40.4	40.8	39.9	39.5	42.3	44.7
Imports	36.0	39.8	37.8	42.2	43.6	43.9	39.4	43.5	46.0
Net exports	-2.7	-2.4	-0.7	-1.8	-2.9	-4.0	0.1	-1.2	-1.3

Source: GUS data, NBP calculations.



Appendix 2

Prices of consumer goods and services

In 2011 the average annual price index of consumer goods and services (CPI) stood at 4.3%, thus running above the NBP inflation target of 2.5%, with symmetrical band for deviations of ± 1 percentage point. Throughout 2011, the annual CPI inflation remained above the upper limit for deviations from the target, i.e. above 3.5% (Figure A2.1, Table A2.1).

Figure A2.1
Annual CPI and the inflation target

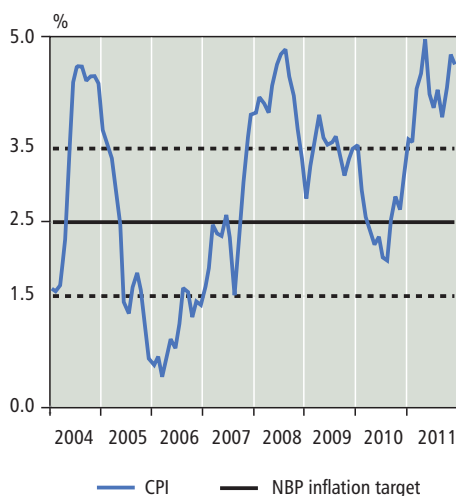
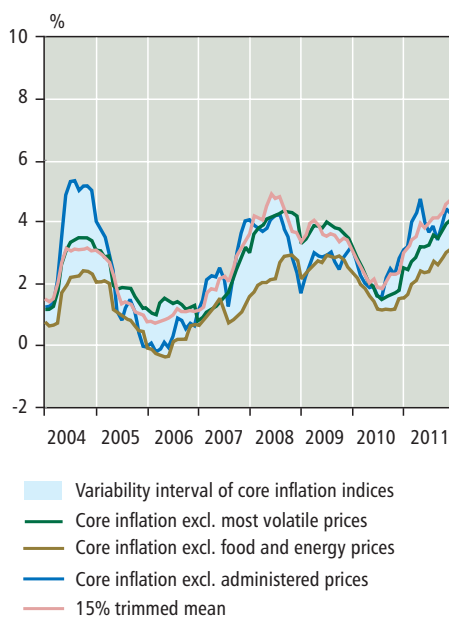


Figure A2.2
Core inflation indices (y/y)



Source: GUS data.

Source: NBP calculations based on GUS data.

Inflation running at a heightened level in 2011 was mainly caused by factors beyond the direct influence of domestic monetary policy decisions, amidst rather moderate demand pressure. Factors beyond the direct influence of domestic policy decisions, which considerably boosted inflation in 2011, included, in particular: high prices of agricultural and energy commodities, substantial depreciation of the zloty, largely related to significantly deteriorating sentiment in the global financial markets in the second half of 2011 and VAT increases.¹ The majority of the above mentioned factors affected also core inflation, which in 2011 – similarly to CPI inflation – was higher than a year before (Figure A2.2).

The consumer price index reflects price developments in four main categories: energy, food and non-alcoholic beverages, goods and services (Figure A2.3, Figure A2.4). 2011 saw the following changes in price growth in particular groups (categories are listed in the sequence corresponding to their contribution to the total CPI inflation in 2011):

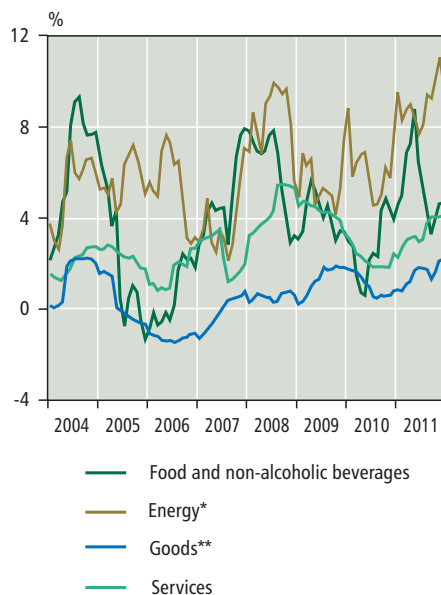
- Energy – growth in energy prices throughout 2011 was the highest in the past 10 years. It was largely driven by high prices of energy commodities in the global markets, including, in particular, crude oil prices, which were accompanied by substantial depreciation of the

¹ At the beginning of 2011 VAT rates were changed. The basic VAT rate increased from 22% to 23%, and the 7% rate rose to 8%. At the same time, 3% VAT for unprocessed food and 7% VAT for processed food were cancelled. 5% VAT was applied to the majority of food articles, the remaining ones being subject to 8% or 23% VAT.

zloty in the second half of the year, additionally boosting commodity prices as expressed in zloty. High commodity prices translated mainly into considerable increases in fuel prices. Energy price growth in 2011 was also supported by higher energy, heating and gas tariffs approved by the Energy Regulatory Office as well as the change in VAT rates. As a result, the average annual energy price growth in 2011 reached 9.1% as compared to 6.2% in 2010.

- Food and non-alcoholic beverages – growth in the prices of food and non-alcoholic beverages in 2011 was high, as compared to the previous years, yet subject to considerable fluctuations throughout the year. Food prices were mainly affected by supply changes, amidst relatively stiff demand for food. Rise in the growth of food prices in the first half of 2011 resulted mainly from poor supply conditions in the cereals, fruit and vegetables markets in the 2010/2011 agricultural season. In turn, falling growth in the prices of food and non-alcoholic beverages in the second half of 2011 was largely related to the improved supply conditions, especially in the domestic agricultural market, combined with the beginning of a new agricultural season. Changes in VAT rates were conducive to lower growth in food prices throughout 2011 (the total effect of lower tax rate on processed food and increased tax rate on unprocessed food on food prices was negative). In 2011, the annual average growth of food and non-alcoholic beverages prices amounted to 5.4% as compared to 2.7% in 2010.

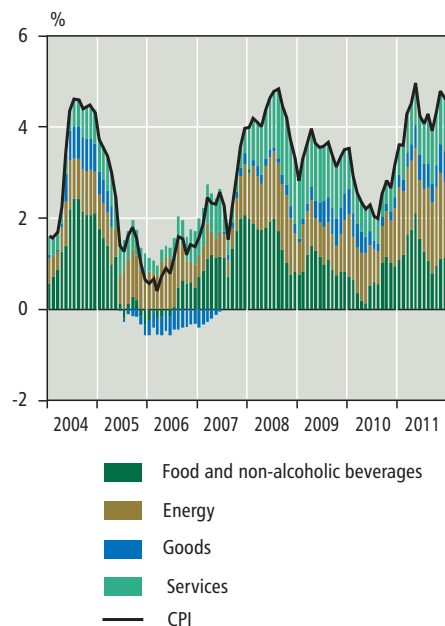
Figure A2.3
Annual price growth in the prices of food, energy, goods and services



* The category of energy includes energy products (electricity, gas, heating fuel).
**The category of goods is exclusive of food, non-alcoholic beverages and energy.

Source: NBP calculations based on GUS data.

Figure A2.3
Annual price growth in the prices of consumer goods and services and contribution of main price categories to CPI



Source: NBP calculations based on GUS data.

- Services – growth in the prices of services was on a steady rise in 2011, yet remained moderate, as compared to the previous years. Growth in the prices of services was driven by both rising prices impacted by administrative decisions (e.g. higher sewerage and water supply charges, higher prices of urban transport tickets and railways tickets) and market

factors (e.g. higher prices in the category of recreation and culture in mid-2011, including, in particular, higher prices of foreign organized tourism services). At the same time, increases in VAT rates were conducive to higher price growth in services. In 2011 their average annual price growth stood at 3.3% as compared to 2.2% in 2010.

- Goods – growth rate of goods was steadily rising throughout 2011 and remained high as compared to the previous years. Growing prices of goods since the beginning of 2011 were supported by increases in the prices of excise goods (tobacco products), which was accompanied by further reduction in decline in the prices of goods subject to competition from low production cost countries. In turn, in the second half of 2011 growth in the prices of goods was mainly driven by zloty depreciation, which was reflected in faster growth in prices of goods sensitive to zloty exchange rate fluctuations (e.g. home equipment and maintenance, goods connected with recreation and culture, in particular, electronic equipment, hygiene products). At the end of 2011 higher growth in the prices of goods was also driven by rising prices of medical articles, resulting from the implementation of new regulations on the prices of reimbursable drugs. VAT rate increases were another factor behind price growth of goods. In 2011 the average annual growth in the prices of goods stood at 1.5% as compared to 1.0% in 2010.

While analysing inflation developments in 2011, it should be noted that in January 2011, the Central Statistical Office (GUS) introduced new rules for quotations of seasonal goods, which in certain months had a relatively strong impact on CPI developments.² In particular, according to GUS estimates, changes in quotations of seasonal goods prices decreased the CPI index in February and March 2011 by 0.2 percentage point, and in June and July 2011 drove it up by 0.3 percentage point. In the remaining months of 2011 the impact of changes in seasonal goods quotations on the CPI was less pronounced.

Table A2.1

Annual price growth in consumer goods and services and contribution of main price categories to CPI in 2011

	Weights (%)	Growth rate (y/y, %)											
		I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
CPI	100.0	3.6	3.6	4.3	4.5	5.0	4.2	4.1	4.3	3.9	4.3	4.8	4.6
Core inflation	59.1	1.6	1.7	2.0	2.1	2.4	2.4	2.4	2.7	2.6	2.8	3.0	3.1
Goods	30.4	0.9	0.8	1.1	1.2	1.7	1.8	1.8	1.7	1.3	1.6	2.1	2.2
Services	28.8	2.3	2.6	3.0	3.1	3.2	3.0	3.1	3.8	4.0	4.0	4.0	4.1
Food and non-alcoholic beverages	24.0	4.6	5.0	6.8	7.2	8.8	6.4	5.3	4.5	3.3	4.1	4.6	4.7
Processed	13.2	3.9	4.9	7.5	8.1	8.2	8.1	8.2	8.1	6.5	6.3	6.4	6.7
Unprocessed	10.8	5.5	5.1	6.0	6.3	9.6	4.4	1.8	0.1	-0.8	1.2	2.4	2.2
Energy	16.9	9.6	8.3	8.7	9.0	8.4	7.7	8.1	9.4	9.3	10.0	11.1	9.8
Energy carriers	12.3	7.8	6.8	6.8	7.0	7.1	6.6	7.3	7.8	7.9	7.7	7.9	7.7
Fuels	4.6	14.3	12.4	13.9	14.2	11.9	10.4	10.0	13.5	12.9	16.1	19.4	14.9
As broken down to 12 COICOP categories													
Food and non-alcoholic beverages	24.0	4.6	5.0	6.8	7.2	8.8	6.4	5.3	4.5	3.3	4.1	4.6	4.7
Alcoholic beverages and tobacco products	5.7	4.5	4.2	3.1	2.8	3.0	3.6	4.0	4.1	4.2	4.1	3.7	3.4

² On 1 January 2011 came into effect the EU Commission Regulation (EC) No. 330/2009 of 22 April 2009 which introduced minimum requirements for seasonal products to be included in the harmonised index of consumer prices (HICP). This Regulation did not impose the obligation to apply those requirements when computing domestic price indices, yet the GUS decided to implement them in computing the CPI index.

Clothes and footwear	5.2	-3.5	-4.2	-1.8	-1.1	0.9	0.9	-0.1	-0.9	-2.9	-1.6	-1.6	-2.1
Home maintenance and energy	20.7	6.1	5.5	5.6	5.8	6.0	5.8	6.3	6.6	6.7	6.7	6.9	6.7
Home equipment and household maintenance	4.9	1.2	1.5	1.8	1.7	2.0	2.2	2.3	2.5	2.5	2.7	2.9	3.0
Health	4.8	3.4	3.5	3.6	3.7	4.1	4.2	4.3	4.3	4.2	4.0	6.4	8.0
Transportation	9.1	7.5	6.5	7.3	7.6	6.8	6.4	6.1	7.9	7.6	9.1	10.9	9.0
Communication	4.5	-1.5	-1.1	-0.8	-0.8	-1.9	-3.6	-4.0	0.6	0.6	1.0	0.8	0.8
Recreation and culture	7.8	-0.5	0.3	0.6	0.8	0.8	0.2	0.5	0.4	0.5	0.8	1.2	1.0
Education	1.2	2.6	2.7	2.7	2.7	2.7	2.5	2.7	2.7	5.1	5.0	5.0	4.8
Restaurants and hotels	6.8	3.5	3.7	4.0	4.3	4.5	4.5	4.5	4.5	4.4	4.4	4.3	4.4
Other goods and services	5.2	2.5	2.7	3.2	3.3	3.3	3.4	3.5	3.5	3.6	3.7	3.7	3.7
	Weights (%)	Contribution to CPI (%)											
		I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
CPI	100.0	3.6	3.6	4.3	4.5	5.0	4.2	4.1	4.3	3.9	4.3	4.8	4.6
Core inflation	59.1	0.9	1.0	1.2	1.3	1.4	1.4	1.4	1.6	1.6	1.7	1.8	1.8
Goods	30.4	0.3	0.2	0.3	0.4	0.5	0.6	0.5	0.5	0.4	0.5	0.6	0.7
Services	28.8	0.7	0.8	0.9	0.9	0.9	0.8	0.9	1.1	1.2	1.2	1.2	1.2
Food and non-alcoholic beverages	24.0	1.1	1.2	1.6	1.7	2.1	1.5	1.3	1.1	0.8	1.0	1.1	1.1
Processed food	13.2	0.5	0.6	1.0	1.1	1.1	1.1	1.1	1.1	0.9	0.8	0.9	0.9
Unprocessed food	10.8	0.6	0.6	0.7	0.7	1.0	0.5	0.2	0.0	-0.1	0.1	0.3	0.2
Energy	16.9	1.6	1.4	1.5	1.5	1.4	1.3	1.4	1.6	1.6	1.7	1.9	1.7
Energy carriers	12.3	1.0	0.8	0.8	0.9	0.9	0.8	0.9	1.0	1.0	1.0	1.0	1.0
Fuels	4.6	0.6	0.6	0.6	0.7	0.6	0.5	0.5	0.6	0.6	0.7	0.9	0.7
As broken down to 12 COICOP categories													
Food and non-alcoholic beverages	24.0	1.1	1.2	1.6	1.7	2.1	1.5	1.3	1.1	0.8	1.0	1.1	1.1
Alcoholic beverages and tobacco products	5.7	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Clothes and footwear	5.2	-0.2	-0.2	-0.1	-0.1	0.0	0.0	0.0	0.0	-0.1	-0.1	-0.1	-0.1
Home maintenance and energy	20.7	1.3	1.1	1.2	1.2	1.2	1.2	1.3	1.4	1.4	1.4	1.4	1.4
Home equipment and household maintenance	4.9	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Health	4.8	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.3	0.4
Transportation	9.1	0.7	0.6	0.7	0.7	0.6	0.6	0.6	0.7	0.7	0.8	1.0	0.8
Communication	4.5	-0.1	-0.1	0.0	0.0	-0.1	-0.2	-0.2	0.0	0.0	0.0	0.0	0.0
Recreation and culture	7.8	0.0	0.0	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.1	0.1	0.1
Education	1.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1
Restaurants and hotels	6.8	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Other goods and services	5.2	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2

Source: GUS data and NBP calculations based on GUS data.

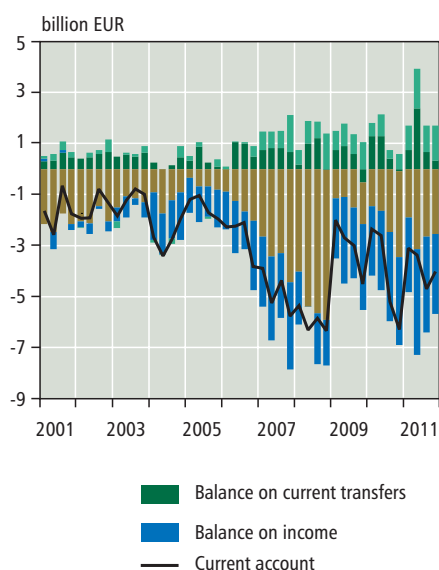


Appendix 3

Balance of payments

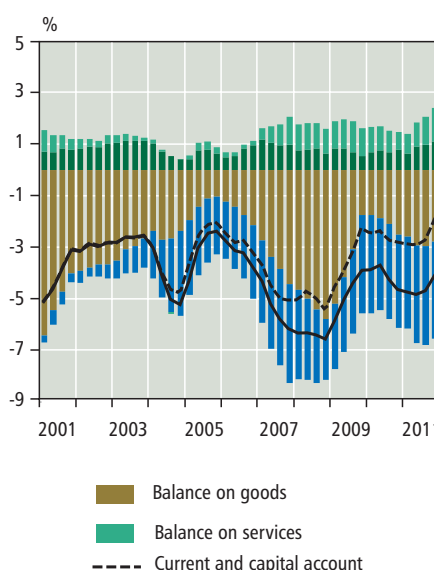
In 2011, the current account deficit narrowed from 4.7% of GDP recorded in 2010 to 4.3% of GDP. The reduction in the current account deficit – despite increases in the deficits in both goods and income – was due to increases in the surpluses in services and in current transfers (Figure A3.1, Figure A3.2, Table A3.1).

Figure A3.1
Current account balance



Source: NBP data.

Figure A3.2
Current and capital account balance to GDP (4 quarters rolling window)



Source: NBP data.

Following a steep rise in foreign trade in 2010, export and import growth declined gradually over 2011. While the first half of the year saw imports rise faster than exports, enhancing the imbalance on the trade account, this trend reversed in the latter half of the year, enabling trade deficit to narrow down.¹ Trends in exports reflected mainly changes in demand from Poland’s main trading partners. In the early 2011, this demand was on a substantial rise – as Germany enjoyed continued robust economic activity – but it embarked on a gradual decline in tact with the economic slowdown in the euro area (Germany included) and its environment. In the second half of 2011, decline in export growth was mitigated by substantial zloty depreciation. Imports, in turn, were largely determined by the size of demand for intermediate goods from the domestic export sector, the scale of inventory rebuilding and the level of private consumption. As the above import drivers lost momentum, particularly in the second half of the year (slower export activity, lower private consumption growth and the completion of the inventory rebuilding cycle), amid substantial zloty depreciation, growth in imports decelerated considerably.

In 2011, the rising deficit in goods was driven by deteriorating terms of trade. The increase in relative import prices vis-à-vis export prices was related to a hike in energy commodity prices in the global markets, which, in the second half of 2011, was accompanied by zloty depreciation.

The 2011 increase in the current account deficit was also triggered by a deepening deficit in income. The latter was related to sound financial performance of Polish companies, resulting in

¹ Appendix 3 analyses balance of payments data expressed in the euro, referring to trade in goods. Both the total amount of imports and exports and their trends differ from those from the national accounts.

high dividend payments and high amount of reinvested profits by foreign direct investors as well as considerable income paid on portfolio and other investment (comprising, in particular, trade credits).

The improvement in the current account balance was, on the other hand, supported by growing surpluses in services and current transfers. Higher surplus in services was the result of a simultaneous improvement in foreign travel and transportation services. The rising surplus in current transfers was, in turn, related to higher surplus in government transfers, involving mainly net inflow of funds from the European Union, amidst slightly decreased surplus in private transfers, related to lower remittances of income from abroad.

Table A3.1**Main items of the balance of payments (EUR million)**

Balance of payments	2005	2006	2007	2008	2009	2010	2011
Current account	-5,856	-10,425	-19,245	-23,799	-12,152	-16,493	-15,917
Balance on trade in goods	-2,508	-5,829	-13,827	-20,928	-5,427	-8,893	-10,112
Balance on trade in services	585	582	3,441	3,475	3,427	2,334	4,341
Balance on income	-5,490	-7,728	-11,928	-8,685	-11,828	-12,779	-14,443
Balance on current transfers	1,557	2,550	3,069	2,339	1,676	2,845	4,297
Capital account	786	1,666	3,418	4,068	5,080	6,453	8,063
Financial account	12,151	10,586	27,621	25,924	24,597	28,529	19,800
Polish direct investment abroad	-2,792	-7,137	-4,020	-3,072	-3,335	-4,149	-3,722
Foreign direct investment in Poland	8,330	15,741	17,242	10,128	9,343	6,696	10,340
Portfolio investment – assets	-2,008	-3,685	-4,606	1,701	-1,009	-786	477
Portfolio investment – liabilities	11,797	1,485	-20	-3,655	11,303	20,041	10,890
Other investment – assets	-2,181	-3,137	-1,321	4,039	3,911	-2,994	-2,099
Other investment – liabilities	-1,132	7,868	21,804	17,527	5,681	10,048	4,351
Derivative financial instruments	137	-549	-1,458	-744	-1,297	-327	-437
Errors and omissions	-627	204	-2,414	-8,621	-7,111	-6,995	-7,252
Official reserve assets	-6,454	-2,031	-9,380	2,428	-10,414	-11,494	-4,694

Source: NBP data.

Rising investment expenditure on projects co-financed by the European Union was reflected in higher inflows on capital account and resulted in the surplus on this account of 2.2% of GDP in 2011 as against 1.8% of GDP in 2010.

According to the data on the financial account of the balance of payments, the amount of Polish direct investment abroad remained close to its 2010 level. In turn, the value of foreign direct investment (FDI) in Poland had risen as compared to 2010, thus providing higher financing of the deficit on the combined current and capital accounts with FDI inflow. In spite of rising FDI inflow, the surplus on the capital account had shrunk to 5.4% of GDP from the 8.0% of GDP recorded in 2010. This was due to declines in both portfolio investment and other investment balances.

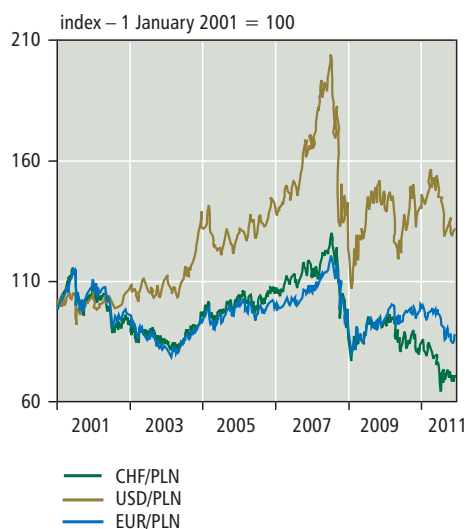
In 2011, the zloty exchange rate depreciated in relation to the major currencies (by 12.0% against the euro, by 12.5% against the US dollar and by 17.5% against the Swiss franc (Figure A3.3).² Consequently, the nominal effective exchange rate of the zloty (NEER) weakened by 11.4% in 2011.³ Amidst heightened inflation both globally and domestically (in terms of consumer and producer prices), changes in the real effective exchange rate (REER) in 2011 were mainly accounted for by changes in the nominal exchange rate. Consequently, CPI-deflated REER depreciated by 9.1% and PPI-deflated REER by 11.5% (Figure A3.4).

² Change calculated as difference between the average rates in December 2011 and December 2010.

³ Exchange rate in December 2011 as against December 2010.

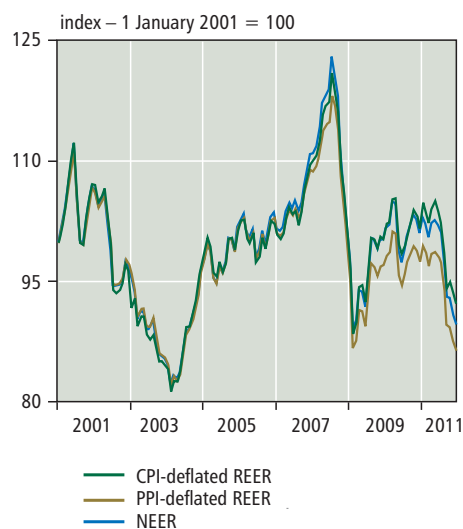


Figure A3.3
Zloty exchange rate against major currencies



Source: Ecowin data.
Increase denotes appreciation.

Figure A3.4
Zloty real and nominal effective exchange rate



Source: NBP calculations based on Eurostat, OECD, Reuters data.
Increase denotes appreciation.

Table A3.2
Selected indicators of external imbalances

External imbalances indicators	2005	2006	2007	2008	2009	2010	2011
Current account balance/GDP (%)	-2.4	-3.8	-6.2	-6.6	-3.9	-4.7	-4.3
Current and capital account balance/GDP (%)	-2.1	-3.2	-5.1	-5.4	-2.3	-2.8	-2.1
Balance on trade in goods/GDP (%)	-1.1	-2.1	-4.4	-5.8	-1.7	-2.5	-2.7
Current account balance/current account inflows (%)	-5.8	-8.4	-13.6	-14.9	-9.0	-10.1	-8.8
Gross foreign direct investment /current account balance (%)	142.2	151.0	89.6	42.6	76.9	40.6	65.0
Gross foreign direct investment /current and capital account balance (%)	164.3	179.7	108.9	51.3	132.1	66.7	131.7
Foreign debt/GDP (%)	45.9	47.4	50.9	47.9	62.5	66.6	67.5
Official reserve assets in terms of monthly imports of goods and services	4.7	3.8	3.9	3.3	5.3	5.4	5.3
Short-term foreign debt/total foreign debt (%)	20.4	20.4	26.1	26.9	25.0	24.3	22.4
Short-term foreign debt/official reserve assets (%)	63.6	71.3	92.6	106.0	88.0	81.8	73.7
Net international investment position/GDP (%)	-44.2	-46.4	-52.8	-47.6	-61.9	-64.5	-59.4

Source: NBP calculations based on GUS and NBP data.

In 2011, the zloty – like many other emerging market currencies – was primarily affected by global factors, most specifically changes in risk aversion in the global financial markets. In 2011 Q1, the zloty exchange rate remained relatively stable, notwithstanding its slight depreciation in March related to heightened uncertainty in the global financial markets in the aftermath of the natural disaster in Japan. In the subsequent months, mounting global risk aversion fuelled by growing concerns about the solvency of certain euro area countries, translated into weaker zloty. At the same time, the exchange rate was supported by the NBP's subsequent interest rate increases and the launch, by the Ministry of Finance, of exchange of some EU funds in the FX market.



In the second half of 2011, a rebound in risk aversion due to the mounting fears about consequences of the sovereign debt crisis in Europe was reflected in a sharp depreciation of the zloty. Apart from the impact of global factors, depreciation of the zloty could also be related to Poland's relatively close economic and financial relations with the euro area. Impacted by the above factors, the zloty exchange rate experienced considerable volatility, in particular in the second half of 2011. In order to contain its fluctuations, the NBP occasionally intervened in the currency market in the period of September-December 2011.

The year 2011 saw most indicators of the Poland's external imbalance improve. In particular, apart from the narrowing GDP-related deficits on current and capital accounts, as well as substantial rise in the deficit financing by FDI inflow, Poland's net external investment position strengthened. There was also a slight improvement in the short-term foreign debt financing to official reserve assets ratio (Table A3.2).



Appendix 4

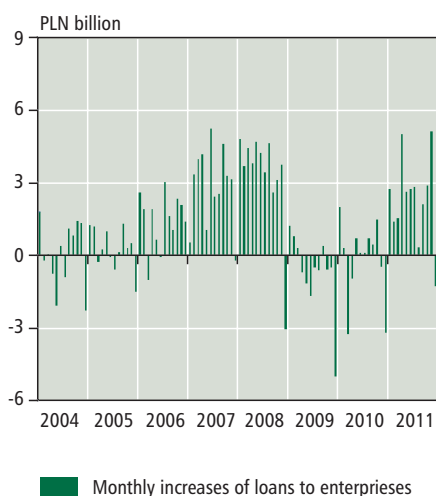
Money and credit

In 2011 lending to enterprises and households increased. The total of corporate loans rose substantially after the decline observed in 2009 and 2010, while lending to households increased roughly as much as in 2010.

Rise in corporate loans in 2011 was driven by the increases in current as well as in investment and real property lending, which could be attributed to a rebound in corporate investment activity, particularly pronounced in the second half of the year (Figure A4.1, Figure A4.2). Throughout the entire 2011, debt of small and medium-sized enterprises grew faster than that of large corporations, which are less reliant on external financing.

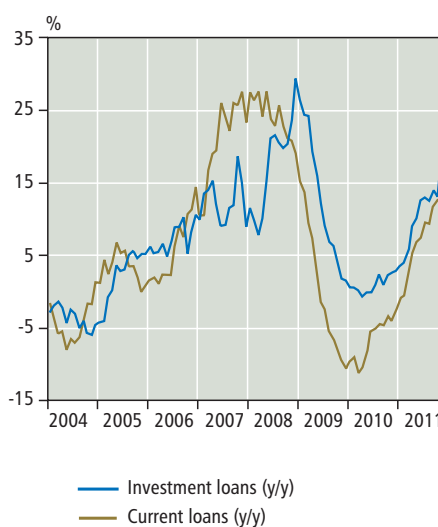
Pick-up in corporate lending in 2011 took place despite some rise in interest charged on corporate loans (by 0.7 percentage point).¹ This rise reflected increases in the official NBP interest rates, whose impact on lending rates was though partially offset by banks cutting their margins as compared to the 2010 level. As a result, corporate lending rates increased slightly less than the total NBP rates increase in 2011.

Figure A4.1
Month-on-month changes in loans to enterprises



Source: NBP data.

Figure A4.2
Investment and current loan growth



Source: NBP data.

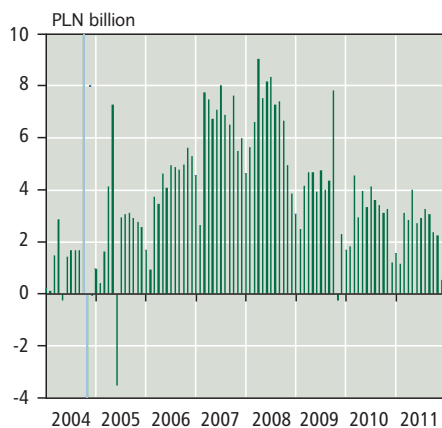
In the first three quarters of 2011, according to banks declarations, corporate lending criteria were changed only slightly. At the same time, banks eased their lending conditions, which – apart from reduction of margins – was reflected in higher loan ceilings and longer maximum loan maturities. In 2011 Q4, banks somewhat tightened their lending policy with regard to enterprises, on the grounds of heightened risk related to future economic developments.

Housing loans to households rose at a relatively fast, if gradually decelerating pace over the year 2011 (Figure A4.3 and Figure A4.4). Most of the newly granted loans in 2011 were extended in zloty, which translated into a steadily rising share of zloty loans in total housing loans, thus increasing the effectiveness of the monetary policy transmission mechanism.

¹ Interest rate increase refers to changes in interest on new agreements in December 2011 as compared to December 2010.

In 2011, interest on housing loans, like in the case of corporate loans, increased slightly less than the total of NBP interest rate increases (by 0.8 percentage point). This was the result of lower bank margins as well.

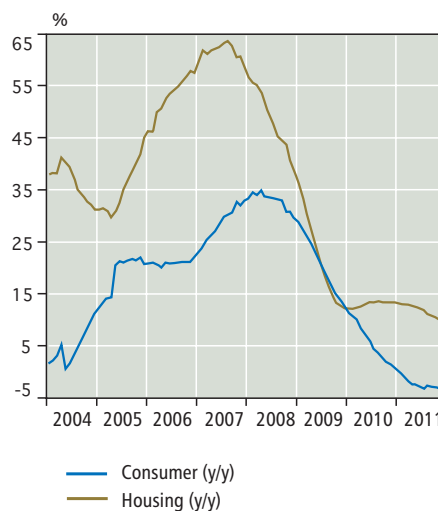
Figure A4.3
Month-on-month changes in new zloty loans to households



Source: NBP data.

Note: The changes marked with a blue line were substantially affected by one-off factors (in October and November 2004, the total loans were heavily influenced by the loan-financed subscription for – and the subsequent reduction in the offering of shares in PKO BP and Wydawnictwa Szkolne i Pedagogiczne (Educational Publishing House). Due to the adopted scale, these increases are not fully reflected in the graph.

Figure A4.4
Annual growth in consumer and housing loans to households



Source: NBP data.

In spite of reduction in margins, throughout 2011, banks – according to their declarations – kept tightening their credit policy in the housing loan segment with regard to both lending criteria and lending conditions. In 2011, in particular, collateral requirements were heightened and creditworthiness assessment procedures was made more rigorous, which was related to the so-called Recommendation T coming into force, along with new provisions of Recommendation S being implemented.² Tighter lending policy in the housing loans sector was also driven by the risk related to the economic outlook and unfavourable forecasts for the housing market.

Throughout 2011, household debt resulting from consumer loans decreased steadily. This was driven by tightening lending criteria in this segment in 2010, largely as a result of banks implementing Recommendation T, coupled with deteriorating quality of the portfolio of these loans in 2009–2010. Household debt resulting from consumer loans dropped in spite of banks declaring easing most of the lending conditions in 2011, including a substantial reduction in margins. Due to lower margins, interest on consumer loans rose by a mere 0.3 percentage point over the entire year 2011, i.e. by markedly less than the total increase in the NBP rates.

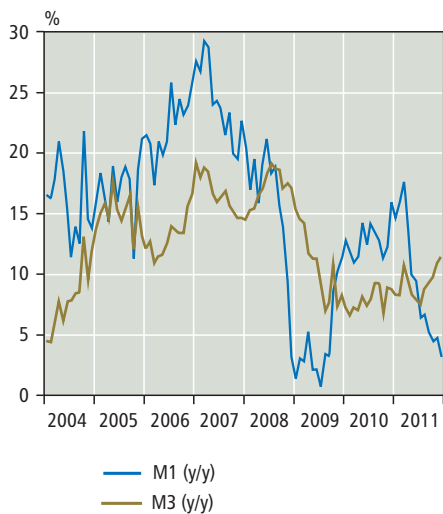
In the first half of 2011, the growth of broad money (M3) remained close to that of the nominal GDP, to pick up in the second half of 2011 and subsequently exceed the nominal GDP growth at the end of the year. Following the period of relatively steep rise, from July 2011 more liquid components of M3, classified as M1 aggregate, rose at a slower pace than broad money (Figure A4.5).

² Recommendation T regarding best practice in managing retail loan exposure was adopted on 23 February 2010. Its provisions were gradually implemented by the banking sector. It came into full effect ten months following its adoption.

Recommendation S regarding best practice in managing real estate and mortgage loan exposure, which replaced Recommendation S (II), was adopted on 25 January 2011. Its provisions were gradually implemented by the banking sector, coming into full effect on 1 January 2012.

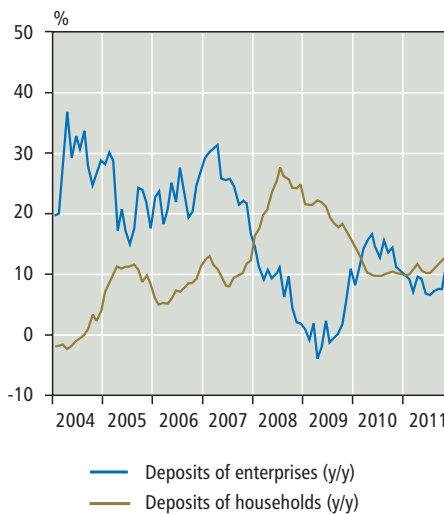


Figure A4.5
Annual M1 and M3 growth rates



Source: NBP data.

Figure A4.6
Corporate and household bank deposit growth



Source: NBP data.

Corporate deposits increased considerably in 2011 and their growth accelerated markedly towards the end of the year (Figure A4.6). Rapid rise in corporate deposits in 2011 was supported by strong financial performance of companies and increase in interest rates on corporate deposits (by 1.3 percentage points during the year), which exceeded the NBP policy rates increases. At the same time, robust investment activity of enterprises curbed their deposit growth.

Household deposits also rose significantly in 2011. Their growth gradually accelerated (Figure A4.6), driven by both higher interest rate on new zloty deposits (by 1.2 percentage points) and sinking prices of financial assets, including those of shares (falling particularly sharply in August 2011), which encouraged households to redirect part of their savings from riskier financial assets to bank deposits.



Appendix 5

List of open-to-public academic seminars and selected publications of the NBP

In 2011, 24 open-to-public academic seminars were organised:

- Analysis of Barriers to Non-cash Transactions and Measures Reducing Them
- Algebraic Theory of Identification in Parametric Models
- Short-term Forecasting and Composite Indicators Construction with Help of Dynamic Factor Models Handling Mixed Frequencies Data with Ragged Edges
- Mechanisms Determining Oil and Fuel Prices
- Skew-Normal Shocks in the Linear State Space Form DSGE Model
- Life-cycle Determinants of Credit to Households
- Poland on the Road to the Euro – How Serious is the Risk of Boom-bust Cycles After the Euro Adoption?
- Credit Rationing and the Substitution Between Bank and Trade Credit – Study of Polish Enterprises
- Seven Faces of “the Peril”
- Methods of Multidimensional Comparative Analysis Used in Assessing Creditworthiness of Communes and Municipalities in Poland
- Choice of Variables in Vector Autoregressions and an Application to Euro Area Forecasting
- Debt in the Eurozone – the Sources and the Possible Consequences
- Credit Spreads and Business Cycle Fluctuations
- Trade Unions: Theory and Practice
- Household Financial Vulnerability: An Empirical Analysis
- Financial Stability and Monetary Policy
- Banking Crises
- Discriminant Analysis in Predicting Stock Exchange Prices and Indices
- A Microfoundation for Normalized CES Production Functions with Factor-augmenting Technical Change
- Almost Periodically Correlated Time Series in Business Fluctuations Analysis
- Survey of the Labour Market. 2011 Report
- Mortgage Down-payment and Welfare in a Life-cycle Model



- Income Smoothing and Procyclicality of Loan Loss Provisions in Central European Banks in 2005–2010
- Which Way(s) for the European Integration, with Special Regard to the Management and Potential Consequences of the Euro Crisis?

In 2011, the following publications by NBP employees were included in the so-called Philadelphia list (ISI Master Journal List):

- Tomasz Łyziak, Jan Przystupa, Ewa Stanisławska, Ewa Wróbel, *Monetary policy transmission disturbances during the financial crisis: A case of an emerging market economy*, *Eastern European Economics*, 49(5), pp. 75–96.
- Michał Brzoza-Brzezina, *Credit crunch in a small open economy*, *Journal of International Money and Finance*, 30(7).
- Marcin Kolasa, Jan Hagemeyer, *Internationalisation and economic performance of enterprises: Evidence from Polish firm-level data*, *The World Economy*, 34(1), pp. 74–100, 2011.
- Paweł Baranowski, *Effects of expected and unexpected monetary policy tightening in the light of a hybrid DSGE model for Poland's economy*, *Ekonomista*, 3/2011.
- Joanna Tyrowicz, Tomasz Daras, *Breeding one's own sub-prime crisis: The labour market effects on financial system stability*, *Economic Systems*, Elsevier, 35(2), pp. 278–299.
- Joanna Tyrowicz, Joanna Nestorowicz, *Age and entrepreneurship during transition*, *Ekonomista*, 3/2011.
- Joanna Tyrowicz, Jan Hagemeyer, *Not all that glitters: the direct effects of privatisation through foreign investors*, *Eastern European Economics*, 49(3), May – June.
- K. Bień-Barkowska, I. Nolte, W. Pohlmeier, *An inflated multivariate integer count hurdle model: an application to bid and ask quote dynamics*, *Journal of Applied Econometrics*, 26(4), pp. 669–707.
- W. Grabowski, A. Welfe, *Global stability of dynamic models*, *Economic Modelling*, 28, 2010¹, pp. 782–784.
- P. Kęłowski, A. Welfe, *Estimation of the equilibrium exchange rate: the CHEER approach*, *Journal of International Money and Finance*, 29, 2010², pp. 1385–1397.

In the series *Materiały i Studia* the following papers were published in 2011 (in Polish):

- Łukasz Postek, *Nieliniowy model mechanizmu transmisji monetarnej w Polsce w latach 1999–2009*. Podejście empiryczne.
- Małgorzata Grotte, Agata Życieńska, *Międzynarodowy Fundusz Walutowy i stojące przed nim wyzwania*.
- Wiesław Gumuła, Adrian Gucwa, Zbigniew Opióła, Witold Nalepa, *Rynek pracy w Polsce. Wynagrodzenia, produktywność pracy i migracje w listopadzie 2010 r. – na tle panelowych badań opinii pracodawców i bezrobotnych w latach 2006–2010*.

¹ Published in 2011.

² Published in 2011.



- Przemysław Włodarczyk, *Stabilność fiskalna – koncepcja teoretyczna i jej znaczenie praktyczne. Analiza na przykładzie państw Grupy Wyszehradzkiej w latach 1995–2009.*
- Urszula Mrzygłód, *Procesy integracyjne na rynkach kapitałowych Unii Europejskiej.*
- Wojciech Bieńkowski, Bogna Gawrońska-Nowak, Wojciech Grabowski, *Podatność polskich rynków finansowych na niestabilności wewnętrzne i zewnętrzne.*
- Tomasz Gubiec, Ryszard Kutner, Tomasz Werner, *Opracowanie metody badania wpływu zdarzeń ekstremalnych i superekstremalnych na stochastyczną dynamikę szeregów czasowych.*
- Aleksander Leicht, *Dostęp do kredytów bankowych dla przedsiębiorstw w krajach Europy Południowo-Wschodniej podczas międzynarodowego kryzysu finansowego.*
- Jerzy Marzec, Małgorzata Pawłowska, *Racjonowanie kredytów a substytucja między kredytem kupieckim i bankowym – badania na przykładzie polskich przedsiębiorstw.*
- Paweł Baranowski, Agnieszka Leszczyńska, *Prognozowanie inflacji w oparciu o hybrydową krzywą Phillipsa dla gospodarki zamkniętej i małej gospodarki otwartej.*
- Grzegorz Szafrąński, *Krótkoterminowe prognozy polskiej inflacji w oparciu o wskaźniki wyprzedzające.*
- Oskar Kowalewski, Mariusz Jan Radło, *Wpływ tymczasowej pomocy publicznej w okresie kryzysu na konkurencję w Unii Europejskiej.*

In 2011, the following papers were published in the series *National Bank of Poland Working Paper*:

- Michał Brzoza-Brzezina, Pascal Jacquinot, Marcin Kolasa, *Can we prevent boom-bust cycles during euro area accession?*
- Michał Brzoza-Brzezina, Marcin Kolasa, Krzysztof Makarski, *The anatomy of standard DSGE models with financial frictions.*
- Michał Rubaszek, Paweł Skrzypczyński, Grzegorz Koloch, *Forecasting the Polish zloty with non-linear models.*
- Aleksandra Parteka, Joanna Wolszczak-Derlacz, *Market size, competitiveness and technological frontier – the impact of trade integration with the EU on productivity in Polish manufacturing sectors.*
- Grzegorz Grabek, Bohdan Kłos, Grzegorz Koloch, *SOE^{PL 2009} – An estimated Dynamic Stochastic General Equilibrium model for policy analysis and forecasting.*
- Marcin Hołda, Katarzyna Saczuk, Paweł Strzelecki, Robert Wyszynski, *Settlers and guests – determinants of the plans of return migration from UK and Ireland to Poland in the period 2007–2009.*
- Janusz Jabłonowski, Christoph Müller, Bernd Raffelhüschen, *A fiscal outlook for Poland using generational accounts.*
- Andrzej Torój, *Competitiveness channel in Poland and Slovakia: a pre-EMU DSGE analysis.*
- Andrzej Kocięcki, Marcin Kolasa, Michał Rubaszek, *Predictivistic Bayesian forecasting system.*



- Andrzej Kocięcki, *Algebraic theory of identification in parametric models.*
- Katarzyna B. Budnik, *Temporary migration in theories of international mobility of labour.*
- Katarzyna B. Budnik, *Emigration triggers: International migration of Polish workers between 1994 and 2009.*
- Marcin Kolasa, Giovanni Lombardo, *Financial frictions and optimal monetary policy in an open economy.*
- Michał Rubaszek, Dobromił Serwa, *Determinants of credit to households in a life-cycle model.*
- Benjamin Born, Michael Ehrmann, Marcel Fratzscher, *Central bank communication on financial stability.*
- Katarzyna Growiec, Jakub Growiec, *Trusting only whom you know, knowing only whom you trust: the joint impact of social capital and trust on individuals' economic performance and happiness in CEE countries.*
- Michał Brzoza-Brzezina, Marcin Kolasa, Grzegorz Koloch, Krzysztof Makarski, Michał Rubaszek, *Monetary policy in a non-representative agent economy: A survey.*
- Łukasz Hardt, *Conceptualizing interdependences between regulatory and monetary policies. Some preliminary considerations.*
- Oskar Kowalewski, *When are multinational banks getting a bang for their buck on their subsidiaries abroad?*
- Jakub Growiec, *A microfoundation for normalized CES production functions with factor-augmenting technical change.*
- Dobromił Serwa, *Identifying multiple regimes in the model of credit to households.*
- Piotr Białowolski, *Forecasting inflation with consumer survey data – application of multi-group confirmatory factor analysis to elimination of the general sentiment factor.*
- Grzegorz Grabek, Bohdan Klos, Grzegorz Koloch, *Skew-normal shocks in the linear state space form DSGE model.*
- Jakub Growiec, Anna Pajor, Dorota Pelle, Artur Prędko, *The shape of aggregate production functions: evidence from estimates of the World Technology Frontier.*
- Agnieszka Stążka-Gawrysiak, *Poland on the road to the euro: How serious is the risk of boom-bust cycles after the euro adoption? An empirical analysis.*
- Katarzyna Bień-Barkowska, *Multistate asymmetric ACD model: an application to order dynamics in the EUR/PLN spot market.*
- Magdalena Szyszko, *The interdependencies of central bank's forecasts and economic agents inflation expectations. Empirical study.*

Appendix 6

Voting records of MPC members on motions and resolutions in 2011

Date	Subject matter of motion or resolution	MPC decision	Voting of the MPC members	
			For:	Against:
19 January 2011	Resolution No. 1/2011 on the level of the reference rate, lombard rate, deposit rate and rediscount rate of the National Bank of Poland.	The MPC increased the level of all interest rates by 0.25 percentage points.	M. Belka A. Bratkowski E. Chojna-Duch Z. Gilowska A. Glapiński J. Hausner A. Kaźmierczak A. Rzońca J. Winiński A. Zielińska-Głębocka	
15 February 2011	Resolution No. 2/2011 on the regulations governing the Monetary Policy Council.		M. Belka A. Bratkowski E. Chojna-Duch Z. Gilowska A. Glapiński J. Hausner A. Kaźmierczak A. Rzońca A. Zielińska-Głębocka	J. Winiński
2 March 2011	Motion to raise the NBP interest rates by 0.25 percentage points.	Motion did not pass.	A. Bratkowski J. Hausner A. Rzońca	M. Belka E. Chojna-Duch Z. Gilowska A. Glapiński A. Kaźmierczak A. Zielińska-Głębocka <i>J. Winiński was absent.</i>
4 April 2011	Resolution No. 3/2011 on approving the Annual Financial Report of the National Bank of Poland prepared as of 31 December 2010.		M. Belka A. Bratkowski E. Chojna-Duch Z. Gilowska A. Glapiński J. Hausner A. Kaźmierczak A. Rzońca J. Winiński A. Zielińska-Głębocka	
5 April 2011	Resolution No. 4/2011 on the level of the reference rate, lombard rate, deposit rate and rediscount rate of the National Bank of Poland.	The MPC increased the level of all interest rates by 0.25 percentage points.	M. Belka A. Bratkowski Z. Gilowska A. Glapiński J. Hausner A. Kaźmierczak A. Rzońca J. Winiński A. Zielińska-Głębocka	E. Chojna-Duch



Date	Subject matter of motion or resolution	MPC decision	Voting of the MPC members	
			For:	Against:
10 May 2011	Resolution No. 6/2011 on the evaluation of the activities of the NBP Management Board as regards the implementation of the monetary policy guidelines for the year 2010.		M. Belka E. Chojna-Duch Z. Gilowska A. Glapiński J. Hausner A. Kaźmierczak A. Rzońca J. Winiecki A. Zielińska-Głębocka	A. Bratkowski
11 May 2011	Resolution No. 7/2011 on the level of the reference rate, lombard rate, deposit rate and rediscount rate of the National Bank of Poland.	The MPC increased the level of all interest rates by 0.25 percentage points.	M. Belka A. Bratkowski Z. Gilowska J. Hausner A. Kaźmierczak A. Rzońca J. Winiecki A. Zielińska-Głębocka	E. Chojna-Duch A. Glapiński
17 May 2011	Resolution No. 8/2011 on approving the report on the operations of the National Bank of Poland in 2010.		M. Belka A. Bratkowski E. Chojna-Duch Z. Gilowska A. Glapiński J. Hausner A. Kaźmierczak A. Rzońca J. Winiecki <i>A. Zielińska-Głębocka was absent.</i>	
8 June 2011	Motion to symmetrically narrow the corridor between the NBP deposit and lombard rates by 0.5 percentage points.		A. Bratkowski A. Rzońca A. Zielińska-Głębocka	M. Belka E. Chojna-Duch Z. Gilowska A. Glapiński J. Hausner A. Kaźmierczak J. Winiecki
8 June 2011	Resolution No. 9/2011 on the level of the reference rate, lombard rate, deposit rate and rediscount rate of the National Bank of Poland.	The MPC increased the level of all NBP interest rates by 0.25 percentage points.	M. Belka A. Bratkowski Z. Gilowska A. Glapiński J. Hausner A. Kaźmierczak A. Rzońca J. Winiecki A. Zielińska-Głębocka	E. Chojna-Duch
6 July 2011	Motion to raise the NBP interest rates by 0.25 percentage points.	Motion did not pass.	A. Kaźmierczak	M. Belka A. Bratkowski E. Chojna-Duch Z. Gilowska A. Glapiński J. Hausner A. Rzońca J. Winiecki A. Zielińska-Głębocka



Date	Subject matter of motion or resolution	MPC decision	Voting of the MPC members	
			For:	Against:
23 August 2011	Resolution No. 10/2011 on adopting Monetary Policy Guidelines for 2012.		M. Belka A. Bratkowski E. Chojna-Duch Z. Gilowska A. Glapiński J. Hausner A. Kaźmierczak A. Rzońca J. Winiecki A. Zielińska-Głębocka	
20 September 2011	Resolution No. 11/2011 on setting the ceiling for liabilities arising from loans and credits drawn by the NBP at foreign banking and financial institutions.		M. Belka A. Bratkowski E. Chojna-Duch A. Glapiński J. Hausner A. Kaźmierczak J. Winiecki A. Zielińska-Głębocka	<i>Z. Gilowska and A. Rzońca were absent.</i>
8 November 2011	Resolution No. 12/2011 amending the resolution on the required reserve rates and the remuneration of required reserves.		M. Belka A. Bratkowski E. Chojna-Duch Z. Gilowska A. Glapiński J. Hausner A. Kaźmierczak J. Winiecki A. Zielińska-Głębocka	<i>A. Rzońca was absent.</i>
6 December 2011	Resolution No. 13/2011 on approving the Financial Plan of the National Bank of Poland for 2012.		M. Belka A. Bratkowski E. Chojna-Duch Z. Gilowska A. Glapiński J. Hausner A. Kaźmierczak A. Rzońca J. Winiecki A. Zielińska-Głębocka	



STATISTICAL ANNEX

TABLE I
Basic economic data

Period	1. Industrial output			2. Construction output			3. Consumer Price Index			4. Producer Price Index	
	current prices	constant prices		current prices	constant prices		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					
	PLN million	%	%	PLN million	%	%	%	%	%	%	
1	2	3	4	5	6	7	8	9	10	11	
XII 2010	82 301.7	111.4	95.8	11 010.1	112.3	138.7	103.1	100.4	103.1	106.2	101.2
I 2011	77 949.0	110.3	93.7	3 387.4	111.0	30.7	103.6	101.2	101.2	106.2	100.4
II	81 483.6	110.5	103.3	3 776.6	118.7	111.5	103.6	100.2	101.4	107.5	101.2
III	94 464.5	106.8	115.2	5 389.1	124.2	142.4	104.3	100.9	102.3	109.5	101.6
IV	86 563.5	106.7	90.7	5 912.2	115.6	109.7	104.5	100.5	102.9	108.8	100.7
V	88 339.1	107.8	102.7	7 454.5	123.9	125.9	105.0	100.6	103.5	106.3	99.7
VI	89 599.5	102.0	101.0	8 794.6	117.0	117.6	104.2	99.6	103.1	105.6	100.3
VII	84 893.6	101.8	94.0	8 510.8	116.4	96.5	104.1	99.7	102.8	105.9	100.4
VIII	89 313.0	107.9	104.1	8 673.2	110.8	101.5	104.3	100.0	102.7	106.8	100.6
IX	100 219.8	107.4	112.6	10 269.0	118.1	118.3	103.9	100.1	102.8	108.4	101.7
X	98 480.1	106.4	97.6	9 828.5	108.9	95.7	104.3	100.7	103.5	108.5	100.1
XI	99 267.2	108.5	100.5	9 103.2	113.0	92.5	104.8	100.7	104.2	109.1	100.9
XII	95 696.7	107.7	95.1	12 792.6	114.6	140.6	104.6	100.4	104.6	108.1	100.3

Period	12. Corporate financial performance												
	revenues		operating cost		pre-tax profit/loss	statutory deductions	net profit/loss	cost to 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									
	PLN million	PLN million	PLN million	PLN million	PLN million	PLN million	PLN million	%	%	%	PLN million	PLN million	PLN million
22	23	24	25	26	27	28	29	30	31	32	33	34	
XII 2010	2 029 730.8	1 200 633.1	1 922 051.9	1 217 468.1	107 488.5	18 043.1	89 445.5	94.7	4.4	105.5	663 259.1	248 204.4	243 430.4
I 2011	.	.	.	.	.	.	.	.	.	.	.	.	.
II	.	.	.	.	.	.	.	.	.	.	.	.	.
III	512 781.6	306 832.3	485 532.3	309 803.1	27 296.4	5 339.6	21 956.8	94.7	4.3	106.4	669 331.2	251 471.7	235 337.0
IV	.	.	.	.	.	.	.	.	.	.	.	.	.
V	.	.	.	.	.	.	.	.	.	.	.	.	.
VI	1 072 567.1	639 422.2	1 005 928.5	644 103.4	66 659.4	10 503.3	56 156.0	93.8	5.2	104.6	706 208.6	264 250.0	245 863.9
VII	.	.	.	.	.	.	.	.	.	.	.	.	.
VIII	.	.	.	.	.	.	.	.	.	.	.	.	.
IX	1 652 839.5	987 007.5	1 560 099.4	993 942.3	92 767.2	15 375.5	77 391.7	94.4	4.7	104.5	726 614.0	276 645.4	261 288.7
X	.	.	.	.	.	.	.	.	.	.	.	.	.
XI	.	.	.	.	.	.	.	.	.	.	.	.	.
XII	2 294 301.9	1 364 943.7	2 169 484.4	1 376 126.4	124 886.7	20 936.3	103 950.3	94.6	4.5	102.7	739 064.8	271 544.4	274 688.7

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 and expenditure		
	the same month previous year = 100	previous month = 100						revenue	expenditure	financial surplus/deficit and net foreign lending/borrowing
	%	%	thousands	thousands	thousands	%	PLN	PLN million	PLN million	PLN million
	12	13	14	15	16	17	18	19	20	21
XII 2010	100.0	100.1	5 548	5 379	1 954.7	12.4	3 847.91	250 302.4	294 893.7	-13 353.5
I 2011	100.3	100.1	5 685	5 501	2 105.0	13.1	3 391.59	24 618.3	27 380.3	-1 203.6
II	100.4	100.1	5 695	5 513	2 150.2	13.4	3 422.14	42 019.6	56 428.8	-13 115.0
III	100.6	100.2	5 699	5 509	2 133.9	13.3	3 633.54	62 587.9	80 087.6	-16 590.0
IV	100.6	100.2	5 703	5 514	2 043.5	12.8	3 597.84	87 531.9	109 117.4	-18 449.1
V	100.7	100.2	5 707	5 514	1 962.6	12.4	3 483.99	107 940.1	131 668.4	-19 401.8
VI	100.8	100.3	5 716	5 527	1 883.3	11.9	3 600.47	134 662.4	154 884.6	-15 149.2
VII	101.1	100.2	5 715	5 528	1 863.2	11.8	3 611.56	158 348.6	179 432.2	-15 358.4
VIII	101.4	100.3	5 702	5 520	1 855.3	11.8	3 591.23	181 230.8	201 911.5	-14 874.0
IX	101.6	100.1	5 708	5 515	1 861.7	11.8	3 581.94	205 020.0	226 908.5	-14 361.5
X	101.6	100.1	5 701	5 512	1 867.6	11.8	3 617.16	231 939.7	254 410.1	-13 476.8
XI	101.7	100.0	5 706	5 515	1 914.9	12.1	3 682.19	254 965.1	276 538.5	-11 621.8
XII	101.8	100.0	5 676	5 503	1 982.7	12.5	4 015.37	277 568.3	302 681.2	-9 877.8

TABLE II

Financial market – basic information

Period	1. NBP interest rates					2. Reserve requirement							Total required reserves held		
	Reference rate	Lombard rate	Deposit rate	Rediscount rate	Discount rate	Reserve requirement ratio on zloty deposits		Reserve requirement ratio on foreign currency deposits (zloty equivalent)		Reserve requirement ratio on repo operations	Interest on reserve requirement	Total	of which		
						demand	time	demand	time				current account	declared vault cash	
	%	%	%	%	%	%	%	%	%	%	PLN million	PLN million	PLN million		
1	2	3	4	5	6	7	8	9	10	11	12	13	14		
XII 2010	3.50	5.00	2.00	3.75	4.00	3.5	3.5	3.5	3.5	0.0	0.9*	25 947.6	25 947.6	.	
I 2011	3.75	5.25	2.25	4.00	.	3.5	3.5	3.5	3.5	0.0	0.9*	26 255.6	26 255.6	.	
II	3.75	5.25	2.25	4.00	.	3.5	3.5	3.5	3.5	0.0	0.9*	26 448.9	26 448.9	.	
III	3.75	5.25	2.25	4.00	.	3.5	3.5	3.5	3.5	0.0	0.9*	26 479.9	26 479.9	.	
IV	4.00	5.50	2.50	4.25	.	3.5	3.5	3.5	3.5	0.0	0.9*	26 479.9	26 479.9	.	
V	4.25	5.75	2.75	4.50	.	3.5	3.5	3.5	3.5	0.0	0.9*	27 145.8	27 145.8	.	
VI	4.50	6.00	3.00	4.75	.	3.5	3.5	3.5	3.5	0.0	0.9*	27 245.7	27 245.7	.	
VII	4.50	6.00	3.00	4.75	.	3.5	3.5	3.5	3.5	0.0	0.9*	27 245.7	27 245.7	.	
VIII	4.50	6.00	3.00	4.75	.	3.5	3.5	3.5	3.5	0.0	0.9*	27 646.7	27 646.7	.	
IX	4.50	6.00	3.00	4.75	.	3.5	3.5	3.5	3.5	0.0	0.9*	28 059.5	28 059.5	.	
X	4.50	6.00	3.00	4.75	.	3.5	3.5	3.5	3.5	0.0	0.9*	28 269.9	28 269.9	.	
XI	4.50	6.00	3.00	4.75	.	3.5	3.5	3.5	3.5	0.0	0.9*	28 038.8	28 038.8	.	
XII	4.50	6.00	3.00	4.75	.	3.5	3.5	3.5	3.5	0.0	0.9*	28 038.8	28 038.8	.	

* Rediscount rate.

Period	3. Treasury bill tenders															
	Demand declared by bidders (at face value)							Face value of bills sold								
	of which							Total	of which							
	45-week	46-week	48-week	49-week	50-week	51-week	52-week		27-week	28-week	44-week	45-week	46-week	48-week	49-week	
PLN million	PLN million	PLN million	PLN million	PLN million	PLN million	PLN million	PLN million	PLN million	PLN million	PLN million	PLN million	PLN million	PLN million	PLN million		
31	32	33	34	35	36	37	38	39	40	41	42	43	44	45		
XII 2010	.	.	0.00	0.00	.	.	0.00	0.00	.	0.00	.	.	0.00	0.00		
I 2011	.	.	0.00	0.00	.	.	2 968.20	3 961.20	1 000.00	1 000.00	.	.	0.00	0.00		
II	.	.	0.00	2 901.50	2 730.00	2 444.00	2 999.22	5 793.45	0.00	0.00	.	.	0.00	1 799.50		
III	.	.	0.00	3 760.28	2 316.46	5 097.36	4 237.09	3 667.99	0.00	0.00	.	.	0.00	1 114.53		
IV	.	.	3 407.73	1 646.15	1 535.70	1 693.10	0.00	2 811.95	0.00	0.00	.	.	1 027.00	771.15		
V	2 737.00	3 560.00	0.00	0.00	0.00	0.00	2 667.00	2 512.00	0.00	0.00	698.00	709.00	600.00	0.00		
VI	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		
VII	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		
VIII	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		
IX	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		
X	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		
XI	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		
XII	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		

Period	3. Treasury bill tenders																
	Number of tenders during month	Face value of bills offered for sale											Demand declared by bidders (at face value)				
		Total	of which											Total	of which		
			27-week	28-week	44-week	45-week	46-week	48-week	49-week	50-week	51-week	52-week	27-week		28-week	44-week	
	PLN million	PLN million	PLN million	PLN million	PLN million	PLN million	PLN million	PLN million	PLN million	PLN million	PLN million	PLN million	PLN million	PLN million	PLN million	PLN million	
15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30		
XII 2010	0	0.00	.	0.00	.	.	.	0.00	0.00	.	.	0.00	0.00	.	0.00		
I 2011	3	4 700.00	1 200.00	1 500.00	.	.	.	0.00	0.00	.	.	2 000.00	10 303.34	4 437.64	2 897.50		
II	4	6 300.00	0.00	0.00	.	.	.	0.00	2 000.00	1 500.00	1 100.00	1 700.00	11 074.72	0.00	0.00		
III	4	4 200.00	0.00	0.00	.	.	.	0.00	1 200.00	1 100.00	900.00	1 000.00	15 411.19	0.00	0.00		
IV	4	3 800.00	0.00	0.00	.	.	.	1 200.00	1 000.00	600.00	1 000.00	0.00	8 282.68	0.00	0.00		
V	4	3 200.00	0.00	0.00	1 000.00	1 000.00	600.00	0.00	0.00	0.00	0.00	600.00	11 965.50	0.00	0.00		
VI	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		
VII	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		
VIII	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		
IX	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		
X	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		
XI	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		
XII	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		

Period	3. Treasury bill tenders															
	Face value of bills sold			Total	Yield on bills purchased, weighted average											Bills outstanding from tender sales at month end (purchase prices)
	of which				of which											
	50-week	51-week	52-week		27-week	28-week	44-week	45-week	46-week	48-week	49-week	50-week	51-week	52-week		
	PLN million	PLN million	PLN million	%	%	%	%	%	%	%	%	%	%	%	PLN million	
46	47	48	49	50	51	52	53	54	55	56	57	58	59	60		
XII 2010	.	.	0.00	0.00	.	0.00	.	.	.	0.00	0.00	.	.	0.00	26 730.48	
I 2011	.	.	1 961.20	4.18	4.08	4.05	.	.	.	0.00	0.00	.	.	4.29	26 501.05	
II	1 428.00	1 100.00	1 465.95	4.43	0.00	0.00	.	.	.	0.00	4.48	4.35	4.33	4.51	30 047.00	
III	783.46	900.00	870.00	4.48	0.00	0.00	.	.	.	0.00	4.46	4.50	4.49	4.46	30 460.89	
IV	444.20	569.60	0.00	4.55	0.00	0.00	.	.	.	4.58	4.59	4.50	4.46	0.00	30 824.33	
V	0.00	0.00	505.00	4.57	0.00	0.00	4.56	4.60	4.52	0.00	0.00	0.00	0.00	4.58	30 801.83	
VI	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	26 872.05	
VII	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	22 658.90	
VIII	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	17 979.62	
IX	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	16 844.13	
X	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	16 053.56	
XI	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	16 053.56	
XII	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	11 361.20	

TABLE II (con'd)

Financial market – basic information

Period	4. Tenders for NBP money-market bills														
	Number of tenders during month	Face value of bills offered for sale									Demand declared by bidders (at face value)				
		Total	of which								Total	of which			
	1-day	2-day	3-day	4-day	6-day	7-day	8-day	1-day	2-day	3-day	4-day	6-day			
	PLN million	PLN million	PLN million	PLN million	PLN million	PLN million	PLN million	PLN million	PLN million	%	%	%	PLN million	PLN million	PLN million
61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	
XII 2010	7	444 000.00	0.00	10 000.00	11 000.00	.	0.00	423 000.00	0.00	404 511.81	0.00	3 636.11	3 430.00	.	0.00
I 2011	6	397 000.00	0.00	0.00	39 000.00	.	0.00	358 000.00	0.00	368 232.08	0.00	0.00	29 295.10	.	0.00
II	5	376 800.00	0.00	0.00	5 000.00	.	0.00	371 800.00	0.00	365 478.64	0.00	0.00	560.00	.	0.00
III	5	395 500.00	0.00	9 500.00	0.00	.	0.00	386 000.00	0.00	387 368.22	0.00	4 900.00	0.00	.	0.00
IV	8	553 000.00	0.00	35 000.00	13 000.00	.	0.00	505 000.00	0.00	494 486.03	0.00	12 170.00	5 960.00	.	0.00
V	6	438 500.00	0.00	0.00	28 000.00	.	0.00	410 500.00	0.00	399 161.82	0.00	0.00	12 575.00	.	0.00
VI	7	449 300.00	14 000.00	0.00	25 800.00	.	0.00	409 500.00	0.00	417 426.10	9 968.00	0.00	11 430.00	.	0.00
VII	7	539 200.00	0.00	11 500.00	11 500.00	.	0.00	516 200.00	0.00	516 807.13	0.00	5 110.00	11 007.50	.	0.00
VIII	5	429 000.00	15 500.00	0.00	0.00	.	0.00	413 500.00	0.00	416 305.61	13 586.11	0.00	0.00	.	0.00
IX	8	532 000.00	12 500.00	17 000.00	0.00	7 500.00	0.00	495 000.00	0.00	494 158.74	10 230.00	6 490.00	0.00	2 660.00	0.00
X	6	424 300.00	0.00	0.00	26 500.00	0.00	0.00	397 800.00	0.00	393 966.66	0.00	0.00	18 874.00	0.00	0.00
XI	6	408 500.00	11 500.00	0.00	12 000.00	0.00	98 000.00	193 000.00	94 000.00	393 332.43	9 354.50	0.00	4 990.00	0.00	98 645.95
XII	10	559 500.00	0.00	17 000.00	75 000.00	0.00	92 000.00	375 500.00	0.00	464 241.09	0.00	6 260.00	41 784.75	0.00	73 965.96

Period	4. Tenders for NBP money-market bills				5. Data on trading sessions of Warsaw Stock Exchange										
	Yield on bills purchased, weighted average			Bills outstanding from tender sales and month end (purchase prices)	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	mWIG40 at month end	mWIG40 monthly average	sWIG80 at month end	sWIG80 monthly average	Monthly turnover	Turnover ratio
	6-day	7-day	8-day												
	%	%	%	PLN million	PLN million										
	91	92	93	94	95	96	97	98	99	100	101	102	103	104	105
XII 2010	0.00	3.50	0.00	74 588.93	400	542 646.1	17.5	2 744.2	2 751.6	2 805.3	2 796.3	12 219.9	11 990.6	34 423.5	37.4
I 2011	0.00	3.63	0.00	86 783.34	380	537 164.6	17.3	2 704.9	2 719.5	2 825.9	2 833.5	12 525.1	12 484.3	20 323.7	49.0
II	0.00	3.75	0.00	91 088.99	380	544 361.8	17.0	2 717.8	2 701.4	2 871.6	2 851.1	12 746.9	12 703.3	19 701.3	47.3
III	0.00	3.75	0.00	96 918.49	402	561 068.2	15.9	2 817.0	2 772.6	2 912.5	2 872.6	12 727.3	12 668.6	23 846.7	48.9
IV	0.00	3.96	0.00	94 329.99	407	577 537.3	16.2	2 913.1	2 907.2	2 940.0	2 948.7	12 893.1	12 802.9	18 790.9	44.7
V	0.00	4.19	0.00	102 309.15	413	578 591.6	14.7	2 903.6	2 850.3	2 959.9	2 914.6	12 779.2	12 570.1	22 802.1	49.3
VI	0.00	4.44	0.00	104 601.76	416	556 233.8	14.1	2 802.0	2 850.6	2 850.6	2 890.0	12 086.0	12 291.9	22 179.8	47.7
VII	0.00	4.50	0.00	111 974.63	420	556 422.1	13.2	2 726.3	2 746.7	2 736.7	2 792.5	11 129.9	11 581.8	19 275.6	42.5
VIII	0.00	4.50	0.00	96 967.08	424	498 447.6	10.4	2 451.0	2 382.2	2 422.9	2 337.1	9 613.5	9 541.3	26 796.3	65.1
IX	0.00	4.50	0.00	87 597.49	424	454 777.2	9.4	2 188.7	2 247.0	2 169.5	2 170.3	8 806.2	8 754.8	21 714.6	55.5
X	0.00	4.50	0.00	87 258.99	426	484 609.4	10.0	2 371.6	2 276.9	2 317.0	2 235.0	9 165.2	8 927.8	20 287.9	53.6
XI	4.50	4.50	4.50	95 671.64	426	466 045.7	9.6	2 288.1	2 275.2	2 171.7	2 205.8	8 727.9	8 901.3	19 785.1	49.4
XII	4.50	4.50	0.00	93 367.94	426	446 151.2	9.2	2 144.5	2 186.1	2 173.9	2 155.4	8 496.5	8 469.5	15 084.5	41.0

Period	4. Tenders for NBP money-market bills															
	Demand declared by bidders (at face value)										Yield on bills purchased, weighted average					
			Total	of which								Total	of which			
	7-day	8-day		1-day	2-day	3-day	4-day	6-day	7-day	8-day	1-day		2-day	3-day	4-day	
	PLN million	PLN million	PLN million	PLN million	PLN million	PLN million	PLN million	PLN million	PLN million	PLN million	PLN million	%	%	%	%	%
76	77	78	79	80	81	82	83	84	85	86	87	88	89	90		
XII 2010	397 445.70	0.00	404 380.70	0.00	3 636.11	3 430.00	.	0.00	397 314.59	0.00	3.50	0.00	3.49	3.49	.	
I 2011	338 936.98	0.00	367 552.85	0.00	0.00	29 295.10	.	0.00	338 257.75	0.00	3.62	0.00	0.00	3.62	.	
II	364 918.64	0.00	360 601.87	0.00	0.00	560.00	.	0.00	360 041.87	0.00	3.75	0.00	0.00	3.75	.	
III	382 468.22	0.00	386 155.78	0.00	4 900.00	0.00	.	0.00	381 255.78	0.00	3.75	0.00	3.74	0.00	.	
IV	476 356.03	0.00	494 486.03	0.00	12 170.00	5 960.00	.	0.00	476 356.03	0.00	3.96	0.00	4.00	4.00	.	
V	386 586.82	0.00	399 161.82	0.00	0.00	12 575.00	.	0.00	386 586.82	0.00	4.19	0.00	0.00	4.25	.	
VI	396 028.10	0.00	417 426.10	9 968.00	0.00	11 430.00	.	0.00	396 028.10	0.00	4.44	4.50	0.00	4.50	.	
VII	500 689.63	0.00	516 807.13	0.00	5 110.00	11 007.50	.	0.00	500 689.63	0.00	4.50	0.00	4.50	4.50	.	
VIII	402 719.50	0.00	416 001.41	13 586.11	0.00	0.00	.	0.00	402 415.30	0.00	4.50	4.50	0.00	0.00	.	
IX	474 778.74	0.00	493 052.86	10 230.00	6 490.00	0.00	2 660.00	0.00	473 672.86	0.00	4.50	4.50	4.50	0.00	4.50	
X	375 092.66	0.00	393 966.66	0.00	0.00	18 874.00	0.00	0.00	375 092.66	0.00	4.50	0.00	0.00	4.50	0.00	
XI	185 506.33	94 835.65	391 850.83	9 354.50	0.00	4 990.00	0.00	98 000.00	185 506.33	94 000.00	4.50	4.50	0.00	4.50	0.00	
XII	342 230.38	0.00	464 241.09	0.00	6 260.00	41 784.75	0.00	73 965.96	342 230.38	0.00	4.50	0.00	4.50	4.50	0.00	

TABLE III

PLN/USD and PLN/EUR daily exchange rates

Days	December 2010			January 2011			February 2011		
	NBP average exchange rates		USD/EUR	NBP average exchange rates		USD/EUR	NBP average exchange rates		USD/EUR
	PLN/USD	PLN/EUR		PLN/USD	PLN/EUR		PLN/USD	PLN/EUR	
	1	2	3	4	5	6	7	8	9
1	3.0753	4.0205	1.3074	2.9641	3.9603	1.3361	2.8468	3.9129	1.3745
2	3.0282	3.9928	1.3185	2.9641	3.9603	1.3361	2.8230	3.9019	1.3822
3	3.0172	3.9968	1.3247	2.9822	3.9622	1.3286	2.8424	3.9173	1.3782
4	3.0172	3.9968	1.3247	2.9415	3.9433	1.3406	2.8666	3.9075	1.3631
5	3.0172	3.9968	1.3247	2.9476	3.9095	1.3263	2.8666	3.9075	1.3631
6	3.0057	3.9974	1.3299	2.9476	3.9095	1.3263	2.8666	3.9075	1.3631
7	2.9955	4.0078	1.3379	2.9818	3.8730	1.2989	2.8438	3.8684	1.3603
8	3.0558	4.0415	1.3226	2.9818	3.8730	1.2989	2.8471	3.8742	1.3608
9	3.0508	4.0330	1.3219	2.9818	3.8730	1.2989	2.8581	3.8993	1.3643
10	3.0458	4.0376	1.3256	3.0268	3.9082	1.2912	2.8795	3.9248	1.3630
11	3.0458	4.0376	1.3256	3.0065	3.8858	1.2925	2.9116	3.9370	1.3522
12	3.0458	4.0376	1.3256	2.9466	3.8403	1.3033	2.9116	3.9370	1.3522
13	3.0445	4.0240	1.3217	2.9353	3.8613	1.3155	2.9116	3.9370	1.3522
14	2.9708	3.9911	1.3434	2.9048	3.8833	1.3369	2.9219	3.9337	1.3463
15	2.9978	3.9877	1.3302	2.9048	3.8833	1.3369	2.9159	3.9398	1.3511
16	3.0125	3.9896	1.3243	2.9048	3.8833	1.3369	2.8864	3.9123	1.3554
17	2.9840	3.9837	1.3350	2.9181	3.8692	1.3259	2.8790	3.9068	1.3570
18	2.9840	3.9837	1.3350	2.8848	3.8656	1.3400	2.8803	3.9105	1.3577
19	2.9840	3.9837	1.3350	2.8879	3.8860	1.3456	2.8803	3.9105	1.3577
20	3.0396	3.9998	1.3159	2.8856	3.8929	1.3491	2.8803	3.9105	1.3577
21	3.0370	3.9944	1.3152	2.8779	3.8936	1.3529	2.8755	3.9295	1.3665
22	3.0322	3.9909	1.3162	2.8779	3.8936	1.3529	2.9198	3.9632	1.3574
23	3.0323	3.9735	1.3104	2.8779	3.8936	1.3529	2.8868	3.9575	1.3709
24	3.0196	3.9640	1.3128	2.8561	3.8765	1.3573	2.8941	3.9916	1.3792
25	3.0196	3.9640	1.3128	2.8558	3.8777	1.3578	2.8770	3.9757	1.3819
26	3.0196	3.9640	1.3128	2.8280	3.8777	1.3712	2.8770	3.9757	1.3819
27	3.0215	3.9763	1.3160	2.8508	3.9009	1.3684	2.8770	3.9757	1.3819
28	3.0112	3.9840	1.3231	2.8501	3.9111	1.3723	2.8765	3.9763	1.3823
29	3.0383	3.9913	1.3137	2.8501	3.9111	1.3723			
30	2.9979	3.9704	1.3244	2.8501	3.9111	1.3723			
31	2.9641	3.9603	1.3361	2.8845	3.9345	1.3640			
Average monthly rate	3.0197	3.9959	X	2.9148	3.8969	X	2.8787	3.9286	X

Days	March 2011			April 2011			May 2011		
	NBP average exchange rates		USD/EUR	NBP average exchange rates		USD/EUR	NBP average exchange rates		USD/EUR
	PLN/USD	PLN/EUR		PLN/USD	PLN/EUR		PLN/USD	PLN/EUR	
	10	11	12	13	14	15	16	17	18
1	2.8643	3.9612	1.3830	2.8455	4.0312	1.4167	2.6501	3.9376	1.4858
2	2.8843	3.9776	1.3791	2.8455	4.0312	1.4167	2.6541	3.9322	1.4816
3	2.8704	3.9773	1.3856	2.8455	4.0312	1.4167	2.6541	3.9322	1.4816
4	2.8646	3.9988	1.3959	2.8395	4.0325	1.4201	2.6499	3.9366	1.4856
5	2.8646	3.9988	1.3959	2.8388	4.0253	1.4180	2.6458	3.9406	1.4894
6	2.8646	3.9988	1.3959	2.7986	3.9989	1.4289	2.7270	3.9600	1.4521
7	2.8372	3.9795	1.4026	2.7863	3.9823	1.4292	2.7270	3.9600	1.4521
8	2.8549	3.9756	1.3926	2.7489	3.9594	1.4404	2.7270	3.9600	1.4521
9	2.8644	3.9758	1.3880	2.7489	3.9594	1.4404	2.7190	3.9215	1.4423
10	2.8849	3.9915	1.3836	2.7489	3.9594	1.4404	2.7361	3.9284	1.4358
11	2.9212	4.0316	1.3801	2.7501	3.9758	1.4457	2.7201	3.9193	1.4409
12	2.9212	4.0316	1.3801	2.7511	3.9726	1.4440	2.7573	3.9147	1.4198
13	2.9212	4.0316	1.3801	2.7421	3.9756	1.4498	2.7321	3.9135	1.4324
14	2.8825	4.0211	1.3950	2.7297	3.9498	1.4470	2.7321	3.9135	1.4324
15	2.9284	4.0618	1.3870	2.7293	3.9479	1.4465	2.7321	3.9135	1.4324
16	2.9052	4.0557	1.3960	2.7293	3.9479	1.4465	2.7817	3.9330	1.4139
17	2.9077	4.0800	1.4032	2.7293	3.9479	1.4465	2.7707	3.9269	1.4173
18	2.8850	4.0615	1.4078	2.7608	3.9559	1.4329	2.7501	3.9205	1.4256
19	2.8850	4.0615	1.4078	2.7922	3.9815	1.4259	2.7570	3.9205	1.4220
20	2.8850	4.0615	1.4078	2.7358	3.9629	1.4485	2.7377	3.9207	1.4321
21	2.8588	4.0477	1.4159	2.7183	3.9787	1.4637	2.7377	3.9207	1.4321
22	2.8358	4.0345	1.4227	2.7135	3.9536	1.4570	2.7377	3.9207	1.4321
23	2.8446	4.0353	1.4186	2.7135	3.9536	1.4570	2.8193	3.9437	1.3988
24	2.8516	4.0270	1.4122	2.7135	3.9536	1.4570	2.8024	3.9481	1.4088
25	2.8425	4.0240	1.4157	2.7135	3.9536	1.4570	2.8100	3.9511	1.4061
26	2.8425	4.0240	1.4157	2.6975	3.9423	1.4615	2.8033	3.9685	1.4157
27	2.8425	4.0240	1.4157	2.6838	3.9421	1.4689	2.8003	3.9785	1.4207
28	2.8431	3.9980	1.4062	2.6504	3.9353	1.4848	2.8003	3.9785	1.4207
29	2.8227	3.9930	1.4146	2.6501	3.9376	1.4858	2.8003	3.9785	1.4207
30	2.8277	3.9878	1.4103	2.6501	3.9376	1.4858	2.7810	3.9726	1.4285
31	2.8229	4.0119	1.4212				2.7468	3.9569	1.4405
Average monthly rate	2.8688	4.0174	X	2.7467	3.9706	X	2.7419	3.9395	X

TABLE III (con'd)

PLN/USD and PLN/EUR daily exchange rates

Days	June 2011			July 2011			August 2011		
	NBP average exchange rates		USD/EUR	NBP average exchange rates		USD/EUR	NBP average exchange rates		USD/EUR
	PLN/USD	PLN/EUR		PLN/USD	PLN/EUR		PLN/USD	PLN/EUR	
	19	20	21	22	23	24	25	26	27
1	2.7479	3.9595	1.4409	2.7273	3.9626	1.4529	2.7683	3.9859	1.4398
2	2.7578	3.9740	1.4410	2.7273	3.9626	1.4529	2.8331	4.0225	1.4198
3	2.7315	3.9598	1.4497	2.7273	3.9626	1.4529	2.8252	4.0321	1.4272
4	2.7315	3.9598	1.4497	2.7156	3.9463	1.4532	2.8237	4.0278	1.4264
5	2.7315	3.9598	1.4497	2.7266	3.9487	1.4482	2.8572	4.0423	1.4148
6	2.7071	3.9621	1.4636	2.7531	3.9531	1.4359	2.8572	4.0423	1.4148
7	2.6891	3.9476	1.4680	2.7597	3.9498	1.4312	2.8572	4.0423	1.4148
8	2.6943	3.9490	1.4657	2.7505	3.9345	1.4305	2.8287	4.0546	1.4334
9	2.7040	3.9550	1.4626	2.7505	3.9345	1.4305	2.8831	4.1033	1.4232
10	2.7216	3.9413	1.4482	2.7505	3.9345	1.4305	2.8485	4.0923	1.4367
11	2.7216	3.9413	1.4482	2.8123	3.9743	1.4132	2.9191	4.1605	1.4253
12	2.7216	3.9413	1.4482	2.9039	4.0383	1.3906	2.9186	4.1509	1.4222
13	2.7426	3.9324	1.4338	2.8658	4.0288	1.4058	2.9186	4.1509	1.4222
14	2.7203	3.9335	1.4460	2.8309	4.0291	1.4233	2.9186	4.1509	1.4222
15	2.7499	3.9433	1.4340	2.8545	4.0343	1.4133	2.9186	4.1509	1.4222
16	2.8069	3.9678	1.4136	2.8545	4.0343	1.4133	2.8914	4.1583	1.4382
17	2.8077	3.9788	1.4171	2.8545	4.0343	1.4133	2.8785	4.1475	1.4409
18	2.8077	3.9788	1.4171	2.8753	4.0402	1.4051	2.8722	4.1417	1.4420
19	2.8077	3.9788	1.4171	2.8372	4.0242	1.4184	2.9270	4.1913	1.4319
20	2.8058	3.9930	1.4231	2.8218	4.0014	1.4180	2.9270	4.1913	1.4319
21	2.7776	3.9848	1.4346	2.8064	3.9914	1.4222	2.9270	4.1913	1.4319
22	2.7661	3.9846	1.4405	2.7601	3.9760	1.4405	2.8943	4.1728	1.4417
23	2.7661	3.9846	1.4405	2.7601	3.9760	1.4405	2.8713	4.1533	1.4465
24	2.7914	3.9905	1.4296	2.7601	3.9760	1.4405	2.8823	4.1601	1.4433
25	2.7914	3.9905	1.4296	2.7878	4.0065	1.4372	2.8773	4.1592	1.4455
26	2.7914	3.9905	1.4296	2.7654	4.0043	1.4480	2.8836	4.1629	1.4436
27	2.8201	4.0012	1.4188	2.7644	4.0060	1.4491	2.8836	4.1629	1.4436
28	2.8055	4.0067	1.4282	2.7880	4.0082	1.4377	2.8836	4.1629	1.4436
29	2.7877	4.0095	1.4383	2.8109	4.0125	1.4275	2.8658	4.1607	1.4518
30	2.7517	3.9866	1.4488	2.8109	4.0125	1.4275	2.8755	4.1498	1.4432
31				2.8109	4.0125	1.4275	2.8695	4.1445	1.4443
Average monthly rate	2.7586	3.9695	X	2.7911	3.9907	X	2.8770	4.1232	X

Days	September 2011			October 2011			November 2011			December 2011		
	NBP average exchange rates		USD/EUR	NBP average exchange rates		USD/EUR	NBP average exchange rates		USD/EUR	NBP average exchange rates		USD/EUR
	PLN/USD	PLN/EUR		PLN/USD	PLN/EUR		PLN/USD	PLN/EUR		PLN/USD	PLN/EUR	
	28	29	30	31	32	33	34	35	36	37	38	39
1	2.8996	4.1452	1.4296	3.2574	4.4112	1.3542	3.1024	4.3433	1.4000	3.3400	4.5083	1.3498
2	2.9277	4.1687	1.4239	3.2574	4.4112	1.3542	3.2093	4.4146	1.3756	3.3235	4.4812	1.3483
3	2.9277	4.1687	1.4239	3.3265	4.4370	1.3338	3.1800	4.3809	1.3776	3.3235	4.4812	1.3483
4	2.9277	4.1687	1.4239	3.3337	4.3957	1.3186	3.1385	4.3464	1.3849	3.3235	4.4812	1.3483
5	2.9748	4.2055	1.4137	3.2966	4.3918	1.3322	3.1385	4.3464	1.3849	3.3276	4.4773	1.3455
6	2.9698	4.2135	1.4188	3.2731	4.3765	1.3371	3.1385	4.3464	1.3849	3.3429	4.4711	1.3375
7	2.9941	4.2182	1.4088	3.2593	4.3779	1.3432	3.1913	4.3764	1.3714	3.3310	4.4690	1.3416
8	2.9984	4.2187	1.4070	3.2593	4.3779	1.3432	3.1681	4.3619	1.3768	3.3359	4.4692	1.3397
9	3.1148	4.3139	1.3850	3.2593	4.3779	1.3432	3.1925	4.3757	1.3706	3.3875	4.5195	1.3342
10	3.1148	4.3139	1.3850	3.1865	4.3235	1.3568	3.2213	4.3807	1.3599	3.3875	4.5195	1.3342
11	3.1148	4.3139	1.3850	3.1936	4.3410	1.3593	3.2213	4.3807	1.3599	3.3875	4.5195	1.3342
12	3.1781	4.3212	1.3597	3.1352	4.3150	1.3763	3.2213	4.3807	1.3599	3.4117	4.5255	1.3265
13	3.2035	4.3595	1.3609	3.1409	4.3161	1.3742	3.2213	4.3807	1.3599	3.4587	4.5600	1.3184
14	3.1737	4.3346	1.3658	3.1107	4.2925	1.3799	3.2132	4.4022	1.3700	3.4977	4.5642	1.3049
15	3.1858	4.3871	1.3771	3.1107	4.2925	1.3799	3.2526	4.4064	1.3547	3.5066	4.5481	1.2970
16	3.1506	4.3462	1.3795	3.1107	4.2925	1.3799	3.2621	4.4155	1.3536	3.4586	4.5094	1.3038
17	3.1506	4.3462	1.3795	3.0759	4.2716	1.3887	3.2965	4.4387	1.3465	3.4586	4.5094	1.3038
18	3.1506	4.3462	1.3795	3.1788	4.3499	1.3684	3.2718	4.4283	1.3535	3.4586	4.5094	1.3038
19	3.1867	4.3513	1.3655	3.1347	4.3334	1.3824	3.2718	4.4283	1.3535	3.4470	4.4910	1.3029
20	3.2067	4.3811	1.3662	3.1779	4.3628	1.3729	3.2718	4.4283	1.3535	3.4148	4.4635	1.3071
21	3.2123	4.3925	1.3674	3.1969	4.3960	1.3751	3.2984	4.4366	1.3451	3.3793	4.4424	1.3146
22	3.2917	4.4510	1.3522	3.1969	4.3960	1.3751	3.2880	4.4447	1.3518	3.3933	4.4438	1.3096
23	3.3171	4.4900	1.3536	3.1969	4.3960	1.3751	3.3191	4.4637	1.3449	3.3980	4.4401	1.3067
24	3.3171	4.4900	1.3536	3.1705	4.3934	1.3857	3.3486	4.4855	1.3395	3.3980	4.4401	1.3067
25	3.3171	4.4900	1.3536	3.1445	4.3787	1.3925	3.4001	4.5130	1.3273	3.3980	4.4401	1.3067
26	3.2766	4.4113	1.3463	3.1498	4.3856	1.3923	3.4001	4.5130	1.3273	3.3980	4.4401	1.3067
27	3.2563	4.3915	1.3486	3.1083	4.3488	1.3991	3.4001	4.5130	1.3273	3.3788	4.4175	1.3074
28	3.2463	4.4180	1.3609	3.0461	4.3190	1.4179	3.3705	4.5071	1.3372	3.3608	4.3914	1.3067
29	3.2451	4.4293	1.3649	3.0461	4.3190	1.4179	3.3924	4.5282	1.3348	3.4126	4.4079	1.2917
30	3.2574	4.4112	1.3542	3.0461	4.3190	1.4179	3.4248	4.5494	1.3284	3.4174	4.4168	1.2924
31				3.1024	4.3433	1.4000				3.4174	4.4168	1.2924
Average monthly rate	3.1429	4.3332	X	3.1769	4.3562	X	3.2609	4.4239	X	3.3959	4.4766	X

TABLE IV

Average MFI interest rates on outstanding amounts,
PLN denominated (%)

	Sector	Category	Original maturity, period of notice	No.	December 2010	January 2011	February 2011	March 2011		
Deposits in PLN	households and non-profit institutions serving households	with agreed maturity	overnight	1	1.7	1.7	1.7	1.7		
			up to 2 years	2	4.1	4.0	4.0	4.0		
			over 2 years	3	3.4	2.9	2.9	2.8		
			total	4	4.1	4.0	4.0	4.0		
	non-financial corporations	with agreed maturity	overnight	5	1.5	1.5	1.6	1.7		
			up to 2 years	6	3.6	3.7	3.7	3.8		
			over 2 years	7	3.3	3.7	3.7	3.6		
			total	8	3.6	3.7	3.7	3.8		
			total, overnight excluded	9	3.9	3.9	3.9	3.9		
Loans in PLN	households and non-profit institutions serving households		bank overdraft	10	12.3	12.3	12.4	12.4		
			for consumption	credit cards	11	15.7	15.7	15.4	15.6	
				up to 1 year maturity	12	12.3	12.1	12.4	12.0	
				over 1 and up to 5 years	13	14.7	14.7	15.1	14.5	
				over 5 years maturity	14	14.1	14.0	14.3	13.8	
			total	15	14.6	14.6	14.8	14.4		
			for house purchases	up to 5 years maturity	16	7.0	6.8	7.0	7.1	
				over 5 years maturity	17	5.9	5.9	6.1	6.0	
				total	18	5.9	5.9	6.1	6.0	
			for other purposes	up to 1 year maturity	19	7.5	7.2	7.4	7.3	
				over 1 and up to 5 years	20	8.1	8.1	8.5	8.3	
				over 5 years maturity	21	7.3	7.2	7.3	7.4	
				total	22	7.5	7.4	7.6	7.6	
					total, overdraft excluded	23	9.4	9.3	9.5	9.2
			non-financial corporations		bank overdraft	24	5.9	5.9	6.1	6.1
	credit cards	25			5.6	5.8	5.4	5.4		
	up to 1 year maturity	26			5.9	5.6	6.0	5.9		
	over 1 and up to 5 years	27			6.6	6.5	6.8	6.8		
	over 5 years maturity	28			5.6	5.7	5.8	5.8		
	total, overdraft excluded	29			6.0	6.0	6.1	6.1		
			total, overdraft excluded	30	8.2	8.2	8.4	8.2		



April 2011	May 2011	June 2011	July 2011	August 2011	September 2011	October 2011	November 2011	December 2011
1.7	1.8	1.8	1.8	1.8	1.9	1.9	1.9	1.9
4.0	4.0	4.1	4.1	4.1	4.1	4.3	4.4	4.3
2.8	2.8	2.9	3.0	3.0	3.0	2.9	2.8	2.5
4.0	4.0	4.0	4.1	4.1	4.1	4.3	4.3	4.3
1.8	1.8	2.0	2.1	2.1	2.1	1.9	2.0	1.9
3.9	4.0	4.2	4.5	4.5	4.7	4.8	5.0	5.0
3.8	3.9	4.0	4.1	4.2	4.1	4.1	4.4	4.1
3.9	4.0	4.2	4.5	4.5	4.7	4.8	5.0	5.0
4.0	4.0	4.1	4.2	4.2	4.3	4.4	4.5	4.6
12.4	12.5	12.7	12.7	12.8	12.8	12.8	12.9	12.7
15.9	16.3	16.2	16.3	17.1	17.2	17.1	17.4	17.2
12.0	11.9	12.1	12.1	12.1	12.3	12.1	12.1	11.9
14.5	14.5	14.7	14.6	14.6	14.8	14.7	14.8	14.8
13.8	13.8	13.9	13.9	13.9	14.0	14.0	14.1	14.0
14.4	14.5	14.6	14.6	14.7	14.9	14.8	14.9	14.8
7.1	7.3	7.5	7.4	7.5	7.5	7.6	7.7	7.6
6.0	6.2	6.3	6.4	6.4	6.6	6.6	6.7	6.7
6.1	6.2	6.3	6.4	6.5	6.6	6.6	6.7	6.7
7.3	7.6	7.7	7.7	7.7	7.9	8.0	7.9	7.9
8.4	8.6	8.7	8.8	8.9	8.9	9.1	9.2	9.2
7.4	7.5	7.6	7.6	7.7	7.8	7.7	7.8	7.9
7.6	7.7	7.8	7.9	7.9	8.0	8.0	8.1	8.2
9.3	9.4	9.4	9.4	9.5	9.6	9.5	9.6	9.6
6.2	6.3	6.5	6.6	6.6	6.6	6.6	6.7	6.6
5.8	6.0	5.9	6.0	6.2	6.1	6.1	5.9	7.5
5.9	6.1	6.1	6.1	6.2	6.4	6.5	6.6	6.4
6.7	6.9	7.0	7.1	7.1	7.2	7.1	7.2	7.2
5.9	6.0	6.1	6.3	6.3	6.4	6.4	6.7	6.7
6.1	6.3	6.4	6.5	6.6	6.7	6.7	6.8	6.8
8.2	8.4	8.5	8.5	8.5	8.7	8.6	8.7	8.7

TABLE V

Average MFI interest rates on new business,
PLN denominated (%)

	Sector	Category	Original maturity, initial rate fixation	No.	December 2010	January 2011	February 2011	March 2011
Deposits in PLN	households and non-profit institutions serving households	with agreed maturity	up to 1 month	1	2.7	2.7	2.9	3.0
			over 1 and up to 3 months	2	4.2	4.1	4.0	4.2
			over 3 and up to 6 months	3	4.3	4.2	4.3	4.3
			over 6 months and up to 1 year	4	4.2	4.0	4.1	4.2
			over 1 year	5	4.3	3.9	4.2	4.4
			total	6	3.6	3.6	3.7	3.8
	non-financial corporations	with agreed maturity	up to 1 month	7	2.9	2.8	3.0	3.2
			over 1 and up to 3 months	8	4.1	4.0	4.0	4.1
			over 3 and up to 6 months	9	4.4	4.3	4.4	4.4
			over 6 months and up to 1 year	10	4.4	4.6	4.7	4.7
			over 1 year	11	4.2	4.6	4.6	4.6
			total	12	3.1	3.0	3.2	3.4
	total				13	3.1	3.1	3.3	3.4
Loans in PLN	households and non-profit institutions serving households	for consumption	floating rate and up to 3 months initial rate fixation	14	15.0	15.1	15.4	15.5
			over 3 months and up to 1 year initial rate fixation	15	11.6	11.7	12.2	12.1
			over 1 year initial rate fixation	16	15.7	16.1	16.6	16.4
			total	17	14.9	15.1	15.6	15.5
			the annual percentage rate of charge (APRC)	18	21.3	21.8	22.2	22.2
		for house purchases	floating rate and up to 3 months initial rate fixation	19	6.2	np.	np.	np.
			over 3 months and up to 1 year initial rate fixation	20	5.9	np.	np.	np.
			over 1 year initial rate fixation	21	7.8	np.	np.	np.
			total	22	6.1	6.1	6.2	6.4
			the annual percentage rate of charge (APRC)	23	6.6	6.6	6.7	6.8
		for sole proprietors and unincorporated partnerships	floating rate and up to 3 months initial rate fixation	24	8.1	np.	np.	np.
			over 3 months and up to 1 year initial rate fixation	25	8.7	np.	np.	np.
			over 1 year initial rate fixation	26	9.7	np.	np.	np.
			total	27	8.2	8.5	8.8	8.7
			the annual percentage rate of charge (APRC)	28	8.1	np.	np.	np.
		for other purposes	floating rate and up to 3 months initial rate fixation	29	7.0	np.	np.	np.
			over 3 months and up to 1 year initial rate fixation	30	6.4	np.	np.	np.
			over 1 year initial rate fixation	31	8.0	7.5	7.4	7.9
	total		32	10.0	10.1	10.6	10.6	
	the annual percentage rate of charge (APRC)		33	6.1	6.3	6.5	6.3	
	non-financial corporations	contracts up to PLN 1 million, overdraft excluded	floating rate and up to 3 months initial rate fixation	34	5.8	6.3	6.2	6.5
			over 3 months and up to 1 year initial rate fixation	35	8.7	6.3	6.2	6.5
			over 1 year initial rate fixation	36	6.1	6.3	6.5	6.3
			total	37	6.6	6.5	6.8	6.8
			floating rate and up to 1 year initial rate fixation, with original maturity over 1 year*	38	6.6	6.5	6.8	6.8
		contracts over PLN 1 million up to 4 million, overdraft excluded	floating rate and up to 3 months initial rate fixation	39	6.0	6.6	6.4	6.1
			over 3 months and up to 1 year initial rate fixation	40	5.7	5.5	6.1	4.9
			over 1 year initial rate fixation	41	5.9	5.5	6.1	4.9
			total	42	6.0	6.5	6.4	6.0
			floating rate and up to 1 year initial rate fixation, with original maturity over 1 year*	43	6.3	6.6	6.8	6.7
		contracts over PLN 4 million, overdraft excluded	floating rate and up to 3 months initial rate fixation	44	5.7	5.9	6.2	5.7
			over 3 months and up to 1 year initial rate fixation	45	6.6	7.8	8.1	7.4
over 1 year initial rate fixation			46	6.0	7.8	8.1	7.4	
total			47	5.8	6.5	6.6	6.1	
floating rate and up to 1 year initial rate fixation, with original maturity over 1 year*	48		6.5	7.1	7.4	6.5		
total				49	7.5	8.4	8.6	8.2

* Category "floating rate and up to 1 year initial rate fixation, with original maturity over 1 year" comprises contracts from categories "floating rate and up to 3 months initial rate fixation" and "over 3 months and up to 1 year initial rate fixation", but only those which original maturity is over 1 year.

np. – not published due to minor significance and statistical confidentiality requirements; the same reasoning applied in combining the following items: 34 and 35, 39 and 40 as well as 44 and 45.



April 2011	May 2011	June 2011	July 2011	August 2011	September 2011	October 2011	November 2011	December 2011
3.1	3.2	3.6	3.7	3.8	3.8	3.8	3.9	3.9
4.2	4.3	4.6	4.7	4.6	4.6	4.7	5.2	5.4
4.4	4.4	4.4	4.6	4.7	4.7	5.0	4.9	4.9
4.2	4.2	4.2	4.2	4.4	4.4	4.4	4.4	4.5
4.1	4.2	4.4	4.3	4.2	4.3	4.4	4.2	4.4
3.8	3.8	4.1	4.2	4.3	4.4	4.5	4.6	4.7
3.3	3.3	3.8	3.9	4.0	4.0	3.9	4.0	4.0
4.2	4.4	4.8	4.7	5.0	5.2	5.2	5.5	5.5
4.5	4.7	4.9	5.0	5.3	5.4	5.5	5.8	5.7
4.5	4.5	4.8	5.0	4.8	5.4	5.1	5.4	5.4
5.0	4.7	4.5	4.6	4.6	4.3	5.5	4.7	5.1
3.5	3.5	4.0	4.1	4.2	4.3	4.2	4.4	4.3
3.5	3.6	4.0	4.1	4.2	4.3	4.3	4.5	4.4
15.7	15.9	15.7	15.4	15.6	15.3	15.5	15.3	14.9
11.9	12.1	13.0	13.0	12.3	11.6	12.0	11.4	11.3
15.6	15.9	16.8	16.8	16.2	15.5	16.6	15.7	16.4
15.4	15.6	15.9	15.7	15.6	15.1	15.6	15.2	15.2
22.4	22.6	21.9	21.5	21.9	21.6	21.6	21.0	21.3
np.	np.	np.	np.	np.	np.	np.	np.	np.
np.	np.	np.	np.	np.	np.	np.	np.	np.
np.	np.	np.	np.	np.	np.	np.	np.	np.
6.4	6.5	6.6	6.8	6.7	6.8	6.8	6.9	7.0
6.9	6.9	7.0	7.1	7.1	7.2	7.2	7.3	7.4
np.	np.	np.	np.	np.	np.	np.	np.	np.
np.	np.	np.	np.	np.	np.	np.	np.	np.
np.	np.	np.	np.	np.	np.	np.	np.	np.
np.	np.	np.	np.	np.	np.	np.	np.	np.
8.5	8.4	8.6	8.8	8.7	9.2	9.2	9.0	9.3
np.	np.	np.	np.	np.	np.	np.	np.	np.
np.	np.	np.	np.	np.	np.	np.	np.	np.
np.	np.	np.	np.	np.	np.	np.	np.	np.
8.4	8.4	8.6	8.5	8.9	8.4	8.3	8.3	8.3
10.5	10.6	10.8	11.1	11.0	10.8	11.1	11.1	11.0
6.3	6.5	6.6	6.6	6.7	6.6	6.7	6.7	6.7
6.6	6.6	6.7	6.7	6.6	6.5	6.7	6.6	6.6
6.3	6.5	6.6	6.7	6.7	6.6	6.7	6.7	6.7
6.8	7.0	6.8	6.9	7.0	6.9	7.1	7.0	7.1
6.3	6.6	6.7	6.7	6.6	6.7	6.5	6.7	6.7
6.0	6.4	6.4	6.6	6.5	6.3	6.5	6.6	6.2
6.3	6.6	6.7	6.7	6.6	6.7	6.5	6.7	6.7
6.7	6.7	7.2	7.0	6.9	7.1	6.9	7.2	7.3
6.3	6.0	6.5	6.3	6.6	6.4	6.4	7.7	6.6
7.6	7.3	7.6	7.5	7.7	7.6	7.9	8.3	6.6
6.6	6.3	6.6	6.6	6.8	6.6	6.5	7.9	6.6
7.0	6.7	7.1	7.2	7.4	7.1	7.1	8.6	6.9
6.5	6.4	6.6	6.6	6.7	6.6	6.6	7.5	6.6
8.3	8.5	8.2	8.8	8.6	8.5	8.5	8.8	8.0

TABLE VI

Average MFI interest rates on new business,
EUR denominated (%)

	Sector	Category	Original maturity, initial rate fixation	No.	December 2010	January 2011	February 2011	March 2011
Deposits in EUR	households and non-profit institutions serving households	overnight*		1	0.3	0.3	0.3	0.3
		with agreed maturity	up to 1 month	2	0.6	0.6	0.5	0.5
			over 1 and up to 3 months	3	1.0	1.0	1.1	1.0
			over 3 and up to 6 months	4	1.3	1.3	1.3	1.3
			over 6 months and up to 1 year	5	1.4	1.4	1.5	1.5
			over 1 year	6	1.9	1.6	1.7	1.6
			total	7	0.9	0.9	0.8	0.8
	non-financial corporations	overnight*		8	0.1	0.2	0.2	0.2
		with agreed maturity	up to 1 month	9	0.4	0.5	0.6	0.5
			over 1 and up to 3 months	10	0.9	0.9	1.0	1.0
			over 3 and up to 6 months	11	1.2	1.2	1.1	1.0
			over 6 months and up to 1 year	12	1.1	1.4	1.4	1.7
			over 1 year	13	1.6	1.8	0.9	0.9
			total	14	0.5	0.5	0.7	0.6
	total		15	0.5	0.6	0.7	0.6	
Loans in EUR	households and non-profit institutions serving households	bank overdraft*		16	3.8	3.9	4.1	4.0
		for consumption	total	17	4.7	5.0	6.3	5.1
			the annual percentage rate of charge (APRC)	18	5.4	6.7	6.6	6.0
		for house purchases	total	19	4.1	4.0	3.9	3.7
			the annual percentage rate of charge (APRC)	20	4.5	4.5	4.3	4.2
		for other purposes		21	3.9	4.1	4.6	4.1
		total, overdraft excluded		22	4.1	4.1	4.0	3.8
	non-financial corporations	bank overdraft*		23	2.5	2.8	3.0	2.9
		contracts up to EUR 1 million		24	3.0	3.1	3.1	2.9
		contracts over EUR 1 million		25	4.1	4.1	3.7	3.8
		total, overdraft excluded		26	3.9	3.9	3.5	3.6
total		27	3.9	4.0	3.7	3.6		

* Category calculated on a basis of an outstanding amounts. Excluded from "total" average.



April 2011	May 2011	June 2011	July 2011	August 2011	September 2011	October 2011	November 2011	December 2011
0.3	0.3	0.3	0.3	0.3	0.4	0.3	0.4	0.3
0.7	0.7	0.8	1.0	0.9	1.0	1.0	0.9	0.9
1.1	1.3	1.3	1.4	1.4	1.4	1.7	1.6	1.5
1.4	0.9	1.6	1.6	2.0	1.9	1.9	1.9	1.9
1.6	1.6	1.7	1.6	2.0	2.1	2.2	2.2	2.2
1.7	1.9	2.0	1.8	2.2	1.8	1.7	1.8	2.1
1.0	1.0	1.1	1.3	1.4	1.4	1.5	1.5	1.4
0.2	0.3	0.3	0.3	0.2	0.3	0.2	0.2	0.1
0.9	0.9	1.0	1.0	0.9	0.9	0.9	0.8	0.7
1.0	1.2	1.5	1.1	1.5	1.2	1.1	1.5	1.2
1.0	1.5	1.4	1.2	2.2	1.8	1.7	1.3	1.0
1.9	1.7	2.0	1.9	1.6	1.9	2.2	2.1	1.6
1.1	1.3	1.7	1.9	2.0	0.8	1.2	1.4	1.4
0.9	0.9	1.0	1.0	1.1	0.9	0.9	0.9	0.8
0.9	0.9	1.1	1.0	1.1	1.0	1.0	1.0	0.9
4.1	4.0	4.1	4.1	4.3	5.4	4.0	3.9	3.7
4.6	8.1	5.5	5.8	5.3	5.7	5.6	6.6	5.3
5.6	8.3	5.8	6.5	6.1	6.1	5.9	6.7	6.2
3.8	3.9	4.0	4.0	4.1	4.0	4.0	4.1	4.0
4.3	4.4	4.4	4.4	4.6	4.4	4.5	4.5	4.5
4.4	4.3	4.8	4.2	4.5	4.5	4.4	4.4	4.3
3.8	4.0	4.1	4.1	4.2	4.1	4.1	4.2	4.1
3.0	3.1	3.1	3.0	3.1	3.0	2.9	3.0	2.7
3.2	3.4	3.4	3.3	3.4	3.3	3.3	3.2	3.2
4.0	3.5	3.1	3.4	3.4	3.5	4.1	3.9	3.9
3.8	3.5	3.1	3.4	3.4	3.5	3.9	3.7	3.7
3.8	3.6	3.4	3.5	3.6	3.6	4.0	3.8	3.8

TABLE VII

Aggregated balance sheet of other monetary financial institutions (PLN million)
ASSETS

Period	Loans to domestic residents				Holdings of securities other than shares issued by domestic residents				money market fund shares/units
	1	2	3	4	5	6	7	8	
XII 2010	865 549.9	82 592.1	58 331.1	724 626.7	235 322.5	79 088.5	151 013.0	5 221.0	492.6
I 2011	861 959.0	82 101.5	58 406.4	721 451.1	251 975.3	91 282.7	155 238.4	5 454.2	499.1
II	871 424.1	85 129.6	58 427.1	727 867.4	261 418.6	95 736.5	160 842.3	4 839.8	523.0
III	873 015.2	80 246.9	58 288.1	734 480.2	268 010.7	101 477.5	161 782.6	4 750.6	536.8
IV	871 271.0	76 683.4	58 389.2	736 198.4	264 561.0	98 655.5	160 926.2	4 979.3	549.3
V	890 097.4	78 151.6	59 266.2	752 679.6	272 906.3	109 233.5	158 732.1	4 940.7	553.7
VI	900 191.0	74 144.5	60 927.3	765 119.2	269 962.5	111 080.4	153 792.7	5 089.4	540.6
VII	918 474.9	72 735.4	63 675.0	782 064.5	270 481.9	118 958.9	146 185.3	5 337.7	513.5
VIII	941 296.9	82 278.3	67 761.6	791 257.0	255 565.9	104 348.9	144 465.5	6 751.5	490.2
IX	967 063.3	92 080.0	68 464.8	806 518.5	237 629.2	94 955.9	136 127.1	6 546.2	482.6
X	966 732.0	90 916.3	69 433.0	806 382.7	239 051.4	94 864.1	137 285.1	6 902.2	476.2
XI	986 607.4	85 828.5	72 304.9	828 474.0	252 278.1	103 477.8	141 526.7	7 273.6	483.5
XII	967 499.0	68 842.1	76 799.2	821 857.7	251 252.2	101 572.3	140 943.0	8 736.9	467.6

* Non-monetary financial institutions and non-financial sector.

** Excluding financial fixed assets, included in column 10.

TABLE VII

Aggregated balance sheet of other monetary financial institutions (PLN million)
LIABILITIES

Period	Deposits of domestic residents								money market fund shares/units
	1	2	3	4	5	6	7	8	
XII 2010	770 689.7	42 258.2	32 679.2	695 752.3	354 775.4	334 447.7	91.5	6 437.7	995.4
I 2011	773 389.7	51 713.3	38 174.1	683 502.3	344 162.3	334 050.0	94.1	5 195.9	995.4
II	784 890.7	56 719.5	38 737.7	689 433.5	351 426.0	334 142.4	96.5	3 768.6	995.4
III	806 602.4	52 415.4	40 556.1	713 630.9	365 251.5	343 431.4	98.7	4 849.3	995.4
IV	786 178.4	47 120.0	37 489.7	701 568.7	346 569.9	347 740.3	99.5	7 159.0	1 000.8
V	802 677.9	54 751.1	41 018.9	706 907.9	351 332.5	346 098.6	99.6	9 377.2	1 000.8
VI	802 171.0	48 906.6	44 965.7	708 298.7	355 705.4	346 406.0	99.8	6 087.5	821.6
VII	814 985.6	53 233.5	53 715.9	708 036.2	343 236.2	356 492.5	100.2	8 207.3	821.6
VIII	828 437.6	51 848.5	53 434.0	723 155.1	351 501.5	360 635.1	100.5	10 918.0	831.9
IX	834 730.8	52 732.4	48 365.3	733 633.1	344 849.1	379 177.2	100.5	9 506.3	831.9
X	839 366.2	54 340.3	46 390.2	738 635.7	341 793.7	385 215.3	100.7	11 526.0	831.9
XI	863 746.4	57 604.7	51 386.1	754 755.6	353 108.4	392 708.0	101.0	8 838.2	831.9
XII	847 819.0	41 652.3	26 471.7	779 695.0	365 281.6	404 735.0	102.7	9 575.7	775.6

* Non-monetary financial institutions, local government, social security funds and non-financial sector.

Holdings of shares/other equity issued by domestic residents	monetary financial institutions		External assets	Fixed assets**	Remaining assets	Total assets
	11	12				
10	11	12	13	14	15	16
11 137.7	5 673.9	5 463.8	49 238.6	39 073.2	37 326.9	1 238 141.4
11 177.9	5 664.4	5 513.5	42 972.8	39 114.5	37 396.7	1 245 095.3
11 390.0	5 678.1	5 711.9	43 649.9	39 095.6	38 158.4	1 265 659.6
11 055.7	5 225.3	5 830.4	49 663.5	39 101.8	37 134.4	1 278 518.1
11 068.8	5 229.4	5 839.4	43 429.2	39 228.0	39 712.3	1 269 819.6
11 349.7	5 247.9	6 101.8	46 352.7	39 319.9	40 739.4	1 301 319.1
11 820.6	5 281.4	6 539.2	45 263.6	39 516.6	39 814.5	1 307 109.4
12 089.0	5 290.8	6 798.2	46 842.2	39 592.2	41 499.2	1 329 492.9
12 064.7	5 283.0	6 781.7	54 730.8	39 659.3	43 026.5	1 346 834.3
11 953.5	5 287.6	6 665.9	62 486.6	39 846.6	46 173.6	1 365 635.4
12 245.3	5 286.3	6 959.0	61 082.9	40 006.7	46 496.2	1 366 090.7
11 979.9	5 071.7	6 908.2	69 590.0	40 122.9	46 231.5	1 407 293.3
12 148.2	5 069.8	7 078.4	64 948.5	40 508.2	44 277.6	1 381 101.3

Debt securities issued	Capital and reserves				External liabilities	Remaining liabilities	Total liabilities
		Tier-1 capital	Tier-2 capital	reserves			
10	11	12	13	14	15	16	17
29 151.2	167 009.0	103 896.4	2 085.3	61 027.3	215 799.1	54 497.0	1 238 141.4
29 252.0	166 864.2	103 919.8	1 326.9	61 617.5	214 119.3	60 474.7	1 245 095.3
30 941.1	167 711.8	104 099.7	1 352.4	62 259.7	225 100.2	56 020.4	1 265 659.6
30 687.0	169 113.6	104 837.9	1 390.1	62 885.6	217 066.8	54 052.9	1 278 518.1
30 605.5	171 149.5	107 114.8	1 384.9	62 649.8	227 719.6	53 165.8	1 269 819.6
34 871.9	172 552.0	107 491.9	1 520.4	63 539.7	235 015.9	55 200.6	1 301 319.1
36 089.4	174 391.8	108 694.5	2 222.2	63 475.1	238 946.8	54 688.8	1 307 109.4
38 814.6	175 544.7	108 758.1	2 443.0	64 343.6	241 720.6	57 605.8	1 329 492.9
40 837.4	176 935.8	108 813.4	3 004.7	65 117.7	239 046.8	60 744.8	1 346 834.3
42 041.5	180 913.7	112 753.6	2 612.3	65 547.8	245 715.5	61 402.0	1 365 635.4
43 837.4	181 395.6	112 814.1	2 581.4	66 000.1	239 794.1	60 865.5	1 366 090.7
46 318.1	182 119.8	113 058.1	2 398.8	66 662.9	249 312.3	64 964.8	1 407 293.3
46 725.7	181 376.8	113 277.2	2 571.5	65 528.1	241 803.6	62 600.6	1 381 101.3

TABLE VIII

Balance sheet of the National Bank of Poland
(PLN million)
ASSETS

Period	Loans to domestic residents	other monetary financial institutions	general government	other 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**	Remaining assets	Total assets
					other monetary financial institutions	general government	other domestic residents*	other monetary financial institutions	other monetary institutions	other domestic residents*				
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
XII 2010	754.4	728.9	0.0	25.5	0.0	0.0	0.0	53.8	0.0	53.8	282 191.9	2 151.3	345.9	285 497.3
I 2011	753.5	728.9	0.0	24.6	0.0	0.0	0.0	53.8	0.0	53.8	280 995.1	2 151.3	1 028.5	284 982.2
II	753.7	728.9	0.0	24.8	0.0	0.0	0.0	53.8	0.0	53.8	302 510.6	2 152.6	598.7	306 069.4
III	661.2	635.8	0.0	25.4	0.0	0.0	0.0	53.8	0.0	53.8	306 696.6	2 154.6	2 805.1	312 371.3
IV	661.6	635.8	0.0	25.8	0.0	0.0	0.0	53.8	0.0	53.8	302 462.9	2 154.8	9 822.1	315 155.2
V	661.9	635.8	0.0	26.1	0.0	0.0	0.0	53.8	0.0	53.8	300 863.7	2 160.8	4 895.3	308 635.5
VI	569.0	542.7	0.0	26.3	0.0	0.0	0.0	53.8	0.0	53.8	305 707.5	2 162.5	5 736.9	314 229.7
VII	569.1	542.7	0.0	26.4	0.0	0.0	0.0	53.8	0.0	53.8	305 111.7	2 165.0	2 155.6	310 055.2
VIII	569.0	542.7	0.0	26.3	0.0	0.0	0.0	53.8	0.0	53.8	312 414.5	2 171.5	313.9	315 522.7
IX	475.8	449.5	0.0	26.3	0.0	0.0	0.0	53.8	0.0	53.8	332 269.0	2 167.3	422.7	335 388.6
X	476.1	449.5	0.0	26.6	0.0	0.0	0.0	53.8	0.0	53.8	323 968.1	2 182.8	483.5	327 164.3
XI	476.0	449.5	0.0	26.5	0.0	0.0	0.0	53.8	0.0	53.8	343 329.1	2 185.4	403.6	346 447.9
XII	382.7	356.4	0.0	26.3	0.0	0.0	0.0	53.8	0.0	53.8	340 466.0	2 195.7	898.4	343 996.6

* Non-monetary financial institutions and non-financial sector.

** Excluding financial fixed assets, included in column 8.

TABLE IX

Consolidated balance sheet of monetary financial institutions
(PLN million)
ASSETS

Period	Loans to domestic residents	general government	other domestic residents*	Holdings of securities other than shares issued by domestic residents			Holdings of shares/other equity** issued by other domestic residents*	External assets	Fixed assets***	Remaining assets****	Total assets
				general government	other domestic residents*	other domestic residents*					
	1	2	3	4	5	6	7	8	9	10	11
XII 2010	782 983.3	58 331.1	724 652.2	156 234.0	151 013.0	5 221.0	5 517.6	331 430.6	41 224.5	27 716.7	1 345 106.7
I 2011	779 882.1	58 406.4	721 475.7	160 692.6	155 238.4	5 454.2	5 567.3	323 967.9	41 265.8	29 292.6	1 340 688.3
II	786 319.3	58 427.1	727 892.2	165 682.1	160 842.3	4 839.8	5 765.7	346 160.5	41 248.2	29 676.9	1 374 852.7
III	792 793.7	58 288.1	734 505.6	166 533.2	161 782.6	4 750.6	5 884.2	356 360.1	41 256.4	30 827.9	1 393 655.5
IV	794 613.4	58 389.2	736 224.2	165 905.5	160 926.2	4 979.3	5 893.2	345 892.1	41 382.8	39 523.1	1 393 210.1
V	811 971.9	59 266.2	752 705.7	163 672.8	158 732.1	4 940.7	6 155.6	347 216.4	41 480.7	35 899.9	1 406 397.3
VI	826 072.8	60 927.3	765 145.5	158 882.1	153 792.7	5 089.4	6 593.0	350 971.1	41 679.1	35 499.3	1 419 697.4
VII	845 765.9	63 675.0	782 090.9	151 523.0	146 185.3	5 337.7	6 852.0	351 953.9	41 757.2	33 789.7	1 431 641.7
VIII	859 044.9	67 761.6	791 283.3	151 217.0	144 465.5	6 751.5	6 835.5	367 145.3	41 830.8	33 632.6	1 459 706.1
IX	875 009.6	68 464.8	806 544.8	142 673.3	136 127.1	6 546.2	6 719.7	394 755.6	42 013.9	36 522.8	1 497 694.9
X	875 842.3	69 433.0	806 409.3	144 187.3	137 285.1	6 902.2	7 012.8	385 051.0	42 189.5	36 621.8	1 490 904.7
XI	900 805.4	72 304.9	828 500.5	148 800.3	141 526.7	7 273.6	6 962.0	412 919.1	42 308.3	37 100.2	1 548 895.3
XII	898 683.2	76 799.2	821 884.0	149 679.9	140 943.0	8 736.9	7 132.2	405 414.5	42 703.9	35 177.2	1 538 790.9

* Non-monetary financial institutions and non-financial sector.

** Including units in investment funds and financial fixed assets.

*** Excluding financial fixed assets, incorporated in column 7.

**** Including rights issues.

TABLE VIII

Balance sheet of the National Bank of Poland
(PLN million)
LIABILITIES

Period	Currency in circulation	Deposits of domestic residents				Debt securities issued	Capital and reserves	Tier-1 capital	reserves	External liabilities	Remaining liabilities	Total liabilities
		other monetary financial institutions	central government	other domestic residents								
	1	2	3	4	5	6	7	8	9	10	11	12
XII 2010	102 663.1	51 473.4	37 596.3	12 167.5	1 709.6	74 639.7	15 612.9	1 708.3	13 904.6	25 303.2	15 805.1	285 497.3
I 2011	99 738.3	46 308.0	27 339.8	17 364.9	1 603.3	86 846.7	15 621.3	1 708.3	13 913.0	26 115.6	10 352.3	284 982.2
II	100 525.4	53 498.4	29 789.2	22 377.6	1 331.6	91 155.4	15 626.8	1 708.3	13 918.5	32 648.0	12 615.4	306 069.4
III	101 333.7	50 357.8	28 216.5	20 706.0	1 435.3	96 989.2	15 629.1	1 708.3	13 920.8	35 875.0	12 186.5	312 371.3
IV	103 908.3	56 626.1	29 489.6	26 477.5	659.0	94 403.4	15 634.4	1 708.3	13 926.1	33 237.7	11 345.3	315 155.2
V	103 186.9	48 617.7	24 422.7	21 733.1	2 461.9	102 393.7	15 639.0	1 708.3	13 930.7	26 203.8	12 594.4	308 635.5
VI	105 137.4	54 092.4	25 575.6	28 060.4	456.4	104 693.4	15 971.4	2 034.7	13 936.7	27 974.5	6 360.6	314 229.7
VII	106 557.4	38 980.4	19 895.9	18 475.5	609.0	112 067.2	15 976.1	2 034.7	13 941.4	26 187.1	10 287.0	310 055.2
VIII	106 948.5	51 987.2	30 986.7	20 501.4	499.1	97 052.0	15 981.6	2 034.7	13 946.9	26 120.7	17 432.7	315 522.7
IX	109 406.3	54 399.9	39 036.3	14 793.1	570.5	87 674.2	15 980.8	2 034.7	13 946.1	26 581.7	41 345.7	335 388.6
X	109 858.3	53 881.1	36 076.0	17 039.5	765.6	87 335.4	15 986.2	2 034.7	13 951.5	25 343.3	34 760.0	327 164.3
XI	108 945.0	43 823.0	27 764.0	15 400.0	659.0	95 755.4	15 991.7	2 034.7	13 957.0	25 944.2	55 988.6	346 447.9
XII	111 845.3	46 998.8	26 716.5	19 435.4	846.9	93 430.7	15 228.1	2 034.7	13 193.4	23 089.2	53 404.5	343 996.6

* Non-monetary financial institutions, local government, social security funds and non-financial sector.

TABLE IX

Consolidated balance sheet of monetary financial institutions
(PLN million)
LIABILITIES

Period	Currency in circulation	Deposits of central government	Deposits of other domestic residents*	Deposits of other domestic residents*				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 2010	92 707.0	44 846.7	697 461.9	356 485.0	334 447.7	91.5	6 437.7	502.8	24 702.4	176 948.0	241 102.3	70 302.1	-3 466.5	1 345 106.7
I 2011	90 605.7	55 539.0	685 105.6	345 765.6	334 050.0	94.1	5 195.9	496.3	24 816.0	176 821.1	240 234.9	70 827.0	-3 777.3	1 340 668.3
II	91 445.2	61 115.3	690 765.1	352 757.6	334 142.4	96.5	3 768.6	472.4	26 360.0	177 660.5	257 748.2	68 635.8	650.2	1 374 852.7
III	92 222.1	61 262.1	715 066.2	366 686.8	343 431.4	98.7	4 849.3	458.6	26 198.7	179 517.4	252 941.8	66 239.4	-250.8	1 393 655.5
IV	93 897.0	63 967.2	702 227.7	347 228.9	347 740.3	99.5	7 159.0	451.5	26 353.4	181 554.5	260 957.3	64 511.1	-709.6	1 393 210.1
V	93 452.1	62 752.0	709 369.8	353 794.4	346 098.6	99.6	9 377.2	447.1	28 032.1	182 943.1	261 219.7	67 795.0	386.4	1 406 397.3
VI	95 085.3	73 026.1	708 755.1	356 161.3	346 406.5	99.8	6 087.5	281.0	29 702.4	185 081.8	266 921.3	61 049.4	-205.0	1 419 697.4
VII	96 692.3	72 191.4	708 645.2	343 845.2	356 492.5	100.2	8 207.3	308.1	31 922.9	186 230.0	267 907.7	67 892.8	-148.7	1 431 641.7
VIII	97 240.7	73 935.4	723 654.2	352 000.6	360 635.1	100.5	10 918.0	341.7	33 540.5	187 634.4	265 167.5	78 177.5	14.2	1 459 706.1
IX	99 332.8	63 158.4	734 203.6	345 419.6	379 177.2	100.5	9 506.3	349.3	34 759.8	191 606.9	272 297.2	102 747.7	-760.8	1 497 694.9
X	99 500.4	63 429.7	739 401.3	342 559.3	385 215.3	100.7	11 526.0	355.7	36 308.7	192 095.5	265 137.4	95 625.5	-949.5	1 490 904.7
XI	99 410.1	66 786.1	755 414.6	353 767.2	392 708.2	101.0	8 838.2	348.4	38 595.7	193 039.8	275 256.5	120 953.4	-909.3	1 548 895.3
XII	101 846.5	45 907.1	780 541.9	366 128.5	404 735.0	102.7	9 575.7	308.0	38 584.1	191 535.1	264 892.8	116 005.1	-829.7	1 538 790.9

* Non-monetary financial institutions, local government, social security funds and non-financial sector.

TABLE Xa

M3 counterparts (PLN million)
M3

Period												M1
	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	
XII 2010	92 707.0	102 663.1	9 956.1	356 485.0	226 735.8	199 645.7	13 069.5	88 306.7	8 302.7	17 155.5	2 914.8	449 192.0
I 2011	90 605.7	99 738.3	9 132.6	345 765.5	227 344.2	202 254.1	13 580.4	81 054.3	7 719.3	13 887.7	2 179.7	436 371.2
II	91 445.1	100 525.4	9 080.2	352 757.6	231 937.2	207 186.2	14 585.3	81 405.0	7 615.8	15 304.5	1 909.7	444 202.8
III	92 222.1	101 333.7	9 111.6	366 686.8	232 877.5	208 635.9	29 028.4	80 430.9	7 642.9	15 104.0	1 603.0	458 908.9
IV	93 897.0	103 908.3	10 011.3	347 228.9	234 894.4	211 331.1	14 314.4	74 690.3	7 763.0	13 986.9	1 579.9	441 125.9
V	93 452.1	103 186.9	9 734.8	353 794.4	232 130.1	208 628.1	14 411.5	81 027.9	7 770.5	15 236.0	3 218.4	447 246.5
VI	95 085.3	105 137.4	10 052.1	356 161.4	232 369.1	208 667.9	15 359.0	84 790.2	7 972.4	14 195.2	1 475.5	451 246.7
VII	96 692.3	106 557.4	9 865.1	343 845.2	232 690.3	209 000.1	11 695.6	76 799.2	8 185.6	13 707.1	767.5	440 537.5
VIII	97 240.7	106 948.5	9 707.8	352 000.6	230 795.4	206 675.4	14 141.6	82 906.8	8 353.4	14 286.0	1 517.4	449 241.3
IX	99 332.8	109 406.3	10 073.5	345 419.6	228 228.4	204 465.4	13 102.7	78 979.6	8 322.0	14 543.7	2 243.3	444 752.4
X	99 500.5	109 858.3	10 357.9	342 559.3	224 303.8	200 392.1	13 332.9	80 349.5	8 567.4	14 902.4	1 103.2	442 059.8
XI	99 410.2	108 945.0	9 534.9	353 767.2	226 764.4	202 477.5	13 727.1	88 131.9	8 427.4	15 507.4	1 209.1	453 177.4
XII	101 846.6	111 845.3	9 998.7	366 128.5	234 924.6	206 854.8	13 934.3	89 375.3	8 401.5	18 585.7	907.1	467 975.1

TABLE Xb

M3 counterparts (PLN million)
M3 Counterparts

Period											
	Net external assets	external assets	external liabilities	Credit to other domestic residents	loans to other domestic residents	households	of which individuals	non-monetary financial corporations	non-financial corporations	non-profit institutions serving households	local government
XII 2010	90 328.2	331 430.6	241 102.4	775 507.2	757 952.1	479 722.7	415 251.5	26 987.9	214 529.2	3 412.4	33 299.8
I 2011	83 733.0	323 967.9	240 234.9	772 687.2	754 880.3	475 833.4	410 629.0	26 208.7	216 008.6	3 425.2	33 404.5
II	88 412.3	346 160.5	257 748.2	778 530.9	761 134.1	479 529.6	413 621.6	27 177.3	217 769.7	3 415.6	33 241.9
III	103 418.2	356 360.1	252 941.9	785 594.4	767 464.6	481 873.4	415 029.0	28 616.7	220 594.0	3 421.5	32 958.9
IV	84 934.9	345 892.1	260 957.3	787 729.9	769 330.6	483 013.7	414 968.5	25 481.6	224 299.1	3 429.8	33 106.3
V	85 996.7	347 216.4	261 219.7	804 611.1	785 970.5	495 866.1	426 790.9	25 828.0	227 546.9	3 464.8	33 264.7
VI	84 049.8	350 971.1	266 921.3	818 016.5	798 716.9	502 634.2	432 775.6	27 555.3	231 433.0	3 523.1	33 571.3
VII	84 046.2	351 953.9	267 907.7	836 355.9	815 935.1	516 139.3	445 422.9	27 765.6	234 586.8	3 599.2	33 844.1
VIII	101 977.8	367 145.3	265 167.5	848 108.9	825 777.6	521 762.4	450 534.9	29 305.1	236 520.9	3 694.9	34 494.3
IX	122 458.4	394 755.6	272 297.2	863 427.9	841 271.7	530 804.2	458 781.6	28 219.7	243 709.0	3 811.9	34 726.8
X	119 913.6	385 051.1	265 137.4	864 948.8	841 759.6	530 048.2	457 776.4	27 476.3	244 957.4	3 927.3	35 350.3
XI	137 662.6	412 919.2	275 256.5	888 643.6	865 008.2	541 151.0	468 074.3	29 320.1	253 979.8	4 049.6	36 307.7
XII	140 521.7	405 414.5	264 892.8	887 961.0	861 727.3	536 972.1	464 108.7	27 422.3	253 312.3	4 177.3	38 999.6

Deposits and other liabilities with agreed maturity up to 2 years and blocked deposits	households		non-monetary financial institutions	non-financial corporations	non-profit institutions serving households	local government	social security funds	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
	of which individuals												
13	14	15	16	17	18	19	20	21	22	23	24	25	26
325 449.2	194 451.2	190 315.2	23 576.7	92 943.8	6 565.7	4 439.6	3 472.2	16.8	774 657.9	6 437.7	2 050.0	502.9	783 648.5
324 747.5	196 551.4	192 466.6	22 725.0	87 011.1	6 746.7	8 184.0	3 529.3	14.8	761 133.6	5 195.9	2 316.5	496.3	769 142.3
324 675.7	198 506.0	194 616.9	20 618.0	85 730.1	6 777.4	9 016.1	4 028.1	15.0	768 893.4	3 768.6	1 867.2	472.4	775 001.7
333 775.2	200 891.3	196 837.6	24 000.4	88 672.2	6 958.7	10 029.9	3 222.7	15.7	792 699.8	4 849.3	2 221.5	458.6	800 229.2
338 010.5	199 563.9	195 466.1	22 717.8	95 010.1	6 770.8	11 084.2	2 863.7	15.8	779 152.3	7 159.0	2 486.7	451.4	789 249.4
336 206.7	200 525.7	196 973.6	24 064.5	94 203.2	6 549.3	10 389.4	474.6	15.3	783 468.5	9 377.2	1 208.4	447.0	794 501.2
336 785.0	203 426.2	199 757.0	24 867.5	92 078.8	7 007.1	9 031.8	373.6	15.1	788 046.8	6 087.5	1 851.4	281.1	796 266.8
346 991.1	207 422.0	203 653.6	25 138.1	95 597.5	7 174.6	9 707.9	1 951.0	15.1	787 543.7	8 207.3	2 059.0	308.2	798 118.1
350 985.9	214 555.6	210 726.5	26 324.9	92 964.4	7 182.4	8 927.0	1 031.6	15.0	800 242.2	10 918.0	4 300.2	341.7	815 802.1
369 498.3	224 175.1	220 018.7	26 873.0	101 707.7	7 205.2	8 714.8	822.5	14.4	814 265.2	9 506.3	5 352.1	349.3	829 472.9
375 511.2	232 139.4	227 865.4	24 900.3	100 954.3	7 093.4	9 880.1	543.6	13.9	817 584.9	11 526.0	6 188.9	355.7	835 655.5
383 729.2	237 632.4	233 365.9	23 312.3	105 880.4	7 121.3	9 192.1	590.6	13.4	836 920.0	8 838.2	7 362.6	348.5	853 469.3
395 780.4	243 089.3	238 417.3	26 595.0	113 772.7	6 577.3	4 706.9	1 039.2	13.4	863 768.8	9 575.7	7 850.3	308.0	881 502.8

social security funds	Holdings of securities other than shares	of which issued by			Holdings of shares/other equity	of which		Credit to central government, net
		non-monetary financial institutions	non-financial corporations	local government		non-monetary financial institutions	non-financial corporations	
0.1	12 037.5	322.5	4 898.5	6 816.5	5 517.6	3 478.6	2 039.1	124 381.0
0.1	12 239.5	267.2	5 187.0	6 785.3	5 567.4	3 517.0	2 050.3	117 915.9
0.1	11 631.1	277.8	4 562.0	6 791.3	5 765.7	3 531.0	2 234.7	118 120.7
0.1	12 245.6	234.6	4 516.0	7 495.0	5 884.3	3 587.0	2 297.3	118 354.7
0.1	12 506.1	223.1	4 756.2	7 526.8	5 893.3	3 651.6	2 241.6	114 715.1
0.1	12 484.9	223.5	4 717.2	7 544.2	6 155.7	3 804.9	2 350.7	114 437.3
0.1	12 706.5	308.0	4 781.4	7 617.0	6 593.1	3 870.2	2 722.9	100 505.5
0.0	13 568.7	342.4	4 995.4	8 231.0	6 852.1	3 985.6	2 866.5	95 593.8
0.0	15 495.8	644.4	6 107.1	8 744.3	6 835.5	4 083.8	2 751.8	95 053.0
0.0	15 436.5	664.5	5 881.7	8 890.3	6 719.7	4 070.3	2 649.4	97 816.3
0.0	16 176.3	523.9	6 378.4	9 274.1	7 012.8	4 279.4	2 733.4	98 664.1
200.0	16 673.3	544.7	6 728.9	9 399.7	6 962.1	4 303.3	2 658.8	101 138.0
843.7	19 101.4	692.0	8 044.8	10 364.5	7 132.2	4 516.5	2 615.7	121 627.2

TABLE Xb (con'd)

M3 counterparts (PLN million) M3 Counterparts

Period	Credit to central government	of which		Deposit 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	debt securities issued						
	21	22	23	24	25	26	27	28	29
XII 2010	169 227.7	713.2	144 196.5	44 846.8	208 673.5	9 073.3	4 723.0	4 692.0	2 665.5
I 2011	173 454.9	709.6	148 453.1	55 539.1	208 702.4	9 381.8	4 754.1	4 727.5	2 641.2
II	179 236.1	702.7	154 051.0	61 115.4	211 701.6	9 548.3	4 782.7	4 755.3	2 724.1
III	179 616.8	760.1	154 287.6	61 262.1	213 233.6	9 739.1	4 838.5	4 811.7	2 896.4
IV	178 682.4	765.0	153 399.5	63 967.3	215 234.6	9 813.4	4 849.8	4 823.5	2 953.7
V	177 189.3	779.4	151 187.9	62 752.0	219 742.9	9 976.2	4 835.7	4 809.1	3 133.8
VI	173 531.6	814.4	146 175.7	73 026.1	222 639.0	9 706.1	4 818.1	4 792.4	2 877.7
VII	167 785.2	796.6	137 954.3	72 191.4	225 680.4	9 586.5	4 780.7	4 752.9	2 763.5
VIII	168 988.4	796.5	135 721.2	73 935.4	226 609.4	9 734.6	4 992.4	4 965.5	2 680.6
IX	160 974.7	841.4	127 236.8	63 158.4	230 779.7	9 765.0	4 942.4	4 914.9	2 702.8
X	162 093.7	808.5	128 011.0	63 429.6	232 006.4	9 791.0	4 912.9	4 885.9	2 770.7
XI	167 924.2	871.4	132 127.0	66 786.2	233 339.5	9 066.5	4 194.1	4 167.6	2 908.8
XII	167 534.3	966.3	130 578.4	45 907.0	231 312.8	9 043.9	4 065.0	4 039.6	3 007.2

TABLE XI

Reserve money and counterparts (PLN million)

Period	External assets, net	Official reserve assets	Refinancing credit	rediscount credit	lombard credit	credit for rehabilitation programmes	credit for central government investment projects	other credits	overdue credit
XII 2010	256 888.8	277 186.1	728.9	0.0	0.0	0.0	728.9	0.0	0.0
I 2011	254 879.5	276 171.9	728.9	0.0	0.0	0.0	728.9	0.0	0.0
II	269 862.5	297 816.1	728.9	0.0	0.0	0.0	728.9	0.0	0.0
III	270 821.5	301 008.7	635.8	0.0	0.0	0.0	635.8	0.0	0.0
IV	269 225.2	296 780.1	635.8	0.0	0.0	0.0	635.8	0.0	0.0
V	274 659.9	295 578.4	635.8	0.0	0.0	0.0	635.8	0.0	0.0
VI	277 733.0	300 337.7	542.7	0.0	0.0	0.0	542.7	0.0	0.0
VII	278 924.7	299 829.5	542.7	0.0	0.0	0.0	542.7	0.0	0.0
VIII	286 293.8	307 011.0	542.7	0.0	0.0	0.0	542.7	0.0	0.0
IX	305 687.2	326 847.5	449.5	0.0	0.0	0.0	449.5	0.0	0.0
X	298 624.8	318 557.8	449.5	0.0	0.0	0.0	449.5	0.0	0.0
XI	317 384.9	337 908.3	449.5	0.0	0.0	0.0	449.5	0.0	0.0
XII	317 376.8	334 447.2	356.4	0.0	0.0	0.0	356.4	0.0	0.0

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
1 517.3	158.7	7.1	1.7	22 652.4	176 947.9	41 224.5	-39 118.9
1 815.6	161.3	8.0	1.6	22 499.4	176 821.2	41 265.8	-37 757.2
1 875.2	156.3	8.1	1.8	24 492.9	177 660.4	41 248.3	-39 608.9
1 856.4	137.3	8.7	1.8	23 977.2	179 517.3	41 256.4	-35 160.9
1 860.4	137.3	10.3	2.0	23 866.7	181 554.5	41 382.8	-24 278.7
1 861.4	132.5	10.9	2.0	26 823.7	182 943.0	41 480.7	-32 281.7
1 871.5	125.2	11.5	2.1	27 851.0	185 081.9	41 679.1	-25 345.2
1 894.0	135.6	10.8	2.0	29 863.9	186 230.0	41 757.2	-33 954.6
1 915.8	133.5	10.2	2.1	29 240.3	187 634.5	41 830.7	-44 558.9
1 977.0	130.8	9.9	2.1	29 407.7	191 607.0	42 013.9	-65 463.9
1 966.6	128.2	10.3	2.2	30 119.8	192 095.6	42 189.5	-58 054.2
1 825.6	126.9	9.3	1.8	31 233.1	193 039.9	42 308.3	-82 943.8
1 837.9	123.1	8.0	2.8	30 733.8	191 535.1	42 703.9	-79 998.2

Open market operations (net)	auction credit	auction deposit	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
10	11	12	13	14	15	16	17	18	19
-74 639.7	0.0	0.0	-74 639.7	-12 167.5	-31 083.7	139 726.8	102 663.1	36 915.2	148.6
-86 846.7	0.0	0.0	-86 846.7	-17 364.9	-24 679.1	126 717.8	99 738.3	26 826.4	153.1
-91 155.4	0.0	0.0	-91 155.4	-22 377.6	-27 038.6	130 019.9	100 525.4	29 346.2	148.3
-96 989.2	0.0	0.0	-96 989.2	-20 706.0	-24 531.7	129 230.5	101 333.7	27 743.7	153.0
-94 403.4	0.0	0.0	-94 403.4	-26 477.5	-15 899.5	133 080.5	103 908.3	29 019.2	153.0
-102 393.7	0.0	0.0	-102 393.7	-21 733.1	-23 883.6	127 285.3	103 186.9	23 941.7	156.7
-104 693.4	0.0	0.0	-104 693.4	-28 060.4	-15 142.5	130 379.4	105 137.4	25 080.2	161.7
-112 067.2	0.0	0.0	-112 067.2	-18 475.5	-22 805.7	126 119.0	106 557.4	19 399.3	162.3
-97 052.0	0.0	0.0	-97 052.0	-20 501.4	-31 660.4	137 622.7	106 948.5	30 519.5	154.6
-87 674.2	0.0	0.0	-87 674.2	-14 793.1	-55 545.3	148 124.2	109 406.3	38 567.5	150.3
-87 335.4	0.0	0.0	-87 335.4	-17 039.5	-49 109.9	145 589.6	109 858.3	35 583.1	148.1
-95 755.4	0.0	0.0	-95 755.4	-15 400.0	-70 304.5	136 374.5	108 945.0	27 276.6	152.9
-93 430.7	0.0	0.0	-93 430.7	-19 435.4	-66 737.9	138 129.2	111 845.3	26 131.2	152.7

METHODOLOGICAL NOTES

TABLE I
Basic economic 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 the 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. The private sector includes units of private domestic ownership (among others: companies, cooperatives, natural persons conducting economic activities, social organizations, associations, foundations), private foreign ownership (among others: foreign enterprises branches, foreign representatives, partnerships with exclusive foreign capital share) and "mixed" ownership with a private sector unit capital majority or lack of sectors majority in unit capital.

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 of 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 employed persons include persons employed on a full and part-time basis in the main place of work. Employed persons include: persons employed on the basis of a labour contract; owners and co-owners of units engaged in economic activities including contributing family members; outworkers; agents and persons employed by agents; members of agricultural production co-operatives. Data presented in the Bulletin do not include private farmers or employees of budget entities conducting activity within the scope of national defence and public safety.

9. Unemployment rate (pt. 9) is calculated as a percentage share of the unemployed in the civilian population i.e. total of employed and unemployed persons over 15 years of age.



10. Revenues from privatisation do not constitute the current revenues of the state budget; instead they finance the budget deficit (pt. 11).

11. Data on financial results of enterprises (pt. 12) are presented as prescribed by the amended Accounting Act dated 29 September 1994 (uniform text Journal of Laws 2002 No. 76, item 694, with later amendments).

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. 5, 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. As at 1 January 2010 the NBP has introduced a central bank discount rate (pt. 1 col. 5). Discount rate refers to interest on discount loan extended by the National bank of Poland.

3. 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 reserve requirements are held exclusively on the NBP accounts.

4. Information on Treasury bill tenders (pt. 3, except for the stocks of bills in circulation at the end of the month – col. 60) comprises data from tenders conducted within one month. The average yield on bills purchased is weighted by the share of the sales 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.

5. Information on tenders for the NBP money-market bills (pt. 4, except for the stock of bills in circulation at month end – col. 94) comprises data from tenders conducted within one month. The average yield on bills purchased is weighted by the share of the sales of bills with different maturities in the total value of bills purchased.

6. The indices presentation on the main stock market of the Warsaw Stock Exchange (WSE) is composed of the following set of indices:

- **WIG20 index** has been calculated since 16 April 1994 based on the value of portfolio with shares in 20 major and most liquid companies in the main stock market. The initial value of WIG20 index was 1000 points. It is a price index and thus when it is calculated it accounts only for prices of underlying shares whereas dividend income is excluded. The WIG20 index may not include more than 5 companies from a single exchange sector.
- **mWIG40 index** is successor of MIDWIG index and has been calculated since 31 December 1997 and comprises 40 medium size companies listed at WSE. The initial value of index was 1,000 points. mWIG40 is a price index and thus when it is calculated it accounts only for prices of underlying shares whereas dividend income is excluded. The mWIG40 index excludes WIG20 and sWIG80 index participants and foreign companies listed at WSE and other markets with the market capitalization at the ranking date above EUR 1 billion.
- **sWIG80 index** is successor of WIRR index that has been calculated since 31 December 1994 and comprised 1% of smaller companies listed at WSE. The initial value of index was 1,000 points. sWIG80 is a price index and thus when it is calculated it accounts only for prices of underlying shares whereas dividend income is excluded. The sWIG80 index excludes WIG20



and mWIG40 index participants and foreign companies listed at WSE and other markets with the market capitalization at the ranking date above EUR 100 million.

7. The indices comprise companies from all the quotation markets.

8. Capitalization refers only to domestic companies.

9. 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.

10. The turnover ratio shows the relation between the value of sold shares to the average value of shares quoted in a given month.

11. The monthly turnover value and the turnover ratio comprise the continuous quotation and fixing.

TABLE III PLN/USD and PLN/EUR daily exchange rates

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

- Financial sector comprises the following sub-sectors:

- monetary financial institutions¹ (including the central bank and other monetary financial institutions). In Poland, the concept of other monetary financial institutions applies to banks, credit unions (SKOK) and money market funds;

- insurance corporations and pension funds;

- other financial intermediaries (including financial leasing companies, factoring companies, brokerage offices, investment funds, without money market funds, 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;

¹ 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;²
- farmers;
- individuals;
- non-profit institutions serving households.

In the publications of the National Bank of Poland, claims and liabilities of banks to the non-financial sector will be presented in accordance with the EU standards, i.e. sub-divided into three sectors:

- households comprising:
 - individuals;
 - farmers;
 - individual entrepreneurs;
- 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 and the Agricultural Social Insurance Fund and the funds they manage, and the healthcare funds).

TABLE IV

Average MFI interest rates on outstanding amounts, PLN denominated

Data on zloty denominated businesses refer to all businesses at the end of the reporting month, these concluded prior to the reporting month and still binding as well as new businesses. This interest rate is a quotient of interest on average zloty denominated business by average volume of businesses per reporting month, commissions and other charges excluded.

² Natural persons conducting business activities on their own account, with a maximum of 9 employees.



The interest rate is calculated based on data received from the following banks:

1. Powszechna Kasa Oszczędności Bank Polski SA
2. Bank Polska Kasa Opieki SA
3. Bank BPH SA
4. Bank Handlowy w Warszawie SA
5. ING Bank Śląski SA
6. Kredyt Bank SA
7. Bank Zachodni WBK SA
8. BRE Bank SA
9. Bank Millennium SA
10. Bank Gospodarki Żywnościowej SA
11. Raiffeisen Bank Polska SA
12. BRE Bank Hipoteczny SA
13. Krakowski Bank Spółdzielczy
14. Bank Spółdzielczy w Brodnicy
15. Bank Gospodarstwa Krajowego
16. Bank Ochrony Środowiska SA
17. FORTIS BANK POLSKA SA
18. LUKAS Bank SA
19. AIG Bank Polska SA.

At the end-December 2010, the above banks held 74.9% of deposits of residents and 70.3% of credit to households and non-financial corporations.

Table V
Average MFI interest rates on new business, PLN denominated

Information refers to agreements carried out in a given reporting month. Appendices to existing agreements shall be deemed new businesses.

Interest rates in the statistics on new businesses differ from those in Table IV. The formula is applied to statistical information on new businesses, also known as Narrowly Defined Effective Rate (NDER). The concept of the NDER was coined as an opposite to widely understood effective interest rate or Real Interest Rate (RIR). The NDER included, the new business statistics provides RIR for the second category of consumer and house purchase loans. As opposed to the NDER, which covers for interest costs of capital the real interest rate incorporates all charges paid by the borrower. These charges are most of all commissions (brokers included) but also compulsory loan insurance premiums against death or unemployment of the borrower.



The Table IV sample of banks applies.

Table VI
Average MFI interest rates on new business, EUR denominated

General rule of calculating interest rate are the same as for Table IV (see star-matched lines) and Table V. The Table IV and V sample of banks applies as well.

GENERAL COMMENTS ON TABLES VII, VIII, IX

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) and money market funds.

2. The presentation is structured in accordance with the ECB standards.

3. Assets in Tables VII, VIII and IX are shown gross of provisions, accumulated depreciation and write downs (except for securities presented at a market price).

4. Apart from external assets/liabilities debt securities issued and partly capital and reserves, all categories reflect operations with residents.

Table VII
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. Money market funds participation units purchased by other MFIs (assets col. 9).

4. Securities and 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).

5. External assets (assets col. 13) include all assets of non-residents denominated in zloty and foreign currencies.

6. Fixed assets (assets col. 14) include total fixed assets except for financial fixed assets.

7. 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, value adjustments, rights issue, other assets, other operations, interest on securities purchased under repurchase agreement.



8. 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.

9. Money market funds participation units issued by the MMF (liabilities col. 9).

10. Debt securities issued (liabilities col. 10) are liabilities on own debt securities issued by other monetary financial institutions and subordinated claims in securities issued (purchased by residents and non-residents).

11. 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 Banking Law Act (assigned both to residents and non-residents) other components of equity capital,
- c) provisions, including specific provisions, impairment allowances, mortgage notes reserves (resident, non-resident), specific provisions for off-balance liabilities (resident, non-resident), general risk provisions (resident, non-resident).

12. External liabilities (liabilities col. 15) include all liabilities of non-residents denominated in zloty and foreign currencies, except for reserves included in point 11, which comprise residents and non-residents as well as issue of debt securities and subordinated claims in securities purchased by non-residents.

13. Other liabilities (liabilities col. 16) include interest on the above-mentioned liabilities, settlement accounts, liabilities to 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 VIII

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, refinancing for central investments, loans 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 and 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).

4. External assets (assets col. 11) include all assets of non-residents denominated in zloty and foreign currencies.

5. Fixed assets (assets col. 12) include total fixed assets except for financial fixed assets.



6. 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 IX

Consolidated balance sheet of monetary financial institutions – assets and liabilities

1. Table IX comprises a consolidated balance sheet of monetary financial institutions.
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.





LIST OF THE MOST IMPORTANT ABBREVIATIONS

BIS	Bank for International Settlements
ECB	European Central Bank
EBRD	European Bank for Reconstruction and Development
ECOFIN	Economic and Financial Affairs Council
ERM II	Exchange Rate Mechanism II
ESCB	European System of Central Banks
ESRB	European Systemic Risk Board
EU	European Union
GDP	Gross Domestic Product
GUS	Central Statistical Office (Główny Urząd Statystyczny)
IMF	International Monetary Fund
KIR SA	National Clearing House (Krajowa Izba Rozliczeniowa)
KDPW SA	National Depository for Securities (Krajowy Depozyt Papierów Wartościowych)
KNF	Polish Financial Supervision Authority (Komisja Nadzoru Finansowego)
NBP	National Bank of Poland
MF	Ministry of Finance
MPC	Monetary Policy Council
OECD	Organisation for Economic Co-operation and Development
SDR	Special Drawing Rights
SORBNET-EURO	Real-Time Gross Settlement System [RTGS] in Euro at the NBP Head Office
TARGET, TARGET2	Trans-European Automated Real-Time Gross Settlement Express Transfer System
WB	World Bank



Compiled on the basis of NBP materials

Published by

National Bank of Poland
Education and Publishing Department

00-919 Warszawa, ul. Świętokrzyska 11/12
phone 48 22 653 23 35, fax 48 22 653 13 21

<http://www.nbp.pl>

Design, pre-print & proofing

Oliwka s.c.

Photo of the President of the NBP

Agnieszka Deluga-Góra

Cover photo

NBP

Printing

Printshop NBP

ISSN 1427-0277

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