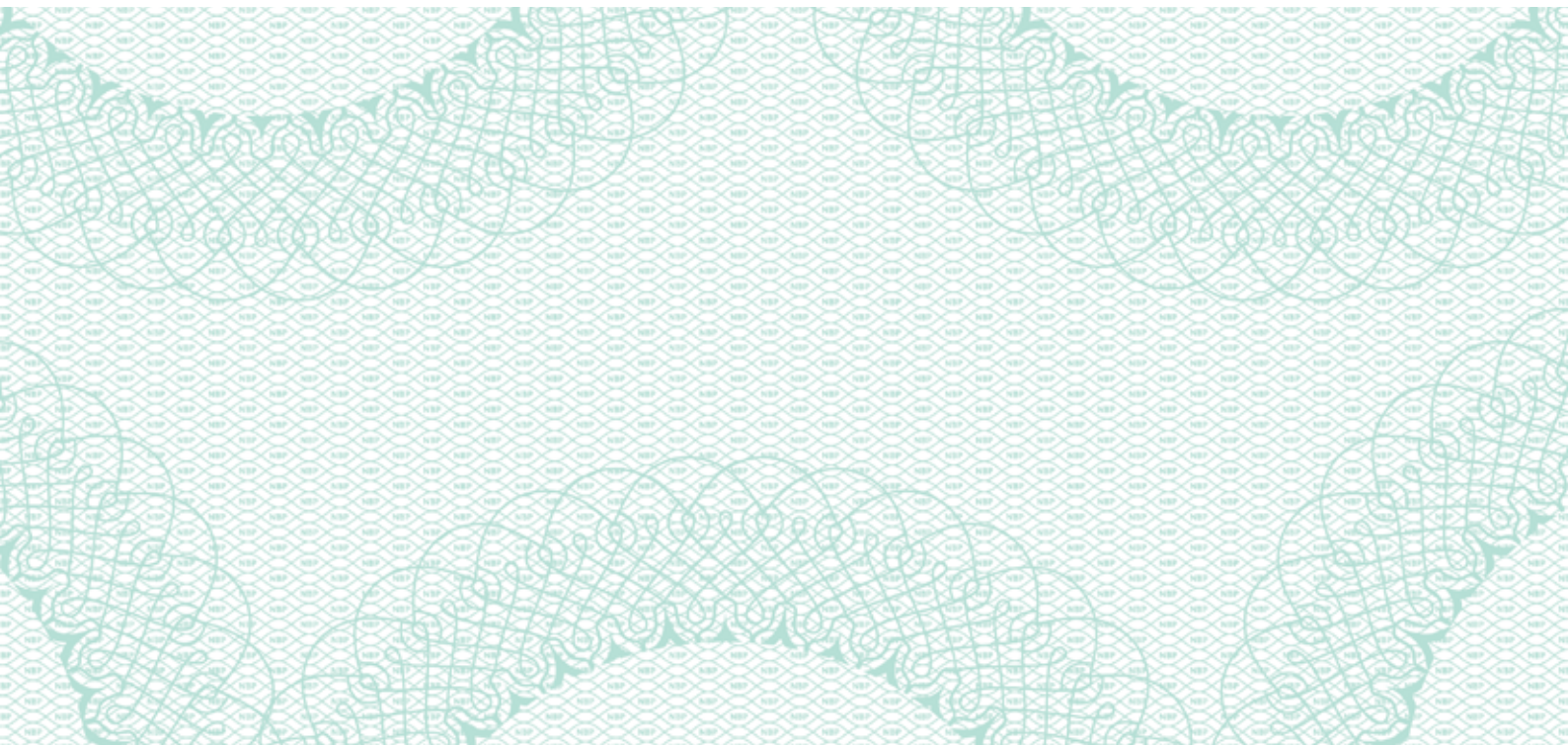


**NBP**

Narodowy Bank Polski

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# Annual Report 2012



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# Annual Report 2012

Warsaw 2013

Compiled on basis of NBP materials

Photo of the President of NBP  
Agnieszka Deluga-Góra

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## List of the most important abbreviations

<b>BFG</b>	Bank Guarantee Fund (Bankowy Fundusz Gwarancyjny)
<b>BIS</b>	Bank for International Settlements
<b>CPI</b>	Consumer Price Index
<b>EBA</b>	European Banking Authority
<b>EBRD</b>	European Bank for Reconstruction and Development
<b>ECB</b>	European Central Bank
<b>ERM II</b>	Exchange Rate Mechanism II
<b>ESCB</b>	European System of Central Banks
<b>ESRB</b>	European Systemic Risk Board
<b>EU</b>	European Union
<b>GDP</b>	Gross Domestic Product
<b>GUS</b>	Central Statistical Office (Główny Urząd Statystyczny)
<b>IMF</b>	International Monetary Fund
<b>KDPW SA</b>	National Depository for Securities (Krajowy Depozyt Papierów Wartościowych )
<b>KIR SA</b>	National Clearing House (Krajowa Izba Rozliczeniowa)
<b>MF</b>	Ministry of Finance
<b>MPC</b>	Monetary Policy Council
<b>NBP</b>	Narodowy Bank Polski (National Bank of Poland)
<b>SDR</b>	Special Drawing Rights
<b>SEPA</b>	Single Euro Payments Area
<b>SIS</b>	reporting system
<b>SORBNET</b>	Real-Time Gross Settlement System [RTGS] at the NBP Head Office
<b>TARGET, TARGET2</b>	Trans-European Automated Real-Time Gross Settlement Express Transfer System
<b>UKNF</b>	KNF Office
<b>WB</b>	World Bank





Marek Belka  
*President of Narodowy Bank Polski*

## Dear Readers

The Annual Report which I am pleased to present, describes the most important activities of Narodowy Bank Polski in 2012. I hope you will find it a valuable source of information about the Bank and its operations, offering an insight into the background to our activities and hence an opportunity to assess their impact more accurately.

The main objectives of the central bank are set out in the Constitution of the Republic of Poland and in the Act on the National Bank of Poland (Narodowy Bank Polski). Under article 227 section 1 of the Constitution, Narodowy Bank Polski “shall be responsible for the value of the Polish currency”. The Act on the National Bank of Poland (Narodowy Bank Polski) gives the following precise definition of the objective of NBP “the basic objective of the activity of the NBP shall be to maintain price stability, while supporting the economic policy of the Government, insofar as this does not constrain the pursuit of the basic objective of the NBP”. Monetary policy is conducted by the Monetary Policy Council under the direct inflation targeting strategy. Since 2004 the inflation target has been set at 2.5% with a symmetric range of deviations of +/- 1 percentage point.

In 2012, the average annual inflation rate went down to 3.7% (as compared to 4.3% in 2011). In 2012 inflation was largely determined by relatively high growth of food prices and administered prices, including those of energy. Both resulted from factors beyond the direct impact of NBP’s policy.

In 2012 the Monetary Policy Council conducted monetary policy amidst volatility observed in the international financial markets and unstable conditions in the global economy, in particular, in the euro area. Persisting recession in the region, excessive debt in particular euro area countries and growing unemployment raised concerns as to whether the euro area will re-embark on a path of economic growth. As a result of the above factors combined with the tightening of domestic fiscal policy, economic growth in Poland slowed down from 4.5% in 2011 to 1.9% in 2012.

In performance of their tasks in 2012, the Monetary Policy Council was faced with many challenges. On the one hand, monetary policy was supposed to curb inflation, which ran above the inflation target throughout most of the year, and, on the other hand, take into consideration the situation in the euro area and declining economic growth in Poland. In the first months of 2012, the Monetary Policy Council kept the NBP interest rates unchanged. Following a protracted period of inflation hovering above 3.5%, which posed a risk of heightened inflation expectations becoming persistent, in May 2012, the Council raised the NBP interest rates by 0.25 percentage point, including the reference rate from 4.50% to 4.75%. In the second half of the year, economic growth in Poland weakened markedly, bringing closer the prospects of inflation returning to the target. As a result, in November 2012 the Monetary Policy Council launched a cycle of monetary policy easing. By the end of 2012, interest rates had been cut by a total of 0.50 percentage point, including the reference rate from 4.75% to 4.25%. The cycle of interest rate cuts continued into 2013 – by July 2013 the Monetary Policy Council had reduced interest rates on six occasions, by a total of 1.75% percentage points, including the reference rate down to 2.50%.

Another NBP task laid down in the Constitution, apart from the conduct of monetary policy, is the issue of currency. Narodowy Bank Polski has the exclusive right to issue the currency

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of the Republic of Poland and bring banknotes and coins into circulation to ensure liquidity of cash settlements. At the end of 2012, banknotes and coins in circulation amounted to PLN 113.7 billion, having risen by 1.4%, or PLN 1.6 billion, on the previous year.

One of the basic areas of NBP's activity is the management of foreign exchange reserves. A high level of foreign exchange reserves strengthens the financial security of the country, reducing the cost of debt in the financial markets and limiting the risk of a sudden outflow of foreign capital at times of heightened risk aversion. In 2012 the official reserve assets of NBP, in euro terms, increased by EUR 6.9 billion to reach EUR 82.6 billion. This rise resulted mainly from the purchase of foreign currency from EU funds and from the income earned on invested reserves. Income resulting from investment activity relating to foreign reserve management amounted to PLN 5.8 billion in 2012 and income resulting from exchange rate differences – to PLN 6.2 billion. Together with other income and expenses, the financial result of NBP for 2012 totalled PLN 5.5 billion, of which PLN 5.3 billion was transferred to the state budget.

In 2012, as part of promotion of non-cash payments, NBP launched the multi-annual promotional and educational programme “Accessible Finance Academy”, aimed to reduce the risk of financial exclusion and increase the use of non-cash payment instruments. One of the main reasons behind limited use of such instruments is the interchange fee, which discourages entrepreneurs from accepting non-cash forms of payment.

NBP repeatedly called for a reduction in interchange fees charged for the use of payment cards. To this end, a dedicated team, led by Narodowy Bank Polski, prepared the “Program of card charges reduction in Poland”, which provided for a gradual reduction of interchange fee rates down to the average EU level. Narodowy Bank Polski suggested that all participants in the payment card system conclude an agreement, specifying the procedures for a gradual reduction of interchange fees. In the absence of such an agreement, NBP pointed out that the issue of interchange fees should be regulated by law. The action undertaken by Narodowy Bank Polski had positive aspects – payment organizations reduced interchange fees, for the first time in many years, from an average of 1.6% to approx. 1.25%. These reductions took effect as of January 2013.

Narodowy Bank Polski is actively involved in educational activities addressed to various social and professional groups. In 2012, Narodowy Bank Polski provided organizational and financial support for 186 projects, including the National Test of Economic Knowledge, Children's Economic University, the Olympics of Economic Knowledge, a bridge scholarship program for the young people from rural areas and small towns undertaking economic studies.

Moreover, NBP was also involved in the organization of five nationwide campaigns, the largest of them being the “Do not be cheated. Check before you sign” campaign. Its aim was to draw public attention to the risks involved in entering into financial contracts, in particular, incurring high-interest short-term loans and using the services of financial entities not subject to financial supervision.

On the occasion of the 2010–2012 UEFA European Football Championship, NBP organized the “Safe money. Inform others.” campaign, which was intended to increase the security of monetary transactions and prevent money laundering. The public was informed about

security features of the banknotes and principles of the safe use of credit cards and ATM machines.

Overall, 2012 was a year of downturn in the global economy, new turmoil in the financial markets and uncertainty about the outlook for the euro area. Despite these circumstances, responsible monetary policy of NBP helped to achieve the statutory goals. Inflation stabilized and economic growth remained positive.

I would like to assure you that Narodowy Bank Polski will continue to pursue measures aimed to maintain price stability, guarantee the safety of the financial system and promote sustainable growth, both in the medium and long term.

*President of Narodowy Bank Polski*



Marek Belka

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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

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## Management Board of Narodowy Bank Polski

### **President**

Marek Belka

### **First Deputy President of NBP**

Piotr Wiesiołek

### **Deputy President of NBP**

Witold Koziński

### **Members:**

Eugeniusz Gatnar

Andrzej Raczko

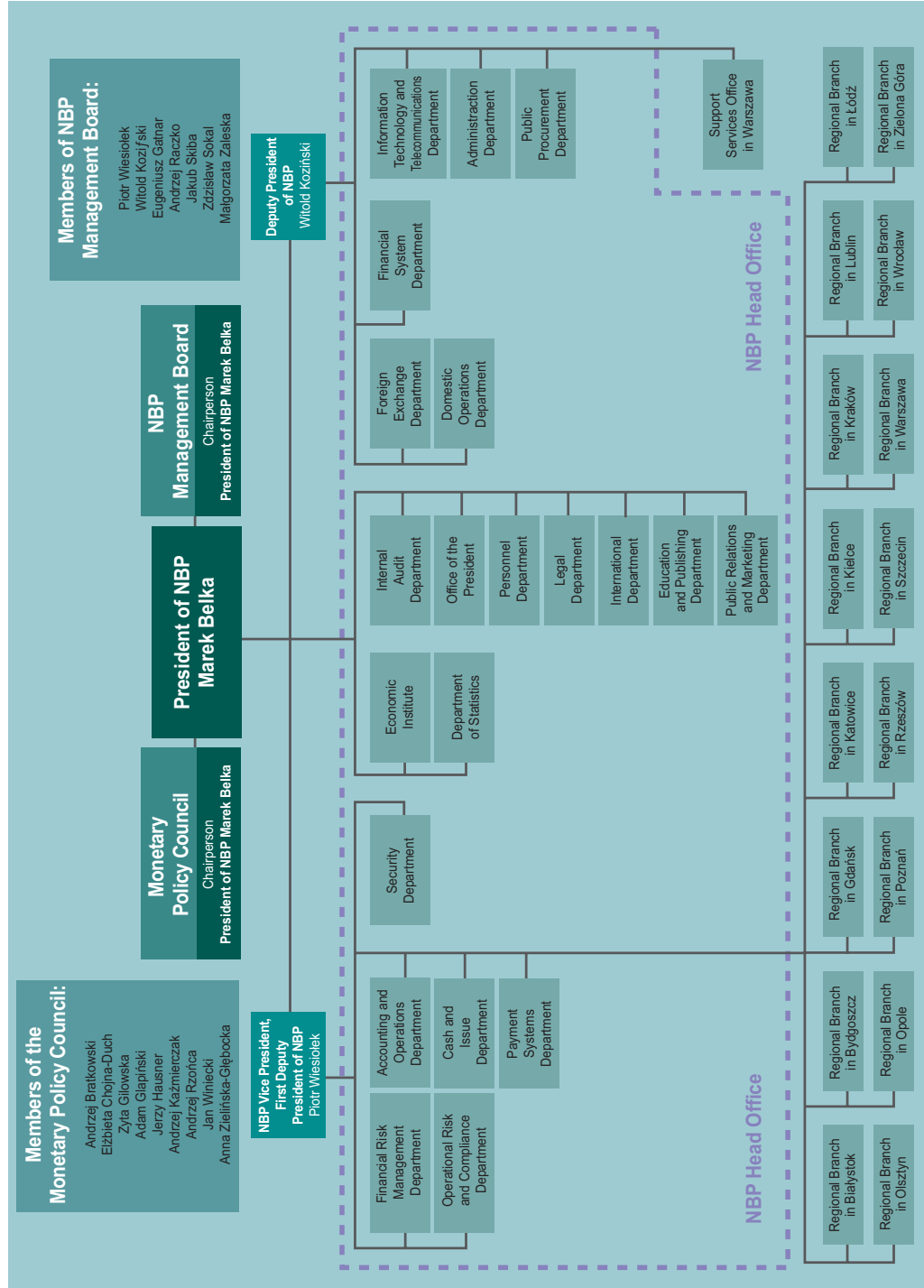
Jakub Skiba

Zdzisław Sokal

Małgorzata Zaleska

The term of office of Zdzisław Sokal, Member of the NBP Management Board, expired on 13 March 2013.

## Organisation chart of Narodowy Bank Polski valid as at 31 December 2012



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# Summary





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## 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 NBP are stipulated in the Act on the National Bank of Poland (Narodowy Bank Polski) 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 2012, NBP conducted its activities pursuant to the *Monetary Policy Guidelines for 2012* and *Narodowy Bank Polski Plan of Activity 2010–2012*.
2. This *Report* describes the performance of the statutory responsibilities of NBP in 2012 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 condensed Financial Statements of the NBP as at 31 December 2012 and opinion of an independent certified auditor.
3. Pursuant to the Constitution of the Republic of Poland and the Act on the National Bank of Poland (Narodowy Bank Polski), the governing bodies of NBP comprise: the President of Narodowy Bank Polski, the Monetary Policy Council and the Management Board of Narodowy Bank Polski. In 2012, the organisational structure of NBP consisted of the Head Office and 17 organisational units.
4. In 2012, the monetary policy of NBP was conducted against the backdrop of unfavourable global economic climate and periodically intensified tensions in the global financial markets, related, in particular, to the euro area debt crisis. In many countries, economic activity was dampened due to persistent uncertainty about future business conditions, further adjustments in the balance sheets of private and public sectors and continuously deteriorating labour market. In some countries, economic activity was additionally hampered by the sustained high level of commodity prices, coupled with – in the case of certain economies – large public sector debt.

Weak demand in the global economy in 2012 contributed to a certain drop in global inflation (both in the developed and in the emerging economies). However, in some countries the extent of inflation decline was curtailed by hikes in indirect taxes and administered prices.

In view of a certain decline of inflation and the deteriorating economic outlook in 2012 central banks of the largest developed economies increased the scale of their monetary expansion.

In the first half of 2012, concerns about the macroeconomic stability in some euro area countries (in particular Greece and Spain) intensified again, driving up risk aversion in the

financial markets. In the second half of the year, as some sources of uncertainty waned,<sup>1</sup> further institutional reform in the euro area were announced and the ECB programme of Treasury bond purchase was introduced, the sentiment in the financial markets improved.

In Poland, amidst weakening external demand and heightened uncertainty about future economic conditions, growth gradually decelerated. The slowdown in consumption – especially pronounced in the second half of the year – was accompanied by falling investment. As a consequence, 2012 saw contraction in domestic demand. In turn, GDP growth was supported by a relatively large contribution of net exports, which, however, resulted from a stronger decline in imports growth than in exports growth.

As economic activity gradually lost momentum, employment in the economy came to a halt, while employment in the corporate sector decreased in the second half of the year. At the same time, the number of economically active persons continued to rise. As a result, the unemployment rate was on the rise in 2012, helping to curb wage pressure and bring down wage growth in the economy.

As economic growth slowed down, lending growth decelerated as well. The growth of loans both to the corporate and household sectors declined.

In 2012, the process of reducing public finance imbalance continued, which reduced the sector's deficit from 5.0% of GDP in 2011 to 3.9% of GDP in 2012 in ESA95 terms.

In 2012, the average annual CPI index amounted to 3.7%. While having declined on its 2011 figure, it continued to run at levels considerably higher than the NBP inflation target. In the course of the year, however, the CPI index declined substantially, and from October 2012 inflation dropped below the upper limit for deviations from the NBP inflation target, subsequently reaching the target level in December. Factors contributing to elevated inflation, particularly in the first half of 2012, involved the relatively sharp rise in administered prices (primarily those of energy carriers, related to a great extent to the 2011 and 2012 rises in electricity, gas and heating tariffs), as well as the persistently heightened food price growth and the weaker, as compared to the previous year, zloty exchange rate. On the other hand, inflation was curbed, especially in the second half of the year, by a significant slowdown in demand and weaker wage growth, as well as zloty appreciation observed in that period. Moreover, lower inflation in 2012 was supported by the fading of the statistical base effects related to the rise in the VAT rates in January 2011.

Similarly to the previous years, in 2012 the monetary policy decisions of the Council were aimed at maintaining price stability, i.e. at stabilising inflation at 2.5% in the medium term. At the same time, decisions of the Council were to support sustainable economic growth.

At the beginning of 2012, the Council kept the interest rates unchanged, while announcing the possibility of further monetary policy tightening. In May 2012, the Council assessed

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<sup>1</sup> In Greece, in particular, parliamentary elections were won by a party supporting the implementation of the savings programme, and ministers of finance of the euro area decided to grant a credit line to inject capital to the Spanish banking sector.

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that the protracted period of inflation running above the upper limit for deviation from the target posed a risk that inflation might remain at an elevated level, particularly if inflation expectations become persistently heightened. The data released at that time suggested that the scale of the anticipated economic downturn might be limited, which might prevent inflation from returning to the target in the medium term. Under such circumstances, the Council – aiming to maintain price stability in the medium term – increased the NBP interest rates by 0.25 percentage point, in particular it raised the reference rate from 4.50% to 4.75%.

At the beginning of the second half of 2012, the Council kept the interest rates unchanged. In 2012 Q4, the Council decided that a stronger than previously anticipated economic slowdown, combined with external factors posed a risk of inflation falling below the target in the medium term. As a result, in November and December 2012, the Council cut the NBP interest rates by a total of 0.50 percentage point; the reference rate was lowered from 4.75% to 4.25%. At the same time, the Council announced that it would continue to ease monetary policy should the incoming information confirm a protracted economic slowdown, and should the risk of increase in inflationary pressure remain limited. In line with its announcements, in 2013 Q1, the Council further eased its monetary policy, cutting interest rates on three occasions by a total of 1 percentage point; the reference rate was down to 3.25%.

5. In 2012, Narodowy Bank Polski conducted its monetary policy by taking a recourse to a set of instruments adopted by the Monetary Policy Council in *Monetary Policy Guidelines for 2012*. The short-term interest rate remained the main instrument of the set. The NBP reference rate determined 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 2012, as in 2011, the key role in determining short-term market rates, especially the POLONIA rate, was played by open market operations. The main operations were carried out on a systematic basis, once a week, and took the form of the issue of money market bills with 7-day maturity, which helped absorb liquidity surplus from the banking sector. Fine-tuning operations, applied both during and after the end of the reserve maintenance period, were used to balance liquidity conditions. The above use of open market operations by the central bank was bringing the POLONIA rate closer to NBP reference rate.

In 2012, banks could replenish shortages and invest surplus funds at the central bank, by taking a recourse to lombard loan and overnight deposit offered by NBP.

6. The level of short-term excess liquidity in the banking sector, measured as average annualised balance of operations carried out by NBP (the total of money market bills issued by NBP and standing facilities) in 2012 amounted to PLN 96,306 million. Excess liquidity increased by PLN 378 million compared to 2011 average. The peak was primarily fuelled by the surplus of foreign currency purchase by NBP over its sale. The appropriation of part of NBP profit to the State Treasury also contributed to increased liquidity. 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 95,913 million in 2012, of which 98.35%, i.e. PLN 94,331 million, were bills sold as part of main operations,

and 1.65%, i.e. PLN 1,582 million, were fine-tuning operations. In 2012, in average terms, the main operations stood at PLN 393 million.

7. Pursuant to Article 3 (2.6) of the Act on the National Bank of Poland (Narodowy Bank Polski), the responsibilities of 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 2012, NBP also focused on cooperation with the financial safety net institutions, i.e. the Ministry of Finance (MF), the Polish Financial Supervision Authority (PFSA) and Bank Guarantee Fund, and activities aimed at enhancing the development of the payment system and safeguarding its liquidity. 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 Polish Bank Association.
8. Activities for the stability of the financial system in 2012 included primarily analyses of the stability and development of the domestic financial system and publishing related studies (*Financial Stability Reports, Senior Loan Officer Opinion Survey on Credit Market Conditions, Financial System Development in Poland in 2011*). NBP participated in the meetings of the Financial Stability Committee and work of financial supervision authorities institutions in the EU. In 2012, NBP drafted a bill on macro-prudential oversight of the national financial system and issued opinions on legal acts relevant for the stability and development of the financial system in Poland and the European Union.
9. The main goal of issue of currency by NBP was to ensure safety and liquidity of cash transactions. At the end of December 2012, the value of currency in circulation (including bank vault cash) was PLN 113,667 million, which represented an increase of 1.4% as compared to the end of 2011. NBP continued to issue collector items. The issue included 17.0 thousand pieces of gold coins and 485.0 thousand pieces of silver coins. 2012 witnessed the first ever issue of collector coins by NBP in cooperation with a foreign issuer – to commemorate the UEFA Euro 2012 Football Championship hosted jointly by Poland and Ukraine.
10. In the management of foreign exchange reserves, NBP seeks to maximise the return on the reserves while ensuring the safety and requisite liquidity of invested funds. In 2012, income from investment activity related to management of foreign currency reserves stood at PLN 5.8 billion, and foreign exchange gains amounted to PLN 6.2 billion. The Bank continuously extended the set of investment instruments and developed credit risk management methods, incl. the NBP counterparty creditworthiness assessment.
11. 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. The year 2012 saw total of 2,026 inspections relating to foreign exchange trading and 14 decisions on foreign exchange matters. As at 31 December 2012, there were 4,558 bureaux de change operating in Poland. In view of the legislative amendments, in 2012 data about all businesses registered in the register of bureaux de change was entered to the Central Registration and Information on Business.
12. The activities of Narodowy Bank Polski with respect to the payment system principally consisted in the operation and maintenance of the payment systems and the performance

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of interbank settlements, organisation of monetary settlements, oversight of payment systems, authorisation and clearing systems as well as securities settlement systems. In 2012, NBP continued work on SORBNET2 and also coordinated work of the Interchange Fee Task Force (IFTF) to achieve a market compromise on reducing the interchange fee in Poland. Moreover, NBP launched a long-term promotion and education programme, Akademia Dostępne Finanse, and initiated work on a new programme on non-cash payments.

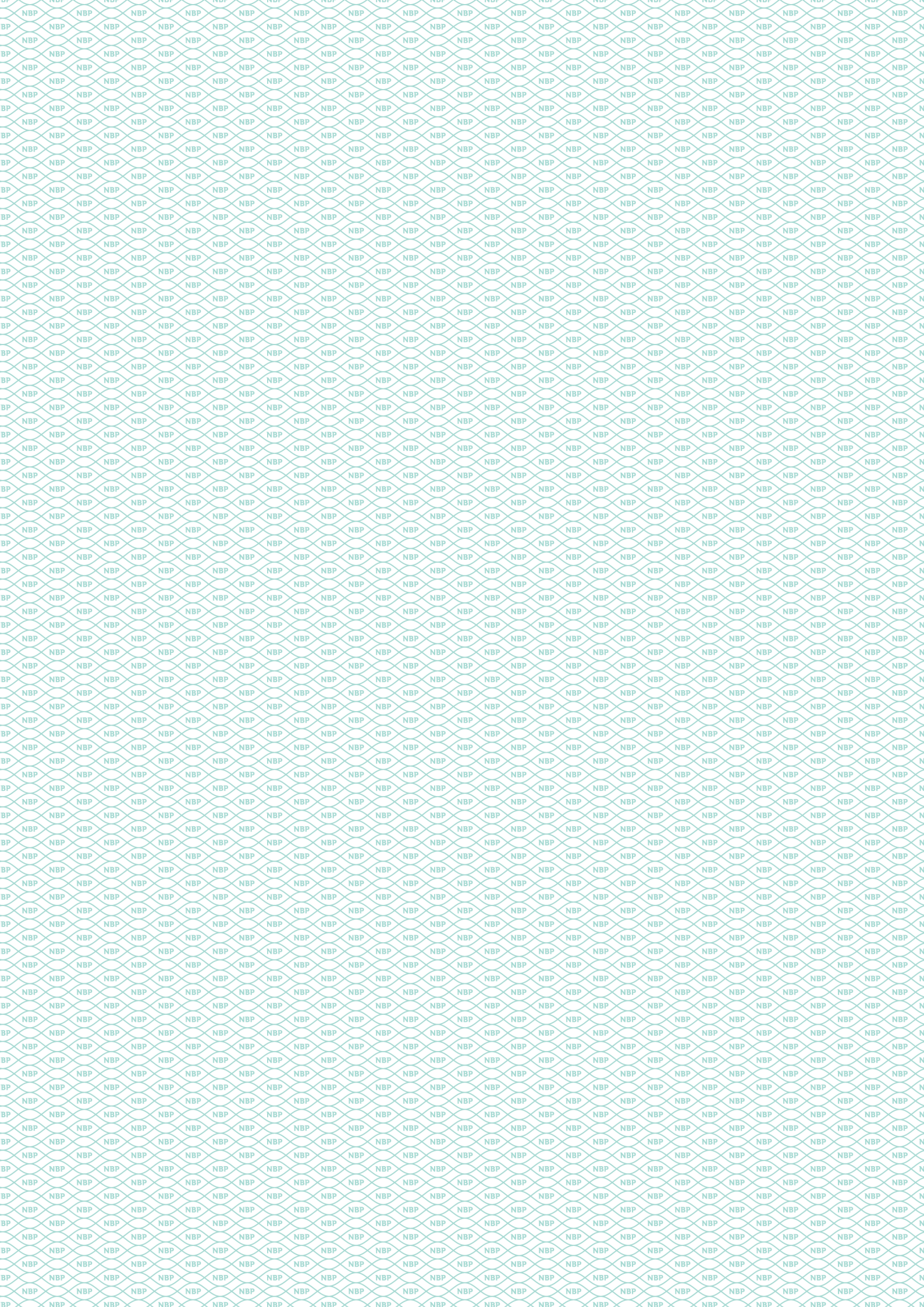
13. By maintaining central governments accounts, Narodowy Bank Polski contributes to the safety and liquidity of public fund settlements. In 2012, NBP operated 16,194 accounts for 3,712 clients. NBP also organised Treasury bond and bill sale, swap and redemption auctions, incl. the first redemption of euro-denominated bonds. Moreover, the central bank serviced foreign liabilities and receivables of the central government, and cooperated with the Ministry of Finance in the management of the public debt.
14. In 2012, research conducted at NBP addressed issues related to monetary and macro-prudential policy, inflation processes, the economic condition of enterprises and households as well as the labour and property markets. The Polish economy was examined against the euro area economies. Attention was paid to changes occurring in the global and national economic environment, the economic climate and determinants of economic growth. The monetary policy transmission and its changes related to the financial crisis were also researched. Public finance of the CEE and euro area countries immersed in the debt crisis were also addressed by research. The development of models used for the preparation of macroeconomic forecast supporting the monetary policy conducted by NBP continued. Year by year, the number of NBP publications on the so-called Philadelphia list<sup>2</sup> increases – in 2012, there were 16 such publications. Furthermore, the publications are appearing in ever-higher quality journals.
15. In 2012, NBP participated in work on statistics conducted by the ECB and other international institutions, including harmonisation of statistics with ESA 2010 and new standards for the balance of payments and direct investment, and also on expansion of statistics with information from insurance institutions. Furthermore, NBP compiled and published the first transaction statistics for the main balance sheet variables of banks in line with the ECB methodology, launched an upgraded version of INTER-FIN, a reporting system for investment funds, and began work on harmonisation of prudential statistics with new European standards.
16. As a part of education and information activities carried out in 2012, NBP implemented 186 education projects for wide audience. The NBP's presence on the Internet was enhanced through modernisation of the website and easier access for people with disabilities. There were 3 information campaigns dedicated to: financial security during UEFA Euro 2012, the activity of quasi-banks and the interchange fee. In 2012, the Euro Information Centre was established to implement information and education activities dedicated to economic integration in the EU. As part of contacts with the media and market analysts, meetings with the NBP representatives were organised and 500 press enquiries were answered.

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<sup>2</sup> The Philadelphia List (ISI Master Journal List) – a list of academic journals created and updated by the Institute for Scientific Information. The list includes titles of journals evaluated and included in ISI bases.

17. The NBP representatives participated in the meetings of the Committee of the Council of Ministers and the Committee on European Affairs. In 2012, 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. With regard to cooperation with the European Central Bank, NBP issued opinions on three draft laws from EU Member States immersed in the financial crisis in order to restore stability. The NBP representatives participated in work of Cross-Institutional Task Forces for the Euro Adoption in Poland.
18. In 2012, NBP representatives participated in the work of the following 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 budget balances across Member States and the planned changes in statistical activities. Moreover, NBP cooperated with international institutions, i.e. OECD, the World Bank, IMF, EBRD and BIS. Narodowy Bank Polski was also a party to the Memorandum of Understanding on new collaboration principles and leadership in the Constituency in the IMF and the WB Group. In 2012, NBP became involved in Vienna 2 Initiative.
19. In 2012, the average annual employment level at NBP remained unchanged compared to 2010 and was 3,642 full-time posts.
20. Pursuant to Article 69 (1) of the Act on the National Bank of Poland (Narodowy Bank Polski), the NBP Financial Statements for 2012 have been reviewed by a certified auditor selected by the Monetary Policy Council. The *Opinion of the independent certified auditor* is presented after the *Condensed financial statements as at 31 December 2012*.
21. The financial result of NBP as at the end of 2012 amounted to PLN 5.5 billion.





Chapter 1

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# Governing bodies of NBP





## Governing bodies of NBP

According to the Constitution of the Republic of Poland and the Act on the National Bank of Poland (Narodowy Bank Polski), the governing bodies of NBP comprise the President of Narodowy Bank Polski, the Monetary Policy Council and the Management Board of Narodowy Bank Polski.

### 1.1. President of Narodowy Bank Polski

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

In 2012, while representing Narodowy Bank Polski and the Republic of Poland in liaising with foreign institutions, the President of NBP attended the following meetings:

- meetings of the General Council of the European Central Bank,
- the annual meeting of the Board of Governors of the European Bank for 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,
- meetings of the European Systemic Risk Board and the Steering Committee,
- meetings of Governors of the Bank for International Settlements in Basel.

In 2012, the President of NBP issued:

- 24 ordinances, including amendments to the ordinance on the manner and procedure for counting, sorting, packaging and marking packages of banknotes and coins and activities related to supplying banknotes and coins to banks,
- one announcement on the balance sheet and the profit and loss account of Narodowy Bank Polski for 2011.

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

## 1.2. Monetary Policy Council

In 2012, the Monetary Policy Council acted in accordance with the *Monetary Policy Guidelines for 2012*.

In 2012, the MPC held 22 meetings (including 11 decision-making meetings) and adopted 11 resolutions published in Monitor Polski (Official Gazette) and Dziennik Urzędowy (Official Journal of Narodowy Bank Polski) and 1 unpublished resolution.

**Table 1.1.** NBP interest rates as at the end of 2011 and 2012 (%)

Reference rate		Lombard loan		Deposit at NBP		Bill of exchange rediscount	
31.12.2011	31.12.2012	31.12.2011	31.12.2012	31.12.2011	31.12.2012	31.12.2011	31.12.2012
4.50	4.25	6.00	5.75	3.00	2.75	4.75	4.50

Source: NBP data.

In 2012, the MPC adopted three resolutions on the reference rate, the interest rate on refinancing loans, interest rate on term deposit and rediscount rate on the bills of exchange at Narodowy Bank Polski. Table 1.1 shows the level of interest rates at NBP at the end of 2011 and 2012.

The remaining resolutions of the MPC pertained to:

- approval of the *Annual Financial Statements* of NBP presented as at 31 December 2011;
- evaluation of the activities of NBP Management Board as regards the implementation of the 2011 *Monetary Policy Guidelines*,
- approval of the *Report on Monetary Policy Implementation in 2011*;
- approval of the *Report on NBP Operations in 2011*;
- determination of the monetary policy guidelines for 2013;
- establishment of the 2013 ceiling for liabilities arising from loans and credits drawn by Narodowy Bank Polski at foreign banking and financial institutions;
- amendments to the resolution on the use of foreign exchange swaps by Narodowy Bank Polski,
- determination of interest rates on short-term loans granted to the Bank Guarantee Fund and interest rates on the provisioning and supplementary contributions to the stabilization

fund granted to the National Association of Cooperative Savings and Credit Unions by NBP,<sup>1</sup>

- approval of the NBP financial plan for 2013.

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

- *Balance of Payments of the Republic of Poland* for 2011 Q3 and Q4, and for 2012 Q1 and Q2,
- *International Investment Position of Poland in 2011*;
- *Forecast of Poland's Balance of Payments in 2013*;
- *Opinion on the 2013 Budget Bill*.

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

In 2012, the MPC members participated in:

- the debate *Economic future of Europe in the light of the euro crisis*, organised by the Chancellery of the President of the Republic of Poland,
- a meeting with the Minister of Finance dedicated to the monetary and fiscal policy,
- a meeting with the representatives of the Polish Financial Supervision Authority to discuss the situation in the banking sector – according to the *Report on the condition of Polish Banks in 2011*, compiled by the Polish Financial Supervision Authority.

Furthermore, the annual meeting of the Monetary Policy Council with representatives of commercial banks was held, at which the *Monetary Policy Guidelines for 2013* were presented.

MPC members also participated in:

- meetings with IMF missions visiting Poland,
- international conferences and foreign seminars, including the annual meeting of the Institute of International Finance and international conferences organised by central banks,
- numerous meetings with representatives of international financial institutions and economists of national banks.

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<sup>1</sup> Unpublished resolution.

### 1.3. Management Board of Narodowy Bank Polski

Pursuant to the Act on the National Bank of Poland (Narodowy Bank Polski), the activities of 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 NBP, and implements the resolutions of the MPC. The Management Board of NBP performed its basic responsibilities according to the *Monetary Policy Guidelines for 2012*, *Narodowy Bank Polski Plan of Activity 2010–2012* and the *Financial Plan of Narodowy Bank Polski for 2012*.

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 and GDP 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 system 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 and monetary policy instruments.

Moreover, the Management Board of NBP discussed:

- the management of official reserves, including the option of extending the set of investment instruments,
- the functioning of the Polish payment system, including the issues concerning the interchange fee in Poland,
- research and development activities of NBP,
- economic and formal conditions of Poland joining ERM II and the euro area;
- IMF proposals regarding terms of a bilateral loan.

In 2012, the NBP Management Board held 51 meetings and altogether adopted 65 normative resolutions, 25 non-normative resolutions and 269 decisions.

The Management Board adopted resolutions primarily concerning amendments to the following :

- *Rules for refinancing banks with lombard loan and intraday credit by Narodowy Bank Polski*,

- terms and conditions of sale of coins, banknotes and numismatic items intended for collections and other purposes by Narodowy Bank Polski.
- *Rules for implementation by Narodowy Bank Polski in the domestic and foreign trade payment orders issued in foreign currencies and the domestic currency, cheque transactions in foreign currencies as well as purchase and sale of foreign currencies, for bank account holders,*
- *Rules for Securities Register,*
- introduction of *Rules for opening and maintaining bank accounts in zloty using electronic banking at Narodowy Bank Polski* and bank account agreement forms,
- introduction of *Rules for opening and maintaining bank accounts in zloty at Narodowy Bank Polski* and bank account agreement forms,
- maintaining of bank accounts at Narodowy Bank Polski.

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

- authorisation of the President of NBP to declare to the government of the Republic of Poland and the IMF the willingness of NBP to participate in the increase in the Fund's financial resources under a bilateral loan arrangement,
- signature by the President of NBP and the Minister of Finance of the request to the IMF for a renewal of the Flexible Credit Line for Poland for another period,
- signature of an agreement with the National Bank of Ukraine on joint production and distribution of coins on the occasion of UEFA Euro 2012,
- signature of an agreement with the Australian Royal Mint on cooperation on joint issue of a set of collector coins,
- consent of NBP to enter into an agreement with the Bank Guarantee Fund (BGF) defining the rules of short-term loan granted by NBP,
- adoption of *Technical Assistance Programme of NBP for 2013–2015.*

#### **1.4. Narodowy Bank Polski Plan of Activity**

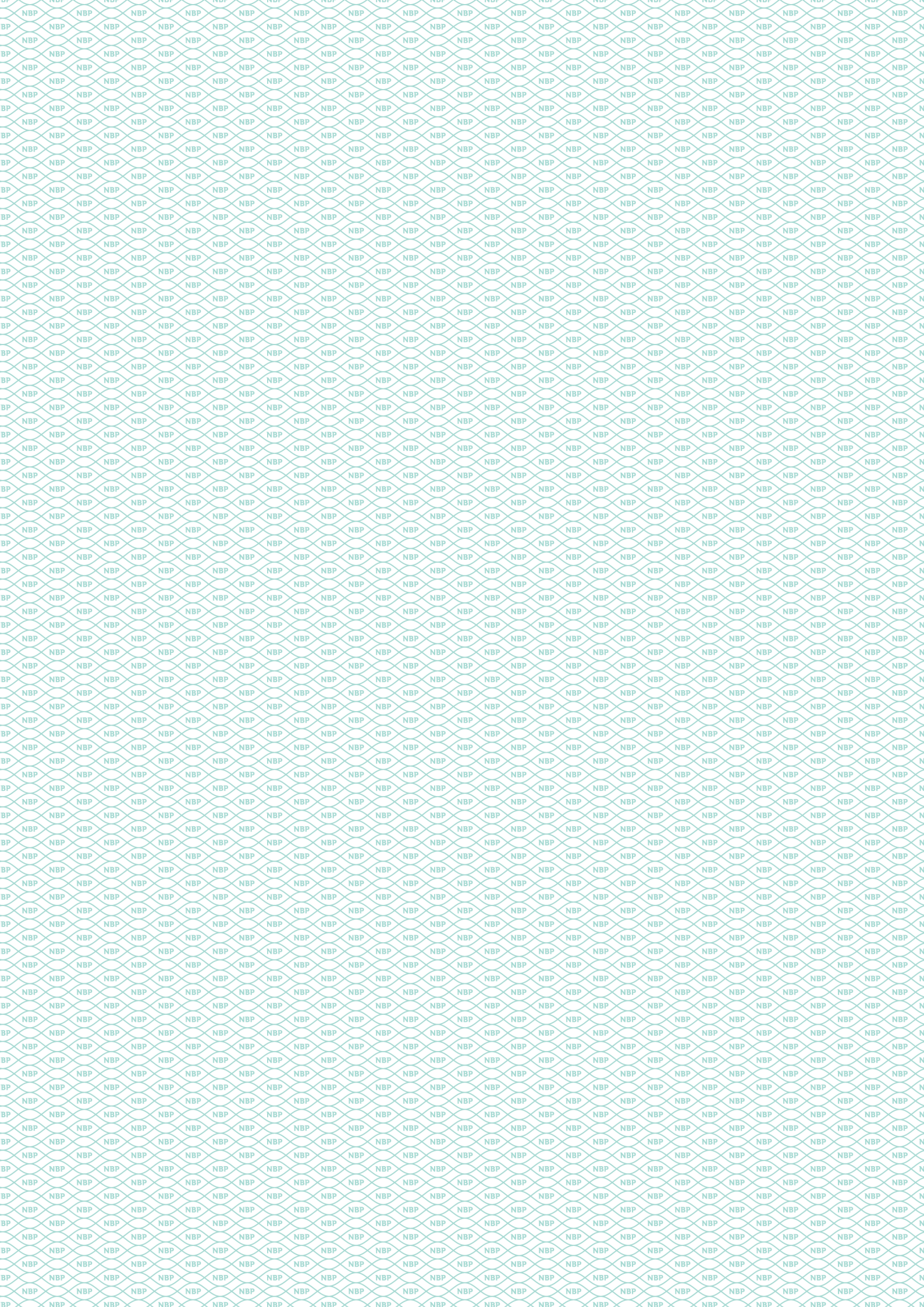
In 2012, the implementation of the *Narodowy Bank Polski Plan of Activity 2010–2012*<sup>2</sup> was completed.

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<sup>2</sup>The description of the implementation of tasks in 2012 is provided in the chapters.

On 16 November 2012, the Management Board of NBP adopted the *NBP Plan of Activity 2013–2015*. The *Plan* includes the NBP goals for the next three years and tasks aimed at their implementation. The document is available at the NBP website.





Chapter 2

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# Monetary policy





# Monetary policy<sup>1</sup>

In presenting the *Report on monetary policy implementation*, the Monetary Policy Council acts in accordance with Article 227 of the Constitution of the Republic of Poland, which imposes an obligation on the Council to present a report on the implementation of monetary policy guidelines within five months following the end of the fiscal year. Under Article 53 of the Act on the National Bank of Poland (Narodowy Bank Polski), the *Report on Monetary Policy Implementation* is published in the Official Gazette of the Republic of Poland, the *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 instruments. Moreover, the *Report* is accompanied by Appendices presenting the development of important macroeconomic variables, as well as the *Minutes of the Monetary Policy Council decision-making meetings*<sup>2</sup> and the voting records of the Council's members on motions and resolutions.

As emphasised in Chapter 1 of the *Report*, 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.

An *ex post* assessment of the conduct of monetary policy should take into account the above considerations.

## 2.1. Monetary policy strategy in 2012

In 2012, the Monetary Policy Council, henceforth “the Council”, pursued monetary policy according to the principles comprised by the *Monetary Policy Guidelines for 2012*, adopted on 23 August 2011, as quoted below.

The Council decided to maintain the key elements of the current NBP monetary policy strategy, which had been presented in the *Monetary Policy Guidelines for 2011*.

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<sup>1</sup> 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 art. 3 section 2 point 5, art. 12, art. 16, art. 17 section 3 point 1 and section 4 point 2, 4, art. 23–24 and provisions of Chapter 6 of the Act on the NBP.

<sup>2</sup> 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 the *Inflation Reports* in printed version and on [www.nbp.pl](http://www.nbp.pl).

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 (Narodowy Bank Polski) of 29 August 1997 states in Article 3 section 1 that “the basic objective of NBP activity shall be to maintain price stability, and it shall, at the same time, act in support of Government economic policies, insofar as this does not constrain the pursuit of the basic objective of the NBP”.

Nowadays central banks understand price stability as inflation low enough not to negatively affect decisions taken by economic agents, including investment and savings decisions. Ensuring price stability is a fundamental manner in which the central bank contributes to high and sustainable economic growth. In their pursuit of maintaining price stability, central banks respond both to inflationary and deflationary threats.

Since 1998 the Monetary Policy Council has based its monetary policy on inflation targeting. Beginning 2004, the Council adopted a permanent inflation target of 2.5% with a symmetrical tolerance band for deviations of  $\pm 1$  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 Narodowy Bank Polski, hereinafter “NBP”, and other central banks shows that inflation targeting is an effective way to ensure price stability. The global financial crisis has shown that in order to ensure long-term price stability, monetary policy should attach more weight to factors related to the stability of the financial system. Therefore, monetary policy should aim at stabilising inflation at the target in the medium-term, while at the same time containing the risks of imbalances in the financial system. Inflation targeting enables the pursuit of such a policy while providing support for the regulatory and supervisory policies addressed to the financial sector.

In 2012, the Council pursued monetary policy guided by the following principles:

- First, the notion of *permanent* inflation target means that it refers to inflation measured as the 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 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. Moreover, core inflation indices make it easier to distinguish between impacts of supply or demand shocks on inflation.
- 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 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 a 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, 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 has a curbing effect on economic activity in the short term and, subsequently, on 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 with monetary policy instruments may lead to unnecessary loss of output growth, which is already hampered by the impact of the supply shock on consumption and investment. On the other hand, an attempt to accommodate the real effects of a supply shock – which results in higher inflation and slower output growth – with expansionary monetary policy usually leads to persistently elevated inflation. This, in turn, requires far more restrictive monetary policy in subsequent periods. In effect, economic growth decelerates more than would have been the case if monetary tightening had been used in the first place to prevent elevated inflation from becoming persistent. The response of the central bank to the shock should depend on the assessment of the persistence of the shock 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 current inflation is limited. Current decisions of the monetary authorities affect price developments in the future, just as current inflation is influenced by interest rate changes made several quarters before. However, the time lag between an interest rate decision and its peak impact on real variables (such as output or 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 mean 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 rate cuts and long-lasting maintenance of depressed interest rates amidst low inflation and simultaneous fast economic growth may lead to rapid asset price growth, thus increasing the risk of the so-called speculative bubbles. Rapid asset price growth is accompanied by rising likelihood of asset price deviation from the levels justified by the fundamentals, which increases

the risk of their collapse in the future. A hike in asset prices, especially if accompanied by fast expansion in lending, poses a threat to the stability of the financial system, 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 on target and supporting financial system stability, under certain conditions it may be necessary to extend 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 the level of real interest rates should be considered but also the level of the real exchange rate. Thus understood restrictiveness of monetary policy affects, along with the implemented fiscal policy, the overall restrictiveness of macroeconomic policy. Ensuring price stability amidst an overly expansive fiscal policy may require keeping interest rates at a heightened level.
- Ninth, monetary policy is pursued under uncertainty, which excludes close 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 the 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 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 has remained close to the target and the length of the period in which it has deviated from the target.

In the *Guidelines for 2012*, the Council announced that if a decision were to be 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 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.

In the 2012 *Guidelines* the Council also emphasised that an important circumstance of monetary policy implementation will consist in the situation of the public finance. In order to maintain the macroeconomic stability of the economy, including the maintenance of stable prices, it is necessary pursue a fiscal policy ensuring long-term stability of public finance. Such a policy will simultaneously enable the fulfilment of the criteria for euro adoption.

## 2.2. Monetary policy and macroeconomic developments in 2012

### 2.2.1. Macroeconomic conditions of NBP monetary policy in 2012

In 2012, monetary policy was conducted against the backdrop of unfavourable global economic conditions and periodically intensified tensions in the global financial markets, related, in particular, to the euro area debt crisis (Figure 2.1). In many countries, economic activity was dampened due to persistent uncertainty about future business conditions, coupled with further adjustments in the balance sheets of private and public sectors and continuously deteriorating labour market. In some countries, economic activity was additionally curbed by still relatively high commodity prices, coupled with – in the case of certain economies – large public sector debt.

As the above factors affected the individual countries and regions to a different degree, in 2012 – similarly as in the previous years – business conditions continued to differ across the world. In particular, economic growth in the developed economies suffered a more significant downturn than in the emerging economies. Amongst the developed countries, GDP growth in the United States and Germany remained substantially higher than in those euro area countries that being most seriously affected by the competitiveness and debt crisis, remained in recession. Growth in the United States was supported by a relatively strong domestic demand, while in Germany it was fuelled by continuing robust external demand. As regards the largest emerging economies, the strongest rebound in GDP growth rate was recorded in China, where – like in many other economies of Asia and Latin America – growth was driven by revival of domestic demand.

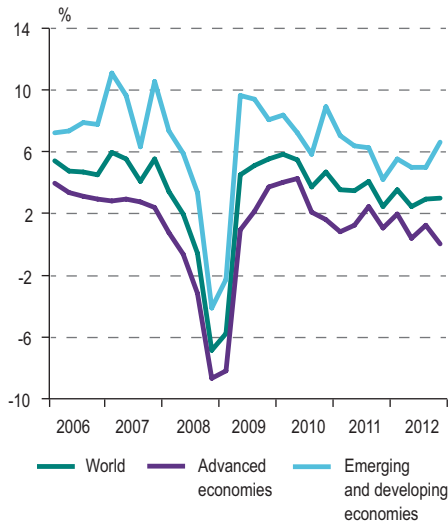
In 2012, the main central banks stepped up their monetary expansion. The Federal Reserve Bank (Fed), the Bank of Japan (BoJ) and the Bank of England (BoE) kept their interest rates at a historically low level, whereas the European Central Bank (ECB) in the second half of 2012 cut its interest rates to the lowest level since the euro creation (2.2). At the same time, the main central banks expanded the scale of the existing quantitative easing programmes, and in the second half of the year – amidst deteriorating outlook for economic growth and the intensification of debt crisis in the euro area – they introduced new asset purchase and liquidity programmes.<sup>3</sup> In most developed countries, further measures were taken in 2012

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<sup>3</sup> In July 2012, the BoE announced its new liquidity programme Funding for Lending, designed to stimulate lending to enterprises and households. In September 2012, the Fed launched a new asset purchase programme involving the purchase of mortgage-based securities issued by government agencies (MBSs). Also in September 2012, ECB announced its OMT (Outright Monetary Transactions) programme, i.e. a programme of conditional, unlimited secondary-market purchase of Treasury bonds issued by countries most severely affected by the debt crisis. In October 2012, the BoJ launched a new liquidity programme aimed at stimulating lending in the Japanese banking sector.

to reduce their fiscal imbalances. These helped to reduce the general government deficits somewhat, however, in most cases, deficits remained high, adding to further public debt build-up.

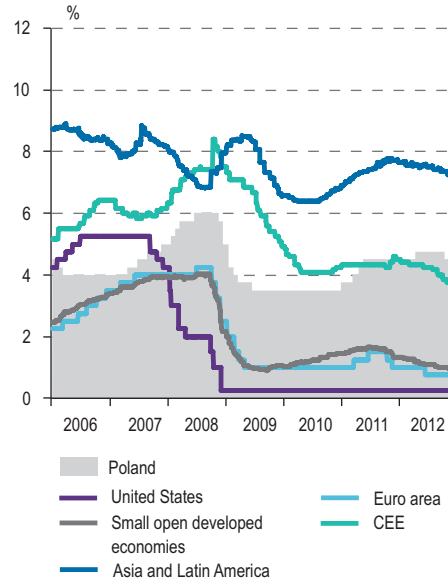
**Figure 2.1.** Economic growth in the world (y/y)\*



Source: IMF data.

\* Aggregates based on: *World Economic Outlook Update*, January 2012.

**Figure 2.2.** 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 open developed economy group: Australia, Canada, Norway, Sweden and Switzerland.

In the first half of 2012, concerns about macroeconomic stability in some euro area countries (in particular Greece and Spain) intensified again, driving up risk aversion in the financial markets. In the second half of the year, as some sources of uncertainty waned,<sup>4</sup> further institutional reform in the euro area were announced and the ECB programme of Treasury bond purchase was introduced, the sentiment in the financial markets improved.

Weak demand in the global economy in 2012 contributed to a certain reduction in global inflation (both in the developed and in the emerging economies; Figure 2.3). Inflation decline was additionally supported by lower – as compared with the previous year – commodity prices (Figure 2.4). However, in some countries the extent of inflation decline was curtailed by hikes in indirect taxes and administered prices.

<sup>4</sup> In particular in Greece, parliamentary election was won by a party supporting the implementation of the austerity programme, while the euro area finance ministers decided to grant a credit line aimed at recapitalising the Spanish banking sector.



In Poland, amidst weakening external demand and heightened uncertainty about future economic conditions, growth gradually decelerated (Figure 2.5, Appendix 1). The slowdown in consumption – especially pronounced in the second half of the year – was accompanied by falling investment. As a consequence, 2012 saw domestic demand contract. In turn, GDP growth was supported by a relatively large contribution of net exports, which, however, resulted from a stronger decline in imports growth than in exports growth.

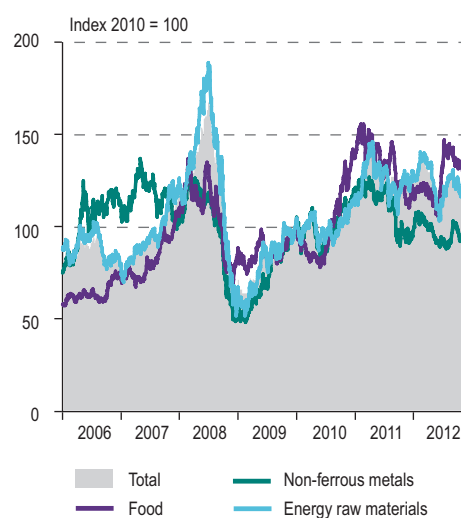
**Figure 2.3.** Global inflation\*



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).

**Figure 2.4.** Index of commodity prices in the global markets



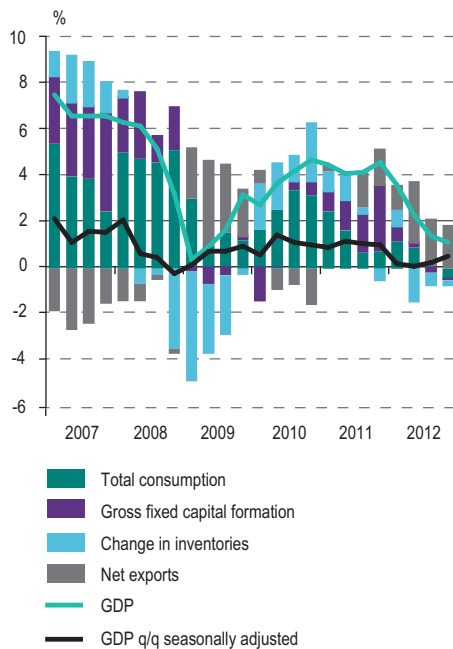
Source: Bloomberg data.

Weaker consumer demand resulted, among others, from slow growth in household disposable income on the back of declining wage growth and stalling employment. Consumption growth was also adversely affected by stronger contraction in consumer loans and deteriorating household sentiment, in particular rising concerns about unemployment, which intensified in the second half of 2012. Slowing consumption growth in 2012 was accompanied by decreasing investment growth, which turned negative in the second half of the year. Weaker investment activity was primarily attributable to a decline in public investment related to finalizing some of the infrastructural investment projects launched before the European Football Championship, coupled with a deceleration in investment spending of local governments resulting from measures aimed at curbing the fiscal imbalance. At the same time, in the face of unfavourable outlook for domestic and external growth, the sentiment of economic agents deteriorated, and thus, corporate and household investment growth weakened.

Sluggish domestic demand was accompanied by a relatively large contribution of net exports to GDP, resulting from imports growth declining faster than exports (Appendix 3).

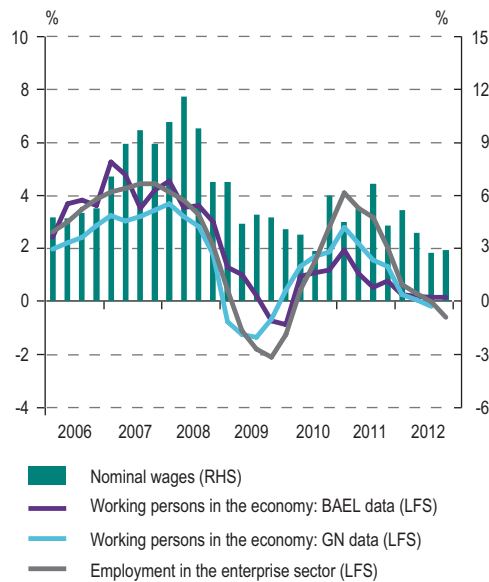
As economic activity gradually lost momentum in 2012, employment in the economy came to a halt, with employment in the corporate sector recording a decline in the second half of the year (Figure 2.6). At the same time, the number of economically active persons continued to rise. As a result, the unemployment rate was on the rise in 2012, helping to curb wage pressure and bring down wage growth in the economy, and in particular in the corporate sector. Weaker wage growth helped to keep unit labour costs down despite a concurrent decrease in labour productivity growth.

**Figure 2.5.** Contribution of aggregate demand components to GDP growth



Source: GUS data, NBP calculations.

**Figure 2.6.** Annual growth in the number of persons working in the economy and in the corporate sector and the annual wage growth



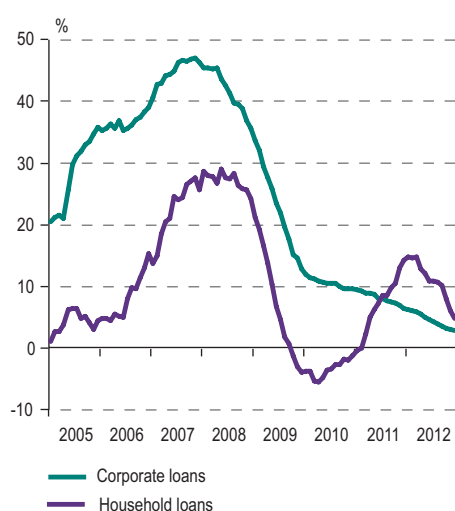
Source: GUS data.

In 2012 the process of reducing public finance imbalance continued. The general government sector deficit declined considerably for the second consecutive year (from 5.0% of the GDP in 2011 to 3.9% of the GDP in 2012 in ESA terms). This was achieved by limiting public investment projects financed with domestic funds (a simultaneous decline in public investment financed with EU funds had no effect on the size of the deficit). Moreover, the deficit narrowed due to measures launched already in 2011, such as the reduction of social security contribution transferred to the Open Pension Funds (OFE) enacted in March 2011, the application of the temporary expenditure rule and the wage freeze in the government sector.

As economic growth slowed down, lending growth decelerated as well (Figure 2.7; Appendix 4). Corporate credit growth declined, especially strongly in the second half of 2012, with substantial deceleration observed both in the short-term and investment loans. This could have been driven by weaker corporate investment demand amidst tighter lending

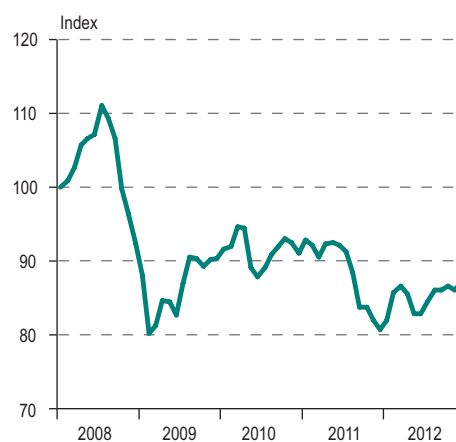
conditions declared by banks. The year 2012 also saw an increasingly sluggish growth in lending to households. This was due to the combined effect of continued decline in consumer loans and slower growth in housing loans, resulting mostly from shrinking currency-denominated loans. Household credit expansion was constrained by the deteriorating economic situation of households as well as banks' more stringent lending policies, which – in the case of housing loans – was additionally aggravated by lowering price limits under the government-subsidised housing scheme “Family on its Own”.

**Figure 2.7.** Annual growth in loans to the corporate and households sectors



Source: NBP data.

**Figure 2.8.** Nominal effective zloty exchange rate (increase denotes appreciation)



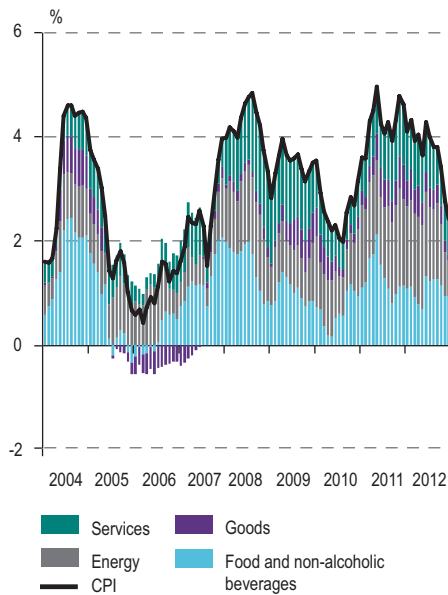
Source: Reuters Ecowin, OECD data, NBP calculations.

In 2012, the prices of domestic financial assets continued to be strongly affected by the sentiment prevailing in the global financial markets. Following a certain improvement in the global sentiment at the beginning of the year, the second quarter saw the return of heightened concerns about economic stability in the euro area, which fuelled risk aversion, and the resulting decline in the prices of some domestic assets, including equities. In the second half of 2012, the announcement of institutional reforms in the euro area and the expansion of the quantitative easing by the main central banks, including the ECB, had a positive impact on the sentiment in the global financial markets. Declining risk aversion attracted capital inflows to the emerging economies characterised by a high interest rate disparity vis-à-vis major advanced economies, including Poland. The inflow of capital contributed to higher prices of shares and Treasury securities and to strengthening of the exchange rates, including the zloty (Figure 2.8, Appendix 3). The easing of NBP monetary policy was also conducive to lower yields on Polish Treasury securities.

In 2012, the average annual CPI index (index of consumer goods and service prices) amounted to 3.7%. While having declined on its 2011 figure, it continued to run at levels considerably higher than NBP inflation target (Figure 2.9, Figure 2.10, Appendix 2). In the course of the year, however, the CPI index declined substantially, and from October

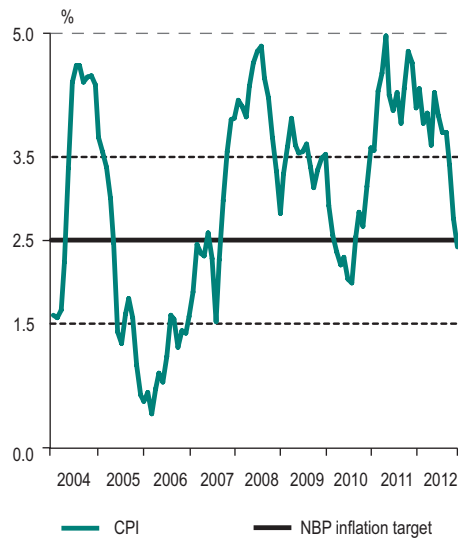
2012 inflation dropped below the upper limit for deviations from NBP inflation target, subsequently reaching the target level in December 2012.

**Figure 2.9.** 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 2.10.** Annual CPI and the inflation target



Source: GUS data.

Factors contributing to elevated inflation, particularly in the first half of 2012, involved the relatively sharp rise in administered prices (primarily those of energy carriers, related to a great extent to the 2011 and 2012 rises in electricity, gas and heating tariffs), as well as persistently heightened food price growth and the weaker, as compared to the previous year, zloty exchange rate. In turn, inflation decline, especially in the second half of the year, was related to a significant slowdown in demand and weaker wage growth, as well as to zloty appreciation recorded in that period. Moreover, lower inflation in 2012 was supported by the fading of the statistical base effect related to the rise in the VAT rates in January 2011.

### 2.2.2. Monetary policy in 2012

Similarly to the previous years, in 2012 the monetary policy decisions of the Council were aimed at maintaining price stability, i.e. at stabilizing inflation at the 2.5% target in the medium term. At the same time, the decisions of the Council were to support balanced economic growth. Bearing in mind the time lags in the monetary policy transmission mechanism, inflation and GDP in 2012 were influenced by the Council decisions taken in 2011.

In its 2012 decisions, the Council considered changing assessment of factors influencing inflationary processes over the monetary policy transmission horizon. This assessment relied

on the information on economic developments available at the time of decision-making, including macroeconomic forecasts prepared by NBP and external institutions.

After having increased NBP interest rates on four occasions in 2011, at the beginning of 2012 the Council kept NBP interest rates unchanged, while announcing the possibility of further monetary policy tightening. In May 2012, the Council assessed that the protracted period of inflation running above the upper limit for deviations from the target posed a risk that inflation might remain at an elevated level, particularly if inflationary expectations become persistently heightened. The data released at that time suggested that the scale of the anticipated economic downturn might be limited, which might prevent inflation from returning to the target in the medium term. Under such circumstances, the Council – aiming to maintain price stability in the medium term – increased NBP interest rates by 0.25 percentage point; in particular it raised the reference rate from 4.50% to 4.75%.

At the beginning of the second half of 2012, the Council kept the interest rates unchanged. In 2012 Q4 the Council decided that a stronger than previously anticipated economic slowdown, combined with external factors, posed a risk of inflation falling below the target in the medium term. As a result, in November and December 2012 the Council cut NBP interest rates by a total of 0.50 percentage point; the reference rate was lowered from 4.75% to 4.25%. At the same time, the Council announced that it would continue to ease monetary policy should the incoming information confirm a protracted economic slowdown, and should the risk of increase in inflationary pressure remain limited. In line with its announcements, in 2013 Q1 the Council further eased its monetary policy, cutting interest rates on three occasions by a total of 1 percentage point; the reference rate was down to 3.25%.

The 2012 decisions of the Council supported price stability in the medium term. These decisions are presented below in greater detail, along with the circumstances under which they were taken.

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The data available at the beginning of 2012 pointed to a slowdown in global economic growth in 2011 Q4 and continuing weaker external economic activity in 2012 Q1. Yet, there were considerable differences across the regions. In the United States in 2011 Q4 economic growth gained momentum; however data released afterwards suggested that this acceleration might be a short-lived phenomenon. On the other hand, although in 2011 Q4 the euro area was in a mild recession, the incoming data suggested that in the subsequent quarters economic activity of this region might be expected to improve somewhat. In the emerging economies, especially the Asian ones, GDP growth in 2011 Q4 saw a temporary deceleration. At the same time, global inflation was on a downward trend, albeit remained elevated, especially in the emerging economies.

Major central banks continued to ease their monetary policies, maintaining interest rates at historically low levels. In February 2012, the Fed announced that interest rates in the United States should remain close to zero at least until the end of 2014. The ECB, on the other hand, at the end of December 2011 and in February 2012 conducted two 3-year Long Term Refinancing Operations providing liquidity to the euro area banking sector (in the amount of EUR 489 billion and EUR 530 billion respectively) to counteract the consequences the sovereign debt crisis in the euro area.

Concurrently with the actions undertaken by the ECB, the EU leaders at the end of 2011 decided on measures aimed at institutional reforms of the euro area (adopting preliminary assumptions for the Fiscal Pact). This, combined with monetary policy easing, and – to some extent – improved expectations on the global economic activity, especially in the emerging markets, strengthened sentiment in the financial markets and supported the appreciation of currencies of many emerging markets, including the zloty. The same factors, coupled with geopolitical tensions at the turn of 2011 and 2012 observed in the Middle East, translated into higher commodity prices, which remained an important upward risk factor for inflation decline across the world.

The data released in 2012 Q1 pointed to a relatively robust economic growth in Poland. In 2011 Q4, GDP growth accelerated in particular due to higher investment growth (both public and private). Similarly to the previous quarters, there were signs of some weakening in household consumption, which was largely driven by falling growth in real disposable income. Despite worsening of some leading business indicators, the data available at the beginning of 2012, including, above all, data on continuously high growth in corporate lending and just a slight decline in industrial and construction/assembly output suggested that economic slowdown in the subsequent quarters might be limited.

Inflation – despite a decline in January 2012 (due to base effects, related, in particular, to the fading impact of the January 2011 increase of VAT rates) – continued to run close to the level of 4%, i.e. well above the target and above the upper limit for deviations from the target. Also inflation expectations of households and corporations remained above the upper limit for deviations from the target. In parallel, core inflation was above its long-term average. Moreover, the March inflation projection suggested that despite the expected gradual weakening of economic growth in the subsequent quarters, inflation was likely to remain above the upper limit for the deviations from the target until the end of the year and continue to exceed 2.5% also in the first half of 2013. High level of inflation was supposed to be continuously driven by external factors remaining beyond the direct impact of the domestic monetary policy. The persistence of those factors, influencing inflationary processes, translated into an extension of the period in which inflation was forecasted to run above the inflation target as compared to the previous projection. At the same time, the fact that inflation has been running at an elevated level since 2010 gave rise to concerns about inflationary expectations becoming persistently heightened, which would increase the costs of maintaining price stability in the longer term.

Taking into consideration the above developments, in the period January – April 2012 the Council kept NBP interest rates unchanged, at the same time indicating that unless the outlook for inflation returning to the target improved and signs of considerable economic weakening in Poland appeared, the Council might tighten its monetary policy in the subsequent months.

The data released in April and at the beginning of May 2012 pointed to a new aggravation of the sovereign debt crisis in the euro area. This led to a significant deterioration in financial market sentiment and depreciation of currencies of the emerging economies, including the zloty. Despite a decline in commodity prices, in particular, in prices of energy commodities, their level remained high.



At the same time, the data concerning Poland pointed to weakening GDP growth in 2012 Q1. On the one hand, data on the labour market, including slow employment growth and a merely moderate wage growth, combined with a steady decline in lending to households, confirmed that consumption growth was likely to continue on a downward trend. Also leading economic indicators suggested a certain weakening in economic activity in the subsequent quarters. On the other hand, in the analysed period, forecasts of economic growth for Poland in 2012 were revised slightly upwards. Also corporate lending continued to rise rapidly.

Inflation continued to run close to 4%, thus remaining above the upper limit for deviations from the target. Moreover, the subsequent months were supposed to see inflation rise further, which was suggested by short-term forecasts. Also inflation expectations of households and corporates, despite a mild downward trend, continued above the upper limit for deviations from the target. Core inflation remained at a heightened level.

At its May meeting, the Council deemed that the prolonged period of inflation running above the upper limit for deviations from the target posed a risk of inflation remaining at a heightened level despite the expected economic slowdown. In the opinion of the Council, although the anticipated economic slowdown would support inflation decline, since inflation would continue to be negatively affected by factors beyond the impact of domestic monetary policy, the scale of the slowdown might be limited, posing risk to inflation returning to the target in the medium term. The risk of inflation continuing at a heightened level was additionally boosted by the persistence of elevated inflation expectations. Therefore, the Council decided to increase NBP interest rates by 0.25 percentage point; the reference rate was raised from 4.50% to 4.75%. At the same time, it was emphasized that the incoming data would enable an assessment whether any further interest rate adjustments might be justified.

The data released between the May and July meetings of the Council pointed to deteriorating business conditions abroad. Economic activity in the United States in 2012 Q2 remained moderate. In the euro area, economic growth was close to zero. GDP growth weakened in Germany, Poland's main trading partner. Persisting weak economic conditions in developed economies constituted a factor undermining economic activity in many emerging economies. At the same time, forecasts of global economic growth in the subsequent quarters continued to be revised downwards.

Economic conditions and outlook for economic growth were being adversely affected by mounting concerns about the sovereign debt crisis in the euro area, translating into weak sentiment in the financial markets. In June 2012, sentiment in the global markets started to improve as the EU leaders agreed on measures to be taken to mitigate the sovereign debt crisis and support economic growth in the euro area. Expectations of further monetary policy easing by major central banks, including the Fed and the ECB, was another factor behind improved financial markets' sentiment, which, in turn, boosted global commodity prices. Overall, while the slowdown in the world economy helped to curb inflation, in many countries it remained elevated.

In Poland, the data on GDP in 2012 Q1 confirmed a gradual slowdown in economic activity, amidst weakening demand, both external and domestic. The incoming monthly data for 2012 Q2 pointed to slow employment growth and still moderate wage growth, combined with a gradual decline in growth of industrial and construction/assembly output. Leading

economic indicators and the results of NBP July projection suggested that GDP growth might weaken substantially in the coming quarters.

Despite a gradual deceleration of economic activity, inflation persisted above the upper limit for deviations from the target. Despite some decline, also core inflation and inflation expectations remained elevated. Yet, in line with the July projection, following a temporary rise in Q3, inflation was supposed to decline and return to the target within the projection horizon. Therefore, inflation was expected to return to the target sooner than indicated by the March projection.

Taking into account the incoming data, including weaker economic growth and inflation returning to the target within one year – as indicated by the projection, in June and July 2012 the Council decided to keep NBP interest rates unchanged. In the opinion of the Council, the monetary policy tightening which had already taken place supported inflation decline, thus ensuring macroeconomic stability of the economy. At the same time, the Council did not rule out further monetary policy adjustments should the prospects of inflation returning to the target deteriorate.

In September 2012 – in response to worsening growth prospects in major developed economies – central banks of the United States and the euro area decided to increase the scale of their monetary expansion. The Fed extended the announced period of maintaining interest rates at their record low levels from the end of 2014 to mid-2015 and largely increased the scale of quantitative easing. The ECB, on the other hand, after lowering interest rates by 0.25 percentage point in July 2012 (in particular the refinancing rate was cut to 0.75% and the deposit rate to 0) announced the programme of purchasing Treasury bonds of euro area countries most severely hit by the debt crisis.

Measures undertaken by major central banks considerably strengthened sentiment in the financial markets, which, in turn, supported strong growth in global commodity prices observed from June to September 2012. Food price growth in Q3 was additionally enhanced by concerns about a heavy contraction in food supply as a result of drought in the United States and Eastern Europe.

In Poland, data on GDP in 2012 Q2 pointed to stronger than expected economic slowdown. Both consumption and investment growth declined. Change in inventories accounted for a significantly negative contribution to GDP growth. Leading economic indicators continued on a downward trend. Also quarterly data on the labour market and monthly data on economic activity in 2012 Q3 suggested that economic activity continued to weaken. In particular, employment growth halted and household lending was significantly reduced, thus contributing to lower retail sales growth. At the same time, corporate lending weakened considerably, construction/assembly output fell – partly due to finalizing of some of infrastructural investment projects after the European Football Championship – and manufacturing output further decelerated.

At the same time, despite slightly lower core inflation, headline inflation remained elevated, as, in line with the expectations, growth in food prices accelerated. Inflation expectations of households remained relatively high.

In September and October 2012, the Council decided that the incoming data had altered the assessment of the situation in Polish economy, including the assessment of the risk of inflation remaining above the target in the medium term. In particular, amidst stronger than anticipated economic slowdown, inflation could be expected to return to the target faster than forecasted, although high prices of commodities, including food and energy, remained a risk factor to the decline of inflation. Given the above, although the Council decided to maintain NBP interest rates unchanged, it also announced that should the incoming data confirm the protracted character of the economic slowdown, and the risk of rising inflationary pressure being limited, monetary policy might be eased. At the same time, the Council expressed the opinion that a more thorough assessment of medium-term prospects for economic growth and inflation would be possible after taking into account the results of the November inflation projection of NBP.

The data released in the period from October to early December 2012 suggested that the global economic conditions had stabilized at a low level, with considerable differences in economic activity across the regions. In 2012 Q3, GDP growth in the United States picked up slightly, yet uncertainty about the scale of fiscal tightening in the American economy constituted an import risk factor for U.S. economic outlook in the subsequent quarters. At the same time, the euro area remained in recession. Economic slowdown was also observed in Germany, Poland's main trading partner. In the emerging economies, in 2012 Q3 economic growth levelled off at a relatively low, as for those countries, level.

In 2012 Q4 financial markets continued to see positive sentiment, which was supported by further monetary policy easing by main central banks. However, in the analysed period, also temporary deterioration of sentiment were observed, which was partly driven by the uncertainty about the scale and consequences of the 2013 fiscal tightening in the United States. The previous quarter's growth in commodity prices was halted, yet prices remained high.

The data on the Polish economy confirmed a marked slowdown. In particular, in 2012 Q3, GDP growth declined considerably, mainly on the back of falling domestic demand, as consumption had come to a halt and investment expenditure had been cut back. This was accompanied by stalling employment and a further steep decline in lending to households and corporates. At the same time, the monthly data for Q4 indicated that manufacturing output and retail sales had come to a halt and construction/assembly output continued on a downward trend. This, together with the leading economic indicators, suggested that economic growth might be low also in the subsequent quarters. This was also suggested by the November projection of NBP which assumed economic slowdown to be stronger than forecasted in the July projection.

Starting from Q3 inflation embarked on a downward trend, and in October 2012 it dropped below the upper limit for deviations from the target. The decline in inflation was driven by, apart from weaker growth in energy prices, a drop in core inflation resulting from falling demand and cost pressures in the economy. It could be expected that also in the subsequent months the same factors would continue to bring inflation down. Lower inflation led to gradually subsiding inflation expectations. In line with the November projection, inflation was assumed to approach the target in mid-2013 and then to run below.

The Council assessed that given the marked economic slowdown in Poland, demand pressure in the economy would be limited in the subsequent quarters, which posed a risk for inflation

declining below the inflation target in the medium term. Such an assessment was also supported by the November projection. The Council was of the opinion that a decrease in NBP interest rates should support economic activity and thus reduces the risk of inflation falling below the target in the medium term. Therefore, in November and December 2012, the Council cut interest rates on two occasions, by the total of 0.50 percentage point; in particular the reference rate was lowered from 4.75% to 4.25%. At the same time, the Council noted in its press releases that it would further ease monetary policy should the incoming information confirm a protracted economic slowdown, and should the risk of increase in inflationary pressure remain limited.

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In 2012 – as in the previous years – communication with the public was an important element in conducting monetary policy based on the inflation targeting regime. It involved presenting the Council's decisions together with the assessment of economic developments that influenced the decisions. The most important instruments of communication in 2012 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 in 2011* and the *Monetary Policy Guidelines for 2013*.<sup>5</sup>

### 2.3. Monetary policy instruments in 2012

In pursuing its monetary policy in 2012, the Council strived to attain such level of interest rates in the economy as would be supportive of achieving the adopted inflation target in the medium term.

The monetary policy instrument directly controlled by the Council was NBP interest rates. The level of the reference rate determined yields on open market operations. The deposit and lombard rate, in turn, bounded the rates on the standing facilities. The rediscount rate indirectly determined the interest rate on the required reserve holdings.

The 2012 set of policy instruments applied by NBP did not differ substantially from the one used the year before. It was aligned with the adopted monetary policy strategy as well as with the persistent surplus liquidity in the banking sector. With the use of these monetary policy instruments, the Council was influencing the level of money market short-term interest rates.

The range of adopted monetary policy instruments entitled NBP to introduce additional operations in 2012, different from those applied in 2011. However, as the situation in the domestic financial markets was relatively stable in this period, such additional operations were not called for.

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<sup>5</sup> 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 2012.

### 2.3.1. Banking sector liquidity in 2012

In 2012, NBP pursued its monetary policy amidst liquidity surplus prevailing in the banking sector.<sup>6</sup> The amount of the surplus averaged PLN 96 306 in the year 2012, i.e. PLN 378 million (0.4%) more than in 2011.<sup>7</sup>

In the first half of 2012, the level of the banking sector liquidity surplus was relatively stable, following a slight downward trend. In subsequent months of the year a steady rise in excess liquidity was observed. In December average level of the liquidity surplus reached PLN 116 040 million.

Average liquidity surplus in the required reserve maintenance period in December 2012 was PLN 25 961 million more than the corresponding 2011 figure. The increase in the banking sector liquidity surplus resulted from the influence of the following factors: higher amount of foreign currency purchases by NBP over sale of those (by PLN 16 172 million), the disbursement of the part of NBP profit to the State Budget; the disbursement of the discount on NBP bills (PLN 4 458 million) and the disbursement of interest on the required reserve (PLN 1 276 million). On the other hand, banking sector liquidity was stemmed by: the rise in the required reserve ratio (PLN 2 007 million), the increase in the volume of cash in circulation (PLN 1 622 million), the repayment of refinanced loans (PLN 359 million) and the increase in the amount of public sector deposits held at NBP (PLN 84 million).

### 2.3.2. NBP interest rates

An instrument of key significance to the conduct of monetary policy was the NBP reference rate. Changes in the level of this rate set the direction of the monetary policy pursued. By determining yields on open market operations, the level of this rate influenced the interest on short-term money market instruments, including unsecured interbank deposits. With regard to overnight deposits, average interest rate (weighted by the value of the transaction) should approximate the NBP reference rate. The band for interest rate fluctuations regarding these deposits was bounded by the NBP deposit and lombard rates. The rediscount rate, in turn, indirectly determined the interest on the required reserve holdings.

In 2012, the Council changed NBP policy rates on three occasions. Until 9 May 2012, they were standing at the following levels: reference rate at 4.50%, lombard rate at 6.00%, deposit rate at 3.00%, and rediscount rate at 4.75%. The Council's decision of 10 May 2012 raised all NBP interest rates by 25 basis points (bps). This was followed by a decrease of 25 bps as a result of the Council's decision of 8 November. The last Council decision to be taken in this regard in 2012 was to decrease all the central bank interest rates by another 25 bps on 6 December. As a result of these changes, as at the end of 2012, NBP interest rates were

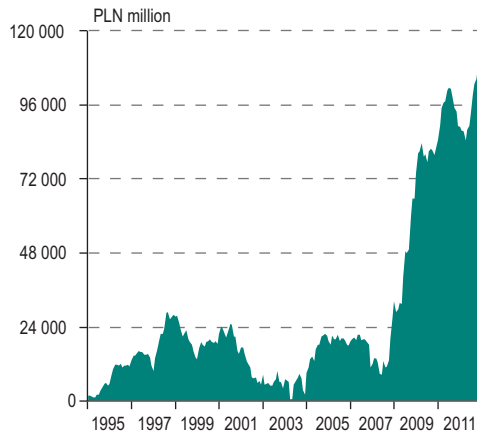
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<sup>6</sup> The liquidity surplus in the banking sector is the surplus of funds retained by the banking sector in excess of the required reserve during the maintenance period. Liquidity surplus is measured by the total balance of the following NBP operations: open market operations, foreign exchange swaps and standing facility operations.

<sup>7</sup> The data on excess liquidity are averages for the required reserve maintenance period.

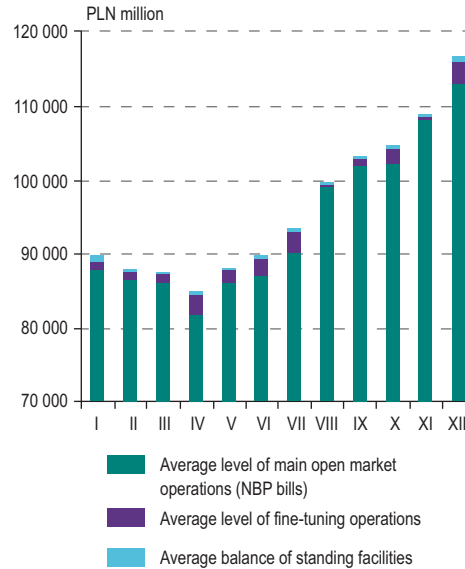
standing at the following levels: the reference rate at 4.25%, the lombard rate at 5.75%, the deposit rate at 2.75% and the rediscount rate at 4.50%.

**Figure 2.11.** Average monthly balance of open market operations in 1995–2012



Source: NBP data.

**Figure 2.12.** Liquidity absorbing instruments in the respective months of 2012



Source: NBP data.

### 2.3.3. Open market operations

In 2012, NBP used open market operations to manage the liquidity conditions in the banking sector. These were conducted on a scale sufficient to allow the POLONIA rate to run close to the NBP reference rate.<sup>8</sup> Considering the persistent liquidity surplus in the banking sector, these operations were liquidity-absorbing and involved issuance of NBP bills.

The main open market operations were carried out on a regular basis, once a week, in the form of issue of NBP bills with 7-day maturity. The same yield was offered at all auctions and equal to the NBP reference rate. In 2012, the average daily volume of bills issued under main open market operations amounted to PLN 94 331 million and exceeded the 2011 level by PLN 567 million.

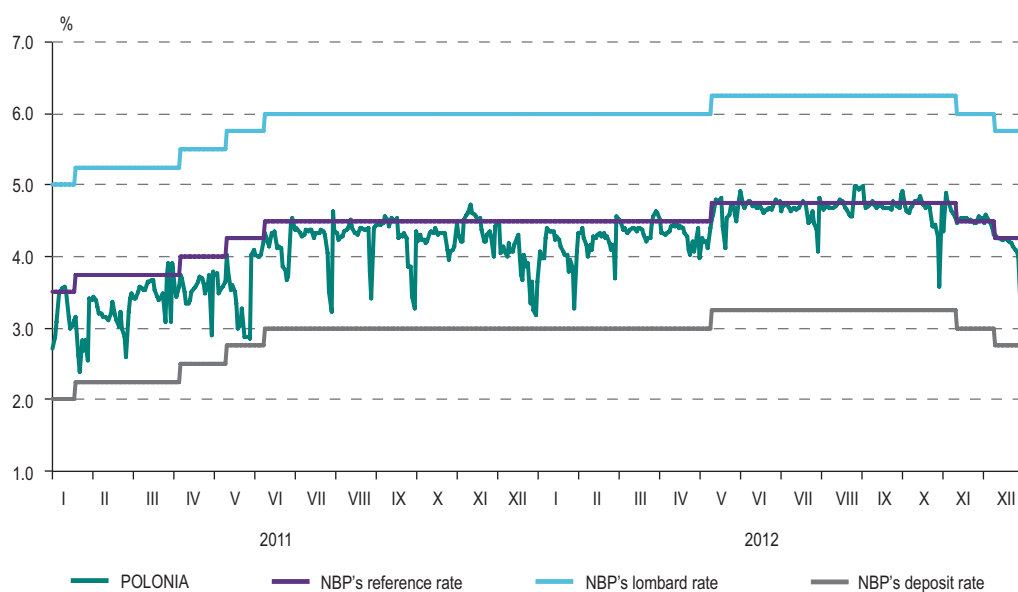
The Bank also issued NBP bills as its fine-tuning operations. The maturity of these operations was shorter than the main open market operations. They were conducted on an ad-hoc basis during the required reserve maintenance periods, whenever liquidity conditions in the banking sector were substantially out of balance, and regularly on the last working day of the above mentioned periods. Twenty-three fine-tuning operations were altogether conducted in

<sup>8</sup> POLONIA (Polish Overnight Index Average) – average overnight rate weighted by the value of transactions on the unsecured interbank deposit market. NBP publishes the levels of this rate on the Reuters information site (NBPS) every day at 5.00 p.m.



2012, i.e. four less than in the previous year. All of them were liquidity-absorbing operations. The average daily issue of NBP bills under these operations amounted to PLN 1 582 million and exceeded the 2011 level by PLN 129 million.

**Figure 2.13.** NBP interest rates and the POLONIA rate in 2011–2012



Source: NBP data.

Despite tensions persisting in the global financial markets in 2012, which affected the banks' manner to manage their liquidity position, the POLONIA rate was running at levels markedly closer to the NBP reference rate than in the previous years.

Similarly to the previous year, in 2012 the fact that the POLONIA rate was tending towards the NBP reference rate resulted, to a great extent, from the continuation of fine-tuning operations conducted by NBP in addition to the main open market operations. Such arrangement of open market operations helped to stabilise the expectations of the interbank market participants with regard to developments in the banking sector liquidity conditions. In managing their own liquidity positions, banks assumed that the central bank would be able to balance the liquidity conditions in the banking sector predominantly through open market operations. This diminished banks' propensity to invest their liquidity buffers in instruments yielding substantially lower than NBP open market operations. This in particular referred to unsecured deposits traded in the interbank market at a rate markedly below the NBP reference rate as well as overnight deposit offered by NBP on all working days.

The average deviation of the POLONIA rate from the NBP reference rate in 2012 was 21 bps.<sup>9</sup> This is less than a half of the deviation seen in the previous year (43 bps) and one-

<sup>9</sup> Average deviation of POLONIA rate was calculated according to the uniform base of 365 days in the year.

-third of the 2010 figure (69 bps). The volatility of the POLONIA index as measured by standard deviation was also smoothed out, amounting to 21 bps as against 34 bps in 2011 and 38 bps in 2010. In 2012, the average deviation of the POLONIA rate from the NBP reference rate – along with its volatility – came close to the domestic interbank market quotations seen before the onset of the crisis in the global financial markets.

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At the end of 2011, Narodowy Bank Polski launched activities designed to create a mechanism for obtaining information on the actual cost of money in the unsecured interbank deposit market. The arrangements were completed in March 2012, allowing for collection data on interbank transactions as of April 2012. The information is contained in the payment orders dispatched to the SORBNET system and relates to the maturities and yields on deposits made by domestic banks at other domestic banks. Based on these data, NBP calculates the average rate on unsecured interbank market deposits with maturities quoted in the transactions on a given day, which helps assess the range of interest rate on the individual transactions with a given maturity. Additionally, the central bank is able to evaluate the diversification in the volume of transaction for the respective standard maturities.

The creation of the above-mentioned mechanism enabled NBP, as one of very few central banks, to monitor the actual interest rate on the transactions concluded in the unsecured interbank deposit market and to compare it with the rates quoted by banks at the WIBID/WIBOR fixing.

The analysis carried out by NBP shows that both the POLONIA rate, which includes only part of the overnight transactions in the discussed market, and the WIBID/WIBOR indices are in line with the actual rates on the unsecured deposits traded in the interbank market.

#### 2.3.4. Reserve requirement

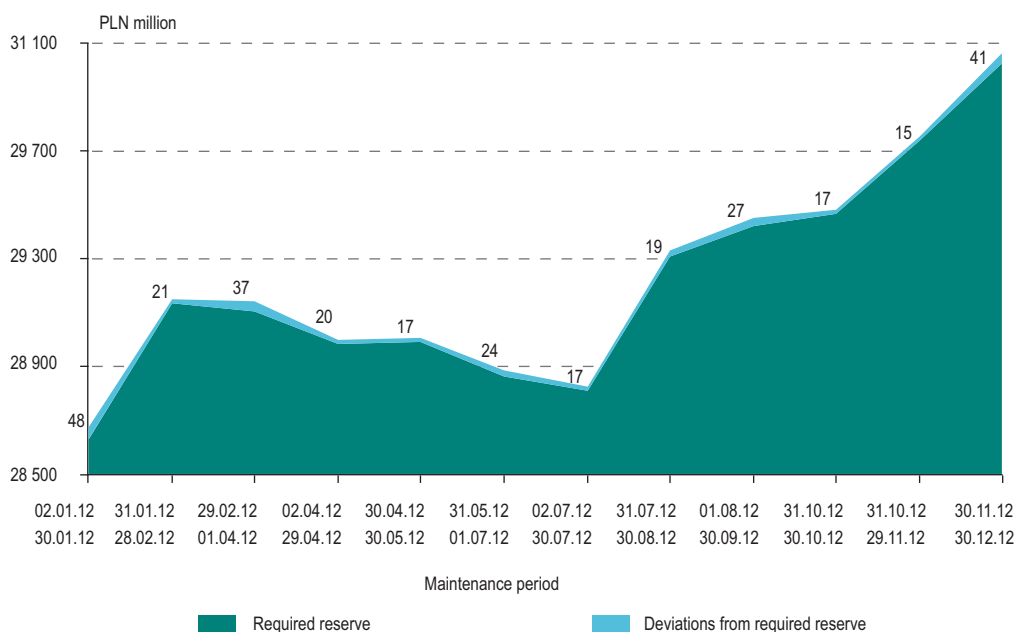
The system of required reserves has contributed to the stability of the short-term market interest rates. This resulted from its averaged basis, according to which banks can freely determine the amount of holdings at the central bank during the maintenance period, provided that the average balances held at NBP in the maintenance period are at least equal to the required reserve level.

Moreover, the obligation to maintain the required reserve limited the amount of surplus funds at the disposal of banks. Thus, under prevailing liquidity surplus, the reserve requirement system enabled the central bank to reduce the scale of its liquidity-absorbing open market operations.

The requirement to maintain a certain amount of reserves on accounts with NBP applied to banks, branches of credit institutions and Polish subsidiaries of foreign banks. 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, funds acquired from foreign sources for the period of at least two years and those deposited in credit and savings accounts of building societies and in individual pension

accounts. As of 29 February 2012, banks may also exclude from the reserve base the funds obtained under agreements for Individual Pension Insurance Accounts.

**Figure 2.14.** Changes in the required reserves level and deviations from the reserve requirement in 2012



Source: NBP data.

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. In 2012, the basic reserve requirement ratio amounted to 3.5% on all liabilities, except for funds received in respect of sale of securities in repo and sell-buy-back transactions, in which case the reserve requirement stood at 0.0%. The amount of required reserves as at 31 December 2012 stood at PLN 29 918 million, posting an increase of PLN 1 879 million on the corresponding figure recorded at 31 December 2011 (an increase of 6.7%).

The remuneration on the required reserve balances held by banks on accounts with NBP was equivalent to 0.9% of the rediscount rate. The average interest on the required reserve funds in 2012 amounted to 4.37% as against 4.03% in 2011. The increase was the effect of the change in the rediscount rate, which rose from an average of 4.47% in 2011 to 4.86% in 2012.

In all reserve maintenance periods in 2012, average balances held by banks at NBP remained slightly in excess of the required reserve. The surplus ranged from the low point of PLN 15.2 million observed in November to a peak value of PLN 47.8 million in January. The average excess reserves on banks' accounts amounted in 2012 to PLN 25.2 million, i.e. 0.09% of the average required reserve.

A factor conducive to minimising the difference between the reserve holdings and the required reserve in the respective periods was the availability of a range of instruments facilitating the management of funds on accounts with NBP (open market operations, in particular the fine-tuning operations offered at the end of the maintenance period, overnight deposit, lombard credit) and the fact that remuneration on the reserve funds was not paid on amounts of the required reserve.

In 2012, one instance was recorded of failure to maintain the required reserve by a commercial bank. All the co-operative banks maintained the mandatory level of the required reserve in 2012.

#### 2.3.5. Standing facilities

Standing facilities are designed to curb the scale of overnight market rate fluctuations. These operations were conducted at the initiative of banks, and were designed primarily to supplement the short term liquidity of the banking system and enable banks to place excess free funds with NBP for the duration of one day. In this manner, the central bank was able to prevent excessive fluctuations in the interbank interest rates. The remuneration on lombard credit, which determines the price of money obtained from NBP, set the upper bound of overnight rate fluctuations in the interbank market. The deposit rate, on the other hand, constituted the floor for their downward fluctuations.

In 2012, the banks' use of lombard credit was very limited. The total drawing on the lombard credit amounted to PLN 21 million, as compared with PLN 173 million in 2011. The average daily drawing on the lombard credit amounted to PLN 56 thousand.

In 2012, banks placed overnight deposits totalling PLN 143 billion at NBP, i.e. 45.2% less than in the previous year. The average daily overnight deposit amounted to PLN 393 million, as against PLN 711 million in 2011.

#### 2.3.6. Currency swaps

By using a foreign exchange swap or similar transaction, NBP could purchase (or sell) zloty against foreign currency on the spot market, with a simultaneous sale (repurchase) in a fixed-date forward transaction.

In 2012, the central bank did not conclude such transactions.

#### 2.3.6. Currency interventions

In 2012, NBP did not intervene in the currency market.

### 2.3.7. Other operations

Intra-day credit helped banks to manage their liquidity position during the business day, while at the same time ensuring the liquidity of interbank settlements at NBP. It is a non-interest bearing loan secured with debt instruments, incurred and repaid on the same business day. In 2012, daily provision of operating liquidity to the banks in the form of intra-day credit ranged from PLN 31.4 billion to PLN 57.0 billion. The drawing on intra-day credit increased by 34.5% on its 2011 level, which was related to the launch, at mid-2011, of the public finance consolidation process.

Intra-day credit in the euro is an instrument ensuring the liquidity of banks' settlements within the TARGET2-NBP system. The loan, incurred and repaid on the same business day was collateralised with Treasury securities previously accepted by the ECB. In 2012, the average daily euro liquidity provision to banks amounted to EUR 10 million. The drawing on this credit increased by 67.8% on its 2011 value.

Chapter 3

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# Financial system





# Financial system<sup>1</sup>

Promoting financial stability is a regular task carried out by central banks of the EU Member States and is one of the core objectives of Narodowy Bank Polski.

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 2012, NBP participated in the work of the Financial Stability Committee. Six meetings of the Committee were held in this period. They addressed the following issues:

- issues related to the impact of the capital requirements regulation and directive (CRR/CRD IV) on the Polish banking sector,
- the situation of credit unions in the context of placing this sector under the supervision by the Polish Financial Supervision Authority (KNF),
- progress on the development of legal solutions relating to bank recovery and resolution.

Narodowy Bank Polski cooperated with the Polish Financial Supervision Authority, including via the membership of the NBP Vice President in the KNF.<sup>2</sup>

Furthermore, in accordance with the statutory authorisation concerning the rules for the submission of information, NBP cooperated with the KNF Office.<sup>3</sup> In 2012, NBP representatives participated in the task force for the development of the public market for long-term bank debt instruments established at the KNF Office. The purpose of the task force was to develop draft regulations which would enable to reduce maturity mismatches in balance sheets of Polish banks through increasing long-term liabilities and a wider use of securitisation. The work concerned the development of proposals regarding:

- development of the market for mortgage bonds and increasing the scale of their use as a source of long-term funding for lending,
- removal of legal and tax impediments to the development of the securitisation of banks' claims in Poland, in particular of mortgage claims,
- specifying the activities necessary to develop the issue of long-term bank bonds, both in domestic and foreign currencies.

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

<sup>2</sup> Pursuant to Article 5 section 2 para. 3 of the Act of 21 July 2006 on Financial Market Supervision – Journal of Laws 2006, No. 157, item 1119.

<sup>3</sup> Article 17 section 1 and 2 of the Act on Financial Market Supervision.

In 2012, NBP cooperated with the Bank Guarantee Fund. Two representatives appointed by the President of NBP are members of the BGF Council.<sup>4</sup>

### 3.2. Activities of the Systemic Risk Committee

The work carried out by the Systemic Risk Committee established in 2011 at NBP covered in particular:

- Preparation of a draft bill on macro-prudential oversight of the national financial system. The document envisages the establishment of a Systemic Risk Council as a body responsible for macro-prudential policy in Poland.<sup>5</sup> The draft regulations comply with the Recommendation on the macro-prudential mandate of national authorities<sup>6</sup> published on 16 January 2012 by the European Systemic Risk Board (ESRB). The bill was submitted to the Minister of Finance.
- Discussion on the following issues: risks to financial system stability, the situation in the open pension funds, macroeconomic balance of Polish economy taking into account the excessive imbalance procedure (EIP).<sup>7</sup>

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

NBP regularly analyses each financial market sector in Poland, and the results are presented in cyclical studies. In 2012, the following publications were released:

- *Financial Stability Report* (in July and December). The documents addressed the main risk areas in the operation of the financial system in Poland, with particular emphasis on the situation in the banking sector. The analyses demonstrated that in 2012 the situation of the banking sector was good, which was proven mainly by earnings close to record levels of 2011, large capital adequacy and positive lending growth rate. Compared to 2011, the situation of non-bank financial institutions (NBFI) improved, especially insurance companies. Banks attained high capacity to absorb potential losses, primarily due to retaining profits and increasing capital. Stress tests conducted by NBP demonstrated that most commercial banks held sufficient capital to absorb even a severe economic slowdown. The banks' resilience to liquidity shocks also improved. The document contains NBP recommendations for the banking sector concerning further strengthening of the capital base by banks and NBFI, withdrawal of foreign currency housing loans, improvement of the liquidity position and the funding structure as well as the obligation to monitor and mitigate risk related to housing loan portfolios with a relatively high LtV ratio.

<sup>4</sup> Pursuant to Article 6 section 4 para. 2 of the Act of 14 December 1994 on the Bank Guarantee Fund – Journal of Laws 2009, No. 84, item 711.

<sup>5</sup> During the work on the preparation of the bill, NBP used the technical assistance offered by the IMF.

<sup>6</sup> Recommendation of the European Systemic Risk Board (ESRB) of 22 December 2011 on the macro-prudential mandate of national authorities (ERRS/2011/3) OJ EU C 41/1.

<sup>7</sup> The Excessive Imbalance Procedure (EIP) is a surveillance mechanism facilitating early detection and correction of internal and external macroeconomic imbalances.

- *Bank lending practices and credit conditions* (quarterly senior loan officer opinion surveys). The surveys describe changes in banks' lending policy (changes in lending standards and terms) and changes in demand for main loan categories, including changes in the past quarter and expectations for the nearest quarter. In the course of the first three quarters of 2012, banks tightened their lending policy in the segment of housing loans (in particular in Q1 following the introduction of Recommendation S). They also increased spreads on such loans, and collateral and downpayment requirements. The lending policy concerning consumer loans did not change significantly. Banks tightened lending criteria for enterprises, in particular SMEs, and also increased spreads.
- *Financial System Development in Poland 2011*. This report describes major developments in the domestic financial institutions and markets against the background of the trends in the European financial system. The macroeconomic situation in Poland in 2011 provided good conditions for the development of the financial system. Assets of this sector, mainly due to the development of the banking sector, increased by 8.3%, i.e. they surpassed the GDP growth. The ratio of financial system assets to GDP increased by 0.8 percentage point to 118.5% compared to 2010. Stock price falls in the stock market in the second half of 2011 coupled with major changes in the pension system were conducive to the decline in the share of NBFIs in the assets of the Polish banking sector from 29.2% at the end of 2010 to 26.9% at the end of 2011.

### 3.4. International cooperation for financial stability

The European Systemic Risk Board is responsible for identification and mitigation of systemic risk in the EU.

In 2012, NBP representatives participated in the work of the Board, which included in particular:

- development of a common set of quantitative and qualitative indicators (risk dashboard) illustrating the current situation of the financial system and the economy in the EU; the risk dashboard was first published in September 2012, the document is updated quarterly;
- issuing opinions on the EU regulations that are relevant from the macro-prudential policy point of view, in particular: the draft regulation and amendment to the capital requirements directive (CRR/CRD IV) and draft regulation on OTC derivatives, central counterparties and trade repositories (EMIR);
- analysing macro-prudential aspects of creating a single supervisory mechanism in the euro area as a pillar of the prospective Banking Union;
- carrying out an initial evaluation of the implementation of the ESRB recommendations on foreign currency lending by the EU Member States (the recommendations concerned mostly risk awareness of borrowers and internal risk management by banks).

In 2012, the ESRB published two recommendations: on the macro-prudential mandate of national authorities and on US dollar denominated funding of credit institutions.

NBP experts also participated in (with no right to vote) in the work of the Board of Supervisors of the European Banking Authority).<sup>8</sup> In 2012, the Board monitored and analysed risk in the EU banking sector. It also monitored the implementation of the EBA recommendation on the creation of temporary capital buffers issued in 2011 in response to stress test results.

### 3.5. Participation of Narodowy Bank Polski in bank resolution programmes

In 2012, no funds of NBP were involved in the implementation of bank resolution programmes. As at 31 December 2012, no bank was exempt from maintaining the reserve requirement.

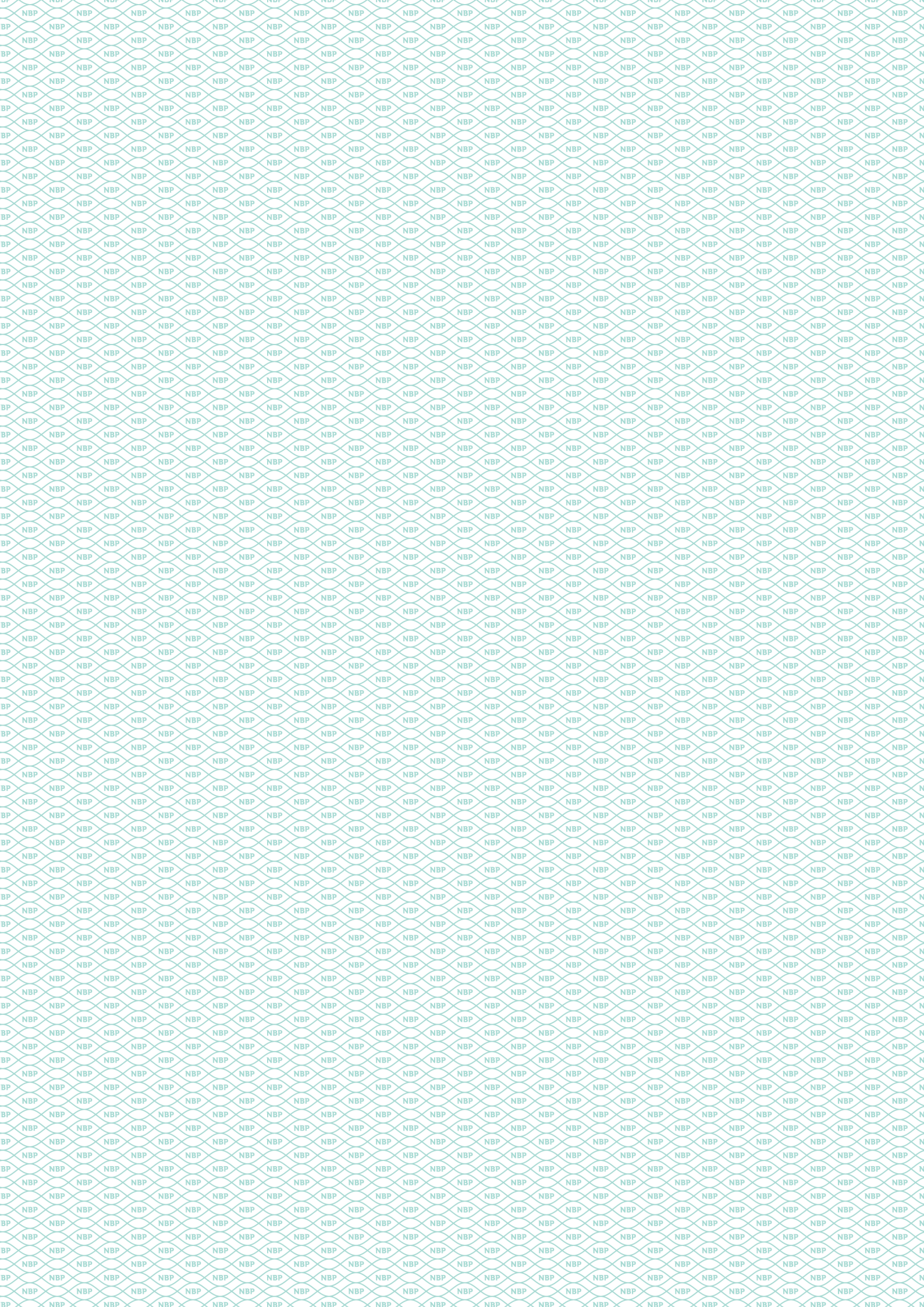
#### Highlights of 2012:

- participation in meetings of the Financial Stability Committee and work of EU financial supervision authorities,
- preparation of a draft bill on macro-prudential oversight of the national financial system.

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<sup>8</sup> In accordance with the regulation establishing EBA, a central bank, which is not a competent authority for banking supervision, may, at the invitation of a national supervisor, participate in the meetings of the EBA Board of Supervisors with no right to vote.





Chapter 4

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# The issue of currency





## The issue of currency<sup>1</sup>

Narodowy Bank Polski holds the exclusive right to issue the currency of the Republic of Poland. By introducing into circulation banknotes and coins of full nominal structure, 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 2012 amounted to PLN 113,666.8 million. This represents an increase in the value of currency by PLN 1,577.3 million, i.e. 1.4% more compared to 31 December 2011.

In 2012, manufacturers of legal tender delivered to NBP 255,000,000 pieces of notes and 734,090,600 pieces of coins (in 2011 they delivered respectively 335,060,000 pieces and 632,472,700 pieces).

As at 31 December 2012, notes accounted for 96.9% of all zloty-denominated currency in circulation by value, whilst coins represented 3.1% (in 2011 – 97.1% and 2.9%, respectively). In terms of volume, notes accounted for 8.9% of all currency in circulation, whilst coins represented 91.1%.

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 2012, totalling 67.3% and 22.1 %, respectively (66.8% and 22.7% in 2011). In the case of coins, 5 zloty and 2 zloty coins held the largest share of all coins in circulation, accounting for 32.7% and 31.7% of the overall value of coins, respectively (30.5% and 29.6% in 2011).

In terms of volume, 100 zloty and 50 zloty notes held the largest share in the notes in circulation at the end of 2012, amounting to 59.2% and 14.1% respectively (59.1% and 14.1% in 2011). With regard to coins, 1 grosz and 2 grosz denominated coins prevailed, with their respective shares at 36.7% and 18.2 (36.4% and 18.3% in 2011, respectively).

### 4.2. Issue of collector coins

Narodowy Bank Polski issues collector coins and notes, commemorating national or international events, important historical anniversaries and famous Poles. In 2012, 17,000 pieces of gold collector coins and 485,000 pieces of silver collector coins were issued (in 2011, respectively: 39,500 and 840,000). The design elements covered 10 themes.

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<sup>1</sup>Tasks in this field are performed pursuant to Article 4 and Articles 31–37 of the Act on the NBP.



In 2012, 17 types of collector coins were issued (5 gold coins with face values of 500, 200, and 100 zloty and 12 silver coins with face values of 20 and 10 zloty), including the following non-standard coins:<sup>2</sup>

- gold coin of 999.9 hallmark, with the face value of 500 zloty (*UEFA European Football Championship 2010–12*),
- heart-shaped silver coin with the face value of 10 zloty (*The Great Orchestra of Christmas Charity, WOŚP*),
- silver coin with the face value of 10 zloty, which forms a part of a set of two coins of irregular shape, the second coin in the set had the face value of 10 hryvnia and was issued by the central bank of Ukraine (*UEFA European Football Championship 2010–12*),
- silver coins in the 4-piece set of the face value of 10 zloty each (*UEFA European Football Championship 2010–12*),
- silver coin with embedded striped flint with the face value of 20 zloty (*Monuments of Material Culture in Poland – Krzemionki Opatowskie*).

In 2012, NBP issued the total of 15 types of occasional general circulation coins struck in the Nordic Gold alloy, including:

- as part of the new series of *Polish Ships*, coins dedicated to 4 ships were issued: “*Błyskawica*” Destroyer, “*Orzeł*” Submarine, “*Dragon*” Light Cruiser and “*Piorun*” Destroyer,
- coin commemorating 50 Years of the Third Programme of the Polish Radio with an original Spanish flower shape.

Narodowy Bank Polski also issued gold bullion *White-tailed eagle* coins with the face values of 50, 100, 200 and 500 zloty.

The silver coin issued by NBP with the face value of 10 zloty, *Europe Without Barriers – 100 Years of the Fund for the Blind*, was recognised in prestigious international contests and won second place in the Unique Concept category in COIN CONSTELLATION 2012 and first place in the Most Inspirational Coins of the Year, in COIN OF THE YEAR contest.

Moreover, in 2012 another buying facilitation for collector coins was introduced. From July 2012, it is possible to pay for collector values purchased on-line by a payment card.

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<sup>2</sup> Standard NBP collector coins are gold coins with face values of 100 and 200 zloty and silver coins of face values of 10 and 20 zloty.

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

In 2012, 292.7 million pieces of notes and coins were withdrawn, including 290.1 million pieces of notes and 2.6 million pieces of coins (304.4 million pieces in 2011, including 301.0 million of notes and 3.4 million of coins) due to wear and tear or damage or loss of counterfeit protection features.

### 4.4. Counterfeit Polish currency

The number of counterfeit Polish currency notes and coins increased by 8.3% as compared to 2011.

Table 4.1. presents the number of counterfeits reported in the years 2009–2012.

**Table 4.1.** The number of counterfeits Polish notes and coins in the years 2009–2012

Counterfeit notes and coins	2009	2010	2011	2012
Banknotes issued in 1994 the "Polish Monarchs" series	17,891	15,944	9,353	10,410
Coins of current issue	8,023	8,519	6,519	6,778
Total	25,914	24,463	15,872	17,188

Source: NBP data.

### 4.5. Supply of notes and coins to banks

In 2012, commercial banks purchased at NBP Polish notes and coins worth PLN 178.0 billion (PLN 179.0 billion in 2011), of which:

- PLN 91.3 billion under agreements on storing and purchasing notes and coins deposited at NBP<sup>3</sup> (PLN 96.3 billion in 2011),
- PLN 86.7 billion under agreements on the flow of Polish currency notes and coins and thereto-related activities<sup>4</sup> (PLN 82.7 billion in 2011).

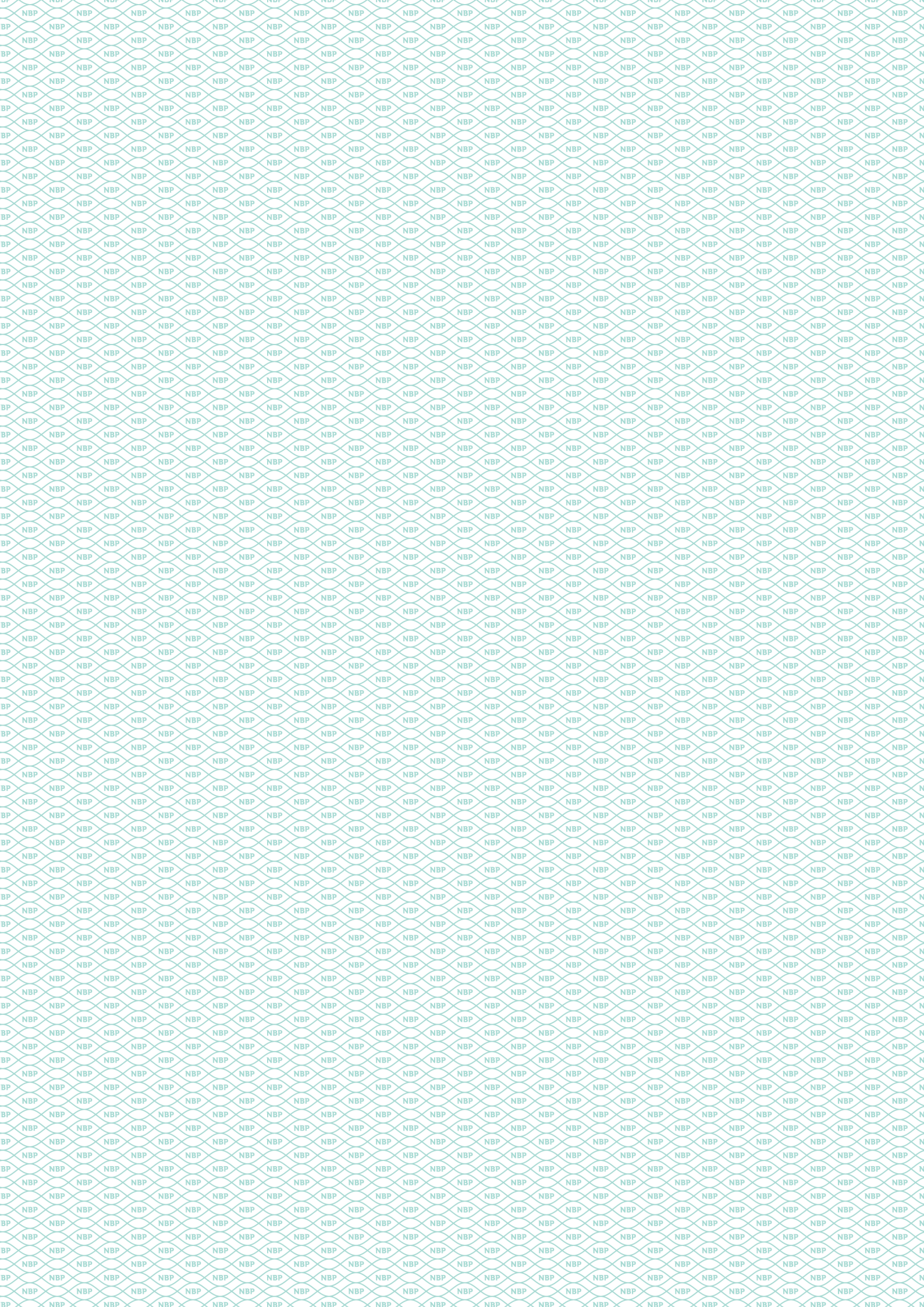
<sup>3</sup> Pursuant to the said agreement, banks keep in their vaults notes and coins which are the property of NBP, with the option to repurchase them.

<sup>4</sup> For example agreement regulating the flow of notes and coins to/from banks from/to NBP.

**Highlights of 2012:**

- provision of smooth cash settlements,
- the first ever issue of collector coins in cooperation with a foreign issuer – to commemorate the UEFA Euro 2012 Football Championship hosted jointly by Poland and Ukraine.





Chapter 5

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# Foreign exchange reserves management





## Foreign exchange reserves management<sup>1</sup>

Pursuant to Article 52 para. 1 of the Act on the National Bank of Poland (Narodowy Bank Polski), NBP holds and manages foreign exchange reserves, and takes measures to ensure security of Poland's foreign exchange transactions and its payment liquidity.

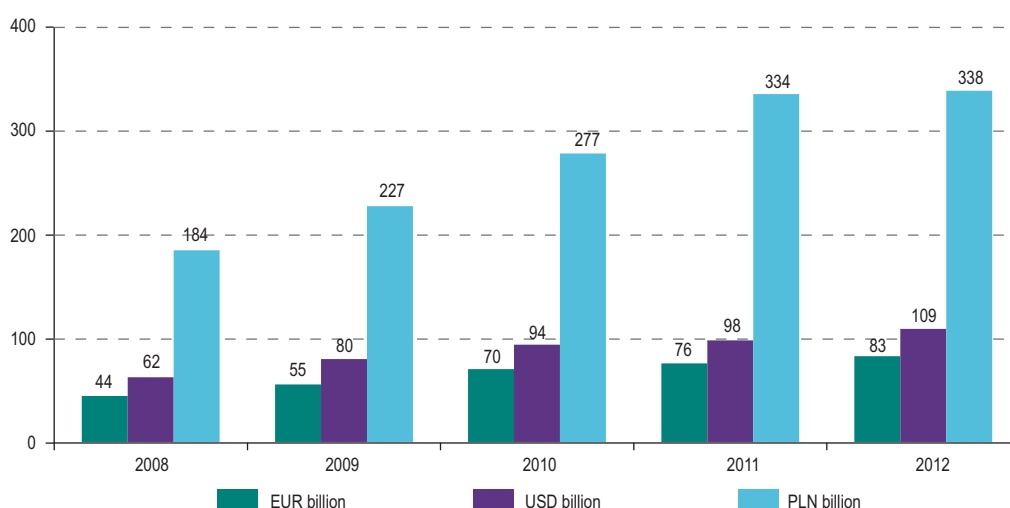
In the context of floating exchange rate, the role of foreign exchange reserves is primarily to underpin the country's financial stability by reducing the costs of financing in the global markets and mitigating risk of a sudden outflow of capital. They could also help to support the stability of financial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

### 5.1. Level of the official reserve assets<sup>2</sup>

In 2012, the NBP official reserve assets rose:

- in euro terms – by EUR 6.9 billion, to EUR 82.6 billion (i.e. by 9.1%),
- in US dollar terms – by USD 11.0 billion, to USD 108.9 billion (i.e. by 11.3%),
- in zloty terms – by PLN 3.1 billion, to PLN 337.6 billion (i.e. by 0.9%).

**Figure 5.1.** Official reserve assets in 2008–2012



Source: NBP data.

<sup>1</sup>Tasks in this field are performed pursuant to Article 3 section 2 para. 2 and Article 52 of the Act on NBP.

<sup>2</sup>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.



A relatively modest rise in reserves denominated in PLN stemmed from zloty appreciation against reserve currencies.

The accumulation of the official reserve assets in 2012 was accounted for by positive balance of external flows, especially purchase of foreign currencies from EU funds, and income from investment of reserves and increased exposure to repo and reverse repo.<sup>3</sup>

## 5.2. Foreign currency reserves management strategy

In carrying out tasks related to the management of foreign exchange reserves, NBP seeks to maximize the return on those reserves while ensuring high security and essential liquidity of the invested funds.

The NBP Management Board determines, on an annual basis, the Strategic Asset Allocation, through its decisions regarding:

- currency and investment instrument composition of the reserves,
- the level of modified duration,<sup>4</sup>
- 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 retain in 2012 the currency composition of the reserve prevailing in the previous year. The modified duration of reserves was kept at 1.9, close to the past year's level.

**Table 5.1.** Strategic Assets Allocation currency composition in 2008–2012 (%)

	Strategic Assets Allocation currency composition				
	USD	EUR	GDP	AUD	NOK
2008	40	35	15	5	5
2009	40	35	15	5	5
2010	38	35	13	8	6
2011	36	32	15	10	7
2012	36	32	15	10	7

Source: NBP data.

For the most part NBP invests the foreign currency reserves in the government securities which feature the highest degree of security and liquidity. The non-government securities

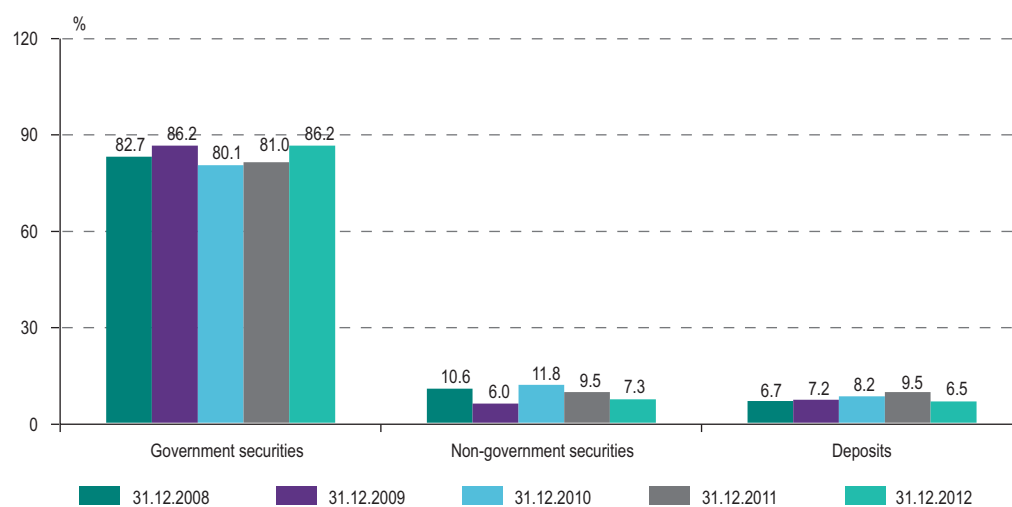
<sup>3</sup> Sale/repurchase of debt securities with promised/received repurchase (deposit/loan backed by securities).

<sup>4</sup> Modified duration is a measure of interest rate risk defining the sensitivity of investment portfolios to fluctuations in yields on financial instruments.

held in an investment portfolio are first of all issued by international institutions and government agencies. A small part of the reserves is held in short-term deposits at banks with high creditworthiness.

In 2012, NBP began, albeit on a small scale, to invest in Brazilian and Mexican government securities, and also in USD corporate bonds.

**Figure 5.2.** Share of investment instruments in the NBP foreign currency reserves in 2008–2012 (balance at the end of particular years)



Source: NBP data.

### 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.** Investment limits and restrictions applicable at NBP in the financial risk management

Risk	Mitigation methods
Credit risk	<ul style="list-style-type: none"> <li>Limited share of deposit transactions and non-government securities</li> <li>Counterparty selection criteria and ongoing monitoring of their creditworthiness</li> <li>Counterparty limits on deposit transactions and foreign exchange transactions</li> <li>Limited term to maturity of deposit transactions</li> <li>Minimum rating of securities</li> <li>Limits for issuers of securities</li> <li>Collateral in deposit transactions with securities repurchase agreement</li> </ul>

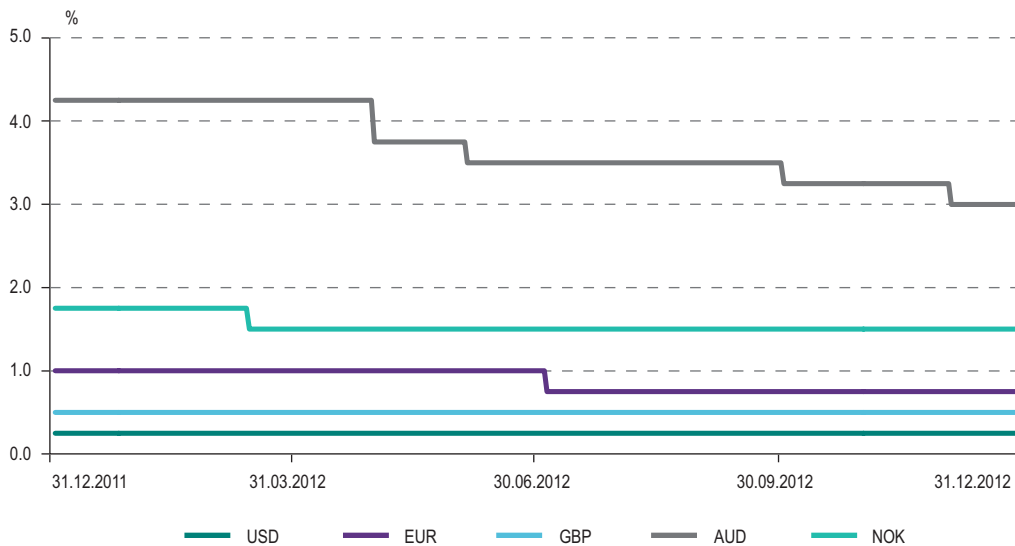
Foreign exchange risk	Currency composition of the Strategic Asset Allocation along with fluctuation ranges determining the scope of active investment policy
Interest rate risk	Maximum level of modified duration of the reserves Level of modified duration of the Strategic Asset Allocation along with fluctuation ranges determining the scope of active investment policy
Liquidity risk	Investments in the most liquid financial markets Limited share of deposit transactions Security selection criteria

Source: NBP data.

### 5.4. Market environment in 2012

In the first half of 2012, despite an unprecedented scale of the liquidity injection to the market by the European Central Bank and an agreement on Greek debt restructuring, risk aversion grew again in consequence of deterioration of the fiscal situation in Spain, concerns about the political developments in Greece, and the deteriorating global outlook.

**Figure 5.3.** Official interest rates in the US, the euro area, the UK, Australia and Norway



Source: NBP calculations based on Bloomberg data.

The second half of 2012 saw improved sentiment across financial markets. The contributing factors were development of mechanisms guaranteeing financial stability of the euro area, especially the announcement by the EBC of the Outright Monetary Transactions (OMT), the commencement of the European Stability Mechanism (ESM) operation and

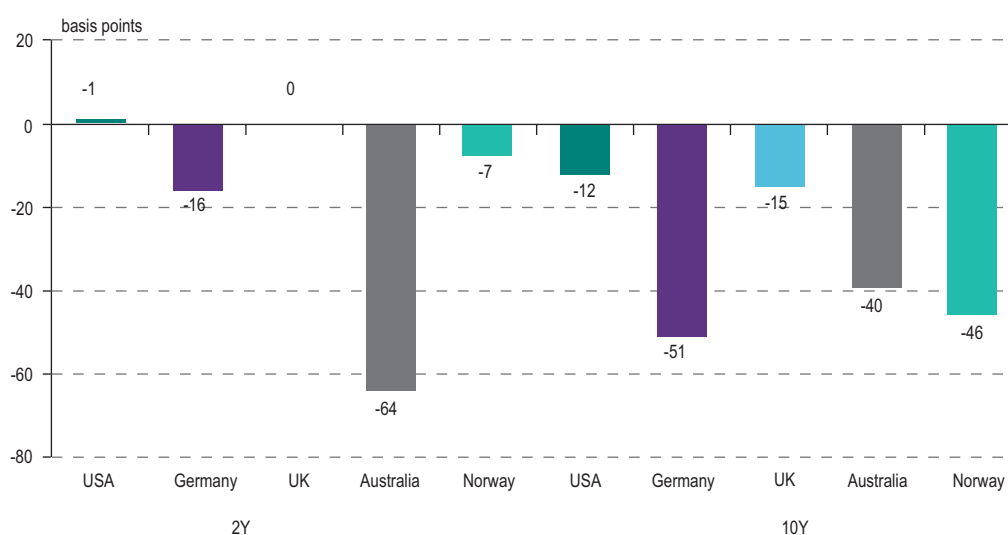
a blueprint for common European banking supervision. As a result of that the flight-to-quality diminished, which caused US dollar to depreciate (EUR/USD exchange rate rose by 2.1%, GBP/USD exchange rate – by 4.9%, and AUD/USD exchange rate – by 2.3%, and the USD/NOK exchange rate dropped by 7.3%) and a much smaller drop in yields y/y across main government securities markets.

Amidst weakened economic outlook, the Federal Reserve Bank and Bank of England extended their QE policies, maintaining their interest rates at historically low levels (0.25% and 0.50%). The Reserve Bank of Australia reduced the cash rate four times, by 125 basis points in total, to 3.0%. EBC cut its official interest rates by 25 basis points, fixing the refinancing rate at 0.75% level, which has been the lowest ever. The Norges Bank decided to reduce its interest rates in the same extent. The deposit rate at the end of 2012 stood at 1.50%.

The sharpest slump in yield on government securities was observed in markets on which the official interest rates were cut. In Australia, the 2-year securities yield shrank by 64 basis points and 10-year securities yield – by 40 basis points. Sharp falls of yields on 10-year securities were also observed in Germany and Norway (51 basis points and 46 basis points respectively). In contrast, American and British markets demonstrated relative stability of yields on 2-year government securities and a small drop in yields on 10-year securities by 12 and 15 basis points respectively.

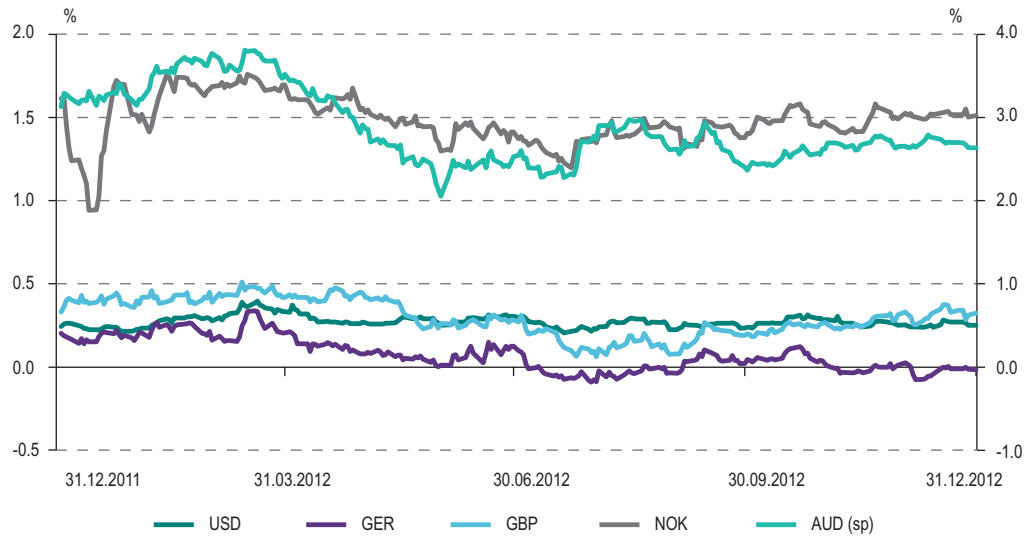
In 2012, the covered markets demonstrated historically low yields. The yield on short-term German government securities was temporarily below zero and on 31 July 2012 hit its bottom of -0.091%.

**Figure 5.4.** Changes in yields on 2-year and 10-year government securities in the US, Germany, the UK, Australia and Norway



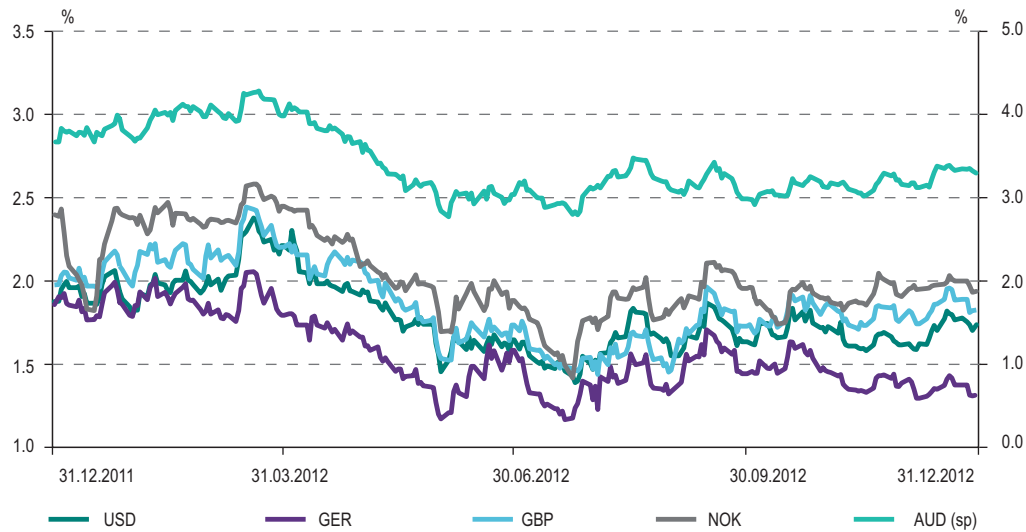
Source: NBP calculations based on Bloomberg data.

**Figure 5.5.** Yields on 2-year government securities in the US, Germany, the UK, Australia and Norway



Source: NBP calculations based on Bloomberg data.

**Figure 5.6.** Yields on 10-year government securities in the US, Germany, the UK, Australia and Norway



Source: NBP calculations based on Bloomberg data.

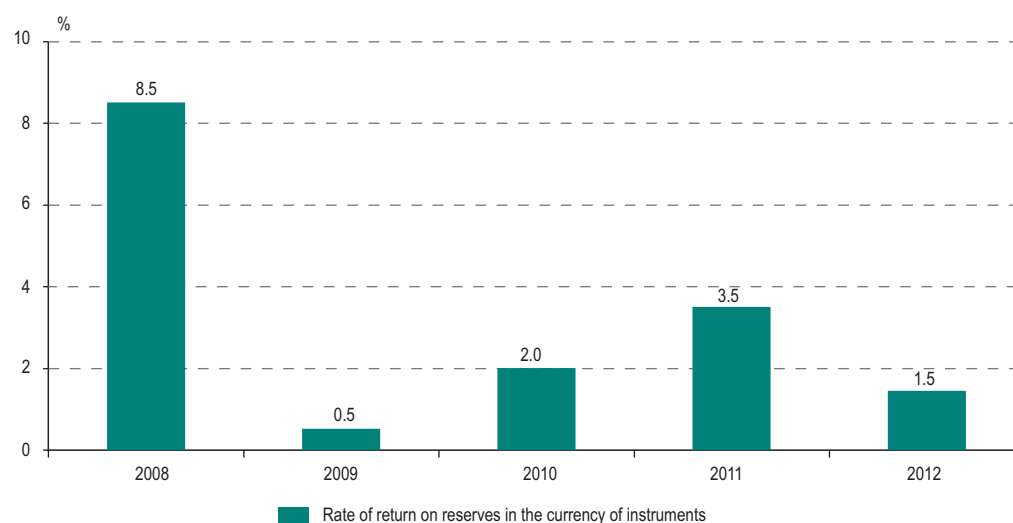
## 5.5. Return on foreign currency reserves

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 Asset Allocation also exert their impact.

The historically very low yields on government securities coupled with a smaller increase of their prices in 2012 caused the rate of return on foreign currency reserves to be lower than in recent years. The rate of return on foreign currency reserves determined in the currency of instruments<sup>5</sup> came to 1.5% (Figure 5.7).

The aggregate rate of return on reserves, calculated in the currency of the instruments since the introduction – at the beginning of 2008 – of the Long-term Foreign Exchange Reserves Management Strategy of Narodowy Bank Polski, stood at 16.9%.

**Figure 5.7.** Rate of return on the NBP foreign currency reserves in 2008–2012 (excluding the impact of fluctuations of exchange rates)



Source: NBP data.

The rate of return on reserves in PLN<sup>6</sup> in 2012 was -5.8% (Figure 5.8). This was an effect of zloty appreciation against all reserve currencies. In 2012, USD/PLN exchange rate dropped by 9.3%, EUR/PLN rate – by 7.4%, GBP/PLN rate – by 4.9%, AUD/PLN rate – by 7.2%, and NOK/PLN rate – by 2.2% (Figure 5.9).

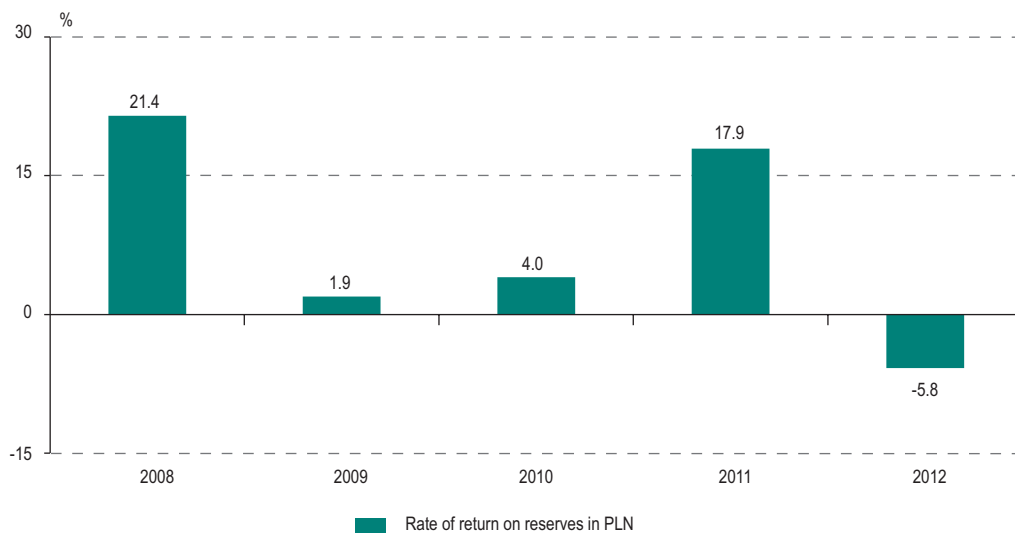
In the period from 1 January 2008 until 31 December 2012, the aggregate rate of return on the reserves, calculated in PLN, stood at 42.9%.

<sup>5</sup> The rate of return on foreign currency reserves in the currency of individual investment portfolios is calculated on a basis of daily fluctuations in the market value of instruments.

<sup>6</sup> 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.

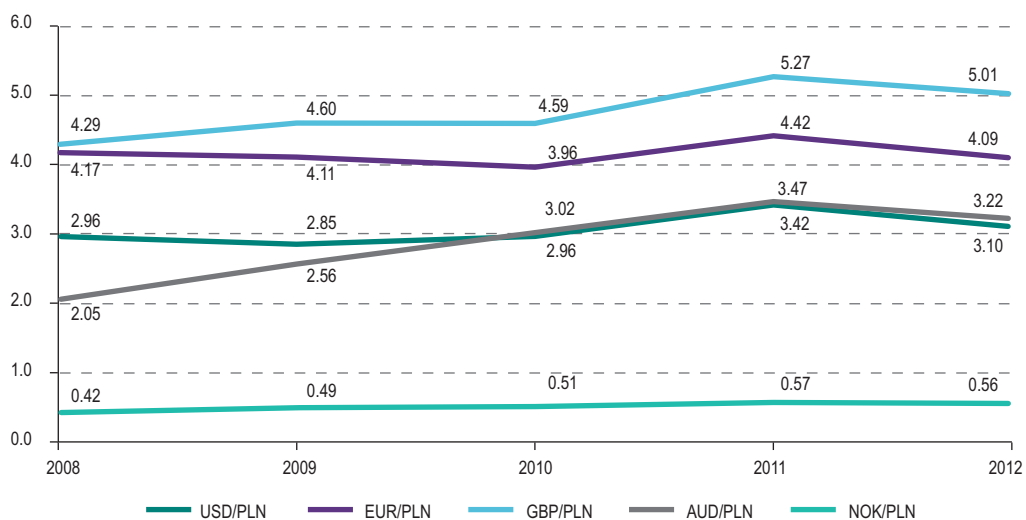


**Figure 5.8.** Rate of return on the NBP foreign currency reserves in 2008–2012 (including the impact of fluctuations of exchange rates)



Source: NBP data.

**Figure 5.9.** Exchange rates of reserve currencies relative to PLN in 2008–2012 (as at ends of periods)



Source: NBP data.

## 5.6. Investment income

In 2012, income from investment activity related to the management of foreign currency reserves, excluding the realised and unrealised exchange rate differences, stood at PLN 5.8 billion (as compared to PLN 7.3 billion in 2011), which is an equivalent to EUR 1.4 billion<sup>7</sup> or USD 1.8 billion.<sup>8</sup>

The balance of realised and unrealised exchange rate differences in 2012 amounted to PLN 6.2 billion.<sup>9</sup>

### Highlights of 2012:

- invested foreign exchange reserves yielding PLN 5.8 billion income and PLN 6.2 billion foreign exchange gains,
- expansion of the spectrum of investments,
- development of credit risk management methods, including the assessment of NBP counterparty creditworthiness.

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<sup>7</sup> Data in EUR and USD calculated based on average exchange rates EUR/PLN and USD/PLN in 2012.

<sup>8</sup> While calculating this income positive price differences (unrealised income) are not taken into account. Under the NBP accounting principles, these are recognised as liabilities of the NBP balance sheet. Increase in the market value of investment portfolios may considerably affect the rate of return on reserves.

<sup>9</sup> In calculations of this income foreign exchange gains (unrealised income) are not taken into account. Under the NBP accounting principles, these are recognised as liabilities of the NBP balance sheet and do not affect the NBP profit and loss. On the other hand, expenses from unrealised foreign exchange valuation loss diminish the NBP profit and loss (like expenses from realised foreign exchange differences).

Chapter 6

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# Foreign exchange activity



## Foreign exchange activity<sup>1</sup>

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 2012, 1,064 entries were made to the register of bureaux de change (as compared to 915 in 2011), of which 280 entries regarded new entities (as compared to 223 in 2011) and the remainder regarded deletion of entities or updates. As at 31 December 2012, 4,458 bureaux de change were operating in Poland (as compared to 4,415 as at 31 December 2011).

Since 2012, the President of the NBP, as an authority maintaining the regulated activity register, is obliged to communicate to the Central Registration and Information on Economic Activity (CEIDG) the information on the entry of an entrepreneur to the register of bureaux de change, on the prohibition of activity defined in the entry and deletion of an entrepreneur from the register. In 2012, data on all entrepreneurs registered in the register of bureaux de change were entered to CEIDG.

### 6.2. Foreign exchange related decisions

In 2012, a total of 14 decisions on foreign exchange were issued, including 9 permits and 5 other decisions (in 2011 – 34 decisions).

### 6.3. Foreign exchange control

In 2012, a total of 2,026 inspections were carried out (in comparison to 2,194 in 2011), including:

- 1,384 inspections concerning performance of the reporting responsibilities in respect of the balance of payments (in 2011 – 1,381),
- 642 inspections regarding bureaux de change activity (in 2011 – 813).

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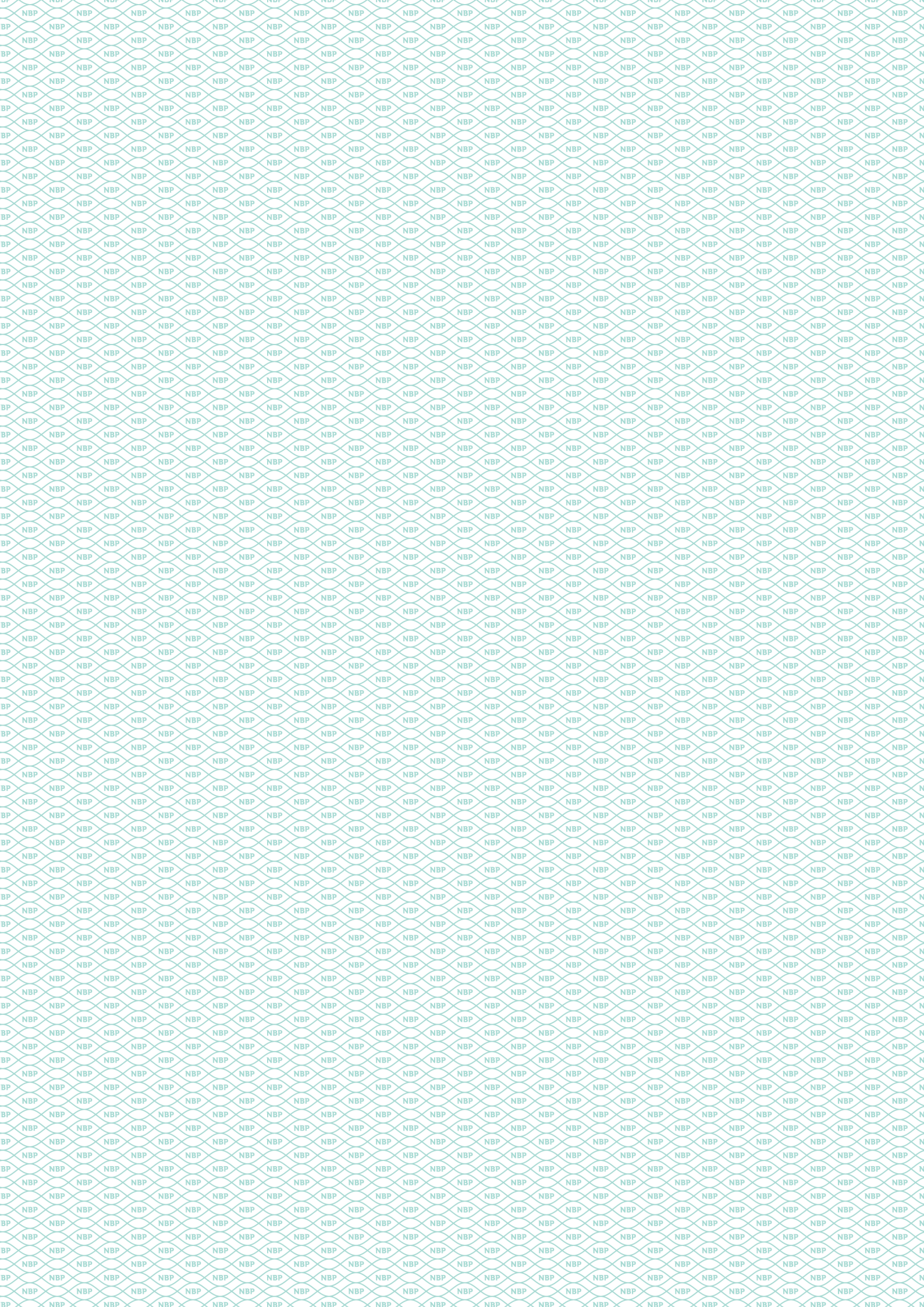
<sup>1</sup> Tasks in this field are performed pursuant to Article 3 section 2 para. 3 and Article 52 section 2 of the Act on NBP, Article 21 section 3 para. 1 of the Act on counteracting money laundering and terrorism financing, and the provisions of the Foreign Exchange Act.

883 inspections detected irregularities, i.e. 44% of all the conducted inspections (in 2011 – 47%). If such defaults had occurred, post-inspection recommendations were submitted to the managers of the inspected units.

**Highlights of 2012:**

- 2,026 inspections and 14 decisions concerning foreign exchange issues,
- entering data about all entrepreneurs registered in the register of bureaux de change to the Central Registration and Information on Economic Activity (CEIDG).







Chapter 7

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# Payment system oriented activities



# Payment system oriented activities<sup>1</sup>

The activities of Narodowy Bank Polski 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 tasks<sup>2</sup>

### 7.1.1. Operation of accounts in the SORBNET system

As at 31 December 2012, accounts operated by the SORBNET system included current accounts in PLN for 51 banks (in 2011 – 52), as well as auxiliary accounts for the National Clearing House (KIR SA) and the National Depository for Securities (KDPW SA). In 2012:

- one current PLN account for Get Bank SA was closed because of the merger with Getin Noble Bank SA,
- one escrow account for the National Clearing House SA was open for clearings in the Express ELIXIR system.

In 2012, about 2,962,000 operations were performed in the banks' current accounts in PLN held with the NBP Head Office (2,619,000 in 2011), totalling PLN 46.4 trillion (PLN 44.9 trillion in 2011). This translates into an increase in the number of operations by 343,000 (i.e. by 13.1%) and an increase in their total value by PLN 1.5 trillion (i.e. by 3.3%) as compared to 2011. The average value of a transaction in 2012 fell by about 8.2% to reach PLN 15.7 million (PLN 17.1 million in 2011).

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.

<sup>1</sup> Tasks in this field are performed pursuant to Article 3 section 2 para. 1 and 6 of the Act on 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.

<sup>2</sup> 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.

**Table 7.1.** Breakdown of turnover in banks' current accounts in PLN in the SORBNET system in 2012

Types of current account transactions	Turnover (PLN million)			Turnover breakdown (%)	
	balance	of which:		debits	credits
		debits	credits		
Balance of funds in bank's accounts (in PLN million): – as at the beginning of the year: 20,155.9 – as at the end of the year: 48,659.0	-	-	-	-	-
Movement in balance of funds in banks' current accounts, of which:	28,503.1	46,357,934.6	46,386,437.7	100.0	100.0
1) customer payment orders	354,692.5	22,944,853.5	23,299,546.0	49.5	50.2
2) drawings on or repayments of NBP loans to banks	0.0	10,229,383.0	10,229,383.0	22.1	22.1
3) purchase (buyback) of securities from NBP	-2,269.2	5,155,535.8	5,153,266.6	11.1	11.1
4) interbank transactions	0.0	4,234,519.8	4,234,519.8	9.1	9.1
5) transactions and operations settled by the National Depository for Securities	20,863.9	2,637,161.6	2,658,025.4	5.7	5.7
6) exchange of payment orders via the National Clearing House	-348,314.7	785,507.3	437,192.6	1.7	0.9
7) purchase or sale of notes and coins at NBP	-1,961.7	178,485.9	176,524.3	0.4	0.4
8) placements and refunds of term deposits at the NBP	1,000.3	79,071.1	80,071.4	0.2	0.2
9) purchase or redemption of Treasury securities	4,782.7	95,478.0	100,260.8	0.2	0.2
10) interest paid or received by banks	1,366.1	29.2	1,395.3	0.0	0.0
11) transactions in required reserve accounts	-3.8	57.2	53.5	0.0	0.0
12) crediting or debiting the accounts of KIR SA (Express ELIXIR clearing)	-16.6	62.1	45.5	0.0	0.0
13) open market operations	0.0	0.0	0.0	0.0	0.0
14) other operations	-1,636.4	17,790.2	16,153.8	0.0	0.0

Source: NBP data.

**Table 7.2.** Number of payment orders by principal types of transaction performed in banks' current accounts in PLN in SORBNET system in 2012

Item	Number of payment orders performed in current accounts			Order breakdown (%)	
	Total	of which:		debits	credits
		debits	credits		
Total number of payment orders performed in banks' current accounts, of which:	2,961,742	2,798,339	2,851,782	100.0	100.0
1) customer payment orders	2,673,643	2,622,326	2,644,621	93.7	93.7
2) drawings on or repayments of NBP loans to banks	22,671	8,362	14,309	0.3	0.5
3) purchase (buyback) of securities from NBP	4,830	2,402	2,428	0.1	0.1
4) interbank transactions	86,529	86,529	86,529	3.1	3.0
5) transactions and operations settled by the National Depository for Securities	44,907	18,259	29,896	0.7	1.0
6) exchange of payment orders via the National Clearing House	36,615	16,325	20,290	0.6	0.7
7) purchase or sale of notes and coins at NBP	78,881	34,529	44,352	1.2	1.6
8) placements and refunds of term deposits at NBP	1,173	576	597	0.0	0.0
9) purchase or redemption of Treasury securities	2,827	1,122	1,705	0.0	0.1
10) interest paid or received by banks	3,514	2,162	1,352	0.1	0.0
11) transactions in required reserve accounts	112	56	56	0.0	0.0
12) crediting or debiting the accounts of KIR SA (Express ELIXIR clearing)	175	33	142	0.0	0.0
13) open market operations	0	0	0	0.0	0.0
14) other operations	5,865	5,658	5,505	0.2	0.2

Source: NBP data.

### 7.1.2. Operation of accounts in the TARGET2-NBP system

As at the end of December 2012, the TARGET2-NBP system operated accounts in EUR for 23 participants: NBP, 20 commercial banks and KIR SA and KDPW SA (no change y/y).

In 2012, 1.5 million operations were performed in the TARGET2-NBP system (EUR 1.0 million in 2011) for the total amount of EUR 537.5 billion (EUR 616.5 billion in 2011). This translates into an increase in the number of operations by 445,000 (by 42.8%) and

a decrease in their total value by PLN 78 billion (by 12.7%) as compared to 2011. The average value of transactions amounted to about EUR 0.3 million, i.e. 50% less than a year before. The increase in the number of orders follows from a more frequent use of the system for low-value orders, especially customer orders, and a decrease in the number and value of interbank flows.<sup>3</sup>

**Table 7.3.** Balance of funds in TARGET2-NBP in 2012

Item	As at the beginning of the year (EUR million)	As at the end of the year (EUR million)
Balance of funds on the NBP accounts	19.4	17.7
Balance of funds on the participants' accounts	97.9	682.0
Total funds (1 + 2)	117.3	699.7

Source: NBP data.

**Table 7.4.** Number and value of orders performed in TARGET2-NBP in 2012

Item	Name of unit	Total	Monthly average
<b>Number of orders performed:</b>	<b>pcs.</b>	<b>1,483,563</b>	<b>123,630</b>
- domestic payments		114,338	9,528
- cross-border payments sent		700,640	58,387
- cross-border payments received		668,585	55,715
<b>Value of orders performed:</b>	<b>EUR million</b>	<b>537,515.5</b>	<b>44,792.9</b>
- domestic payments		55,957.3	4,663.1
- cross-border payments sent		245,197.0	20,433.1
- cross-border payments received		236,361.1	19,696.7
<b>Average value of orders:</b>	<b>EUR million</b>	<b>-</b>	<b>0.3</b>
- domestic payments		-	0.5
- cross-border payments sent		-	0.3
- cross-border payments received		-	0.4

Source: NBP data.

Table 7.3 and Table 7.4 present the balance of funds, number and value of orders performed in banks' accounts in the TARGET2-NBP system.

<sup>3</sup> The TARGET2-NBP data for 2012 was additionally impacted by a change in data source introduced in November 2011 (to be derived directly from the system's data warehouse) and in the methodology of preparing statistical data in order to comply with the ECB methodology for TARGET2. Therefore, the data on the number and value of processed orders are shown without the so-called technical liquidity transfers, especially those made by NBP.

## 7.2. Policy measures and development of the payment system

### 7.2.1. Regulatory activities

In 2012, NBP:

- participated in the work on amendments to the act on trading in financial instruments to implement into the Polish legislation the clearing novation<sup>4</sup> (the amended regulations became effective on 4 August 2012),
- cooperated with the Minister of Finance on the amendment to the act on payment services, implementing into the Polish legislation the provisions of directive 2009/110/EC,
- issued opinions with respect to draft legislation on reducing the interchange fee.

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

In 2012, NBP continued work on the new version of SORBNET – 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 10 June 2013.

Moreover, in 2012, new systems for clearing urgent retail payments were launched. These are:

- Express ELIXIR,<sup>5</sup> operated by the National Clearing House (at the end of 2012, the system had 6 participating banks);
- BlueCash, operated by Blue Media SA (in 2012, the system had 3 participating banks).

### 7.2.3. Popularisation of non-cash transactions

In 2012, as part of popularisation of non-cash transactions in Poland, NBP undertook the following activities:

- Commenced the delivery of a long-term promotional and educational programme called “Accessible Finance” Academy (*Akademia Dostępne Finanse*), to popularise non-cash transactions, reduce financial exclusion and increase the use of non-cash payment instruments.

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<sup>4</sup> The clearing novation is a legal construct assuming that the clearing house becomes a central counterparty, i.e. a buyer for each seller and a seller for each buyer, thus annulling rights and obligations of the original parties to transactions.

<sup>5</sup> To operate Express ELIXIR, an escrow account for the National Clearing House was open in SORBNET, on which funds of participating banks to cover the payments exchanged among the banks in Express ELIXIR are stored.



- Participated in the work of the Coalition for Non-Cash Payments and Micropayments. Developed a concept of further activities to develop non-cash payments in Poland (broken down by activities to be performed by the government, NBP and market institutions). Initiated the establishment of an inter-institutional work group for the development of non-cash transaction within the Coalition. The group commenced its activity in December 2012. Its main goal is to prepare a new scheme for development of non-cash transactions in Poland, pointing to activities that are feasible for NBP and market institutions, and also to draft a document containing a relevant recommendations for the government.

#### 7.2.4. Actions aiming at the development of SEPA

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

In 2012, NBP continued to provide banks interested in the participation in the all-European STEP2 clearing house with the intermediation services enabling them to clear credit transfers in euro in the SEPA Credit Transfer (SCT) system. As at 31 December 2012, 18 banks participated in the SCT scheme through NBP. It is estimated that more than 98% of transactions denominated in EUR in Poland are settled in SCT.

Moreover, in 2012, upon the NBP initiative, the Polish Standard (PN-F-01102 – Bank account number (NRB) – Elements and principles of developing) was amended. The standard describes the use of NRB to develop IBAN in Poland, which is used to unambiguously identify the parties to SEPA transactions.

#### 7.2.5. Actions aiming at development of securities clearing and settlement systems

The NBP representatives participated in the work of T2S work group<sup>6</sup> (NUG\_PL<sup>7</sup>), operating since 2010 and chaired by the National Depository for Securities. The task is to evaluate a possibility and manner of connection of the Polish market, incl. the National Depository for Securities, to TARGET2-Securities. In 2012, after having read the information about the connection process (the so-called *Feasibility Assessment*) the decisions and actions aimed at connection were suspended.

NBP also monitored the progress on the T2S project run by the ECB.

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<sup>6</sup> TARGET2-Securities (T2S) is a project of a pan-European platform for securities settlement. The system is developed upon the initiative of central banks of the euro area in cooperation with central depositories for securities of EU Member States. The purpose of work on T2S is to facilitate and reduce the cost of cross-border settlement of securities trades.

<sup>7</sup> NUG\_PL (National Users Group Poland) is a Polish work group chaired by the National Depository for Securities, composed of the following representatives: NBP, entities gathering participants of the National Depository for Securities, depository banks, depositor banks and brokerage houses. The representatives of the Ministry of Finance, the PFSA and the WSE participate in the work of the group as observers.

### 7.2.6. Payment System Council activity

The Payment System Council on an on-going basis analyses and evaluates the Polish payment system and promotes the development of the system.

In 2012, the Council was predominantly involved in the card charges reduction in Poland. The analyses demonstrated that in 2011, interchange fees in Poland<sup>8</sup> were among the highest in the EU and were ever more limiting non-cash payments. The Interchange Fee Task Force (IFTF) established by the Payment System Council carried out its works in 2012. It aimed to explore the possibilities of changing the structure and level of the card charges in Poland. The IFTF developed the Program of card charges reduction in Poland,<sup>9</sup> which stipulates a gradual reduction in interchange fees in Poland by 2017 to the average EU level. The proposals were rejected by one card association and this rendered the reaching of a non-regulatory market understanding consistent with the Programme impossible. Therefore, on 31 July 2012, the NBP submitted to the Minister of Finance a draft amendment to the act on payment services, consistent with main proposals contained in the Programme. Despite failure to implement the Programme, the NBP activities related to the interchange fee made card associations decide to substantially lower the interchange for the first time in many years.<sup>10</sup>

The Council also discussed:

- activities undertaken by payment card issuers (the VISA project to provide financial support for the lease of POS terminals by new merchants and the MasterCard project to provide financial support for bank projects comprising innovations of payment instruments and solutions),
- preparation for introducing CCP on OTC market, implemented by the National Depository for Securities,<sup>11</sup>
- work progress on SORBNET2,
- variants of further activities aimed at the development of non-cash payments in Poland,
- results of comparison of the selected elements of the Polish payment system against its EU counterparts.

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<sup>8</sup> On average 1.5–1.6% of the transaction value.

<sup>9</sup> The Programme is available on the NBP website at: [http://nbp.pl/aktualnosci/wiadomosci\\_2012/redukcja\\_oplat.pdf](http://nbp.pl/aktualnosci/wiadomosci_2012/redukcja_oplat.pdf).

<sup>10</sup> MasterCard decided to reduce interchange fees for micro-payments (up to PLN 20) from 1 May 2012 (to 0.8–1.2%) and most of its products from 1 January 2013 (to 1.1–1.45%). VISA Decision Committee decided to reduce interchange fees for public and legal payments effective as from 1 November 2012 (to PLN 0.20–0.30), and as from 1 January 2013 for micro-payments (to 0.9–1%) and all Visa cards for individual customers (to 1.25–1.3%).

<sup>11</sup> The project of implementing CCP on the OTC market concerns mainly the launch by KDPW\_CCP SA (a member of KDPW SA) of central clearing of OTC derivatives. This is related to the obligation of central clearing of those instruments referred to in the Regulation (EU) No. 648/2012 of the European Parliament and the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories (OJ L 27 July 2012).

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

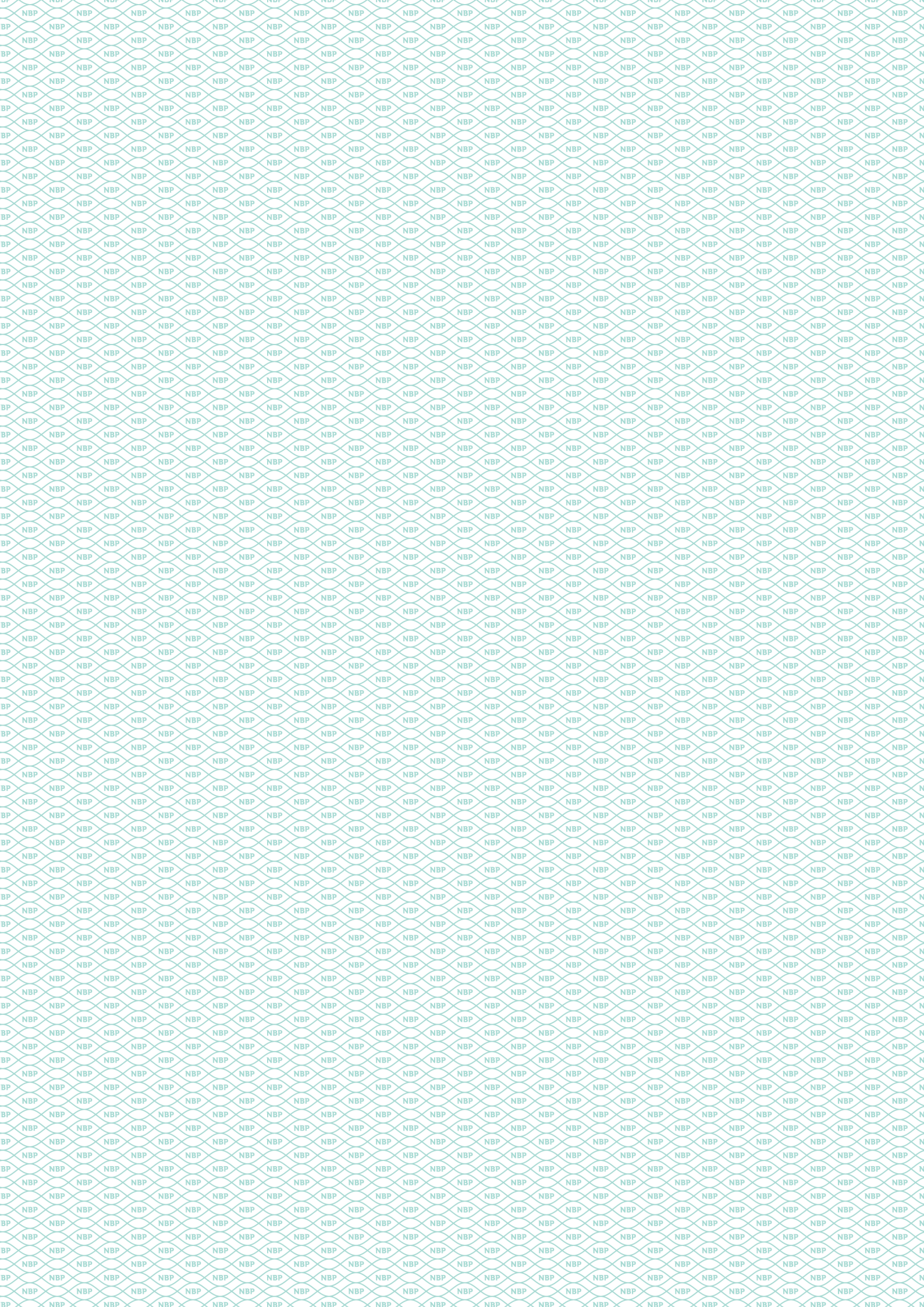
Oversight of payment systems, authorisation and clearing systems and securities settlement systems seeks to minimise the risk related to possible disruptions to the operations of those systems and to maintain financial stability. In 2012, NBP undertook the following activities:

- As part of the oversight exercised over the payment systems:
  - The President of NBP issued 4 decisions concerning an approval of modifications to the operation of Express ELIXIR, BlueCash, ELIXIR and EuroELIXIR.
  - NBP surveyed the resilience of the Polish payment system and its impact on the stability of the banking sector.
  - The simulation demonstrated resilience of SORBNET to temporary disruptions caused by short-lasting liquidity problems of an important participant.
  - NBP on an on-going 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.
- As part of its oversight over the settlement of securities, NBP prepared 7 opinions for the PFSA. They concerned amendments to the Regulation of the National Depository for Securities, changes in the functioning of KDPW\_CCP SA and requests filed by the PRT Clearing House (Izba Rozrachunkowa Polskiego Rynku Terminowego SA) for a permit to conduct the clearing house.

#### Highlights of 2012:

- work continuation on SORBNET2,
- activities aimed at reducing interchange fees in Poland,
- commencement of a long-term “Accessible Finance” Academy programme,
- initiation of work on a new non-cash payment development programme.





Chapter 8

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# Services to the State Treasury





## Services to the State Treasury<sup>1</sup>

Tasks fulfilled by Narodowy Bank Polski as a part of services to the State Treasury include: operating accounts of the State Budget, handling international liabilities and claims of the State Budget, trading in Treasury securities and public debt management, particularly with regard to the State Treasury debt.

### 8.1. Bank accounts operated by NBP

In 2012, NBP operated bank accounts referred to in Article 196 of the Act on Public Finance of 27 August 2009, primarily including the central current account of the State Budget, current accounts of the budgetary entities, including offices providing services for tax authorities, as well as auxiliary accounts of budgetary entities. NBP also maintained term deposit accounts in PLN and foreign currencies for entities authorised to hold accounts with NBP.

By operating State Budget accounts, NBP contributes to the safety and smooth processing of public fund settlements.

Moreover, pursuant to Article 51 section 1 para. 4 of the Act on the National Bank of Poland (Narodowy Bank Polski), NBP operated, with the approval of the President of NBP, accounts of other legal persons (primarily the Social Insurance Institution, Export Credit Insurance Corporation Joint Stock Company, Agricultural Market Agency, agricultural consultancy entities, the Demographic Reserve Fund, 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

Narodowy Bank Polski performed operations on State Budget bank 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 NBP (ZSK) with the computer accounting system of the Ministry of Finance was used for operating bank accounts of the State Budget Department and the Paying Authority Department in the Ministry of Finance. B2B interface also helped to operate the accounts of the Agency for Restructuring and Modernisation of Agriculture and the Main Inspectorate of Road Transport.

#### 8.1.2. Categories of accounts operated by NBP

Narodowy Bank Polski operates accounts in PLN and in foreign currencies, including accounts for handling funds coming from the EU budget.

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<sup>1</sup> Tasks in this field are performed pursuant to Article 3 section 2 para. 4 and Articles 49, 51, 52 of the Act on NBP, the Act on Public Finance and the Banking Act.



In 2012, (as at 31 December), NBP provided services for 3,712 customers (in 2011 – 3,922), for whom regional branches operated 16,194 accounts (in 2011 – 16,643), of which 8,322 accounts were operated as part of a third-party external cashier service (in 2011 – 8,233).<sup>2</sup>

## 8.2. Handling international liabilities and claims of the State Budget

Pursuant to the contracts of agency signed in previous years with the Minister of Finance, NBP handled the State Budget liabilities and claims arising from:

- 57 loans granted by international institutions and financial organisations to the government of the Republic of Poland,
- 61 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 NBP administered 14 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

Narodowy Bank Polski acts as the issuing agent for Treasury securities. Therefore, it is committed to organise the sale and redemption auctions of Treasury bills and the sale, redemption and swap auctions of Treasury bonds. In 2012, the following auctions were organized:

- 5 Treasury bill sale auctions; the total supply amounted to PLN 12.5 billion, the total amount bid PLN 27.6 billion, bills worth 11.7 billion were sold;
- 27 Treasury bond sale auctions, including 9 non-competitive complimentary auctions; the total supply amounted to PLN 87.0 billion, the total amount bid PLN 164.2 billion, bonds worth 87.3 billion were allotted. The majority of bonds offered by the Ministry of Finance were fixed-rate bonds; their amount allotted constituted 61.0% of the total amount allotted;
- 7 Treasury bond swap auctions, where the Ministry of Finance redeemed bonds worth PLN 40.3 billion, and the allotted bonds worth PLN 39.3 billion; floating-rate bonds represented the majority of bonds allotted on all swap auctions (64.2%).

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<sup>2</sup> Third-party external cashier service is provided to those account holders whose registered offices are located outside the city in which the NBP regional branch is located.

There were no zloty-denominated Treasury bill and bond redemption auctions.

Moreover, in 2012 the first time euro-denominated Treasury bond redemption auction was held. The total supply amounted to PLN 200 million, the total amount bid PLN 223.5 million and redemption PLN 220.5 million. Two Treasury bond sale auctions were held (including one complimentary auction) 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 4.0 billion, the total amount bid – to PLN 8.1 billion, bonds worth PLN 3.7 billion were allotted.

### 8.3.2. Treasury Securities Dealer System (DSPW)

In 2012, similarly to previous years, NBP engaged in tasks linked to the Treasury Securities Dealer System (DSPW).<sup>3</sup> In accordance with the Agreement concluded with the Ministry of Finance, NBP performed the following duties:

- submitted to the Ministry of Finance 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,<sup>4</sup>
- 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, 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 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 NBP.

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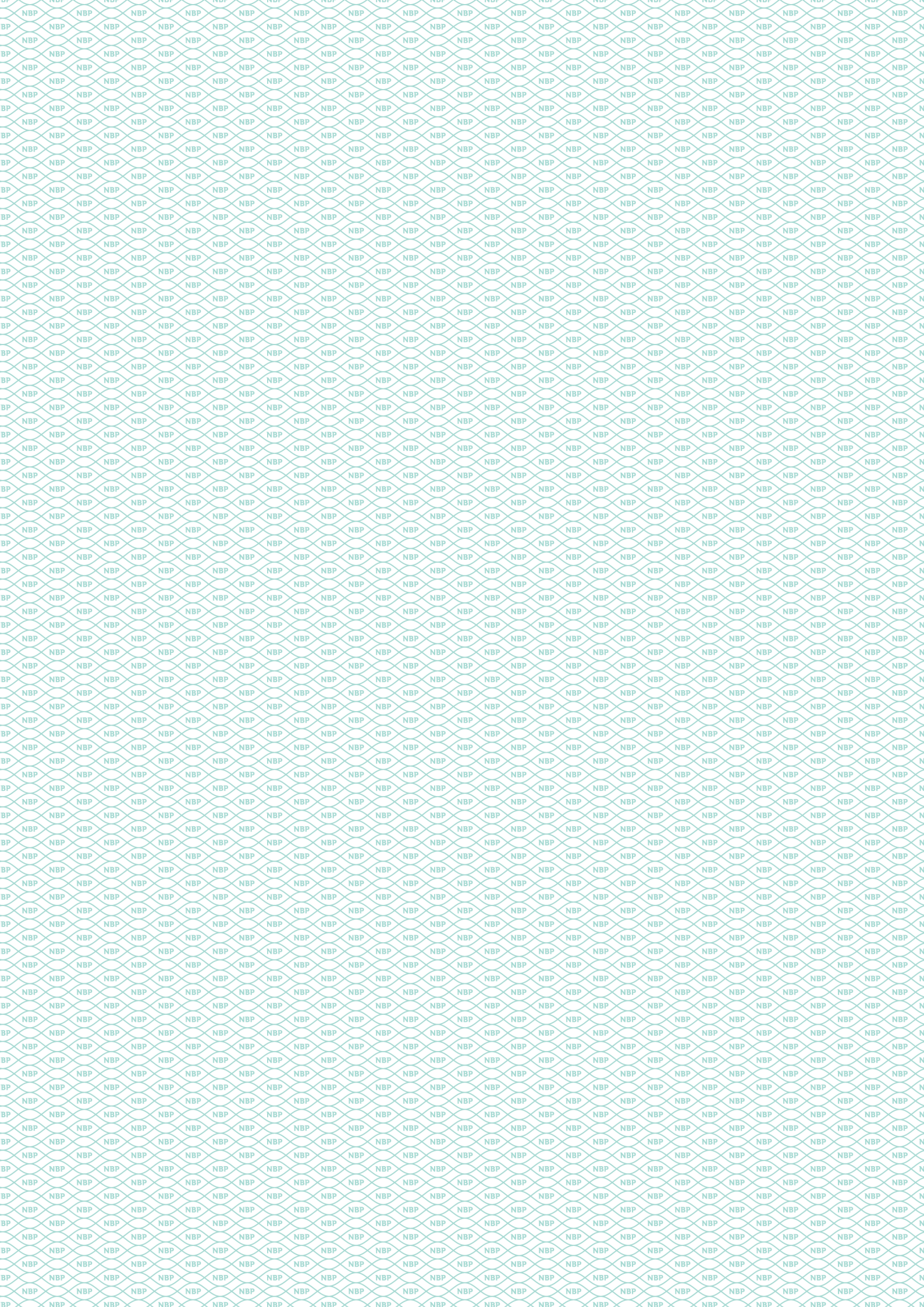
<sup>3</sup> The main aim of the system is to distinguish a group of banks (the so-called primary dealers) which, in return for specific privileges, are obliged to provide liquidity, transparency and efficiency of the Treasury securities market.

<sup>4</sup> 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 of these quotations.

**Highlights of 2012:**

- operation of 16,194 accounts for 3,712 customers,
- organization of Treasury bond and bill sale, swap and redemption auctions, including the first redemption of euro-denominated bonds.





Chapter 9

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# Research activity





## Research activity<sup>1</sup>

In 2012, research activity addressed issues related to monetary and macro-prudential policy, inflation processes, the economic condition of enterprises and households as well as the labour and property markets. The Polish economy was analysed against the euro area economies. Attention was paid to changes occurring in the global and domestic economic environment, economic climate and determinants of economic growth. Research and modelling also focused on monetary policy transmission mechanism and its changes related, among others, to the financial crisis. The research also addressed public finance of the CEE and euro area countries hit by the debt crisis. Models used to prepare macroeconomic forecasts supporting the monetary policy conducted by NBP were further developed.

The findings of the research constituted inputs to the decisions taken by the Management Board of NBP and the Monetary Policy Council.

In 2012, well-renowned national periodicals and international scientific journals published 119 academic publications of NBP employees, including 54 in Polish and 65 in English. 16 publications were included 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**
  - Calculations of PLN/EUR exchange rate were made with the use of the fundamental equilibrium exchange rate model FEER, the behavioural equilibrium exchange rate model BEER and the capital enhanced equilibrium exchange rate model CHEER.
  - Interpretation of the Maastricht criteria presented in *Convergence Reports* of the European Central Bank and the European Commission of 1998–2012 was analysed.
- **Analyses of structural reforms in the euro area countries**
  - Growing imbalances in the euro area and changes in the competitiveness of the Member States were analysed.
  - Impact of the labour market and social security reform on the German economy was studied.
  - Mechanisms of the functioning of the euro area and the EU were analysed.
- **Analysis of the role of the euro in the world economy and in the financial system**

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<sup>1</sup>Tasks in this respect are performed pursuant to Article 59 of the Act on NBP.



- Capital flow in the developing countries in the years 2000–2011 was analysed.
- The role of the euro in the global economy was monitored.

## 9.2. Studies of monetary policy, inflation processes and expectations

- **Analytical and conceptual framework for the monetary Policy strategy and its implementation at other central banks**
  - As part of alternative monetary policy strategies, an in-depth analysis of the strategy based on nominal GDP (which is an alternative to the generally applied direct inflation targeting) was made and alternative inflation measures under the direct inflation targeting strategy were described.
  - A study was prepared presenting changes in monetary policy communication at the Federal Reserve and the Bank of Japan.
- **Analyses and research and modelling of monetary policy transmission mechanism and its changes**
  - A report was prepared and published on the monetary policy transmission mechanism, presenting an overview of studies conducted regularly at NBP.
  - Works on the asymmetry of the monetary policy transmission mechanism continued and development of a new small structural transmission model began.
- **Construction of macroeconomic models with the financial sector**
  - A study, with the participation of 5 other ESBC banks, analysed and compared the operation of macroeconomic models accounting for financial frictions.
  - A two-country model for a heterogeneous monetary union was built and used to study the possibility of replacing an independent monetary policy with a macro-stability policy. The results demonstrate a relatively high effectiveness of linking the adjustment of the maximum amount of mortgage loan to the value of housing to the economic climate, especially in the situation of asymmetric shocks in the residential market.
  - A DSGE model with the financial sector of the Polish economy was constructed and used to analyse hypothetical effects of Poland's accession to the euro area in 2007.
- **Development of methods of measuring inflation expectations**
  - An analysis of the way of modifying probabilistic method for the quantification of survey data concerning the expected price movements in the situation of a negative or zero scale factor was published.

- The impact of the form of survey questions on the comparability of estimates of perceived inflation and inflation expectations in the EU was studied; the conclusions were presented to the European Commission.
- Methods of measuring macroeconomic forecasts and their uncertainty were described in the NBP Survey of Professional Forecasters and the first results of the Survey were presented.
- **Analyses and research on the prices of consumer goods and services**
  - On-going monitoring and analyses of inflation processes in the domestic economy were conducted and short-term inflation forecasts for selected categories of goods and services were made.
  - Methodological, analytical and research work was carried out to study measures of consumer goods and services price movements and core inflation measures.

### 9.3. Enterprise and household surveys

- **Survey studies of financial standing of enterprises**
  - Quarterly analyses were carried out focusing on the development of economic trends in the corporate sector. The analyses took into account, in the first place, corporate decisions concerning production and employment, investment, finance and pricing and relations with banks. Analyses focused on strategies pursued by companies in response to changes in the environment, their perception of uncertainty and its impact on employment and investment decisions.
  - The NBP Annual Survey was conducted, focusing on long-term development trends in the corporate sector, forecasts and assessment of the economic situation, investment policy, sources of financing, pricing policy, changes in the trade structure, risk hedging, experience of the economic slowdown and human resources policy.
- **Research on economic activity of enterprises**
  - Cyclical analyses were conducted focusing on the situation in the corporate sector, including financial condition, sources of changes in profitability as well as investment and employment activity.
  - The impact of the level and volatility of exchange rates on profitability of exports and foreign exchange risk perception as a barrier to growth was analysed.
  - Analyses were made concerning relations between the degree of capacity utilisation and various measures of intensity of investment processes in Polish economy.

- **Research on the condition of households**

- Cyclical analyses were conducted focusing on households' financial standing as regards income sources and decisions determining savings and consumption.
- Households' savings were analysed, such as assets accumulated in pension funds.
- Analyses included factors impacting selected financial assets of households – shares and other equity and technical provisions.
- The level and volatility of income and consumption in the life cycle, and a relative income mobility in Poland were analysed.

#### 9.4. Other macroeconomic research

- **Labour market research**

- Cyclical analyses on labour market developments were conducted. These analyses involved estimating labour market flows conducive to changes in employment and unemployment. Particular focus was put on the situation of young and older workers in the labour market, significance of the type of work contract in employee-employer relations, impact of unemployment history on wages, wage structure, sources of economic inactivity, structural unemployment and impact of education on job seeking.
- *The Labour Market Survey* was conducted, combining information from businesses and from the unemployed. The analysis covered issues linked to the flow of the labour force and workplace creation, determinants of labour supply, job seeking and labour market mismatches, determinants of wage pressure, wage expectations of the unemployed and adjustment of enterprises to changes in human relations and payroll regulations.

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

- A pilot study was conducted in Warsaw and Krakow to measure the impact of property location on its price. The study involved construction of hedonic indexes.
- A study of commercial property prices (prices and rents) was prepared and the data on modern commercial property started to be gathered. The study was included in the public statistics programme of the Central Statistical Office for 2013.

- **Analyses and research on the public finance sector**

- On-going analyses and forecasts of the state budget and other units of the public finance sector were conducted.
- Analyses of the situation in public finance in the EU Member States were prepared, with a particular focus on the CEE and euro area countries facing the debt crisis.

- Methodological work was carried out aimed to identify the sources of changes in fiscal policy broken down into cyclical, legislative and discretionary factors.
- Methodology of quantitative assessment of the impact of new legislation on various social and economic areas of life was developed.
- **Analyses and research on the external sector of the Polish economy**
  - Regular (three times a year) forecasts of the Polish balance of payments were made. Those forecasts were accompanied by assessments of the stability of external balance indicators of the Polish economy.
  - Forecasts of the inflow of foreign capital to Polish economy were delivered.
  - The effective exchange rate of the zloty was monitored.
  - Analyses of the impact of the global crisis on Polish foreign trade were conducted.
- **Analysis and studies of the global economy**
  - Monthly and quarterly analyses focused on global economic conditions, including the current and forecasted situation in the major developed economies (also in the euro area) and developing economies (the BRIC countries) as well as trends prevailing in the financial and commodity markets.
  - Analyses were conducted concerning modelling and forecasting of long-term interest rates in the US and other developed economies.
  - Two half-year reports were drafted concerning the economic situation in the CEE countries, with a particular focus on the implications of the euro area crisis.

## 9.5. Forecasting and research work

- Works were continued on the expansion (a more adequate description and improvement of forecasting properties) of the DSGE SoePL model, used to prepare macroeconomic forecasts supporting the monetary policy of NBP. The last variant of the model includes the anticipated shocks.
- Impact of violent changes in uncertainty on selected macroeconomic categories (labour productivity, employment, producer prices and exchange rate) in the economic cycle.
- Analysis was made focusing on diagnostic and forecasting properties of most economic indices available for the Polish economy to verify the set of indices used to analyse the business cycle.

- Cyclical properties of the unemployment gap in the Polish economy were analysed against the background of the US and the euro area as broken down into wage margins and price margins.
- The method of determining uncertainty about the current inflation and GDP growth projection was modified by replacing the stochastic simulations from the NECMOD model with an analysis of response to the impulse from this model. The implemented change harmonised the method prevailing at NBP with methods introduced in other central banks.
- Some NECMOD equations were re-specified and NECMOD parameters were re-estimated.

## 9.6. Activity of NBP's Economic Research Committee

In 2012, reports on 11 projects drafted as part of NBP's research project competitions (of which 2 projects were prepared with the participation of NBP employees)<sup>2</sup> were accepted. Another competition was organised in which 10 research projects were selected for implementation in 2013.

## 9.7. Conferences and seminars organised by NBP

In 2012, NBP held four international conferences:

- 2–13 July 2012: *Current Trends in Macroeconomic and Finance Research*. The conference was dedicated to the most recent macroeconomic and financial trends, including modelling of frictions in financial intermediation, macro-stability policy and the effectiveness of the financial markets.

<sup>2</sup>Topics of research projects implemented as part of the NBP research project competitions in 2012 include:

- stable and countercyclical fiscal policy and financial development as a reflection of the quality of the institution and condition for economic growth,
- modeling of the use of retail payment methods in the Polish market,
- rationing loans vs. substitution between trade credit and bank loan – studies on the example of Polish enterprises,
- development of a methodology to study the impact of extreme and super-extreme events on stochastic dynamics of time series,
- application of selected exchange rates to the analysis in the light of the anticipated Poland's accession to the euro area,
- the size of the market, competitiveness and technological frontier – analysis of the impact of commercial actors on changes in productivity of the Polish manufacturing industry,
- evaluation of the impact of procyclical fiscal policy on the synchronization of the economic cycle in Poland and the euro area,
- consequences of euro adoption by the CEE countries for their trade volumes,
- structure of monetary policy councils vs. the effectiveness of the stability policy,
- estimation of the natural (neutral) yield curve,
- real convergence and the impact of the monetary policy on economic growth of the EU Member States: stability analysis,
- application of multidimensional statistical methods in the typology of saving strategies of Polish households.

- 13–14 September 2012: *Modelling Imbalances*.<sup>3</sup> The conference focused on issues concerning identification and modelling of macroeconomic imbalances and their prevention.
- 18 October 2012: *A Reconfiguration of Europe – The Central and East Europe Perspective*. This was the second of the series of 5 planned conferences dedicated to the future of the European economy. The conference was attended by the Prime Minister, the Chairman of the European Banking Authority, governors of central banks and representatives of international institutions. Main challenges faced by the European economy were discussed, including the direction of changes in the EU economic integration.
- 29–30 November 2012: *Are we really forward-looking? Measuring and testing expectations*. The meeting discussed the most recent studies on expectations in the economy.

On 19–20 October 2012, Narodowy Bank Polski hosted 19 governors of central banks as part of the 28<sup>th</sup> Meeting of Central Bank Governors' Club of Central Asia, Black Sea Region and Balkan Countries, held in Warsaw. The purpose of the Club founded in 1997 is to strengthen cooperation among central banks in the pursuit of monetary policy and ensure stability and development of the financial system in the region. The 28<sup>th</sup> Meeting of the Central Bank Governors' Club focused on financial stability and the impact of foreign exchange regimes on economic growth.

In addition, 28 open-to-public academic seminars were organised. Their list is presented in Appendix 5.

#### Highlights of 2012:

- extension of modelling and analytical and research works on processes in Polish and global economy,
- publication of 16 research articles of NBP employees in the so-called Philadelphia list.

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<sup>3</sup> As part of the annual cycle “Central Bank Macroeconomic Modelling Workshop”, organised by central banks.



Chapter 10

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# Statistics



# Statistics<sup>1</sup>

NBP statistical research focuses on data of the financial sector and broadly understood statistics of international relations. The data are used in many areas – in the conduct of monetary policy, financial sector risk monitoring, financial stability reports and macro-prudential analyses.

NBP regularly publishes a broad range of data, and also submits reports to international institutions, including, in particular, the European Central Bank.

## 10.1. Core tasks performed by NBP with respect to statistics

NBP's core tasks relating to statistics include the following:

- collection, processing and 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,
- development of methodology for compiling and presenting monetary and financial statistics and b.o.p. statistics.

In 2012, NBP continued regular development and provision of statistical compilations, 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,
- monthly financial data of the financial sector,
- quarterly and annual financial accounts,

<sup>1</sup> Tasks in this area are performed pursuant to Article 3 section 2 para. 7 and Article 17 section 4 para. 13 and Article 23 of the Act on NBP and the Act on Public Statistics.

- quarterly data on domestic investment funds.

Statistical information was submitted to national institutions such as: the Sejm, the Council of Ministers, the Central Statistical Office, the Bank Guarantee Fund, the Polish Financial Supervision Authority, the Polish Bank Association, academic establishments as well as the ECB and other international organisations, such as the IMF, the World Bank, the OECD, the BIS and the Eurostat.

Moreover, in 2012 NBP:

- developed methodology for construction of proprietary indices of the country's financial condition (Financial Condition Index for Poland – FCI-PL) and macroeconomic stability (Macroeconomic Environment Index for Poland – MEI-PL),
- participated in the work of the Seasonal Adjustment Steering Group and the Seasonal Adjustment User Group, operating under the auspices of the ECB and Eurostat, focusing on creating JDemetra+<sup>2</sup> and its upgrading,
- in cooperation with the University of Freiburg conducted research on long-term stability of the national pension system in Poland,
- continued work on the central bank statistical database for, i.e. the so-called corporate sector demographics and long-term forecasts and impact of the financial standing on capital expenditure on assets.

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

In 2012, NBP continued cooperation in statistics with international institutions, predominantly with the ECB, Eurostat, and the Committee on Monetary, Financial and Balance of Payments statistics (CMFB), the Committee of European Banking Authority (EBA) and the European Commission.

### 10.2.1. Monetary and financial statistics

In 2012, NBP provided the ECB with cyclical harmonised data on the consolidated balance sheet of monetary financial institutions (MIF),<sup>3</sup> as well as interest rate statistics<sup>4</sup> and investment funds statistics.<sup>5</sup> Furthermore, in 2012, NBP performed the following:

<sup>2</sup> Econometric programme for seasonal adjustment of economic time series created by the Central Bank of Belgium in cooperation with Eurostat.

<sup>3</sup> 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).

<sup>4</sup> 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-a-vis households and non-financial corporations (ECB/2001/18), amended by the Regulation No. 290/2009 of 31 March 2009 (ECB/2009/7).

<sup>5</sup> 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).

- Participated in the activities of the Working Group on Monetary and Financial Statistics of the ECB. In 2012, the work involved mostly harmonisation of the statistics with the European System of Accounts, ESA 2010 – the benefits and costs related to the modification of the reporting categories were analysed. The analysis is part of preparation for drafting an amendment to the ECB regulations with regard to key monetary and financial statistics (MFI, investment funds, securitisation companies). Another area of activity related to insurance institution statistics. In 2012, a list was prepared containing data on this sector which cannot be derived from supervisory reporting, and are necessary for the conduct of monetary policy, financial stability analyses and macro-prudential analyses. A fact finding survey among insurance companies was conducted (NBP started cooperation with the Polish Financial Supervision Authority Office). Moreover, NBP representatives participated in the work of two expert groups operating within the Working Group on Monetary and Financial Statistics.<sup>6</sup>
- Developed and published, for the first time, the statistics of transactions for main balance sheet variables of banks, compliant with the ECB methodology.
- Participated in the work of the Standing Committee on Accounting, Reporting and Auditing, SCARA, operating within EBA and its sub-groups: FINREP ON, COREP ON, XBRL.<sup>7</sup>
- Launched an extended version of the INTER-FIN, a system for investment fund reporting, and upgraded its 2 modules: advanced reporting data control module and analytical and presentation module. Completed the analytical and reporting platform for the system.
- Collaborated with the ESBC in the construction of a new, extended the Register of Institutions and Affiliates Database, RIAD.<sup>8</sup>

### 10.2.2. Prudential statistics

In 2012, NBP commenced activities aimed at adjusting its statistics in this area to the new standards defined by the EBA. The SIS2 project was launched to update the FINREP, COREP, LE packages and introduce reporting with regard to large banks' exposures (NB300).

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<sup>6</sup> These are:

- TEG MIR (Technical Expert Group on Monetary Financial Institutions Interest Rates); a group was dealing in the measures of evaluation of the sample of reporting institutions designated for interest rate statistics;
- JEGR (Joint Expert Group on Reconciliation of Credit Institutions' Statistical and Supervisory Reporting Requirements); the group's tasks covered continuation of work on the basis of connections between the monetary and financial statistics and identification of issues that can be harmonised in those reporting areas.

<sup>7</sup> FINREP ON – FINREP Operational Network, a working sub-group within SCARA, operating at the European Banking Authority, responsible for financial reporting in FINREP package;

COREPON – FINREP Operational Network, a working sub-group within SCARA, operating at the European Banking Authority, responsible for supervisory and prudential reporting in COREP;

XBRL ON – XBRL Operational Network, a working sub-group within SCARA, operating at the European Banking Authority, responsible for creation and development of XBRL standard and its use for taxonomy in the uniform reporting standards draft prepared by EBA.

<sup>8</sup> Register of Institutions and Affiliates Database

### 10.2.3. Statistics of the balance of payments and the international investment position

In 2012, NBP worked on preparing for the introduction of new standards developed by international organisations in Poland, the principles of the *Balance of Payments Manual 6th ed.* (IMF document) and *Benchmark Definition of FDI 4th ed.* (OECD document). According to the arrangements made at the European level, the changes will come into force in 2014. To improve the quality of the data submitted by enterprises, NBP organised meetings with reporting agents. Interpretation problems were discussed and doubts were clarified.

### 10.2.4. Other statistics

Other key statistics included:

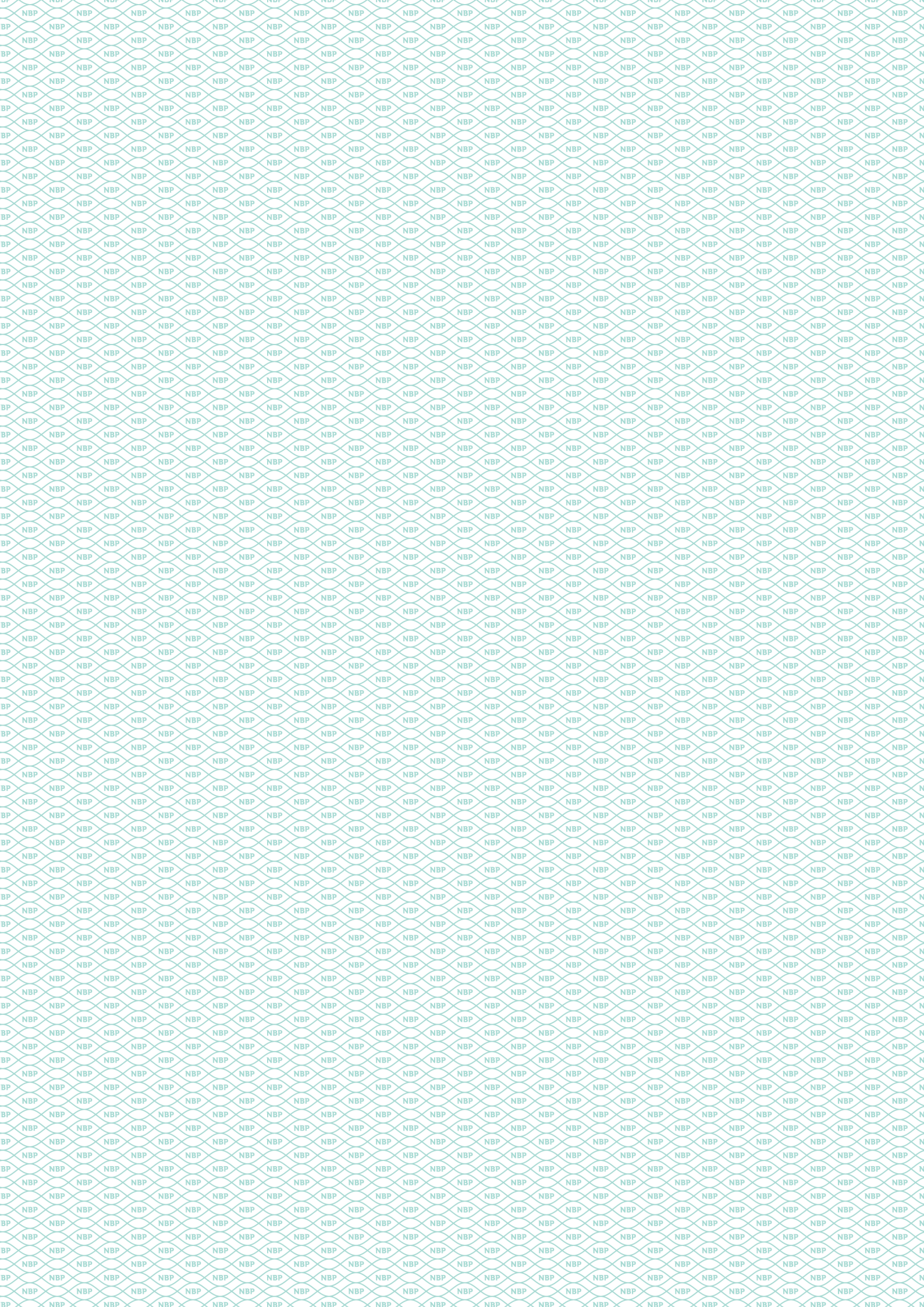
- Financial accounts statistics. NBP, for the second time, published annual financial accounts, prepared as defined by the European Commission (Eurostat) in *ESA Transmission Programme*.
- General government sector statistics. NBP participated in the activities of the Working Group on General Government Statistics appointed by the President of the Central Statistical Office; the purposes was to harmonise the methodology of calculating revenue and expenditure of the sector with the EU requirements.
- Real sector statistics. NBP participated in the work of BACH-ESD working group<sup>9</sup> on the preparation of a new international database structure for data derived from corporate financial statements. The categories of the balance sheet and profit and loss account by country were analysed in detail.

#### Highlights of 2012:

- participation in ECB work to introduce ESA 2010,
- development and publication for the first time of the statistics of transactions for main balance sheet variables of banks, compliant with the ECB methodology,
- launching an extended version of INTER-FIN, a system for investment funds reporting,
- commencement of work on harmonisation of prudential statistics with new EBA standards.

<sup>9</sup> Working Group on Bank for the Accounts of Companies Harmonised-European Sectoral Database – a group working within the European Committee of Central Balance Sheet Data Offices – ECCBSO.







Chapter 11

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# Education and information



# Education and information

Pursuant to Article 59 of the Act on the National Bank of Poland (Narodowy Bank Polski), the central bank carries out publishing and promotional activities. The Bank also implements educational and information projects aimed at increasing the transparency of NBP activity and familiarizing the general public with central bank operation, the banking system and the market economy. It also strives to disseminate general economic knowledge and knowledge about the European Monetary Union (EMU) and the euro amongst the public.

## 11.1. Education

### 11.1.1. 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 the development of the financial systems and boosts social capital which influences economic development.

In 2012, NBP partially funded a total number of 186 educational projects of varying scale, including 82 national ones and 104 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. In cooperation with external entities the following projects were carried out: *Moje Finanse* ("My Finances"; over 120 thousand students and 1.6 thousand teachers), *Ekonomia na co dzień* ("Day-to-day Economics"; over 120 thousand students and 3 thousand teachers), Competitions for NBP President Award for the best MA, PhD and habilitation dissertation, Essay competition, Entrepreneurship Olympics (over 20 thousand students) and Olympics of Economic Knowledge (about 12 thousand students). NBP supported postgraduate studies of *The Polish financial system and the basics and practice of the monetary and fiscal policy*, postgraduate studies of *The mechanisms of the functioning of the euro area*, postgraduate studies in business basics for teachers, as well as a bridge scholarship programme for youth from rural areas and small towns who take up studies related to banking, finance or economics. It was also involved in the workings of *Ekonomiczny Uniwersytet Dziecięcy* ("Children's Economic University"; with the participation of about 1,500 children).

A new innovative project called *Wielki Test Wiedzy Ekonomicznej* ("National Test of Economic Knowledge") was implemented in collaboration with TVP SA and viewed by approx. 1.5 million people.

As part of the IMPULS Club of Resourceful Teachers gathering approx. 1,000 teachers of lower and upper secondary school students from all over Poland, 19 educational projects and educational competitions and 9 training sessions were implemented.

Significant areas of educational activities pursued in 2012 included issues related to the main tasks of the central bank like inflation prevention and financial stability support, or combating the phenomenon of financial exclusion and promoting cashless trade.

#### 11.1.2. Development of evaluation and education planning system

In 2012, the following further changes in the educational activity of NBP were introduced:

- A complex system of evaluating educational projects was put in place to provide objective data to evaluate the purpose and effectiveness of the activities. Various forms of evaluation covered all educational projects launched in 2012.
- To better identify the social needs in economic education, research was conducted to diagnose the economic knowledge and awareness of Poles. Its results will be used to plan educational activities in the following years.

#### 11.1.3. Economic Education Portal – NBPortal.pl

In 2012, NBPortal.pl was visited by 725,000 users, 20,000 new accounts were open (a rise of approx. 10% y/y), and e-learning courses were completed by approx. 4,000 people (a rise of more than 20% y/y).

#### 11.1.4. NBP Money Centre in memory of Sławomir S. Skrzypek

Narodowy Bank Polski continued preparations to establish NBP Money Centre in memory of Sławomir S. Skrzypek – an educational facility presenting the history of money, the history of commercial and central banking and providing information on key mechanisms in the world of finance.

In 2012, the activities that were carried out in this respect included, in the first place, the preparation of detailed design documentation and access rules to the resources of the Centre for the target group (incl. people with disabilities) and, in the second place, the collection of showpieces, iconographic resources and historical documents about Polish banking.

## 11.2. Information and promotion

### 11.2.1. Information and promotion campaigns

In 2012, NBP carried out the following information and promotion campaigns with economic education elements:

- *Safe money. Inform others.* The campaign was organised in collaboration with the Police Headquarters in connection with the UEFA Euro 2012 Football Championship. Its goal was

to increase cash turnover security and prevent fraud. The campaign instructed people on Polish banknotes security and safe use of payment cards and ATMs. For the purposes of the campaign, multimedia applications were created, which were provided to all interested parties free of charge.

- *Don't be cheated. Check before you sign.* The campaign that is scheduled to finalize in late 2013 is aimed at attracting public attention to the risks of entering into financial agreements with institutions that are not subject to special state supervision (the so-called quasi-banks). In addition to NBP, there are 6 public institutions involved in the campaign: the BGF, the Polish Financial Supervision Authority, the Ministry of Finance, the Ministry of Justice, the Police and the Office for Competition and Consumer Protection.
- *The campaign informing about NBP activities aimed at reducing the interchange fee in Poland.* The conferences and press meetings organised with the participation of NBP experts were accompanied by publications in the media dedicated to the issue of interchange fees.

### 11.2.2. Presentation of NBP's activity on the Internet

In 2012, seeking to present NBP activity on the Internet, the following was provided:

- NBP.pl website received a speech synthesiser while the browser was upgraded and applications dedicated to Polish money designed for mobile devices were made available.
- New information sections were prepared, e.g. a section promoting *Akademia Dostępne Finanse* (the "Accessible Finance Academy") and *Centrum Informacji o Euro* (the Euro Information Centre). Furthermore, the section dedicated to conferences and academic workshops organised by NBP was expanded and information activities in the social media developed (e.g. Twitter, YouTube and Facebook).
- *Obserwator Finansowy.pl* financial portal was expanded, which involved the introduction of an English section with articles and initiating collaboration with university circles (starting a competition for economics undergraduates entitled *Gdyby to zależało ode mnie* ("If it were up to me..."). Moreover, information about the portal appeared on Facebook. Since 2011, the number of readers of the *Obserwator* grew four times.

In 2012, NBP.pl website was visited by more than 1.5 million users on average.

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

In liaising with the media and market analysts in 2012, NBP:

- promoted and disseminated reports and analyses prepared by NBP among journalists, focusing especially on the financial system and monetary policy,
- carried out a jubilee (tenth) edition of the Władysław Grabski Competition,
- responded to more than 500 press enquiries,

- organised meetings with journalists and post-meeting press conferences of the Monetary Policy Council.

#### 11.2.4. Other information and promotion activities

Other information and promotion activities of NBP in 2012 included the following:

- Promotion of collector notes and coins. Another edition of the *Portraits and Coins* exhibition was prepared, consisting of more than 100 photographs of Polish athletes and football players presenting the most beautiful occasional coins of NBP. The exhibition toured many Polish towns and cities. The income from the auction went to the Great Orchestra of Christmas Charity (WOŚP).
- Open Days. During the ninth edition, NBP Head Office and regional offices were visited by approx. 40,000 visitors. The days were entitled: *NBP – a treasury of knowledge of money*.
- Operating the Euro Information Centre. The purpose of the activity of the Centre established in 2012 is to enhance the public's knowledge about the Economic and Monetary Union and Poland's adoption of the euro. During the first year of the activity, many educational and information projects were implemented. One of the important events was an exhibition entitled *Euro, the European currency*, organised together with the European Commission. The centre is a pilot project and covers the province of Łódź.

### 11.3. Publishing

In 2012, NBP's publishing activity included periodic publications, i.e.: *Annual Report*, *Report on NBP Operations*, *Monetary Policy Guidelines*, *Report on Monetary Policy Implementation*, *NBP Plan of Activity for 2013–2015*, *Financial System Development in Poland*, *International Investment Position of Poland*, *Annual Report 2011 – Banking Sector Liquidity*, *Monetary Policy Instruments of Narodowy Bank Polski*, *Inflation Report*, *Balance of Payments of the Republic of Poland*, *Information Bulletin*, *Preliminary Information*, and *Bank i Kredyt (Bank and Credit*, with an educational addendum called “*An A to Z of Financial Stability*”).

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

NBP continued its *Materiały i Studia* series as well as *NBP Working Papers* publications (for a 2012 detailed list, see Appendix 5).

### 11.4. Petitions, complaints, requests and letters

In 2012, NBP dealt with 5,575 queries (6,099 in 2011), of which 5,448 came in in the form of letters (5,948 in 2011) and 127 as complaints and applications (151 in 2011).

Out of those 5,151 were dealt with directly at NBP, whilst 424 (8.2%) were handed over, according to subject-matter, to banks and other institutions.

Issues handled at NBP included: the availability of collector coins, job and internship offers for undergraduates or professionals, granting financial support, information on banks' operations and the banking law, foreign exchange issues, and other issues such as legal successors of liquidated banks, Treasury securities, information related to undergraduate dissertations, and transfer of publications to NBP.

### 11.5. NBP Central Library

NBP Central Library collects publications on economics, with particular emphasis on banking and money. The Library's collections are made available to all interested persons in the reading room or via the lending library.

In 2012, 7,906 persons borrowed approx. 10.2 thousand books. As part of interlibrary lending, NBP resources were available to more than 70 institutions. The Central Library collections were used by a total of approx. 13,000 readers (35.8 thousand books).

#### Highlights of 2012:

- 186 educational projects,
- 3 information campaigns concerning: financial security during UEFA Euro 2012, the activity of quasi-banks and the interchange fee,
- numerous educational and information activities carried out by the Euro Information Centre.



Chapter 12

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# Legislative activity



## Legislative activity<sup>1</sup>

### 12.1. Legislation by NBP governing bodies

In 2012, the governing bodies of NBP issued 127 normative legal acts, including 25 by the President of NBP, 12 by the MPC, and 90 by the Management Board of NBP. Of all the legal acts issued by the governing bodies of NBP:

- 18 ordinances of the President of NBP were published in Monitor Polski (the Official Gazette of the Republic of Poland),<sup>2</sup> and one in the Official Journal of Narodowy Bank Polski,
- 1 announcement by the President of NBP was published in the Official Journal of Narodowy Bank Polski,
- 3 resolutions by the MPC were published in Monitor Polski, and 8 in the Official Journal of Narodowy Bank Polski,
- 3 resolutions by the Management Board of NBP were published in Monitor Polski, and 5 in the Official Journal of Narodowy Bank Polski.

### 12.2. 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 (Narodowy Bank Polski), NBP cooperated with the state authorities by issuing opinions on draft normative and non-normative acts regarding economic policy which had implications for the banking system. NBP contributed to the stability of the financial system and the safety and development of the banking system.

In 2012, NBP received:

- 192 documents as part of inter-ministerial consultations,
- 697 documents in the context of the work of the Committee of the Council of Ministers,
- 75 draft acts from the Chancellery of the Sejm.

In 2012, NBP employees participated in 14 consultative conferences, 7 legal committees, as well as in 68 meetings of Sejm and Senate committees and subcommittees.

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<sup>1</sup> Tasks in this field are performed pursuant to Article 7, Article 12, Article 16 section 3, Article 17 section 3 para. 2 and Article 4 of the Act on NBP and pursuant to the provisions of other acts in compliance with delegations included therein, for NBP governing bodies to adopt legal acts.

<sup>2</sup> Incl. one signed by the President of Narodowy Bank Polski in December 2012, announced in January 2013.

The most important draft legal acts on which NBP issued opinions in 2012, which do not pertain directly to the banking sector (legal acts on the banking sector are discussed in detail in Section 12.3), include:

- Bills which subsequently became:
  - Act of 11 May 2012 on the ratification of the European Council Decision No. 2011/199/EU of 25 March 2011 Amending Article 136 of the Treaty on the Functioning of the European Union with regard to a stability mechanism for Member States whose currency is the euro (Journal of Laws of 2 July 2012, item 748),
  - Act of 28 June 2012 Amending the Act on Trading in Financial Instruments and the Act on Public Offering and Conditions Governing the Introduction of Financial Instruments to Organised Trading and Public Companies (Journal of Laws of 20 July 2012, item 836),
  - Act of 10 October 2012 Amending the Act on Credit Unions (Journal of Laws of 25 October 2012, item 1166),
  - Act of 24 October 2012 Amending the Act on Trading in Financial Instruments and Some Other Acts (Journal of Laws of 11 December 2012, item 1385),
  - Act of 23 October 2012 Amending the Act on Investment Funds and the Act on Financial Market Supervision (Journal of Laws of 17 January 2013, item 70).
- Bills:
  - parliamentary Bill on the Fiscal Council,
  - parliamentary Bill Amending the Act on Credit Unions and Some Other Acts,
  - parliamentary Bill Amending the Act on Public Supervision of the Use of Transaction Prices,
  - two parliamentary Bills Amending the Act on Financial Market Supervision and Some Other Acts,
  - parliamentary Bill Amending the Act on Trading in Financial Instruments,
  - parliamentary Bill Amending the Act on Tax on Some Other Activities Related to Liquidation and Limitation of Business Activity in the Territory of the Republic of Poland,
  - government Bill Amending the Act on Trading in Financial Instruments,
  - government Bill Amending the Act on Payment Services.

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

- Commission’s proposals relating to 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 Regulation on OTC derivatives, central counterparties and trade repositories.

In 2012, NBP presented comments on 26 out of approximately 1.5 thousand documents delivered in connection with the work of the Committee for European Affairs. The key documents included:

- draft official position of the Government on draft regulations on the Single Supervisory Mechanism (SSM) and the functioning of the European Banking Authority (EBA) after SSM creation,
- draft official position of the Government on the draft directive establishing a framework for the recovery and resolution of credit institutions and investment firms.

In 2012, NBP referred to the President of the Council of Ministers its opinion to the document *Convergence Programme. Update 2012*.

NBP also contributed to developing solutions in the major areas of the functioning of the state 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,
- the Financial Market Development Council,
- the Trilateral Commission for Social and Economic Affairs.

Furthermore, as part of the legislative activity, NBP drafted a bill on rounding cash payments and monetary amounts denominated in zloty. The bill and the justification were submitted to the Minister of Finance for consideration of the possibility to initiate work that will lead to submission of the bill to the Sejm.<sup>3</sup>

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<sup>3</sup> The bill was submitted by the President of NBP to the Minister of Finance on 19 December 2012. In the letter dated 25 February 2013, the Minister of Finance suggested that NBP continue its analytical activities with regard to the bill, which are necessary to include the bill in the Government legislative work programme.

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

NBP issued opinions on:

- Bills which subsequently became:
  - Act of 27 January 2012 Amending the Act on the Settlement Finality in Payment and Security Settlement Systems and the Rules of Oversight of these Systems, Act on Certain Types of Financial Collateral, and the Bankruptcy and Recovery Act (Journal of Laws of 2012, item 173),
  - Act of 14 September 2012 Amending the Act on Consumer Loan and the Act on the Liability of Collective Entities for Acts Prohibited Under Penalty (Journal of Laws of 30 October 2012, item 1193).
- Bills:
  - two parliamentary Bills Amending the Act on Payment Services,
  - government Bill Amending the Act on the Bank Guarantee Fund and Some Other Acts,
  - the Senate Bill Amending the Banking Act, the Act on Bank Gospodarstwa Krajowego and the Act on Investment Funds.

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

In 2012, NBP participated in assessing 95 proposals for legislative acts on which the ECB issued opinions.<sup>4</sup>

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

- draft regulations on the Single Supervisory Mechanism (SSM) and the functioning of the European Banking Authority (EBA) after SSM creation,
- draft directive establishing a framework for the recovery and resolution of credit institutions and investment firms,
- draft directive on the taking up and pursuit of the business of credit institutions and prudential supervision of credit institutions and investment firms, and the draft regulation on prudential requirements for credit institutions and investment firms (CRD IV/CRR package),

<sup>4</sup> 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.

- draft regulation on markets in financial instruments (MiFID), a draft regulation on OTC derivatives, central counterparties and trade repositories (MiFIR),
- draft technical standards of the European Securities and Markets Authority (ESMA), complementing the regulation on OTC derivatives, central counterparties and trade repositories (EMIR),
- draft regulation on improving security settlement in the European Union and on central securities depositories, draft regulation on short selling and certain aspects of credit default swaps (CSDs) and draft directive on deposit guarantee schemes (DGS),
- draft regulation amending the regulation on rating agencies and draft directive amending the directive on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) and the Alternative Investment Fund Managers Directive (AIFMD) in respect of over-reliance on credit ratings.

Consultations also concerned numerous draft acts, i.e. Cypriot, Greek, Spanish, Irish, German, Hungarian and Italian 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 draft acts set out in items 12.2 and 12.3.<sup>5</sup>

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

Narodowy Bank Polski continued the work of Cross-Institutional Task Forces for the Euro Adoption by the Republic of Poland.<sup>6</sup>

As was the case last year, the plenipotentiary of the Management Board of NBP for euro introduction co-chaired the National Euro Coordination Committee and the Coordination Council. NBP representatives participated in the work of working teams, performing such functions as chairpersons and deputy chairpersons.

Work in 2012 concentrated on compiling documents describing activities to be undertaken after the determination of the date of euro adoption in Poland.

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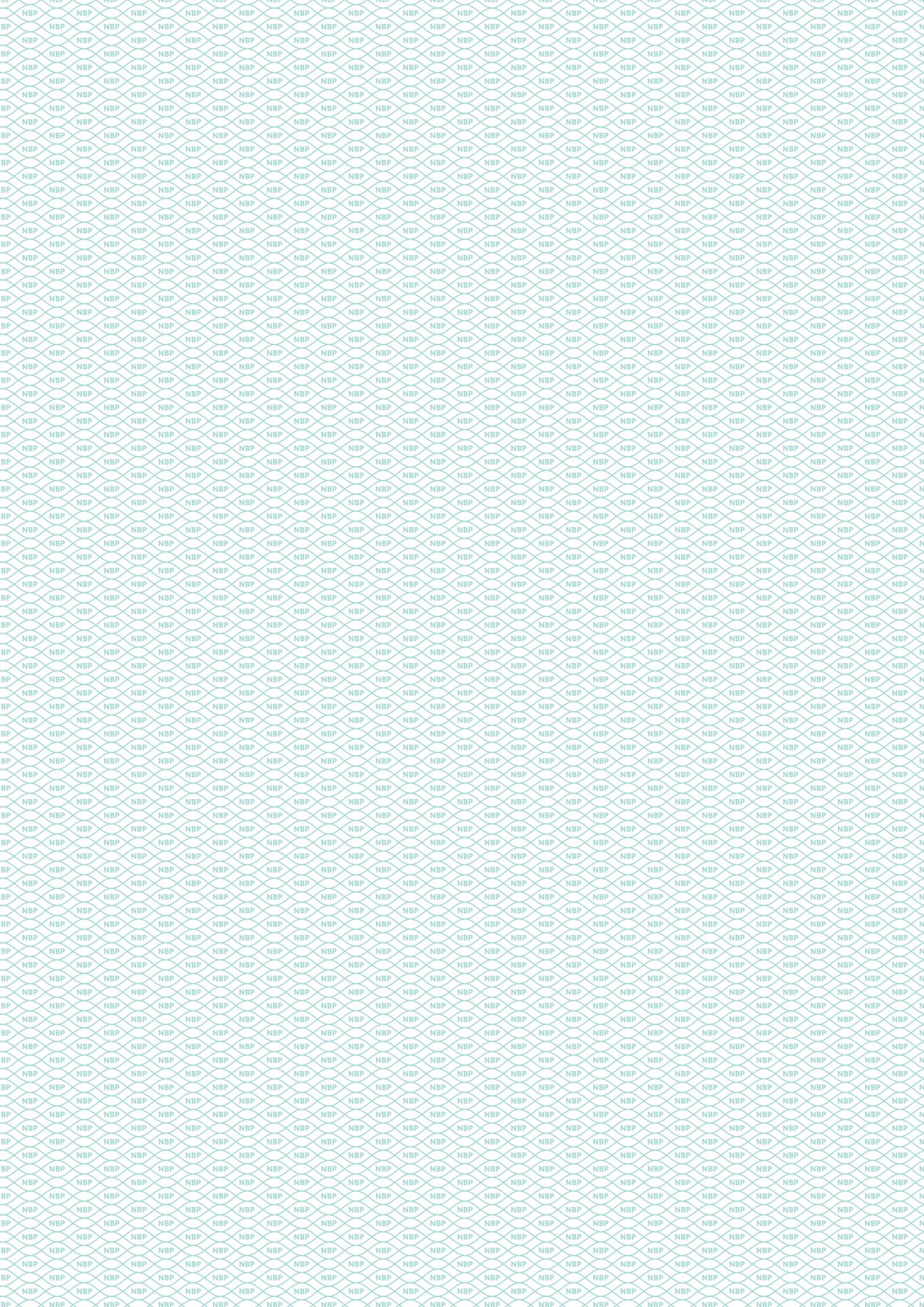
<sup>5</sup> Titles of opinions to individual draft Polish legal acts, available at the ECB website, refer to the technical content of a given draft and differ from the titles of the source drafts.

<sup>6</sup> 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).



**Highlights of 2012:**

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



Chapter 13

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# International activity





# International activity<sup>1</sup>

## 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 2012, the President of 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 relating to the macroeconomic situation of the EU Member States, financial stability and monitoring of central bank activities with regard to the prohibition of monetary financing of the public sector with central bank funds<sup>2</sup> and prohibition of privileged access.<sup>3</sup>

NBP representatives sat on 12 ESCB Committees as well as numerous working groups and task forces of the System. During these meetings, the following issues were discussed:

- the current macroeconomic situation in the EU Member States and in the financial markets,
- monitoring of changes in the Member State national laws of to do with ensuring budget balance,
- competitiveness and external imbalances of EU Member States,
- harmonisation of statistics with the ESA 2010 framework, collection of data from insurance institutions, introduction of securities holder statistics and the impact of the planned single supervision mechanism (SSM) on statistical responsibilities,
- the launch of the TARGET2-Securities system,
- risk associated with euro banknote counterfeiting,
- experience of ESCB central banks in market communication during the global crisis,
- public access to ECB documents.

<sup>1</sup> Tasks in this field are performed pursuant to Article 5, Article 11 sections 2 and 3, Articles 23 section 7 of the Act on NBP and the Statutes of the ECB and the ESCB.

<sup>2</sup> Which follows from Article 123 of the Treaty on the Functioning of the European Union

<sup>3</sup> Which follows from Article 124 of the Treaty on the Functioning of the European Union.

### 13.1.2. Collaboration with other Community bodies

In 2012, NBP representatives participated in activities of the following EU bodies:

- ECOFIN (informal meetings),
- committees of the Council of the EU, including the Economic and Financial Committee (EFC),
- committees and working groups of the European Commission,
- the Committee for Monetary, Financial and Balance of Payments Statistics (CMFB) and working groups of the Eurostat.

## 13.2. Collaboration with international economic and financial institutions

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

In 2012, as part of cooperation with the OECD, NBP experts participated in:

- the 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,
- work of the Inter-Ministerial Team for the Organisation for Economic Cooperation and Development (OECD) at the Ministry of Economy.

In February 2012, an NBP representative attended the meeting summarizing the 12th Review of the Polish Economy. The meeting focused on “green growth”<sup>4</sup> and the functioning of the health care system.

### 13.2.2. The World Bank Group

In cooperation with the World Bank Group, in 2012 the representatives of NBP participated in the following activities:

- Spring Meetings of the Boards of Governors of the World Bank and the International Monetary Fund (in April in Washington). The meetings were dedicated to, among other

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<sup>4</sup> 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 the key challenge for the coming years.

things, creation of the social security systems (the so-called safety nets) and funding of the private sector.

- Annual Meetings of the Boards of Governors of the World Bank (WB) and the International Monetary Fund (in October in Tokyo). The key topics of the discussion were: the assessment of efficiency of actions undertaken by the WB and impact of employment and job creation on socio-economic development.
- Meeting of the representatives of the states participating in the Swiss Constituency (in September, in Switzerland). The agenda covered the collaboration within the Constituency to date and the outlook for its future development, especially in the context of the 20th anniversary of the Constituency in 2012.

Moreover, the following events took place in 2012:

- A Memorandum of Understanding (MoU) was signed between Switzerland and Poland (Poland was represented by the Minister of Finance and the President of NBP) on new principles for collaboration and leadership in the Constituency in the IMF and the WB Group. A vital part of the MoU concerns the introduction of a rotation scheme for the position of Executive Director of the Constituency in the IMF, and also – in the future – the position of Executive Director of the Constituency in the World Bank.
- The WB Managing Director, Caroline Anstey, was an honorary guest at the seminar organised by NBP titled the *Economic Development in the Changing World*.
- NBP co-organised the presentation of two WB reports: *Global Economic Prospects Report 2012* and *Global Financial Development Report*.

As the chairman of the Development Committee of the WB and the IMF, the President of NBP participated in G20 meetings in 2012.

### 13.2.3. International Monetary Fund

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

- meetings with IMF representatives during the Fund's mission in Poland held under Article IV of the Agreement of the IMF and in connection with experts' visits at NBP, and dedicated, among others, to establishment of a macro-prudential policy framework in Poland,
- consultations on documents considered by the Executive Board of the IMF.

Narodowy Bank Polski, participating since November 2011 in the temporary increase in financial resources of the IMF as part of New Arrangements to Borrow (NAB), stands ready to extend to the IMF an interest-bearing loan of up to the equivalent of SDR 2.53 billion.



At the end of 2012, the IMF had drawn an amount corresponding to SDR 298.5 million under NAB.<sup>5</sup>

In 2012, NBP worked on extension of Poland's access to the Flexible Credit Line for another period.<sup>6</sup>

In 2012, at the request of the Minister of Finance, the Management Board of NBP authorised the President of NBP to declare to the government of the Republic of Poland and the IMF the readiness of NBP to participate in the increase in the Fund's financial resources under a temporary bilateral loan arrangement. The decision about the loan to the IMF was made by the Management Board of NBP in 2013.<sup>7</sup>

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

In May 2012, the 21th Annual Meeting of the Board of Governors of the European Bank for Reconstruction and Development (EBRD) was held in London, during which a new EBRD President was elected. It was also decided that the 23 Annual Meeting of the Board of Governors of the EBRD will be held in May 2014 in Warsaw. Furthermore, in 2012 the following took place:

- Poland was visited by: the outgoing EBRD President, Thomas Mirow, and his successor, Suma Chakrabarti.
- The EBRD Board of Directors paid a visit to Poland. The purpose of the visit was to present the country's economic situation and discuss the possibility of implementing successive projects funded by the EBRD in Poland.

#### 13.2.5. The Bank for International Settlements (BIS)

In 2012, NBP representatives participated in 6 meetings of BIS Governors.

The annual General Meeting of BIS Shareholders on 24 June 2012 adopted 82nd *Annual Report* and approved the balance sheet of the Bank as at 31 March 2012. The profit and loss account, which posted a net profit of SDR 758.9 million, was also approved. Out of this amount, SDR 168.4 million was assigned for the disbursement of dividend. NBP received a dividend amounting to SDR 2,440 thousand.

<sup>5</sup> 2011–2012, NBP granted to the IMF loans under NAB worth SDR 301 million and received the repayment in 2012 in the amount of SDR 2.5 million.

<sup>6</sup> On 18 January 2013, the Executive Board of the IMF made a decision on extending the Flexible Credit Line to Poland of SDR 22 billion (ca. USD 33.8 billion, of 1303% of Poland's share in the IMF) for another two years. As in the case of the FCL extended to Poland on 2 July 2010 and 21 January 2011, NBP currently also serves the FCL as the Government's financial agent under Article 52 section 3 of the Act on NBP.

<sup>7</sup> On 11 February 2013, the Management Board of NBP accepted the bilateral loan agreement between Narodowy Bank Polski and the International Monetary Fund. The maximum amount will be SDR equivalent of EUR 6.27 billion. After signature by the parties (NBP and IMF), the agreement took effect on 15 March 2013.

### 13.2.6. The International Bank for Economic Cooperation

In 2012, representatives of NBP, together with representatives of the Ministry of Finance worked on developing a stance on issues related to the operation of the Bank and participated in the meetings of the IBEC Council and in working meetings.

### 13.2.7. Cooperation within the Vienna Initiative

In 2012, the President of NBP was elected Chairman of the Steering Committee of the Vienna 2 Initiative, which is a forum dedicated to coordinating the cooperation between: home and host countries,<sup>8</sup> European institutions and international financial institutions. Its purpose is to support stable cross-border banking in CEE and SEE and guard against disorderly deleveraging.

The initiative was established, and operated during the global financial crisis of 2008/09. In January 2012, the initiative was re-launched as Vienna 2 Initiative.

## 13.3. Technical and training assistance

In 2012, under Technical Cooperation for Transition (TCT), NBP implemented the following assistance projects:

- 21 study visits, 36 expert visits and 4 internships,
- 7 seminars (including 1 in collaboration with the Swiss National Bank and 1 in collaboration with the Polish Security Printing Works and Polish Mint) dedicated to financial stability, payment system, the issue of money and production of banknotes, issue of banknotes and coins, telecommunications security and information protection, HR management, promotion and education policy and the legal aspects of the operation of NBP,
- 7 workshops on monetary policy, seasonal adjustment of time series, Bayesian econometrics, financial risk management, balance of payments statistics, inflation expectations and analysis of statistical data of time series.

The assistance projects involved 329 participants from 29 central banks.

Moreover, in 2012 NBP:

- continued the twinning project with the Bank of France for the benefit of the Central Bank of Tunisia (*Setting a monetary policy framework based on inflation targeting at the Central Bank of Tunisia*),

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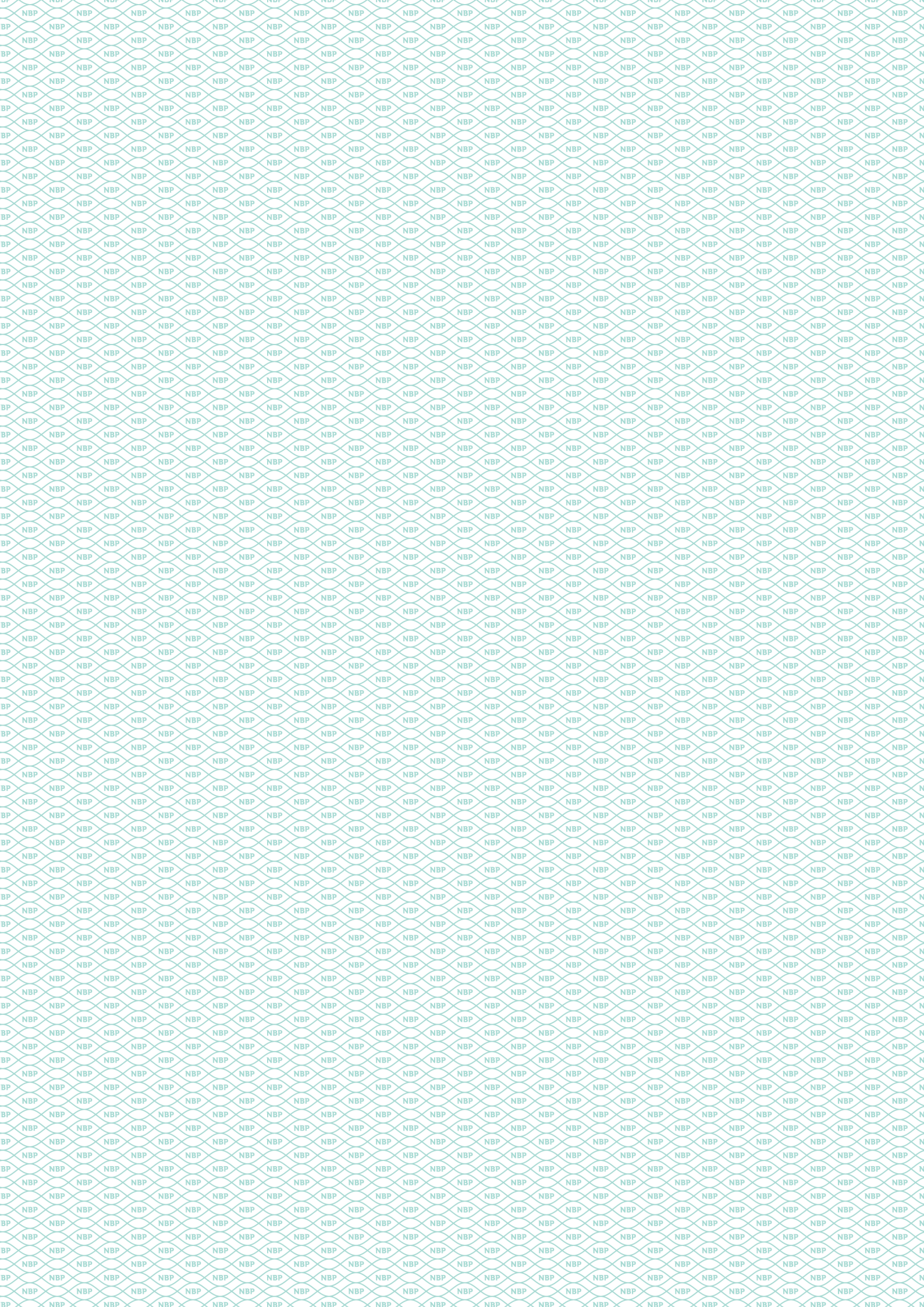
<sup>8</sup> A home country is an EU country in which a credit institution obtained a licence to run business activity. A host country is an EU country, in which a credit institution has a branch or provides services via a subsidiary bank.

- completed its activities within the ECB support programme for the National Bank of Serbia,
- adopted *Programme of NBP Technical Cooperation for 2013–2015*, which sets NBP's goals.

**Highlights of 2012:**

- development of new principles of leadership in the Constituency in the IMF and the WB Group,
- NBP involvement in Vienna 2 Initiative.





Chapter 14

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# Internal development of NBP





# Internal development of NBP<sup>1</sup>

## 14.1. Human resources management

### 14.1.1. NBP employment level

In 2012, average employment at Narodowy Bank Polski did not change compared to 2011 and there were 3,642 full-time posts.

**Table 14.1.** Change in the NBP average employment level in 2009–2012

Item	2009	2010	2010–2009	2011	2011–2010	2012	2012–2011	2012–2009
Total	3,770	3,666	-104	3,642	-24	3,642	0	-128
Head Office	1,638	1,690	52	1,702	12	1,700	-2	62
Regional branches	1,842	1,720	-122	1,716	-4	1,715	-1	-127
Support Services Office	290	256	-34	224	-32	227	3	-63

Source: NBP data.

The Table 14.1 presents changes in the NBP average employment level in the years 2009–2012.

In 2012, remuneration expenses along with the related provisions and payroll tax expenses increased by 5.4% on the actually recorded figure in 2011. Gross of provisions for future liabilities to employees went up by 6.3%.

### 14.1.2. Developing staff qualifications

The purpose of the NBP training activity is to ensure competence and reliability of staff. In 2012, every employee participated in, on average, 3.5 training events. The evaluation of the effectiveness of training sessions organised by NBP continued to be very high and in 2012 was 4.8 (on a 1 to 5 scale).

Moreover, in 2012:

- the first edition of *Development of the NBP Management Programme* was introduced,
- adaptation of new Bank's employees was supported,

<sup>1</sup>Tasks in this field are performed pursuant to Article 7, 10–11, Article 17 section 1, section 3 para. 2 and Article 4 and Article 56–57 of the Act on NBP.



- internships for 65 undergraduates of national universities and 14 of foreign universities were organised (undergraduate internship programme was developed for people who prepare dissertations on finance and banking).

## 14.2. Operational and compliance risk management

In 2012, further actions aimed at operational risk mitigation were pursued. They consisted in minimising the probability of adverse events arising from poor management and unreliable operation of the Bank's resources (including IT systems, property, staff, etc.) or caused by external events:

- work on expanding the process of operational risk management at NBP was pursued, including changes of internal regulations,
- new functions in the IT system supporting operational risk management were introduced,
- cyclical evaluations of operational risk level were conducted, and the results were presented to the Risk Management Committee and the NBP Management Board.

## 14.3. Investment and renovation

In 2012, expenditure on investment tasks and purchases stood at PLN 96.1 million (as compared to PLN 66.2 million in 2011).

The amount of PLN 24.7 million was spent on construction projects (25.7% of total expenditure). The key projects included:

- modernisation of office space formerly occupied by the Polish Academy of Sciences – PLN 12.9 million,
- modernisation of the NBP Head Office – PLN 3.3 million,
- reconstruction of the Regional Branch in Warsaw to gain space for new banknote sorters – PLN 1.4 million.

In April 2012, the modernisation of office space formerly occupied by the Polish Academy of Sciences was completed. Additional office space was gained, work conditions improved and savings were made since there is no need at present to rent additional space. The modernised buildings will be home to the NBP Money Centre in memory of Sławomir S. Skrzypek.

Expenditure was also related to 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 60.6 million; 63.0% of total expenditure). The expenditure also concerned:

- tools and administration software – PLN 11.5 million,
- modernisation of network infrastructure – PLN 10.0 million,
- replacement of servers – PLN 9.2 million,
- Storage Area Network (SAN) – PLN 7.8 million,
- modernisation of the structural network and server rooms – PLN 4.9 million,
- purchase of microcomputers – PLN 4.2 million.

The investment enabled NBP to ensure a requisite level of system security, replace depreciated IT and communications infrastructure, and maintain a high level of the NBP customer service.

The amount of PLN 10.8 million was spent on purchases of off-the-shelf tangible assets and intangible assets (11.3% of total expenditure).

In 2012, the NBP expenditure on renovation and maintenance of its property totalled PLN 47.6 million (in 2011 – PLN 44.4 million). The costs incurred covered:

- facility renovations – PLN 8.3 million,
- maintenance – PLN 39.3 million (including: facility and utility maintenance – PLN 8.7 million, maintenance of equipment and cash-and-vault facilities as well as cash-in-transit vehicles – PLN 9.5 million, maintenance of IT and communications equipment – PLN 18.0 million, maintenance of security systems – PLN 1.5 million, other machinery and equipment maintenance – PLN 1.6 million).

#### **14.4. IT support for the banking system and NBP**

In 2012, the following IT activities were carried out:

- A decision about relocating the back-up centre of NBP to the Data Processing Centre of the Ministry of Finance in Radom was made and a relevant agreement with the Ministry of Finance was signed. Agreements with external suppliers for the service of the new centre were also concluded. This enabled NBP to make a decision on abandoning the idea of building a back-up centre in Zalesie, which was estimated at ca. PLN 77 million.
- New systems were implemented: NBP-PHA system replacing SORBNET-EURO (from 1 January 2012), and the system of exchange rate tables (TKW2).
- An annex to the agreement with Sygnity was signed, which helped significantly cut cost of Integrated Accounting System service and provided conditions for its development.

- The functioning of IT systems at NBP (SWIFT, access rights management in Active Directory, Windows infrastructure) was improved.
- New system design works were carried out, including: SKARBNET4 (merging the functions of SKARBNET3 and SEBOP), New Electronic Banking (NBE), SORBNET2 (interbank settlement system in PLN), upgrade of SIS, work on EWIB 2.0 (Internet Base Directory of Financial Institutions' Numbers) and a new SOA (Service Oriented Architecture) platform.

## 14.5. Internal audit

In 2012, 37 audits (34 in 2011) and 5 advisory tasks (6 in 2011) were conducted. The audits focused on treasury activities, IT and functioning of the security system at NBP. Audits also covered monetary policy procedures, financial stability and financial risk management activities.

At the NBP Head Office, 18 departments and the Support Services Office, as well as 10 NBP regional branches were inspected. The audits resulted in findings, instructions and recommendations.

## 14.6. Safety and security

In 2012, work was carried out on security system at NBP, including: ensuring business continuity, protection of information, personal data and IT systems, security of facilities, persons and money, and provision of cryptographic and certification services. The activities covered in particular:

- Monitoring of impact of the second underground line on the infrastructure of the NBP Head Office. The finding of an unexploded bomb near the Bank helped test the BCP of NBP (with positive result).
- A long-term plan of technical security upgrade at NBP was developed and the first stage of its implementation began.
- Adjustment of the public-key infrastructure (PKI) to ESBC standards enabled to use the NBP cryptographic certificates in external banking systems.
- In cooperation with the Polish Bank Association, the cycle of annual conferences on security and bank protection, which is a forum of opinion and experience sharing for the banking community in Poland, was inaugurated.

## 14.7. Services

Tasks in the scope of services performed by the Services Support Office included in particular: office service, printing service and transport service, including transport of cash.

### Highlights of 2012:

- making a decision on relocating the back-up centre of NBP,
- work on IT and security facilitating the operation of NBP.

Chapter 15

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**Condensed financial statements  
of Narodowy Bank Polski  
as at 31 December and registered  
auditor's opinion**



# Condensed financial statements of Narodowy Bank Polski as at 31 December and registered auditor's opinion<sup>1</sup>

## Balance sheet of Narodowy Bank Polski as at 31 December 2012

Assets		Note	31 December 2011	31 December 2012
			PLN thousand	
1	Gold and gold receivables	1	17,804,260.4	17,066,498.7
2	Claims on non-residents denominated in foreign currency		316,654,533.9	320,541,064.4
2.1.	<i>Receivables from the IMF</i>	2	10,145,391.3	9,584,003.4
2.2.	<i>Balances with foreign institutions, securities, loans granted and other foreign assets</i>	3	306,509,142.6	310,957,061.0
3.	Claims on residents denominated in foreign currency		0.0	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	4	356,402.0	0.7
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		1,957,070.8	1,311,880.9
10.1.	<i>Tangible and intangible fixed assets</i>	5	873,744.9	896,858.6
10.2.	<i>Other financial assets</i>	6	193,895.2	182,496.9
10.3.	<i>Off-balance-sheet instruments revaluation</i>	7	72,111.0	5,971.9
10.4.	<i>Accruals and prepaid expenses</i>	8	56,741.2	49,400.0
10.5.	<i>Sundry</i>	9	760,578.5	177,153.5
<b>Total assets</b>			<b>336,772,267.1</b>	<b>338,919,444.7</b>

<sup>1</sup>Tasks in this area are carried out among others in accordance with Chapter 10 (articles 60–70) of the Act on the National Bank of Poland (Narodowy Bank Polski).



Liabilities		Note	31 December 2011	31 December 2012
			PLN thousand	
1	Banknotes and coins in circulation	10	112,089,532.0	113,666,844.1
2	Liabilities to other domestic monetary financial institutions related to monetary policy operations denominated in domestic currency	11	119,823,979.6	153,632,729.7
2.1.	<i>Current accounts (including the required minimum reserve accounts)</i>		20,417,008.4	48,815,544.9
2.2.	<i>Deposit facilities</i>		5,976,261.2	4,975,374.8
2.3.	<i>Fixed-interest deposits</i>		0.0	0.0
2.4.	<i>Other monetary policy operations</i>		93,430,710.0	99,841,810.0
3.	Other liabilities to other domestic monetary financial institutions denominated in domestic currency	12	169,616.1	229,233.6
4.	Liabilities to other residents denominated in domestic currency	13	4,655,713.7	4,797,701.0
4.1.	<i>Liabilities to general government</i>		4,606,627.8	4,742,282.3
4.2.	<i>Other liabilities</i>		49,085.9	55,418.7
5.	Liabilities to non-residents denominated in domestic currency	14	323,361.4	149,356.3
6.	Liabilities to residents denominated in foreign currency	15	16,126,196.1	15,819,629.3
7.	Liabilities to non-residents denominated in foreign currency	16	10,056,395.7	10,864,085.8
8.	Liabilities to the IMF	17	6,844,178.1	6,218,885.5
9.	Items in course of settlement		0.0	0.0
10.	Other liabilities		862,282.6	262,126.6
10.1.	<i>Off-balance-sheet instruments revaluation differences</i>	18	547,786.7	2,815.7
10.2.	<i>Accruals and deferred income</i>	19	200,961.9	202,447.2
10.3.	<i>Sundry</i>	20	113,534.0	56,863.7
11.	Provisions for future liabilities	21	105,412.5	113,734.8
12.	Revaluation accounts	22	54,667,609.7	25,157,432.7
13.	Capital and reserves	23	13,868,759.7	13,924,502.4
13.1.	<i>Statutory fund</i>		1,500,000.0	1,500,000.0
13.2.	<i>Reserve fund</i>		534,733.7	966,590.7
13.3.	<i>Reserves</i>		11,834,026.0	11,457,911.7
14.	Financial result	24	-2,820,770.1	-5,916,817.1
14.1.	<i>Financial result for the current year</i>		8,637,141.6	5,541,094.6
14.2.	<i>Loss of previous years</i>		-11,457,911.7	-11,457,911.7
<b>Total liabilities</b>			<b>336,772,267.1</b>	<b>338,919,444.7</b>

Director of Accounting  
and Operations Department of NBP:

/-/ Grażyna Gielecińska

Management Board of NBP:

/-/ Marek Belka  
 /-/ Piotr Wiesiołek  
 /-/ Witold Koziński  
 /-/ Eugeniusz Gatnar  
 /-/ Andrzej Raczko  
 /-/ Jakub Skiba  
 /-/ Małgorzata Zaleska

Warsaw, 28 March 2013

## Profit and loss account of NBP for the year ended on 31 December 2012

		Note	2011	2012
			PLN thousand	
1.	Net result on interest, discount and premium		-1,275,714.6	-3,164,885.1
1.1.	<i>Interest, discount and premium income</i>	29	6,427,078.2	6,314,610.7
1.2.	<i>Interest, discount and premium expenses</i>	30	7,702,792.8	9,479,495.8
2.	Net result on financial operations		10,546,580.5	9,724,521.0
2.1.	<i>Income on financial operations</i>	31	11,121,839.0	10,676,334.2
2.2.	<i>Expenses on financial operations</i>	32	1,341,839.5	493,100.8
2.3.	<i>Unrealised losses</i>	33	278.6	834,826.7
2.4.	<i>Income on transfers from risk provisions and on reversal of write-downs of financial assets</i>	34	766,859.6	376,114.3
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		-902.1	-109,484.2
3.1.	<i>Fees and commissions income</i>	35	35,488.9	34,626.1
3.2.	<i>Fees and commissions expenses</i>	36	36,391.0	144,110.3
4.	Income on shares and equities	37	72,783.3	21,226.6
5.	Other income	38	342,596.2	148,958.2
<b>A.</b>	<b>Total net income [1 + 2 + 3 + 4 + 5]</b>		<b>9,685,343.3</b>	<b>6,620,336.5</b>
6.	Salaries and social contributions	39	429,935.1	457,198.0
7.	Administrative expenses	40	259,270.7	269,259.1
8.	Depreciation and amortization expenses	41	77,345.0	68,848.3
9.	Cost of issue of banknotes and coins	42	262,048.3	267,436.2
10.	Other expenses	43	19,602.6	16,500.3
<b>B.</b>	<b>Financial result for the current year [A - 6 - 7 - 8 - 9 - 10]</b>	<b>44</b>	<b>8,637,141.6</b>	<b>5,541,094.6</b>

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 /-/ Jakub Skiba  
 /-/ Małgorzata Zaleska

Warsaw, 28 March 2013

## Notes – general information

### 1. Introduction

#### 1.1. Legal basis, scope of activities and bodies of 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”. “It shall have the exclusive right to issue money as well as to formulate and implement monetary policy. NBP shall be responsible for the value of Polish currency”.

NBP has a legal personality and is not subject to entry into the register of state enterprises. 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 NBP are set forth in the following acts and regulations:

- the Act of 29 August 1997 on the National Bank of Poland (Narodowy Bank Polski) (consolidated text: Journal of Laws of 2005, No. 1, item 2, as amended),
- the Act of 29 August 1997 – Banking Law (consolidated text: Journal of Laws of 2012, item 1376, 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 NBP is to maintain price stability, while supporting the economic policies of the government, insofar as it does not constrain the basic objective of NBP. The tasks of 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 NBP, the bodies of NBP are:

1. President of Narodowy Bank Polski (appointed for a six-year term of office),
2. Monetary Policy Council (its members are appointed for a six-year, non-renewable term of office),
3. Management Board of Narodowy Bank Polski (its members are appointed for a six-year term of office).

The composition of the NBP bodies as at 31 December 2012 was as follows:

- President of 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 Głapiński – 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 NBP  
Chairperson  
Marek Belka – from 11 June 2010  
First Deputy President of NBP  
Piotr Wiesiołek – from 6 March 2008  
Deputy President of 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 13 March 2013, Zdzisław Sokal ceased to act as member of the Management Board of NBP.

## 1.2. Legal basis for the preparation of the financial statements

The financial statements of NBP as at 31 December 2012 were prepared on the basis of the following provisions:

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

## 1.3. Period covered by the financial statements

The financial statements cover the calendar year from 1 January to 31 December 2012.

## 1.4. Certified auditor and its selection

The NBP annual financial statements drawn up as at 31 December 2012 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 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 2011

The annual financial statements of NBP drawn up as at 31 December 2011 were adopted by the MPC by Resolution No. 1/2012 on 4 April 2012 and approved by the Council of Ministers by Resolution No. 92/2012 on 12 June 2012. 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 2011, NBP recorded a financial result in the amount of PLN 8,637,141.6 thousand. Consequently, in 2012 NBP paid a contribution from profit to the State budget in the amount of PLN 8,205,284.5 thousand. In accordance with Article 62 of the Act on NBP, 5% of the annual profit, i.e. the amount of PLN 431,857.1 thousand, was allocated to the reserve fund.

## **2. Description of significant accounting principles**

### **2.1. Basic accounting principles**

The accounting principles of 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 NBP, 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 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, NBP follows the so called economic approach as laid down in the ECB Guideline. Consequently, 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.<sup>2</sup>

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 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,
- 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.

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<sup>2</sup> Except for:

- interest on nostro accounts balances, which is 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 is recognised at the month-end.

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 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 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 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.

### *2.5.3. Securities purchased by 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 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 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 NBP*

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

Discount and premium on securities issued by 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 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 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.

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 2012.

Fixed assets	Depreciation period (months)
Land	Not subject to depreciation
including: right of perpetual usufruct of land	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	60-240
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 NBP	120

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

In the case of tangible and intangible fixed assets with a low initial value, i.e. below PLN 3,500, 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 NBP when 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 NBP, and the amount of this obligation and the amount adequate to cover 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 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 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

In 2012, NBP did not change the accounting principles.

## 4. Values based on professional judgement and estimates

When preparing financial statements, 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 NBP are reviewed on a regular basis.

The key area where 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 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 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 NBP as at 31 December 2012 amounted to PLN 338,919,444.7 thousand, which represents an increase by PLN 2,147,177.6 thousand (0.6%) as compared to 31 December 2011.

On the assets side, the increase was mainly related to the official reserve assets which amounted to PLN 337,591,719.7 thousand as at 31 December 2012 and increased by PLN 3,144,525.4 thousand as compared to 31 December 2011.<sup>3</sup> The official reserve assets comprise: monetary gold, reserve tranche in the IMF,<sup>4</sup> loans extended to the IMF, current accounts and term deposits abroad in foreign currency, foreign securities, reverse repo transactions in foreign currency and foreign currency in stock. NBP actively manages most of the above mentioned instruments under the foreign exchange reserve management. The official reserve assets increase expressed in foreign currencies was due to: inflows of the EU funds in euro, net inflows related to servicing State Treasury foreign debt by NBP, and inflows of foreign currency from the NBP investment activities. The change in the PLN equivalent of the official reserve assets was also affected by the currency revaluation carried out as at 31 December 2012.

On the liabilities side, currency revaluation resulted in lower currency revaluation gains which amounted to PLN 21,698,967.0 thousand as at 31 December 2012, and decreased by PLN 27,700,762.5 thousand as compared to 31 December 2011.

At the same time, the increase on the liabilities side concerned mainly:

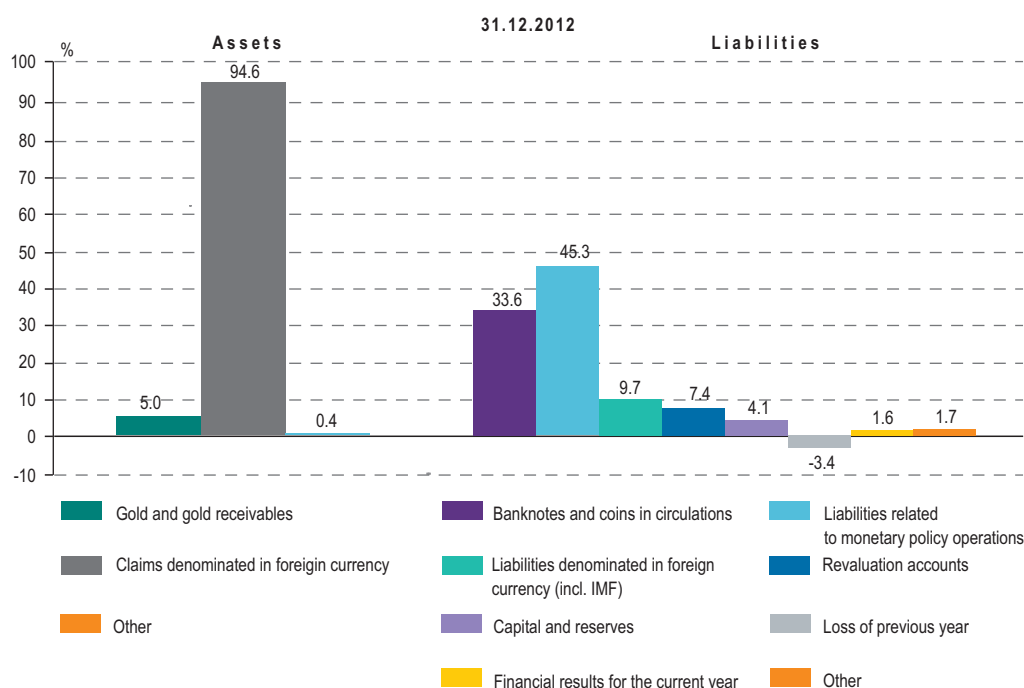
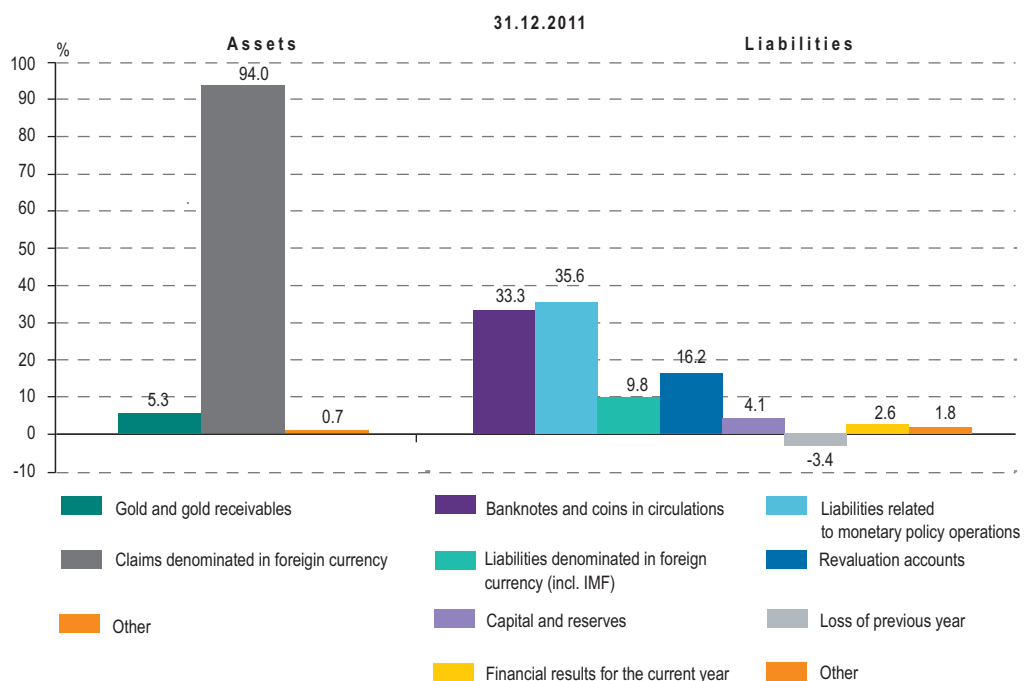
- liabilities related to monetary policy operations which increased by PLN 33,808,750.1 thousand, amounting to PLN 153,632,729.7 thousand as at 31 December 2012,
- liabilities due to banknotes and coins in circulation which increased by PLN 1,577,312.1 thousand, amounting to PLN 113,666,844.1 thousand as at 31 December 2012.

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<sup>3</sup> Expressed in EUR, the official reserve assets amounted to EUR 82,577,104.8 thousand as at 31 December 2012, compared to EUR 75,721,607.1 thousand as at 31 December 2011.

<sup>4</sup> For statistic purposes, these loans are treated as part of the reserve tranche in the IMF.

Figure 15.1. The NBP balance sheet structure as at 31 December 2011 and 31 December 2012



The dominant positions on the assets side of the NBP balance sheet are those in foreign currencies and gold. As at 31 December 2012, their combined share in the balance sheet total amounted to 99.6%, compared to 99.3% as at 31 December 2011. On the liabilities side, the share of liabilities in foreign currencies in the balance sheet total amounted to 9.7% as at 31 December 2012, compared to 9.8% as at 31 December 2011. The main elements of the liabilities are liabilities related to monetary policy operations and banknotes and coins in circulation whose combined share amounted to 78.9% as at 31 December 2012, compared to 68.9% as at 31 December 2011 (see Figure 15.1).

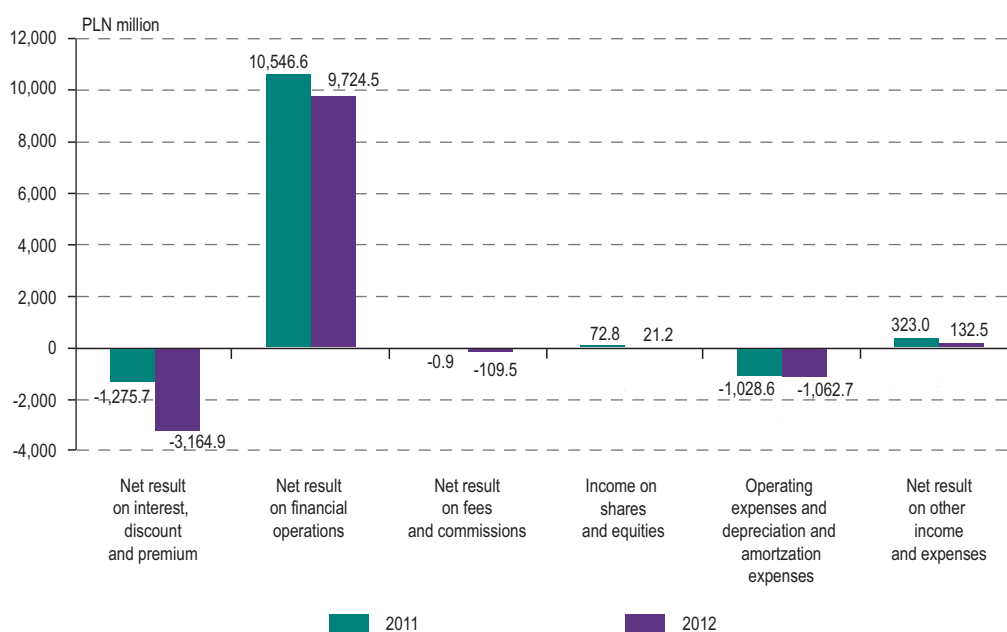
### NBP financial result

The NBP financial result for 2012 amounted to PLN 5,541,094.6 thousand and decreased by PLN 3,096,047.0 thousand (35.8%) as compared to 2011.

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

The structure of the NBP financial result for 2011 and 2012 is presented in Figure 15.2.

**Figure 15.2.** Structure of financial result in 2011–2012



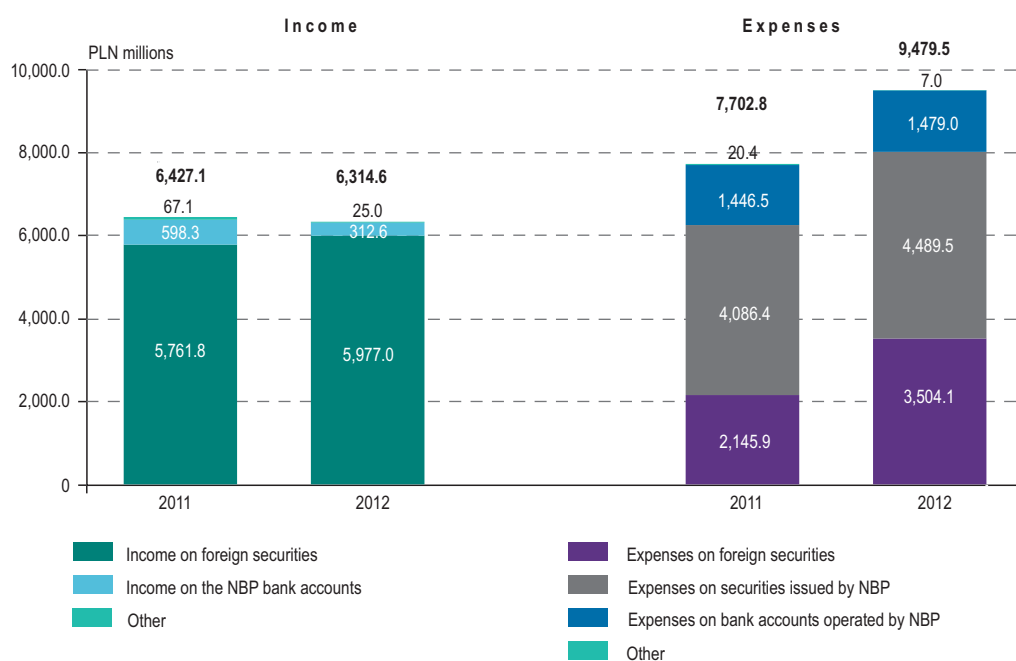
Net result on interest, discount and premium comprises mainly:

- 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, their investment and currency structure, changes in interest on and prices of investment instruments and changes in foreign exchange rates,

- interest and discount income and expenses on instruments used by NBP under monetary policy operations (mainly expenses related to the issue of monetary bills),
- interest expenses on bank accounts operated by NBP for the government sector.

The decline in the net result on interest, discount and premium by PLN 1,889,170.5 thousand was driven mainly by an increase in the premium expenses on securities denominated in foreign currencies and in the discount expenses on monetary bills issued by NBP (see Figure 15.3).

**Figure 15.3.** Structure of interest, discount and premium income and expenses in 2011–2012



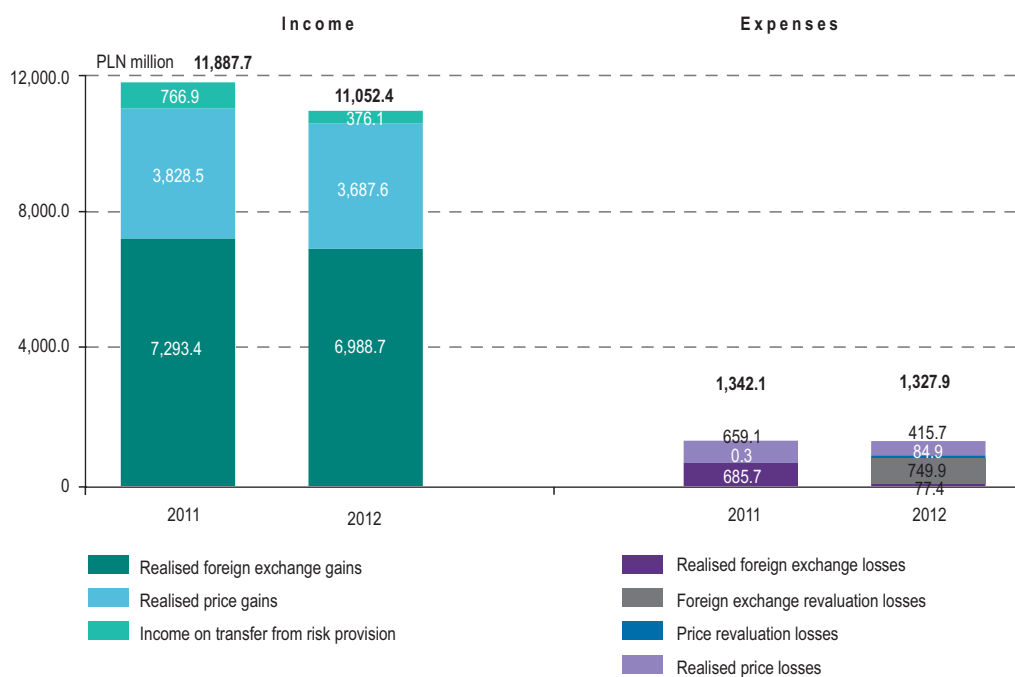
Note: Due to rounding, individual values may not add up to totals.

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

The decrease in the net result on financial operations by PLN 822,059.5 thousand was mainly driven by: lower income on financial operations due to lower income on realised foreign exchange and price gains and lower income on the release of the provision against the foreign exchange rate risk. In 2012, the expenses making up the result on financial operations remained at the level close to the 2011 level. Yet, their structure changed: expenses on realised foreign exchange and price losses decreased by PLN 848,728.2 thousand, with a simultaneous increase in unrealised losses on foreign exchange and price revaluation by PLN 834,548.1 thousand (see Figure 15.4).

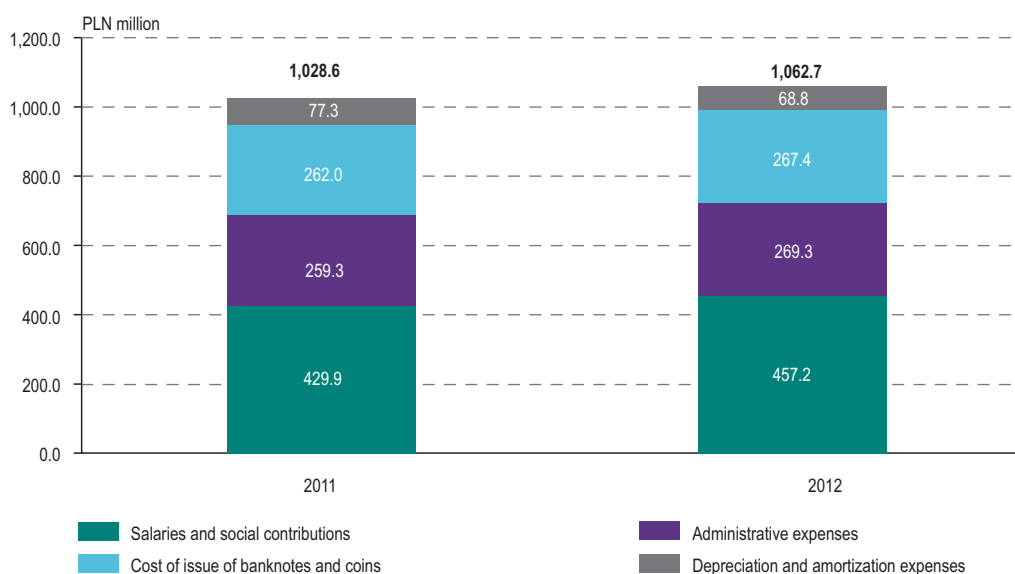


**Figure 15.4.** Structure of income and expenses in net result on financial operations in 2011–2012



Note: Due to rounding, individual values may not add up to totals.

**Figure 15.5.** Structure of operating expenses and depreciation and amortization expenses in 2011–2012



Note: Due to rounding, individual values may not add up to totals.

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

In 2012, operating expenses and depreciation and amortization expenses increased by a total of PLN 34,142.5 thousand as compared to 2011. The increase in operating expenses resulted mainly from higher salaries, together with social contributions and higher administrative costs (see Figure 15.5).

## 6. Explanatory notes to the balance sheet

### Note 1. Gold and gold receivables

The position comprises gold stored at NBP and deposited in a foreign bank account. As at 31 December 2012, NBP held 3,308.9 thousand ounces of gold (102.9 tonnes). The gold holding of NBP remained unchanged as compared with the 31 December 2011.

The decrease in the position resulted from the currency revaluation of gold (see Note 22).

	31.12.2011	31.12.2012	Change	
	PLN thousand			%
Gold and gold receivables	17,804,260.4	17,066,498.7	-737,761.7	-4.1
<i>of which currency revaluation differences</i>	13,468,260.9	12,730,499.2	-737,761.7	-5.5

### 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 NBP for the IMF in domestic currency (so-called No. 1 Account) whose balance as at 31 December 2012 was PLN 5,262,422.9 thousand,
- current account of NBP with the IMF on which, among others, funds received by NBP under SDR allocation are recorded (see Note 17),
- term deposits of NBP with the IMF,
- loans in foreign currency extended to the IMF under the New Arrangements to Borrow (NAB) (see Note 27).

	31.12.2011	31.12.2012	Change	
	PLN thousand			%
SDR under the reserve tranche	3,052,762.1	2,759,364.9	-293,397.2	-9.6
Current accounts with the IMF	6,142,978.4	5,368,053.3	-774,925.1	-12.6
Term deposits with the IMF	37,097.7	33,715.1	-3,382.6	-9.1
Loans extended to the IMF	912,553.1	1,422,870.1	510,317.0	55.9
<b>Total</b>	<b>10,145,391.3</b>	<b>9,584,003.4</b>	<b>-561,387.9</b>	<b>-5.5</b>
<i>of which currency revaluation differences</i>	<i>987,103.0</i>	<i>-13,624.5</i>	<i>-1,000,727.5</i>	<i>-101.4</i>

The decrease in the position was mainly due to the currency revaluation of SDR. At the same time, there was an increase in receivables on the loans extended to the IMF as in 2012 NBP made subsequent payments under NAB.

### 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.

In addition, in 2012 NBP started investing in government securities denominated in the currencies of developing countries (Brazilian real – BRL, Mexican peso – MXN).

	31.12.2011	31.12.2012	Change	
	PLN thousand			%
Current accounts in foreign currency	9,764,676.7	3,867,549.1	-5,897,127.6	-60.4
Term deposits in foreign currency	18,975,830.5	16,971,321.4	-2,004,509.1	-10.6
Reverse repo transactions in foreign currency	9,900,277.8	13,075,900.2	3,175,622.4	32.1
Securities in foreign currency (marketable securities other than held-to-maturity)	267,660,962.9	276,880,850.6	9,219,887.7	3.4
Foreign banknotes and coins in stock	207,386.0	161,439.7	-45,946.3	-22.2
Other claims in foreign currency	8.7	0.0	-8.7	-100.0
<b>Total</b>	<b>306,509,142.6</b>	<b>310,957,061.0</b>	<b>4,447,918.4</b>	<b>1.5</b>
of which				
– <i>currency revaluation differences</i>	<i>38,625,198.8</i>	<i>8,747,413.4</i>	<i>-29,877,785.4</i>	<i>-77.4</i>
– <i>price revaluation differences</i>	<i>3,649,616.2</i>	<i>1,755,094.6</i>	<i>-1,894,521.6</i>	<i>-51.9</i>

The increase in the position resulted mainly from growth in foreign exchange reserves of NBP<sup>5</sup> and thereby NBP increased investment in selected financial instruments. The change in the said position was also the result of currency and price revaluation (see Note 22 and Note 23).

#### Note 4. 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.

As at 31 December 2012, the position amounted to PLN 0.7 thousand and was by PLN 356,401.3 thousand (99.9%) lower than as at 31 December 2011. The decrease in this position resulted mainly from the repayment to NBP of the last instalments of the refinancing loan for central investments, together with interest.

#### Note 5. 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). As at 31 December 2012, the balance-sheet value of the position comprised mainly real estates, machines, devices and IT software.

	31.12.2011	31.12.2012	Change	
	PLN thousand			%
Gross tangible fixed assets	1,863,240.7	1,899,667.7	36,427.0	2.0
Depreciation	-1,043,262.0	-1,063,513.3	-20,251.3	1.9
Impairment	-16,095.0	-16,137.8	-42.8	0.3
<i>Net tangible fixed assets</i>	803,883.7	820,016.6	16,132.9	2.0
Gross intangible fixed assets	337,985.4	352,579.3	14,593.9	4.3
Amortization	-268,115.3	-275,728.4	-7,613.1	2.8
Impairment	-8.9	-8.9	0.0	0.0
<i>Net intangible fixed assets</i>	69,861.2	76,842.0	6,980.8	10.0
<b>Total</b>	<b>873,744.9</b>	<b>896,858.6</b>	<b>23,113.7</b>	<b>2.6</b>

#### Note 6. Other financial assets

The position comprises shares and equities that NBP holds in domestic entities (including Krajowy Depozyt Papierów Wartościowych S.A. [National Depository for Securities], Krajowa Izba Rozliczeniowa S.A. [National Clearing House], Bazy i Systemy Bankowe

<sup>5</sup> Foreign exchange reserves constitute the main component of the official reserve assets (see Chapter 5).

Sp. z o.o.) and in foreign entities (Bank for International Settlements in Basel, S.W.I.F.T., European Central Bank).

	31.12.2011	31.12.2012	Change	
	PLN thousand			%
Shares and equities in domestic entities	53,848.9	53,848.9	0.0	0.0
Shares and equities in foreign entities	140,046.3	128,648.0	-11,398.3	-8.1
<b>Total</b>	<b>193,895.2</b>	<b>182,496.9</b>	<b>-11,398.3</b>	<b>-5.9</b>

The decrease 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, NBP has had participating interest in the ECB's capital. As at 31 December 2012, the amount of the capital paid up by NBP to the ECB was PLN 80,758.8 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 the ECB", only the national central banks of the ESCB are entitled to subscribe the ECB's 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's 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 2012, the share of NBP in the ECB's subscribed capital amounted to 4.8954%, which corresponded to the amount of EUR 526,777.0 thousand.

NBP as a central bank from outside the euro area, is required to pay up the minimum percentage of the ECB's 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, NBP has no right to participate in the ECB's profits nor is required to cover its losses. Upon entry into the euro area, 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 27 December 2012, the Eurosystem's central banks, which were required to pay up capital to the ECB in three instalments, paid up the third 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.

	Key for capital subscription as at 31.12.2012	Subscribed capital since 29.12.2010	Paid-up capital until 26.12.2012	Paid-up capital since 27.12.2012
	%	EUR		
Oesterreichische Nationalbank	1.9417	208,939,587.70	176,577,921.04	208,939,587.70
Nationale Bank van België	2.4256	261,010,384.68	220,583,718.02	261,010,384.68
Central Bank of Cyprus	0.1369	14,731,333.14	12,449,666.48	14,731,333.14
Eesti Pank/Bank of Estonia	0.1790	19,261,567.80	16,278,234.47	19,261,567.80
Suomen Pankki/Finlands Bank	1.2539	134,927,820.48	114,029,487.14	134,927,820.48
Banque de France	14.2212	1,530,293,899.48	1,293,273,899.48	1,530,293,899.48
Bank of Greece	1.9649	211,436,059.06	178,687,725.72	211,436,059.06
Banco de España	8.3040	893,564,575.51	755,164,575.51	893,564,575.51
De Nederlandsche Bank	3.9882	429,156,339.12	362,686,339.12	429,156,339.12
Central Bank of Ireland	1.1107	119,518,566.24	101,006,899.58	119,518,566.24
Banque centrale du Luxembourg	0.1747	18,798,859.75	15,887,193.09	18,798,859.75
Central Bank of Malta	0.0632	6,800,732.32	5,747,398.98	6,800,732.32
Deutsche Bundesbank	18.9373	2,037,777,027.43	1,722,155,360.77	2,037,777,027.43
Banco de Portugal	1.7504	188,354,459.65	159,181,126.31	188,354,459.65
Národná banka Slovenska	0.6934	74,614,363.76	63,057,697.10	74,614,363.76
Banka Slovenije	0.3288	35,381,025.10	29,901,025.10	35,381,025.10
Banca d'Italia	12.4966	1,344,715,688.14	1,136,439,021.48	1,344,715,688.14
<i>National central banks in euro area total</i>	<i>69.9705</i>	<i>7,529,282,289.35</i>	<i>6,363,107,289.36</i>	<i>7,529,282,289.35</i>
Българска народна банка	0.8686	93,467,026.77	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
Danmarks Nationalbank	1.4835	159,634,278.39	5,986,285.44	5,986,285.44
Lietuvos bankas	0.4256	45,797,336.63	1,717,400.12	1,717,400.12
Latvijas Banka	0.2837	30,527,970.87	1,144,798.91	1,144,798.91
<b>Narodowy Bank Polski</b>	<b>4.8954</b>	<b>526,776,977.72</b>	<b>19,754,136.66</b>	<b>19,754,136.66</b>
National Bank of Romania	2.4645	265,196,278.46	9,944,860.44	9,944,860.44
Sveriges Riksbank	2.2582	242,997,052.56	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
Bank of England	14.5172	1,562,145,430.59	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>
<b>Total</b>	<b>100</b>	<b>10,760,652,402.58</b>	<b>6,484,283,668.61</b>	<b>7,650,458,668.60</b>

#### Note 7. Off-balance sheet instruments revaluation differences

The position comprises currency revaluation differences on spot transactions recognised on off-balance-sheet accounts (see Note 25) and price revaluation differences on forward transactions in securities (see Note 22 and Note 26).



	31.12.2011	31.12.2012	Change	
	PLN thousand			%
Currency revaluation differences	72,098.6	5,248.6	-66,850.0	-92.7
Price revaluation differences	12.4	723.3	710.9	5,733.1
<b>Total</b>	<b>72,111.0</b>	<b>5,971.9</b>	<b>-66,139.1</b>	<b>-91.7</b>

#### Note 8. 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 2012, the position amounted to PLN 49,400.0 thousand and was by PLN 7,341.2 thousand (12.9%) lower than as at 31 December 2011. The decrease resulted mainly from lower amount of discount to be amortized on monetary bills issued by NBP (see Note 11) and from lower accruals and prepaid expenses concerning the NBP's own administrative activities.

#### Note 9. Sundry

The position comprises mainly current assets (including precious metals), credits and loans to employees, balances arising from the adjustment of off-balance-sheet items in foreign currency to the average cost of foreign currency holding and other receivables.

As at 31 December 2012, the position amounted to PLN 177,153.5 thousand and was by PLN 583,425.0 thousand (76.7%) lower than as at 31 December 2011. The decrease in this position resulted mainly from balances arising from the adjustment of off-balance-sheet items in foreign currency to the average cost of foreign currency holding, which were lower, by PLN 541,489.8 thousand, due to a lower volume of spot transactions entered into by NBP in the last days of 2012 (see Note 25).

#### Note 10. Banknotes and coins in circulation

The position comprises banknotes and coins in circulation issued by NBP, including collector banknotes and coins, whose value as at 31 December 2012 amounted to PLN 252,197.8 thousand as compared with PLN 244,239.2 thousand as at 31 December 2011.

The average level of banknotes and coins in circulation throughout 2012 amounted to PLN 112,274.5 million as compared with PLN 106,357.0 million in 2011.

	31.12.2011	31.12.2012	Change	
	PLN thousand			%
Domestic banknotes in circulation	108,807,688.4	110,186,242.4	1,378,554.0	1.3
Domestic coins in circulation	3,281,843.6	3,480,601.7	198,758.1	6.1
<b>Total</b>	<b>112,089,532.0</b>	<b>113,666,844.1</b>	<b>1,577,312.1</b>	<b>1.4</b>

**Note 11. 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 NBP. They include:

- liabilities due to issue of securities – monetary bills issued by 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.

	31.12.2011	31.12.2012	Change	
	PLN thousand			%
Current accounts (incl. the required minimum reserve accounts)	20,417,008.4	48,815,544.9	28,398,536.5	139.1
Deposit facilities	5,976,261.2	4,975,374.8	-1,000,886.4	-16.7
Other monetary policy operations	93,430,710.0	99,841,810.0	6,411,100.0	6.9
<b>Total</b>	<b>119,823,979.6</b>	<b>153,632,729.7</b>	<b>33,808,750.1</b>	<b>28.2</b>

The increase in the position resulted mainly from the increase in the liabilities due to current accounts and the increase in the liabilities due to monetary bills, with a simultaneous decrease in the liabilities due to deposit facilities.

**Note 12. 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 are liabilities resulting from:

- the payment orders of NBP 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 2012,
- funds in the trust account operated by NBP for Krajowa Izba Rozliczeniowa S.A. [National Clearing House], which is used to settle payment orders on an ongoing basis in Express ELIXIR.<sup>6</sup>

As at 31 December 2012, the position amounted to PLN 229,233.6 thousand and was by PLN 59,617.5 thousand (35.1%) higher than as at 31 December 2011. The increase in this position resulted mainly from the increase in liabilities due to the above-mentioned items.

#### Note 13. 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 NBP for the general government sector, including the state budget and social insurance funds.

	31.12.2011	31.12.2012	Change	
	PLN thousand			%
Liabilities to general government	4,606,627.8	4,742,282.3	135,654.5	2.9
Other liabilities	49,085.9	55,418.7	6,332.8	12.9
<b>Total</b>	<b>4,655,713.7</b>	<b>4,797,701.0</b>	<b>141,987.3</b>	<b>3.0</b>

The increase in the position resulted mainly from the increase in funds held on current accounts and term deposit accounts of government sector entities, with a simultaneous decrease in funds held on their auxiliary accounts.

#### Note 14. Liabilities to non-residents denominated in domestic currency

The position comprises current accounts in domestic currency operated by NBP for international financial and non-financial organisations and central banks, including the account in domestic currency operated by NBP for the IMF, which is used for the Fund's administrative expenses (so-called No. 2 Account).

As at 31 December 2012, the position amounted to PLN 149,356.3 thousand and was by PLN 174,005.1 thousand (53.8%) lower than as at 31 December 2011. The decrease in this position resulted mainly from the decrease in funds held on the account of the European Commission.

<sup>6</sup> Express ELIXIR was launched on 12 June 2012.

**Note 15. Liabilities to residents denominated in foreign currency**

The position comprises mainly funds held on accounts in foreign currency operated by NBP for:

- the State budget – current, auxiliary and term deposit accounts,
- domestic banks – current accounts in EUR used for settlements in TARGET2 system.

	31.12.2011	31.12.2012	Change	
	PLN thousand			%
Accounts of the State budget	15,512,499.8	12,455,989.2	-3,056,510.6	-19.7
Accounts of domestic banks for settlements in TARGET2 system	432,556.0	2,788,043.4	2,355,487.4	544.6
Other	181,140.3	575,596.7	394,456.4	217.8
<b>Total</b>	<b>16,126,196.1</b>	<b>15,819,629.3</b>	<b>-306,566.8</b>	<b>-1.9</b>
<i>of which currency revaluation differences</i>	1,326,483.3	-22,592.5	-1,349,075.8	-101.7

The decrease in the position resulted mainly from:

- decrease of funds in foreign currency held on the current accounts of the State budget,
- currency revaluation.

At the same time, there was an increase in funds held on the accounts by domestic banks for TARGET2 settlements.

**Note 16. 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 in foreign currency (see Note 3).

	31.12.2011	31.12.2012	Change	
	PLN thousand			%
Repo transactions in foreign currency	9,899,942.3	10,711,629.5	811,687.2	8.2
Other	156,453.4	152,456.3	-3,997.1	-2.6
<b>Total</b>	<b>10,056,395.7</b>	<b>10,864,085.8</b>	<b>807,690.1</b>	<b>8.0</b>
<i>of which currency revaluation differences</i>	1,224,845.0	548,980.9	-675,864.1	-55.2

The increase in the position resulted mainly from the NBP's higher involvement in these transactions. Moreover, the value of this position was affected by currency revaluation.

#### Note 17. Liabilities to the IMF

The position comprises liabilities due to the funds received by 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.

	31.12.2011	31.12.2012	Change	
	PLN thousand			%
Liabilities to the IMF	6,844,178.1	6,218,885.5	-625,292.6	-9.1
<i>of which currency revaluation differences</i>	<i>665,909.1</i>	<i>-8,840.7</i>	<i>-674,749.8</i>	<i>-101.3</i>

The decrease in the position resulted mainly from SDR currency revaluation.

#### Note 18. Off-balance sheet instruments revaluation differences

The position comprises currency revaluation differences on spot transactions recognised on off-balance-sheet accounts (see Note 25) and price revaluation differences on forward transactions in securities (see Note 26 and Note 33).

	31.12.2011	31.12.2012	Change	
	PLN thousand			%
Currency revaluation differences	547,736.5	2,541.8	-545,194.7	-99.5
Price revaluation differences	50.2	273.9	223.7	445.6
<b>Total</b>	<b>547,786.7</b>	<b>2,815.7</b>	<b>-544,971.0</b>	<b>-99.5</b>

#### Note 19. Accruals and deferred income

The position comprises accruals (including accruals in foreign currency) and deferred income.

As at 31 December 2012, the position amounted to PLN 202,447.2 thousand and was by PLN 1,485.3 thousand (0.7%) higher than as at 31 December 2011. The increase in this position resulted mainly from the increase in the balance of accruals, with a simultaneous decrease in deferred income.

**Note 20. Sundry**

The position comprises mainly liabilities to public authorities, liabilities to suppliers, funds of the Employee Benefit Fund and balances arising from the adjustment of off-balance-sheet items in foreign currency to the average cost of foreign currency holding.

As at 31 December 2012, the position amounted to PLN 56,863.7 thousand and was by PLN 56,670.3 thousand (49.9%) lower than as at 31 December 2011. The decrease in this position resulted mainly from balances arising from the adjustment of off-balance-sheet items in foreign currency to the average cost of foreign currency holding, which were lower due to a lower volume of spot transactions entered into by NBP in the last days of 2012 (see Note 25).

**Note 21. 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 2012, the position amounted to PLN 113,734.8 thousand and was by PLN 8,322.3 thousand (7.9%) higher than as at 31 December 2011. The increase in this position resulted mainly from the increase in provisions for future liabilities to employees due to jubilee awards.

**Note 22. Revaluation accounts**

As at 31 December 2012, the value of the position resulted mainly from revaluation gains on gold and on the following foreign currencies: USD, AUD, GBP and NOK.

	31.12.2011	31.12.2012	Change	
	PLN thousand			%
Gold revaluation account	1,618,023.2	1,618,023.2	0.0	0.0
Currency revaluation gains, of which:	49,399,729.5	21,698,967.0	-27,700,762.5	-56.1
– revaluation gains on gold	13,468,260.9	12,730,499.2	-737,761.7	-5.5
– revaluation gains on foreign currencies	35,931,468.6	8,968,467.8	-26,963,000.8	-75.0
Price revaluation gains, of which:	3,649,857.0	1,840,442.5	-1,809,414.5	-49.6
– revaluation gains on securities	3,649,844.6	1,839,719.2	-1,810,125.4	-49.6
– revaluation gains on off-balance-sheet financial instruments	12.4	723.3	710.9	5,733.1
<b>Total</b>	<b>54,667,609.7</b>	<b>25,157,432.7</b>	<b>-29,510,177.0</b>	<b>-54.0</b>

Currency 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
	31.12.2011		31.12.2012	
AUD	2.7603790448	3.4670	2.9296905375	3.2183
BRL	-	1.8314	1.8802178382	1.5138
CAD	2.9399527735	3.3440	3.2109572868	3.1172
CHF	3.1620769958	3.6333	3.4056860912	3.3868
CZK	0.1554457455	0.1711	0.1603999993	0.1630
DKK	0.5635496933	0.5941	0.5596031137	0.5480
EUR	4.0563069964	4.4168	4.1048445547	4.0882
GBP	4.6239904984	5.2691	4.7494707457	5.0119
HUF	0.0136698219	0.0142	0.0136803907	0.0140
JPY	0.0383764180	0.0441	0.0401640074	0.0360
MXN	-	0.2440	0.2463190782	0.2380
NOK	0.4998587622	0.5676	0.5161671035	0.5552
SEK	0.4697496231	0.4950	0.4768318808	0.4757
USD	2.9027468377	3.4174	3.0205903233	3.0996
SDR	4.7341424263	5.2444	4.7729755923	4.7662
Ounce of gold	1,310.3996257646	5,380.6963	1,310.3996257646	5,157.7344

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 2012, price revaluation gains related mainly to interest-bearing securities in AUD, USD, EUR and GBP.

Price revaluation gains on off-balance-sheet instruments related to forward transactions in securities (see Note 26).

Because of the fact that as at 31 December 2012 there were no unrealised gold revaluation losses and no decrease in gold holding as compared to the holding at the balance-sheet date of the previous financial year, NBP did not release the gold revaluation account.

**Note 23. Capital and reserves**

The position comprises:

- the statutory fund, whose amount is determined by Article 61 of the Act on NBP;
- the reserve fund which, in accordance with Article 62 of the Act on 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 NBP.

	31.12.2011	31.12.2012	Change	
	PLN thousand			%
Statutory fund	1,500,000.0	1,500,000.0	0.0	0.0
Reserve fund	534,733.7	966,590.7	431,857.0	80.8
Reserves	11,834,026.0	11,457,911.7	-376,114.3	-3.2
<b>Total</b>	<b>13,868,759.7</b>	<b>13,924,502.4</b>	<b>55,742.7</b>	<b>0.4</b>

The increase in the position resulted from the increase in the reserve fund due to the transfer from profit for 2011 in the amount of PLN 431,857.0 thousand and a simultaneous adjustment of the provision in the amount of PLN 376,114.3 thousand.

**Note 24. Financial result**

The position comprises:

- financial result for the current year in the amount of PLN 5,541,094.6 thousand (see Note 44),
- portion of the NBP's loss for the year 2007, which was not covered by the reserve fund; as at 31 December 2012 this position amounted to PLN 11,457,911.7 thousand and remained unchanged as compared with 31 December 2011.

**7. Explanatory notes to off-balance sheet positions****Note 25. Spot transactions recognised on off-balance-sheet accounts**

The decrease in the above items resulted from a lower volume of spot foreign exchange transactions carried out by NBP towards the end of the year with foreign banks.

	31.12.2011	31.12.2012	Change	
	PLN thousand		%	
Receivables arising from spot transactions, of which:	6,189,548.5	299,559.7	-5,889,988.8	-95.2
- <i>receivables denominated in domestic currency</i>	2,657,029.6	0.0	-2,657,029.6	-100.0
- <i>receivables denominated in foreign currency</i>	3,532,518.9	299,559.7	-3,232,959.2	-91.5
Liabilities arising from spot transactions, of which:	6,189,548.5	299,559.7	-5,889,988.8	-95.2
- <i>liabilities denominated in domestic currency</i>	673.1	0.0	-673.1	-100.0
- <i>liabilities denominated in foreign currency</i>	6,188,875.4	299,559.7	-5,889,315.7	-95.2

#### Note 26. Off-balance-sheet financial instruments

The increase in the position as at 31 December 2012 was related to a higher volume of forward transactions in securities carried out by NBP towards the end of the year.

	31.12.2011	31.12.2012	Change	
	PLN thousand		%	
Securities denominated in foreign currency purchased in forward transactions	165,292.1	1,254,158.7	1,088,866.6	658.8
Securities denominated in foreign currency sold in forward transactions	23,313.9	5,435,135.7	5,411,821.8	23,212.9

#### Note 27. Limits on loans in foreign currency extended to the IMF

As of 15 November 2011, 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, 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 NBP at the request of the IMF.

As at 31 December 2012, the NBP's commitment to the NAB amounted to SDR 2,230,090.0 thousand (PLN 10,629,055.0 thousand according to the NBP average exchange rate as at the balance-sheet date) in relation with:

- transferring SDR 301,000.0 thousand by NBP to the IMF in the years 2011–2012 (in 2011: SDR 174,000.0 thousand and in 2012: SDR 127,000.0 thousand, respectively),
- receiving a loan repayment of SDR 2,500.0 thousand by NBP in 2012.

#### Note 28. Other items recognised on off-balance-sheet accounts

As at 31 December 2012, other items recognised on off-balance-sheet accounts mainly related to:

- collaterals received by NBP, related to the NBP's own administrative activities, in the amount of PLN 21,760.3 thousand (as at 31.12.2011 – PLN 21,462.3 thousand),
- contingent assets claimed by NBP in the amount of PLN 219.4 thousand (as at 31.12.2011 – PLN 269.3 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 2011.

## 8. Explanatory notes to profit and loss account

#### Note 29. Interest, discount and premium income

The position comprises mainly interest and discount income on the main investment instruments of foreign exchange reserves (see Note 3) and on the refinancing loan for central investments (see Note 4).

	2011	2012	Change	
	PLN thousand			%
Interest and discount income on securities denominated in foreign currency	5,761,765.7	5,976,974.8	215,209.1	3.7
Interest income on the NBP's bank accounts in foreign currency	598,253.0	312,588.0	-285,665.0	-47.7
Interest income on credits and loans, of which:	36,018.0	15,411.9	-20,606.1	-57.2
– in foreign currency	27.4	1,252.9	1,225.5	4,472.6
– in domestic currency	35,990.6	14,159.0	-21,831.6	-60.7
Other income	31,041.5	9,636.0	-21,405.5	-69.0
<b>Total</b>	<b>6,427,078.2</b>	<b>6,314,610.7</b>	<b>-112,467.5</b>	<b>-1.7</b>

In 2012, the decrease in the position resulted mainly from:

- lower, by PLN 285,665.0 thousand, income from interest on the NBP's bank accounts denominated in foreign currency, which resulted mainly from reducing the share of term deposits and reverse repo transactions in the investment structure of foreign exchange reserves, as well as a decrease in annual average interest rates on these transactions in NOK, AUD and EUR, respectively, and:
- higher, by PLN 215,209.1 thousand, income from interest and discount on securities denominated in foreign currencies, which was mainly the result of an increase in the share of securities with fixed interest rates in the investment structure of foreign exchange reserves.

At the same time, the change in income from interest, discount and premium on investment instruments of foreign exchange reserves was driven by:

- increase in the average annual level of foreign exchange reserves (their average level amounted to EUR 66,384.8 million in 2012, as compared with EUR 62,734.0 million in 2011),
- changes in average annual exchange rates of the zloty – depreciation of the zloty against USD, EUR, GBP, AUD and NOK (see table below presenting the average annual exchange rates).

The lower, by PLN 21,831.6 thousand, interest income on credits and loans in domestic currency, resulted mainly from the decrease in receivables on the refinancing loan for central investments, following the repayment of loan instalments in 2012.

Moreover, in 2012 there was a decrease in interest income on the current account with the IMF and on the reserve tranche by PLN 20,738.2 thousand, recognised as Other income. At the same time, NBP recorded an increase in interest income on the loans extended to the IMF under the NAB, by PLN 1,225.5 thousand, recognised as Interest income on credits and loans (see Note 2).

The average annual exchange rates of the zloty against main foreign currencies in 2011–2012 are presented below.

	Average annual exchange rate			
	2011	2012	Change	
	PLN		%	
USD	2.9634	3.2570	0.2936	9.9
EUR	4.1198	4.1850	0.0652	1.6
GBP	4.7460	5.1597	0.4137	8.7
AUD	3.0557	3.3712	0.3155	10.3
NOK	0.5283	0.5597	0.0314	5.9

### Note 30. Interest, discount and premium expenses

The position comprises mainly interest, discount and premium expenses on instruments used by NBP under monetary policy operations (see Note 11), on the main investment instruments of foreign exchange reserves (see Note 3 and Note 16) and on other bank accounts operated by NBP.

	2011	2012	Change	
	PLN thousand			%
Premium expenses on securities denominated in foreign currency	2,145,899.2	3,504,051.9	1,358,152.7	63.3
Interest and discount expenses on issued securities denominated in domestic currency	4,086,416.0	4,489,497.3	403,081.3	9.9
Interest expenses on bank accounts operated by NBP, of which:	1,446,470.6	1,478,994.2	32,523.6	2.2
– on accounts in foreign currency	187,202.4	82,694.1	-104,508.3	-55.8
– on accounts in domestic currency	1,259,268.2	1,396,300.1	137,031.9	10.9
Other expenses	24,007.0	6,952.4	-17,054.6	-71.0
<b>Total</b>	<b>7,702,792.8</b>	<b>9,479,495.8</b>	<b>1,776,703.0</b>	<b>23.1</b>

In 2012, the increase in the position resulted mainly from:

- Higher, by PLN 1,358,152.7 thousand, premium expenses on securities denominated in foreign currency, due to:
  - lower yields on securities,
  - increased share of securities with fixed interest rate in the structure of foreign exchange reserves.

At the same time, higher premium expenses were affected by:

- increase in the average annual level of foreign exchange reserves (see Note 29),
- changes in the average annual exchange rates of the zloty – depreciation of the zloty against USD, EUR, GBP and AUD (see Note 29 – table presenting the average annual exchange rates).
- Higher, by PLN 403,081.3 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 94,343.4 million



in 2012, as compared to PLN 93,870.4 million in 2011, and of fine-tuning operations – to PLN 1,626.8 million in 2012, as compared to PLN 1,407.1 million in 2011,<sup>7</sup>

– increase in the average annual level of the reference rate that determines the yield on monetary bills – from 4.22% in 2011 to 4.61% in 2012.

- Higher, by PLN 32,523.6 thousand, interest expenses on bank accounts operated by NBP. This change stemmed mainly from higher interest expenses on the required minimum reserves of the banks, with a simultaneous decrease in interest expenses on current accounts denominated in foreign currency of the general government sector.

Moreover, in 2012 there was a decrease of PLN 17,068.3 thousand in interest expenses on liabilities towards the IMF due to the SDR allocation, recognised as Other expenses (see Note 17).

### Note 31. 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.

	2011	2012	Change	
	PLN thousand			%
Realised foreign exchange gains	7,293,367.6	6,988,671.8	-304,695.8	-4.2
Realised price gains, of which:	3,828,465.1	3,687,649.7	-140,815.4	-3.7
– on spot transactions in securities	3,224,720.1	3,152,671.4	-72,048.7	-2.2
– on off-balance-sheet financial instruments	603,745.0	534,978.3	-68,766.7	-11.4
Other income on financial operations	6.3	12.7	6.4	101.6
<b>Total</b>	<b>11,121,839.0</b>	<b>10,676,334.2</b>	<b>-445,504.8</b>	<b>-4.0</b>

In 2012, the decrease in the position resulted mainly from:

- lower realised foreign exchange gains on transactions in EUR and AUD, with simultaneously higher gains on USD and GBP transactions,
- lower realised price gains on the spot sale of interest-bearing securities denominated in USD, with simultaneously higher gains on transactions of the same type in EUR and AUD,

<sup>7</sup> To calculate average annual values all calendar days from 1 January to 31 December of each year were taken into account.

- lower realised price gains on forward transactions in securities denominated in GBP, with simultaneously higher gains on transactions of the same type in AUD.

### Note 32. 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.

	2011	2012	Change	
	PLN thousand			%
Realised foreign exchange losses	685,741.6	77,392.3	-608,349.3	-88.7
Realised price losses, of which:	656,085.4	415,706.5	-240,378.9	-36.6
– on spot transactions in securities	520,449.7	333,059.2	-187,390.5	-36.0
– on off-balance-sheet financial instruments	135,635.7	82,647.3	-52,988.4	-39.1
Other expenses on financial operations	12.5	2.0	-10.5	-84.0
<b>Total</b>	<b>1,341,839.5</b>	<b>493,100.8</b>	<b>-848,738.7</b>	<b>-63.3</b>

In 2012, the decrease in the position resulted mainly from:

- lower realised foreign exchange losses on transactions in USD and EUR,
- lower realised price losses on the spot sale of interest-bearing securities in EUR, GBP and USD,
- lower realised price losses on forward transactions in interest-bearing securities in GBP.

### Note 33. Unrealised losses

In 2012, the amount of expenses was mainly the effect of currency revaluation losses as at 31 December 2012.

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 22). As at 31 December 2012, currency revaluation losses mainly related to the following currencies: BRL, EUR, MXN and SDR.

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 2012, price revaluation losses mainly related to securities denominated in GBP, EUR, USD and NOK.

	2011	2012	Change	
	PLN thousand		%	
Foreign currency revaluation losses	0.0	749,928.2	749,928.2	–
Price revaluation losses, of which:	278.6	84,898.5	84,619.9	30,373.3
– revaluation losses on securities	228.4	84,624.6	84,396.2	36,951.1
– revaluation losses on off-balance-sheet instruments	50.2	273.9	223.7	445.6
<b>Total</b>	<b>278.6</b>	<b>834,826.7</b>	<b>834,548.1</b>	<b>299,550.6</b>

Price revaluation losses on off-balance-sheet instruments related to forward transactions in securities (see Note 26).

#### Note 34. Income on transfers from risk provisions and on reversal of write-downs of financial assets

In 2012, income in the amount of PLN 376,114.3 thousand resulted from the adjustment of the provision against the foreign exchange rate risk of the zloty (see Note 23).

#### Note 35. Fees and commissions income

The position comprises mainly fees and commissions income relating to payment orders executed by NBP, operation of bank accounts and participation in the TARGET2 system.

In 2012, the position amounted to PLN 34,626.1 thousand and was by PLN 862.8 thousand (2.4%) lower as compared with 2011.

#### Note 36. Fees and commissions expenses

The position comprises fees and commissions expensed by NBP due to:

- substitution cash services provided by other banks to the State budget on behalf of NBP (in cities and towns in which 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.

Moreover, in 2012, the position included the expenses on fees charged on the financial markets of developing countries (see Note 3).

In 2012, the position amounted to PLN 144,110.3 thousand and was by PLN 107,719.3 thousand (296.0%) higher as compared with 2011. The increase in the position was mainly the result of the expenses related to the above mentioned fees charged on the financial markets of developing countries.

#### Note 37. Income on shares and equities

The position comprises mainly income on dividends from shares and equities held by NBP in domestic and foreign entities (see Note 6).

	2011	2012	Change	
	PLN thousand			%
Income on shares and equities in domestic entities	62,502.5	8,673.0	-53,829.5	-86.1
Income on shares and equities in foreign entities	10,280.8	12,553.6	2,272.8	22.1
<b>Total</b>	<b>72,783.3</b>	<b>21,226.6</b>	<b>-51,556.7</b>	<b>-70.8</b>

As at 31 December 2012, the income comprised mainly the total of dividend proceeds from shares in Krajowy Depozyt Papierów Wartościowych S.A. [National Depository for Securities], Krajowa Izba Rozliczeniowa S.A. [National Clearing House] and in the Bank for International Settlements in Basel.

#### Note 38. Other income

The position comprises mainly income on the sale of collector coins and banknotes, rental of office premises and sale of IT services. In 2012, the position also comprised income on the due share of the profit from sale of a portion of gold holdings by the IMF.

In 2012, the position amounted to PLN 148,958.2 thousand and was by PLN 193,638.0 thousand (56.5%) lower, as compared with 2011. The higher income in 2011 was mainly the result of income on the non-returned banknotes and coins in the amount of PLN 172,093.0 thousand in connection with the Act of 7 July 1994 on the denomination of the zloty (Dz.U. No. 84, item 386 and of 1995, No. 16, item 79).

#### Note 39. 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 2012, the position amounted to PLN 457,198.0 thousand and was by PLN 27,262.9 thousand (6.3%) higher, as compared with 2011. The increase resulted mainly from higher, by PLN 16,753.8 thousand, costs of salaries as well as higher by PLN 5,992.9 thousand costs of social contributions, in line with the adopted Human Resources and payroll policy.

#### Note 40. Administrative expenses

The increase in the position resulted mainly from higher expenses on taxes and fees, as well as expenses on services from third parties, with a simultaneous decline in other administrative expenses.

	2011	2012	Change	
	PLN thousand			%
Materials and energy used	33,903.5	34,593.2	689.7	2.0
Benefits for employees and other eligible persons	12,248.0	13,812.6	1,564.6	12.8
Business travels	6,870.6	7,430.9	560.3	8.2
Services from third parties	152,493.0	158,082.9	5,589.9	3.7
Taxes and fees	15,234.6	20,985.4	5,750.8	37.7
Transfers to special funds	15,234.6	4,723.9	-35.7	-0.8
Other administrative expenses	33,761.4	29,630.2	-4,131.2	-12.2
<b>Total</b>	<b>259,270.7</b>	<b>269,259.1</b>	<b>9,988.4</b>	<b>3.9</b>

#### Note 41. Depreciation and amortization expenses

In 2012, 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.

	2011	2012	Change	
	PLN thousand			%
Fixed assets depreciation expenses	63,457.2	56,259.8	-7,197.4	-11.3
Intangible assets amortization expenses	13,887.8	12,588.5	-1,299.3	-9.4
<b>Total</b>	<b>77,345.0</b>	<b>68,848.3</b>	<b>-8,496.7</b>	<b>-11.0</b>

#### **Note 42. Cost of issue of banknotes and coins**

The position comprises the cost of issue of banknotes and coins, including collector banknotes and coins.

In 2012, the position amounted to PLN 267,436.2 thousand and was by PLN 5,387.9 thousand (2.1%) higher, as compared with 2011. The increase in this position resulted mainly from:

- higher costs of issuing coins due to an increase in orders for general circulation coins, arising from the need to ensure liquidity of settlements by supplying coins with the nominal value from 1 grosz to 1 zloty to circulation,

with a simultaneous:

- reduction of the costs of issuing banknotes due to the rationalisation of inventories of general circulation banknotes and the decrease in orders for the banknotes supplies.

#### **Note 43. Other expenses**

The position comprises mainly expenses corresponding to the nominal value of collector coins and banknotes sold.

In 2012, the position amounted to PLN 16,500.3 thousand and was by PLN 3,102.3 thousand (15.8%) lower as compared with 2011. The decrease in this position resulted mainly from lower expenses mentioned above, due to lower sales of collector banknotes and coins.

#### **Note 44. Financial result for the current year and its allocation**

The NBP profit for 2012 amounted to PLN 5,541,094.6 thousand and was by PLN 3,096,047.0 thousand (35.8%) lower, as compared with 2011.

In accordance with Article 62 and 69 of the Act on the National Bank of Poland (Narodowy Bank Polski), the NBP profit will be allocated (within 14 days following the approval of the annual financial statements of NBP by the Council of Ministers) to:

- the NBP reserve fund (5% of profit) – PLN 277,054.7 thousand,
- the State budget, as the NBP's contribution from profit – PLN 5,264,039.9 thousand.

## **9. Other explanatory notes**

#### **Note 45. Flexible Credit Line**

The 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.



The Flexible Credit Line of SDR 19,166,000.0 thousand as at 31 December 2012 was granted to Poland on 21 January 2011 by the Executive Board of the IMF for two years (i.e. until 20 January 2013). The Government of the Republic of Poland was the authorising entity of the FCL, while NBP serviced it as the fiscal agency of the Government.

On 18 January 2013, the Executive Board of the IMF approved Poland's another request for access to the Flexible Credit Line of SDR 22,000,000.0 thousand. The Republic of Poland was granted access to the IMF instrument for a period of two years (i.e. until 17 January 2015). As it was in the case of the instrument granted in 2011, the Government of the Republic of Poland is the authorising entity of the new Flexible Credit Line, while NBP is the Government's fiscal agency.

#### **Note 46. Foundation of NBP**

On 10 August 2009, NBP established the Foundation of Narodowy Bank Polski 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.

#### **Note 47. Events after the balance sheet date**

On 15 March 2013, a bilateral loan agreement was concluded between NBP and the IMF, according to which NBP is ready to extend an interest-bearing loan to the IMF to the amount which is the SDR equivalent of EUR 6.27 billion. The funds will be provided by NBP at the request of the IMF.

## **10. Financial and operational risk**

Narodowy Bank Polski operates a risk management system which is a continuous and repeatable decision-making process that supports the attainment of the NBP goals while using appropriate organisational, procedural and technical solutions.

The risk management system embraces three inherently connected levels:

- decentralised operational risk management in all departments and organisational units of NBP, by directors of individual units, with the participation of the so-called "risk managers",
- 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 concerning operational risk, analyses and monitors operational risk and compliance risk at NBP, introduces new tools, reports on operational risk and compliance throughout the bank,

- 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 NBP.

The 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 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 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 or 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, 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 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. Non-government securities held in the investment portfolios are issued primarily by international institutions and government agencies. In 2012, NBP started small-scale investment on the market of corporate bonds denominated in USD. The share of term deposits in foreign exchange reserves is low – transactions are concluded for short periods with banks having high creditworthiness.

#### *Credit risk underlying domestic credit operations*

To support the liquidity of the financial system, NBP makes marginal lending facility, intraday credit in PLN and intraday credit in euro available to domestic banks.

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 the 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 covered 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 Narodowy Bank Polski has the exclusive right to issue banknotes and coins of the Republic of Poland, NBP is capable of creating liquidity in domestic currency.

It is, however, constrained by the responsibility of NBP 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 NBP.

In the process of foreign exchange management, NBP ensures adequate liquidity of funds by matching current and expected cash flows. Investments are made in markets ensuring immediate availability of funds – 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 NBP is modified duration that specifies the vulnerability of investment portfolios values to changes in the yield on financial instruments.

To mitigate the interest rate risk in the process of managing foreign exchange reserves, NBP defines the benchmark modified duration of foreign exchange reserves, along with admissible fluctuation bands.

Given the fiscal crisis in the euro area and weaker prospects of the global economy, in 2012 there was a decrease in yields on government securities, yet less severe than in 2011.

#### *10.1.4. Foreign exchange 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 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 Chapter 4).

In the process of foreign exchange reserves management NBP defines the currency structure of the strategic benchmark, along with admissible fluctuation bands.

In 2012, the benchmark currency composition of 2011 remained unchanged and was the following: USD – 36%, EUR – 32%, GBP – 15%, AUD – 10% and NOK – 7%. At the same time, investments were started on the market of Brazilian and Mexican government securities (a total of 1% of foreign exchange reserves as at the end of 2012).

In 2012, as the European mechanisms of financial support for countries facing fiscal problems developed, the volatility of exchange rates decreased, returning to the level observed before the subprime crisis in the case of the majority of currency pairs.

## 10.2. Operational risk

Operational risk is the potential possibility of incurring financial or non-financial damages at NBP, resulting from inappropriate management or malfunction of 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.

NBP applies various methods of risk mitigation, prevention of incidents<sup>8</sup> and limiting their potential consequences. These mechanisms include, in particular:

- external and internal regulations,
- 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,
- control and internal audit.

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<sup>8</sup> 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.

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 Narodowy Bank Polski (BCP-NBP). It is applied to the critical functions listed below:

- settlement of payments 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 of NBP:

/-/ Grażyna Gielecińska

Management Board of NBP:

/-/ Marek Belka  
/-/ Piotr Wiesiołek  
/-/ Witold Kozimiński  
/-/ Eugeniusz Gatnar  
/-/ Andrzej Raczko  
/-/ Jakub Skiba  
/-/ Małgorzata Zaleska

Warsaw, 28 March 2013

## Registered 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 CONDENSED FINANCIAL STATEMENTS**

#### **TO THE MONETARY POLICY COUNCIL OF THE NATIONAL BANK OF POLAND**

The attached condensed financial statements of the National Bank of Poland (hereinafter called "the NBP"), Warsaw, Świętokrzyska 11/21, were prepared by the Management Board of the NBP based on the audited financial statements of the NBP for the year ended 31 December 2012 ("the annual financial statements"). The annual 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 annual financial statements of the NBP, from which the condensed 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 28 March 2013 we issued an unqualified audit opinion on these annual financial statements. The condensed financial statements of the NBP do not reflect the effects of events that occurred after the date of issue of that opinion.

For a fuller understanding of the NBP financial position and the results of its operations for the year ended 31 December 2012 and the scope of our audit procedures, the condensed financial statements should be read in conjunction with the annual financial statements from which they were derived and our opinion and audit report thereon.

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*PricewaterhouseCoopers Sp. z o.o.,  
Al. Armii Ludowej 14, 00-638 Warszawa, Polska  
T: +48 (22) 523 4000, F: +48 (22) 523 4040, [www.pwc.com](http://www.pwc.com)*

PricewaterhouseCoopers Sp. z o.o. is entered into the National Court Register maintained by the District Court for the Capital City of Warsaw, under KRS number 000044655, NIP 526-021-02-28. The share capital is PLN 10,363,900. The seat of the Company is in Warsaw at Al. Armii Ludowej 14.





*The Management Board's responsibility for the condensed financial statements*

Accordingly to § 62 point 4 of 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), the Management Board of the NBP is responsible for publishing the annual financial statements of the NBP, except for the part containing detailed financial data, with the auditor's opinion on the condensed financial statements of the NBP.

*Registered auditor's responsibility*

Our responsibility was to express an opinion on the condensed financial statements of the NBP based on procedures performed in accordance with the International Standard on Auditing 810 "Engagements to report on summary financial statements".

*Opinion*

In our opinion, the accompanying condensed financial statements of the NBP, prepared in accordance with rules described in § 62 point 4 of 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 on the basis of the audited annual financial statements of the NBP, are consistent, in all material respects, with the audited annual financial statements of the NBP.

Preparing the opinion and conducting the audit of the annual financial statements of the NBP on behalf of PricewaterhouseCoopers Sp. z o.o., Registered Audit Company No. 144:

Antoni F. Reczek  
President of the Management Board  
Principal Registered Auditor  
No. 90011

PricewaterhouseCoopers Sp. z o.o.

Warsaw, 13 May 2013

This document is a translation of the document originally issued in Polish. The only binding version is the original Polish version.

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Appendix 1

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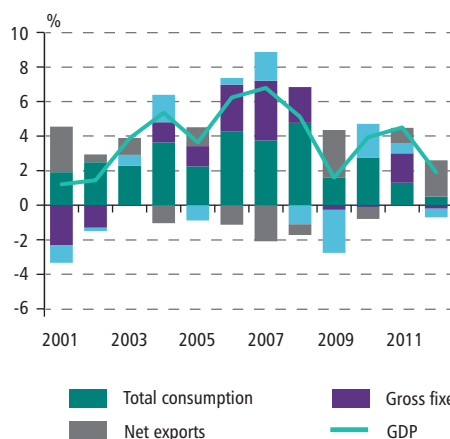
# GDP and aggregate demand



## GDP and aggregate demand

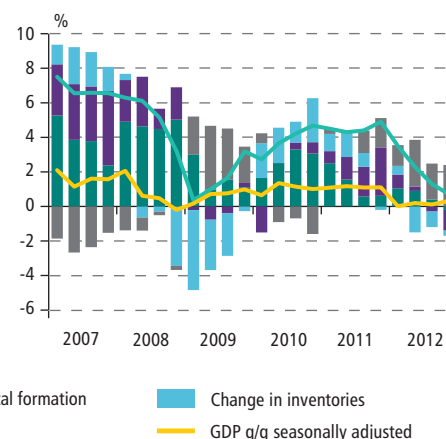
In 2012, GDP growth slowed down and amounted to 1.9% y/y (as against 4.5% y/y in 2011). The decline in output growth – particularly pronounced in the second half of the year – was the effect of weaker consumption growth combined with a slight decline in investment. On the other hand, GDP growth was supported by a relatively high contribution of net exports, as imports decelerated faster than exports (Figure A.1.1., Figure A.1.2, Table A.1.1). Slower exports growth was attributable to flagging external demand, which dragged on domestic demand through its adverse effect on investment, and, indirectly, also consumption.

**Figure A.1.1.** Contribution of aggregate demand components to GDP growth (annualized data)



Source: GUS data.

**Figure A.1.2.** Contribution of aggregate demand components to GDP growth (quarterly data)



Source: GUS data, NBP calculations.

Private consumption growth, which in the first half of 2012 remained roughly at its 2011 Q4 level, slowed down considerably in the second half of 2012. Sluggish consumption demand was driven by a weak growth in households' disposable income, as wage growth declined amidst shrinking employment growth. Another factor curbing consumption was slower growth in lending to households, including a fall in consumer loans, and deteriorating sentiment of households – particularly on account of rising concerns about unemployment in the second half of 2012.

In 2012 gross fixed capital formation growth lost momentum, turning negative in the second half of the year. Investment growth was mostly dampened by a contraction in public investment, coupled with weaker household and corporate investment. Cuts in public investment were partly related to the completion of some infrastructural investment projects launched in the run-up to the European Football Championship, along with the effect of fiscal rules putting constraints on local governments' investment capacity. On the other hand, subdued corporate investment activity can probably be ascribed to poor demand prospects amidst the anticipated domestic economic slowdown and rather weak external activity. This was compounded by a deterioration in enterprises' financial situation

and tighter lending conditions imposed by banks on long-term corporate loans. Weaker corporate investment could additionally result from enterprises' limited needs to modernize their assets, as substantial expenditures to that end had already been incurred in the years 2010–2011.<sup>1</sup> Slower housing investment, in turn, was attributable to households' poorer economic situation, a substantial cuts in price limits under the government-subsidised housing scheme “Family on its Own” as well as the tightening of banks' credit policies in the mortgage loan segment. As gross fixed capital formation growth was sluggish and the contribution of change in inventories to GDP growth negative – a result of the pro-cyclical character of this category – accumulation in 2012 was lower than in 2011.

Public consumption in 2012 remained largely unchanged on its 2011 figure.<sup>2</sup> The stagnation in public consumption was related to government measures aimed at narrowing the public finance deficit, in particular to the implementation of the expenditure rule as well as fiscal rules in the local government units and to the wage freeze in the government sector.

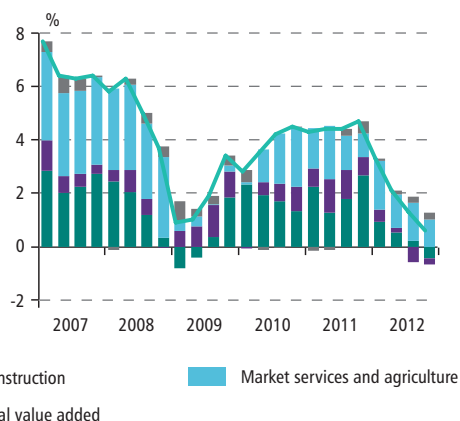
In 2012, the largest contribution to GDP growth came from net exports (2.1 percentage points as opposed to 0.9 percentage point in 2011). The relatively large contribution of net exports resulted from continued exports growth amidst a substantial drop in imports demand related, on the one hand, to a slowdown in the import-intensive export production, and, on the other, to the flagging domestic demand.

**Figure A.1.3.** Contribution to gross value added growth (annual data)



Source: GUS data, NBP calculations.

**Figure A.1.4.** Contribution to gross value added growth (quarterly data)



Source: GUS data, NBP calculations.

Gross value added rose at a slower pace in 2012 than the year before (1.8% versus 4.5%, respectively) due to a significantly slower value added growth in industry and its decline in construction. As a result, the largest contribution to value added growth came from market services and agriculture (1.2 percentage points), amidst a considerably lower contribution from industry and non-market services (0.2 percentage point each) and a slightly negative contribution of construction (-0.1 percentage point; Figure A.1.3, Figure A.1.4).

<sup>1</sup> This was reflected in a drop in newly launched replacement investment projects.

<sup>2</sup> The contribution of this category to GDP growth was nought.

Table A.1.1. GDP and domestic demand

	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Growth rate of GDP and its components at constant prices (%)</b>									
GDP	5.3	3.6	6.2	6.8	5.1	1.6	3.9	4.5	1.9
Domestic demand	6.2	2.5	7.3	8.7	5.6	-1.1	4.6	3.6	-0.2
Consumption	4.3	2.7	5.2	4.6	6.1	2.0	3.4	1.6	0.6
Private consumption indywidualne	4.7	2.1	5.0	4.9	5.8	2.1	3.2	2.6	0.8
Capital formation	14.7	1.4	16.1	24.3	3.9	-11.5	9.3	11.2	-3.3
Gross fixed capital formation	6.4	6.5	14.9	17.6	9.6	-1.2	-0.4	8.5	-0.8
Exports	14.0	8.0	14.6	9.1	7.1	-6.8	12.1	7.7	2.8
Imports	15.8	4.7	17.3	13.7	8.0	-12.4	13.9	5.5	-1.8
Contribution of net exports to GDP growth (percentage points)	-1.0	1.1	-1.1	-2.1	-0.6	2.7	-0.7	0.9	2.1
<b>Structure of GDP at current prices (%)</b>									
GDP	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Domestic demand	102.4	100.7	101.8	102.9	104.0	99.9	101.2	101.2	99.7
Consumption	82.3	81.5	80.8	78.4	80.1	79.6	80.2	79.1	79.0
Private consumption	63.7	62.5	61.6	59.6	60.7	60.2	60.4	60.3	60.3
Capital formation	20.1	19.3	21.1	24.4	23.9	20.3	21.0	22.1	20.7
Gross fixed capital formation	18.1	18.2	19.7	21.6	22.3	21.2	19.9	20.2	19.4
Exports	37.5	37.1	40.4	40.8	39.9	39.4	42.2	45.1	46.2
Imports	39.8	37.8	42.2	43.6	43.9	39.4	43.4	46.2	45.8
Net exports	-2.4	-0.7	-1.8	-2.9	-4.0	0.1	-1.2	-1.2	0.3

Source: GUS data, NBP calculations based on GUS data.

Value added growth decreased in 2012 versus its 2011 rate (1.8% y/y as against 4.5% y/y) on the back of a slower value-added growth in industry and a decline in construction. Consequently, the highest contribution to gross value added growth came from market services and agriculture (1.2 percentage points), amidst a much lower contribution of industry and non-market services (0.2 percentage point each) and a slightly negative contribution of net exports (-0.1 percentage point, Figures A1.3 and A1.4).

Appendix 2

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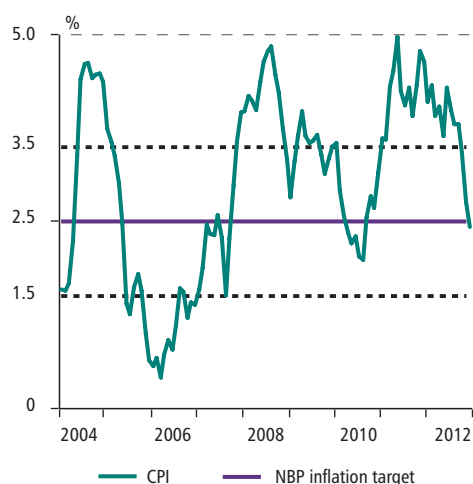
# Prices of consumer goods and services



## Prices of consumer goods and services

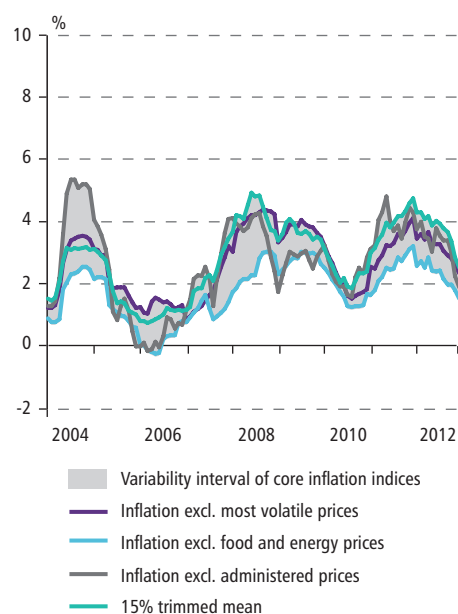
In 2012 the average annual index of consumer goods and services prices (CPI) stood at 3.7%, thus remaining above the NBP inflation target set at  $2.5\% \pm 1$  percentage point. Yet, inflation was lower than a year before, when it had run at 4.3%, and declined markedly during the year (from 4.1% in January to 2.4% in December 2012). As a result, at the end of 2012 inflation stood at the level consistent with the NBP inflation target (Figure A2.1, Table A2.1).

**Figure A.2.1.** Annual CPI and the inflation target



Source: GUS data.

**Figure A.2.2.** Core inflation indices (y/y)



Source: NBP calculations based on GUS data.

Inflation running at a heightened level, especially in the first half of 2012, was primarily caused by a relatively sharp growth in administered prices – mainly those of energy carriers – driven largely by the 2011 and 2012 rises in electricity, gas and heating tariffs. This was combined with persistently steep growth in food prices and price effects of the weaker zloty as compared with the previous year. On the other hand, in particular in the second half of 2012, inflation was curbed by markedly lower demand and falling wage growth as well as zloty appreciation in that period. Moreover, inflation decline in 2012 was supported by the waning of the statistical base effects, including the impact of the January 2011 VAT rise.

2012 saw a decline in all core inflation measures, with the strongest drop observed in inflation net of administered prices (Figure A2.2).

The consumer price index reflects price developments in four main categories: energy, food and non-alcoholic beverages as well as goods and services (Figure A2.3, Figure A2.4).



In 2012 price growth in all main categories of goods decreased, while remaining above the long-term average. Similarly to the previous year, energy and food and non-alcoholic beverages accounted for the largest contribution to inflation (Figure A2.4). In 2012, trends in price growth in individual categories were as follows (the order of categories reflects their contribution to the total CPI in 2012):

- **Energy:** Despite a fall in January 2012 (waning impact of VAT increases), in the first half of 2012 growth in energy prices remained relatively high due to rising tariffs on electricity, gas and heating, following the previously observed strong increases in energy commodity prices in the global markets. The second half of 2012, in turn, saw a gradual decline in energy price growth, particularly strong in Q4, partly driven by a fall in crude oil prices observed in this period (as compared to their strong rise in the corresponding period of 2011). Moreover, slower growth in energy prices at the end of 2012 was also supported by depreciation of the exchange rate of the zloty. In 2012, the average annual growth in energy prices stood at 7.9% (as compared to 9.1% in 2011).
- **Food and non-alcoholic beverages:** At the beginning of 2012 the average annual growth in prices of food and non-alcoholic beverages decelerated, in particular, as a result of increasing supply of cereals in the market. At the same time, the decline in the prices of the analysed aggregate was curbed by strongly rising prices of certain food articles.<sup>1</sup> In mid-2012 the annual growth in food prices accelerated due to stronger growth in prices of unprocessed food, largely driven by positive base effects and lower crops.<sup>2</sup> At the end of 2012, food price growth again declined slightly as supply of certain food items increased.<sup>3</sup> In 2012 the average annual growth in prices of food and non-alcoholic beverages reached 4.3% (as compared to 5.4% in 2011).
- **Services:** Slower growth in prices of services in 2012, similarly to the majority of other goods categories, was due to the waning impact of the 2011 VAT rises as well as weakening growth of demand. Following a decline in January 2012 (related to VAT) prices of services in the subsequent months of the first half of 2012 were relatively stable. In August 2012, service price growth sank due to the negative base effect of prices of urban transportation tickets and telephone subscription fees.<sup>4</sup> In the subsequent months, growth in prices of services remained relatively low. In 2012, the average annual growth in prices of services reached 3.0% (as compared to 3.3% in 2011).
- **Goods:** Despite the waning impact of VAT increases, as of January 2012, growth in goods prices remained relatively high in the first half of 2012. However, in the second half of 2012, amidst weakening demand, the growth of goods prices started to decelerate. A particularly sharp fall in goods price growth, observed in 2012 Q4, was partly caused by

<sup>1</sup> March 2012 saw a considerable rise in egg prices as a result of the implementation of EU regulations obliging chicken breeders to use larger chicken nesting boxes.

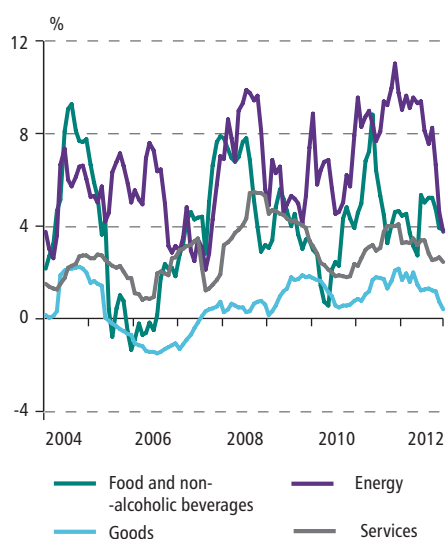
<sup>2</sup> In June 2012, there was a significant rise in vegetable prices. This rise was the result of a positive base effect connected with low growth in this food category in 2011 on account of reported cases of E. coli contamination.

<sup>3</sup> In particular, high supply of cereals in the domestic market was a factor behind falling prices in the group of bread and cereal products.

<sup>4</sup> August 2011 saw a strong rise in prices of urban transportation tickets and landline and mobile telephone subscription fees.

the base effect related to prices of medical and pharmaceutical products.<sup>5</sup> Comparatively high fluctuations in goods prices observed in 2012 were also the result of a different than a year before distribution of price changes in the tobacco product group following rises in the excise taxes. Moreover, earlier than in 2011 start of clothing and footwear sales also added to goods price volatility.<sup>6</sup> In 2012, the average annual growth in the prices of goods reached 1.3% (as compared to 1.5% in 2011).

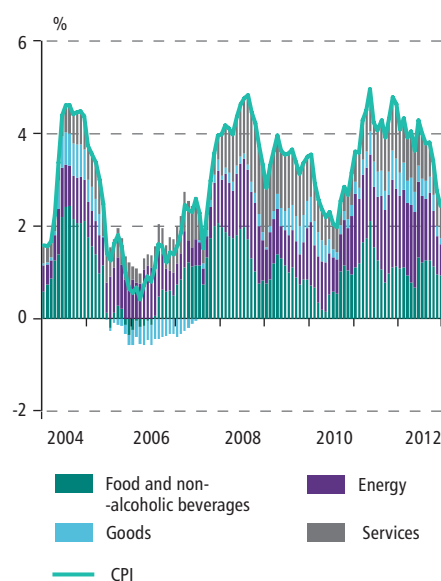
**Figure A.2.3.** Annual price growth in the prices of food, energy, goods and services



Source: NBP calculations based on GUS data.

Notes: The category of energy includes energy products (electricity, gas, heating fuel). The category of goods is exclusive of food, non-alcoholic beverages and energy.

**Figure A.2.4.** 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.

**Table A.2.1.** Annual price growth in consumer goods and services and contribution of main price categories to CPI

	Weights 2012 (%)	Growth rate (y/y, in %)											
		I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
CPI	100.0	4.1	4.3	3.9	4.0	3.6	4.3	4.0	3.8	3.8	3.4	2.8	2.4
Core inflation	58.2	2.5	2.6	2.4	2.7	2.3	2.3	2.3	2.1	1.9	1.9	1.7	1.4
Goods	29.6	1.7	2.0	1.6	2.0	1.5	1.2	1.3	1.3	1.2	1.2	0.7	0.4

<sup>5</sup> Steep growth in prices of medical and pharmaceutical products in 2011 Q4, driven by the introduction of a new list of reimbursed drugs, considerably curbed growth in this price category at the end of 2012.

<sup>6</sup> Due to a different distribution of price growth, resulting from the excise tax rise, in the first half of 2012 the growth in prices of tobacco products rose considerably and then declined. On the other hand, prices of clothes and footwear declined heavily in May as a result of a different timing of sales as compared to 2011.

Prices of consumer goods and services

Services	28.6	3.3	3.3	3.3	3.5	3.2	3.4	3.4	2.8	2.5	2.6	2.7	2.4
Food and non-alcoholic beverages	<b>24.2</b>	<b>4.5</b>	<b>4.5</b>	<b>3.7</b>	<b>3.2</b>	<b>2.7</b>	<b>5.4</b>	<b>5.1</b>	<b>5.3</b>	<b>5.3</b>	<b>4.7</b>	<b>3.9</b>	<b>3.9</b>
Processed	13.5	6.4	5.7	4.8	4.9	4.5	4.3	4.1	3.7	3.7	3.4	3.1	2.8
Unprocessed	10.7	2.1	3.1	2.5	1.0	0.6	6.7	6.3	7.3	7.4	6.6	5.0	5.3
Energy	<b>17.6</b>	<b>9.0</b>	<b>9.7</b>	<b>9.1</b>	<b>9.6</b>	<b>9.3</b>	<b>9.4</b>	<b>8.1</b>	<b>7.6</b>	<b>8.2</b>	<b>6.7</b>	<b>4.6</b>	<b>3.8</b>
Energy carriers	12.6	6.8	6.8	6.9	8.1	8.0	7.9	7.2	6.6	6.4	5.7	5.2	5.1
Fuels	5.0	14.8	17.2	14.9	13.4	12.7	13.1	10.6	10.2	13.0	9.2	3.2	0.7
<b>As broken down to 12 COICOP categories</b>													
Food and non-alcoholic beverages	24.2	4.5	4.5	3.7	3.2	2.7	5.4	5.1	5.3	5.3	4.7	3.9	3.9
Alcoholic beverages and tobacco products	6.1	3.6	4.6	4.8	5.0	4.7	4.1	3.8	3.7	3.7	3.7	3.6	3.6
Clothes and footwear	4.9	-2.1	-1.8	-4.4	-2.6	-4.6	-5.0	-5.1	-5.1	-5.0	-4.6	-4.8	-4.7
Home maintenance and energy	21.3	6.0	6.0	6.0	6.8	6.6	6.5	6.0	5.6	5.5	5.1	4.8	4.7
Home equipment and household maintenance	4.6	2.6	2.4	2.3	2.6	2.5	2.4	2.3	2.2	2.2	2.3	1.9	1.9
Health	5.0	4.0	4.1	4.2	4.1	3.7	3.6	3.7	3.8	3.4	3.2	1.3	-0.2
Transportation	9.1	9.2	10.3	9.3	8.7	8.1	8.2	6.8	6.5	8.0	6.0	3.1	1.1
Communication	4.3	-0.5	-0.3	-0.3	1.2	2.3	3.3	3.6	0.1	0.1	-0.1	0.1	0.1
Recreation and culture	7.8	0.7	1.4	1.7	1.7	0.6	0.9	1.3	1.3	0.9	0.9	0.7	0.6
Education	1.2	5.1	5.1	5.0	5.0	5.0	4.9	4.7	4.9	2.5	2.7	2.7	2.7
Restaurants and hotels	6.4	3.7	3.3	3.1	2.9	2.9	2.9	2.9	3.0	2.9	2.9	2.8	2.8
Other goods and services	5.1	3.1	3.0	2.5	2.4	2.5	2.3	2.0	2.1	2.0	1.8	1.8	1.5
	<b>Weights 2012 (%)</b>	<b>Contribution to CPI (in %)</b>											
		<b>I</b>	<b>II</b>	<b>III</b>	<b>IV</b>	<b>V</b>	<b>VI</b>	<b>VII</b>	<b>VIII</b>	<b>IX</b>	<b>X</b>	<b>XI</b>	<b>XII</b>
CPI	<b>100.0</b>	<b>4.1</b>	<b>4.3</b>	<b>3.9</b>	<b>4.0</b>	<b>3.6</b>	<b>4.3</b>	<b>4.0</b>	<b>3.8</b>	<b>3.8</b>	<b>3.4</b>	<b>2.8</b>	<b>2.4</b>
Core inflation	<b>58.2</b>	<b>1.4</b>	<b>1.5</b>	<b>1.4</b>	<b>1.6</b>	<b>1.3</b>	<b>1.3</b>	<b>1.4</b>	<b>1.2</b>	<b>1.1</b>	<b>1.1</b>	<b>1.0</b>	<b>0.8</b>
Goods	29.6	0.5	0.6	0.5	0.6	0.4	0.4	0.4	0.4	0.4	0.4	0.2	0.1
Services	28.6	0.9	1.0	0.9	1.0	0.9	1.0	1.0	0.8	0.7	0.7	0.8	0.7
Food and non-alcoholic beverages	<b>24.2</b>	<b>1.1</b>	<b>1.1</b>	<b>0.9</b>	<b>0.8</b>	<b>0.7</b>	<b>1.3</b>	<b>1.2</b>	<b>1.3</b>	<b>1.2</b>	<b>1.1</b>	<b>0.9</b>	<b>0.9</b>
Processed food	13.5	0.8	0.8	0.6	0.7	0.6	0.6	0.6	0.5	0.5	0.5	0.4	0.4
Unprocessed food	10.7	0.2	0.3	0.3	0.1	0.1	0.7	0.7	0.7	0.7	0.7	0.5	0.6
Energy	<b>17.6</b>	<b>1.6</b>	<b>1.7</b>	<b>1.6</b>	<b>1.7</b>	<b>1.6</b>	<b>1.6</b>	<b>1.4</b>	<b>1.3</b>	<b>1.5</b>	<b>1.2</b>	<b>0.8</b>	<b>0.7</b>
Energy carriers	12.6	0.9	0.9	0.9	1.0	1.0	1.0	0.9	0.8	0.8	0.7	0.7	0.6
Fuels	5.0	0.7	0.8	0.7	0.7	0.6	0.7	0.5	0.5	0.6	0.5	0.2	0.0

## Appendix 2

As broken down to 12 COICOP categories													
Food and non-alcoholic beverages	24.2	1.1	1.1	0.9	0.8	0.7	1.3	1.2	1.3	1.2	1.1	0.9	0.9
Alcoholic beverages and tobacco products	6.1	0.2	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Clothes and footwear	4.9	-0.1	-0.1	-0.2	-0.1	-0.2	-0.3	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2
Home maintenance and energy	21.3	1.3	1.3	1.3	1.4	1.4	1.4	1.3	1.2	1.2	1.1	1.0	1.0
Home equipment and household maintenance	4.6	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	5.0	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.0
Transportation	9.1	0.8	0.9	0.8	0.8	0.7	0.7	0.6	0.6	0.7	0.6	0.3	0.1
Communication	4.3	0.0	0.0	0.0	0.1	0.1	0.1	0.2	0.0	0.0	0.0	0.0	0.0
Recreation and culture	7.8	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.0
Education	1.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0
Restaurants and hotels	6.4	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Other goods and services	5.1	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1

Source: GUS data, NBP calculations based on GUS data.

Appendix 3

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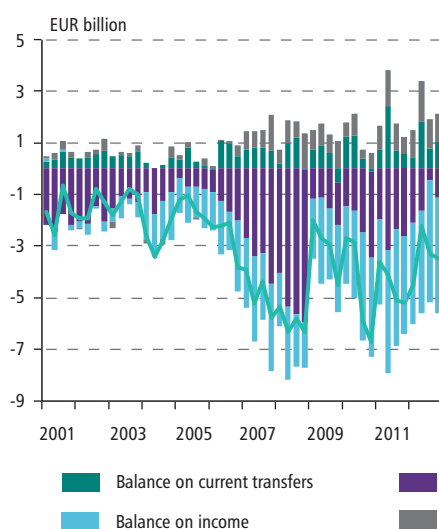
# Balance of payments



## Balance of payments

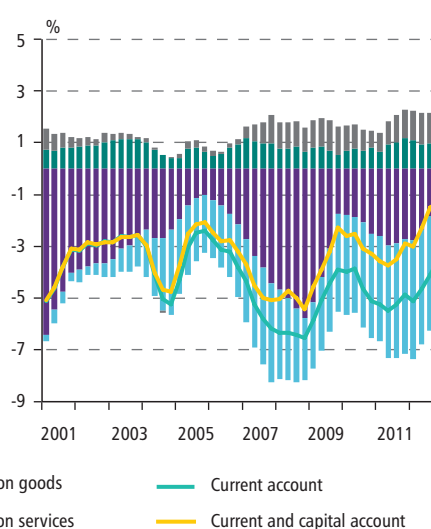
In 2012, the deficit on the current account amounted to EUR 13.5 billion, against EUR 18.0 billion in 2011. The improvement in the current account balance resulted primarily from considerably narrowed deficit on trade in goods. Also, higher surplus on the trade in services supported the improvement. Factors working in the opposite direction included the increasingly negative balance on income and somewhat lowered surplus on current transfers (Figure A3.1, Figure A3.2, Table A3.1).

**Figure A.3.1.** Current account balance (EUR billion)



Source: NBP data.

**Figure A.3.2.** Current and capital account balance to GDP (4 quarters rolling window)



Source: NBP data.

In 2012, Poland's external trade slowed down substantially. As imports decelerated more than exports, the deficit on trade in the goods narrowed materially (to EUR 5.3 billion, from EUR 10.1 billion in 2011). Slower import growth was driven by sluggish consumption combined with declining inventory levels and weak demand for intermediate goods from exporters.<sup>1</sup> Export trends, on the other hand, were largely determined by the economic situation in Poland's main export markets. In particular, sluggish economic growth in the European Union countries – the main recipients of Polish exports – dampened export growth, which, while remaining positive, was markedly slower than the previous years' average. At the same time, the slowdown was curbed by the robust expansion in import demand from the Commonwealth of Independent States.

<sup>1</sup> Import growth deceleration was limited due to increasing prices of energy commodities at the beginning of the year and the appreciation of the zloty observed in the final months of 2012.

The 2012 improvement in the current account balance was – to some extent – also the result of higher surplus on the trade in services (of EUR 4.8 billion, against EUR 4.0 billion in 2011). This was primarily the result of improved balances on transport services and foreign travels.

**Table A.3.1.** Main items of the balance of payments (EUR million)

Balance of payment	2005	2006	2007	2008	2009	2010	2011	2012
A. Current account	-5,856	-10,425	-19,245	-23,799	-12,152	-18,129	-17,977	-13,480
Balance on trade in goods	-2,508	-5,829	-13,827	-20,928	-5,427	-8,893	-10,059	-5,313
Balance on trade in services	585	582	3,441	3,475	3,427	2,334	4,048	4,816
Balance on income	-5,490	-7,728	-11,928	-8,685	-11,828	-14,415	-16,381	-17,082
Balance on current transfers	1,557	2,550	3,069	2,339	1,676	2,845	4,415	4,099
B. Capital account	786	1,666	3,418	4,068	5,080	6,453	7,254	8,545
C. Financial account	12,151	10,586	27,621	25,924	24,597	30,936	22,019	16,234
Polish direct investment abroad	-2,792	-7,137	-4,020	-3,072	-3,335	-5,484	-5,276	644
Foreign direct investment in Poland	8,330	15,741	17,242	10,128	9,343	10,507	13,646	2,664
Portfolio investment – assets	-2,008	-3,685	-4,606	1,701	-1,009	-799	527	-314
Portfolio investment – liabilities	11,797	1,485	-20	-3,655	11,303	20,041	11,415	15,671
Other investment – assets	-2,181	-3,137	-1,321	4,039	3,911	-2,837	-2,507	-1,622
Other investment – liabilities	-1,132	7,868	21,804	17,527	5,681	10,090	4,614	-3,067
Derivative financial instruments	137	-549	-1,458	-744	-1,297	-582	-400	2,258
D. Errors and omissions	-627	204	-2,414	-8,621	-7,111	-7,767	-6,602	-2,562
Overall balance A – D	6,454	2,031	9,380	-2,428	10,414	11,493	4,694	8,737
E. Change in official reserve assets	-6,454	-2,031	-9,380	2,428	-10,414	-11,493	-4,694	-8,737

With regard to the financial account, the presented figures should be interpreted as follows: positive (negative) amounts of residents' investment abroad (items: Polish direct investment abroad, portfolio investment: assets, other investment: assets) denote a decrease (increase) in Polish assets abroad. Conversely, positive (negative) amounts of non-residents' investment in Poland (items: foreign direct investment in Poland, portfolio investment: liabilities, other investment: liabilities) mean an increase (decrease) in Polish liabilities towards non-residents. The sum of items A to D is equivalent to the value of transactions by NBP. As a result, in the balance of payments convention, the opposite sign is used with respect to the item "change in official reserve holdings": a negative sign denotes increase in the official reserve assets, while a positive sign denotes decrease in these assets.

Source: NBP data.

On the other hand, growing deficit on income (of EUR 17.1 billion against EUR 16.4 billion in 2011) limited the improvement of the current account. As in the previous years, the negative balance on this account was primarily attributable to high income obtained by non-residents on their Polish investment, including, in particular, direct and portfolio investment. In 2012, a certain decline in foreign investors' income on direct investment was visible, amidst a substantial rise in income from portfolio investment.

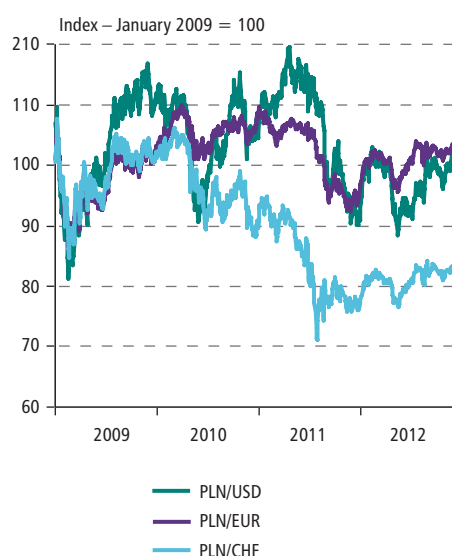


The surplus on current transfers – while still high – declined somewhat (to EUR 4.1 billion against EUR 4.4 billion in 2011). The decrease in the surplus supported narrowing current account deficit in 2012.<sup>2</sup>

In 2012, lower deficit on the current account was accompanied by a marked increase in the surplus on the capital account (to EUR 8.5 billion, against EUR 7.3 billion in 2011), driven by higher inflow of funds as part of settlement of the completed investment projects co-financed by the EU. As a result, the total balance of the current and capital accounts improved significantly, reaching -1.3% of the GDP (Table A3.2).

In 2012, there was a significant decrease in the inflow of foreign direct investment to Poland. Consequently, although the combined current and capital account deficit was substantially reduced, its financing with foreign direct investment declined as compared to 2011.<sup>3</sup> On the other hand, the surplus on the financial account was boosted by the portfolio investment surplus, which was largely related to an increase in non-residents' investment in debt securities issued on the domestic market.

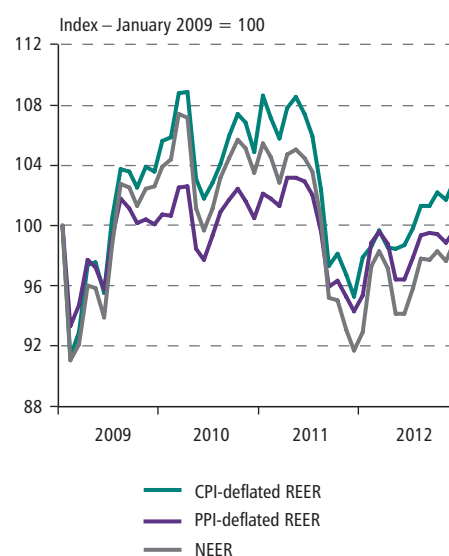
**Figure A.3.3.** Zloty exchange rate against major currencies



Source: NBP data.

Increases denote appreciation.

**Figure A.3.4.** Zloty real and nominal effective exchange rate



Source: NBP calculations based on Eurostat OECD, Reuters data.

Increases denote appreciation.

In the course of 2012, the zloty exchange rate appreciated vis-à-vis major currencies (by 9.3% against the euro, by 8.9% against US dollar and by 7.7% against the Swiss franc; Figure

<sup>2</sup> A decrease in the surplus on current transfers resulted from a slump in the positive balance of private transfers. This, in turn, stemmed from rising deficit on the so-called other transfers, amidst a virtually unchanged surplus of workers' remittances.

<sup>3</sup> The balance of foreign direct investment in Poland in 2012 was affected by one-off transactions related to the phenomenon of capital in transit. This was observed in particular in 2012 Q1 and Q4.

A3.3), although periods of zloty depreciation were occasionally observed during the year.<sup>4</sup> The nominal effective exchange rate (NEER) strengthened by 7.9% in 2011.<sup>5</sup>

In 2012 some indicators of Poland's external imbalance improved, while others deteriorated. In particular, there was a significant reduction in the deficit on the current and capital accounts in relation to the GDP. In turn, the international investment position, after a marked improvement observed in 2011, in 2012 again weakened.

In 2012, some indicators of the external imbalance of the Polish economy improved, while others gradually weakened (Table A3.2). In particular, there was a significant reduction in the deficit on the current and capital account as related to GDP. Net international investment position, on the other hand, after strengthening substantially in 2011, deteriorated again in 2012.

**Table A.3.2.** Selected indicators of external imbalances

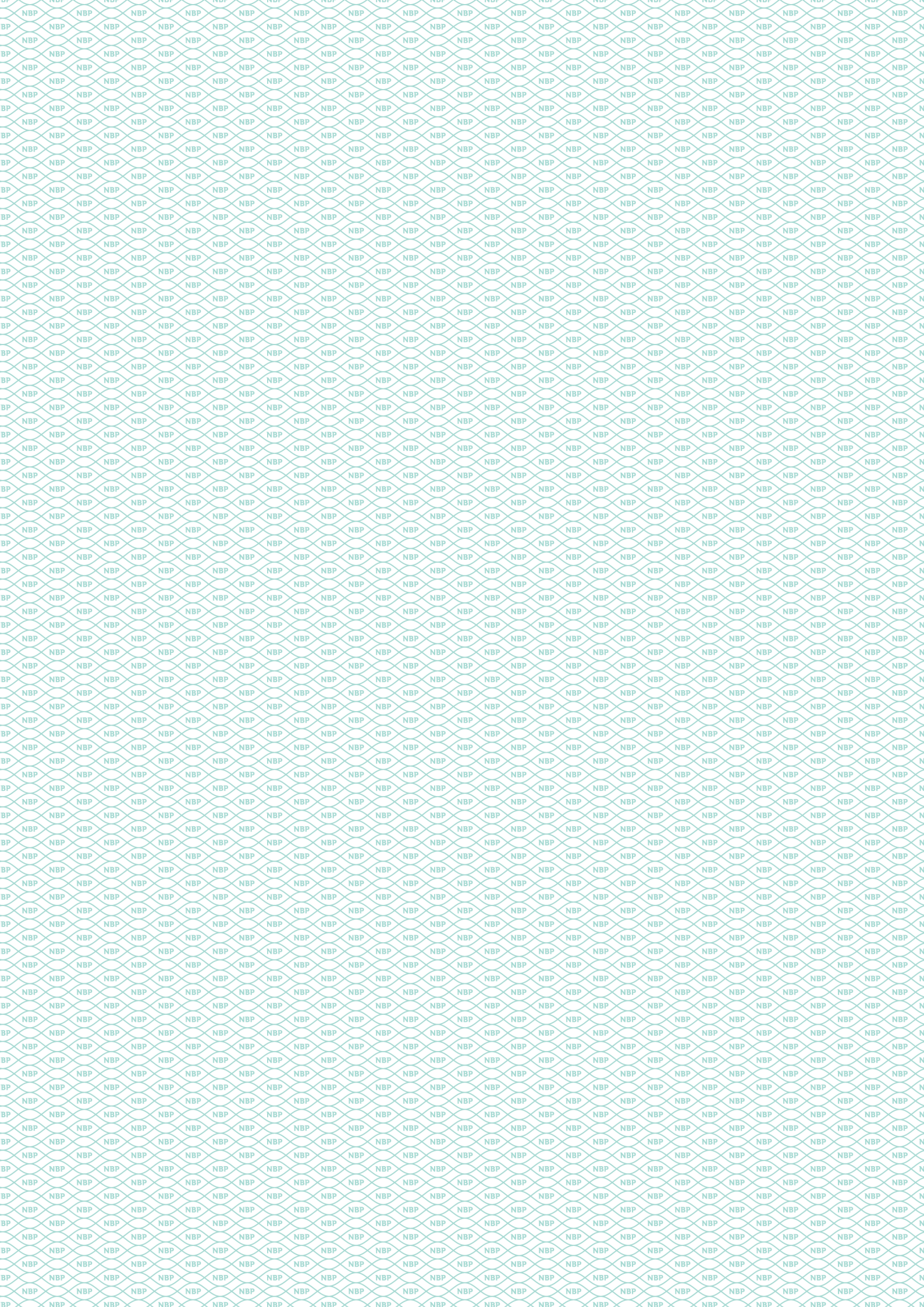
	2005	2006	2007	2008	2009	2010	2011	2012
Current account balance / GDP (%)	-2.4	-3.8	-6.2	-6.6	-3.9	-5.1	-4.9	-3.5
Current and capital account balance / GDP (%)	-2.1	-3.2	-5.1	-5.4	-2.3	-3.3	-2.9	-1.3
Balance on trade in goods / GDP (%)	-1.0	-2.1	-4.4	-5.8	-1.7	-2.5	-2.7	-1.4
Current account balance / current account inflows (%)	-0.8	-1.9	-3.3	-4.8	-0.6	-1.8	-1.6	-0.1
Gross foreign direct investment / current account balance (%)	142.2	151.0	89.6	42.6	76.9	58.0	75.9	19.8
Gross foreign direct investment / current and capital account balance (%)	164.3	179.7	108.9	51.3	132.1	90.0	127.3	54.0
Foreign debt / GDP (%)	4.7	3.8	3.9	3.3	5.3	5.4	5.2	5.6
Official reserve assets in terms of monthly imports of goods and services	45.9	47.4	50.9	47.9	62.4	66.9	67.2	74.0
Short-term foreign debt / total foreign debt (%)	20.4	20.4	26.1	26.9	25.0	24.4	22.4	19.3
Short-term foreign debt / official reserve assets (%)	63.6	71.3	92.6	106.0	88.0	82.6	73.4	64.1
Net international investment position / GDP (%)	-44.2	-46.4	-52.6	-47.5	-61.8	-66.0	-59.3	-69.0

Source: GUS and NBP data, NBP calculations.

<sup>4</sup> Change calculated as difference between the average rates in December 2012 and December 2011.

<sup>5</sup> Exchange rate in December 2012 as against exchange rate in December 2011.





Appendix 4

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# Money and credit



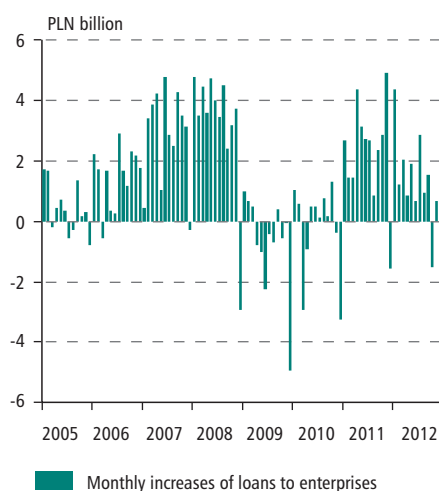


## Money and credit

In 2012, lending to both corporates and households continued to rise, albeit at a slower pace than in 2011, and losing even more momentum in the course of the year (Figure A4.1, Figure A4.3).

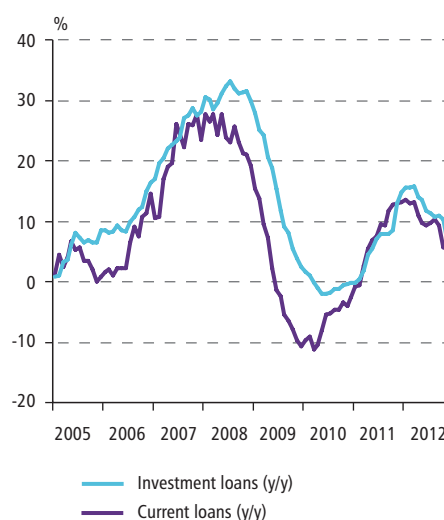
The deceleration in corporate lending in 2012 was a combined effect of a slowdown in both current loans and investment loans. This could have been driven partly by weaker corporate investment demand, amidst banks' tighter lending policy.

**Figure A.4.1.** Month-on-month changes in loans to enterprises



Source: NBP data.

**Figure A.4.2.** Investment and current loan growth



Source: NBP data.

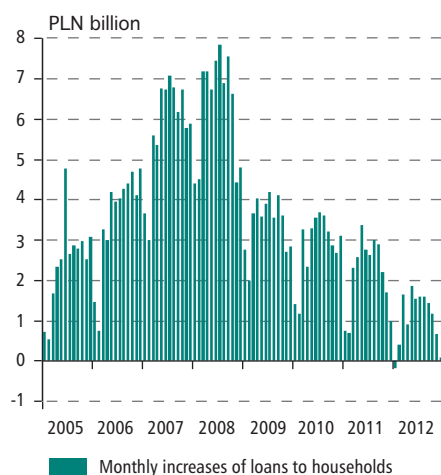
In 2012, banks continued to tighten both their lending criteria and lending terms, most specifically by increasing collateral requirements on corporate loans and raising margins and non-interest cost of credit.<sup>1</sup> As the main reason behind changes in their lending policies, banks quoted heightened macroeconomic risk relating to future economic developments.

Weaker household credit growth in 2012 resulted from slower expansion in housing loans, amidst falling consumer loans (Figure A4.4.). Housing loan growth declined due to a fall in foreign currency-denominated loans, combined with a certain slowdown in zloty-denominated lending. As a consequence, the share of zloty-denominated loans in total

<sup>1</sup> An exception was 2012 Q2 when banks temporarily relaxed their lending criteria and most of the lending terms. Lending policy easing in this period resulted primarily from better assessment of the current or anticipated capital position of banks, mounting competitive pressure and a temporary decrease in risk related to the future economic situation.

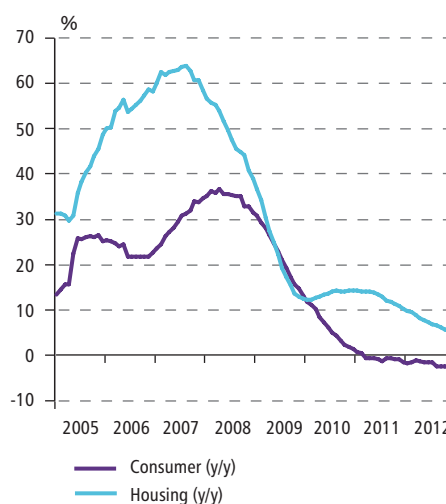
loans continued to rise steadily in 2012, boosting the efficiency of monetary policy transmission mechanisms.

**Figure A.4.3.** Month-on-month changes in new zloty loans to household



Source: NBP data.

**Figure A.4.4.** Annual growth in consumer and housing loans to households



Source: NBP data.

The 2012 rise in housing loans was hampered by substantial lowering of price limits applicable to government-subsidized housing scheme *Rodzina na swoim* (“Family on their own”), and the deteriorating economic situation of households, which was coupled with banks’ tighter lending policy and a certain rise in interest on loans.<sup>2</sup> Banks tightened both their lending criteria and lending terms, especially the cost of credit. To an increasing extent, they justified the change in their policy with credit risk related to the anticipated economic situation and unfavourable outlook for the housing market.

With regard to consumer loans, their further decline was partially driven by a certain tightening of the criteria for this type of loans introduced by banks, combined in the second half of 2012 with lower household demand for credit. Since the banks raised their credit margins, interest on consumer loans rose as well.<sup>3</sup> Banks’ more stringent lending policies with regard to consumer loans were related to the rising share of non-performing loans in the banks’ loan portfolio and heightened uncertainty about future economic situation.

In 2012, broad money (M3) growth decline; however it remained slightly above nominal GDP growth (Figure A4.5).<sup>4</sup> Slower M3 growth was driven by a decline in corporate deposits

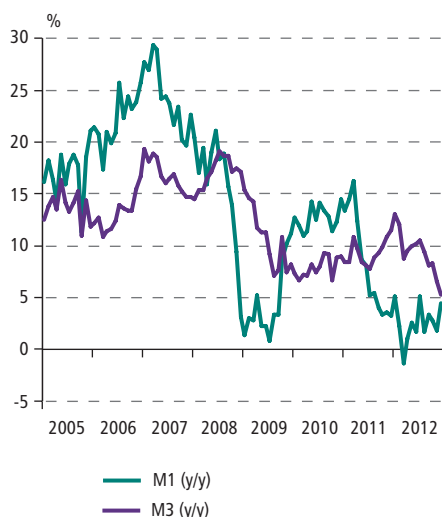
<sup>2</sup> Average annual interest on housing loans was 0.4 percentage point higher in 2012 than in 2011.

<sup>3</sup> Average annual interest on consumer loans was 0.6 percentage point higher in 2012 than in 2011.

<sup>4</sup> In terms of transactions, M3 growth amounted to 5.3% (December 2012 to December 2011) as against nominal GDP growth of 4.9% in 2012.

amidst weaker growth in household deposit (Figure A4.6). As current deposit growth decelerated, the more liquid components of M3, included in the M1 aggregate, also recorded a slowdown. As a result, in 2012, M1 grew at a slower pace than the broad money.

**Figure A.4.5.** Annual M1 and M3 growth rates



Source: NBP data.

**Figure A.4.6.** Corporate and household bank deposit growth



Source: NBP data.

In 2012, the total value of corporate deposits decreased substantially (by PLN 12.5 billion).<sup>5</sup> At the beginning of the year, the annual growth in corporate deposits was relatively high, but in the following quarters it steadily declined, turning negative in 2012 Q4. The fall in corporate deposits observed despite a rise in the interest paid on deposits could have been related to some deterioration in firms' financial situation.<sup>6</sup>

On the other hand, the total value of household deposits increased in 2012. Yet, the growth in these deposits decreased in the course of the year (particularly in the second half of 2012) and the total increase was substantially lower than in 2011. Weaker deposit growth was driven by deteriorating economic condition of households. The scale of the slowdown could have been reduced by a certain rise in interest paid on deposits.<sup>7</sup>

<sup>5</sup> It was the first such significant decline in total corporate deposits in annual terms. A slight decline in the stock of deposits (of PLN 0.5 billion) was recorded in 2000. In 2009, despite a contraction observed throughout several months, the stock of corporate deposits rose by PLN 15.9 billion.

<sup>6</sup> Annual average interest on corporate deposits was 0.5 percentage point higher in 2012 than in 2011.

<sup>7</sup> Average annual interest on household deposits was 0.6 percentage point higher in 2012 than in 2011.



Appendix 5

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# List of open-to-public academic seminars and selected publications of NBP



## List of open-to-public academic seminars and selected publications of NBP

In 2012, 28 open-to-public academic seminars were held:

- Three isn't always a charm: Third-party opportunism, scrutiny, and the (in)efficiency of public contracts
- Financialization and its crisis: Systemic transformations
- The Eurozone needs exit rules
- Measuring the natural yield curve
- Does discretion in lending increase bank risk? Borrower self-selection and loan officer capture effects
- Trade dynamics in the market for federal funds
- Bayesian testing of granger causality in Markov-switching VARs
- Service deregulation, competition and the performance of French and Italian firms
- Bank-firm relationships in Poland in the light of data from bank reporting
- The aggregate production function in economics of growth and convergence
- Prudential policy for peggers
- Learning financial structural change and the great recession
- Some macroeconomic principles neglected by politics: public finance consolidation and the crisis in the euro area
- Monetary exit strategy and fiscal spillovers
- Inventories, markups, and real rigidities in menu cost models
- Fiscal divergence and current account imbalances in Europe
- Economic potential of shale gas production in Poland
- Balance sheet policies in the euro area
- Dual liquidity crises under alternative monetary frameworks – a financial accounts perspective

- Financial attitudes and behaviour of the elderly toward non-cash payments
- Liquidity spillovers in sovereign bond and CDS markets: an analysis of the Eurozone sovereign debt crisis
- DSGE model-based real-time forecasting
- Global liquidity as early warning indicator of asset price booms: G5 versus broader measures
- On the optimal design of a financial stability fund
- The International Monetary Fund in response to the global financial and economic crisis
- The role of firm-level productivity growth for the optimal rate of inflation
- Anxious periods and bank lending
- Report on the optimal structure of the Polish banking system in the medium term.

In 2012, the following publications by the NBP employees were included in the so-called Philadelphia list (ISI Master Journal List):

- Jacek Kotłowski, Michał Brzoza-Brzezina, Agata Miśkowiec, *How forward looking are central banks? Some evidence from their forecasts*, "Applied Economics Letters", on-line version 9 May 2012, paper version vol. 20(2), 2013, pp. 142–146.
- Michał Brzoza-Brzezina, Marcin Kolasa, Krzysztof Makarski, *The anatomy of standard DSGE models with financial frictions*, "Journal of Economic Dynamics and Control", on-line version 23 June 2012, paper version vol. 37(1), 2013, pp. 32–51.
- Marcin Kolasa, Michał Rubaszek, Andrzej Kocięcki, *A Bayesian method of combining judgmental and model-based density forecasts*, "Economic Modelling", vol. 29(4), 2012, pp. 1349–1355.
- Marcin Kolasa, Michał Rubaszek, Paweł Skrzypczyński, *Putting the New Keynesian DSGE model to the real-time forecasting test*, "Journal of Money, Credit and Banking", vol. 44(7), 2012, pp. 1301–1324.
- Michał Rubaszek, *The role of two interest rates in the intertemporal current account model*, "Macroeconomic Dynamics", vol. 16(S2), 2012, pp. 176–189.
- Michał Rubaszek, Michele Ca'Zorzi, *On the empirical evidence of the intertemporal current account model for the euro area countries*, "Review of Development Economics", vol. 16(1), 2012, pp. 95–106.

- Michał Gradzewicz, Krzysztof Makarski, *The business cycle implications of the euro adoption in Poland*, "Applied Economics", on-line version 12 April 2012, paper version vol. 45(17), 2013, pp. 2443–2455.
- Stanisław Cichocki, *Self-employment and the business cycle: evidence from Poland*, "Post-Communist Economies", vol. 24(2), 2012, pp. 219–239.
- Joanna Tyrowicz, Jan Hagemeyer, *Is the effect really so large? Firm-level evidence on the role of FDI in a transition economy*, "Economics of Transition", vol. 20(2), 2012, pp. 195–233.
- Paweł Strzelecki, Kamil Galuscak, Mary Keeney, Daphne Nicolitsas, Frank Smets, Matija Vodopivec, *The determination of wages of newly hired employees: survey evidence on internal versus external factors*, "Labour Economics", vol. 19(5), 2012, pp. 802–812.
- Jakub Growiec, Łukasz Woźny, *Intergenerational interactions in human capital accumulation*, "The B.E. Journal of Theoretical Economics", vol. 12(1), 2012.
- Jakub Growiec, *The world technology frontier: what can we learn from the US States?*, "Oxford Bulletin of Economics and Statistics", vol. 74(6), 2012, pp. 777–807.
- Jakub Growiec, *Determinants of the labor share: evidence from a panel of firms*, "Eastern European Economics", vol. 50(5), 2012, pp. 23–65.
- Hans Degryse, Olena Havrylchuk, Emilia Jurzyk, Sylwester Kozak, *Foreign bank entry, credit allocation and lending rates in emerging markets: empirical evidence from Poland*, "Journal of Banking & Finance", vol. 36, pp. 2949–2959.
- Dobromir Serwa, *Identifying multiple regimes in the model of credit to households*, "International Review of Economics and Finance", on-line version 13 November 2012.
- Dobromir Serwa, *Banking crises and nonlinear linkages between credit and output*, "Applied Economics", vol. 44, 2012, pp. 1025–1040.

In the series *Materiały i Studia* the following papers were published in 2012:

- Michał Polasik, Jerzy Marzec, Piotr Fiszeder, Jakub Górka, *Modelowanie wykorzystania metod płatności detalicznych na rynku polskim*.
- Piotr Krajewski, Katarzyna Piłat, Michał Mackiewicz, *Ocena wpływu cykliczności polityki fiskalnej na synchronizację cyklu koniunkturalnego w Polsce i strefie euro*.
- Michał Konopczak, *Ocena ryzyka kredytowego Polski metodą roszczeń warunkowych*.
- Izabela D. Tymoczko, *Charakter współpracy przedsiębiorstwa z bankiem a warunki cenowe kredytu bankowego. Analiza ekonometryczna na podstawie modelu logitowego*.

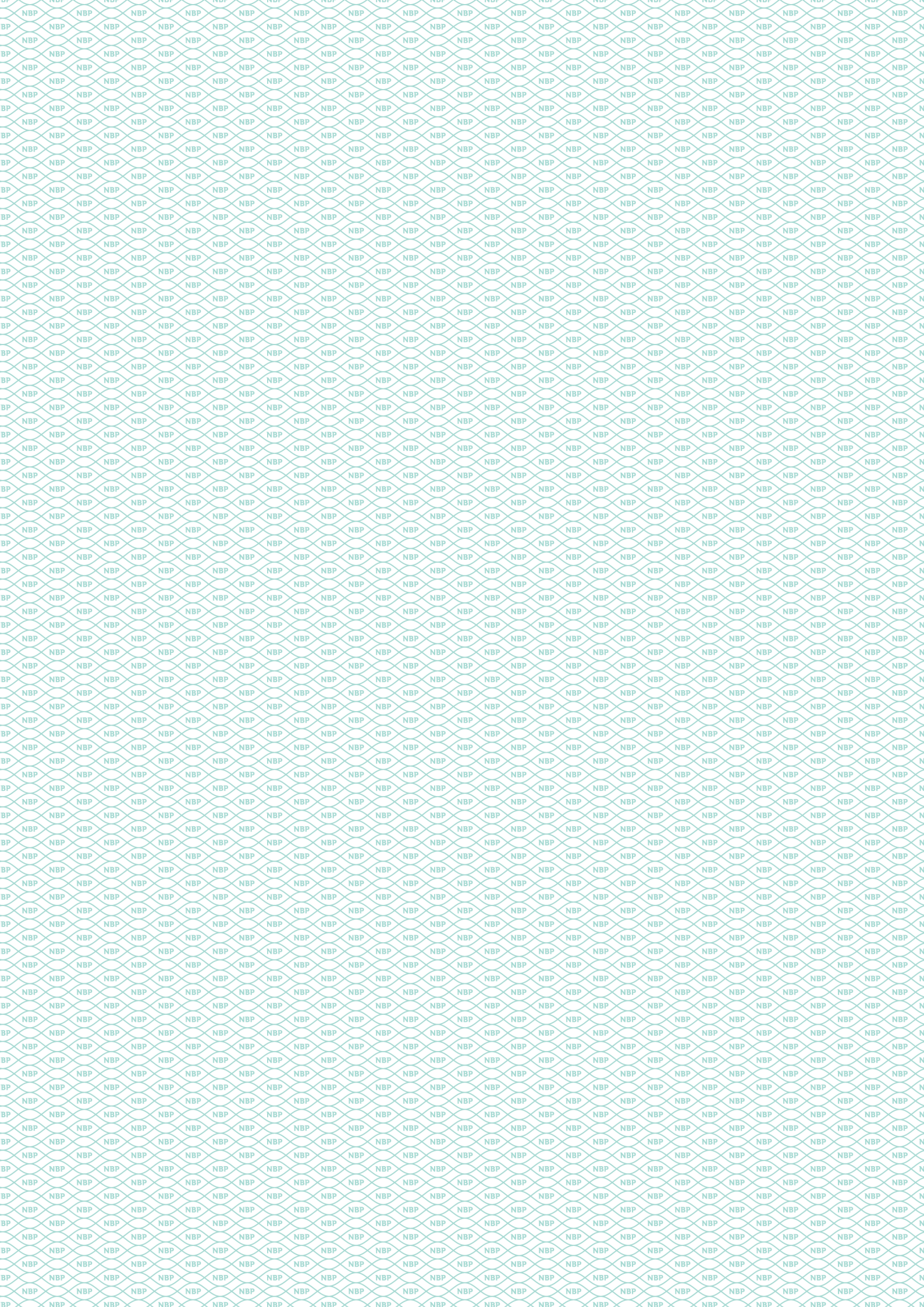
- Tomasz Gubiec, Ryszard Kutner, Tomasz Werner, *Zastosowanie metody badania wpływu zdarzeń ekstremalnych i superekstremalnych na stochastyczną dynamikę szeregów czasowych do analizy wybranych kursów walutowych w świetle spodziewanego wejścia Polski do strefy euro.*
- Oksana Demchuk, Tomasz Łyziak, Jan Przystupa, Anna Sznajderska, Ewa Wróbel, *Mechanizm transmisji polityki pieniężnej w Polsce. Co wiemy w 2011 roku?*
- Tomasz Łyziak, *Oczekiwania inflacyjne w Polsce.*
- Jarosław Janecki, *Reakcja rynkowych stóp procentowych na zmiany stopy procentowej banku centralnego w Polsce w latach 2001–2011.*
- Halina Kowalczyk, *Wykresy wachlarzowe inflacji a różne wymiary niepewności.*
- Hubert Bukowski, Tomasz Jędrzejowicz, Marcin Kitala, *Wpływ wykorzystania unijnych funduszy strukturalnych na wybór strategii dostosowań fiskalnych.*
- Krzysztof Gajewski, Małgorzata Pawłowska, Wojciech Rogowski, *Relacje firm z bankami w Polsce w świetle danych ze sprawozdawczości bankowej.*
- Maria Jerzak, Marcin Kitala, *Prawo w gospodarce. Metodyka oceny oddziaływania prawa na gospodarkę.*
- Krzysztof Gajewski, Krzysztof Olszewski, Małgorzata Pawłowska, Wojciech Rogowski, Grzegorz Tchorek, Jolanta Zięba, *Integracja finansowa w Europie po wprowadzeniu euro. Przegląd literatury.*
- Piotr J. Szpunar, *Rola polityki makroostrożnościowej w zapobieganiu kryzysom finansowym.*
- Karolina Tura, *Prognozowanie inflacji w Polsce w latach 1999–2009 w ramach modeli budowanych w Narodowym Banku Polskim na potrzeby realizacji kryterium celu inflacyjnego.*
- Natalia Nehrebecka, Aneta Maria Dzik, *Konstrukcja miernika szans na bankructwo firmy.*
- Michał Gradzewicz, Jakub Growiec, Robert Wyszynski, *Luka nieefektywności w cyklu koniunkturalnym w Polsce.*
- Paulina Anioła, Zbigniew Gołaś, *Zastosowanie wielowymiarowych metod statystycznych w typologii strategii oszczędnościowych gospodarstw domowych w Polsce.*
- Tomasz Łyziak, Jan Przystupa, Anna Sznajderska, Ewa Wróbel, *Pieniądz w polityce pieniężnej. Zmienna informacyjna? Kanał mechanizmu transmisji? Jaka jest zawartość informacyjna agregatów pieniężnych w Polsce?*
- Marcin Czaplicki, *Boomy kredytowe w gospodarkach wschodzących. Przyczyny i sposoby przeciwdziałania.*

In 2012, the following papers were published in the series *National Bank of Poland Working Papers*:

- Jordi Galí, Frank Smets, Rafael Wouters, *Unemployment in an estimated New Keynesian model*.
- Łukasz Lenart, Mateusz Pipień, *Almost periodically correlated time series in business fluctuations analysis*.
- Michał Brzoza-Brzezina, Jacek Kotłowski, *Measuring the natural yield curve*.
- Michał Brzoza-Brzezina, Marcin Kolasa, *Bayesian evaluation of DSGE models with financial frictions*.
- Rafael Gerke, Magnus Jonsson, Martin Kliem, Marcin Kolasa, Pierre Lafourcade, Alberto Locarno, Krzysztof Makarski, Peter McAdam, *Assessing macro-financial linkages: a model comparison exercise*.
- Piotr J. Krupa, Paweł Skrzypczyński, *Are business cycles in the US and emerging economies synchronized?*
- Jacek Kotłowski, Michał Brzoza-Brzezina, Agata Miśkowiec, *How forward looking are central banks? Some evidence from their forecasts*.
- Katarzyna B. Budnik, *Do those who stay work less? On the impact of emigration on the measured TFP in Poland*.
- Anna Sznajderska, *On the empirical evidence of asymmetry effects in the interest rate pass-through in Poland*.
- Tomasz Łyziak, *Inflation expectations in Poland*.
- Oksana Demchuk, Tomasz Łyziak, Jan Przystupa, Anna Sznajderska, Ewa Wróbel, *Monetary policy transmission mechanism in Poland. What do we know in 2011?*
- Kazimierz Łaski, Jerzy Osiatyński, Jolanta Zięba, *Fiscal multipliers and factors of growth in Poland and the Czech Republic in 2009*.
- Andrzej Cieślak, Jan Jakub Michałek, Jerzy Mycielski, *Consequences of the euro adoption by Central and Eastern European (CEE) countries for their trade flows*.
- Bartosz Gębka, Dobromił Serwa, *Liquidity needs, private information, feedback trading: verifying motives to trade*.
- Janusz Brzeszczyński, Martin T. Bohl, Dobromił Serwa, *Large capital inflows and stock returns in a thin market*.
- Jan Hagemeyer, Piotr Popowski, *The distribution of monopolistic markups in the Polish economy*.

- Luca Marchiori, Olivier Pierrard, Henri R. Sneessens, *Aging, labour market dynamics and fiscal imbalances.*
- Michele Ca' Zorzi, Michał Rubaszek, *Real exchange rate forecasting: a calibrated half-life PPP model can beat the random walk.*
- Błażej Mazur, Mateusz Pipień, *On the empirical importance of periodicity in the volatility of financial time series.*
- Anna Sznajderska, *On asymmetric effects in a monetary policy rule. The case of Poland.*
- André K. Anundsen, *Econometric regime shifts and the US subprime bubble.*
- Jakub Mućk, Paweł Skrzypczyński, *Can we beat the random walk in forecasting CEE exchange rates?*
- Michał Brzoza-Brzezina, Krzysztof Makarski, Grzegorz Wesolowski, *Would it have paid to be in the Eurozone?*
- Jakub Growiec, *Factor-augmenting technology choice and monopolistic competition.*
- Małgorzata Pawłowska, *Competition, concentration and foreign capital in the Polish banking sector (prior and during the financial crisis).*
- Ewa Miklaszewska, Katarzyna Mikołajczyk, Małgorzata Pawłowska, *The consequences of post-crisis regulatory architecture for banks in Central Eastern Europe.*
- Krzysztof Olszewski, *The impact of commercial real estate on the financial sector, its tracking by central banks and some recommendations for the macro-financial stability policy of central banks.*
- Aleksandra Kolasa, *Life cycle income and consumption patterns in transition.*
- Jakub Growiec, Christian Groth, *On aggregating human capital across heterogeneous cohorts.*
- Tomasz Łyziak, Jan Przystupa, Anna Sznajderska, Ewa Wróbel, *Money in monetary policy. Information variable? Channel of monetary transmission? What is its role in Poland?*
- Marcin Wolski, *Monetary policy, banking and heterogeneous agents.*
- Marcin Próchniak, Bartosz Witkowski, *Real economic convergence and the impact of monetary policy on economic growth of the EU countries. The analysis of time stability and the identification of major turning points based on the Bayesian method.*





Appendix 6

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# **Voting records of MPC members on motions and resolutions in 2012**





## Voting records of MPC members on motions and resolutions in 2012

Date	Subject matter of motion or resolution	MPC decision	Voting of the MPC members	
			For:	Against:
4 April 2012	Resolution No. 1/2012 on approving the Annual Financial Report of Narodowy Bank Polski prepared as of 31 December 2011.		M. Belka A. Bratkowski E. Chojna-Duch Z. Gilowska A. Glapiński J. Hausner A. Kaźmierczak A. Rzońca J. Winiecki A. Zielińska-Głębocka	
4 April 2012	Motion to raise NBP interest rates by 0.25 percentage point.	Motion did not pass.	Z. Gilowska A. Glapiński A. Kaźmierczak	M. Belka A. Bratkowski E. Chojna-Duch J. Hausner A. Rzońca J. Winiecki A. Zielińska-Głębocka
8 May 2012	Resolution No. 2/2012 on the evaluation of the activities of NBP Management Board as regards the implementation of the monetary policy guidelines for the year 2011.		M. Belka A. Bratkowski E. Chojna-Duch Z. Gilowska A. Glapiński J. Hausner A. Kaźmierczak A. Rzońca J. Winiecki A. Zielińska-Głębocka	
8 May 2012	Resolution No. 3/2012 on approval of the report on monetary policy implementation in 2011.		M. Belka A. Bratkowski E. Chojna-Duch Z. Gilowska A. Glapiński J. Hausner A. Kaźmierczak A. Rzońca J. Winiecki A. Zielińska-Głębocka	
9 May 2012	Resolution No. 4/2012 on the level of the reference rate, lombard rate, deposit rate and rediscount rate of Narodowy Bank Polski.	The MPC increased the interest rates by 0.25 percentage point.	M. Belka Z. Gilowska A. Glapiński J. Hausner A. Kaźmierczak A. Rzońca J. Winiecki A. Zielińska-Głębocka	A. Bratkowski E. Chojna-Duch

Voting records of MPC members on motions and resolutions in 2012

Date	Subject matter of motion or resolution	MPC decision	Voting of the MPC members	
			For:	Against:
22 May 2012	Resolution No. 5/2012 on approving the report on the operations of Narodowy bank Polski in 2011.		M. Belka A. Bratkowski E. Chojna-Duch Z. Gilowska A. Glapiński J. Hausner A. Kaźmierczak A. Rzońca J. Winiecki A. Zielińska-Głębocka	
4 July 2012	Motion to lower NBP interest rates by 0.50 percentage point.	Motion did not pass.	A. Bratkowski	M. Belka E. Chojna-Duch A. Glapiński J. Hausner A. Kaźmierczak A. Rzońca J. Winiecki A. Zielińska-Głębocka
			Z. Gilowska was absent.	
4 July 2012	Motion to lower NBP interest rates by 0.25 percentage point.	Motion did not pass.	A. Bratkowski E. Chojna-Duch	M. Belka A. Glapiński J. Hausner A. Kaźmierczak A. Rzońca J. Winiecki A. Zielińska-Głębocka
			Z. Gilowska was absent.	
5 September 2012	Motion to lower NBP interest rates by 0.50 percentage point.	Motion did not pass.	A. Bratkowski E. Chojna-Duch	M. Belka A. Glapiński J. Hausner A. Kaźmierczak A. Rzońca A. Zielińska-Głębocka
			Z. Gilowska and J. Winiecki were absent.	
5 September 2012	Motion to lower NBP interest rates by 0.25 percentage point.	Motion did not pass.	A. Bratkowski E. Chojna-Duch	M. Belka A. Glapiński J. Hausner A. Kaźmierczak A. Rzońca A. Zielińska-Głębocka
			Z. Gilowska and J. Winiecki were absent.	

Date	Subject matter of motion or resolution	MPC decision	Voting of the MPC members	
			For:	Against:
18 September 2012	Resolution No. 6/2012 on adopting <i>Monetary Policy Guidelines for 2013</i> .		M. Belka A. Bratkowski Z. Gilowska A. Glapiński J. Hausner A. Kaźmierczak A. Rzońca J. Winiecki A. Zielińska-Głębocka	
			E. Chojna-Duch was absent.	
18 September 2012	Resolution No. 7/2012 on setting the ceiling for liabilities arising from loans and credits drawn by NBP at foreign banking and financial institutions in 2013.		M. Belka A. Bratkowski Z. Gilowska A. Glapiński J. Hausner A. Kaźmierczak A. Rzońca J. Winiecki A. Zielińska-Głębocka	
			E. Chojna-Duch was absent.	
3 October 2012	Motion to lower NBP interest rates by 0.50 percentage point.	Motion did not pass.	A. Bratkowski E. Chojna-Duch	M. Belka A. Glapiński J. Hausner A. Kaźmierczak A. Rzońca J. Winiecki A. Zielińska-Głębocka
			Z. Gilowska was absent.	
3 October 2012	Motion to lower NBP interest rates by 0.25 percentage point.	Motion did not pass.	M. Belka A. Bratkowski E. Chojna-Duch A. Zielińska-Głębocka	A. Glapiński J. Hausner A. Kaźmierczak A. Rzońca J. Winiecki
			Z. Gilowska was absent.	
7 November 2012	Motion to lower NBP interest rates by 0.50 percentage point.	Motion did not pass.	M. Belka A. Bratkowski E. Chojna-Duch A. Zielińska-Głębocka	Z. Gilowska A. Glapiński J. Hausner A. Kaźmierczak A. Rzońca J. Winiecki

## Voting records of MPC members on motions and resolutions in 2012

Date	Subject matter of motion or resolution	MPC decision	Voting of the MPC members	
			For:	Against:
7 November 2012	Resolution No. 8/2012 on reference rate, refinancing credit rate, fixed-term deposit rate and rediscount rate at NBP.	The MPC lowered NBP interest rates by 0.25 percentage point.	M. Belka A. Bratkowski E. Chojna-Duch J. Hausner A. Rzońca J. Winiecki A. Zielińska-Głębocka	Z. Gilowska A. Glapiński A. Kaźmierczak
20 November 2012	Resolution No. 9/2012 amending the resolution on the principles for the application of foreign exchange swaps by Narodowy Bank Polski.		M. Belka A. Bratkowski E. Chojna-Duch Z. Gilowska A. Glapiński J. Hausner A. Kaźmierczak A. Rzońca J. Winiecki A. Zielińska-Głębocka	
4 December 2012	Resolution No. 10/2012 on interest rates on short-term loans granted to the Bank Guarantee Fund, and interest rates on the provisioning and supplementary contributions to the stabilization fund granted to the National Association of Cooperative Savings and Credit Unions by NBP.		M. Belka A. Bratkowski E. Chojna-Duch A. Glapiński J. Hausner A. Kaźmierczak A. Rzońca A. Zielińska-Głębocka	
			Z. Gilowska and J. Winiecki were absent.	
5 December 2012	Resolution No. 11/2012 on approving the Financial Plan of Narodowy Bank Polski for 2013.		M. Belka A. Bratkowski E. Chojna-Duch Z. Gilowska A. Glapiński J. Hausner A. Kaźmierczak A. Rzońca J. Winiecki A. Zielińska-Głębocka	
5 December 2012	Motion to lower NBP interest rates by 1.50 percentage points.	Motion did not pass.	A. Bratkowski E. Chojna-Duch	M. Belka Z. Gilowska A. Glapiński J. Hausner A. Kaźmierczak A. Rzońca J. Winiecki A. Zielińska-Głębocka

Date	Subject matter of motion or resolution	MPC decision	Voting of the MPC members	
			For:	Against:
5 December 2012	Motion to lower NBP interest rates by 0.50 percentage point.	Motion did not pass.	A. Bratkowski E. Chojna-Duch Z. Gilowska A. Glapiński	M. Belka J. Hausner A. Kaźmierczak A. Rzońca J. Winiecki A. Zielińska-Głębocka
5 December 2012	Motion to lower NBP interest rates by 0.25 percentage point.	Motion passed.	M. Belka A. Bratkowski E. Chojna-Duch Z. Gilowska A. Glapiński J. Hausner A. Kaźmierczak A. Rzońca J. Winiecki A. Zielińska-Głębocka	
5 December 2012	Resolution No. 12/2012 on reference rate, refinancing credit rate, fixed-term deposit rate and rediscount rate at NBP.	The MPC lowered NBP interest rates by 0.25 percentage point.	M. Belka A. Bratkowski E. Chojna-Duch Z. Gilowska A. Glapiński J. Hausner A. Kaźmierczak A. Rzońca J. Winiecki A. Zielińska-Głębocka	



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# 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					
	million zloty	%	%	million zloty	%	%	%	%	%	%	%
1	2	3	4	5	6	7	8	9	10	11	
December 2011	95 696.7	107.7	95.1	12 792.6	114.6	140.6	104.6	100.4	104.6	108.1	100.3
January 2012	91 016.4	109.1	95.0	4 536.7	132.2	35.5	104.1	100.7	100.7	107.9	100.1
February	90 194.2	104.8	99.2	4 284.4	112.0	94.5	104.3	100.4	101.1	106.0	99.5
March	99 285.1	100.8	110.7	5 633.1	103.5	131.6	103.9	100.5	101.7	104.4	100.1
April	92 580.3	102.8	92.4	6 446.1	108.1	114.6	104.0	100.6	102.2	104.4	100.7
May	96 843.3	104.3	104.2	7 943.1	106.2	123.7	103.6	100.2	102.4	105.2	100.4
June	94 292.5	101.2	98.0	8 379.3	94.8	105.0	104.3	100.2	102.6	104.4	99.5
July	92 253.4	105.4	97.9	7 774.7	91.3	92.9	104.0	99.5	102.1	103.6	99.6
August	91 741.2	100.6	99.3	8 206.5	95.0	105.7	103.8	99.7	101.8	103.0	100.0
September	97 096.3	94.8	106.1	8 368.2	82.1	102.2	103.8	100.1	101.9	101.8	100.5
October	103 997.3	104.7	107.8	9 389.1	96.4	112.4	103.4	100.4	102.3	101.0	99.3
November	98 810.0	99.1	95.2	8 524.3	94.7	90.9	102.8	100.1	102.3	99.9	99.8
December	85 866.8	90.4	87.2	9 490.6	75.1	111.5	102.4	100.1	102.4	98.9	99.4

**Table I. Basic economic data**

Period	12. Corporate financial performance												
	revenues		operating costs		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: costs of sales									
	million zloty	million zloty	million zloty	million zloty	million zloty	million zloty	million zloty	%	%	%	million zloty	million zloty	million zloty
22	23	24	25	26	27	28	29	30	31	32	33	34	
December 2011	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
January 2012	.	.	.	.	.	.	.	.	.	.	.	.	.
February	.	.	.	.	.	.	.	.	.	.	.	.	.
March	574 194.0	335 728.8	545 264.6	342 990.9	28 910.2	5 349.5	23 560.7	95.0	4.1	100.9	723 953.7	264 411.6	251 506.7
April	.	.	.	.	.	.	.	.	.	.	.	.	.
May	.	.	.	.	.	.	.	.	.	.	.	.	.
June	1 160 587.9	689 849.9	1 104 931.1	706 139.9	55 631.1	9 435.6	46 195.5	95.2	4.0	97.3	731 597.2	279 907.6	263 200.9
July	.	.	.	.	.	.	.	.	.	.	.	.	.
August	.	.	.	.	.	.	.	.	.	.	.	.	.
September	1 760 310.2	1 043 245.6	1 679 033.6	1 067 875.0	81 237.9	14 008.2	67 229.6	95.4	3.8	97.4	725 017.0	282 280.1	265 710.2
October	.	.	.	.	.	.	.	.	.	.	.	.	.
November	.	.	.	.	.	.	.	.	.	.	.	.	.
December	2 383 226.7	1 409 985.5	2 283 868.1	1 444 115.6	99 372.0	17 255.1	82 116.9	95.8	3.4	97.4	717 571.4	264 980.3	264 448.3

**Table I.** Basic economic data

Period	5. Construction Price Index		6. Number of employed, corporate sector total	7. Average employment, corporate sector total	8. Number of employed	9. Employment rate	10. Average monthly employee earnings, gross, corporate sector	11. National budget revenue & expenditure							
	the same month previous year = 100	previous month = 100						revenue	expenditure	financial surplus/deficit and net foreign lending/borrowing					
	%	%						thousands	thousands	thousands	%	zloty	million zloty	million zloty	million zloty
	12	13						14	15	16	17	18	19	20	21
December 2011	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					
January 2012	101.5	99.9	5 736	5 551	2 121.5	13.2	3 666.41	26 978.2	32 280.0	4 409.8					
February	101.4	99.9	5 732	5 543	2 168.2	13.4	3 568.32	46 248.2	62 763.8	-3 834.3					
March	101.3	100.0	5 731	5 539	2 141.9	13.3	3 770.66	63 520.7	86 489.4	-10 051.4					
April	101.1	100.0	5 722	5 531	2 072.6	12.9	3 719.81	93 890.0	118 709.9	-10 867.1					
May	100.9	99.9	5 726	5 530	2 013.9	12.6	3 617.98	113 555.0	140 536.0	-13 272.1					
June	100.5	99.9	5 727	5 531	1 964.4	12.3	3 754.48	141 720.8	162 806.4	-6 456.5					
July	100.1	99.8	5 726	5 529	1 953.2	12.3	3 700.01	166 065.2	190 404.0	-8 660.8					
August	99.7	99.8	5 716	5 522	1 964.7	12.4	3 686.45	189 540.6	212 452.4	-7 159.4					
September	99.3	99.8	5 706	5 514	1 979.0	12.4	3 640.84	213 922.0	235 050.8	-4 883.3					
October	99.1	99.9	5 701	5 510	1 994.9	12.5	3 718.19	238 033.4	272 239.5	-17 433.3					
November	98.9	99.9	5 691	5 497	2 058.1	12.9	3 780.64	262 900.1	293 377.3	-11 785.6					
December	98.7	99.9	5 651	5 474	2 136.8	13.4	4 111.69	287 594.6	318 001.8	-11 543.5					

**Table II. Financial market – basic information**

Period	1. NBP interest rates				2. Reserve requirement								
	Reference rate	Lombard rate	Deposit rate	Rediscount 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 required reserves held	Number of tenders during months	Face value of bills offered for sale
					demand	time	demand	time					
	%	%	%	%	%	%	%	%	%	%	million zloty		million zloty
1	2	3	4	5	6	7	8	9	10	11	12	13	
December 2011	4.50	6.00	3.00	4.75	3.5	3.5	3.5	3.5	0.0	0.9*	28 038.8	0	0.00
January 2012	4.50	6.00	3.00	4.75	3.5	3.5	3.5	3.5	0.0	0.9*	29 131.1	2	6 000.00
February	4.50	6.00	3.00	4.75	3.5	3.5	3.5	3.5	0.0	0.9*	29 104.5	1	2 000.00
March	4.50	6.00	3.00	4.75	3.5	3.5	3.5	3.5	0.0	0.9*	29 104.5	1	3 000.00
April	4.50	6.00	3.00	4.75	3.5	3.5	3.5	3.5	0.0	0.9*	28 992.6	1	1 500.00
May	4.75	6.25	3.25	5.00	3.5	3.5	3.5	3.5	0.0	0.9*	28 864.9	0	0.00
June	4.75	6.25	3.25	5.00	3.5	3.5	3.5	3.5	0.0	0.9*	28 864.9	0	0.00
July	4.75	6.25	3.25	5.00	3.5	3.5	3.5	3.5	0.0	0.9*	29 309.5	0	0.00
August	4.75	6.25	3.25	5.00	3.5	3.5	3.5	3.5	0.0	0.9*	29 424.0	0	0.00
September	4.75	6.25	3.25	5.00	3.5	3.5	3.5	3.5	0.0	0.9*	29 424.0	0	0.00
October	4.75	6.25	3.25	5.00	3.5	3.5	3.5	3.5	0.0	0.9*	29 737.4	0	0.00
November	4.50	6.00	3.00	4.75	3.5	3.5	3.5	3.5	0.0	0.9*	30 025.6	0	0.00
December	4.25	5.75	2.75	4.50	3.5	3.5	3.5	3.5	0.0	0.9*	29 918.5	0	0.00

\* Rediscount rate.

**Table II. Financial market – basic information**

Period	5. Data on trading sessions of Warsaw Stock Exchange											
	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	
												million zloty
	24	25	26	27	28	29	30	31	32	33	34	
December 2011	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	
January 2012	428	482 519.5	10.0	2 332.2	2 220.8	2 354.0	2 235.8	9 419.9	8 894.7	17 759.9	47.7	
February	428	488 934.2	9.9	2 317.1	2 343.6	2 472.1	2 440.5	10 388.2	10 104.4	17 946.0	44.1	
March	429	488 058.4	9.2	2 286.5	2 300.1	2 503.6	2 500.5	10 262.5	10 323.8	19 185.4	45.4	
April	433	477 524.1	9.2	2 240.6	2 240.9	2 417.0	2 445.6	9 919.4	9 981.4	12 516.3	35.0	
May	435	449 311.8	8.7	2 096.4	2 117.4	2 245.2	2 313.2	9 285.7	9 421.3	14 241.2	37.9	
June	434	472 690.4	9.3	2 275.3	2 199.0	2 300.1	2 241.5	9 520.2	9 351.2	15 413.9	43.1	
July	434	455 113.0	9.3	2 185.7	2 196.7	2 236.3	2 261.9	9 344.3	9 417.8	15 723.3	40.2	
August	435	462 376.5	10.0	2 258.3	2 271.5	2 223.5	2 255.4	9 381.1	9 341.8	14 380.7	36.4	
September	435	483 977.1	11.7	2 371.4	2 352.1	2 353.2	2 296.0	9 850.8	9 573.7	15 036.4	40.6	
October	436	475 848.5	10.9	2 317.6	2 365.7	2 407.8	2 405.1	9 818.5	9 965.4	16 000.6	37.2	
November	435	493 488.0	11.8	2 421.5	2 372.9	2 507.4	2 430.2	9 968.8	9 786.7	14 895.4	37.8	
December	438	523 390.2	12.4	2 583.0	2 527.4	2 552.5	2 563.2	10 443.7	10 239.2	14 456.0	42.6	

**Table II.** Financial market – basic information

Period	3. Treasury bill tenders				4. Tenders for NBP money-market bills					
	Demand declared by bidders (at face value)	Face value of bills sold	Yield on bills purchased, weighted average	Bills outstanding from tender sales at month end (purchase prices)	Number of tenders during month	Face value of bills offered for sale	Demand declared by bidders (at face value)	Face value of bills sold	Yield on bills purchased, weighted average	Bills outstanding from tender sales of month end (purchase prices)
	million zloty	million zloty	%	million zloty		million zloty	million zloty	million zloty	%	million zloty
	14	15	16	17	18	19	20	21	22	23
December 2011	0.00	0.00	0.00	11 361.20	10	559 500.00	464 241.09	464 241.09	4.50	93 367.94
January 2012	12 876.40	5 811.32	4.51	13 459.31	6	411 000.00	377 790.48	377 790.48	4.50	89 205.18
February	6 710.48	2 189.87	4.48	10 955.75	6	382 000.00	373 874.67	368 590.95	4.50	89 283.99
March	4 884.92	2 328.92	4.47	9 984.46	6	459 000.00	440 503.18	436 977.18	4.50	88 716.73
April	3 116.50	1 332.11	4.54	11 216.46	6	392 500.00	352 170.15	352 170.15	4.50	73 114.85
May	0.00	0.00	0.00	10 733.79	7	416 500.00	384 594.39	384 594.39	4.69	89 725.56
June	0.00	0.00	0.00	10 733.79	7	495 000.00	455 876.23	455 876.23	4.75	94 264.09
July	0.00	0.00	0.00	10 733.79	7	441 000.00	406 792.83	406 400.14	4.75	97 287.72
August	0.00	0.00	0.00	8 884.85	6	510 500.00	508 224.40	504 136.92	4.75	99 972.62
September	0.00	0.00	0.00	8 884.85	5	427 500.00	416 631.38	415 226.52	4.75	104 981.42
October	0.00	0.00	0.00	8 884.85	7	465 500.00	443 560.98	436 846.16	4.75	110 076.47
November	0.00	0.00	0.00	7 652.85	6	558 000.00	567 329.48	558 000.00	4.55	114 399.81
December	0.00	0.00	0.00	5 554.74	6	509 500.00	476 383.56	472 932.92	4.25	99 759.34

**Table III. PLN/USD and PLN/EUR daily exchange rates**

Days	December 2011			January 2012			February 2012		
	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	3.3400	4.5083	1.3498	3.4174	4.4168	1.2924	3.1913	4.1933	1.3140
2	3.3235	4.4812	1.3483	3.4454	4.4640	1.2956	3.1955	4.1995	1.3142
3	3.3235	4.4812	1.3483	3.4277	4.4597	1.3011	3.1848	4.1932	1.3166
4	3.3235	4.4812	1.3483	3.4320	4.4753	1.3040	3.1848	4.1932	1.3166
5	3.3276	4.4773	1.3455	3.5081	4.5135	1.2866	3.1848	4.1932	1.3166
6	3.3429	4.4711	1.3375	3.5081	4.5135	1.2866	3.2084	4.1837	1.3040
7	3.3310	4.4690	1.3416	3.5081	4.5135	1.2866	3.1806	4.1818	1.3148
8	3.3359	4.4692	1.3397	3.5081	4.5135	1.2866	3.1461	4.1710	1.3258
9	3.3875	4.5195	1.3342	3.5150	4.4902	1.2774	3.1487	4.1769	1.3265
10	3.3875	4.5195	1.3342	3.5083	4.4883	1.2793	3.1703	4.2048	1.3263
11	3.3875	4.5195	1.3342	3.4919	4.4645	1.2785	3.1703	4.2048	1.3263
12	3.4117	4.5255	1.3265	3.4945	4.4532	1.2743	3.1703	4.2048	1.3263
13	3.4587	4.5600	1.3184	3.4323	4.4040	1.2831	3.1643	4.1948	1.3257
14	3.4977	4.5642	1.3049	3.4323	4.4040	1.2831	3.1801	4.1935	1.3187
15	3.5066	4.5481	1.2970	3.4323	4.4040	1.2831	3.1660	4.1695	1.3170
16	3.4586	4.5094	1.3038	3.4798	4.4056	1.2660	3.2502	4.2276	1.3007
17	3.4586	4.5094	1.3038	3.4215	4.3708	1.2775	3.1790	4.1840	1.3161
18	3.4586	4.5094	1.3038	3.4000	4.3491	1.2791	3.1790	4.1840	1.3161
19	3.4470	4.4910	1.3029	3.3678	4.3391	1.2884	3.1790	4.1840	1.3161
20	3.4148	4.4635	1.3071	3.3537	4.3260	1.2899	3.1598	4.1775	1.3221
21	3.3793	4.4424	1.3146	3.3537	4.3260	1.2899	3.1488	4.1735	1.3254
22	3.3933	4.4438	1.3096	3.3537	4.3260	1.2899	3.1635	4.1857	1.3231
23	3.3980	4.4401	1.3067	3.3353	4.3111	1.2926	3.1380	4.1810	1.3324
24	3.3980	4.4401	1.3067	3.2970	4.2885	1.3007	3.1103	4.1654	1.3392
25	3.3980	4.4401	1.3067	3.2990	4.2855	1.2990	3.1103	4.1654	1.3392
26	3.3980	4.4401	1.3067	3.2233	4.2431	1.3164	3.1103	4.1654	1.3392
27	3.3788	4.4175	1.3074	3.2163	4.2223	1.3128	3.1176	4.1845	1.3422
28	3.3608	4.3914	1.3067	3.2163	4.2223	1.3128	3.0977	4.1630	1.3439
29	3.4126	4.4079	1.2917	3.2163	4.2223	1.3128	3.0730	4.1365	1.3461
30	3.4174	4.4168	1.2924	3.2433	4.2589	1.3131			
31	3.4174	4.4168	1.2924	3.2032	4.2270	1.3196			
Average monthly rate	3.3959	4.4766	X	3.3884	4.3775	X	3.1608	4.1840	X

**Table III.** PLN/USD and PLN/EUR daily exchange rates

Days	March 2012			April 2012			May 2012		
	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	3.0887	4.1198	1.3338	3.1191	4.1616	1.3342	3.1509	4.1721	1.3241
2	3.1023	4.1125	1.3256	3.1017	4.1428	1.3357	3.1593	4.1600	1.3167
3	3.1023	4.1125	1.3256	3.0990	4.1327	1.3336	3.1593	4.1600	1.3167
4	3.1023	4.1125	1.3256	3.1503	4.1495	1.3172	3.1891	4.1880	1.3132
5	3.1355	4.1345	1.3186	3.1678	4.1544	1.3114	3.1891	4.1880	1.3132
6	3.1557	4.1570	1.3173	3.1814	4.1565	1.3065	3.1891	4.1880	1.3132
7	3.1631	4.1578	1.3145	3.1814	4.1565	1.3065	3.2279	4.1991	1.3009
8	3.1220	4.1255	1.3214	3.1814	4.1565	1.3065	3.2238	4.1949	1.3012
9	3.1126	4.1143	1.3218	3.1814	4.1565	1.3065	3.2412	4.2047	1.2973
10	3.1126	4.1143	1.3218	3.1904	4.1756	1.3088	3.2735	4.2379	1.2946
11	3.1126	4.1143	1.3218	3.2034	4.2008	1.3114	3.2765	4.2413	1.2945
12	3.1285	4.1062	1.3125	3.1818	4.1740	1.3118	3.2765	4.2413	1.2945
13	3.1288	4.1132	1.3146	3.1765	4.1779	1.3153	3.2765	4.2413	1.2945
14	3.1699	4.1395	1.3059	3.1765	4.1779	1.3153	3.3422	4.3000	1.2866
15	3.1723	4.1420	1.3057	3.1765	4.1779	1.3153	3.3579	4.3160	1.2853
16	3.1688	4.1367	1.3054	3.2289	4.2028	1.3016	3.4353	4.3682	1.2716
17	3.1688	4.1367	1.3054	3.1872	4.1900	1.3146	3.4194	4.3490	1.2719
18	3.1688	4.1367	1.3054	3.1902	4.1760	1.3090	3.4431	4.3683	1.2687
19	3.1361	4.1270	1.3160	3.1879	4.1865	1.3132	3.4431	4.3683	1.2687
20	3.1288	4.1282	1.3194	3.1828	4.1885	1.3160	3.4431	4.3683	1.2687
21	3.1173	4.1364	1.3269	3.1828	4.1885	1.3160	3.3928	4.3322	1.2769
22	3.1680	4.1694	1.3161	3.1828	4.1885	1.3160	3.3811	4.3205	1.2778
23	3.1417	4.1649	1.3257	3.1972	4.2033	1.3147	3.4460	4.3576	1.2645
24	3.1417	4.1649	1.3257	3.1946	4.2059	1.3166	3.4779	4.3665	1.2555
25	3.1417	4.1649	1.3257	3.1675	4.1870	1.3219	3.4589	4.3510	1.2579
26	3.1348	4.1409	1.3209	3.1599	4.1825	1.3236	3.4589	4.3510	1.2579
27	3.0939	4.1300	1.3349	3.1666	4.1820	1.3207	3.4589	4.3510	1.2579
28	3.1100	4.1503	1.3345	3.1666	4.1820	1.3207	3.4535	4.3442	1.2579
29	3.1234	4.1600	1.3319	3.1666	4.1820	1.3207	3.4675	4.3511	1.2548
30	3.1191	4.1616	1.3342	3.1509	4.1721	1.3241	3.5139	4.3731	1.2445
31	3.1191	4.1616	1.3342				3.5372	4.3889	1.2408
Average monthly rate	3.1320	4.1370	X	3.1727	4.1756	X	3.3472	4.2884	X



**Table III. PLN/USD and PLN/EUR daily exchange rates**

Days	June 2012			July 2012			August 2012		
	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	3.5777	4.4126	1.2334	3.3885	4.2613	1.2576	3.3420	4.1147	1.2312
2	3.5777	4.4126	1.2334	3.3456	4.2308	1.2646	3.3462	4.1063	1.2272
3	3.5777	4.4126	1.2334	3.3427	4.2110	1.2598	3.3548	4.0967	1.2211
4	3.5431	4.4007	1.2420	3.3415	4.2046	1.2583	3.3548	4.0967	1.2211
5	3.5359	4.3922	1.2422	3.3743	4.2221	1.2513	3.3548	4.0967	1.2211
6	3.4703	4.3423	1.2513	3.4057	4.2178	1.2385	3.2752	4.0486	1.2361
7	3.4703	4.3423	1.2513	3.4057	4.2178	1.2385	3.2606	4.0465	1.2410
8	3.4566	4.3078	1.2463	3.4057	4.2178	1.2385	3.3040	4.0918	1.2384
9	3.4566	4.3078	1.2463	3.4538	4.2401	1.2277	3.2915	4.0615	1.2339
10	3.4566	4.3078	1.2463	3.4145	4.2041	1.2312	3.3195	4.0771	1.2282
11	3.4072	4.2922	1.2597	3.4007	4.1801	1.2292	3.3195	4.0771	1.2282
12	3.4552	4.3222	1.2509	3.4383	4.2008	1.2218	3.3195	4.0771	1.2282
13	3.4591	4.3310	1.2521	3.4463	4.2055	1.2203	3.3202	4.0823	1.2295
14	3.4420	4.3207	1.2553	3.4463	4.2055	1.2203	3.3059	4.0888	1.2368
15	3.3971	4.2925	1.2636	3.4463	4.2055	1.2203	3.3059	4.0888	1.2368
16	3.3971	4.2925	1.2636	3.4353	4.1939	1.2208	3.3253	4.0820	1.2276
17	3.3971	4.2925	1.2636	3.3973	4.1782	1.2299	3.2886	4.0680	1.2370
18	3.3741	4.2680	1.2649	3.3950	4.1705	1.2284	3.2886	4.0680	1.2370
19	3.3916	4.2733	1.2600	3.3900	4.1596	1.2270	3.2886	4.0680	1.2370
20	3.3471	4.2503	1.2698	3.3961	4.1629	1.2258	3.2944	4.0684	1.2349
21	3.3617	4.2585	1.2668	3.3961	4.1629	1.2258	3.2790	4.0683	1.2407
22	3.4025	4.2710	1.2553	3.3961	4.1629	1.2258	3.2639	4.0729	1.2479
23	3.4025	4.2710	1.2553	3.4529	4.1800	1.2106	3.2488	4.0756	1.2545
24	3.4025	4.2710	1.2553	3.4678	4.2011	1.2115	3.2680	4.1012	1.2550
25	3.4105	4.2645	1.2504	3.4719	4.2087	1.2122	3.2680	4.1012	1.2550
26	3.4088	4.2580	1.2491	3.4523	4.1853	1.2123	3.2680	4.1012	1.2550
27	3.4015	4.2500	1.2494	3.3843	4.1459	1.2250	3.2570	4.0783	1.2522
28	3.4408	4.2760	1.2427	3.3843	4.1459	1.2250	3.2685	4.0950	1.2529
29	3.3885	4.2613	1.2576	3.3843	4.1459	1.2250	3.3081	4.1540	1.2557
30	3.3885	4.2613	1.2576	3.3780	4.1411	1.2259	3.3397	4.1919	1.2552
31				3.3508	4.1086	1.2262	3.3353	4.1838	1.2544
Average monthly rate	3.4399	4.3072	X	3.4061	4.1896	X	3.3021	4.0912	X

Table III. PLN/USD and PLN/EUR daily exchange rates

Days	September 2011			October 2012			November 2012			December 2012		
	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	3.3353	4.1838	1.2544	3.1809	4.1020	1.2896	3.1806	4.1350	1.3001	3.1585	4.1064	1.3001
2	3.3353	4.1838	1.2544	3.1833	4.1115	1.2916	3.1965	4.1169	1.2879	3.1585	4.1064	1.3001
3	3.3398	4.1981	1.2570	3.1896	4.1202	1.2918	3.1965	4.1169	1.2879	3.1498	4.1083	1.3043
4	3.3281	4.1944	1.2603	3.1646	4.0933	1.2935	3.1965	4.1169	1.2879	3.1575	4.1273	1.3071
5	3.3693	4.2157	1.2512	3.1353	4.0766	1.3002	3.2211	4.1213	1.2795	3.1516	4.1251	1.3089
6	3.2955	4.1580	1.2617	3.1353	4.0766	1.3002	3.2223	4.1211	1.2789	3.1538	4.1247	1.3079
7	3.2578	4.1275	1.2670	3.1353	4.0766	1.3002	3.2031	4.1122	1.2838	3.1930	4.1332	1.2945
8	3.2578	4.1275	1.2670	3.1430	4.0770	1.2972	3.2655	4.1593	1.2737	3.1930	4.1332	1.2945
9	3.2578	4.1275	1.2670	3.1501	4.0721	1.2927	3.2588	4.1527	1.2743	3.1930	4.1332	1.2945
10	3.2189	4.1141	1.2781	3.1695	4.0788	1.2869	3.2588	4.1527	1.2743	3.1978	4.1250	1.2899
11	3.2098	4.1085	1.2800	3.1819	4.0987	1.2881	3.2588	4.1527	1.2743	3.1645	4.1025	1.2964
12	3.1680	4.0801	1.2879	3.1577	4.0957	1.2971	3.2803	4.1661	1.2700	3.1459	4.0937	1.3013
13	3.1852	4.1146	1.2918	3.1577	4.0957	1.2971	3.2945	4.1782	1.2682	3.1333	4.0927	1.3062
14	3.1131	4.0584	1.3037	3.1577	4.0957	1.2971	3.2750	4.1754	1.2749	3.1271	4.0912	1.3083
15	3.1131	4.0584	1.3037	3.1565	4.0920	1.2964	3.2678	4.1712	1.2765	3.1271	4.0912	1.3083
16	3.1131	4.0584	1.3037	3.1438	4.0889	1.3006	3.2682	4.1614	1.2733	3.1271	4.0912	1.3083
17	3.1207	4.0887	1.3102	3.1261	4.0940	1.3096	3.2682	4.1614	1.2733	3.1035	4.0839	1.3159
18	3.1509	4.1217	1.3081	3.1314	4.1034	1.3104	3.2682	4.1614	1.2733	3.1044	4.0900	1.3175
19	3.1631	4.1217	1.3031	3.1499	4.1103	1.3049	3.2503	4.1521	1.2775	3.0690	4.0730	1.3271
20	3.2092	4.1635	1.2974	3.1499	4.1103	1.3049	3.2333	4.1370	1.2795	3.0769	4.0715	1.3232
21	3.1712	4.1340	1.3036	3.1499	4.1103	1.3049	3.2287	4.1266	1.2781	3.0791	4.0643	1.3200
22	3.1712	4.1340	1.3036	3.1470	4.1056	1.3046	3.2021	4.1142	1.2848	3.0791	4.0643	1.3200
23	3.1712	4.1340	1.3036	3.1662	4.1266	1.3033	3.1945	4.1229	1.2906	3.0791	4.0643	1.3200
24	3.2180	4.1528	1.2905	3.1996	4.1374	1.2931	3.1945	4.1229	1.2906	3.0800	4.0696	1.3213
25	3.2136	4.1475	1.2906	3.1851	4.1430	1.3007	3.1945	4.1229	1.2906	3.0800	4.0696	1.3213
26	3.2187	4.1415	1.2867	3.2119	4.1543	1.2934	3.1744	4.1160	1.2966	3.0800	4.0696	1.3213
27	3.2236	4.1518	1.2879	3.2119	4.1543	1.2934	3.1634	4.1008	1.2963	3.0816	4.0899	1.3272
28	3.1780	4.1138	1.2945	3.2119	4.1543	1.2934	3.1799	4.1099	1.2925	3.0893	4.0745	1.3189
29	3.1780	4.1138	1.2945	3.2145	4.1472	1.2902	3.1556	4.0968	1.2983	3.0893	4.0745	1.3189
30	3.1780	4.1138	1.2945	3.2036	4.1450	1.2939	3.1585	4.1064	1.3001	3.0893	4.0745	1.3189
31				3.1806	4.1350	1.3001				3.0996	4.0882	1.3189
Average monthly rate	3.2154	4.1314	X	3.1672	4.1091	X	3.2237	4.1354	X	3.1230	4.0938	X

**Table IV.** Average MFI interest rates on outstanding amounts, PLN denominated (in %)

	Sector	Category	Original maturity, period of notice	No.	December 2011	January 2012	February 2012	March 2012
Deposits in PLN	household and non-profit institutions serving households	with agreed maturity	overnight	1	2.1	2.1	2.1	2.1
			up to 2 years	2	4.3	4.5	4.5	4.4
			over 2 years	3	2.5	2.5	2.4	2.3
			total	4	4.3	4.5	4.5	4.4
	non-financial corporations	with agreed maturity	overnight	5	1.9	2.0	2.1	2.2
			up to 2 years	6	5.0	5.0	4.9	4.9
			over 2 years	7	4.1	4.3	4.2	4.2
			total	8	5.0	5.0	4.9	4.9
	total, overnight excluded			9	4.6	4.7	4.6	4.5
Loans in PLN	household and non-profit institutions serving households	for consumption	bank overdraft	10	12.7	12.7	12.6	12.5
			credit cards	11	17.2	17.7	17.4	17.4
			up to 1 year maturity	12	11.9	11.6	11.8	11.7
			over 1 and up to 5 years maturity	13	14.8	14.7	15.0	14.8
			over 5 years maturity	14	14.0	13.9	14.3	14.0
		total	15	14.8	14.8	15.1	14.8	
		for house purchases	up to 5 years maturity	16	7.6	7.7	7.6	7.6
			over 5 years maturity	17	6.7	6.8	6.9	6.9
			total	18	6.7	6.8	6.9	6.9
		for other purposes	up to 1 year maturity	19	7.9	7.7	7.7	7.8
			over 1 and up to 5 years maturity	20	9.2	9.3	9.3	9.3
			over 5 years maturity	21	7.9	8.0	8.1	8.1
			total	22	8.2	8.2	8.3	8.4
		total, overdraft excluded			23	9.6	9.6	9.8
	non-financial corporations		bank overdraft	24	6.6	6.8	6.7	6.7
			credit cards	25	7.5	6.6	6.4	6.6
			up to 1 year maturity	26	6.4	6.6	6.3	6.1
			over 1 and up to 5 years maturity	27	7.2	7.3	7.3	7.3
			over 5 years maturity	28	6.7	6.8	6.8	6.8
			total, overdraft excluded	29	6.8	7.0	6.9	6.9
	total, overdraft excluded			30	8.7	8.8	8.8	8.7

**Table IV.** Average MFI interest rates on outstanding amounts, PLN denominated (in %)

April 2012	May 2012	June 2012	July 2012	August 2012	September 2012	October 2012	November 2012	December 2012
2.0	2.0	2.1	2.1	2.1	2.1	2.1	2.1	2.1
4.4	4.6	4.6	4.8	4.8	4.9	4.9	4.8	4.8
2.3	2.3	2.3	2.2	2.1	2.5	2.4	2.6	2.6
4.4	4.6	4.6	4.7	4.7	4.8	4.9	4.7	4.8
2.2	2.2	2.3	2.2	2.3	2.4	2.4	2.3	2.1
4.8	4.9	5.0	5.1	5.2	5.1	5.0	4.9	4.7
4.2	4.4	4.7	4.7	4.7	4.4	4.5	4.5	4.3
4.8	4.9	5.0	5.1	5.2	5.1	5.0	4.9	4.6
4.5	4.7	4.7	4.8	4.8	4.9	4.9	4.8	4.7
12.5	12.6	12.6	12.6	12.6	12.7	12.7	12.7	12.5
17.7	17.7	17.6	17.7	18.1	17.8	18.0	17.9	17.8
11.8	11.8	12.2	12.0	12.0	12.2	11.8	12.0	11.9
14.8	14.7	14.9	14.7	14.7	14.9	14.8	14.9	14.6
14.1	14.1	14.2	14.0	14.0	14.1	13.9	14.1	13.8
15.0	15.0	15.1	14.9	15.0	15.0	14.9	15.0	14.7
7.9	7.9	7.9	7.8	7.6	7.5	7.7	7.5	7.2
6.9	6.9	6.9	6.9	6.9	7.0	6.9	6.9	6.7
6.9	6.9	6.9	6.9	6.9	7.0	6.9	6.9	6.7
7.8	7.7	7.9	7.6	7.5	7.5	7.5	7.3	7.2
9.4	9.4	9.4	9.2	9.3	9.3	9.3	9.2	8.9
8.0	7.9	7.9	7.9	7.9	8.0	8.3	8.1	7.7
8.2	8.2	8.2	8.1	8.1	8.2	8.5	8.3	7.9
9.7	9.6	9.6	9.6	9.6	9.6	9.6	9.5	9.2
6.7	6.7	6.8	6.8	6.9	7.0	6.9	6.7	6.5
7.2	8.2	8.1	8.4	8.8	8.5	8.3	7.6	8.2
6.2	6.3	6.2	6.6	6.6	6.5	6.6	6.5	6.0
7.2	7.3	7.3	7.3	7.3	7.3	7.2	7.1	6.9
6.8	6.8	6.9	6.9	7.0	7.0	6.9	6.8	6.6
6.9	6.9	7.0	7.0	7.0	7.0	7.0	6.9	6.7
8.8	8.7	8.8	8.7	8.8	8.8	8.8	8.7	8.4

**Table V. Average MFI interest rates on new business, PLN denominated (in %)**

	Sector	Category	Original maturity, initial rate fixation	No.	December 2011	January 2012	February 2013	March 2012
Deposits in PLN	households and non-profit institutions serving households	with agreed maturity	up to 1 month	1	3.9	4.0	3.9	4.0
			over 1 and up to 3 months	2	5.4	5.5	5.4	5.4
			over 3 and up to 6 months	3	4.9	5.3	5.4	5.1
			over 6 months and up to 1 year	4	4.5	4.0	4.0	4.2
			over 1 year	5	4.4	4.2	4.3	4.5
			total	6	4.7	4.8	4.7	4.6
	non-financial corporations	with agreed maturity	up to 1 month	7	4.0	3.9	3.8	4.0
			over 1 and up to 3 months	8	5.5	5.2	5.3	5.1
			over 3 and up to 6 months	9	5.7	5.4	5.4	5.4
			over 6 months and up to 1 year	10	5.4	5.3	5.4	5.2
			over 1 year	11	5.1	4.4	4.5	4.8
			total	12	4.3	4.2	4.2	4.2
	total				13	4.4	4.4	4.3
Loans in PLN	households and non-profit institutions serving households	for consumption	floating rate and up to 3 months initial rate fixation	14	14.9	15.6	15.2	15.4
			over 3 months and up to 1 year initial rate fixation	15	11.3	13.8	13.6	13.2
			over 1 year initial rate fixation	16	16.4	17.3	17.2	16.5
			total	17	15.2	16.1	15.9	15.7
			the annual percentage rate of charge (APRC)	18	21.3	22.4	22.3	21.6
		for house purchases	floating rate and up to 3 months initial rate fixation	19	np.	np.	np.	np.
			over 3 months and up to 1 year initial rate fixation	20	np.	np.	np.	np.
			over 1 year initial rate fixation	21	np.	np.	np.	np.
			total	22	7.0	7.0	7.0	7.0
			the annual percentage rate of charge (APRC)	23	7.4	7.4	7.5	7.4
		for sole proprietors and unincorporated partnerships	floating rate and up to 3 months initial rate fixation	24	np.	np.	np.	np.
			over 3 months and up to 1 year initial rate fixation	25	np.	np.	np.	np.
			over 1 year initial rate fixation	26	np.	np.	np.	np.
		total	27	9.3	9.3	8.6	9.2	
		for other purposes	floating rate and up to 3 months initial rate fixation	28	np.	np.	np.	np.
			over 3 months and up to 1 year initial rate fixation	29	np.	np.	np.	np.
			over 1 year initial rate fixation	30	np.	np.	np.	np.
			total	31	8.3	8.0	8.1	8.6
	total		32	11.0	11.3	11.0	11.2	
	non-financial corporations	contracts up to PLN 1 million overdraft excluded	floating rate and up to 3 months initial rate fixation	33	6.7	6.7	6.8	6.7
			over 3 months and up to 1 year initial rate fixation	34				
			over 1 year initial rate fixation	35	6.6	6.4	6.5	6.7
			total	36	6.7	6.7	6.7	6.7
		contracts over PLN 1 million up to 4 million, overdraft excluded	floating rate and up to 1 year initial rate fixation, with original maturity over 1 year*	37	7.1	7.0	7.0	7.1
			floating rate and up to 3 months initial rate fixation	38	6.7	6.9	6.6	6.8
			over 3 months and up to 1 year initial rate fixation	39				
			over 1 year initial rate fixation	40	6.2	6.0	6.5	6.6
			total	41	6.7	6.8	6.6	6.8
		contracts over PLN 4 million, overdraft excluded	floating rate and up to 1 year initial rate fixation, with original maturity over 1 year*	42	7.3	7.0	7.0	7.3
			floating rate and up to 3 months initial rate fixation	43	6.6	6.7	6.3	6.1
			over 3 months and up to 1 year initial rate fixation	44				
			over 1 year initial rate fixation	45	6.6	6.9	7.5	6.5
total			46	6.6	6.8	6.4	6.2	
floating rate and up to 1 year initial rate fixation, with original maturity over 1 year*	47		6.9	7.7	7.1	6.6		
total				48	6.6	6.8	6.5	6.4
total				49	8.0	8.5	8.6	8.4

\* 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.

**Table V.** Average MFI interest rates on new business, PLN denominated (in %)

April 2012	May 2012	June 2012	July 2012	August 2012	September 2012	October 2012	November 2012	December 2012
3.6	3.7	3.7	3.6	3.4	3.5	3.4	3.4	3.2
5.4	5.6	5.7	5.6	5.5	5.4	5.4	5.1	4.9
5.0	5.2	5.5	5.6	5.5	5.4	5.4	5.1	5.0
4.2	4.4	4.9	5.0	4.9	4.9	4.9	4.5	4.3
4.8	5.0	5.1	5.3	4.7	4.7	4.4	4.9	4.2
4.6	4.7	4.9	4.9	4.8	4.8	4.8	4.5	4.2
3.9	4.2	4.2	4.3	4.3	4.4	4.3	4.2	3.8
5.2	5.2	5.5	5.4	5.3	5.3	5.2	4.9	4.6
5.3	5.6	5.5	5.5	5.5	5.5	5.2	4.9	4.5
5.4	5.4	5.2	5.4	5.4	5.3	5.2	4.8	4.5
4.4	5.6	5.6	5.3	5.0	5.0	5.0	4.2	4.1
4.3	4.4	4.6	4.6	4.6	4.6	4.5	4.3	4.0
4.4	4.5	4.7	4.7	4.6	4.7	4.6	4.4	4.0
15.5	15.2	13.3	15.2	15.9	15.7	16.3	16.5	16.0
15.0	15.2	15.1	15.3	14.9	14.7	14.5	14.1	12.0
17.2	17.7	17.4	17.6	17.6	17.2	17.7	17.2	16.8
16.1	16.1	14.6	16.1	16.5	16.2	16.7	16.6	16.0
22.0	22.2	20.5	22.4	23.0	22.8	23.1	23.1	22.2
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.
7.0	6.9	7.1	7.1	7.1	7.1	7.0	6.9	6.6
7.4	7.4	7.5	7.5	7.5	7.4	7.3	7.2	7.1
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.
8.9	9.2	9.2	9.3	9.3	9.7	9.2	8.9	8.3
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.
8.3	8.8	8.8	8.9	8.8	8.7	8.9	8.8	8.2
11.1	11.1	10.8	11.2	11.4	11.3	11.2	11.2	10.6
6.8	7.0	6.9	6.9	7.0	6.9	6.8	6.6	6.3
6.7	7.4	7.6	7.4	7.2	7.4	7.5	6.7	6.6
6.8	7.0	6.9	6.9	7.0	6.9	6.8	6.6	6.3
7.2	7.4	6.8	7.4	7.6	7.5	7.2	7.3	7.2
6.5	6.9	6.7	6.9	7.0	6.8	7.2	7.1	6.3
7.1	6.9	7.5	7.2	6.8	6.4	6.7	6.5	5.9
6.6	6.9	6.7	6.9	7.0	6.8	7.2	7.0	6.2
6.9	7.1	6.9	7.2	7.4	7.1	7.5	7.3	6.7
6.5	6.9	6.6	6.8	6.4	6.6	6.7	6.6	5.9
7.2	7.2	7.7	7.0	7.5	7.5	7.9	7.2	6.9
6.7	6.9	6.8	6.8	6.5	6.7	6.8	6.7	6.1
7.1	7.2	7.3	7.3	7.3	7.2	7.0	6.9	6.7
6.7	6.9	6.8	6.9	6.7	6.8	6.8	6.7	6.2
8.8	8.9	8.8	8.8	9.1	8.8	9.1	8.9	7.8

**Table VI. Average MFI interest rates on new business, EUR denominated (in %)**

	Sector	Category	Original maturity, initial rate fixation	No.	December 2011	January 2012	February 2012	March 2012
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	0.9	0.7	0.7	0.6
			over 1 and up to 3 months	3	1.5	1.3	1.4	1.3
			over 3 and up to 6 months	4	1.9	2.0	2.2	1.9
			over 6 months and up to 1 year	5	2.2	2.2	2.0	2.0
			over 1 year	6	2.1	1.6	1.5	1.8
		total	7	1.4	1.3	1.4	1.2	
	non-financial corporations	overnight*		8	0.1	0.1	0.1	0.1
		with agreed maturity	up to 1 month	9	0.7	0.5	0.5	0.3
			over 1 and up to 3 months	10	1.2	1.2	0.9	0.9
			over 3 and up to 6 months	11	1.0	1.6	1.5	1.2
			over 6 months and up to 1 year	12	1.6	1.7	1.7	1.8
			over 1 year	13	1.4	1.6	1.8	1.1
		total	14	0.8	0.6	0.6	0.4	
total		15	0.9	0.7	0.6	0.5		
Loans in EUR	households and non-profit institutions serving households	bank overdraft*		16	3.7	3.8	3.4	3.3
		for consumption	total	17	5.3	4.7	4.9	5.0
			the annual percentage rate of charge (APRC)	18	6.2	5.2	5.5	5.5
		for house purchases	total	19	4.0	4.1	4.0	3.9
			the annual percentage rate of charge (APRC)	20	4.5	4.4	4.3	4.2
		for other purposes		21	4.3	4.4	4.2	3.6
	total, overdraft excluded		22	4.1	4.1	4.0	3.9	
	non-financial corporations	bank overdraft*		23	2.7	2.5	2.3	2.2
		contracts up to EUR 1 million		24	3.2	2.9	2.7	2.6
		contracts over EUR 1 million		25	3.9	5.0	5.2	3.4
		total, overdraft excluded		26	3.7	4.6	4.8	3.2
		total		27	3.8	4.4	4.6	3.4

\* Category calculated on a basis of an outstanding amounts. Excluded from "total" average.



**Table VI.** Average MFI interest rates on new business, EUR denominated (in %)

April 2012	May 2012	June 2012	July 2012	August 2012	September 2012	October 2012	November 2012	December 2012
0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
0.6	0.8	0.5	0.7	0.6	0.4	0.5	0.4	0.3
0.8	1.4	1.6	1.1	0.8	1.2	0.9	1.1	0.8
1.4	1.5	1.5	1.5	1.2	1.3	1.2	1.0	0.9
2.2	1.6	1.6	2.0	1.3	1.3	1.3	1.3	1.3
1.9	1.8	2.6	1.6	1.3	1.1	2.0	1.3	1.1
1.1	1.2	1.2	1.2	0.9	0.9	0.9	0.8	0.7
0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
0.3	0.3	0.4	0.3	0.2	0.2	0.3	0.2	0.2
1.1	0.9	0.7	0.8	0.5	0.3	0.4	0.4	0.3
1.0	0.8	1.4	1.2	0.7	0.7	0.8	0.7	0.6
1.4	1.3	1.4	0.9	0.6	0.7	1.2	0.4	1.2
0.9	0.7	1.2	0.7	0.5	0.5	0.6	0.4	0.7
0.5	0.4	0.4	0.4	0.3	0.2	0.3	0.3	0.3
0.6	0.6	0.5	0.5	0.3	0.3	0.4	0.3	0.3
3.1	3.0	3.0	2.8	2.5	2.6	2.8	2.7	2.7
4.6	4.8	7.3	7.0	7.9	5.5	5.7	–	7.7
5.1	5.8	7.3	7.0	7.9	5.5	5.7	–	7.7
3.8	3.5	3.6	3.6	3.8	3.5	3.3	3.2	3.3
4.1	3.8	3.9	3.8	3.9	3.8	3.5	3.5	3.6
3.1	4.0	3.6	3.7	3.8	2.7	3.1	3.4	3.3
3.7	3.6	3.6	3.6	3.8	3.3	3.3	3.3	3.3
2.1	2.1	2.1	2.0	1.9	1.9	1.9	1.9	1.9
2.4	2.3	2.3	2.3	2.0	2.3	2.3	2.1	2.1
2.9	5.8	3.1	2.7	4.7	3.2	2.9	6.0	3.1
2.7	4.5	2.8	2.5	4.0	2.8	2.7	4.4	3.0
2.9	4.4	3.0	2.7	3.9	2.9	2.8	4.3	3.0

**Table VII.** Aggregated balance sheet of other monetary financial institutions  
(million zloty)

ASSETS

Period	Loans to domestic residents	Monetary financial institutions	General government	Other domestic residents*	Holdings of securities other than shares issued by domestic residents	Monetary financial institutions	General government	Other domestic residents*	Money Market Fund shares/units
	1	2	3	4	5	6	7	8	9
December 2011	967 498.2	68 827.4	76 799.2	821 871.6	251 192.8	101 572.2	140 940.2	8 680.4	450.9
January 2012	973 215.4	85 835.1	73 893.5	813 486.8	260 291.3	98 423.6	147 316.9	14 550.8	0.0
February	978 216.3	94 956.1	73 150.9	810 109.3	259 109.6	98 595.0	147 113.6	13 401.0	0.0
March	973 209.4	83 379.6	72 775.1	817 054.7	265 213.5	97 748.1	154 435.7	13 029.7	0.0
April	997 006.0	99 664.3	73 342.0	823 999.7	238 122.3	82 021.5	142 309.9	13 790.9	0.0
May	994 017.3	80 575.3	74 071.3	839 370.7	258 386.6	98 280.3	145 608.3	14 498.0	0.0
June	986 468.2	76 173.2	73 945.7	836 349.3	261 390.0	104 661.1	143 758.0	12 970.9	0.0
July	984 717.5	79 996.1	76 112.6	828 608.8	259 116.9	107 906.3	137 073.5	14 137.1	0.0
August	997 124.0	82 769.7	77 559.8	836 794.5	261 082.5	109 491.9	137 071.5	14 519.1	0.0
September	996 476.3	79 939.2	77 516.3	839 020.8	266 072.4	114 531.7	137 127.1	14 413.6	0.0
October	999 033.2	81 483.0	77 578.4	839 971.8	266 949.3	119 170.9	132 956.6	14 821.8	0.0
November	999 595.8	84 067.7	77 921.3	837 606.8	272 974.5	123 355.0	135 537.0	14 082.5	0.0
December	1 016 587.7	102 464.1	79 637.4	834 486.2	257 263.8	109 390.0	133 421.4	14 452.4	0.0

\* 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  
(million zloty)

LIABILITIES

Period	Deposits of domestic residents	Monetary financial institutions	Central government	Other domestic residents*	overnight	with agreed maturity	redeemable at notice	repurchase agreements	Money Market Fund shares/units
	1	2	3	4	5	6	7	8	9
December 2011	847 798.0	41 656.6	26 471.9	779 669.5	365 357.0	404 634.1	102.7	9 575.7	775.6
January 2012	857 307.9	55 993.0	25 386.7	775 928.2	361 918.3	402 570.9	105.3	11 333.7	0.0
February	876 487.1	65 263.6	36 837.3	774 386.2	356 973.1	413 270.6	107.5	4 035.0	0.0
March	867 484.1	55 223.4	37 181.0	775 079.7	353 936.8	414 711.5	108.3	6 323.1	0.0
April	853 890.2	56 522.0	27 666.1	769 702.1	346 762.0	415 439.5	108.9	7 391.7	0.0
May	871 963.0	54 051.2	35 607.9	782 303.9	361 192.6	412 434.4	109.2	8 567.7	0.0
June	873 724.5	48 969.2	43 252.9	781 502.4	358 316.3	415 638.8	108.7	7 438.6	0.0
July	872 483.6	51 565.9	36 645.5	784 272.2	361 230.4	413 850.4	109.6	9 081.8	0.0
August	888 277.6	49 974.3	46 914.3	791 389.0	354 779.5	424 432.1	109.9	12 067.5	0.0
September	895 051.2	50 294.1	56 103.8	788 653.3	353 580.4	427 227.1	110.8	7 735.0	0.0
October	901 549.3	54 703.8	47 557.8	799 287.7	349 356.8	436 287.0	110.7	13 533.2	0.0
November	911 037.6	54 807.9	54 852.0	801 377.7	355 055.6	434 873.9	111.9	11 336.3	0.0
December	903 492.5	46 578.4	36 223.4	820 690.7	381 282.8	426 246.1	114.6	13 047.2	0.0

\* Non-monetary financial institutions, local government, social security funds and non-financial sector.

**Table VII.** Aggregated balance sheet of other monetary financial institutions (million zloty)  
ASSETS

Holdings of shares/other equity issued by domestic residents	Monetary financial institutions	Other domestic residents*	External assets	Fixed assets**	Remaining assets	Total assets
December 2011	5 069.7	7 050.8	64 998.1	40 467.7	43 912.3	1 380 640.5
January 2012	10 872.5	7 937.0	53 729.3	40 545.4	43 643.6	1 390 234.5
February	10 841.9	8 157.3	58 749.9	40 566.6	42 700.2	1 398 341.8
March	10 771.6	8 046.0	49 389.2	41 055.4	42 188.6	1 389 873.7
April	10 789.8	7 878.0	44 439.7	41 169.2	43 443.0	1 382 848.0
May	13 516.6	7 707.5	58 261.4	41 029.9	44 465.9	1 417 385.2
June	7 721.3	7 947.1	57 555.0	41 039.0	42 119.9	1 404 240.5
July	7 713.4	7 890.1	55 651.6	41 260.8	43 933.0	1 400 283.3
August	7 709.7	8 018.1	57 453.7	41 379.0	42 858.0	1 415 625.0
September	7 713.2	7 972.9	62 309.2	41 553.3	44 231.6	1 426 328.9
October	7 732.1	8 190.5	65 005.6	41 754.0	44 465.1	1 433 129.8
November	7 768.5	8 841.9	70 572.1	41 856.8	44 631.1	1 446 240.7
December	5 060.2	8 933.4	67 106.7	42 734.8	47 306.5	1 444 993.1

\* 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 (million zloty)  
LIABILITIES

Debt securities issued	Capital and reserves	T1 capital	Tier-2 capital	Reserves	External liabilities	Remaining liabilities	Total liabilities
December 2011	181 475.7	113 244.9	2 595.1	65 635.7	242 212.6	61 652.9	1 380 640.5
January 2012	187 713.2	118 960.7	2 885.0	65 867.5	232 677.1	65 807.7	1 390 234.5
February	188 117.4	119 128.6	2 838.5	66 150.3	222 867.2	63 393.7	1 398 341.8
March	190 178.3	120 772.7	2 700.6	66 705.0	220 907.2	63 316.2	1 389 873.7
April	193 594.9	123 492.4	2 700.6	67 401.9	224 926.8	62 316.6	1 382 848.0
May	198 641.1	128 139.1	2 837.7	67 664.3	236 685.4	61 051.2	1 417 385.2
June	199 975.9	129 102.0	2 999.9	67 874.0	223 250.2	54 747.9	1 404 240.5
July	201 289.4	129 730.5	3 296.6	68 262.3	216 772.5	57 021.7	1 400 283.3
August	202 278.4	130 119.1	3 271.0	68 888.3	215 709.5	56 176.4	1 415 625.0
September	203 264.1	130 860.4	3 253.2	69 150.5	213 955.2	59 627.2	1 426 328.9
October	203 952.5	131 242.1	3 270.6	69 439.8	213 766.1	61 201.1	1 433 129.8
November	205 525.2	131 547.0	4 345.5	69 632.7	214 879.6	62 182.2	1 446 240.7
December	203 549.1	129 420.6	4 939.0	69 189.5	217 879.5	66 613.7	1 444 993.1

\* Non-monetary financial institutions, local government, social security funds and non-financial sector.

**Table VIII.** Balance sheet of Narodowy Bank Polski

(million zloty)

## ASSETS

Period					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
	Loans to domestic residents	Other monetary financial institutions	General government	Other domestic residents*		Other monetary financial institutions	General government		Other monetary financial institutions	Other domestic residents*				
	1	2	3	4	5	6	7	8	9	10				
December 2011	382.7	356.4	0.0	26.3	0.0	0.0	0.0	53.8	0.0	53.8	340 466.0	2 194.9	898.4	343 995.8
January 2012	381.9	356.4	0.0	25.5	0.0	0.0	0.0	53.8	0.0	53.8	327 346.5	2 196.0	489.6	330 467.8
February	381.3	356.4	0.0	24.9	0.0	0.0	0.0	53.8	0.0	53.8	319 122.0	2 197.5	586.4	322 341.0
March	292.2	267.3	0.0	24.9	0.0	0.0	0.0	53.8	0.0	53.8	317 060.8	2 206.8	718.5	320 332.1
April	293.0	267.3	0.0	25.7	0.0	0.0	0.0	53.8	0.0	53.8	329 454.0	2 207.7	687.5	332 696.0
May	293.7	267.3	0.0	26.4	0.0	0.0	0.0	53.8	0.0	53.8	352 956.8	2 208.7	518.4	356 031.4
June	204.7	178.2	0.0	26.5	0.0	0.0	0.0	53.8	0.0	53.8	349 102.3	2 220.0	780.3	352 361.1
July	204.4	178.2	0.0	26.2	0.0	0.0	0.0	53.8	0.0	53.8	348 261.9	2 222.2	656.0	351 398.3
August	204.2	178.2	0.0	26.0	0.0	0.0	0.0	53.8	0.0	53.8	350 830.1	2 224.1	597.6	353 909.8
September	114.6	89.1	0.0	25.5	0.0	0.0	0.0	53.8	0.0	53.8	341 891.5	2 228.9	684.7	344 973.5
October	114.2	89.1	0.0	25.1	0.0	0.0	0.0	53.8	0.0	53.8	342 646.0	2 232.7	653.6	345 700.3
November	113.8	89.1	0.0	24.7	0.0	0.0	0.0	53.8	0.0	53.8	345 365.0	2 225.0	858.2	348 615.8
December	24.4	0.0	0.0	24.4	0.0	0.0	0.0	53.8	0.0	53.8	343 292.7	2 245.9	243.5	345 860.3

\* 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

(million zloty)

## ASSETS

Period				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
	Loans to domestic residents	General government	Other domestic residents*		General government	Other domestic residents*					
	1	2	3	4	5	6					
December 2011	898 697.1	76 799.2	821 897.9	149 620.6	140 940.2	8 680.4	7 104.6	405 464.1	42 662.6	34 814.0	1 538 363.0
January 2012	887 405.8	73 893.5	813 512.3	161 867.7	147 316.9	14 550.8	7 990.8	381 075.8	42 741.4	34 823.2	1 515 904.7
February	883 285.1	73 150.9	810 134.2	160 514.6	147 113.6	13 401.0	8 211.1	377 871.9	42 764.1	34 369.9	1 507 016.7
March	889 854.7	72 775.1	817 079.6	167 465.4	154 435.7	13 029.7	8 099.8	366 450.0	43 262.2	33 795.2	1 508 927.3
April	897 367.4	73 342.0	824 025.4	156 100.8	142 309.9	13 790.9	7 931.8	373 893.7	43 376.9	33 845.9	1 512 516.5
May	913 468.4	74 071.3	839 397.1	160 106.3	145 608.3	14 498.0	7 761.3	411 218.2	43 238.6	35 231.2	1 571 024.0
June	910 321.5	73 945.7	836 375.8	156 728.9	143 758.0	12 970.9	8 000.9	406 657.3	43 259.0	33 461.1	1 558 428.7
July	904 747.6	76 112.6	828 635.0	151 210.6	137 073.5	14 137.1	7 943.9	403 913.5	43 483.0	34 997.4	1 546 296.0
August	914 380.3	77 559.8	836 820.5	151 590.6	137 071.5	14 519.1	8 071.9	408 283.8	43 603.1	33 763.1	1 559 692.8
September	916 562.6	77 516.3	839 046.3	151 540.7	137 127.1	14 413.6	8 026.7	404 200.7	43 782.2	35 608.3	1 559 721.2
October	917 575.3	77 578.4	839 996.9	147 778.4	132 956.6	14 821.8	8 244.3	407 651.6	43 986.7	34 962.4	1 560 198.7
November	915 552.8	77 921.3	837 631.5	149 619.5	135 537.0	14 082.5	8 895.7	415 937.1	44 081.8	35 888.6	1 569 975.5
December	914 148.0	79 637.4	834 510.6	147 873.8	133 421.4	14 452.4	8 987.2	410 399.4	44 980.7	36 604.9	1 562 994.0

\* 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 Narodowy Bank Polski  
(million zloty)  
LIABILITIES

Period	Currency in circulation	Deposits of domestic residents	Other monetary financial institutions	Central government	Other domestic residents*	Debt securities issued	Capital and reserves	Tier-1 capital	Reserves	External liabilities	Remaining liabilities	Total liabilities
	1	2	3	4	5	6	7	8	9	10	11	12
December 2011	111 845.3	46 998.8	26 716.5	19 435.4	846.9	93 430.7	15 227.2	2 034.7	13 192.5	23 089.2	53 404.6	343 995.8
January 2012	108 023.1	52 832.5	30 678.2	21 446.5	707.8	89 283.3	15 233.2	2 034.7	13 198.5	25 064.9	40 030.8	330 467.8
February	107 089.3	50 398.2	30 224.1	19 622.6	551.5	89 362.2	15 237.4	2 034.7	13 202.7	28 672.4	31 581.5	322 341.0
March	108 995.3	48 474.7	28 640.6	19 367.2	466.9	88 787.5	15 241.4	2 034.7	13 206.7	26 857.8	31 975.4	320 332.1
April	111 587.1	66 628.5	44 114.8	21 831.4	682.3	73 178.9	15 244.7	2 034.7	13 210.0	30 589.4	35 467.4	332 696.0
May	112 076.9	51 581.5	27 558.7	23 529.8	493.0	89 808.5	15 248.5	2 034.7	13 213.8	27 787.9	59 528.1	356 031.4
June	113 246.9	57 888.4	27 623.0	29 738.3	527.1	94 342.2	15 684.8	2 466.6	13 218.2	30 986.1	40 212.7	352 361.1
July	112 594.7	59 687.4	29 751.4	29 229.0	707.0	97 377.6	15 689.3	2 466.6	13 222.7	29 144.5	36 904.8	351 398.3
August	112 769.7	58 837.7	33 126.1	25 139.5	572.1	100 065.0	15 694.6	2 466.6	13 228.0	28 741.1	37 801.7	353 909.8
September	112 486.9	53 841.1	30 264.0	22 997.6	579.5	105 074.5	15 700.4	2 466.6	13 233.8	29 001.6	28 869.0	344 973.5
October	112 834.9	53 257.1	27 252.1	25 244.5	760.5	110 178.2	15 701.2	2 466.6	13 234.6	26 302.5	27 426.4	345 700.3
November	111 316.0	55 603.6	30 138.4	24 822.3	642.9	114 500.0	15 691.6	2 466.6	13 225.0	26 341.2	25 163.4	348 615.8
December	113 414.6	73 953.8	56 578.6	16 308.2	1 067.0	99 841.8	15 311.0	2 466.6	12 844.4	22 786.2	20 552.9	345 860.3

\* Non-monetary financial institutions, local government, social security funds and non-financial sector.

**Table IX.** Consolidated balance sheet of monetary financial institutions  
(million zloty)  
LIABILITIES

Period	Currency in circulation	Deposits of central government	Deposits of other domestic residents*	overnight	with agreed maturity	redeemable at notice	repurchase agreements	Money Market Fund shares/unit	Debt securities issued	Capital and reserves	External liabilities	Remaining liabilities	Excess of inter-MFI liabilities	Total liabilities
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
December 2011	101 848.6	45 907.3	780 516.4	366 203.9	404 634.1	102.7	9 575.7	324.7	38 584.2	191 633.2	265 301.8	115 057.5	-810.7	1 538 363.0
January 2012	98 713.1	46 833.2	776 636.0	362 626.1	402 570.9	105.3	11 333.7	0.0	37 588.3	192 073.9	257 742.0	105 838.5	479.7	1 515 904.7
February	98 172.6	56 459.9	774 937.7	357 524.6	413 270.6	107.5	4 035.0	0.0	38 243.6	192 512.9	251 539.6	94 975.2	175.2	1 507 016.7
March	99 883.4	56 548.2	775 546.6	354 403.7	414 711.5	108.3	6 323.1	0.0	39 027.3	194 648.1	247 765.0	95 291.6	217.1	1 508 927.3
April	101 302.5	49 497.5	770 384.4	347 444.1	415 439.7	108.9	7 391.7	0.0	39 276.9	198 049.8	255 516.2	97 784.0	705.2	1 512 516.5
May	102 323.8	59 137.7	782 796.9	361 685.6	412 434.4	109.2	8 567.7	0.0	40 572.7	200 373.0	264 473.3	120 579.3	767.3	1 571 024.0
June	103 807.8	72 991.2	782 029.5	358 843.4	415 638.8	108.7	7 438.6	0.0	42 223.1	207 939.4	254 236.3	94 960.6	240.8	1 558 428.7
July	103 003.1	65 874.5	784 979.2	361 937.4	413 850.4	109.6	9 081.8	0.0	42 187.4	209 265.3	245 917.0	93 926.5	1 143.0	1 546 296.0
August	103 077.2	72 053.8	791 961.1	355 351.4	424 432.3	109.9	12 067.5	0.0	43 756.2	210 263.3	244 450.6	93 978.1	152.5	1 559 692.8
September	103 178.9	79 101.4	789 232.8	354 159.9	427 227.1	110.8	7 735.0	0.0	44 974.0	211 251.3	242 956.8	88 496.2	529.8	1 559 721.2
October	102 678.6	72 802.3	800 048.2	350 117.3	436 287.0	110.7	13 533.2	0.0	43 668.1	211 921.6	240 068.6	88 627.5	383.8	1 560 198.7
November	101 715.3	79 674.3	802 020.6	355 698.5	434 873.9	111.9	11 336.3	0.0	43 761.1	213 448.3	241 220.8	87 345.6	789.5	1 569 975.5
December	102 469.5	52 531.6	821 757.7	382 349.3	426 246.6	114.6	13 047.2	0.0	43 910.1	213 799.9	240 665.7	87 166.6	692.9	1 562 994.0

\* Non-monetary financial institutions, local government, social security funds and non-financial sector.

**Table Xa. M3 and counterparts (million zloty)**

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	Non-monetary financial institutions	Non-financial corporations	Non-profit institutions serving households	Local government	Social security funds	
	1	2	3	4	5	6	7	8	9	10	
December 2011	101 848.6	111 845.3	9 996.7	366 204.0	234 934.3	13 903.1	89 472.2	8 401.3	18 586.0	907.1	468 052.6
January 2012	98 713.1	108 023.1	9 310.0	362 626.1	235 633.2	15 347.3	88 665.1	8 030.6	13 868.5	1 081.5	461 339.2
February	98 172.6	107 089.3	8 916.7	357 524.6	234 959.0	15 215.1	83 400.1	8 039.5	14 609.2	1 301.6	455 697.2
March	99 883.4	108 995.3	9 111.9	354 403.6	235 199.0	14 693.5	80 723.0	7 857.5	14 878.6	1 051.9	454 287.0
April	101 302.5	111 587.1	10 284.6	347 444.1	232 145.2	15 132.3	77 752.7	7 828.3	13 887.4	698.1	448 746.6
May	102 323.8	112 076.9	9 753.1	361 685.6	233 537.2	17 808.6	84 671.7	8 227.0	15 775.5	1 665.4	464 009.3
June	103 807.8	113 246.9	9 439.1	358 843.4	236 316.5	17 403.9	80 697.8	8 493.1	15 015.2	916.9	462 651.2
July	103 003.1	112 594.7	9 591.6	361 937.3	235 624.0	15 066.0	85 961.3	8 727.3	15 274.4	1 284.3	464 940.4
August	103 077.3	112 769.7	9 692.4	355 351.5	234 164.1	14 345.4	81 276.6	8 853.0	14 649.6	2 062.7	458 428.8
September	103 178.8	112 486.9	9 308.0	354 159.9	231 477.3	15 419.7	80 863.1	8 890.0	16 843.3	666.7	457 338.7
October	102 678.6	112 834.9	10 156.3	350 117.3	228 478.8	14 082.3	81 220.4	8 966.4	16 158.2	1 211.2	452 795.9
November	101 715.3	111 316.0	9 600.6	355 698.5	228 476.8	15 269.5	85 547.5	8 990.2	16 669.8	744.7	457 413.8
December	102 469.6	113 414.6	10 945.1	382 349.3	236 778.7	15 922.0	99 261.8	9 391.8	19 775.4	1 219.8	484 818.9

**Table Xb. M3 and counterparts (million zloty)**

M3 counterparts

Period											
	Net external assets	External assets	External liabilities	Credit to other domestic residents	Loans to other domestic residents	Households	Non-monetary financial institutions	Non-financial corporations	Non-profit institutions serving households	Local government	Social security funds
	1	2	3	4	5	6	7	8	9	10	11
December 2011	140 162.3	405 464.1	265 301.8	887 890.8	861 743.2	536 970.6	27 291.4	253 458.6	4 177.3	39 001.6	843.7
January 2012	123 333.7	381 075.7	257 742.0	886 164.7	850 636.4	528 485.1	30 398.9	250 422.6	4 205.6	36 699.1	425.1
February	126 332.3	377 871.9	251 539.6	881 203.6	846 621.1	525 309.7	30 651.9	249 986.9	4 185.8	36 486.8	0.0
March	118 684.9	366 449.9	247 765.0	887 247.0	853 103.4	528 790.9	30 299.0	253 670.0	4 319.7	36 023.8	0.0
April	118 377.5	373 893.7	255 516.2	894 754.0	859 783.5	531 270.2	34 443.6	254 126.6	4 185.0	35 758.0	0.0
May	146 744.9	411 218.1	264 473.2	910 417.5	874 988.5	544 175.5	31 279.3	259 739.7	4 202.6	35 591.4	0.0
June	152 421.0	406 657.3	254 236.3	906 065.9	871 973.3	540 270.6	32 449.5	259 396.7	4 259.1	35 597.5	0.0
July	157 996.5	403 913.6	245 917.1	899 716.2	864 421.8	534 864.9	29 831.0	259 593.9	4 345.3	35 786.7	0.0
August	163 833.3	408 283.8	244 450.5	908 778.0	872 945.8	540 080.3	30 677.0	261 633.8	4 429.3	36 125.3	0.0
September	161 243.9	404 200.7	242 956.8	911 054.5	875 285.4	537 393.9	34 528.5	262 564.6	4 559.3	36 069.1	170.0
October	167 582.9	407 651.6	240 068.7	912 579.1	875 935.9	539 841.6	34 675.8	260 839.8	4 639.6	35 939.0	0.0
November	174 716.3	415 937.1	241 220.8	910 870.8	873 951.4	540 016.2	31 674.7	261 201.5	4 739.2	35 655.5	664.3
December	169 733.7	410 399.4	240 665.6	910 108.8	872 430.9	538 102.6	34 555.8	257 005.3	4 846.9	37 080.1	840.2

**Table Xa.** M3 and counterparts (million zloty)

M3

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	
													12
	12	13	14	15	16	17	18	19	20	21	22	23	24
395 679.6	243 072.8	26 461.3	113 811.4	6 588.1	4 706.7	1 039.2	13.4	863 745.5	9 575.7	7 850.4	324.7	881 496.3	
393 850.6	250 606.1	26 708.3	100 326.8	7 081.7	8 781.5	346.2	13.1	855 202.9	11 333.7	8 096.0	0.0	874 632.5	
404 503.6	253 117.3	28 979.3	104 659.1	7 338.3	9 966.2	443.5	13.1	860 213.9	4 035.0	7 872.4	0.0	872 121.3	
405 695.1	252 126.1	32 127.1	101 759.3	7 607.7	10 889.0	1 185.9	12.8	859 995.0	6 323.1	8 177.8	0.0	874 495.8	
406 167.6	254 089.2	31 836.2	99 080.4	8 055.6	11 884.2	1 222.0	13.1	854 927.2	7 391.7	8 383.7	0.0	870 702.6	
403 079.9	255 389.9	29 047.4	98 781.8	7 831.5	11 384.1	645.2	12.8	867 102.0	8 567.7	8 481.0	0.0	884 150.7	
406 114.2	256 732.0	29 611.0	100 330.7	7 634.5	10 393.4	1 412.6	12.5	868 777.9	7 438.6	8 504.4	0.0	884 720.9	
404 105.8	259 112.9	31 392.6	93 503.1	7 791.7	10 568.5	1 737.0	13.0	869 059.2	9 081.8	8 732.0	0.0	886 873.1	
414 514.1	264 101.9	33 053.8	98 173.1	7 882.0	10 347.9	955.5	12.5	872 955.4	12 067.5	10 510.9	0.0	895 533.8	
417 212.0	267 671.8	35 069.2	94 978.1	8 022.7	9 903.2	1 566.9	12.5	874 563.2	7 735.0	10 381.8	0.0	892 680.0	
426 204.7	272 997.6	35 712.3	97 899.6	8 381.9	10 016.3	1 197.0	11.6	879 012.2	13 533.2	9 892.2	0.0	902 437.5	
424 649.1	276 828.8	34 513.7	94 358.7	8 127.8	9 883.2	936.8	11.8	882 074.7	11 336.3	8 434.5	0.0	901 845.5	
415 505.5	278 111.4	36 466.1	88 511.4	7 106.3	4 708.1	602.3	11.8	900 336.2	13 047.2	8 028.4	0.0	921 411.7	

**Table Xb.** M3 and counterparts (million zloty)

M3 counterparts

Holdings of securities other than shares	of which:			Holdings of shares/other equity	of which:		Credit to central government
	non-monetary financial institutions	non-financial corporations	local government		non-monetary financial institutions	non-financial corporations	
12	13	14	15	16	17	18	19
19 043.0	694.6	7 985.7	10 362.6	7 104.6	4 496.0	2 608.6	121 624.2
27 537.4	591.3	13 959.5	12 986.6	7 990.9	5 055.0	2 935.9	124 266.4
26 371.3	510.6	12 890.4	12 970.3	8 211.1	5 204.5	3 006.7	114 347.4
26 043.7	676.7	12 353.0	13 014.0	8 099.9	5 272.5	2 827.4	121 624.7
27 038.6	1 470.2	12 320.8	13 247.7	7 931.9	5 195.5	2 736.4	117 148.6
27 667.7	1 566.8	12 931.3	13 169.7	7 761.3	5 101.8	2 659.5	111 780.8
26 091.5	1 638.6	11 332.2	13 120.7	8 001.0	5 330.9	2 670.1	95 994.3
27 350.4	1 956.5	12 180.5	13 213.4	7 944.0	5 350.9	2 593.1	98 311.5
27 760.2	1 881.6	12 637.5	13 241.2	8 072.0	5 512.8	2 559.2	93 211.0
27 742.3	1 795.0	12 618.6	13 328.7	8 026.8	5 513.0	2 513.8	85 974.2
28 398.9	1 853.3	12 968.5	13 577.2	8 244.3	5 635.3	2 609.0	88 216.5
28 023.7	932.7	13 149.8	13 941.2	8 895.7	5 874.3	3 021.4	83 523.0
28 690.7	1 240.5	13 211.9	14 238.3	8 987.3	5 965.2	3 022.1	108 368.7



**Table Xb. M3 and counterparts (million zloty)**  
M3 counterparts

Period	Credit to central government	of which:		Deposits of central government	Longer-term financial liabilities	Deposits with agreed maturity over 2 years and deposits redeemable at notice over 3 months	Households	Non-monetary financial institutions	Non-financial corporations
		loans	debt securities issued						
	20	21	22	23	24	25	26	27	28
December 2011	167 531.4	964.3	130 577.6	45 907.3	231 410.8	9 043.8	4 065.0	3 007.2	1 837.9
January 2012	171 099.6	1 096.4	134 330.2	46 833.2	230 379.0	8 812.6	3 976.8	3 043.5	1 660.5
February	170 807.3	1 141.3	134 143.3	56 459.9	231 745.6	8 861.4	3 900.7	3 081.7	1 758.2
March	178 172.9	1 134.8	141 421.7	56 548.2	234 609.5	9 111.9	4 002.6	3 202.5	1 791.6
April	166 646.2	1 095.0	129 062.2	49 497.6	238 311.1	9 368.0	4 011.5	3 369.5	1 874.5
May	170 918.5	1 138.9	132 438.6	59 137.8	241 915.6	9 451.0	4 032.0	3 469.1	1 834.1
June	168 985.6	1 122.4	130 637.4	72 991.3	251 279.0	9 620.8	4 077.4	3 600.4	1 836.2
July	164 186.0	1 012.1	123 860.2	65 874.5	252 561.8	9 841.2	4 115.5	3 735.7	1 871.9
August	165 264.8	928.4	123 830.3	72 053.8	253 524.2	10 015.6	4 228.0	3 900.5	1 770.4
September	165 075.6	639.4	123 798.4	79 101.4	255 956.9	10 113.4	4 294.0	3 949.9	1 756.5
October	161 018.8	671.5	119 379.5	72 802.3	255 879.0	10 181.5	4 445.6	3 850.4	1 775.5
November	163 197.3	697.3	121 595.8	79 674.3	259 099.7	10 324.9	4 503.4	3 977.3	1 728.6
December	160 900.3	809.8	119 183.2	52 531.6	260 525.5	10 844.0	4 571.5	4 105.2	2 055.1

**Table XI. Reserve money and counterparts**  
(million zloty)

Period	External assets (net)	Official reserve assets	Rediscount credit	Rediscount credit	Lombard credit	Credit for rehabilitation programmes	Credit for central government investment programmes	Other credit	Overdue credit
	1	2	3	4	5	6	7	8	9
December 2011	317 376.8	334 447.2	356.4	0.0	0.0	0.0	356.4	0.0	0.0
January 2012	302 281.6	321 341.8	356.4	0.0	0.0	0.0	356.4	0.0	0.0
February	290 449.6	313 120.9	356.4	0.0	0.0	0.0	356.4	0.0	0.0
March	290 202.9	311 057.2	267.3	0.0	0.0	0.0	267.3	0.0	0.0
April	298 864.6	323 940.5	267.3	0.0	0.0	0.0	267.3	0.0	0.0
May	325 168.9	347 405.2	267.3	0.0	0.0	0.0	267.3	0.0	0.0
June	318 116.2	343 553.6	178.2	0.0	0.0	0.0	178.2	0.0	0.0
July	319 117.4	342 717.3	178.2	0.0	0.0	0.0	178.2	0.0	0.0
August	322 089.1	345 283.2	178.2	0.0	0.0	0.0	178.2	0.0	0.0
September	312 889.9	336 130.9	89.1	0.0	0.0	0.0	89.1	0.0	0.0
October	316 343.4	336 925.0	89.1	0.0	0.0	0.0	89.1	0.0	0.0
November	319 023.7	339 644.7	89.1	0.0	0.0	0.0	89.1	0.0	0.0
December	320 506.2	337 591.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0

**Table Xb.** M3 and counterparts (million zloty)  
M3 counterparts

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)
29	30	31	32	33	34	35
123.0	8.0	2.8	30 733.8	191 633.2	42 662.6	-79 432.7
121.6	7.8	2.5	29 492.4	192 073.9	42 741.4	-71 494.8
109.9	8.5	2.4	30 371.3	192 512.9	42 764.1	-60 780.5
107.0	8.1	0.1	30 849.6	194 648.0	43 262.2	-61 713.6
104.8	7.7	0.1	30 893.3	198 049.8	43 376.9	-64 643.3
108.0	7.7	0.1	32 091.6	200 373.1	43 238.5	-86 115.3
98.9	7.8	0.1	33 718.7	207 939.4	43 259.0	-61 740.2
109.9	8.1	0.1	33 455.4	209 265.2	43 483.0	-60 072.4
108.4	8.2	0.1	33 245.2	210 263.4	43 603.2	-60 367.4
105.2	7.8	0.1	34 592.2	211 251.3	43 782.2	-53 417.8
101.8	8.2	0.1	33 775.9	211 921.6	43 986.8	-54 048.8
97.4	18.3	0.1	35 326.6	213 448.2	44 081.9	-52 246.7
94.0	18.2	0.1	35 881.7	213 799.8	44 980.7	-51 254.7

**Table XI.** Reserve money and counterparts  
(million zloty)

Open market operations (net)	Auction credit	Auction deposits	NBP bills	Credit to central government (net)	Other items (net)	Central bank reserve money	Currency in circulation (including vault cash)	Bank current accounts	Reserve requirements accounts
10	11	12	13	14	15	16	17	18	19
-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
-89 283.3	0.0	0.0	-89 283.3	-21 446.5	-53 504.2	138 403.9	108 023.1	30 215.1	165.8
-89 362.2	0.0	0.0	-89 362.2	-19 622.6	-44 771.5	137 049.7	107 089.3	29 801.4	159.0
-88 787.5	0.0	0.0	-88 787.5	-19 367.2	-45 001.6	137 313.9	108 995.3	28 159.7	158.9
-73 178.9	0.0	0.0	-73 178.9	-21 831.4	-48 788.6	155 333.0	111 587.1	43 581.7	164.2
-89 808.5	0.0	0.0	-89 808.5	-23 529.8	-72 800.1	139 297.8	112 076.9	27 055.4	165.5
-94 342.2	0.0	0.0	-94 342.2	-29 738.3	-53 890.6	140 323.2	113 246.9	26 910.9	165.5
-97 377.6	0.0	0.0	-97 377.6	-29 229.0	-51 270.2	141 418.8	112 594.7	28 667.1	157.0
-100 065.0	0.0	0.0	-100 065.0	-25 139.5	-51 979.6	145 083.2	112 769.7	32 159.5	153.9
-105 074.5	0.0	0.0	-105 074.5	-22 997.6	-44 031.3	140 875.7	112 486.9	28 232.8	156.0
-110 178.2	0.0	0.0	-110 178.2	-25 244.5	-42 402.5	138 607.4	112 834.9	25 619.7	152.7
-114 500.0	0.0	0.0	-114 500.0	-24 822.3	-39 658.1	140 132.4	111 316.0	28 663.3	153.1
-99 841.8	0.0	0.0	-99 841.8	-16 308.2	-37 151.0	167 205.2	113 414.6	53 634.0	156.5

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# 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 points 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 (point 1), and the construction and assembly production (point 2) refer to economic entities with of more than 9 employees.
5. Data on the value of the sold production of industry (point 1) and the construction and assembly production (point 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 (point 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 (point 1) and the construction assembly production (point 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 (point 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 (point 11).
11. Data on financial results of enterprises (point 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 Narodowy Bank Polski (save for the data in point 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. Total reserve requirements (point 2, col. 11) 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.
3. Information on Treasury bill tenders (point 3, except for the stocks of bills in circulation at the end of the month – col. 17) 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.
4. Information on tenders for the NBP money-market bills (point 4, except for the stock of bills in circulation at month end – col. 23) 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.

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5. 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 1,000 points. It is an 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 an 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 an 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.

6. The indices comprise companies from all the quotation markets.

7. Capitalization refers only to domestic companies.

8. 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.

9. The turnover ratio shows the relation between the value of sold shares to the average value of shares quoted in a given month.

10. 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 Narodowy Bank Polski.

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 institutions<sup>1</sup> (including the central bank and other monetary financial institutions); in Poland, the concept of other monetary financial institutions applies to banks, 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 bureaus de change, bourses, hire purchase institutions).
- Non-financial sector comprises the following sub-sectors:
  - state-owned corporations;
  - private corporations and co-operatives;
  - individual entrepreneurs;<sup>2</sup>
  - farmers;
  - individuals;
  - non-profit institutions serving households.

In the publications of Narodowy Bank Polski, 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;

<sup>1</sup> In accordance with the ECB definition, monetary financial institutions (MFIs) comprise financial institutions whose business is to receive deposits and/or close substitutes for deposits from entities other than MFIs and, for their own account, to grant credits and/or to make investments in securities.

<sup>2</sup> Natural persons conducting business activities on their own account, with a maximum of 9 employees.

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- 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.

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. BNP Paribas Bank Polska SA
18. Credit Agricole Bank Polska SA
19. Santander Consumer Bank SA.

At the end-December 2012, the above banks held 74% of deposits of residents and 72% 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 Narrowly Defined Effective Rate 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.

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## 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 Narodowy Bank Polski 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 the Banking 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 Narodowy Bank Polski – 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 Narodowy Bank Polski.
3. Securities and other shares and other equity issued by domestic residents (assets col. 8) – at the moment in the case of NBP they include only fixed financial assets (equity).

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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 NBP.
  9. Capital and reserves (liabilities col.7) in the case of 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.

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