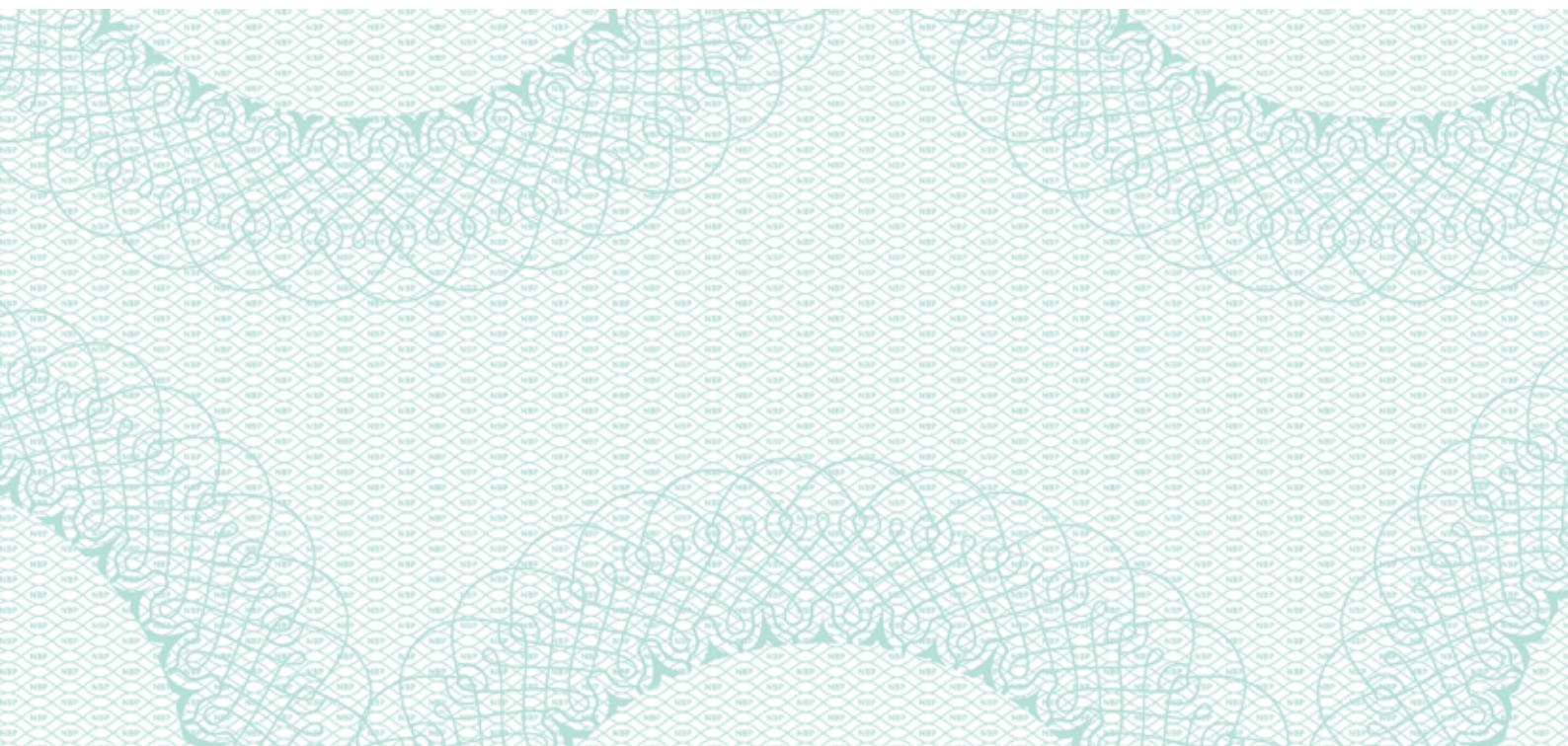


NBP

Narodowy Bank Polski

Annual Report 2014



Annual Report 2014

Warsaw 2015

Compiled on basis of NBP materials

Photo of the President of NBP
Agnieszka Deluga-Góra

Published by
Narodowy Bank Polski
Education and Publishing Department
00-919 Warszawa
ul. Świętokrzyska 11/21
phone 48 22 185 23 35
www.nbp.pl

ISSN 1427-0277

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Marek Belka
President of Narodowy Bank Polski

Dear Readers,

I am pleased to present to you the Annual Report, which discusses the activities of Narodowy Bank Polski in 2014. It contains a description of the key tasks performed by the central bank and NBP's condensed financial statements for the year.

As in the previous years, in 2014 Narodowy Bank Polski acted to maintain price stability in the economy, thus contributing to sustainable economic growth. In the first half of 2014 – amidst gradual recovery abroad – economic growth in Poland accelerated, accompanied by a steady improvement in the labour market and a pick-up in lending. At the same time, forecasts showed that with the progress of economic recovery, inflation would gradually return to the target. Bearing this in mind – and the effect of previous years' cuts – the Monetary Policy Council kept policy interest rates unchanged. Yet the risk of a slowdown in the euro

area increased in the second half of 2014, and commodity prices, especially those of oil, fell sharply on the world markets. There was also an escalation of the Russian-Ukrainian conflict, which gave rise to tighter restrictions on trade between Russia and its economic partners, including Poland. As a result, despite the steadily rising domestic demand, growth in the prices of consumer goods and services in Poland fell below zero. This was accompanied by a downward revision of inflation forecasts for the coming quarters and a drop in inflation expectations. All these factors led to higher risk of medium-term inflation persisting below the target. Under the circumstances, the Monetary Policy Council lowered the NBP interest rates – including the reference rate by 0.5 percentage points, to 2.0%. In determining the extent of interest rate cuts, the Monetary Policy Council took into account, on the one hand, the risk posed by inflation remaining below the target, and on the other, the risk of macroeconomic imbalances arising amidst low interest rates and the unstable situation on international financial markets.

One of the statutory tasks of Narodowy Bank Polski is to secure adequate conditions for the development of the banking sector while fostering the stability of the domestic financial system. Sustained stability of the financial system is a necessary condition for the NBP to achieve its primary objective – keeping the prices stable. It should be noted that in 2014, the financial system in Poland operated in a stable manner and the performance of its most important segment, the banking sector, was strong. This was evidenced by, among others, a decline in the share of non-performing loans and the record 2014 nominal gains. The latter constitute the main source for the increase in banks' own funds, thus providing for an improvement in their capital ratios. Other aspects of the Polish banking system conducive

to financial stability are the favourable financing structure, low leverage ratios and sound liquidity levels. The condition of the Polish banking sector is also characterized by high security. Stress tests and simulations of loss absorption capacity in the event of a very restrictive shock scenario have revealed its high resistance to severely adverse macroeconomic conditions.

One of the important functions of Narodowy Bank Polski is the issue of money, as the central bank has the exclusive right to issue the currency of the Republic of Poland. At the end of 2014, the value of coins and banknotes in circulation amounted to PLN 142.9 billion. This represents an increase of PLN 16.8 billion, or 13.3% on 31 December 2013. The rise in the money in circulation resulted primarily from economic growth. In addition, the prevailing relatively low interest rates prompted some households to hold more cash. At this point it is appropriate to mention that modernized banknotes, with the face values of 10, 20, 50 and 100 zloty, were introduced into general circulation in 2014. The modernization consisted in introducing new safety features, aimed to provide an even better protection of the Polish currency against counterfeiting, and to facilitate cash turnover by raising the quality of the banknotes' machine readability. Moreover, coins with the face values of 1, 2 and 5 grosz made from a new alloy (brass plated steel) were put into circulation in 2014. The new coins are less costly in production than the previously used manganese-brass alloy ones.

Holding sufficiently large foreign exchange reserves adds to the financial credibility of the country, thus reducing the cost

of public debt servicing and limiting the risk of a sudden outflow of foreign capital in times of severe turmoil on the financial markets. Therefore ensuring an appropriate level of foreign exchange reserves and proper management of these is one of the key tasks of Narodowy Bank Polski. In 2014, the official reserve assets of NBP increased by EUR 5.5 billion, reaching EUR 82.6 billion. The return on the reserves was relatively high compared with the previous years (2.4% in the currencies of the instruments and 11.3% in PLN terms).

In 2014, NBP generated a financial surplus of PLN 4 billion. In addition to the positive result on the exchange rate differences, the surplus also came from the positive result on foreign reserve management activities, which amounted to PLN 4.4 billion. The financial surplus was allocated for the replenishment of the provision against the zloty's foreign exchange rate risk, in accordance with the legal regulations applicable to NBP. Due to the allocation of the obtained financial surplus for the replenishment of the provision for foreign exchange risk, NBP did not declare a profit for 2014 and will not make a payment to the government budget in 2015.

In this foreword I have necessarily limited myself to addressing a few key issues. This does not provide a full picture of the situation and of the projects in which Narodowy Bank Polski has been involved in the past year. I strongly encourage you to read the entire Report, hoping that not only will it inform you on the activities of Narodowy Bank Polski, but will also inspire reflection on the opportunities and challenges faced by our country.

MONETARY POLICY COUNCIL

Chairperson

Marek Belka

Membres:

Andrzej Bratkowski
Elżbieta Chojna-Duch
Adam Glapiński
Jerzy Hausner
Andrzej Kaźmierczak
Jerzy Osiatyński
Andrzej Rzońca
Jan Winiecki
Anna Zielińska-Głębocka

NBP MANAGEMENT BOARD

Chairperson

Marek Belka

Vice President, First Deputy President of NBP

Piotr Wiesiołek¹

Vice President of NBP

Witold Koziński²
Anna Trzecińska³

Members:

Jacek Bartkiewicz
Eugeniusz Gatnar
Andrzej Raczko
Paweł Samecki⁴
Katarzyna Zajdel-Kurowska
Małgorzata Zaleska

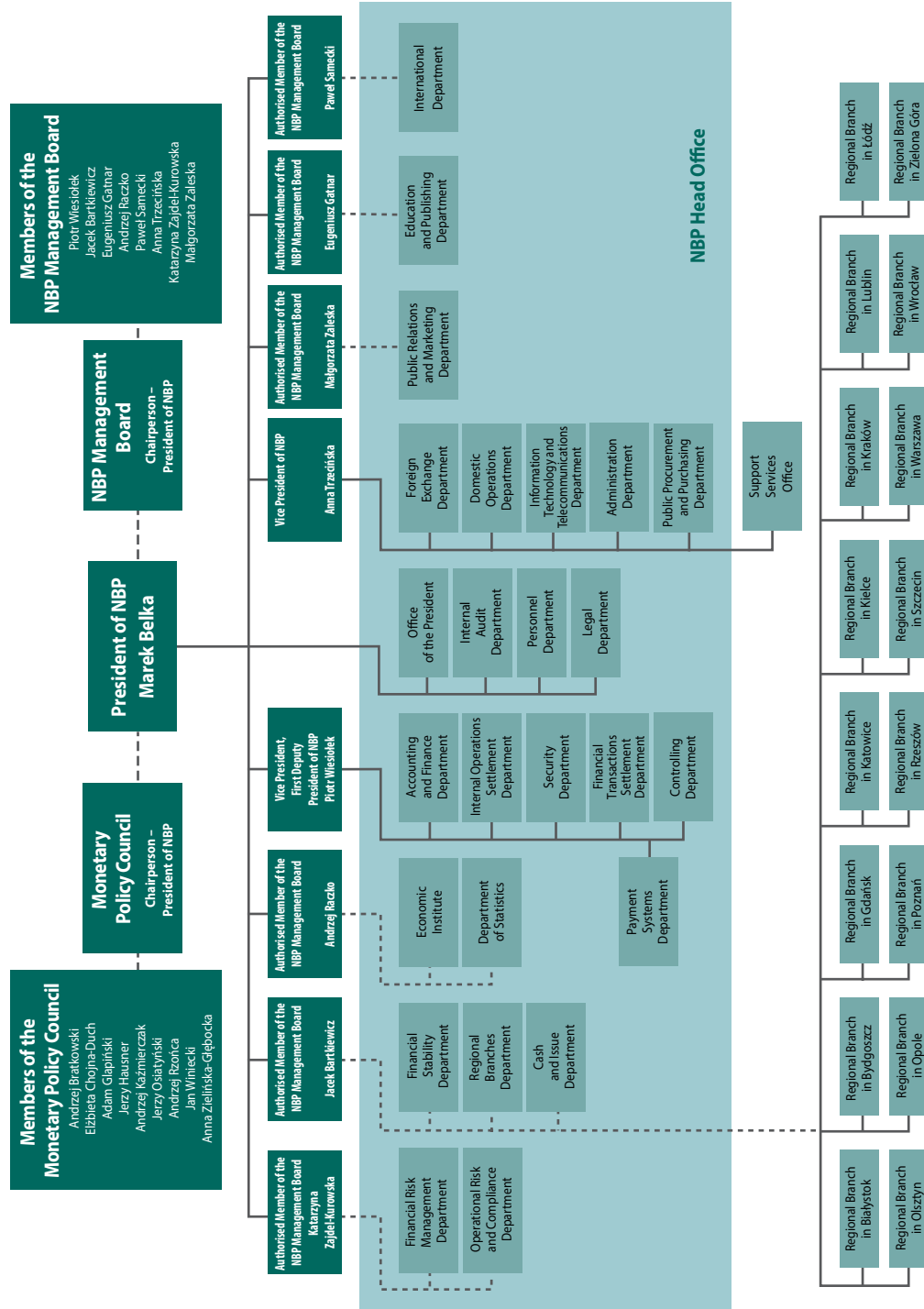
¹ As his term of office expired on 6 March 2014, Piotr Wiesiołek was appointed as Member of the NBP Management Board and the Vice President, First Deputy President of NBP for another term of office.

² On 24 October 2014, the term of office of Vice President of NBP Witold Koziński expired.

³ On 3 November 2014 Anna Trzecińska was appointed as Member of the NBP Management Board and the Vice President of NBP.

⁴ On 17 February 2014 Paweł Samecki was appointed as Member of the NBP Management Board.

Organisation chart of Narodowy Bank Polski valid as at 31 December 2014



--- Day-to-day oversight exercised in accordance with authorisations granted by the NBP President to the Members of the Management Board, pursuant to para. 12 of the NBP Organisational by-laws.
 — Day-to-day oversight exercised on the basis of the NBP reporting structure, according to the areas of work of organisational units assigned by the NBP President to be managed by the NBP Vice Presidents.

Summary



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 (Narodowy Bank Polski). 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 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 2014, NBP conducted its activities pursuant to the *Monetary Policy Guidelines for 2014* and *Narodowy Bank Polski Plan of Activity 2014–2016*.
2. This *Report* describes the performance of the statutory responsibilities of NBP in 2014 with regard to the following areas: monetary policy, pursuit of the financial system stability, issue of currency, management of foreign exchange reserves management, foreign exchange activities, the payment system, services to the State Treasury, research, statistics, education and information and international cooperation. The *Report* also presents the Bank's legislative activity and its internal development as well as the condensed financial statements of NBP as at 31 December 2014, together with the opinion of an independent certified auditor.
3. Pursuant to the Constitution of the Republic of Poland and the Act on 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 2014, the organisational structure of NBP comprised the Head Office and 17 organisational units.
4. In 2014, monetary policy was conducted in accordance with the *Monetary Policy Guidelines for 2014*. While implementing its monetary policy, NBP strived, in similarity to the previous years, to maintain price stability, which is the main objective of monetary policy and a factor conducive to sustainable economic growth. At the same time, monetary policy was conducted in such a manner so as to contain the risk of imbalances accumulating in the economy and to foster the stability of the financial sector. In the conduct of monetary policy, NBP applied the strategy of direct inflation targeting implemented under a floating exchange rate regime.

In its decisions concerning interest rates, the Monetary Policy Council primarily took into account the factors influencing inflationary processes over the monetary policy transmission horizon, including the character and the persistence of shocks resulting in inflation deviating from the target, as well as the outlook for inflation returning to the target. This assessment changed over time, depending on the economic data and varying macroeconomic forecasts available at the time the decisions were made.

In the first half of 2014, incoming information suggested sustained moderate growth in the global economy, with considerable differences across countries. In the United States, recovery continued whereas in the euro area, the data released in 2014 Q2 suggested that the recovery in this economy could be coming to a halt. Economic conditions in Europe were also affected by the heightened uncertainty associated with the conflict

between Russia and Ukraine. At the same time, the prices of some commodities (mainly coal and gas) and – since 2014 Q2 – also agricultural commodities, have been gradually declining which, along with moderate growth in aggregate demand, has contributed to low inflation in many countries. Under such circumstances, major central banks kept the interest rates at historical lows, although monetary policy of major advanced economies started to diverge in this period. The Federal Reserve (Fed) gradually reduced the scale of quantitative easing (QE) which – along with the temporary escalation of geopolitical risks – resulted in weaker sentiment in the international financial markets and triggered a depreciation of emerging market currencies. On the other hand, the European Central Bank (ECB) lowered its interest rates at the end of the first half of 2014 and announced the intention to introduce quantitative easing in the coming quarters.

In Poland, data and forecasts released in the first half of 2014 pointed to a gradual acceleration in economic growth, accompanied by improving labour market conditions and an increase in lending growth. Consumer price growth slowed down, although the major drivers of the decline in inflation included: falling energy prices resulting from a drop in energy commodity prices and slow food price growth due to favourable agrometeorological conditions and the embargo on pork exports to Russia, i.e. factors beyond the impact of the domestic monetary policy. Moreover, the forecasts suggested that inflation would gradually return to the target in the monetary policy horizon, as economic growth was projected to recover further. Against this background, and taking into account the impact of significant reductions in the interest rates in the previous years, the Council kept the interest rates unchanged in the first half of 2014. In the second half of the year, the risk of economic slowdown in the euro area intensified, while the conditions in commodity markets changed markedly. Simultaneously, the conflict between Russia and Ukraine escalated, which brought about the imposition of further trade restrictions between Russia and its trading partners, including Poland. At the same time, the decline in commodity prices, in particular for agricultural and energy commodities, has intensified. Particularly sharp drops were recorded for crude oil prices, which – given still moderate aggregate demand growth – supported the decline in inflation in many countries and the onset of deflation in many European countries. The monetary policy in the United States and the euro area diverged further. The Federal Reserve concluded its asset purchase programme and pointed to a likely interest rate increase in the following year, while the European Central Bank started to purchase financial assets and carried out targeted longer-term refinancing operations.

In Poland, economic growth weakened somewhat in the second half of the year, although the scale of the slowdown was not significant. The slight slowdown was driven by external factors, i.e. weakening export growth caused by deteriorating economic conditions in Russia and Ukraine, combined with slow economic growth in the euro area. Alongside that, labour market conditions continued to improve and lending expanded at steady rates, which supported domestic demand growth. Yet in spite of domestic demand rising steadily, the slump in global commodity prices combined with tighter restrictions on the trade with Russia led to a significant fall in food prices and a deepening decline in energy prices in Poland, which resulted in the onset of deflation in the second half of the year. This was accompanied by weaker price growth forecasts for the following quarters, as well as a significant downward revision in inflation expectations. As a result, the risk of inflation remaining below the target in the medium term increased. Given this, the Council lowered the NBP interest rates, including the reference rate by

0.5 percentage points to 2.0%, simultaneously narrowing the spread between the deposit rate and the lombard rate. The Council also pointed to possible further monetary policy adjustments if, despite the interest rate cuts, the outlook for inflation returning to the target deteriorated. When determining the extent of the interest rate cuts, the Council took into account, on the one hand, the risks associated with inflation persisting below the target, and on the other hand, the risk of macroeconomic imbalances resulting from the cuts in interest rates.

5. In 2014 NBP used the set of instruments adopted by the Monetary Policy Council in the *Monetary Policy Guidelines for 2014*. It was geared, on the one hand, to the monetary policy strategy pursued and on the other, to the persistent liquidity surplus in the domestic banking sector. The NBP reference rate played a key role in the conduct of the monetary policy in 2014. Changes in this rate set the direction of the monetary policy pursued by NBP. The reference rate, determining the yields on open market operations, influenced the interest on short-term money market instruments, in particular, unsecured interbank deposits (as at 9 October 2014¹ the NBP reference rate also determined indirectly the interest rate on funds kept by banks, the National Association of Credit Unions (KSKOK) and credit unions under the minimum required reserve system). The range of fluctuations of interbank overnight interest rates was set by the NBP deposit and lombard rates. The operational goal of monetary policy in 2014 was to allow the POLONIA rate to run close to the NBP reference rate. This goal was achieved mainly by means of open market operations used to manage liquidity in the banking sector. The main open market operations were conducted on a regular basis, once a week, in the form of the issuance of NBP bills with a 7-day maturity (the operations served to absorb the liquidity surplus from the banking sector). The fine-tuning operations were conducted on an ad-hoc basis within the required reserve maintenance periods and also regularly – at the end of such periods. In addition, banks had a possibility to replenish shortages of cash and deposit surpluses of funds in the central bank using the NBP standing (lending and deposit) facilities.
6. The level of the short-term liquidity of the banking sector, measured as the average annual balance of operations conducted by the central bank (the sum of NBP bill issue and of standing facility operations) amounted to PLN 108,816 million in 2014. This represents a liquidity decline of PLN 17,725 million on the average 2013 level. The decrease in excessive liquidity in 2014 resulted from the surplus of foreign currency purchase by NBP over its sale. Moreover, an increase in the currency in circulation and in the required reserve was observed. In 2014 the average daily issue of NBP bills was PLN 108,518 million. Out of this amount, 98.9%, i.e. PLN 107.280 million, were bills sold as part of the main operations, and PLN 1,238 million came under the fine-tuning operations. The average level of standing facilities amounted to PLN 298 million.
7. Pursuant to Article 3 para. 2 item 6 of the Act on Narodowy Bank Polski² 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 acting to maintain a stable and low level of inflation. In 2014, NBP

¹ Until 8 October 2014, the interest rate on the required reserve balances was equivalent to 0.9 of the NBP rediscount rate.

² Journal of Laws of 2013 items 908 and 1036.

cooperated with the financial safety net institutions, i.e. the Ministry of Finance (MF), the Polish Financial Supervision Authority (KNF) and the Bank Guarantee Fund, and undertook activities aimed at the development of the payment system and safeguarding its smooth functioning. Moreover, the Bank participated in the development of legal provisions concerning the banking sector, conducted research on the national financial system and cooperated with the Polish Bank Association.

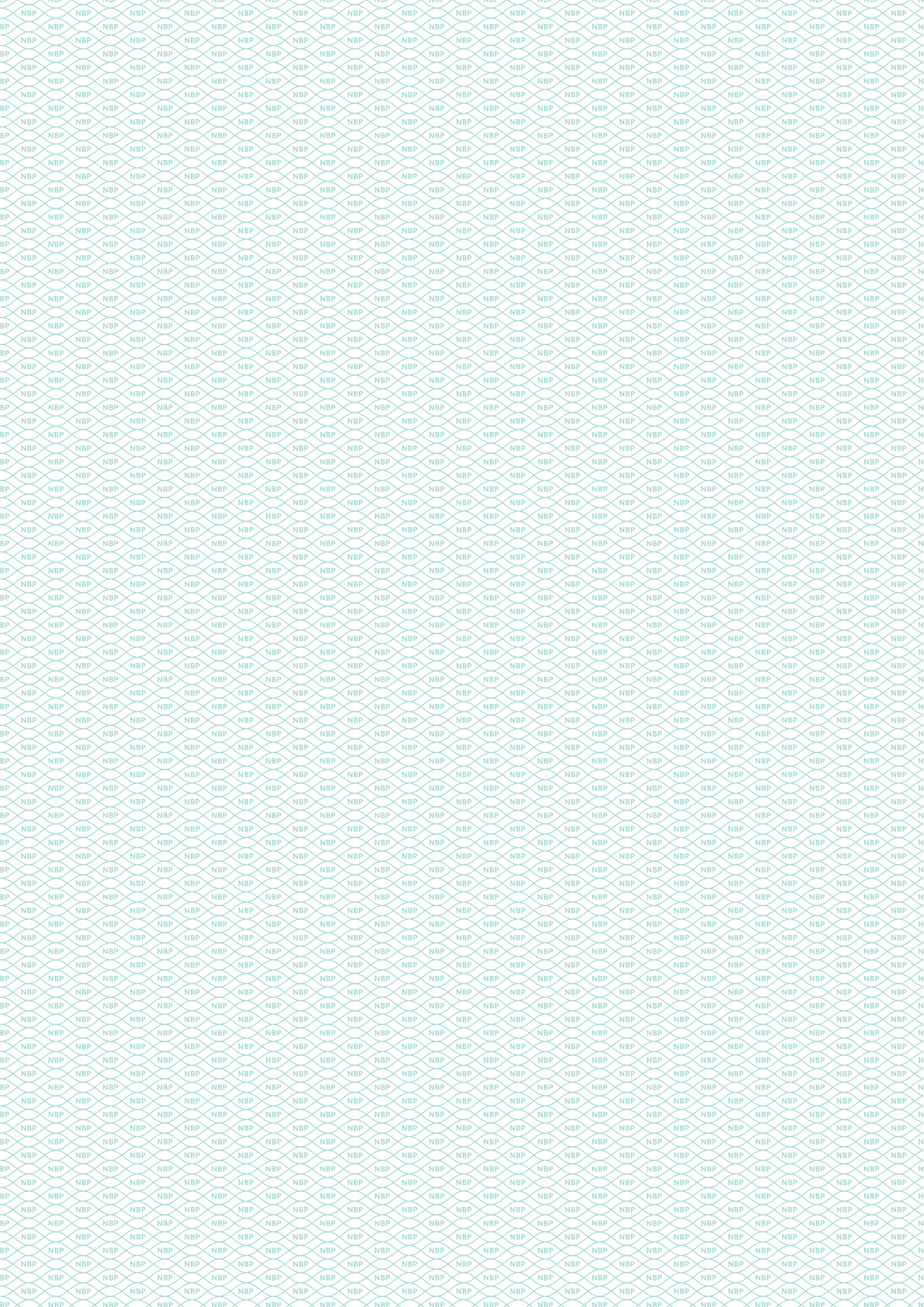
8. Activities for the stability of the financial system in 2014 included primarily analyses of the stability and development of the domestic financial system and publishing the related studies (*Financial Stability Reports, Report on Financial System Development, Senior loan officer opinion survey on bank lending practices and credit conditions, Report on the situation in the Polish residential and commercial real estate market in 2013*). NBP representatives participated in the meetings of the Financial Stability Committee and the work of European institutions responsible for the monitoring and protection of the financial system stability on the territory of the EU, and the NBP Vice President was a member of the Polish Financial Supervisory Authority.
9. The main goal of currency issue by NBP was to ensure safety and liquidity of cash transactions. The value of currency in circulation (including bank vault cash) increased by 13.3%, amounting to PLN 142,928.8 million as at the end of December 2014. In 2014, NBP introduced into circulation modernised banknotes with the face values of 10 zloty, 20 zloty, 50 zloty and 100 zloty, and coins with the denominations of 1, 2, 5 grosz, made of brass plated steel. Moreover, the *Standards of handling banknotes in cash transactions, recommended by Narodowy Bank Polski* were developed and published on the NBP website. In 2014, Narodowy Bank Polski issued collector items: 12.65 thousand pieces of gold coins and 337.46 thousand pieces of silver coins as well as 50 thousand pieces of collector notes.
10. In the management of foreign exchange reserves, NBP seeks to ensure the safety and requisite liquidity of the invested funds. While observing these criteria, it also undertakes measures aimed at raising the yield on the reserves. In 2014, as a result of growth in prices of securities, as well as strengthening of most of the reserve currencies against zloty, the highest return on the reserves since 2011 was gained, both in terms of the currency of instruments and in PLN (2.4% and 11.3%, respectively).
11. Foreign exchange activity of NBP involved maintaining a register of bureaux de change, issuing decisions on foreign exchange matters and the control of bureaux de change, individual foreign exchange permits granted, performance of the reporting responsibilities for the needs of the balance of payments. The year 2014 saw a total of 1,893 inspections relating to foreign exchange trading and 25 decisions on foreign exchange matters. As at 31 December 2014, 5,011 bureaux de change were operating in Poland.
12. The activities of Narodowy Bank Polski with respect to the payment system principally consisted in the operation of the payment systems and the performance of interbank settlements, organisation of monetary settlements, oversight of payment systems and the post-trade infrastructure of the financial market. In 2014, a new version of the SORBNET2 payment system was launched in which the account for KDPW_CCP SA was opened. Fees on the ATM market were also analysed and tasks contained in the

Programme for non-cash payments development in Poland for the years 2014–2020 were implemented. Moreover, in 2014 the decision to approve the new Mobile Payment System operation was issued and cooperation with KNF was carried out in relation to KDPW_CCP SA authorisation as the central counterparty.

13. The maintenance of government sector accounts by NBP contributed to ensuring the safety and liquidity of settlements of the public finance sector. In 2014, NBP operated 15,841 accounts for 3,524 clients. The Bank organised Treasury bond and bill sale, swap and redemption auctions and cooperated with the Ministry of Finance in the management of public debt.
14. In 2014, analytical and research activities of NBP focused mainly on: monetary and macrostability policy, inflation processes, public finance, financial situation of enterprises and households as well as the labour and real estate markets. Economic developments observed in euro area economies were also analysed, and the changes in the economic environment in Poland and abroad constituted another area of interest. Forecasting and modelling work focused mainly on the significance of the market services sector for the development of Polish economy and the impact of the structure of mortgage loans on the monetary and macrostability policy. Models used for the preparation of macroeconomic forecasts supporting the NBP monetary policy continued to be developed.
15. In 2014, Narodowy Bank Polski participated in statistical work conducted by the ECB and other international institutions, including the activities aimed at introducing new methodology standards: ESA 2010 in the monetary statistics, statistics of investment funds and financial accounts as well as BPM6 and Benchmark Definition of FDI 4th ed. in the balance of payments and international investment position. New EU requirements concerning bank reporting were also introduced.
16. As part of education and information activities carried out in 2014, NBP participated in the implementation of 214 education projects addressed to a wide audience. Three information campaigns were continued, dedicated to: new security features of banknotes, services of financial institutions that are not subject to special supervision by the state and combating financial exclusion. As part of liaison with the media and market analysts, meetings were organised with NBP representatives and over 450 press enquiries were answered.
17. In 2014, NBP participated in the activities of the Committee of the Council of Ministers and the Committee on European Affairs and of other inter-departmental bodies as well as cooperating with government bodies, issuing opinions on draft legal acts relating to economic policy and the banking system. Within the framework of cooperation with the ECB, Narodowy Bank Polski issued opinions on draft legislation, including proposals on payment services, information security and financial transactions. NBP representatives also participated in the work of Cross-Institutional Task Forces for the Euro Adoption in Poland.
18. In 2014, NBP representatives participated in the work of European bodies, including: the General Council of the ECB, the General Council of the ESRB, committees and working groups of the ESCB and ESRB, the Council of ECOFIN (informal meetings),

committees and working groups of the Council of the European Union and the European Commission. The focus was on issues related to the banking union, including the implementation of the Single Supervisory Mechanism (SSM) and the single mechanism for bank recovery and resolution (Single Resolution Mechanism – SRM). Moreover, Narodowy Bank Polski cooperated with international institutions, such as: OECD, the World Bank, IMF, EBRD and BIS. In May 2014, the Annual Meeting of the EBRD Board of Governors was held in Warsaw, co-organised by Narodowy Bank Polski on behalf of Poland. The President of NBP chaired the Development Committee of the World Bank and the International Monetary Fund as well as the Steering Committee of the Vienna 2 Initiative.

19. In 2014, average employment level at NBP was 20 full-time-posts lower than in 2013, amounting to 3,622 full-time posts. In 2014 activities aimed at employment optimisation were launched.
20. Pursuant to Article 69 (1) of the Act on the Narodowy Bank Polski, the *NBP Financial Statements for 2014* were reviewed by a certified auditor selected by the Monetary Policy Council. Appendix No. 1 contains the *Condensed financial statements as at 31 December 2014 and independent auditor's opinion*.
21. The financial result of NBP as at the end of 2013 amounted to zero, which resulted from the allocation of the generated financial surplus of PLN 4.0 billion for the additional provision for foreign exchange rate, in accordance with the legal regulations applicable to NBP. The financial surplus generated in 2014 was mainly the effect of the positive result on the management of foreign currency reserves and the positive result on currency gains, decreased by the costs of the conducted monetary policy and depreciation.



Chapter 1

Governing bodies of NBP



Governing bodies of NBP

According to the Constitution of the Republic of Poland and the Act on 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

In 2014, as part of his responsibilities, the President of Narodowy Bank Polski chaired the meetings of the Monetary Policy Council and the Management Board of NBP and also participated in the meetings of international banking and financial institutions. Additionally, 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,
- meetings of the Steering Committee and the Plenary Forum of the Vienna Initiative 2.

In 2014, the President of NBP issued:

- 27 ordinances concerning, in particular: the scope, procedure and timelines applicable to notifications provided by banks participating in the mandatory deposit insurance scheme to the Bank Guarantee Fund; determining the design, alloy, weight and volume of the issuance of coins with the face values of 1 grosz, 2 grosz and 5 grosz; determining the design, and volume of the issuance of banknotes with the face values of 10 złoty, 20 złoty, 50 złoty and 100 złoty; 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;
- 5 announcements concerning: the promulgation of the list of convertible currencies; the publication of the uniform text of the resolution of the Management Board of Narodowy Bank Polski concerning introduction of the Securities Register Rules; the publication of the uniform text of the ordinance of the President of Narodowy Bank Polski 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; the announcement of the balance sheet and the profit and loss account of Narodowy Bank Polski for 2013 and the publication of the uniform text of the Resolution of the Management Board of Narodowy Bank Polski concerning the introduction of the Regulations on implementation of foreign currency and domestic currency payment orders and cheque operations expressed in foreign currency by Narodowy Bank Polski in foreign and domestic transactions as well as purchases and sales of currencies for bank account holders.

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 exercised supervision over the compliance with work standards at NBP.

1.2. Monetary Policy Council

In 2014, the Monetary Policy Council acted in accordance with the Monetary Policy Guidelines for 2014.

In 2014, the MPC held 22 meetings (including 11 decision-making meetings) and adopted 8 normative resolutions and 3 non-normative resolutions. The MPC resolutions were published in Monitor Polski (Official Gazette) and Dziennik Urzędowy (Official Journal of Narodowy Bank Polski).

The Monetary Policy Council adopted one resolution on the reference rate, the interest rate on refinancing loans, interest rate on term deposits 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 2013 and 2014.

Table 1.1. NBP interest rates as at the end of 2013 and 2014 (%)

Reference rate		Lombard rate		Deposit rate		Bills of exchange rediscount rate	
31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014
2.50	2.00	4.00	3.00	1.00	1.00	2.75	2.25

Source: NBP data.

The remaining MPC resolutions pertained to:

- approval of the *Report on Monetary Policy Implementation in 2013*,
- evaluation of the activities of Narodowy Bank Polski regarding the implementation of the *Monetary Policy Guidelines for 2013*,
- approval of the *Annual Financial Statements of Narodowy Bank Polski* presented as at 31 December 2013,
- approval of the *Report on NBP Operations in 2013*,
- determination of the monetary policy guidelines for 2015,
- approval of the financial plan of Narodowy Bank Polski for 2015,
- amendments to the resolution on the rates of required reserves of banks, credit unions and National Association of Credit Unions and the interest rates on the required reserve.

As part of its responsibilities under Article 23 of the Act on Narodowy Bank Polski, the MPC adopted the following documents:

- *Balance of Payments of the Republic of Poland* for 2013 Q3 and Q4 and for 2014 Q1 and Q2,
- *International Investment Position of Poland in 2013*,

- *Forecast of the Balance of Payments of the Republic of Poland in 2015,*
- *Opinion on the 2015 Draft Budget Act.*

The Council also examined inflation projections and adopted three *Reports on Inflation* (in March, July and November).

In 2014, the MPC members participated in:

- a meeting with the Minister of Finance concerning monetary and fiscal policy issues,
- the debate *The economy of competitive Poland: recommendations of reforms*, organised by the Chancellery of the President of the Republic of Poland,
- meetings with the presidents and governors of central banks of the countries holding the presidency in the Council of the European Union (Bank of Greece and Bank of Italy),
- a meeting with the representatives of the Polish Financial Supervision Authority to discuss the *Report on the condition of Polish banks in 2013*,
- meetings with missions of the International Monetary Fund visiting Poland,
- meetings with market analysts,
- conferences and seminars organised by international institutions and central banks.

1.3. Management Board of Narodowy Bank Polski

Pursuant to the Act on Narodowy Bank Polski, the activities of NBP are directed by the Management Board. It adopts resolutions on matters which are not the exclusive competence of other governing bodies of NBP and implements the resolutions of the MPC. In 2014, the Management Board of NBP performed its basic responsibilities according to the *Monetary Policy Guidelines for 2014, Narodowy Bank Polski Plan of Activity for 2014–2016* and the *Financial Plan of Narodowy Bank Polski for 2014*.

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

- inflation and GDP projections,
- current macroeconomic developments in the country, 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 real estate, financial and credit markets,
- current developments in the world financial markets, including the euro area financial markets and the financial markets of Central and Eastern Europe countries,
- the stability of the financial system in Poland, including the assessment of the operation of the banking system and the perspectives for its development,
- the liquidity of the banking sector and monetary policy instruments,
- the situation in the interbank market and open market operations.

Moreover, the NBP Management Board discussed problems concerning: the issue of currency, the management of official reserves, the functioning of the Polish payment system and the NBP research and analytical activity.

In 2014, the NBP Management Board held 51 meetings. It adopted 92 resolutions (including: 69 normative resolutions and 23 non-normative resolutions) and 179 management resolutions.

The resolutions adopted by the NBP Management Board were primarily related to:

- cash and vault operations at Narodowy Bank Polski,
- terms and conditions of sale by Narodowy Bank Polski of coins, banknotes and numismatic items for collection and other purposes,
- bank fees and commissions applied by Narodowy Bank Polski,
- the procedure and detailed rules for banks submitting to Narodowy Bank Polski the data necessary for determining the monetary policy and the periodic assessments of the situation of the monetary situation of the state and the assessment of the financial situation of banks and the risks for the banking sector,
- organizational rules of Narodowy Bank Polski.

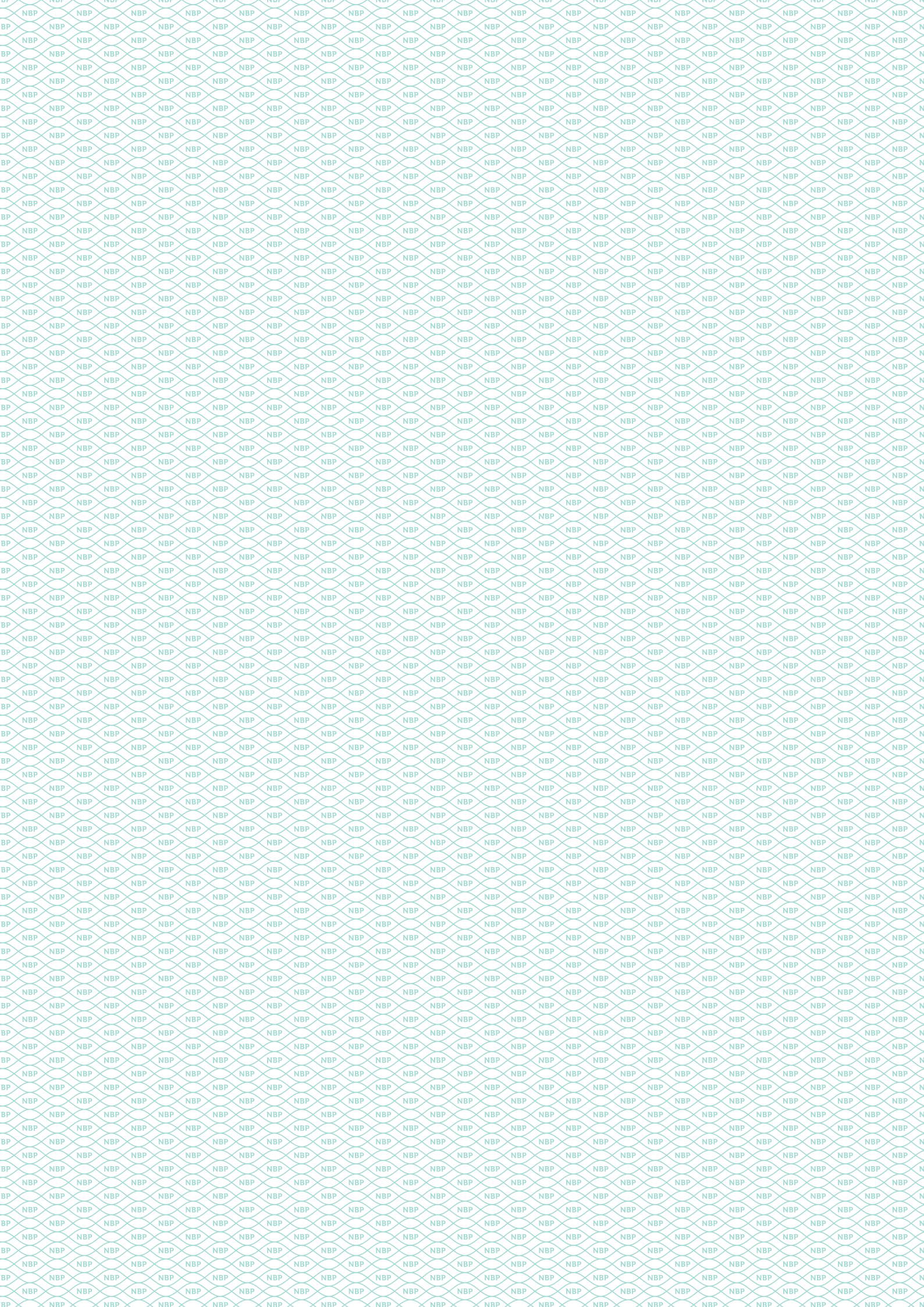
Moreover, the NBP Management Board took decisions concerning, in particular, the following matters:

- streamlining cash transactions,
- issuing the recommendations concerning standards of handling banknotes in circulation,
- cooperation with the Turkish State Mint as regards the issue and sale of collector coins commemorating the 600th anniversary of Polish-Turkish diplomatic relations,
- the proposal of changes related to oversight of the payment systems and securities settlement systems,
- access to the Flexible Credit Line,
- employment optimisation at NBP,
- improvement of real estate use efficiency at NBP.

1.4. Narodowy Bank Polski Plan of Activity

In 2014, the *Narodowy Bank Polski Plan of Activity 2014–2016*, adopted by the NBP Management Board on 26 September 2013, was implemented. The *Plan* includes the NBP goals for the forthcoming years and tasks aimed at their implementation.

In accordance with the rules for planning activity at NBP, the NBP Management Board adopted the *Narodowy Bank Polski Plan of Activity 2015–2017*, effective as of 1 January 2015.



Chapter 2

Monetary policy



Monetary policy¹

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 5 months following the end of the fiscal year. In accordance with 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 tools.

The *Report* is accompanied by appendices presenting the development of important macroeconomic variables, as well as by *Minutes of the Monetary Policy Council decision-making meetings* and the voting records of the Council's members on motions and resolutions² in the year the *Report* encompasses.

An ex post assessment of the conduct of monetary policy should take into account, above all, that the decisions of monetary authorities affect the economy with considerable lags and that they are taken under uncertainty about future macroeconomic developments. Moreover, the economy is subject to macroeconomic shocks, which, while remaining outside the control of the domestic monetary policy, may to a large extent affect economic conditions and domestic inflation developments in the short, and sometimes in the medium term.

2.1. Monetary policy strategy in 2014

In 2014, the Monetary Policy Council conducted monetary policy as set out in the *Monetary Policy Guidelines for 2014* adopted on 3 September 2014, whose main elements are stipulated below.

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 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”.

¹ Chapter *Monetary policy* is the *Report on Monetary Policy Implementation in 2014* which was adopted by the Monetary Policy Council at its meeting on 5 May 2015. The tasks in this area are implemented pursuant to Article 3 (2)(5), Article 12, Article 16, Article 17 (3) (1) and (4)(2), Article 23–24 and the provisions of Chapter 6 of the Act on the NBP.

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

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

Since 1998, the Council has based its monetary policy on inflation targeting (IT). In 2004, the Council adopted a permanent inflation target of 2.5% with a symmetrical tolerance band for deviations of ± 1 percentage point. The Council pursues the strategy under a floating exchange rate regime. However, the floating exchange rate regime does not rule out foreign exchange interventions when 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 and other central banks shows that the IT strategy – applied with appropriate flexibility – is an effective tool to ensure price stability in the medium term and, at the same time, is supportive of macroeconomic stability. The global financial crisis has shown that in order to ensure macroeconomic stability, monetary policy should be pursued in such a way as to – while striving to stabilise inflation at the target level – limit the risk of building up imbalances in the economy, especially those resulting from unsustainable credit booms. The possibility to flexibly set the parameters and adjust implementation of available monetary policy instruments according to the situation in the domestic financial system is a factor, which may mitigate this risk.

Besides monetary policy, fiscal and macroprudential policy play an important role in maintaining macroeconomic stability. In order to maintain price stability in the longer term, it is necessary to conduct fiscal policy ensuring the long-term stability of public finances and a macroprudential policy which mitigates the risk of imbalances building up in the economy.

Domestic monetary policy is also largely conditional upon monetary policy conducted by major central banks, whose decisions (especially those concerning interest rates and quantitative easing programmes) – through their influence on global financing conditions, including risk premia embedded in individual assets prices – may fuel volatility of international capital flows, thus impacting domestic economic developments.

In its *Guidelines*, the Council stressed that in 2014, NBP's monetary policy will remain focused on meeting the medium-term inflation target. At the same time, the Council indicated that its monetary policy will be pursued in accordance with the following principles:

- First, the notion of permanent inflation target means that it refers to inflation measured as the annual change in prices of consumer goods and services in each month compared to the corresponding period of the preceding year. While analysing inflation developments the use of quarterly and annual inflation indices is also justified, such as those applied in the NBP's inflation projection, in the state budget and in the statistics of the European Union (hereinafter "the EU"), including the harmonized index of consumer prices – HICP. An important role in the assessment of inflationary pressure is also played by core inflation indices which make it easier to distinguish between temporary changes in the consumer price index from more sustained changes in inflation pressure.

- Second, monetary policy is unequivocally focused on maintaining inflation in the medium term as close as possible to the target of 2.5% and not just within the tolerance band. This is aimed to help to anchor inflation expectations and thus to allow the central bank to change monetary policy parameters less frequently in response to potential shocks affecting 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 and the direction of the shock as well as the 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 tolerance band. The Council pointed out that when assessing the need for a response, it takes into account the extent to which inflation expectations are anchored, which affects the scale and persistence of the impact of demand and supply shocks on inflation.
- Fourth, monetary policy response to shocks depends on their causes and nature. In the case of demand shocks inflation and output move in the same direction. An interest rate increase weakens economic activity in the short term and, subsequently, inflationary pressure.

In the case of supply shocks output and inflation move in opposite directions. The dilemmas of monetary policy in such a case are as follows:

- An attempt to neutralise the impact of a supply shock on inflation through monetary tightening may lead to an even deeper plunge in output growth resulting from supply shock's negative impact on consumption and investment.
- An attempt to accommodate – by pursuing expansionary monetary policy – the real effects of a supply shock resulting in a rise in inflation and a decline in output growth usually leads to persistently higher inflation. This, in turn, requires far more restrictive monetary policy in subsequent periods. This leads to a stronger deceleration in economic growth than the monetary policy tightening that prevents inflation from being sustained at a heightened level.

In the case of shocks resulting from changes in risk perception, it is of prime importance to determine whether changes reflect economic fundamentals, and to what extent they can be reversed with the central bank's standard instruments. When changes in risk perceptions are transitory, a premature monetary policy response may lead to excessive interest rate volatility, and consequently to inflation and economic growth rate volatility. Therefore, in an environment marked by substantial and frequent changes in risk perception, it is crucial to adjust monetary policy parameters gradually.

The central bank's response to a shock depends also on the assessment of the persistence of its consequences, including the assessment of the risk of the so-called second round effects. Therefore, when assessing the risk of inflation stabilizing at a heightened level the important factors to be considered include the degree to which inflation expectations have been anchored and the overall macroeconomic conditions, which might either support or mitigate wage pressures.

As far as response to shocks is concerned, it is of particular importance that the central bank may specify the time horizon of inflation returning to the target flexibly, i.e. conditional on the nature of the shock and its persistence.

- Fifth, monetary policy should take into account the need to maintain financial stability which is indispensable to ensure price stability in the longer term and which enables effective functioning of the monetary policy transmission mechanism. In this context, when assessing the balance of risks to future inflation and economic growth, asset price developments are of particular importance. Excessive interest rates cuts and interest rates being maintained at subdued levels for long periods, amidst low inflation and simultaneous rapid economic growth may lead to a fast asset price growth, thus increasing the risk of the so-called speculative bubbles. Rapid asset price growth is accompanied by growing likelihood of asset price deviation from the levels justified by fundamentals, which increases the risk of an abrupt and significant decline in asset prices in the future. Rapid increase in asset prices, especially if it is accompanied by a fast rise in lending, poses a threat to the financial system stability, and consequently – in the longer term – to sustainable economic growth and price stability. Monetary policy supporting financial system stability is thus consistent, in the longer term, with the achievement of the basic objective of the central bank's activity i.e. ensuring price stability, although it may occasionally pose a risk of temporary deviation of inflation from the target. In order to maintain consistency between attempting to keep inflation at the target and supporting financial system stability, under certain conditions it may be necessary to lengthen the inflation target horizon.
- Sixth, the stability of the financial system, economic balance and long-term stability of inflation are closely dependent on developments in lending. If lending expands significantly faster than GDP over a longer period, imbalances in the economy may escalate, especially if credit growth and real property prices reinforce each other in a feedback loop. Monetary policy supports macroprudential policy in preventing unsustainable booms in the mortgage markets, as their collapse can trigger a sharp and prolonged economic slump.
- Seventh, in order to preserve financial stability and curb the risk of imbalances building up in the economy, macroprudential policy is of particular importance, which, through selective impact on certain credit aggregates and asset prices may be a more adequate tool in limiting macroeconomic imbalances than monetary policy, as it involves less cost to the real economy.
- Eighth, in assessing the degree of monetary policy restrictiveness we should not only consider the level of real interest rates (i.e. adjusted for inflation) but also the level of the real exchange rate (i.e. adjusted for the price level at home and abroad). Thus understood restrictiveness of monetary policy impacts, along with the implemented fiscal and macroprudential policy, the total restrictiveness of macroeconomic policy. Ensuring price stability amidst an overly expansionary fiscal policy may justify a tight monetary policy, including keeping interest rates at a heightened level. In turn, if fiscal policy is tightened, monetary policy can be eased, in particular if fiscal tightening weighs heavily on economic activity.
- Ninth, monetary policy is pursued under uncertainty, which means that economic processes cannot be managed precisely. This natural uncertainty means that while taking decisions related to monetary policy it is necessary to take into account all available information

relevant for inflation developments, rather than the results of inflation projection only. Models used by central banks to forecast inflation may be imperfect in adequately reproducing behaviour of the economy if only because of its ongoing structural changes. In addition, it is not possible to adopt a simple policy rule which could be known *ex ante* to market participants.

- Tenth, an important input into the monetary policy decision-making process is the balance of factors affecting the probabilities of future inflation running above or below the target. This balance is based on the assessment of the economic developments, including the inflation projection. While assessing the factors affecting future inflation, the Council takes into consideration the past inflation developments since they have a bearing on the anchoring of inflation expectations at the inflation target. In particular, the Council takes into account the length of the period in which inflation remained close to the target and the length of the period in which it deviated from the target.

In its *Guidelines*, the Council also emphasised that due to the lags in the response of the economy to the monetary policy, the impact of current monetary policy on current inflation is limited. Current decisions of the monetary authorities affect price developments in the future, just as the current inflation is influenced by interest rate changes made several quarters before. However, the time lag between an interest rate decision and its strongest impact on real variables (output, employment) and then on inflation is not constant. It depends, to a large extent, on structural and institutional changes in the economy. Those changes mean that central banks can assess this time lag only approximately. Turmoil in the domestic and international financial system may constitute an additional factor disrupting the monetary transmission mechanism. In view of the above factors, central banks allow the possibility of current inflation running temporarily outside the band for deviations from the target, while striving to maintain price stability in the medium term.

2.2. Monetary policy and macroeconomic developments in 2014

In 2014, as in the previous years, price stability remained the main objective of the Monetary Policy Council, which is supportive of balanced economic growth. At the same time, monetary policy aimed to contain the risk of imbalances in the economy and support financial stability.

The Council's decisions were primarily based on the assessment of factors influencing inflation developments in the monetary policy transmission horizon, including the character and persistence of shocks resulting in inflation deviating from the target, as well as the outlook for inflation returning to the target. This assessment was changing over time, depending on the economic data and varying macroeconomic forecasts available at the time the decisions were made.

In the first half of 2014, the incoming information suggested sustained moderate growth in the global economy, with considerable differences across countries. In the United States, the economic recovery continued. In the euro area, in turn, the data released in 2014 Q2 suggested that recovery in this economy could be coming to a halt. Economic conditions in Europe were also adversely affected by an increase in uncertainty associated with the conflict between Russia and Ukraine. At the same time, the prices for coal, gas and – since 2014 Q2 – also

agricultural commodities were declining. Falling commodity prices, along with moderate growth in aggregate demand, curbed inflation in many countries. In consequence, major central banks were keeping the interest rates at historical lows. Nonetheless, monetary policy of major advanced economies started to diverge. The Federal Reserve (Fed) was gradually reducing the scale of quantitative easing (QE). This – along with the temporary escalation of geopolitical risks – resulted in weaker sentiment in the international financial markets and contributed to the depreciation of emerging market currencies. The European Central Bank (ECB) lowered its interest rates in mid-2014 and announced that it intended to introduce QE in the coming quarters.

In Poland, the data and forecasts released in the first half of 2014 pointed to a gradual pick-up in economic growth, accompanied by improving labour market conditions and an increase in lending. Consumer price growth decelerated, albeit mainly due to a decline in energy prices resulting from a fall in energy commodity prices and low food price growth rate due to favourable agrometeorological conditions and the embargo on pork exports to Russia, i.e. factors beyond the impact of the domestic monetary policy. Moreover, the forecasts suggested that inflation would gradually return to the target in the monetary policy horizon as the economic growth was projected to recover further. Against this background, and taking into account the impact of significant reduction in the interest rates in the previous years, the Council kept the interest rates unchanged in the first half of 2014.

In the second half of 2014, the risk of economic slowdown in the euro area intensified, while the conditions in commodity markets changed markedly. Moreover, the conflict between Russia and Ukraine escalated, which brought about the imposition of further trade restrictions between Russia and its trading partners, including Poland. At the same time, the decline in commodity prices, in particular for agricultural and energy commodities, has intensified. Particularly sharp drops were recorded for crude oil prices, which – given still moderate aggregate demand growth – supported the decline in inflation in many countries and the onset of deflation in many European countries. The monetary policy in the United States and the euro area diverged further. The Fed concluded its asset purchase programme and pointed to a likely interest rate increase in the following year, while the ECB started to purchase financial assets and carried out targeted longer-term refinancing operations.

In Poland, the economic growth weakened somewhat in the second half of 2015. The scale of the slowdown, however, was not significant. It was driven by external factors, i.e. falling export growth caused by deteriorating economic conditions in Russia and Ukraine, combined with low economic growth in the euro area. Alongside that, the labour market conditions continued to improve and the credit growth rate remained stable, which supported domestic demand growth. Despite stable growth in domestic demand, the slump in global commodity prices and new restrictions on trade with Russia contributed to a significant fall in food prices and deepening decline in energy prices in Poland, which resulted in the onset of deflation in the second half of the year. This was accompanied by lower price growth forecasts for the following quarters, as well as a significant downward revision in inflation expectations. As a result, the risk of inflation remaining below the target in the medium term increased. Given this, the Council lowered the NBP interest rates, including the reference rate by 0.5 percentage points down to 2.0% and narrowed the spread between the deposit rate and the lombard rate (Table 2.1). The Council also pointed to possible further monetary policy adjustments should, despite the interest rate cuts, the outlook for inflation returning to the target deteriorate. When deciding on the scale of the interest rate decrease, the Council

took into account, on the one hand, the risks associated with inflation remaining below the target, and on the other hand, the risk of macroeconomic imbalances resulting from low interest rates.

Table 2.1. Key NBP rates at 2013 year-end and at the end of the respective months of 2014 (%)

	Reference rate	Lombard rate	Deposit rate	Rediscount rate
December 2013	2.50	4.00	1.00	2.75
January 2014	2.50	4.00	1.00	2.75
February 2014	2.50	4.00	1.00	2.75
March 2014	2.50	4.00	1.00	2.75
April 2014	2.50	4.00	1.00	2.75
May 2014	2.50	4.00	1.00	2.75
June 2014	2.50	4.00	1.00	2.75
July 2014	2.50	4.00	1.00	2.75
August 2014	2.50	4.00	1.00	2.75
September 2014	2.50	4.00	1.00	2.75
October 2014	2.00	3.00	1.00	2.25
November 2014	2.00	3.00	1.00	2.25
December 2014	2.00	3.00	1.00	2.25

Source: NBP data.

The Council's decisions in 2014, together with underlying conditions in each quarter of 2014, are presented below.

The data released in 2014 Q1 pointed to ongoing moderate global economic growth. In the United States, the data suggested that the recovery continued, despite a temporary setback in GDP growth caused by severe winter. In turn, the euro area, including Germany – Poland's main trading partner, showed signs of economic recovery, however growth remained sluggish. Also in most emerging market economies, growth in economic activity was weak as compared to their previous performance. Moderate global growth contained demand pressure in many countries. Alongside that, prices of some energy commodities (gas and coal) declined and the agricultural commodity prices stabilized at a lower level compared to the previous quarters. As a result, in 2014 Q1 inflation in many countries levelled off, especially in advanced economies.

Central banks of major developed economies continued a strongly expansionary monetary policy in 2014 Q1, keeping their interest rates low. At the same time, the euro area was experiencing a passive tightening of monetary policy, as commercial banks were repaying the loans taken under three-year longer-term refinancing operations of 2011–2012. The Fed continued its asset purchases, however was gradually reducing their scale. The QE tapering by the Fed, and the emergence of interest rate increase expectations in the United States in a further perspective, were contributing to weaker sentiment in the international financial markets, especially with respect to emerging market economies. An increase in risk aversion was also driven by mounting geopolitical tensions driven by the political crisis in Ukraine and the annexation of Crimea by Russia. These tensions have resulted in import restrictions imposed by Russia on certain goods from the EU Member States, including Poland.

The data available in 2014 Q1 confirmed the ongoing economic recovery in Poland. In 2013 Q4, GDP growth accelerated, and incoming data, together with the March projection, pointed to a further pickup in GDP growth in the subsequent quarters. The rebound in economic activity was mainly driven by accelerating growth in domestic demand. This was accompanied by an improvement in economic indicators, especially in industry. Improvement was also seen in the labour market, with growing employment and unemployment on decline. Nonetheless, since the unemployment rate was still high, the wage pressure remained limited. The economic recovery contributed to a gradual rise in lending to the private sector in 2014 Q1. In addition to the improving economic conditions, the recovery in lending was also supported with lower nominal interest rates compared to previous years and easing in consumer lending conditions.

Consumer price inflation in 2014 Q1 rose insignificantly, but remained below the target and the projection of November 2013. Low inflation in early 2014 resulted mainly from a decline in energy prices and low food price growth, which was driven by the previously observed decline in certain energy commodity prices in the global markets, favourable weather conditions and Russia's embargo on Polish meat. The increase in prices was also contained by limited demand pressure. The March NBP projection was pointing to inflation remaining significantly lower than previously projected, but gradually returning to the target in the following years.

Against this background, in particular considering the pick-up in economic growth in Poland and improvement in the labour market, which contained the risk of inflation remaining below target in the medium term, the Council kept interest rates unchanged in 2014 Q1, including the reference rate at 2.5%. At the same time, the Council pointed that the interest rates would probably remain stable in the coming quarters.³

In 2014 Q2, economic growth worldwide remained moderate, yet economic conditions varied across countries. In the United States, GDP – after a temporary decline at the beginning of the year – surged. The data coming from the euro area, including Germany, indicated that the economic recovery might be slowing down in these economies. Alongside that, the growth rate of economic activity in major emerging market economies remained low as compared to their previous performance, abating significantly in Russia and Ukraine. The slowdown in the euro area and low economic activity in the major emerging market economies contributed to weaker export growth in the Central and Eastern European countries. Moderate global growth continued to contain demand pressure in many countries. At the same time, the prices of agricultural and energy commodities in the global markets decreased slightly. As a result, inflation remained low in many countries.

In 2014 Q2, central banks of major advanced economies continued a strongly expansionary monetary policy, although the Fed's and the ECB's monetary policies started to diverge. The Fed kept its interest rate close to zero, yet continued the gradual withdrawal of the asset purchase programme. In turn, the ECB cut the interest rates, bringing the deposit rate below zero, and announced its intention to undertake additional measures aimed to increase the

³ At its meetings held in January and February 2014, the Council assessed that interest rates should be kept unchanged at least until the end of the first half of 2014. In March – after becoming acquainted with the projection of inflation and GDP – the Council extended the period in which interest rates were likely to be kept unchanged at least to the end of 2014 Q3.

liquidity of the banking sector. The ECB's monetary policy easing prompted an improvement in the sentiment in the international financial markets, also towards the emerging market economies. However, the QE tapering by the Fed and mounting geopolitical risks resulting from the recurrence of tensions in the Middle East, as well as the ongoing conflict between Russia and Ukraine, was containing the improvement in market sentiment.

As a result of the deteriorating conditions in the environment of the Polish economy, the signs of a risk that economic conditions in Poland might also worsen started to appear in 2014 Q2. In particular, the industrial production and export growth decelerated, largely due to weakening economic conditions in the euro area and deteriorating conditions in Russia and Ukraine. At the same time, however, household sentiment continued to improve, accompanied by a pick-up in retail sales growth in real terms, and supported by a sustained improvement in the labour market. In 2014 Q2, unemployment continued to decrease and employment to increase, although this still failed to increase wage pressure. Moreover, the incoming information pointed to the persistence of relatively high investment growth and a further rise in lending to the private sector.

In 2014 Q2, the price effects of the Russian embargo on Polish meat intensified. This was accompanied by an ongoing decline in agricultural commodity prices in the world markets and agrometeorological conditions in Poland favourable for the supply of agricultural products. Therefore, the annual growth rate of food prices turned negative, and the annual CPI growth rate approached zero, supported by limited demand pressure, even though domestic demand continued to accelerate.

Taking into account the above considerations, including the acceleration in domestic demand and growth in lending, an external nature of shocks beyond price declines and persisting uncertainty about the effects of the conflict between Russia and Ukraine, the Council kept the interest rates unchanged in 2014 Q2. At the same time, due to the signs pointing to the risk of slackening economic recovery and a deepening decline in inflation, the Council revised its judgment about the probable period of interest rate stabilization. In June, the Council assessed that the interest rates should remain unchanged until the end of 2014 Q3, highlighting that a more comprehensive assessment of the monetary policy perspectives would be possible after the release of information in the coming months, including the NBP July projection. In this way, the Council did not extend the period of the probable stabilization of the interest rates.

In 2014 Q3, global economic growth remained moderate, and its pace continued to differ across economies. In the United States, the economic recovery continued, while in the euro area, including in Germany, economic growth remained low. In some major emerging market economies, China and Russia included, economic activity was declining. Moderate economic growth worldwide continued to contain demand pressure in many countries. As a result, the pace of decline in prices for agricultural and energy commodity, including crude oil, accelerated. As a result, the consumer price growth rate started to decline more markedly in many countries, turning negative in some European countries.

In 2014 Q3, central banks of major advanced economies continued a strongly expansionary monetary policy with persisting differences between the Fed's and the ECB's monetary policy. The Fed kept interest rates at close to zero and continued the QE tapering. In turn, the ECB reduced the interest rates further, conducted the first targeted longer-term refinancing

operation and announced its intention to resume purchases of financial assets of the private sector. The easing of the monetary policy in the euro area has supported the improvement in market sentiment towards the emerging market economies. However, the QE tapering and a further increase in geopolitical risks, driven by both a further exacerbation of the situation in the Middle East and of the conflict between Russia and Ukraine acted in the opposite direction. In response to the escalation of the conflict between Russia and Ukraine, the United States and the European Union imposed economic sanctions on Russia. In response, Russia introduced additional import restrictions on food products from the European Union Member States, including from Poland. The restrictions on trade between the European Union and Russia, as well as the risk that their scope could be extended further, increased the uncertainty about the foreign demand outlook. Information on economic activity released at the beginning of 2014 Q3 suggested that despite unfavourable conditions in the environment of the Polish economy, GDP growth in 2014 Q3 might remain close to the previous quarter's level. Alongside that, the July projection indicated that the GDP growth rate in the long-term perspective might be lower than expected in the March projection, but until mid-2016 it would still be higher than the potential growth rate. Similarly to 2014 Q2, the signs of weaker economic conditions in 2014 Q3 were seen mostly in exports, which continued to slacken. The data available in 2014 Q3 also pointed to a slight deceleration in retail sales growth, coupled with a slight deterioration in consumer confidence and low industrial production growth amidst abating sentiment in this sector. However, the labour market conditions continued to improve. Employment was rising and unemployment – descending, although this did not contribute to nominal wage growth. This was accompanied by a stable rise in lending to the private sector. In 2014 Q3, the growth rate of prices of consumer goods and services turned negative, which was largely driven by a fall in food prices that continued to intensify, due to the extension of the embargo on Polish food and an ongoing decrease in agricultural commodity prices in the global markets. Lower price level resulted also from falling energy prices associated with further slump in global commodity prices, including oil. The accelerating drop in commodity prices also led to deeper fall in the producer price index. Core inflation excluding food and energy prices declined as well, which can be partly attributed to the negative base effect associated with a surge in waste disposal charges in 2013 Q3. This was accompanied by a downward revision in inflation expectations. Moreover, it was assumed in the July projection of inflation and GDP that even though the negative price growth should be short-lived and the consumer price growth rate should be rising steadily in the following quarters, inflation would return to the target later than suggested by the March projection.

Given the expectations of only limited slowdown in GDP growth in the following years and a short-term nature of deflation, as well as considering the July projection of inflation and GDP, which indicated that at the end of 2016 inflation would return close to the NBP target, the Council decided to keep the interest rates unchanged. However, the Council no longer provided an assessment on the horizon over which the interest rates would likely remain unchanged, hinting hereby at the possibility of interest rate reduction in the following quarter. In 2014 Q4, global economic growth remained moderate, and its pace continued to differ across economies. In the United States – despite a certain slowdown – it remained much faster than in the euro area. At the same time, the euro area saw a gradual upturn, although the economic growth continued at a low level. However, in Germany, Poland's main trading partner, GDP growth picked up. In turn, in the major emerging market economies, economic activity remained low as compared to their previous performance. The released data also pointed to a deepening recession in Ukraine and the likely decline in GDP growth

in Russia. Weaker growth in the emerging market economies, combined with growing crude oil supply in the global markets, exacerbated the fall in crude oil prices. Alongside that, agricultural commodity prices remained relatively low. The decline in commodity prices in 2014 Q4 and in the previous quarters, amidst persistently limited demand pressure, brought a further decline in prices of consumer goods and services in many economies. In many European countries, including in the euro area, the consumer price index was negative at the end of 2014.

The central banks of the major developed economies kept the interest rates close to zero. At the same time, the ECB started to purchase private sector assets, whereas the Fed concluded its QE and hinted at the possibility of interest rate hikes in 2015. The end of the QE and growing expectations for an interest rate increase in the United States contributed to a strong appreciation of the dollar and depreciation of many emerging market currencies. The pace of depreciation was particularly strong in the case of the Russian rouble, as it was exacerbated by the escalation of the Russian-Ukrainian conflict and the sharp fall in crude oil prices. The strong depreciation of the Russian rouble and weakening of the currencies of emerging market economies led to a depreciation of the zloty in late 2014 and a higher uncertainty about the developments in the Central and Eastern European foreign currency markets.

In Poland, the incoming data pointed to a slowdown in economic activity in 2014 Q3 and the forecasts for 2014 Q4 suggested a further weakening in GDP growth. However, economic growth remained significantly higher than in the majority of European countries. The minor slowdown in activity was reflected in weaker growth in construction and assembly output and slightly lower retail sales growth rate. However, some factors were conducive to higher economic activity. In particular, growth in production and exports picked up, driven by a gradual improvement in economic conditions in the euro area, including a significant increase in GDP in Germany. Alongside that, the labour market conditions continued to improve in Poland with nominal wages still rising moderately, which – combined with a negative price growth – led to an acceleration in real disposable households' income. This was accompanied by stable – despite slight weakening – growth in lending, which exceeded nominal GDP growth.

In 2014 Q4, prices of consumer goods and services continued to decrease due to a sharp fall in global crude oil prices and a further decline in food prices, driven by the intensification of price effects of both the Russian embargo on Polish food and the favourable weather conditions in 2014. Most core inflation measures also declined, although inflation excluding food and energy prices increased on the previous quarter. Ongoing negative price growth with a drop in oil prices resulted in a further decline in inflation expectations.

The sharp fall in oil prices and a decline in food prices, combined with slight weakening of economic growth, led to a major revision of forecasts for growth of consumer goods and services prices for the following quarters. As a result, the November projection of inflation indicated that the period of negative growth in prices would be longer than previously assessed, with inflation remaining below the NBP inflation target in the medium term. According to the November GDP projection, economic growth – despite a slight decline in the short horizon – would remain stable in the coming years, standing at around 3%.

Taking into account the above considerations, especially a significant downward revision of forecasts for consumer price growth for the following years, increasing the risk of inflation

remaining below the target in the medium term, the Council reduced the NBP interest rates in October, including the reference rate by 0.5 percentage points to 2.0%, and narrowed the spread between the deposit rate and the lombard rate.⁴ Interest rate cuts were supporting demand growth in the following quarters and bringing inflation back to the target in the medium term. The Council kept the interest rates unchanged in November and December. The Council judged that given the forecasts of a relatively stable economic growth in the following years, significant interest rate cuts effected in October should be sufficient to contain the risk of inflation remaining below the target in the medium term. In November and December, the Council signalled that it did not rule out the possibility of lowering interest rates in the following months should price growth forecasts continue to be revised downwards, which would result in lower probability of inflation returning to the target in the medium term. When taking the decision to lower interest rates in 2014 Q4, the Council took into account, on the one hand, the risks associated with inflation remaining below the target, and, on the other hand, the risk of macroeconomic imbalances resulting from low interest rates.

* * *

An important element in the implementation of monetary policy based on the direct inflation targeting strategy in 2014 was – like in the previous years – communication with the environment, which consisted in the Council presenting the information on the current and probable future decisions, along with an assessment of economic developments behind these decisions. As in previous years, the key communication instruments in 2014 included the cyclical publications: *Information from the meeting of the Monetary Policy Council* (and the accompanying press conferences held after Council meetings), *Minutes of the Monetary Policy Council decision-making meetings*,⁵ *Inflation Reports* as well as the annual publications: *Report on Monetary Policy Implementation in 2013* and *Monetary Policy Guidelines for 2015*.

2.3. Monetary policy instruments in 2014

NBP interest rates were the key monetary policy instrument. The level of the reference rate determined the yields on open market operations. The deposit rate and the lombard rate, in turn, set the interest rate on standing facilities.

The set of policy instruments applied by NBP in 2014 was consistent with the adopted monetary policy strategy as well as with the persistent liquidity surplus in the domestic banking sector.

Developments in the domestic and foreign financial markets did not require any substantial changes in the monetary policy instruments set in 2014 regarding the one used by NBP in the previous year.

⁴ In October, the Council also changed the interest rate paid on the required reserve holdings. Since 9 October 2014, the interest rate has been calculated as 0.9 of the NBP reference rate (instead of 0.9 of the rediscount rate).

⁵ The *Minutes of the Monetary Policy decision-making meetings* contain a more detailed discussion on the issues and arguments behind the decisions taken by the Monetary Policy Council in 2014.

Liquidity of the banking sector in 2014

In 2014, NBP pursued its monetary policy amidst liquidity surplus⁶ prevailing in the banking sector. The amount of the liquidity surplus averaged PLN 108,816 million,⁷ i.e. PLN 17,725 million (14.0%) less than in 2013.

Throughout 2014 the excess liquidity of the banking sector gradually decreased and in the respective months of the year its level ranged from PLN 99,218 million (in December) to PLN 123,226 million (in January). This means the average excess liquidity level decreased by PLN 24,267 million (19.7%), when comparing the December 2014 figures with the December 2013 figures.

In 2014, the key factors affecting the level of liquidity in the banking sector (when comparing the December 2014 figures with the December 2013 figures) included the increase in the volume of currency in circulation and net sales of foreign currency by NBP. The growth in currency in circulation caused a decline in the level of liquidity surplus during the year by PLN 14,190 million, while foreign currency transactions led to a decline by PLN 11,820 million. Net sales of foreign currencies resulted primarily from NBP's sale of currencies due to currency conversion of the EU membership fee that exceeded the purchase of currencies from the account of the Ministry of Finance. In addition, the increase in the level of the required reserve during the year reduced liquidity by PLN 2,886 million.

The key factor increasing the level of liquidity in the banking sector (also when comparing the December 2014 figures with the December 2013 figures) was the disbursement of the discount on NBP bills (PLN 2,654 million) and the payment of interest on the required reserve holdings (PLN 774 million). Other autonomous factors had lesser impact on the level of liquidity in 2014.

NBP interest rates

An instrument of key significance with regard to the conduct of the monetary policy in 2014 was the NBP reference rate. Changes in the level of this rate set the direction of the monetary policy pursued by NBP. By determining the yields on open market operations, the level of this rate influenced the interest on short-term money market instruments, including unsecured interbank deposits.

The range of fluctuations of interbank overnight interest rates was set by the NBP deposit and lombard rates.

⁶ The liquidity surplus in the banking sector are funds held by the banking sector in excess of the required reserve level during the reserve maintenance period. Liquidity surplus is measured by the total balance of the following NBP operations: open market operations and standing facility operations.

⁷ During the required reserve maintenance period.

Open market operations

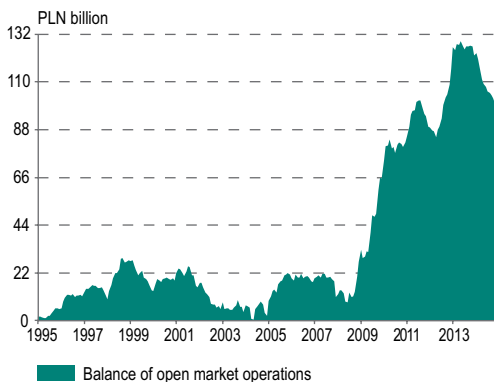
In 2014, NBP conducted its monetary policy in a way to allow the POLONIA rate⁸ to run close to the NBP reference rate. This was achieved mainly by means of open market operations used by the central bank to manage liquidity in the banking sector.

The main open market operations were the key instrument used to manage the liquidity of the banking sector. Due to the permanent liquidity surplus in the banking sector, these were liquidity absorbing operations.

The main open market operations were conducted on a regular basis, once a week, in the form of the issuance of NBP bills with a 7-day maturity. The same yield equalling the NBP reference rate was offered at all tenders. In setting the levels of particular operations, NBP strived to ensure balanced liquidity conditions in the banking sector during the required reserve maintenance period.

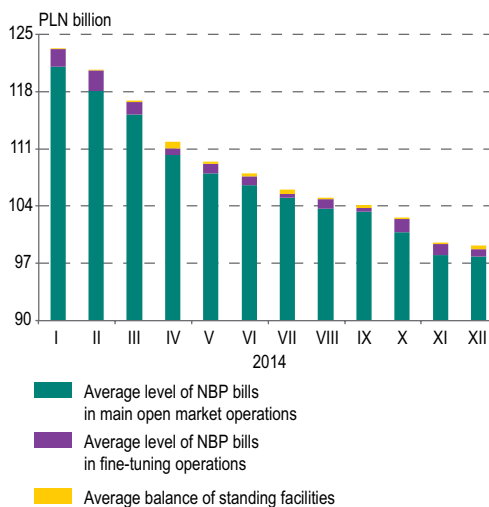
In 2014, NBP conducted 53 main open market operations. The average daily volume of bills categorised as the main open market operations amounted to PLN 107,280 million, and was PLN 16,952 million lower than the average 2013 level.

Figure 2.1. Average monthly balance of open market operations 1995–2014



Source: NBP data.

Figure 2.2. Liquidity absorbing instruments in the respective months of 2014



Source: NBP data.

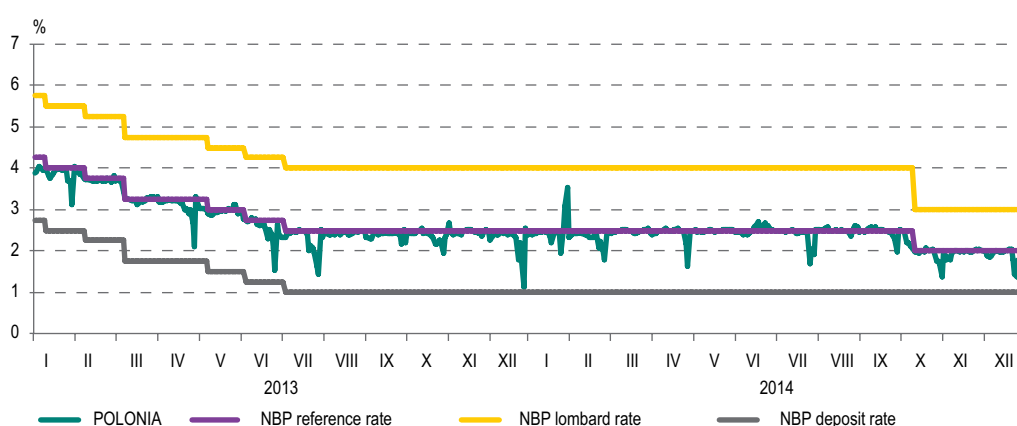
In 2014, apart from main open market operations, NBP also conducted fine-tuning operations. They were executed on a regular basis on the last business day of each required reserve maintenance periods as well as on an ad-hoc basis within the required reserve maintenance

⁸ POLONIA (Polish Overnight Index Average) – average overnight rate weighted by the value of transactions in 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.

periods whenever the liquidity conditions in the banking sector were substantially out of balance.

In 2014 fine-tuning operations were conducted only in the form of the issue of NBP bills whose maturity was shorter than the maturity of bills issued under main open market operations. Altogether 19 fine-tuning operations were conducted in 2014, i.e. 6 less than in the previous year. The average daily issue of NBP bills categorised as fine-tuning operations amounted to PLN 1,238 million and was PLN 608 million lower than in 2013.

Figure 2.3. NBP interest rates and the POLONIA rate in 2013–2014



Source: NBP data.

In 2014 the spread between the POLONIA rate and the NBP reference rate further decreased, as compared to the previous years. The average absolute deviation of the POLONIA rate from the NBP reference rate amounted to 11 bp versus 18 bp in 2013.⁹

The spread between the POLONIA rate and the NBP reference rate has been declining gradually since 2009 when it stood at 89 bp. At the same time, the range of deviations of the POLONIA rate from the NBP reference rate in 2014 was lower than the levels recorded in the period before the intensification of the financial crisis, i.e. before October 2008. The average value of the absolute difference between the POLONIA rate and the NBP reference rate was 16 bp in 2006, 23 bp in 2007 and 19 bp in the period January – September 2008, respectively.

Managing the banking sector liquidity in a consistent manner, primary by conducting open market operations, reduced banks' propensity to place their liquidity buffers in instruments with yields substantially lower than those on NBP open market operations (determined by the applicable level of the NBP reference rate). In particular, the impact of interest rate of the overnight deposit in the central bank (the NBP deposit rate) on the yield of unsecured transactions concluded in the interbank market has lessened, which resulted in reduction of the spread between the POLONIA rate and the NBP reference rate.

⁹ The average deviation of the POLONIA rate was calculated based on the uniform base of 365 days in a year.

NBP's manner of managing banking sector liquidity also led to gradual reduction in the frequency of conducting ad-hoc fine-tuning operations (carried out within the required reserve maintenance period). In 2014 seven operations of this type were conducted as compared to 13 in 2013, 11 in 2012 and 20 in 2011.

Reserve requirement

The system of required reserves contributed to the stability of short-term market interest rates. This resulted from its averaged basis, according to which entities can freely determine the amount of holdings at the central bank during the reserve maintenance period, provided that the average balances held at NBP in the reserve 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 banks' disposal. Thus, amidst the prevailing liquidity surplus, the reserve requirement system helped the central bank to reduce the scale of its liquidity-absorbing open market operations.

In 2014, the obligation to maintain required reserves applying to banks, branches of credit institutions and branches of foreign banks operating in Poland, was extended to include credit unions (SKOKs) and the National Association of Credit Unions (KSKOK). On 31 March 2014, for the first time the required reserves were deposited on NBP accounts by 55 credit unions and the National Association of Credit Unions.

The required reserves were calculated on the basis of deposits collected on accounts and funds coming from the sale of securities, with the exception of funds taken out from another domestic bank, a credit union and the National Association of Credit Unions. Moreover, banks, branches of credit institutions and branches of foreign banks operating in Poland also excluded from reserve calculation funds acquired from foreign sources for the period of at least two years and funds deposited in credit and savings accounts of building societies, funds in individual retirement accounts (IKE) and individual pension security accounts (IKZE), and reimbursable funds received from Banking Guarantee Fund (BFG).

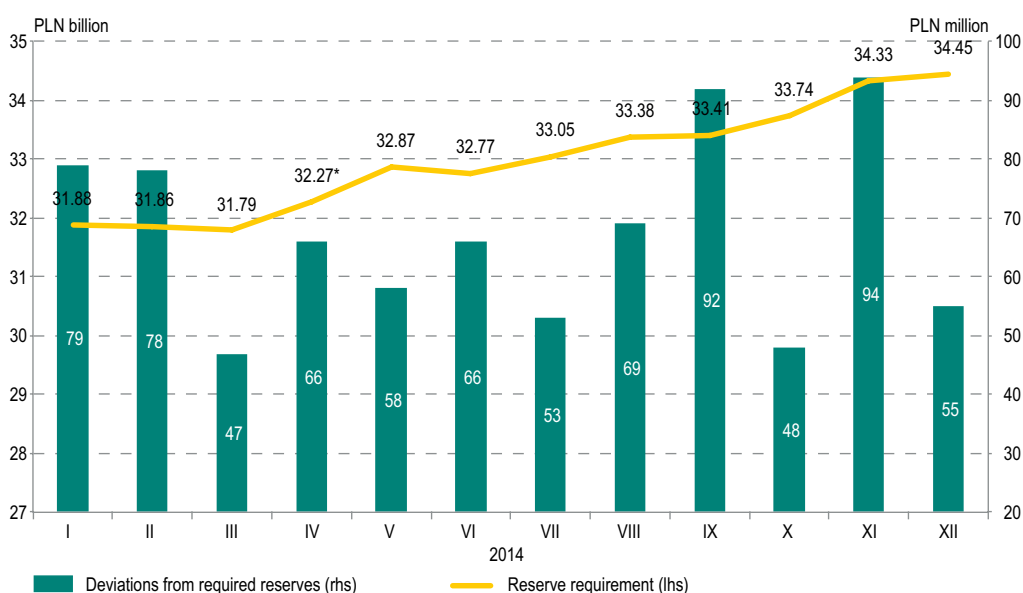
The required reserves were calculated and maintained in the Polish zloty. Entities reduced the amount of the calculated reserve requirement by the PLN equivalent of EUR 500 thousand. In 2014, the basic reserve requirement ratio amounted to 3.5% on all liabilities, except for funds received in respect of the 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 2014 stood at PLN 34,696 million, including the required reserve of commercial banks of PLN 32,201, the required reserve of cooperative banks of PLN 2,040 million, whereas the required reserve of credit unions and the National Association of Credit Unions stood at PLN 454 million.

Overall, the required reserves exceeded the level recorded as at 31 December 2013 by PLN 2,820 million, posting an 8.8% increase. The main factors behind the higher level of the required reserves in 2014 included the increase in deposits in the banking sector on which the required reserve is calculated and the above mentioned extension of the required reserve system to include credit unions and the National Association of Credit Unions.

Until 8 October 2014, interest rate paid on required reserve balances held on accounts with NBP was equivalent to 0.9 of the NBP rediscount rate. Since 9 October 2014, the interest on the required reserve balances has been equivalent to 0.9 of the NBP reference rate. This change was aimed to keep the interest on the required reserve balances slightly below the yield on main open market operations, regardless of the level of the NBP reference rate.

The average interest on the required reserve holdings in 2014 was 2.32% as compared to 2.87% in 2013. The 0.55% decrease of interest on the required reserve balances in 2014 as compared to 2013 resulted from the decline in the average level of the NBP interest rates (rediscount rate and reference rate) on the basis of which interest on the required reserve holdings was calculated in this period.

Figure 2.4. Changes in required reserves level and deviations from the reserve requirement in 2014



* The required reserve system was extended to include credit unions and the National Association of Credit Unions.

Source: NBP data.

In 2014, in each reserve maintenance period, there was a slight surplus in the average holdings on banks and credit unions' accounts as compared with the level of the required reserve. The excess reserves balance reached its minimum value in March (PLN 47.0 million) whereas the maximum was recorded in November (PLN 94.2 million). The average surplus of the required reserves holdings in 2014 amounted to PLN 67.1 million and accounted for 0.21% of the average level of required reserves.

In 2014, there four instances of commercial banks failing to maintain the required reserve level (in 2013 two such cases were recorded) and one instance of a credit union failing to meet the requirement. The deficient amount was PLN 1,375 thousand (all four banks) and PLN 49,966 thousand, respectively. Those entities were charged with penalty interest equalling twice the amount of the NBP lombard rate, namely of PLN 8,799 and PLN 246,409, respectively.

Standing facilities

Standing facilities (overnight deposit facility and lombard credit) were used to stabilize the liquidity level in the interbank market and limit the scale of overnight market rate fluctuations. These operations were conducted at the initiative of commercial banks and were aimed primarily to provide the short-term liquidity of the banking system or enable banks to deposit temporary excess free funds with NBP for one-day periods.

The interest rate of lombard credit, setting the maximum price of borrowing money at NBP, determines, at the same time, the upper limit of fluctuations of interest rates in the interbank market, while the deposit rate limited the band of their downward deviations. Additionally, the four-fold level of interest rate on the lombard credit determined the amount of the so-called maximum interest.

In 2014, as in the previous years, banks' usage of lombard credit was very limited. The total drawing on the lombard credit amounted to PLN 49 million, and was more than three times lower than in 2013 (PLN 163 million). The average daily recourse to the lombard credit amounted to PLN 133 thousand.

In 2014, banks placed overnight deposits at NBP totalling PLN 109 billion (calculated for the period of their holding), i.e. 35.5% lower than in the previous year. The average daily overnight deposit amounted to PLN 298 million, as against PLN 463 million in 2013. Banks deposited the highest amounts with NBP on the last days of the reserve maintenance periods.

Foreign exchange swaps

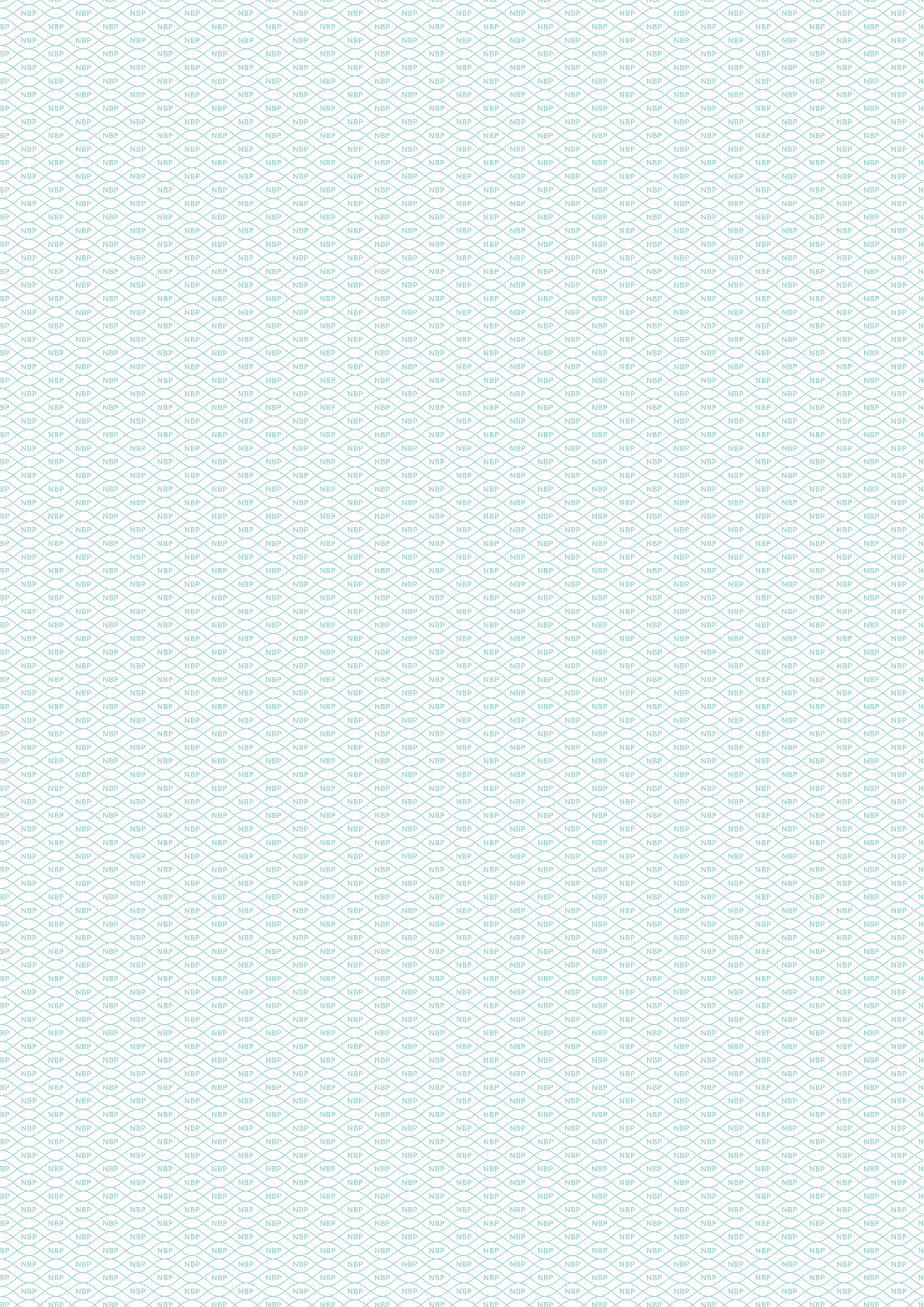
By using a foreign exchange swap, NBP could purchase (or sell) the Polish zloty against foreign currency in the spot market, with a simultaneous sale (repurchase) in a fixed-date forward transaction.

In 2014, the central bank did not conclude any such transactions.

Currency interventions

Under the existing monetary policy strategy, NBP may purchase or sell foreign currency in the foreign currency market against the Polish zloty.

In 2014 the central bank did not carry out any such operations.



Chapter 3

Financial system



Financial system¹

Promoting financial stability is one of the tasks carried out by central banks of the EU Member States; since December 2008 it has also been one of the core statutory tasks of Narodowy Bank Polski.² Preserving the stability of the financial system is essential for the implementation of the NBP's basic goal, i.e. maintaining price stability. In accordance with the recommendations of the European Systemic Risk Board (ESRB), an obligation has been imposed on EU Member States to establish the macroprudential oversight,³ where the central bank should play the main role. In 2014, Narodowy Bank Polski commenced the preparations to perform this task.

3.1. Cooperation with financial safety net institutions

In 2013, NBP participated in the work of the Financial Stability Committee. In total, five meetings of the Committee were held during which the following issues were addressed: financial situation in the sector credit unions and possible activities aimed at restructuring of this sector, functioning of the banking union and the macroprudential oversight as well as the activities aimed at implementation of the EU Directive concerning the recovery and resolution of credit institutions and investment firms.

Moreover, in 2014, NBP:

- Cooperated with the Polish Financial Supervision Authority (KNF), including via the membership of the NBP Vice President in the KNF.⁴
- Cooperated with the KNF Office, in accordance with the statutory authorisation concerning the rules for the submission of information.

Under the cooperation with the Bank Guarantee Fund (BFG) – concluded the agreement with the BFG concerning the exchange of information related to entities covered by the guarantee system – in order to implement the statutory tasks of both institutions.⁵ Moreover, two representatives delegated by the NBP President acted as members of the BFG Council.⁶

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

² Article 3 section 2 para. 6 and para. 6a of the Act on the NBP (Journal of Laws of 2013, item 908 and 1036).

³ Recommendation of the ESRB on the macroeconomic mandate of national authorities (ESRB/2011/3), Official Journal of the EU C41/1 of 14 February 2012.

⁴ Pursuant to Article 5 section 2 para. 3 of the Act of 21 July 2006 on Financial Market Supervision (Journal of Laws 2012, item 1149, as amended).

⁵ Agreement of 8 September 2014 concerning the subject, scope, procedure and timelines applicable to the exchange of information between the Bank Guarantee Fund and Narodowy Bank Polski.

⁶ Pursuant to Article 6 section 4 para. 2 of the Act of 14 December 1994 on the Bank Guarantee Fund (Journal of Laws of 2014, item 1866).

3.2. Activities of the Systemic Risk Committee

Activities of the Systemic Risk Board established in 2011 within the NBP, chaired by the NBP President, represent the element of preparations of the central bank to the implementation of tasks associated with the macroprudential oversight in Poland. Due to the fact that in 2014 the statutory solutions had not been adopted yet, the meetings of the Committee served as a forum for the exchange of information and opinions on risks in the financial systems and discussions concerning various aspects of macroprudential policy operationalisation in Poland. In 2014, on invitation of the NBP President, representatives of the Ministry of Finance, the Polish Financial Supervision Authority and the Bank Guarantee Fund participated in meetings of the Committee.

In 2014, two meetings of the Systemic Risk Committee were held. The Committee discussed: the progress of the works on the draft Act on macroprudential oversight of the financial system,⁷ the scope of macroprudential policy instruments envisaged in CRD IV and Regulation 575/2013 of the European Parliament and the Council, relations between the microprudential and macroprudential policy, functioning of the banking union and the assessment of consequences of the negative international investment position of Poland.

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

Narodowy Bank Polski regularly analyses each financial market sector in Poland, and the results are presented in cyclical studies. In 2014, the following publications were released:

- *Financial Stability Report* (in July). The documents addressed the main risk areas in the operation of the financial system in Poland, with particular emphasis on its most important segment – the banking sector. The analyses demonstrated that the situation of the banking sector remained good in 2014, and the capacity to absorb negative shocks increased. The high resilience of Polish banks was confirmed by stress tests, regularly performed by NBP. No significant imbalance the adjustment of which might have an adverse impact on the financial stability occurred in the Polish economy and financial system. The report contained NBP's recommendations whose implementation would contribute to mitigation of systemic risk and further strengthening of the resilience and stability of the Polish financial system.
- *Bank lending practices and credit conditions* (based on quarterly senior loan officer opinion surveys). The analyses demonstrated that in 2014 banks' lending policy was changing in respect of corporate loans: in Q1 banks introduced stricter lending criteria to ease them in the subsequent periods. Banks' lending policy in relation to loans granted to households continued to be influenced by the oversight regulations. In the case of housing loans banks tightened their lending policy as a consequence of introduction of Recommendation S provisions whereas in case of consumer loans, they eased the loan granting criteria, which was mainly associated with the amendments to Recommendation T. In the first half of the

⁷ The title of the draft Act was changing in the course of government work on it and its current wording is as follows: Draft Act on the macroprudential oversight of the financial system and crisis management in the financial system.

year banks experienced growth in demand for the majority of loan categories, and in the second half of the year – increased demand for consumption loans with a simultaneous decline in housing loan demand.

- *Financial System in Poland 2013*. This report describes major developments in the operation of domestic financial institutions and markets. In 2013, the macroeconomic environment and developments in the global financial markets fostered the growth of the role of the financial system in the Polish economy. The ratio of domestic financial system assets to GDP increased by 4.9 percentage points as compared with 2012 and amounted to 126.1% at the end of December 2013.
- *Report on the situation in the residential and commercial real estate market in Poland in 2013*. In 2013 the situation in the primary residential real estate market was close to equilibrium. In the secondary market, surplus of housing supply occurred, which was indicated by the extending time of sale. The average offered prices of a square metre of an average flat in the primary and secondary markets in all cities were stable. In the analysed period, the ratios of flat credit availability improved, which resulted from the growth in wages and the significant decrease of interest rate on new housing loans in PLN. The commercial real estate market the growing surplus of free premises was observed.

3.4. International cooperation for financial stability

In 2014, Narodowy Bank Polski participated in the work of European institutions responsible for monitoring and protection of the financial system stability on the EU territory. These activities included:

- Participation of NBP representatives in the work of the European Systemic Risk Board, including the NBP President as a member of the ESRB Steering Committee. Within the framework of the works, inter alia: the shock scenario for the EBA/ECB stress tests was prepared, the report concerning problems associated with the excessive size of banking sectors in the EU was developed, rules of cooperation with the ESBC Financial Stability Committee (FSC) were prepared and implementation of the ESRB recommendation concerning the macroeconomic mandate of national authorities was assessed.
- Participation of NBP representatives (on a non-voting basis) in the work of the Board of Supervisors of the European Banking Authority.
- Cooperation with the EC concerning the review of macroprudential instruments in CRD IV/CRR.
- Participation in the International Banking Research Network, comprising experts from various central banks aimed at conducting coordinated studies in the scope of international banking.
- Participation in the project of the International Monetary Fund concerning the *IMF Financial Soundness Indicators*.

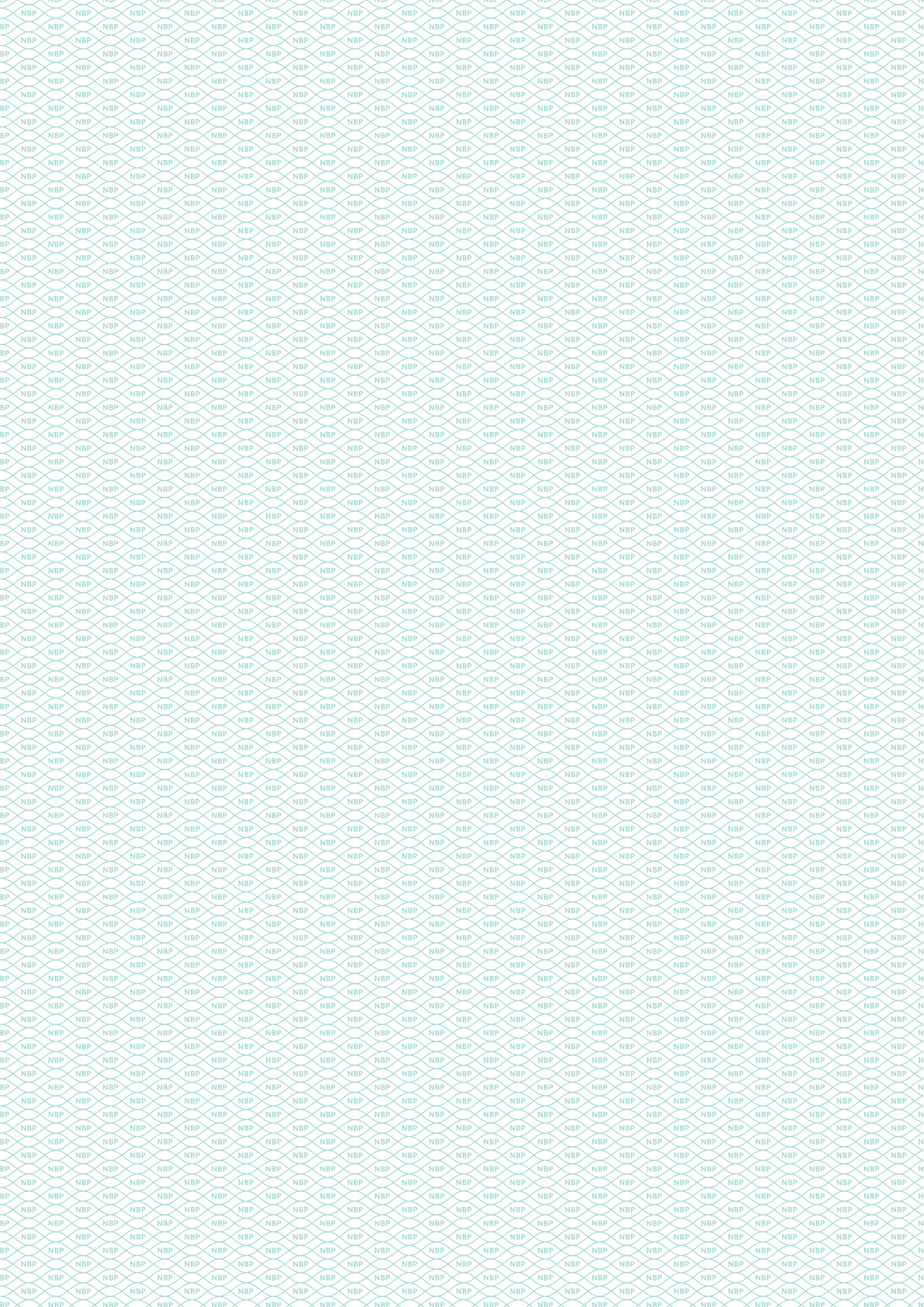
3.5. Participation of Narodowy Bank Polski in resolution of banks and credit unions

The scope of NBP participation in the resolution of financial institutions is defined in the statutes and limited to activities supporting liquidity of the entity implementing the remedying process. Such activities include, inter alia, the exemption from the obligation to maintain the required reserve.

In 2014, NBP was not financially involved in the implementation of the recovery programmes of banks and credit unions. According to the status as at 31 December 2014, no entity used the exemption from the obligation to maintain the required reserve.

Highlights of 2014:

- participation in the activities of the Financial Stability Committee, Polish Financial Supervision Authority and the European Systemic Risk Board,
- conducting of the works of the Systemic Risk Committee and activities related to the establishment of macroprudential oversight in Poland.



Chapter 4

The issue of currency



The issue of currency¹

Narodowy Bank Polski holds the exclusive right to issue the currency of the Republic of Poland. By introducing into circulation banknotes and coins in 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 2014 amounted to PLN 142,928.8 million. This represents an increase in the value of currency by PLN 16,786.0 million, i.e. 13.3% more compared to 31 December 2013.

In 2014, manufacturers of legal tender delivered to NBP 403,800,000 pieces of notes and 886,624,800 pieces of coins, which, in relation to the deliveries in 2013 (319,000,000 pieces and 799,693,800 pieces, respectively), represented an increase by 84,800,000 pieces of notes (26.6%) and by 86,931,000 pieces of coins (10.9%).

As at 31 December 2014, notes accounted for 97.2% of all zloty-denominated currency in circulation by value, while coins represented 2.8% (in 2013 – 97.1% and 2.9%, respectively). In terms of volume, zloty-denominated notes accounted for 9.6% of all currency in circulation, whilst coins represented 90.4%.

In terms of face value of notes in circulation at the end of 2014, 100 zloty and 200 zloty notes accounted for the largest share of all notes, totalling 67.0% and 23.5%, respectively (66.6% and 23.1% in 2013) whereas in the case of coins, 5 zloty and 2 zloty coins held the largest share of all coins in circulation, accounting for 34.4% and 30.7% of the overall value of coins, respectively (33.2% and 31.4% in 2013).

In terms of volume, 100 zloty and 50 zloty notes held the largest share in the notes in circulation at the end of 2014, amounting to 60.9% and 12.8%, respectively (59.5% and 13.9% in 2013). With regard to coins, 1 grosz and 2 grosz denominated coins prevailed, with their respective shares at 37.4% and 17.9% (37.1% and 18.1% in 2013, respectively).

In 2014 NBP took measures aimed at the improvement of currency supply logistics by manufacturers to NBP. As a result of the changes, the model of currency supply based on central treasury was transformed into the model based on four supply centres.

4.2. Issue of collector coins and notes

Narodowy Bank Polski issues collector coins and notes, commemorating national or international events, important historical anniversaries and famous Poles.

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

In 2013, 12,650 pieces of gold collector coins and 337,460 pieces of silver collector coins as well as 50,000 pieces of collector notes were issued (in 2013, respectively: 9,750 gold collector coins and 356,000 silver collector coins).

In 2014, 25 types of collector coins were issued. The following series issued are worth mentioning:

- Canonisation of John Paul II – 27 IV 2014: silver coins with the face value of 500 zloty (1 kilo in weight and 10 cm in diameter) and with the face value of 10 zloty were issued, as well as gold coins with the face value of 100 zloty and general circulation coins with the face value of 2 zloty made of the Nordic Gold alloy;
- Centenary of the Formation of the Polish Legions: it was the collector note with the face value of 20 zloty, for the first time made of plastic (polymer);
- 600 Years of Polish-Turkish Diplomatic Relations: NBP and the Turkish State Mint have undertaken an initiative to issue two coins with the face values of 20 zloty and TRY 50.

Moreover, in 2014 NBP started the issue general circulation coins with the face value of 5 zloty, with the occasional design, under the series “Discover Poland”. In 2014, two such coins were issued: 25 Years of Freedom and The Royal Castle in Warsaw. At the same time, Narodowy Bank Polski abandoned the issue of general circulation Nordic Gold coins with the face value of 2 zloty.

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

In 2014 NBP introduced changes in the terms and conditions of the sale of collector items,² as regards: providing a possibility for sale of collector items to distributors under framework agreements, resignation from sales of collector items through internet auctions and limiting the period of collector items sale by NBP to two years following the date of their issue.

4.3. Introduction into circulation of modernised banknotes and coins

In April 2014, NBP introduced into circulation modernised general circulation banknotes with the face values of 10 zloty, 20 zloty, 50 zloty and 100 zloty. The modernisation consisted in improving the banknotes' security features against counterfeiting.

Starting from 7 April 2014, these banknotes have been introduced into circulation under standard operation of supplying banks with cash and the replacement of worn-out or damaged banknotes. The introduction into circulation was preceded by numerous information and training activities targeting the general public and professional participants of cash transactions. NBP employees trained approximately 8,000 people, inter alia, employees of banks, transport and cash servicing companies, Poczta Polska SA, budgetary entities, Social

² Pursuant to the Resolution of the NBP Management Board No. 43/2013 of 5 December 2013 on the terms and conditions of the sale by Narodowy Bank Polski of coins, banknotes, and numismatic items for collection and other purposes, which entered into force on 1 March 2014 (Monitor Polski of 2013, item 1011).

Insurance Institution (ZUS), Agricultural Social Insurance Fund (KRUS), commercial and retail chains and bureaux de change. In the training, specially prepared materials were used, also made available on the NBP website.

A significant activity under the banknote modernisation project was the adjustment of banknote handling devices functioning on the market to service modernised banknotes. For that purpose, NBP made sets of modernised banknotes available to entities dealing with cash servicing, under the concluded agreements. The number of devices requiring adjustment amounted to approximately 100,000 all over the country.

On 3 March 2014, coins with the denominations of 1, 2, 5 grosz made of brass-plated steel were introduced into circulation. These coins are supplied by The Royal Mint of the United Kingdom, which won the contract awarding procedure for the supply of these coins in 2014–2016. The producer of other general circulation coins and all collector coins is Mennica Polska SA.

In 2014 quality audits were performed at both coin producers, based on the rules compliant with the ISO 9001 standard applicable at NBP. In addition, the technical specification of general circulation coins with the denominations of 10 grosz to 5 zloty was verified.

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

In 2014, 210.7 million pieces of notes and coins were withdrawn, including: 206.1 million pieces of banknotes and 4.6 million pieces of coins (241.0 million pieces in 2013, including: 236.4 million pieces of banknotes and 4.6 million pieces of coins) due to wear and tear, damage or loss of counterfeit protection features.

4.5. Counterfeit Polish currency

The number of counterfeit Polish currency notes and coins increased by 9.72% as compared to 2013. The number of all counterfeit banknote and coin denominations per million of currency pieces³ in circulation amounted to 6.11 pieces, having decreased by 0.02 pieces as

Table 4.1. The number of counterfeit Polish notes and coins in circulation in the years 2011–2014

Counterfeits	2011	2012	2013	2014
Banknotes	9,353	10,410	9,010	11,549
Coins	6,519	6,778	5,390	4,250
Total	15,872	17,188	14,400	15,799

Source: NBP data.

³ In the case of coins, 1 zloty, 2 zloty and 5 zloty denominations were taken into account.

compared to 2013. Table 4.1 presents data concerning the number of counterfeit coins and banknotes disclosed in 2011–2014.

4.6. Supply of notes and coins to banks

In 2014, commercial banks and entities with statutory authority to flow Polish currency notes and coins from/to NBP, purchased at NBP Polish notes and coins worth PLN 189.5 billion (PLN 189.4 billion in 2013), of which:

- PLN 90.1 billion under agreements on storing and purchasing notes and coins deposited at NBP (PLN 94.8 billion in 2013),
- PLN 99.4 billion under agreements on the flow of Polish currency notes and coins and thereto-related activities (PLN 94.6 billion in 2013).

4.7. Activities aimed at streamlining cash transactions

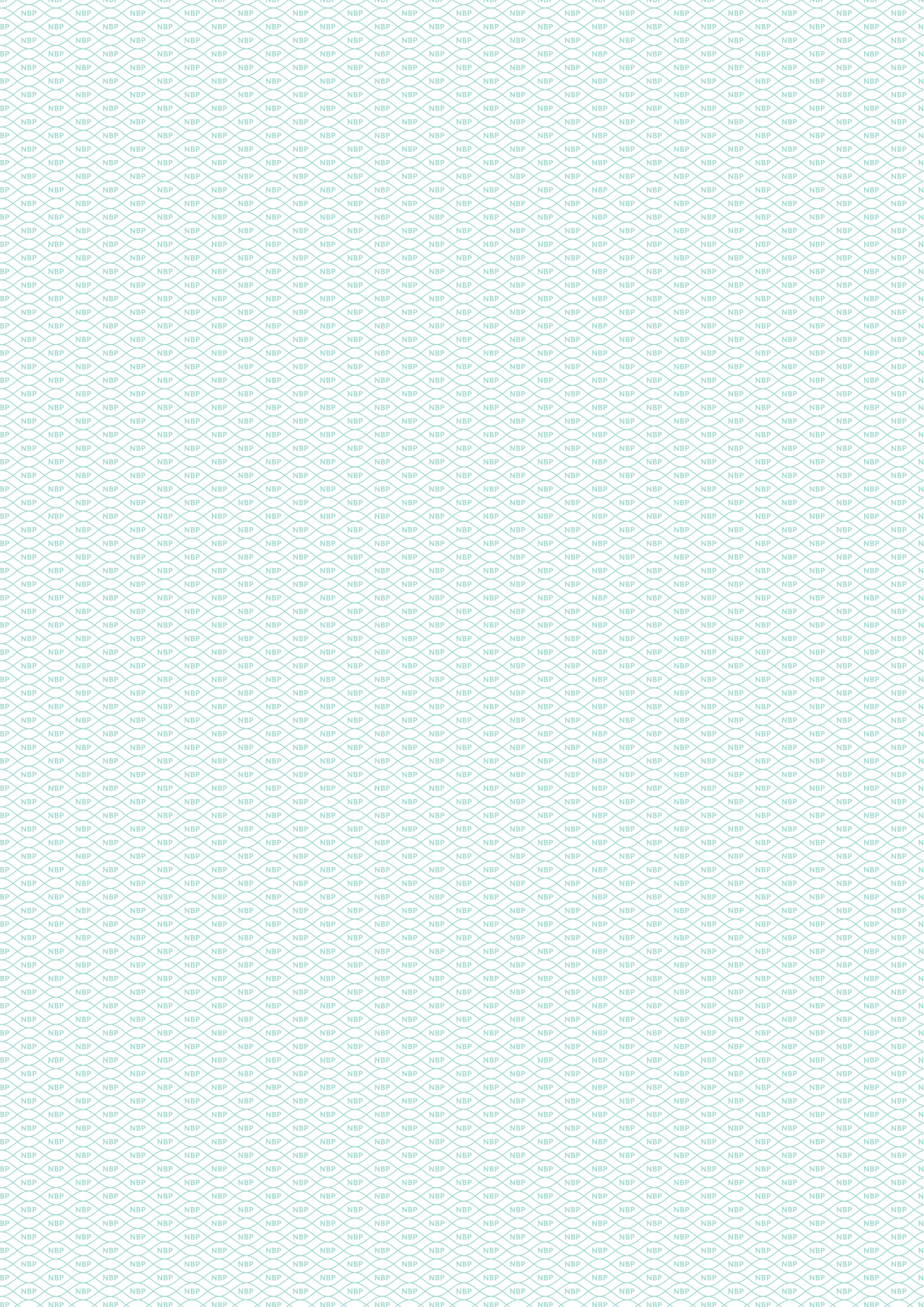
In 2014, the proposal of changes in cash transactions in Poland in the following years was developed. They comprise, in particular:

- preparation and implementation of minimum standards of qualitative sorting of banknotes re-introduced into circulation,
- analysis of possibilities to introduce a developed deposit system (bilateral collateralised deposit) and the rules on the flow of surplus Polish currency notes and coins to NBP.

The proposals of changes were consulted with cash market participants (banks, companies transporting and servicing cash, Polish Organisation of Cash Servicing Companies, Poczta Polska SA, independent ATM network operators and producers and service providers of cash servicing devices). Under the implementation of the first proposal the *Standards for banknotes fitness sorting recommended by Narodowy Bank Polski* were developed and published on the NBP website in January 2015.

Highlights of 2014:

- introduction of modernised banknotes with the denominations of 10 zloty, 20 zloty, 50 zloty and 100 zloty into circulation,
- introduction into circulation of coins with the denominations of 1, 2, 5 grosz, made of brass-plated steel,
- preparation of the proposal of changes in cash transactions and consultation thereof with participants of cash transactions, including publication of *Standards for banknotes fitness sorting recommended by Narodowy Bank Polski* on the NBP website.



Chapter 5

Foreign exchange reserves management



Foreign exchange reserves management¹

Pursuant to Article 52 section 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 the safety of Poland's foreign exchange operations in terms of payment liquidity. In the context of a floating exchange rate, the role of foreign exchange reserves is primarily to enhance the country's financial credibility, thereby reducing the cost of financing in the global markets and the volatility of the zloty exchange rate, as well as to mitigate the risk of a sudden outflow of capital. Official reserves can also be used to support the stability of the financial markets and the banking sector, in particular by supplying foreign-currency liquidity in the event of disturbances in the financial markets.

5.1. Level of the official reserve assets²

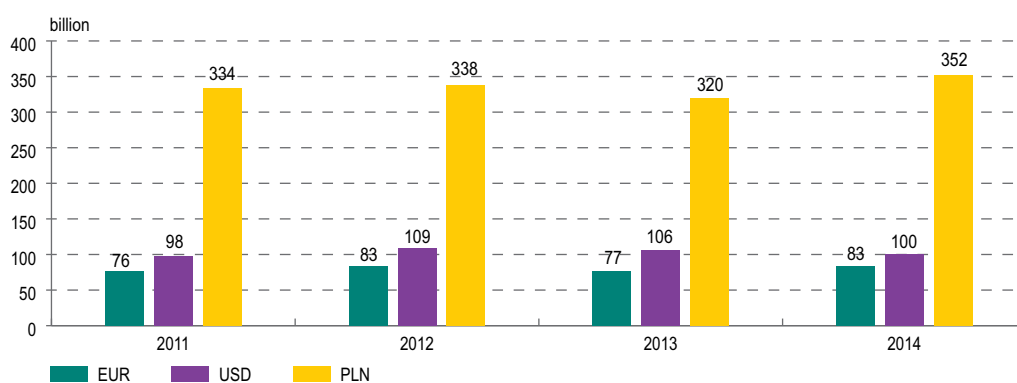
In 2014, the NBP official reserve assets increased:

- in euro terms – by EUR 5.5 billion (7.1%) – to EUR 82.6 billion,
- in zloty terms – by PLN 32.3 billion (10.1%) – to PLN 352.3 billion.

This was mainly the result of the strengthening of the reserve currencies against the euro and the zloty, a rise in the prices of securities as well as reinvestment of interest income from reserve investment.

On the other hand, a sharp appreciation of US dollar against other reserve currencies resulted in a drop of USD 5.8 billion (-5.4%) in official reserve assets in US dollar terms, down to USD 100.4 billion.

Figure 5.1. Official reserve assets (as at the end of the year)



Source: NBP data.

¹ Tasks in this area are performed pursuant to Article 3 section 2 para. 2 and Article 52 of the Act on NBP.

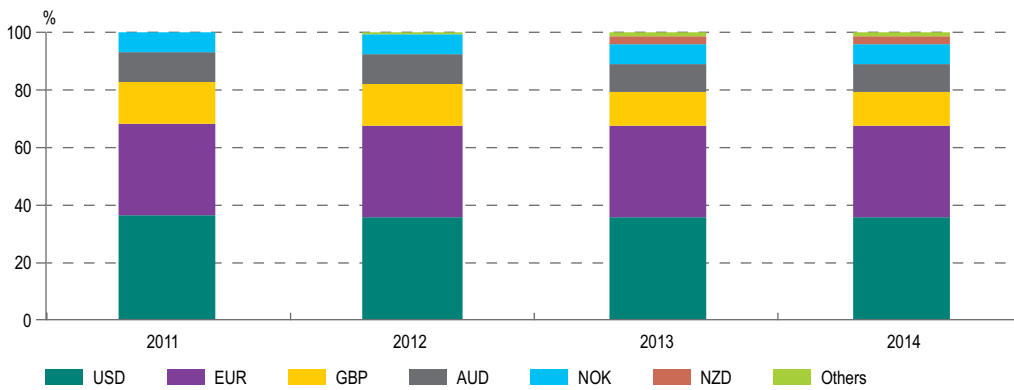
² According to the definition of the International Monetary Fund (IMF), the official reserve assets include readily available, liquid foreign assets held by the central bank. This category includes monetary gold, special drawing rights (SDR), IMF reserve position and foreign currency assets, mainly in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

5.2. Foreign currency reserves management strategy

The priority in the foreign exchange reserves management is to ensure the safety of the invested funds and their adequate liquidity. While meeting these criteria, NBP seeks to maximise the yield on the reserves.

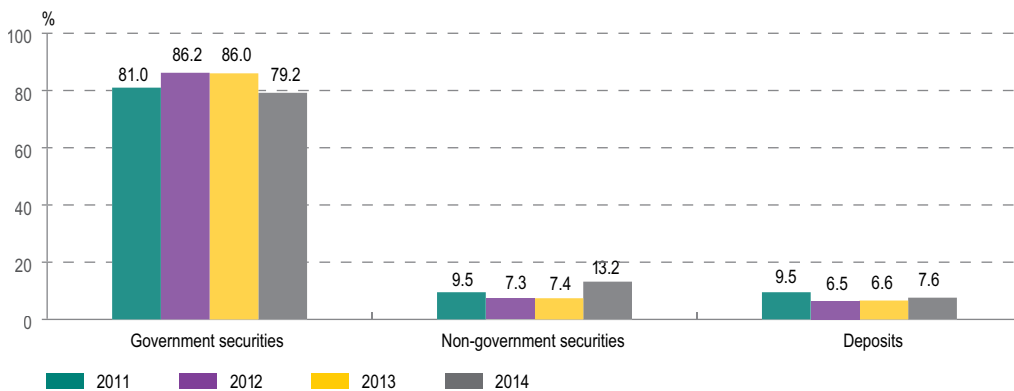
Taking into account analyses of the global macroeconomic prospects, forecasts of the situation in the global financial markets and results of the optimisation and simulation analysis, the NBP Management Board decided to maintain the currency composition and the level of modified duration³ of the reserves applicable in the previous year (1.9).

Figure 5.2. Currency composition of reserves in 2011–2014



Source: NBP data.

Figure 5.3. Share of investment instruments in the NBP foreign currency reserves



Source: NBP data.

³ Modified duration is a measure of interest rate risk representing the sensitivity of investment portfolios to fluctuations in yields on financial instruments.

The major part of foreign exchange reserves is invested in government securities with the highest rating, i.e. securities characterised by the highest degree of security and liquidity. The non-government securities held in the investment portfolios are issued, first of all, by international institutions and government agencies. A small part of the reserves is held in short-term deposits at banks with high creditworthiness and in corporate bonds in USD.

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

Risk	Mitigation methods
Credit risk	Limited share of deposit transactions and non-government securities Counterparty selection criteria and ongoing monitoring of their creditworthiness Counterparty limits on deposit transactions and foreign exchange transactions Limited maturity term of deposit transactions Minimum rating of securities Limits for issuers of securities Collateral in reverse repo deposit transactions
Foreign exchange risk	Currency composition of the Strategic Asset Allocation along with fluctuation ranges determining the scope of active investment policy
Interest rate risk	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 Securities selection criteria

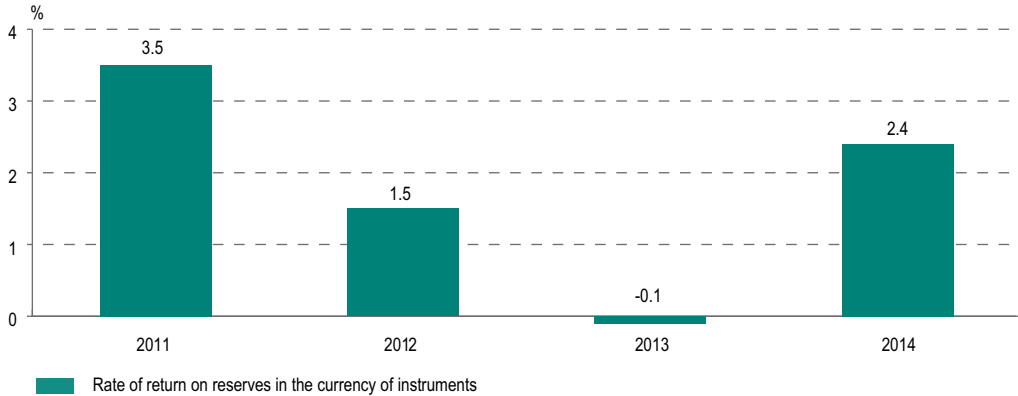
Source: NBP data.

5.4. Return on foreign currency reserves

The return on the invested foreign currency reserves depends on market conditions: yields on investment instruments and changes in their prices as well as currency exchange rates. In 2014, owing to a rise in the prices of debt securities in the global markets, the return on foreign currency reserves as denominated in the currency of instruments⁴ was 2.4%, i.e. higher than in the previous two years.

⁴ 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.

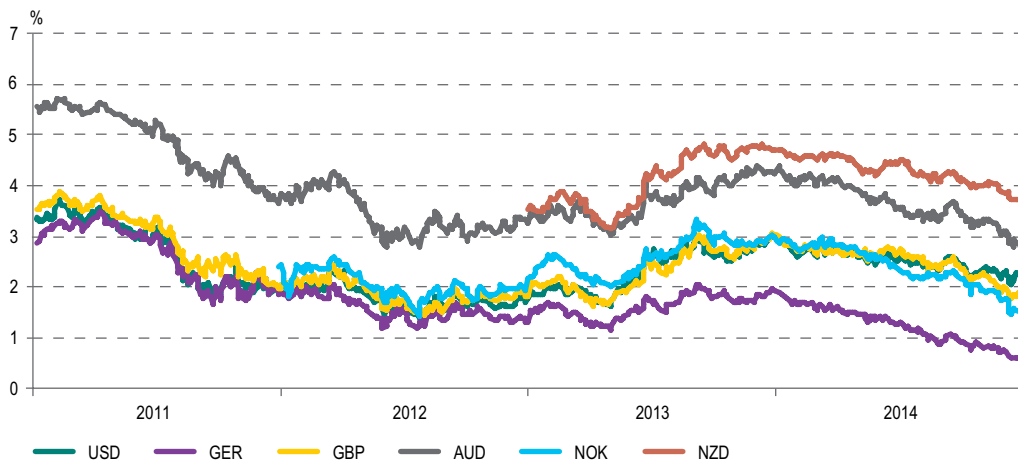
Figure 5.4. Return on the NBP foreign currency reserves excluding the impact of exchange rate fluctuations



Source: NBP data.

The decline in yields on government securities resulted from – among others – the heightened risk aversion associated with the military conflicts having arisen (including Ukraine, Iraq, Syria and in the Gaza Strip), as well as poorer than expected global economic performance and the weakening inflation, which prompted some central banks, above all the ECB to ease their monetary policy. The sharpest decline in the yields, which hit their all-time lows, was recorded in Norway (in the 10-year sector – by 156 bp), Australia (by 150 bp) and Germany (by 139 bp).⁵

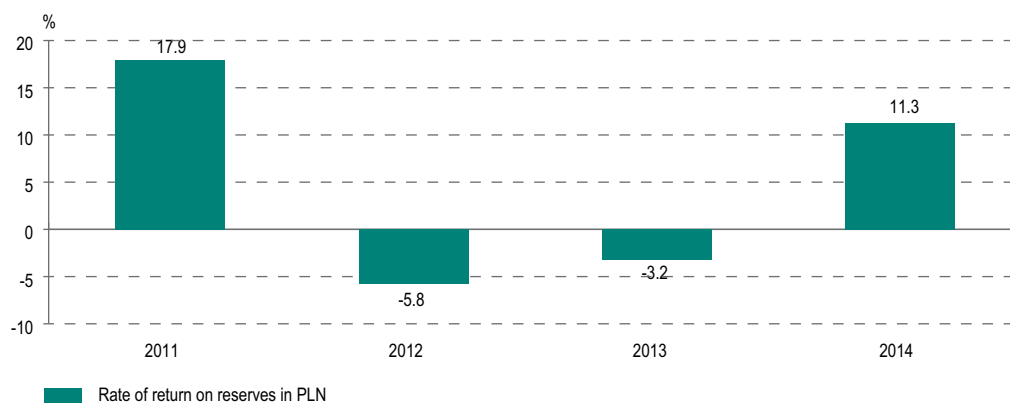
Figure 5.5. Yields on 10-year government securities in major markets



Source: calculations based on Bloomberg data.

⁵ As at 31 December 2014 the yield on 10-year government bonds amounted to 0.54% in Germany, 2.74% in Australia and 1.43% in Norway. A record-low yield on 2-year German securities was also observed (-0.11% 30 December 2014; source: Bloomberg).

Figure 5.6. Rate of return on the NBP foreign currency reserves (including the impact of exchange rate fluctuations)

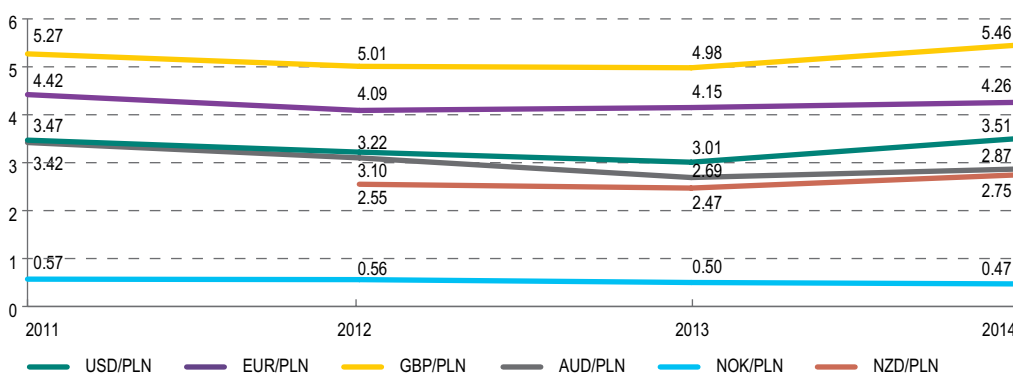


Source: NBP data.

In 2014, the rate of return on the reserves as expressed in PLN⁶ amounted to 11.3%. The relatively high return on thus calculated reserves resulted from a depreciation of the zloty against most reserve currencies, in particular, the US dollar (an increase of 16.4% in the USD/PLN exchange rate⁷).

The appreciation of the US dollar against other reserve currencies was supported by the diverging developments in the economies and, as a consequence, in the monetary policies of the United States and other developed countries, in particular, the euro area. The depreciation of the Australian dollar, the New Zealand dollar and the Norwegian krone was strengthened by the price slump in the commodity markets.

Figure 5.7. Exchange rates of major reserve currencies in relation to the PLN (levels as at the end of periods)



Source: NBP data.

⁶ The return on foreign currency reserves in PLN also includes the impact of fluctuations in the exchange rates of reserve currencies in relation to PLN.

⁷ NBP Fixing.

5.5. Investment income

The rise in securities prices in 2014 also contributed to income from investment activity related to the management of foreign currency reserves being higher than in the previous year. Excluding the realised and unrealised exchange rate effects, it amounted to PLN 4.4 billion (as compared to PLN 1.2 billion in 2013).⁸

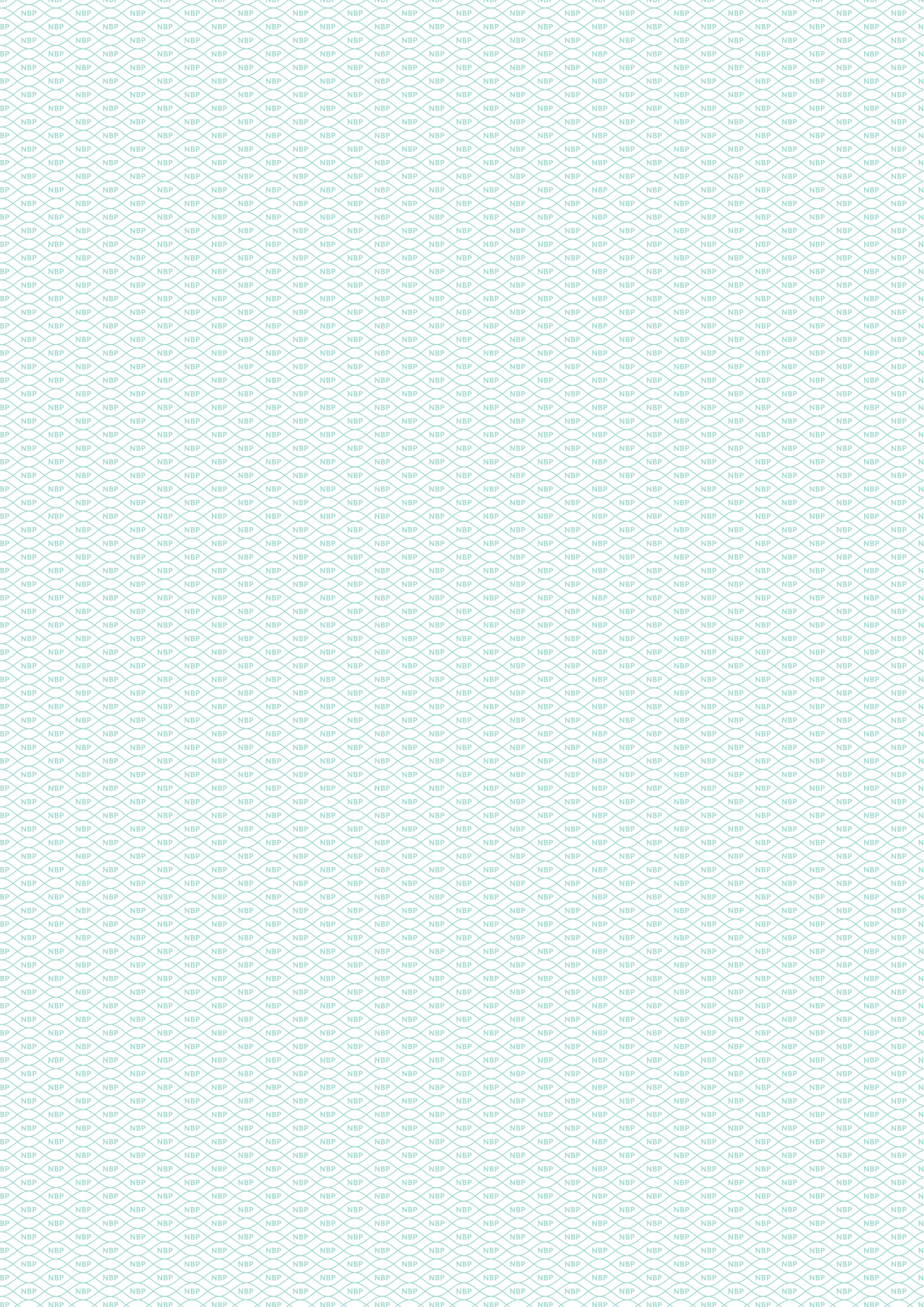
The unrealised foreign exchange gains amounted to PLN 4.9 billion in 2014, whereas unrealised foreign exchange losses amounted to PLN 0.8 billion.⁹

Highlights of 2014:

- return on reserves – whether expressed in the currency of instruments or in PLN – is the highest since 2011 (2.4% and 11.3%, respectively), amidst rising security prices and most of the reserve currencies strengthening against the zloty.

⁸ To calculate this income currency revaluation gains (unrealised gains) are not taken into account. Under the NBP accounting principles, these are recognised as liabilities on the NBP balance sheet.

⁹ Under the NBP accounting principles, unrealised foreign exchange gains do not affect the NBP profit and loss account but are recognised as liabilities on the NBP balance sheet. On the other hand, unrealised foreign exchange losses diminish the NBP financial result (similarly as realised foreign exchange losses).



Chapter 6

Foreign exchange activity



Foreign exchange activity¹

Foreign exchange activity primarily involves maintaining a register of bureaux de change, issuing decisions on foreign exchange matters and controlling bureaux de change, individual foreign exchange permits granted and the performance of the reporting responsibilities for the needs of the balance of payments. The purpose of this activity is to ensure security of foreign exchange transactions.

6.1. Register of bureaux de change

In 2014, 1,040 entries were made to the register of bureaux de change (as compared to 1,131 in 2013), of which 230 entries concerned new entities (as compared to 244 in 2013) and the remainder regarded the deletion of entities or data updates. As at 31 December 2014, 5,011 bureaux de change were operating in Poland (as compared to 4,601 in 2013).

The simplification of the procedure for undertaking bureaux de change activity since 2004, year on year results in growing interest of entities in this area of economic activity.

6.2. Foreign exchange related decisions

In 2014, a total of 25 decisions on foreign exchange were issued, including 18 permits and 7 other decisions (in 2013 – 22 decisions were issued).

The permits were granted for the waiver of restrictions on foreign exchange transactions conducted with non-residents from countries that are not members of the EU, the OECD and the EEA. The decisions were related to discontinuation of proceedings (due to their lack of subject matter) and change of validity of permits granted in the previous years.

6.3. Foreign exchange regulation

Foreign exchange regulation by the NBP President in 2014 included inspections of residents subject to mandatory transfer to NBP of data necessary for the compilation of the balance of payments and the international investment position, inspections of operators of bureaux de change. In 2014, a total of 1,893 inspections were carried out (in comparison to 1,977 in 2013), including:

- 922 inspections concerning the performance of the reporting responsibilities for the needs of the balance of payments (in 2013 – 752),

¹ 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 (Journal of Laws of 2014 item 455) and the provisions of the Foreign Exchange Act (Journal of Laws of 2012, items 826 and 1036).

– 971 inspections regarding bureaux de change activity (in 2013 – 1,225).

758 inspections detected irregularities, i.e. 40% of all inspections conducted (in 2013 – 45%), including:

- during 378 inspections concerning the performance of the reporting responsibilities for the needs of the balance of payments (in 2013 – 299),
- in 380 inspections regarding bureaux de change activity (in 2013 – 592).

If such irregularities occurred, post-inspection recommendations were submitted to the managers of the inspected units. In 700 cases NBP notified the competent financial authorities of the infringement of legal standards. Having conducted the appropriate proceedings, tax offices informed NBP of penalties imposed on 159 entities, 316 cases of submission of the so-called active repentance² and 7 cases of voluntary submission to liability.

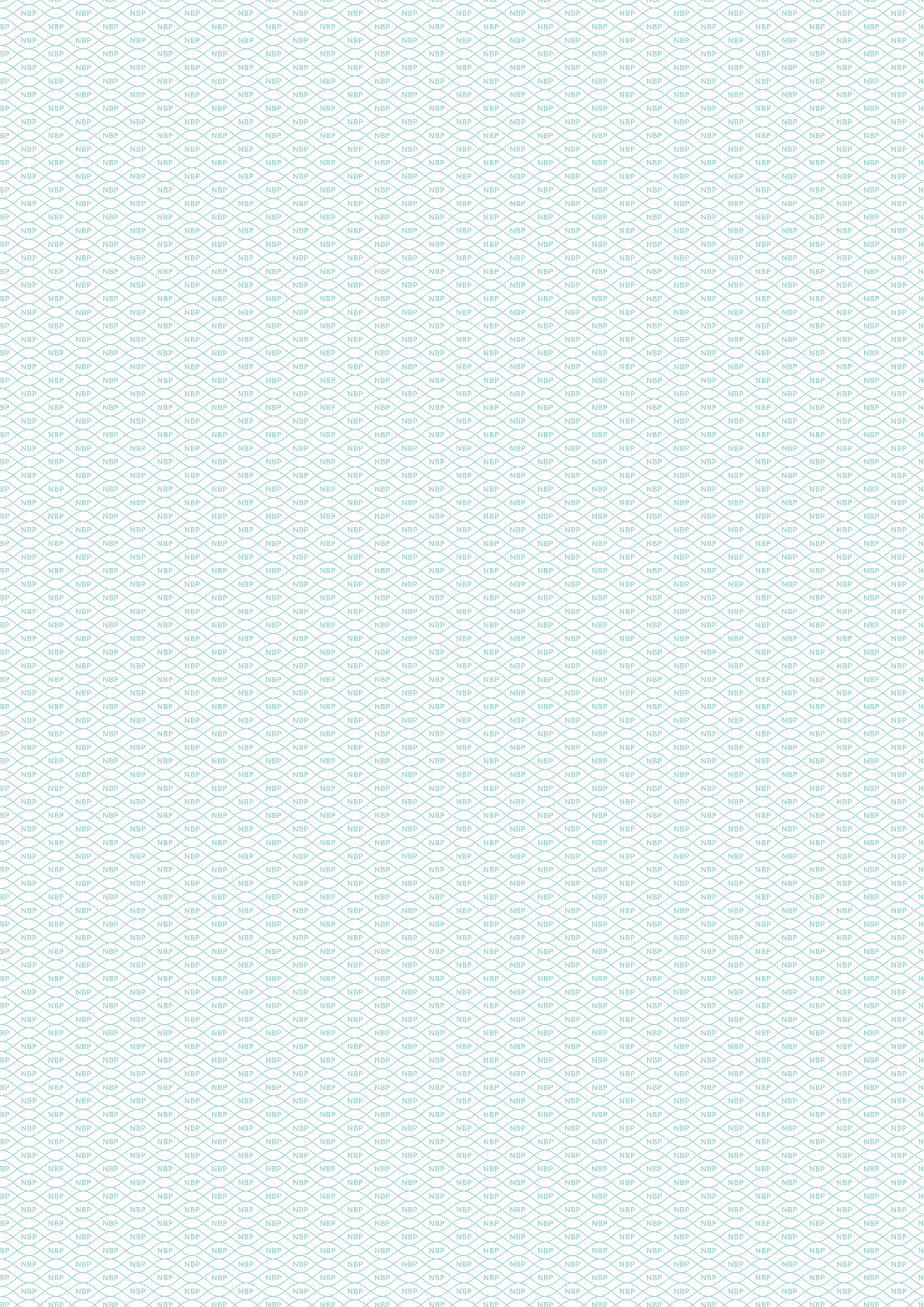
The regulation activities undertaken by NBP result in ensuring:

- the compliance of foreign exchange trading in bureaux de change with the requirements of procedures defining the rules of conducting the regulated activity,
- the compliance of data provided by reporting entities to the balance of payments with the source documents.

Highlights of 2014:

- conducting 1,893 inspections, issuing 25 decisions concerning foreign exchange issues.

² Pursuant to Article 16 para. 1 of the Act of 10 September 1999 – Penal Fiscal Code (Journal of Laws of 2013 item 186, as amended), the offender who, after committing the offence, notified the prosecution authority thereof, disclosing the significant circumstances of such an act, in particular, persons cooperating in its commitment, shall not be subject to fiscal crime or fiscal offence.



Chapter 7

Payment system oriented activities



Payment system oriented activities¹

The activities of Narodowy Bank Polski with respect to the payment system include:

- operational tasks, including the operation of the payment systems and performance of interbank settlements,
- activities relating to the payment system policy and development, including organisation of monetary settlements and development of relevant legal regulations,
- oversight of the payment systems and post-trade infrastructure of the financial market.

7.1. Performance of operational tasks

7.1.1. Operation of accounts in the SORBNET2 system

The SORBNET2 system is the RTGS payment system in which current accounts of banks are operated and interbank settlements of payments in zloty are performed. In the RTGS system, payment orders are executed in accordance with the gross settlement principle (processing of single orders, without their mutual offsetting) and the rule of real time settlement (processing of orders on an on-going basis during the day, instead of pre-determined moments of a day).

As at 31 December 2014, accounts operated in the SORBNET2 system included current accounts in PLN for 46 banks (in 2013 – 48) as well as accounts for the National Clearing House (Krajowa Izba Rozliczeniowa SA – KIR), the Central Securities Depository of Poland (Krajowy Depozyt Papierów Wartościowych – KDPW), Central Securities Depository of Poland – Central Counterparty (KDPW_CCP)² and the National Association of Credit Unions (Krajowa Spółdzielcza Kasa Oszczędnościowo-Kredytowa – KSKOK).³ In 2014 one current account in PLN was opened⁴ and three current PLN accounts for banks⁵ were closed.

In 2014, about 3,286,000 operations were performed on the banks' current accounts in PLN held with the NBP Head Office (3,075,000 in 2013), totalling PLN 46.5 trillion (PLN 46.7 trillion in 2013). This translates into an increase in the number of performed operations by 211,000 (6.9%) and a decrease in their total value by PLN 0.2 trillion (0.4%) as compared to 2013. The average value of a single transaction in 2014 fell by about 7.2% to reach PLN 14.1 million (PLN 15.2 million in 2013).

¹ 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, Securities Settlement Systems and Principles of Oversight of These Systems (Journal of Laws of 2013, items 246 and 1036).

² The bank account for KDPW_CCP SA was opened on 8 December 2014.

³ On 31 March 2014, the reserve requirements account for KSKOK was opened.

⁴ On 8 September 2014, the current account for Kraków Cooperative Bank (Krakowski Bank Spółdzielczy) was opened.

⁵ This applied to:

- Deutsche Bank Polska SA – 14 February 2014 in connection with the merger with Deutsche Bank PBC SA; the bank established as a result of the merger operates under the name Deutsche Bank Polska SA;
- Rabobank Polska SA – 30 June 2014 in connection with the merger with Bank Gospodarki Żywnościowej SA;
- Nordea Bank Polska SA – 31 October 2014 in connection with the acquisition by Powszechna Kasa Oszczędności Bank Polski SA.

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

The TARGET2-NBP system constitutes the Polish part of the TARGET2 system – the pan-European system for the settlement of payments in euro.

As at 31 December 2014, the TARGET2-NBP system operated accounts in EUR for 22 participants: NBP, KIR and KDPW and 19 commercial banks (i.e. one account less as compared to the end of December 2013⁶).

In 2014, almost 1.4 million operations were performed in the TARGET2-NBP system for the total amount of EUR 691.0 billion. This translates into the decline in the number of performed operations by about 137,300 (i.e. by 9.0%) and the simultaneous increase in their value by approximately EUR 136.5 billion (i.e. by 25.0%) as compared to 2013. The average value of transactions amounted to EUR 500,800 and increased by 37.0% as compared to 2013 (EUR 365,600 in 2013).

7.2. Policy measures and development of the payment system

7.2.1. Regulatory activities

In 2014, regulatory activities of NBP related to the payment system comprised:

- Issuing opinions with respect to legislative changes⁷ which once again reduced the maximum level of the interchange fee for payment cards – from 0.5% of the value of a single transaction to 0.2% for debit cards and 0.3% for credit cards. The amendments introduced were aimed at approximation of the level of fees applied in Poland to the fees applied by foreign entities.
- Issuing opinions with respect to draft EU legislation concerning payment services, the interchange fee and the securities settlement.⁸
- Participation in works aimed at transposition of the European regulations concerning comparability of fees related to payment accounts, payment account switching and access to payment accounts with basic features into Polish law.⁹ One of the objectives of the

⁶ On 30 June 2014, the account of Rabobank Polska SA was closed as a result of its merger with Bank Gospodarki Żywnościowej SA.

⁷ Act of 28 November 2014 on the Amendment of the Act on Payment Services (Journal of Laws of 2014, item 1916). The Act entered into force on 29 January 2015.

⁸ These included: proposal for a Directive of the European Parliament and the Council on payment services in the internal market and amending Directives 2002/65/EC, 2013/36/EU and 2009/110/EC and repealing Directive 2007/64/EC (the so-called PSD2), proposal for a Regulation of the European Parliament and the Council on interchange fees for card-based payment transactions and the Regulation of the European Parliament and the Council (EU) No. 909/2014 of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No. 236/2012, including the proposal of technical standards to this regulation.

⁹ Directive of the European Parliament and the Council No. 2014/92/EU on the comparability of fees related to payment accounts, payment account switching and access to payment accounts with basic features (the so-called PAD Directive).

regulation is ensuring all consumers' easy access to payment accounts with basic features by individual Member States (i.e. free of charge or cheap payment account).

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

In 2014, the following activities were undertaken with the purpose of development of domestic large value payment systems:

- The new version of the SORBNET2 payment system was launched. In the changed system, enhancements designed by NBP as well as proposed by external users were introduced.
- Operation of a new type of bank account in the SORBNET2 system was launched. This account is kept for KDPW_CCP – the institution providing settlement services in the scope of trading in financial instruments in organised and unorganised form. KDPW_CCP was authorised as a central counterparty (CCP), in accordance with the so-called EMIR Regulation¹⁰ and, accordingly, through its own account it uses settlements in the central bank money.
- Activities aimed at adaptation of the Polish component of the system of payments in euro (TARGET2; T2-NBP) to the TARGET2-Securities platform were carried out¹¹ in connection with its planned launch in 2015. The progress of work on this project in the ECB and in other European central banks was also monitored.

7.2.3. Popularisation of non-cash transactions

In 2014, as part of popularisation of non-cash transactions in Poland, NBP undertook the following activities:

- Continued the implementation of the multiannual promotional and educational programme called *Accessible Finance Academy (Akademia Dostępne Finanse)*, to popularise non-cash transactions and reduce financial exclusion through expanding the knowledge of the Polish society on financial services. The program is addressed, in particular, to elderly people. In 2014, 167 meetings were held, attended by 8,330 persons.
- Conducted the survey related to the scope of use of non-cash transactions by persons aged 18 to 24 (*Study on barriers associated with banking services use among young people in Poland*). The results of the survey will be used in the development of a plan of actions aimed at popularising the use of banking services by this social group.

¹⁰ Regulation of the European Parliament and the Council No. 648/2012 of 4 July 2012 on OTC derivatives, central counterparties and trade repositories.

¹¹ TARGET2-Securities (T2S) is a pan-European platform for the settlement of securities transactions carried out at the initiative of the central banks of the Eurozone, in cooperation with central securities depositories of the EU countries. It should be launched in 2015. The aim of the T2S is to streamline and reduce the cost of cross-border settlement, the subject of which are transactions concerning securities.

- Participated in the work of the Coalition for Non-Cash Payments and Micropayments, including the implementation of the provisions of the *Programme for non-cash payments development in Poland for the years 2014–2020*.

7.2.4. Actions on the development of SEPA

Narodowy Bank Polski continued efforts to implement Single Euro Payments Area (SEPA), namely:

- Continued to provide banks interested in the participation in the pan-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 2014, 22 banks took recourse to these intermediation services (2 banks more than as at the end of December 2013).
- Undertook measures aimed at monitoring the adjustment of Polish providers of payment services to the European regulations that impose on Poland an obligation to replace all credit transfers and direct debits in euro with SEPA standards not later than by 31 October 2016.¹²

7.2.5. Payment System Council activity

The Payment System Council, the opinion-giving body acting at the Management Board of Narodowy Bank Polski, analyses and evaluates the Polish payment system on an on-going basis and promotes the development of this system. In 2014, the Council primarily discussed:

- issues related to costs and fees applied in the ATM market in Poland – the subject of activities of the working team for ATM fees, established within the Council and associating representatives of all major entities operating in the ATM market in Poland;
- issues associated with the development of non-cash transactions in Poland, including the implementation of the provisions of the *Programme for non-cash payments development in Poland for the years 2014–2020*, and results of the survey on Poles' attitude towards non-cash transactions;
- issues concerning the merits and the possibility of the participation of zloty in the CLS system;¹³
- issues related to SEPA standard introduction in Poland (cf. 7.2.4) and introduction of regulations concerning payment accounts into the Polish law (cf. 7.2.1).

¹² Regulation of the European Parliament and of the Council (EU) establishing technical and business requirements for credit transfers and direct debits in euro and amending Regulation (EC) No. 924/2009.

¹³ CLS (Continuous Linked Settlement) is a global system created to settle currency transactions, carried out continuously and simultaneously for both parties of the transaction on the basis of PvP (payment versus payment). This system significantly reduces the settlement risk arising from the execution of payments on different dates, in which the RTGS systems of individual currencies are functioning. Currently the CLS settles 17 currencies.

7.3. Oversight of payment systems and post-trade infrastructure of the financial market

Oversight of payment systems and post-trade infrastructure of the financial market seeks to minimise the risk related to the possible disruptions in the operations of those systems, in the settlements conducted by national payment institutions and to maintain financial stability.

7.3.1. Oversight of payment systems

In 2014, NBP analysed the statistical data and other information on the overseen systems on an on-going basis. NBP also assessed incidents disruptive to their operations and undertook actions aimed at ensuring their secure and efficient functioning. As part of these actions:

- The President of NBP issued the decision concerning an approval of the BLIK Mobile Payment System operation and two decisions concerning an approval of modifications to the functioning of the ELIXIR payment system.
- NBP conducted the survey *Liquidity levels in the SORBNET2 system – a simulation-based approach using the BOF-PSS2 Simulator of Payment Systems and Settlements*, focusing on the comprehensive analysis of liquidity in the SORBNET2 payment system.
- NBP started the evaluation of the SORBNET2 system in terms of its compliance with the rules defined in the *Principles for financial market infrastructures*. The rules were developed by the Bank for International Settlements (BIS) and the International Organisation of Securities Commission (IOSCO).

7.3.2. Oversight of acquiring payment service

Pursuant to Article 60 item 3 of the Act of 19 August 2011 on payment services, the NBP President, on request of the Polish Financial Supervisory Authority (Komisja Nadzoru Finansowego – KNF), issued six opinions in the form of decisions, concerning the provision of the acquiring service (the service of intermediation in authorisation of non-cash transactions).

7.3.3. Oversight of the post-trade infrastructure of the financial market

In 2014:

- NBP cooperated with KNF under the authorisation process of KDPW_CCP as the central counterparty. The decision on the authorisation of KDPW_CCP as the central counterparty was taken at the KNF meeting on 8 April 2014.
- Pursuant to the provisions of the Act of 29 July 2005 on financial instruments trading, the NBP President issued six opinions in the form of decisions, concerning, in particular, changes in the Regulations of KDPW and changes in the Regulations on settlements of KDPW_CCP SA transactions.

7.4. NBP as the shareholder of domestic legal persons providing services for financial institutions

In 2014, NBP held stocks and shares in the following domestic entities:¹⁴

- KDPW with its registered office in Warsaw, which is the central institution responsible for operating and supervising the deposit and settlement system in the scope of financial instruments trading in Poland,
- KIR with its registered office in Warsaw, which is the key institution on the domestic market of payments settlement,
- BSB (Bazy i Systemy Bankowe Sp. z o.o. [Bank Databases and Systems, Ltd]) company with its registered office in Bydgoszcz, the producer and integrator of IT solutions addressed mainly to financial sector institutions, in particular, banks and insurance institutions as well as public administration.

Table 7.1. Specification of shares and stocks held by NBP in companies acting under the Polish commercial law as at 31 December 2014

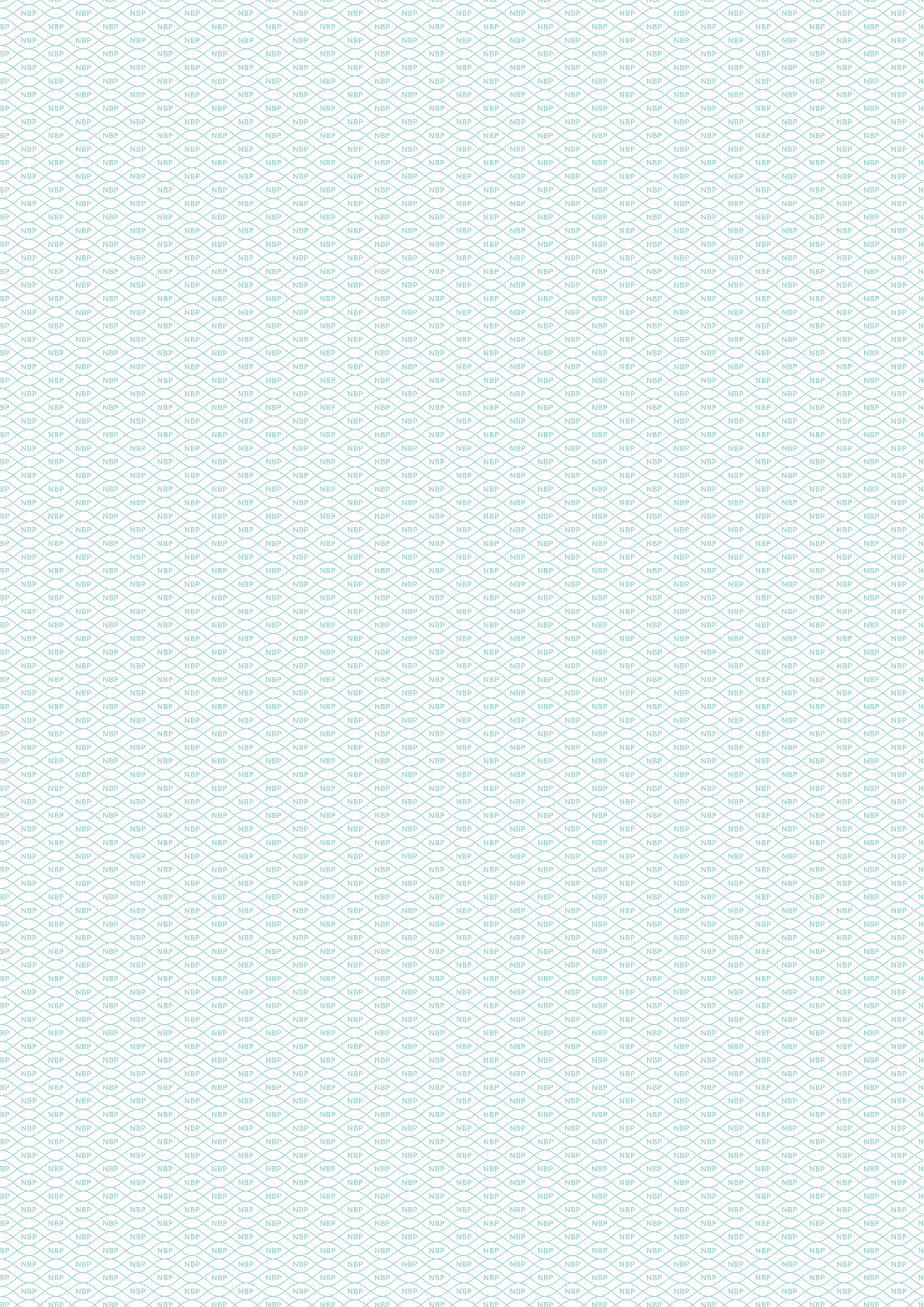
Name of entity	Share capital (PLN)	Number of shares/stocks held by NBP	NBP interest in share capital (%)
KDPW	21,000,000	7,000	33.33
KIR	5,445,000	625	5.74
BSB	10,000,000	1,000	100.00

Source: NBP data.

Highlights of 2014:

- launch of a new version of the SORBNET2 system, opening of the bank account for KDPW_CCP in this system and the account of reserve requirements for KSKOK,
- works within the Payment System Council in the scope of fees in the ATM market,
- active participation in the implementation of the provisions of the *Programme for non-cash payments development in Poland for the years 2014–2020*,
- approval of the BLIK Mobile Payment System operation,
- cooperation with KNF under the authorisation process of KDPW_CCP as the central counterparty.

¹⁴ In accordance with Article 5 item 2 of the Act on the National Bank of Poland (Narodowy Bank Polski), NBP may act as the shareholder or partner of other legal persons that provide services to financial institutions or the State Treasury, or have significant importance for NBP in the scope of activity aimed at stability of the national financial system.



Chapter 8

Services to the State Treasury



Services to the State Treasury¹

Tasks performed 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 activities supporting public debt management, in particular, with regard to the State Treasury debt.

8.1. Bank accounts operated by NBP

In 2014, NBP operated bank accounts referred to in Article 196 of the Act on Public Finance of 27 August 2009, including mainly the central current account of the State Budget, current accounts of the budgetary entities, including offices providing services for tax authorities, as well as accounts of funds for expenses carried over of the budgetary entities. NBP also maintained term deposit accounts in PLN and foreign currencies for entities authorised to hold accounts with NBP.

Moreover, pursuant to Article 51 section 1 para. 4 of the Act on the National Bank of Poland (Narodowy Bank Polski), NBP operated accounts of other legal persons.

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 interface was used for operating bank accounts of the State Budget Department and the Paying Authority Department in the Ministry of Finance, the Agency for Restructuring and Modernisation of Agriculture and the Main Inspectorate of Road Transport as well as ordinary courts (since December 2014).

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. As at 31 December 2014, NBP provided services for 3,524 customers (in 2013 – 3,527), for whom regional branches operated 15,841 accounts (in 2013 – 15,690), of which 7,908 accounts were operated as part of a third-party external cashier service (in 2013 – 7,887).²

¹ Tasks in this area are fulfilled, among others, pursuant to art. 3 section 2 para. 4, Article 49, 51, 52 of the Act on the National Bank of Poland (Narodowy Bank Polski), the provisions of the Act on Public Finance as well as the regulations of the Banking Law.

² 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.

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, Narodowy Bank Polski handled the State Budget liabilities and claims arising from:

- 62 loans granted by international institutions and financial organisations to the government of the Republic of Poland,
- 70 foreign loans guaranteed by the government of the Republic of Poland, granted to domestic entities,
- one agreement on making funds available to a domestic entity under the loan granted.

While acting as a depository for the World Bank and its agents NBP administered 15 promissory notes issued by the government of the Republic of Poland in connection with Poland's membership in those organisations.

8.3. Organization 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 2014, the following auctions were organised:

- 14 Treasury bond sale auctions, including 4 non-competitive complimentary auctions. The total supply amounted to PLN 79.1 billion, the total amount bid – to PLN 147.6 billion, the total amount allotted – to PLN 84.3 billion. The majority of bonds offered by the Ministry of Finance were fixed-rate bonds; their amount allotted constituted 60.0% of the total amount allotted.
- 6 Treasury bond swap auctions, where the Ministry of Finance redeemed bonds worth PLN 29.7 billion, and allotted bonds worth PLN 29.9 billion; the value of purchase of bonds for cash amounted to PLN 18.3 million. Fixed-rate bonds represented the majority of bonds allotted in auctions (62.0%).

In 2014, similarly to the previous years, one USD-denominated Treasury bond redemption auction took place: the total supply amounted to USD 400 million, the total amount bid to USD 446.46 million and redemption to USD 354.4 million.

In 2014 one auction of bonds issued by BGK (Bank Gospodarstwa Krajowego), secured or guaranteed by the State Treasury was held (amount bid – PLN 2.68 billion, amount allotted – PLN 1.27 billion).

8.3.2. Treasury Securities Dealer System (DSPW)

In 2014, similarly to previous years, NBP performed tasks associated with the Treasury Securities Dealer System (DSPW).³ In accordance with the Agreement concluded with the Ministry of Finance, NBP performed the following duties:

- submitted to the MF monthly and quarterly assessments of the activities of the DSPW banks and candidates to perform this function, on the Treasury bill and bond primary and secondary markets,
- acted as the organiser of Treasury securities fixing,⁴
- participated in periodic meetings of the Council of Market Participants – the opinion-making and advisory group acting at the Minister 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. Cooperation with the Ministry of Finance within the Public Debt Management Committee

In 2014, Narodowy Bank Polski cooperated with 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 MF with the monetary and foreign exchange policy of NBP.

Highlights of 2014:

- operation of 15,841 accounts for 3,527 customers,
- organisation of the total of 21 Treasury bill sale and redemption and swap auctions.

³ The main aim of the system is to distinguish a group of banks (the so-called primary dealers) which, in return for a privilege of exclusive submission of bids to the Treasury securities auctions (SPW), or the privilege in the scope of conducting individual operations with the Ministry of Finance, are obliged to participate in SPW sale auctions, SPW fixings, SPW quotations (in particular, the baseline issues on the electronic market), undertake measures for expansion of the SPW investor base, fulfil the obligations arising from their participation in deposit systems in reliable manner, and promote the SPW market. Such measures are to support the implementation of the public finance sector debt management strategy, in particular, the enhancement of the liquidity, efficiency and transparency of the SPW market.

⁴ Acting as the organiser of SPW fixing, NBP defines its rules, in agreement with the Ministry of Finance (the issuer) and BondSpot SA (the proxy), as well as provides the general supervision over the fixing performance (para. 2 item 3 of the fixing regulations).

Chapter 9

Research activity



Research activity¹

In 2014, analytical and research activities of NBP focused mainly on monetary and macrostability policy, inflation processes, public finance, financial situation of enterprises and households as well as the labour and real estate markets. Analytical and conceptual work related to economic processes occurring in the euro area was carried out. Changes in the economic environment in Poland and abroad were also the subject of interest. Forecasting and modelling work focused mainly on the importance of the market services sector for the development of the Polish economy and the impact of the structure of mortgage loans on the monetary and macrostability policy. Macroeconomic forecasting models supporting the NBP monetary policy continued to be developed. The findings of the research provided background information for the decision-making process of the NBP Management Board and the MPC.

In 2014, well-renowned national and international scientific journals published 75 academic papers by NBP employees, including 31 in Polish and 44 in English. Fifteen publications were posted on the so-called Philadelphia list (see Appendix 6).

9.1. Studies of monetary policy, inflation processes and inflation expectations

9.1.1. Analytical and conceptual framework for the monetary policy strategy and its implementation at other central banks

- Monetary policy of central banks and their communication with the environment were monitored.
- The paper on *Evolution of the inflation targeting strategy in selected countries* was published. The publication contains general information concerning the inflation targeting strategy and presents the main directions of changes in this strategy.

9.1.2. Analysis of inflation expectations in Poland

The relationship between the projections of inflation and the GDP published by NBP and forecasts of external experts was analysed.

9.1.3. Analytical, research and modelling work on the monetary policy transmission mechanism and its changes

- The studies on the monetary policy transmission mechanism were carried out, factoring in the non-linear nature of selected interactions.

¹ Tasks in this field are performed pursuant to Article 59 of the Act on the NBP.

- The linear version of the QMOTR model of the monetary policy transmission mechanism was revaluated and the hypothesis concerning the significant reduction of the impact of foreign currency rate fluctuations on consumer prices was confirmed.
- Work on the non-linear version of the monetary policy transmission mechanism model was commenced.

9.1.4. Analyses of macroeconomic models with the financial sector

- The effects of long-term mortgage loans on monetary and macrostability policy were examined.
- The impact of the currency structure of mortgage loans on the transmission of monetary and macrostability policy was examined.

9.1.5. Analyses and research of the prices of consumer goods and services

- Analyses and studies on inflation processes in the national economy were conducted and short-term forecasts of the consumer price index and its components were prepared.
- Analytical and research work on core inflation measures was carried out.
- The frequency of price changes in the Polish economy was studied, including the analyses of the magnitude of price changes depending on the sector of the economy and the role of promotions in the price-setting process.
- The importance of nominal rigidity for the development of macroeconomic variables was analysed, in particular, the inflation and GDP response to the change in the monetary policy parameters.

9.2. Analytical and conceptual framework for the economic developments in the euro area

9.2.1. Analysis of sources of differences in economic conditions in euro area countries

- The economic situation in the euro area was monitored and forecasted for the needs of the domestic monetary policy.
- The report on *Economic challenges of Poland's integration with the euro area* was drawn up and published. The report contains: the analysis of the causes and the level of diversity of economic structures in the euro area countries, the description of the sources of the euro area crisis, with a focus on institutional weaknesses in the performance of mechanisms of the European currency union, evaluation of the implemented institutional solutions aimed at enhancing the effectiveness of operation of the euro area and the analysis of the degree of the Polish economy's readiness to function in the euro area.

- The analysis of the Latvian economy's readiness to join the single currency was conducted and Latvia's first experiences after the introduction of the euro were examined.

9.3. Enterprise and household surveys

9.3.1. Surveys of financial situation in the corporate sector

- Quarterly surveys of the business climate in the corporate sector focused, among others, on decisions concerning production, employment, investment, finance and prices made by firms as well as their relations with the banking system. The analyses covered: selected aspects of price-setting processes and their impact on processes in the real economy, the impact of the Russian-Ukrainian conflict on the performance of enterprises, as well as the adopted strategies and reactions of the corporate sector to the changing environment and the perception of uncertainty and its impact on corporate decisions.
- The *Annual NBP Survey* was completed, focusing on long-term development trends in the corporate sector, forecasts and assessments of the economic situation, effects of the Russian-Ukrainian crisis, innovative policy and use of the EU funds, the role of internet technology and factors affecting price decisions of enterprises.
- Regular analyses of the financial performance of enterprises were carried out. The analyses focused on the impact of the Ukrainian conflict on the level of export of the corporate sector.

9.3.2. Surveys of the condition of households

- In cooperation with GUS (Central Statistical Office), a pilot study was completed on assets and liabilities of households in Poland.
- Regular analyses of the financial situation of the household sector were performed addressing such issues as sources of income and decisions affecting the level of savings and consumption as well as accumulation of financial assets and liabilities of households.
- The econometric analysis of dynamic relations between disposable income, consumption expenses and consumption loans was carried out.
- The analyses of correlation, prospective properties and spectral characteristics of variables derived from the GUS studies of household economic condition as well as retail sale against the background of individual consumption, were conducted.

9.4. Other macroeconomic research

9.4.1. Labour market research

- Regular analyses of labour market developments were continued. Flows in the labour market leading to changes in unemployment and employment were estimated. The analyses focused on issues related to migration (importance for the economy of Poland, sectoral intensity of migration) and the impact of changes in maternity leave entitlements on the labour market.
- Another round of the *Labour Market Survey* was completed, linking information from entrepreneurs with information from the jobless. The following issues were addressed: workforce turnover and new job creation, factors determining labour supply, the skill mismatch in the labour market, determinants of wage pressure, wage expectations of the jobless as well as instruments increasing flexibility of the Polish labour market and sources of labour productivity growth.
- In cooperation with the ECB a research project was implemented concerning the differences in firms' adjustment of employment and wages in response to an economic crisis, depending on its nature and institutional environment.

9.4.2. Surveys on the real estate market in Poland

- Analyses of the residential and commercial property market were focusing on prices and rents; behaviour of consumers, developers and the banking sector in the real estate market, the impact of interest rates on the situation in the residential property market, and the impact of residential and commercial property sector on the stability of the financial sector).
- The hedonic analysis of prices in the commercial real estate market was carried out and hedonic indices were calculated.
- The *Report on the situation in the Polish residential and commercial real estate market in 2013* was drawn up, and quarterly releases on the subject were posted at the NBP's website.

9.4.3. Analyses and research of the public finance sector

- Analyses and forecasts of the situation of the state budget and the general government sector entities were performed (including those relating to the impact of low inflation on the public finance sector).
- Studies of the situation of the public finance in the EU countries, especially in Central and Eastern Europe were carried out.
- Studies on the level of short- and long-term flexibility of tax income were conducted.

- In cooperation with experts from other central banks – members of the ESCB, studies on the level of fiscal multipliers were carried out.

9.4.4. Analyses and research on the external sector of the Polish economy

- Forecasts of Poland's balance of payments were drawn up on a regular basis, along with an assessment of the stability of external balance indicators for the Polish economy.
- Trends in the real effective exchange rate of the zloty were monitored.
- Price flexibility in the Polish foreign trade was examined.

9.4.5. Analyses and studies of the global economy

- Developments in global economic conditions, including the current and forecasted situation in major developed economies and trends in the commodity and financial markets were analysed.
- As regards foreign trade, participation of Poland and the Central and Eastern European countries in international supply chains was analysed.
- In cooperation with the World Economic Forum, analyses of the competitiveness of the Polish economy (also against the background of other countries of Central and Eastern Europe) were carried out.

9.5. Forecasting and research work

- Forecasting of the level of foreign currency reserves was carried out.
- The analytical and forecasting potential of the (DSGE) SoePL dynamic stochastic general equilibrium model was developed, enabling to factor in the impact of public sector activity on business cycle and inflation processes to a greater extent.
- The impact of the frequency of re-estimation of DSGE models on the quality of point prediction and interval forecasts generated on their basis for individual macroeconomic categories was studied.
- An alternative method of output gap estimation was implemented using the monthly indicators (including questionnaire surveys related to the situation of enterprises and labour market data).
- A new specification of selected equations of the main forecasting model (NECMOD), and a re-estimation of its parameters was performed in order to improve the forecasting and simulation properties of the model.

- The existing models were re-estimated and new models for the needs of short-term inflation forecasting were developed.

9.6. Activity of NBP's Economic Research Committee

In 2014, reports on seven projects implemented under the NBP research project competition were approved. The projects were implemented in the following areas: macroeconomic stability, financial stability and methods of quantitative studies. Furthermore, a new edition of the research competition was held, and 10 projects were selected for implementation.

9.7. Scientific conferences and workshops organised by NBP

In 2014, NBP organised, among others, the following international conferences:

- 15 April 2014: *A Decade of Mobility. Poles in Contemporary Migration Spaces*. The Conference was organised in cooperation with the Centre of Migration Research, University of Warsaw. The presented research concerned the impact of strong migration flows on the Polish economy over ten years following Poland's accession to the EU.
- 30 June – 4 July 2014: *3rd Summer Workshop*. The conference was devoted to the latest research studies of Polish economists working in the country and abroad in the field of macroeconomy and finance.
- 13–14 November 2014: *Workshop on short term forecasting*. The aim of the workshop was to exchange knowledge and experience in the scope of methods used to forecast major macroeconomic variables (e.g. inflation, production, GDP) in central banks and other forecasting institutions.
- 17 December 2014: *Identification in Macroeconomics*. The conference examined the results of the latest studies concerning identification problems in macroeconomic modelling. The leading scientists dealing with these issues participated in the meeting (Fabio Canova, Ivana Komunjer, Daniel Waggoner, Tao Zha).

In 2014 NBP launched the programme of external economists' visits – the *Visiting Researcher Program*. In the first edition, NBP hosted four researchers: Yannic Lucotte from the ESG Management School in Paris, Emanuel Gasteiger from the ISCTE Business School in Lisbon, Margarita Rubio from Nottingham University and Matteo Iacoviello from Boston University, the economist working for the Board of Governors of the Federal Reserve Bank. During their visit to NBP they carried out research work, presented results of their studies at seminars and provided consultations to NBP employees.

Furthermore, 29 open-to-public academic seminars were organised, addressing a wide range of issues in the area of economy, the financial system and the conduct of economic policy. Their list is presented in Appendix 6.

Highlights of 2014:

- development of forecasting tools and processes,
- extension of the scope of modelling and analytical and research work on the processes observed in the national and global economy,
- publication of 15 academic papers by NBP staff in journals of the so-called Philadelphia list,
- organisation of four international conferences and 29 open scientific seminars.

Chapter 10

Statistics



Statistics¹

NBP statistical research focuses on data concerning the financial sector and broadly understood statistics of international relations. The data are used in the conduct of monetary policy, financial sector risk monitoring, financial stability reports and macro-prudential analyses. NBP systematically publishes a broad range of statistical data and also submits reports to international institutions, including, in particular, the ECB.

10.1. Core tasks with respect to statistics

NBP's core tasks relating to statistics include the collection, processing and ongoing analysis of statistical data and the development of methodology for compiling and presenting the data.

In 2014, NBP continued the ongoing development and provision of statistical compilations, analytical materials and publications addressed to both internal and external recipients. The most important of these included:

- quarterly reports on the balance of payments and the annual *International Investment Position of Poland* report,
- quarterly data on Poland's external debt and international investment position,
- 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 banking sector (assets, liabilities, profit and loss account),
- quarterly data on domestic investment funds,
- quarterly and annual financial accounts, by institutional sectors.

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

In 2014, the statistical activities focused on the adjustment of data to the changed methodical standards (ESA 2010; Balance of Payments Manual 6th ed. – the IMF standard and Benchmark Definition of FDI 4th ed. – the OECD standard). Data related to financial accounts and the balance of payments as well as the international investment positions were published according to the new standards in September 2014, including the re-calculated historical data. Methodological and legal aspects of the ESA 2010 introduction into monetary statistics were addressed in 2014 and the first data were published at the beginning of 2015. In 2014 work associated with the introduction of the ESA 2010 into the statistics of investment funds was also carried out.

¹ Tasks in this area are performed pursuant to Article 3 section 2 para. 7, Article 17 section 4 para. 13 and Article 23 of the Act on NBP and the Act on Public Statistics (Journal of Laws of 2012, item 591 as amended).

In 2014 provisions of the European Commission Regulation² were also implemented, concerning tasks in the scope of supervisory reporting under the new European regulations.

Additionally, in 2014 NBP:

- continued preparatory works on the construction of the reporting system for monetary financial institutions for the purposes of monetary policy,
- conducted studies on the effects of the financial crisis for the seasonal adjustment of data, and commenced calculation and submission to the ECB of the seasonally Harmonised Index of Consumer Prices (HICP) and its main components,
- participated in the works of the Seasonal Adjustment Steering Group and the Seasonal Adjustment User Group, operating under the auspices of the ECB and Eurostat,
- in cooperation with the University of Freiburg, Germany, conducted research on long-term stability of the national pension system in Poland,
- continued works on the development of a bankruptcy prediction indicator of non-financial enterprises and the identification of the sources of their internal and external financing,
- carried out works on the development of the methodology of default rate of non-financial enterprises as well as analytical works related to internal and external sources of financing and investment processes in enterprises.

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

In 2014, 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), the European Systemic Risk Board (ESRB) and the European Commission.

10.2.1. Monetary and financial statistics

In 2014, NBP provided the ECB with cyclical harmonised data on the consolidated balance sheet of monetary financial institutions (MFIs), as well as interest rate statistics and investment funds statistics. Moreover, in 2014 NBP:

- prepared the implementation of the ESA 2010 rules and extended ECB reporting requirements in monetary statistics and interest rate statistics,³
- participated in the activities of the Working Group on Monetary and Financial Statistics of the ECB, including the works related to the project on construction of the harmonised database of single credits (AnaCredit) and the draft ECB regulation concerning the statistics of insurance institutions,

² Commission Implementing Regulation (EU) No. 680/2014 of 16 April 2014 laying down implementing technical standards with regard to supervisory reporting of institutions according to Regulation (EU) No. 575/2013 of the European Parliament and of the Council.

³ Resolution No. 40/2014 of the NBP Management Board of 17 July 2014 amending the resolution concerning the procedure and detailed rules for banks submitting to Narodowy Bank Polski the data necessary for determining the monetary policy and the periodic assessments of the country's monetary situation and the assessment of the financial situation of banks and the risks of the banking sector (Official Journal of NBP of 2014, item 9).

- carried out works aimed at compiling new, extended data sets of investment funds for the needs of internal and external customers (in particular, the ECB) in connection with the entry into force of the ESA 2010 methodology,
- commenced the submission of data on investment funds to the European Central Bank, for the needs of the new, extended version of the Register of Institutions and Affiliates Database (RIAD).

10.2.2. Prudential statistics

In 2014, in the area of prudential statistics, NBP:

- under the reporting information system (SIS) implemented new reporting requirements defined in Commission Regulation (EU) No. 680/2014, comprising data on capital adequacy, financial information, large exposures, liquidity, stable funding ratio and financial leverage,
- launched works involving the preparation of taxonomy and reporting infrastructure of consecutive reporting packages defined by the European Banking Authority (EBA), i.e. encumbered assets and financing plans,⁴
- participated in the work of the Standing Committee on Accounting, Reporting and Auditing (SCARA) operating within the EBA, and its subgroups: Subgroup on Reporting, Subgroup on XBRL and Working Group on Supervisory Statistics operating within the ECB, provided the ECB with banking sector data concerning financial reporting and capital adequacy (Consolidated Banking Data),
- provided the ECB with the consolidated banking data.

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

In 2014, Narodowy Bank Polski introduced new methodical standards – the Balance of Payments Manual 6th ed. (BPM6) and Benchmark Definition of FDI 4th ed. Data elaborated according to the new standards were published and submitted to the ECB, Eurostat, the OECD and the IMF. The data comprised the balance of payments, international investment position, external debt, foreign direct investments and international trade in services. In addition, in order to ensure comparability, the relevant historical data were calculated.

10.2.4. Other statistics

Other key statistical activities covered the following areas:

- financial accounts statistics: NBP participated in the activities of the Working Group on Euro Area Accounts operating within the ECB,
- 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 as well as in the works of the Working Group on Government Finance Statistics at the ECB,

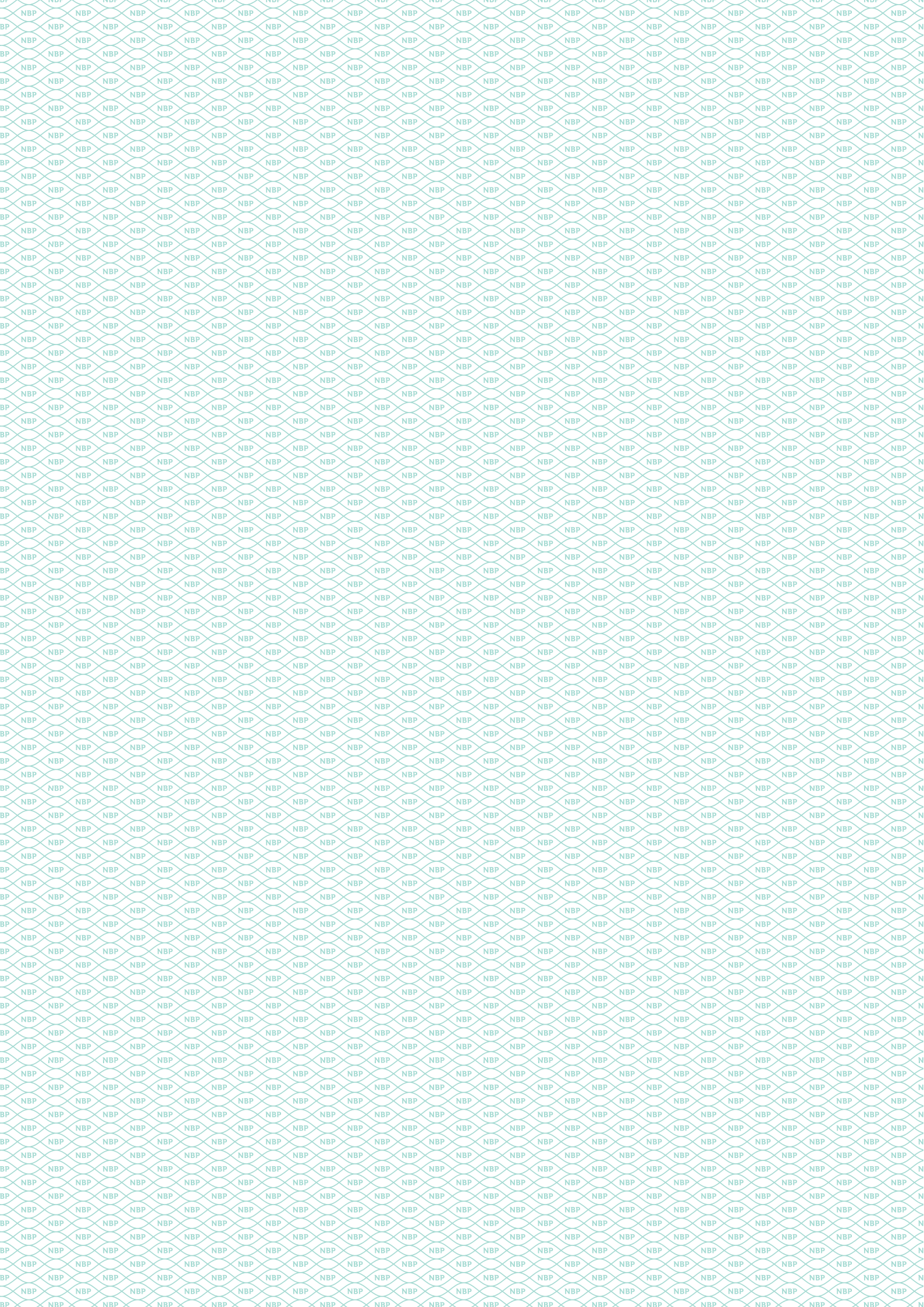
⁴ The new reporting has been defined in the Implementing Technical Standard (ITS). Introduction of the ITS arises from the adoption of Regulation No. 575/2013 (known as the CRR) by the European Parliament.

real sector statistics: within the BACH working group,⁵ methodical and technical works on the new version of the database (BACH3) were completed.

Highlights of 2014:

- introduction of new methodical standards: ESA 2010 – in monetary statistics, statistics of investment funds and financial accounts as well as BPM6 and Benchmark Definition of FDI 4th ed. in the balance of payments and international investment position,
- introduction of new reporting requirements for banks, set forth in the Commission Regulation (EU) No. 680/2014.

⁵ Working Group on Bank for the Accounts of Companies Harmonised – the working group operating within the European Committee of Central Balance Sheet Data Offices (ECCBSO).



Chapter 11

Education and information



Education and information

Pursuant to Article 59 of the Act on Narodowy Bank Polski, the central bank conducts publishing and promotional activities. As part of these, the bank runs educational and information projects which aim to increase the transparency of NBP activities and to familiarize the general public with the principles of operation of the central bank, the banking system and the market economy. They also seek to disseminate knowledge about the Economic and Monetary Union (EMU) and about the common currency 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 core tasks. It helps develop stable behaviour patterns in the financial markets and enhance a mature use of its instruments, stimulates the development of the financial systems and boosts social capital, which is conducive to economic development. In 2014 the educational projects were related to the main tasks of the central bank – implementation of monetary policy and supporting the stability of the financial system, Economic and Monetary Union issues, as well as combating financial exclusion and popularisation of non-cash transactions. An important area of NBP's educational activity was related to safe use of financial services (financial transactions and instruments) and risks of using the services of financial institutions that are not subject to special state supervision. Educational activities were planned in line with the findings of research on the state of economic knowledge and awareness of individual social groups.

In 2014, NBP subsidised a total of 214 educational projects to a different degree, including 65 national and 153 local and regional projects. These undertakings were addressed to various social and professional communities (including judges, public administration officials, representatives of local governments, employees of NGOs), to school and university students and people from rural areas and small towns. In cooperation with external entities the following projects were carried out: *Moje Finanse* ("My Finances"; about 100,000 students of upper secondary schools and 1,600 teachers), *Ekonomia na co dzień* ("Day-to-day Economics"; about 96,000 lower secondary school students and 3,000 teachers), *Na własne konto* ("On My Own Account"; over 2,400 lower secondary school students from rural areas), *Ekonomiczny Uniwersytet Dziecięcy* (Children's Economic University; about 1,400 primary school students), Entrepreneurship Olympics (over 12,000 students), Olympics of Economic Knowledge (almost 11,000 students), postgraduate studies on Mechanisms of Euro Area Functioning as well as postgraduate studies in the area of finance and economics addressed to judges, economic education study programme for public administration officials, *Samorządowa Akademia Finansów* (Academy of Finance for Local Governments) for officials and activists of local governments, a cycle of workshops related to rational finance management in NGOs, bridge scholarship programme for young people from small towns (particularly from rural areas) who take up studies related to banking, finance or economics.

Educational projects were also carried out in cooperation with the media. In 2014, 20 such projects were co-financed. One of them was the *Wielki Test Wiedzy Ekonomicznej* (“National Test of Economic Knowledge”) launched in collaboration with TVP SA, which was viewed by over 1.6 million people. Each of 20 episodes of the *Spokojnie, to tylko ekonomia* (“Relax, It’s Just Economics”) mini-series, which aired at the same time had a similar viewership.

All educational projects implemented in 2014 were evaluated, including in the form of own social surveys. The opinion of the Council for Economic Education experts was also used within the implementation of the educational activity.

In addition:

- As part of the IMPULS Club of Entrepreneurial Teachers, gathering teachers from lower and upper secondary schools from all over Poland, 14 educational projects and competitions as well as 10 training sessions were implemented.
- Narodowy Bank Polski conducted the next issues of the Competition for the NBP President Award for the best MA dissertation, doctoral thesis and postdoctoral dissertation and the Essay competition for the youth from secondary schools.

11.2. Economic Education Portal – NBPortal

In 2014, work commenced on developing more technologically advanced contents for NBPortal.pl. In the previous year NBPortal.pl was visited by approximately 517,500 users.

11.2.1. Narodowy Bank Polski Money Centre in memory of Sławomir S. Skrzypek

In 2014 work continued on establishing the NBP Money Centre in memory of Sławomir S. Skrzypek, among others: the exhibition contractor was selected, acquisition of exhibits and preparation of information materials was continued, and the development of the Centre’s rules of operation started, including, in relation to the organisation of operation and displaying of the exhibition. Moreover, two temporary exhibitions were prepared: *Władysław Grabski, Bank Polski SA and the economic stabilisation of the country* as well as the *Wartime story of Polish gold*.

11.3. Information and promotion

11.3.1. Information and promotion campaigns

In 2014, NBP continued the following information and promotion campaigns:

- *Safe money* NBP carried out a nationwide information campaign on banknotes with modernised security features introduced into circulation since April 2014. The campaign was addressed to the broad audience, including the disabled. In total, several hundred releases concerning the modernisation of security features were published. The conducted

public opinion surveys have shown that the communication of the campaign reached about 80% of adult Poles.

- *Don't let yourself be cheated. Check before you sign.* In cooperation with partners – the Bank Guarantee Fund, the Polish Financial Supervision Authority, the Ministry of Finance, the Ministry of Justice, the Police and the Office for Competition and Consumer Protection – NBP continued the campaign aimed at drawing public attention to the risks associated with concluding financial agreements, in particular, incurring high interest short-term loans (so-called easy loans) and using the services of financial institutions that are not subject to special state supervision.
- *NBP does not exclude.* In 2014, NBP continued activities aimed at drawing public attention to the issue of financial exclusion arising from disability, including intellectual disability.

11.3.2. Presentation of NBP's activity on the Internet

In 2013, through the Internet, the following activities were performed:

- the live broadcasting (streaming with simultaneous interpretation) of press conferences of the MPC and international conferences organised by NBP,
- a website for the *NBP does not exclude* project was developed by publishing information in the sign language, movies with audio description for the visually impaired and information for people with intellectual impairment in a format accessible for them,
- the *ObserwatorFinansowy.pl* internet portal was maintained, including the continuation of collaboration with the academic community (competition for economics undergraduates entitled *Gdyby to zależało ode mnie* (“If it were up to me...”) and the community of economic experts.

In 2014, the NBP.pl website was visited by more than 6.3 million users.

11.3.3. Liaising with the media and market analysts

While liaising with the media and market analysts in 2014, NBP:

- disseminated reports and analyses prepared by NBP among journalists, especially reports on the financial system and monetary policy, payment system and the development of the macroeconomic situation, with special attention to the labour market,
- carried out the twelfth edition of the Władysław Grabski Competition, and the sixth edition of the Best Macroeconomic Analyst competition,
- responded to more than 450 press enquiries,
- organised meetings with journalists and press conferences concerning MPC meetings and the publication of the most important NBP reports.

11.3.4. Other information and promotion activities

Other information and promotion activities of NBP in 2014 included the following:

- promoting collector coins and notes;

- organising Open Days in the NBP Head Office and in eight NBP regional branches; during the eleventh edition of Open Days, NBP was visited, in total, by approximately 30,000 visitors;
- continuation of introducing the comprehensive NBP visual identification system at NBP, in particular, with regard to consistent identification and marking of NBP regional branches.

11.4. Publishing and Library

In 2014, the following periodic publications were issued: *Annual Report 2013*, *Report on NBP Operations in 2013*, *Monetary Policy Guidelines for 2015*, *Report on Monetary Policy Implementation in 2013*, *NBP Plan of Activity for 2015–2017*, *Financial System in Poland 2013*, *Financial Stability Report – December 2012*, *Financial Stability Report – July 2013*, *Banking Sector Liquidity*, *Monetary Policy Instruments of Narodowy Bank Polski*, *Inflation Reports – March, July, November 2014*, *Balance of Payments of the Republic of Poland – 3rd and 4th quarter of 2013 and 1st and 2nd quarter of 2014*, *International Investment Position of Poland in 2013*, *Bank i Kredyt (Bank and Credit)*. *Information Bulletins* and *Preliminary Information* are prepared only in electronic version. As part of cooperation with the European Central Bank, NBP published summaries of the ECB *Monthly Bulletin* on the NBP website. The publication of *Materiały i Studia* series (in an electronic version) as well as *NBP Working Papers* was also continued (for a detailed list of publications in 2014, see Appendix 6).

In connection with the tenth anniversary of NBP's membership in ESCB, in 2014 the publication entitled *NBP European decade. 10 years of ESCB membership* was prepared. The report summarising the process of the euro currency introduction in Latvia was also published: *Preparations of Latvia for the membership in the euro area and the first experience related to introduction of the common currency*.

The NBP Central Library, which has the status of a scientific library, collects publications on economics, with particular emphasis on banking and money. In 2014, approximately 11,500 readers borrowed 21,788 books.

11.5. Petitions, complaints, requests and letters

In 2014, NBP dealt with 4,466 queries (4,974 in 2013), of which 4,331 came in the form of letters (4,820 in 2013) and 135 as complaints and applications (154 in 2013); 16 applications were examined pursuant to the Act on access to public information. Out of these 4,198 were dealt with directly at NBP, whilst 268 were handed over to banks and other institutions. Issues handled at NBP included in particular: the availability of collector coins, information concerning NBP's educational and publishing activities, job offers, internship and apprenticeship offers, information concerning MPC decisions, granting financial support, provision of NBP patronage, information on banks' operations (including repayment of loans drawn at commercial banks) and the banking law, foreign exchange issues, Treasury securities and currency exchange rates.

Highlights of 2014:

- implementation of 214 educational projects, including the *National Test of Economic Knowledge* and the educational mini-series,
- conducting three national information campaigns.

Chapter 12

Legislative activity



Legislative activity¹

12.1. Legislation by NBP governing bodies

In 2014, the governing bodies of NBP issued 136 legal acts, including 32 by the President of NBP, 11 by the MPC, and 93 by the Management Board of NBP. Out of the legal acts issued by the governing bodies of NBP, 25 were published in Monitor Polski (the Official Gazette of the Republic of Poland) and 15 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 Narodowy Bank Polski, NBP cooperated with the state authorities by issuing opinions on draft normative and non-normative acts regarding economic policy and with relevance for the banking system. Through these activities NBP sought to ensure the stability of the financial system and the safety and development of the banking system.

In 2014, NBP received:

- 178 documents as part of inter-ministerial consultations,
- 1,171 documents as part of the work of the Committee of the Council of Ministers,
- approximately 1,500 documents as part of the work of the Committee for European Affairs,
- 56 draft acts from the Chancellery of the Sejm, the Chancellery of the Senate and the Chancellery of the President.

In 2014, NBP representatives participated in 17 consultative conferences, 7 legal committees, as well as in 53 meetings of Sejm and Senate committees and subcommittees.

The most important draft legal acts on which NBP issued opinions in 2014 which do not directly regard the banking sector (the most important legal acts on the banking sector are discussed in detail in Section 12.3), include:

- bills which subsequently became:
 - Act of 24 April 2014 Amending the Act on Complementary Supervision Over Credit Institutions, Insurance Companies, Reinsurance Companies and Investment Companies Constituting Parts of Financial Conglomerates and Some Other Acts (Journal of Laws of 8 May 2014, item 586),
 - Act of 5 December 2014 Amending the Act on Trading in Financial Instruments and Some Other Acts (Journal of Laws of 15 January 2015, item 73),
 - the Bonds Act of 28 November 2014 (Journal of Laws of 20 January 2015, item 238),

¹ Tasks in this field are performed pursuant to Article 7, Article 12, Article 16 section 3, Article 17 section 3 item 2 and section 4, and Article 21 item 3 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.

- bills:
 - parliamentary Bill on Consumer Credit and Amending the Act – Code of Petty Offences,
 - government Bill Amending the Act on Supervision Over the Financial System and Some Other Acts,
 - government Bill Amending the Act on Trading in Financial Instruments,
 - parliamentary Bill on the Fiscal Council,
 - government Bill – the Restructuring Law,
 - government Bill Amending the Accounting Act.

Narodowy Bank Polski 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 of the Council regarding the financial system. The key opinions included: a draft regulation on the Single Resolution Mechanism for banks (SRM) and a draft regulation on indices used as benchmarks in financial instruments and financial contracts. NBP also took part in developing an official position of the Republic of Poland in the unprecedented preliminary ruling proceedings before the Court of Justice of the European Union concerning monetary policy of the ECB.

Furthermore, as part of the work of the Committee for European Affairs, NBP presented its opinions concerning documents of the Government, among other things, observations on *The Multiannual Financial Plan of the State 2014–2017*, observations on Bill on Macro-prudential Supervision Over the Financial System and Crisis Management in the Financial System² as well as observations on the Bill Amending the Act on Trading in Financial Instruments and Some Other Acts.

Narodowy Bank Polski also contributed to developing solutions in the major areas of the functioning of the state, in particular, by participating in the activities of the following bodies:

- the Bank Guarantee Fund,
- 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.

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

Narodowy Bank Polski issued opinions on:

- bills which subsequently became:
 - Act of 23 October 2014 on Reverse Mortgage (Journal of Laws of 14 November 2014, item 1585),

² The title of the Bill was changed in the course of government work and at present it reads: Bill on Macro-prudential Supervision Over the Financial System and Crisis Management in the Financial System.

- Act of 28 November 2014 Amending the Act on Payment Services (Journal of Laws of 29 December 2014, item 1916);
- Act of 26 September 2014 Amending the Act on Public Finance (Journal of Laws of 21 November 2014, item 1626),
- bills:
 - two parliamentary Bills Amending the Banking Act,
 - parliamentary Bill on Building Societies and State Support to the Saving for Housing Purposes,
 - government Bill Amending the Act on the Bank Guarantee Fund, Recovery of Banks and Some Other Acts,
 - government Bill on Supervision Over the Financial System, the Banking Act and Some Other Acts,
 - government Bill on Macro-prudential Supervision Over the Financial System,³
 - government Bill Amending the Act on Narodowy Bank Polski and the Law on Higher Education.

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

In 2014, NBP participated in assessing 92 proposals for legislative acts on which the ECB issued opinions.⁴ The key opinions included:

- a proposal for a regulation of the European Parliament and of the Council on interchange fees for card-based payment transactions,
- a proposal for a directive of the European Parliament and of the Council on payment services in the internal market amending and repealing some directives,
- a proposal for a directive of the European Parliament and of the Council concerning measures to ensure a high common level of network and information security across the Union,
- a proposal for a regulation of the European Parliament and of the Council on reporting and transparency of securities financing transactions.

Consultations also concerned numerous national draft acts of EU Member States, i.e. Austrian, Estonian, Portuguese, Romanian, Slovenian and Hungarian legislation. They regulate the issues related to supervision over credit institutions, cash payments and are designed to reinforce financial stability in the respective countries. NBP also issued its opinion on Lithuanian draft law developed in connection with the introduction of the single currency.

As regards domestic legislation, opinions concerned also Polish draft acts set out in items 12.2 and 12.3.⁵

³ See the previous footnote.

⁴ 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.

⁵ 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.

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

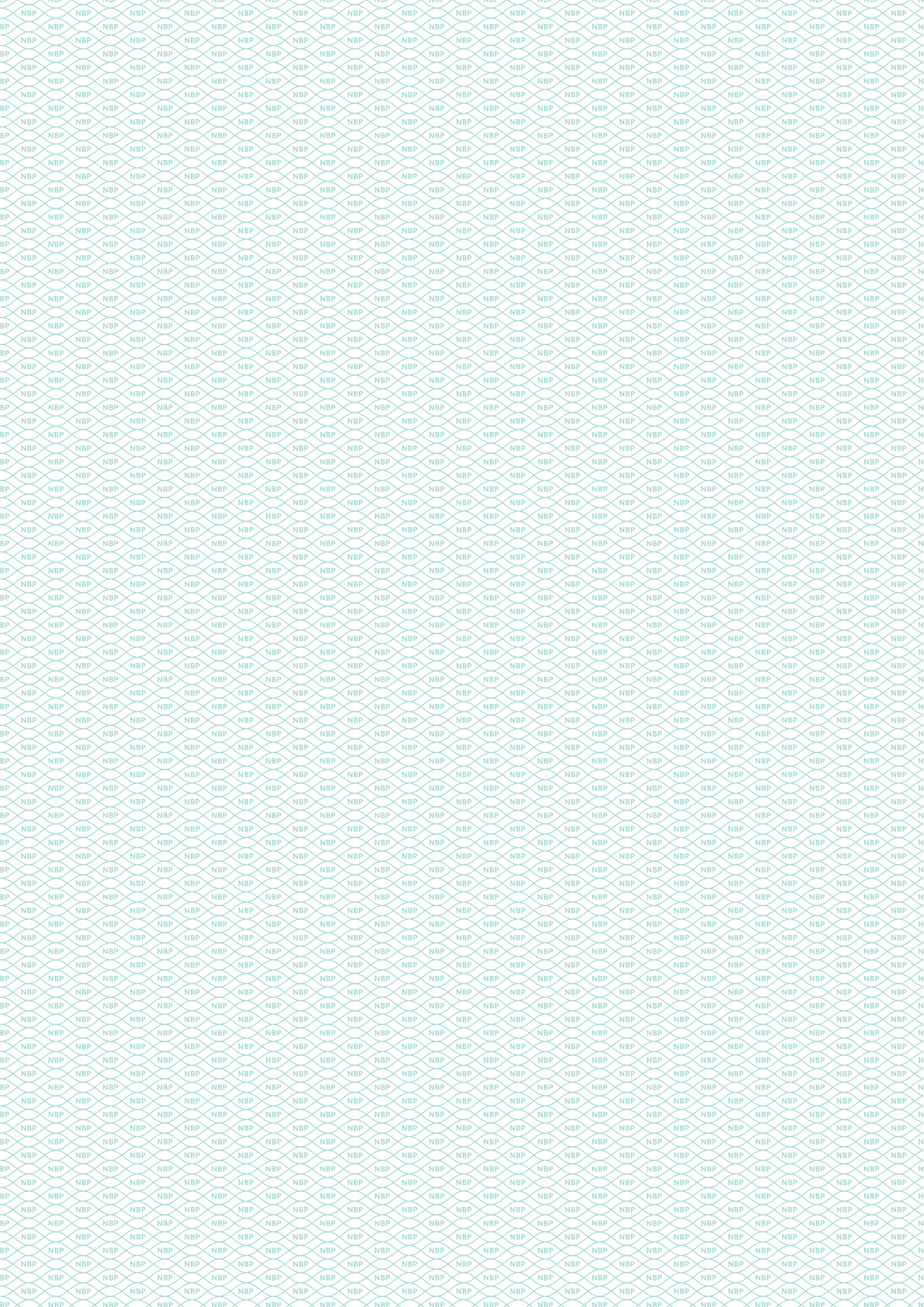
Narodowy Bank Polski continued to contribute to Cross-Institutional Task Forces for the Euro Adoption by the Republic of Poland. The plenipotentiary of the Management Board of NBP for euro introduction co-chaired the National Euro Coordination Committee and the Coordination Council. NBP representatives participated in the teams performing tasks entrusted to them by the Coordination Council. They held the positions of Chair of Working Team for Communication Strategy, Vice-Chair of the Working Team for Macroeconomics, Chair of Task Force on Financial Stability and Member of Working Team for Legislative Alignment.⁶

In 2014 work concentrated on analysing economic challenges related to Poland's integration with the euro area, including institutional changes.

Highlights in 2014:

- participation in work of state authorities concerning draft acts on economic policy with relevance for the banking system,
- consulting proposals of EU legislation, including legal acts related to payment services, information security and financial transactions,
- participation in work of Cross-Institutional Task Forces for the Euro Adoption by the Republic of Poland.

⁶ As the remaining working teams in which NBP representatives participate i.e. Working Team for the Implementation of the Euro Banknotes and Coins, Working Team for the Financial Sector, Working Team for Non-financial Enterprises and Working Team for Consumer Protection accomplished the tasks entrusted to them so far, they did not carry out work in 2014.



Chapter 13

International activity



International activity¹

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

In 2014, NBP representatives participated in the work of European bodies, including: the General Council of the ECB, the General Council of the ESRB, committees and working groups of the ESCB and ESRB, the Council of ECOFIN (informal meetings), committees and working groups of the Council of the European Union and the European Commission. The focus was on issues related to the banking union, including the implementation of the Single Supervisory Mechanism (SSM) and the single mechanism for bank recovery and resolution (Single Resolution Mechanism – SRM).

13.1.1. Cooperation 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 Member State which remains outside the euro area.

In 2014, 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 primarily addressed issues relating to the macroeconomic situation of the EU Member States, financial stability, convergence reports and monitoring of central bank activities with regard to the prohibition of monetary financing of the public sector with central bank funds and prohibition of privileged access.

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

- financial stability, including issues related to the single mechanism for bank recovery and resolution,
- introduction of the Single Supervisory Mechanism,
- cooperation between the European Securities and Market Authority (ESMA) and the competent authorities supervising trade repositories,
- national rules on the maintenance of budgetary discipline,
- amendment of the regulations on monetary and financial statistics and payment statistics,
- accounting and financial reporting of central banks of the ESCB,
- euro banknote counterfeiting,
- Latvia's accession to the euro area,
- performance of the payment systems and post-trade infrastructure of the financial market.

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

13.1.2. Collaboration with other EU bodies

In 2014, NBP representatives participated in the activities of the following EU bodies:

- Council of 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 Eurostat.

13.2. Collaboration with international economic and financial institutions

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

In 2014, as part of cooperation with the OECD, NBP experts participated in:

- the meetings of committees and working groups of the OECD,
- meetings of the Working Group under the OECD International Network on Financial Education initiative,
- meetings of the Inter-Ministerial Team for the OECD at the Ministry of the Economy.

In February 2014, the 13th Review of the Polish Economy was held, with participation of the NBP representatives. The review focused mainly on the labour market and competition issues.

13.2.2. The World Bank Group

As part of cooperation with the World Bank Group, representatives of NBP participated in the following activities:

- Meetings of the Board of Governors of the World Bank (WB) and the International Monetary Fund (IMF) in Washington (spring meetings in April and annual meetings in October). During the meetings, in particular, the following issues were discussed: more dynamic and sustainable global economy and activities fostering the economic recovery. The progress in implementation of two strategic goals of the WB was also analysed: a radical reduction in the level of poverty worldwide up to 2030 and a reduction in differences between the income of the poorest and the richest social groups in individual countries.
- Meetings of the Development Committee accompanying the WB and IMF meetings in Washington. The sessions of this group were chaired by the President of NBP.
- Constituent Assembly organised in July by the authorities of Azerbaijan.

Moreover, in 2014 NBP participated in the opinion-making process of the WB Group documents (including its strategy of cooperation with individual countries and lending projects), discussed at meetings of the Boards of Executive Directors in Washington.

13.2.3. The International Monetary Fund (IMF)

As part of cooperation with the International Monetary Fund, the representatives of NBP participated in the following activities:

- meetings with IMF representatives, including, during the IMF’s mission to Poland, held pursuant to article IV of the Agreement of the IMF;
- issuing opinions on documents examined by the IMF Board of Executive Directors,
- including, within the periodical review of IMF’s prudential policy instruments, such as the Flexible Credit Line (FCL).

Narodowy Bank Polski also participates in the activities aimed at temporary increase of financial resources of the IMF. As a part of these activities, NBP joined New Arrangements to Borrow (NAB)² in November 2011, and in March 2013 concluded the bilateral loan agreement with the IMF³ for the maximum amount of EUR 6.27 billion.

The funds made available by NBP to the IMF both under NAB, and under the bilateral loan agreement will retain their status of foreign reserves. Until 2014 the IMF did not use the funds provided under the bilateral loan. On the other hand, funds were paid to the IMF under NAB: as at the end of 2014 the Fund used the equivalent of SDR 304.5 million.⁴

In 2014 NBP, jointly with the Ministry of Finance, carried out works aimed at granting Poland access to the Flexible Credit Line (FCL) for the subsequent period.⁵

13.2.4. The European Bank for Reconstruction and Development (EBRD)

On 14–15 May 2014, the 23rd Annual Meeting of the Board of Governors of the European Bank for Reconstruction and Development was held in Warsaw, co-organised by Narodowy Bank Polski (the President of NBP acts as the Governor of Poland of the EBRD). The most important results of the meeting include:

- adopting the resolution on granting Cyprus the temporary status of the country of operations (maximum up to 2020) and the resolution on accepting Libya as EBRD member;
- discussing the directions of the medium-term activity of the bank and preparations to changes in the composition and election procedure of the Board of Directors of the EBRD.

² Under NAB Narodowy Bank Polski stands ready to extend to the IMF an interest-bearing loan of up to the equivalent of SDR 2.53 billion.

³ The bilateral loan agreements were concluded for two years, with a possibility of extension by subsequent annual periods.

⁴ In the years 2011–2014 NBP granted loans to the IMF under NAB in the total amount of SDR 407 million and received the repayment of the loan in the total amount of SDR 102.5 million.

⁵ On 14 January 2015 the IMF Board of Executive Directors decided to grant Poland access to the FCL for the subsequent two years’ period. In accordance with the application of the Polish authorities, the level of funds made available under the line was reduced, currently amounting to SDR 15.5 billion (approximately USD 22.1 billion according to the average exchange rate of NBP as at 14 January 2015). Similarly to the previous period, NBP is currently servicing the FCL as the financial agent of the Government of the Republic of Poland, under Article 52 section 3 of the Act on NBP.

13.2.5. The Bank for International Settlements (BIS)

In 2014, six meetings of the Governors of the Bank for International Settlements with participation of NBP representatives were held. The annual General Meeting of BIS Shareholders adopted the 84th Annual Report and approved the balance sheet of the Bank as at 31 March 2014. The profit and loss account posted a net profit of SDR 419.3 million, of which SDR 120.0 million was allocated for payment of dividend. NBP received a dividend amounting to SDR 1.72 thousand.

13.2.6. The International Bank for Economic Cooperation (IBEC)

Representatives of NBP, together with representatives of the Ministry of Finance, participated in meetings of the IBEC Council and working group meetings, and took part in developing a stance on issues related to the operation of the Bank. The autumn meeting of the IBEC Council was held in Warsaw.

13.2.7. The Vienna Initiative

In 2014, the President of NBP acted as the Chairman of the Steering Committee of the Vienna 2 Initiative, which aims to support stable cross-border banking in the countries of Central, Eastern and South-eastern Europe (CESEE). In 2014 the following issues were discussed: deleveraging in the region, impact of the banking union on EU countries outside the euro area and non-EU countries, supporting the development of lending using credit guarantees for SMEs and methods of reducing high level of non-performing loans in selected countries. At the same time, the Vienna 2 Initiative actively supported Ukraine's efforts targeted at reforming and maintaining the stability of the financial sector.

13.2.8. Other activities on the international arena

Within the framework of activities on the international arena NBP participates in organising international conferences and provides technical assistance to central banks of countries under economic transformation.

In 2014 NBP organised or co-organised, in cooperation with international and domestic institutions, 13 international conferences, including the most important events related to financial risk management in central banks (*Tenth Central Bank Risk Managers Conference*, 16–17 September 2014), the future of the European economy (*The Future of the European Economy. Building Market Economies in Europe: Lessons and Challenges after 25 Years of Transition*, the fourth edition of the annual NBP conference, 24 October 2014) and challenges faced by the Member States outside the euro area (*New Member States Policy Forum*, in cooperation with the IMF and MF, 11–12 December 2014). Moreover, NBP continued the cycle of international conferences entitled *NBP Biannual EU Presidency Lecture*, launched in 2013. During the lectures, presidents of central banks of countries holding Presidency in the Council of the European Union present priorities of the specific Presidency in the economic and financial area. In 2014 the President of the Bank of Greece and the President of the Bank of Italy delivered their lectures.

In 2014, under the technical assistance programme NBP organised the total of 51 assistance projects (study visits, expert visits, internships, seminars and workshops), involving 303 persons from 27 central banks (excluding study visits of NBP experts to beneficiary countries).

Highlights of 2014:

- participation in works related to the creation of a single supervisory mechanism and a single mechanism for bank recovery and resolution,
- cooperation with EBRD in the organisation of the Annual Meeting of the Board of Governors of the EBRD in Poland.

Chapter 14

Internal development of NBP



Internal development of NBP

14.1. Human Resources Management

14.1.1. NBP employment level

In 2014, the average employment at Narodowy Bank Polski was 20 full-time posts lower than the average employment in 2013, and there were 3,622 full-time posts.

The reduction in staffing levels in the entire NBP resulted mainly from redundancies in the cash-and-vault area as well as, to a limited extent, from optimisation of printing and transport services.

The increase in the number of persons employed in the NBP Head Office was mainly the consequence of internal organisational changes: liquidation of Support Services Office (ZUG) and transfer of its employees to the Administration Department as well as transfer of employees of IT departments and teams in Regional Branches to the Information Technology and Telecommunications Department.

Changes in the NBP average employment level in 2011–2014 are presented in Table 14.1.

Table 14.1. Change in the NBP average employment level in 2011–2014

Specification	2011	2012	2012–2011	2013	2014	2014–2013	2014–2011
Total	3,642	3,642	0	3,642	3,622	-20	-20
Head Office	1,702	1,700	-2	1,728	1,871	143	169
Regional branches	1,716	1,715	-1	1,709	1,639	-70	-77
Support Services Office	224	227	3	205	112	-93	-112

Source: NBP data.

Expenses resulting from the remuneration of NBP employees, along with the related provisions and payroll tax expenses in 2014 were 1.7% higher than in 2013, and, including gross of provisions for future liabilities to employees, they went up by 1.1%.

In August 2014 the Management Board of Narodowy Bank Polski adopted the Programme on employment optimisation at NBP and took the decision to implement the voluntary redundancy scheme. Effects of implementation of the programme at NBP will be observable in the years 2015–2016.

14.1.2. Developing NBP staff qualifications

The purpose of the NBP training activity is to ensure the competence and efficiency of the workforce. In 2014, every employee participated, on average, in 3 training events (3.1 in 2013).

The evaluation of the effectiveness of training sessions continued to be very high and reached 4.8 (on a 1 to 5 scale).

Moreover, in 2014:

- The pilot programme on Internships of the NBP President for university graduates was carried out. 14 individuals participated in the programme. Following the completion of the programme, 10 graduates were employed at NBP.
- Training courses under the Development of the NBP Management Programme were conducted.
- Five international training seminars were organised under an ESBC programme, and one workshop in cooperation with Deutsche Bundesbank was held.
- Internships for 56 students of Polish universities and 20 students of foreign universities were organised.

14.2. Organisational changes

In 2014, the following organisational changes were introduced in Narodowy Bank Polski:

- As at 1 January 2014 the following new departments were launched: Internal Operations Settlement Department, Financial Transactions Settlement Department, Regional Branches Department and Accounting and Finance Department (as a result of transformation of the Accounting and Operations Department).
- As at 1 March 2014 the Controlling Department was established.
- As at 20 May 2014 the Financial System Department was transformed into the Financial Stability Department.
- As at 1 June 2014, the Public Procurement Department was liquidated and the Public Procurement and Purchasing Department was established.
- As at 15 July 2014, IT departments and teams in Regional Branches were closed and their employees were taken over by the Information Technology & Telecommunications Department (centralisation of tasks).
- As at 31 December 2014 the Support Services Office in Warsaw was liquidated.

14.3. Operational risk management

In 2014 operational risk management in NBP focused on continuation of activities aimed at operational risk mitigation. Their goal was to minimise the probability of adverse events

arising from poor management and unreliable operation of resources or caused by external events. Cyclical analyses of operational risk were conducted, covering the major areas of NBP activity.

In 2014, the new Code of Ethics for employees of Narodowy Bank Polski was prepared.

14.4. Investment and renovation

In 2014, expenditure on investment purchases of NBP amounted to PLN 63.3 million (as compared to PLN 124.4 million in 2013).

The decline of expenditure in 2014 resulted mainly from lower expenses incurred on:

- purchases of off-the-shelf tangible assets and intangible assets – decline by PLN 43.9 million, associated mainly with the fact that in 2013 significant expenditure was incurred for the purchase of banknote processing machines (PLN 35.7 million);
- investment in ICT – decline by PLN 9.8 million, mainly as a result of lower expenditure on storage memory and SAN (Storage Area Network);
- construction investment – decline by PLN 7.4 million, arising from lower investment in reconstruction and modernisation of the Head Office building as compared to the previous year.

In 2014 the amount of PLN 46.3 million (73.1% of the total expenditure incurred) was spent on ICT projects. The purchases were mainly related to:

- tools and administration software – PLN 13.7 million,
- servers – PLN 6.5 million,
- modernisation of network infrastructure – PLN 5.6 million,
- modernisation of the structural network and server rooms – PLN 4.0 million,
- building of the New Electronic Banking System – PLN 3.9 million,
- application and specialised software (including Microsoft licences) – PLN 2.0 million.

An amount of PLN 10.6 million (16.8% of the total expenditure incurred) was spent on construction investment projects. The highest expenditure was incurred on modernisation of the operating room in the NBP Regional Branch in Olsztyn (PLN 2.4 million).

Purchases of off-the-shelf tangible assets and intangible assets represented the next group of investments, with PLN 6.4 million of expenditure incurred (10.1% of the expenditure incurred). The biggest funds were allocated for the purchase of adaptive and application software used in the performance of banknote processing machines (PLN 1.2 million).

In 2014, the amount of PLN 33.9 million was spent on the renovation and maintenance of NBP property, i.e. PLN 7.7 million less as compared to PLN 41.6 million in 2013. The reduction of those expenses was mainly possible due to the optimisation of expenditure on IT hardware maintenance. The costs incurred in 2014 covered:

- facility renovations – PLN 8.6 million,
- maintenance – PLN 25.3 million (including: facility and utility maintenance – PLN 8.9 million, maintenance of ICT equipment – PLN 8.3 million, maintenance of cash-and-vault

facilities as well as cash-in-transit vehicles – PLN 4.3 million, maintenance of security systems – PLN 1.9 million, other machinery and equipment maintenance – PLN 1.9 million).

14.5. IT support for the banking system and NBP

In 2014, the following IT activities were carried out in NBP:

- the Electronic Document Flow (EOD) module was implemented, designed for processing of accounting documents, which enabled automation of the circulation and acceptance of accounting documents in NBP and elimination circulation of hard copies,
- new version of the required minimum reserve control system was implemented,
- new modules of the reporting information system (SIS) were launched, enabling Poland to fulfil new reporting requirements (cf. chapter on *Statistics*),
- the system used for creation and distribution of currency exchange schedules was modernised,
- under the cooperation with the European Central Bank, IT modifications enhancing the security of access to ECB systems were introduced,
- migration of functions and tasks of the NBP Data Centre to the MF Data Processing Centre in Radom was completed.

14.6. Internal audit

In 2014, 40 audits were conducted, including two tasks commissioned by the ESBC Internal Auditors Committee and one advisory task (in 2013 – 41 audits). The audits covered the implementation of monetary policy by departments, treasury and currency issue activities, payment system, risk management, accounting, activities supporting the financial system, as well as educational activity, administration and internal organisation. The IT activity and problems of the broadly understood security of NBP operations were also covered by comprehensive audits. 19 departments at the NBP Head Office and 9 NBP Regional Branches were inspected.

The audits resulted in findings, instructions and recommendations aimed at improvement of the organisational solutions used.

14.7. Activity of NBP Regional Branches

Narodowy Bank Polski carries out its activity in the field through 16 Regional Branches located in all voivodship cities. In 2014 the review of Regional Branch activities was performed, focusing on the following areas:

- centralisation of selected support functions (inter alia, HR issues, settlements, information technology, procurement),
- amendments to the internal regulations in the cash-and-vault area (the zloty-currency cash desks were combined with collector valuables cash desks).

As a result of the performed review of individual activity areas of Regional Branches works on the new structure and model of their performance were undertaken.

14.8. Safety and security

In 2014, activities aimed at maintaining an adequate level of security at NBP were carried out, including, in particular:

- new security standards were introduced in the area of physical and technical protection as well as cash transport,
- implementation of a multiannual programme on modernisation of technical security systems was launched,
- regulations were updated and new tools were introduced in information security management in ICT systems,
- the plan of NBP critical infrastructure protection was developed, embedded into the National Programme on Critical Infrastructure Protection.

14.9. Service support activities

In connection with the liquidation of the Support Services Office as at 31 December, since 1 January 2015 tasks in the scope of service support activities have been implemented by the Administration Department.

Highlights in 2014:

- introducing the organisational changes related to internal operations, management of foreign reserves, controlling, financial stability and coordination of Regional Branches activities,
- establishing the NBP critical infrastructure protection system.

Appendix 1

Economic developments abroad



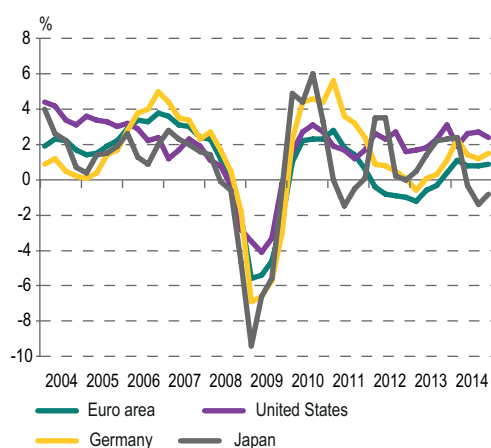
Economic developments abroad

In 2014, global economic growth remained moderate, with further divergence in economic conditions across countries (Figure A1.1, Figure A1.2). In the United States, following a temporary slowdown at the beginning of the year resulting from exceptionally unfavourable weather conditions, recovery continued. GDP growth in the United States was supported by rising consumer demand associated with gradual improvement in labour market conditions and expansionary monetary policy.

In the euro area, following two years of recession, the GDP growth was positive, but still low. Ongoing weakness in economic activity resulted mainly from structural problems of some member countries, including high level of private debt, which contributed to a decline in lending. In some euro area countries, in particular in Germany, GDP growth was contained by a decline in exports, associated with the conflict between Russia and Ukraine, accompanied by a lack of significant demand growth in other euro area countries.

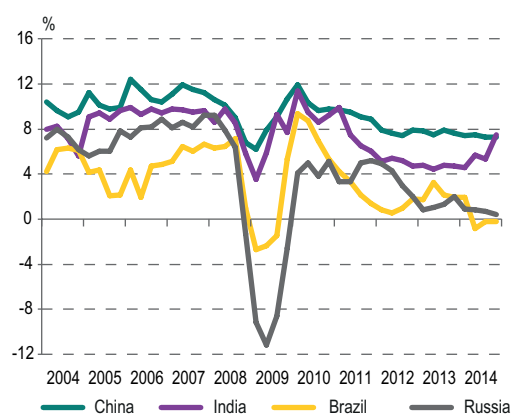
In the major emerging market economies GDP growth in 2014 remained low as for these countries. In most of them it slowed down. Economic slowdown was recorded in China and – more notably – Russia, where GDP decelerated to a particular strong extent. In China economic activity was affected by a downturn in the real estate market, while in Russia, the sharp slowdown of GDP growth was due to the economic aftermath of the war with Ukraine, accompanied – in the second half of the year – by falling crude oil prices and the currency crisis.

Figure A1.1. GDP growth in the major advanced economies (y/y) in 2004–2014



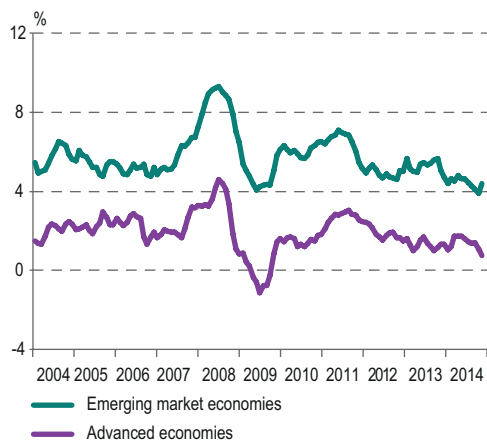
Source: Bloomberg, Eurostat.

Figure A1.2. GDP growth in the major emerging market economies (y/y) in 2004–2014



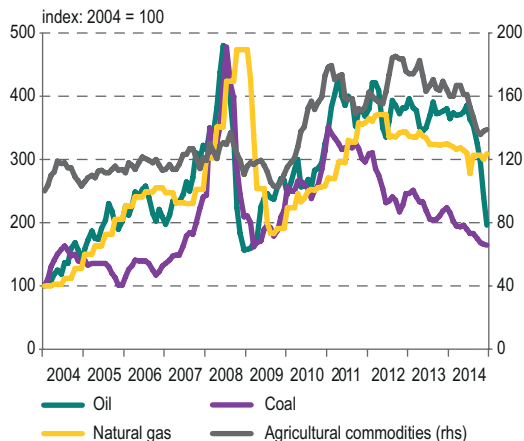
Source: Bloomberg, Ecwin.

The moderate global economic growth was conducive to low inflation, and even deflation in some economies (Figure A1.3). In addition, following a stabilisation at the beginning of 2014, prices of agricultural and energy commodities, particularly crude oil, started to decline sharply in mid-2014 (Figure A1.4). In December 2014, crude oil prices had fallen by 48.3% on December 2013, natural gas prices by 4.9% lower, hard coal prices by 26.2%, and food

Figure A1.3. Global inflation* in 2004–2014

* Weighted average GDP inflation in the developed and the largest emerging economies (accounting for 80% of GDP in this group of countries).

Source: Bloomberg data, NBP calculations.

Figure A1.4. Index of commodity prices in the global markets in 2004–2014

Source: Bloomberg data.

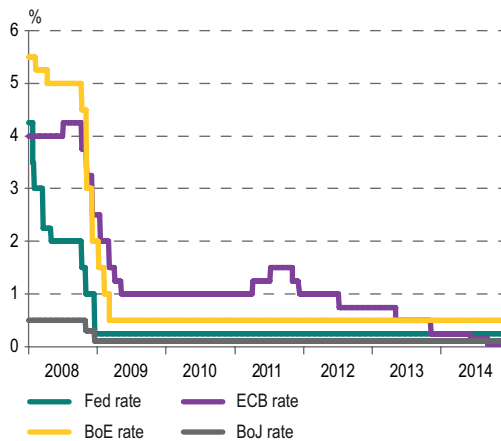
prices by 15.3%. The decline in agricultural commodity prices was caused by favourable agrometeorological conditions, whereas the fall in crude oil prices resulted mainly from an increase in supply of this commodity, accompanied by the low growth in the emerging market economies. As a consequence, in the second half of 2014 inflation in many economies decreased significantly. In the euro area and in some other European countries growth in consumer prices turned negative in late 2014.

Due to the moderate economic activity growth and low inflationary pressure, the monetary policy of the major central banks remained highly expansionary in 2014 (Figure A1.5, Figure A1.6). However, due to a different outlook for economic growth and inflation, the monetary policy of the major central banks was gradually diverging. The Federal Reserve (Fed) reduced its asset purchase programme to conclude it in October, but left its interest rate close to zero. The European Central Bank (ECB), in turn, increased the scale of its expansionary monetary policy. In particular, the ECB reduced its interest rates, introduced targeted longer-term refinancing operations (targeted LTROs) as well as a new programme of private sector asset purchases, and also announced a launch of government bond purchases.¹ The ECB decisions encouraged many central banks from countries with economic links to the euro area (including Switzerland, Sweden, Romania, Czech Republic, Hungary and Israel) to ease their monetary policies.

The strongly expansionary monetary policy of the major central banks supported the growth in prices of shares and bonds in some advanced economies. At the same time, the conclusion of the financial asset purchase programme and the expectations of interest rate increases by the Fed have led to the appreciation of the dollar against the currencies of many advanced

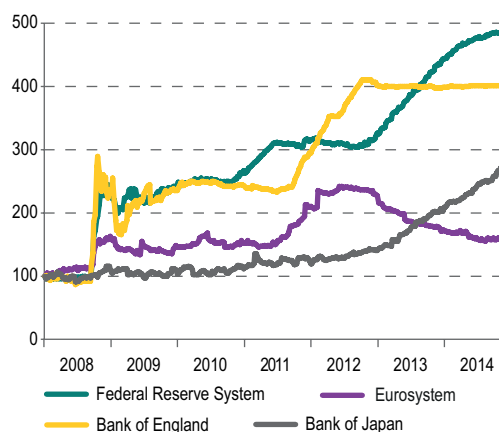
¹ Ultimately public sector purchase programme was finally announced in January 2015. The Bank of Japan also pursued a strongly expansive monetary policy, increasing the scale of asset purchases, mainly Treasury bonds and leaving interest rates close to zero.

Figure A1.5. Interest rates of major central banks in 2008–2014



Source: Bloomberg.

Figure A1.6. Balance sheets of major central banks in 2008–2014 (January 2008 = 100)



Source: Bloomberg, NBP calculations.

and emerging market economies. In particular, the strong appreciation of the dollar against the euro and the currencies of countries strongly linked with the euro area was amplified by the ECB's monetary policy easing. The exchange rates of some currencies also weakened due to the increased geopolitical risk (the conflict between Russia and Ukraine and the escalation of tensions in the Middle East) as well as – in the case of countries exporting crude oil, particularly Russia – due to the strong decline in crude oil prices. Currency depreciation prompted central banks of some emerging market economies to increase interest rates or intervene in the foreign exchange market.

Appendix 2

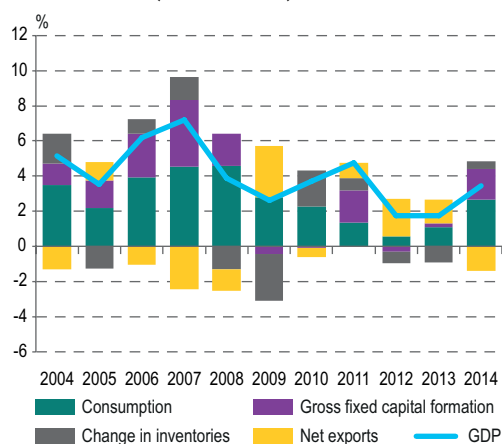
GDP and domestic demand



GDP and domestic demand

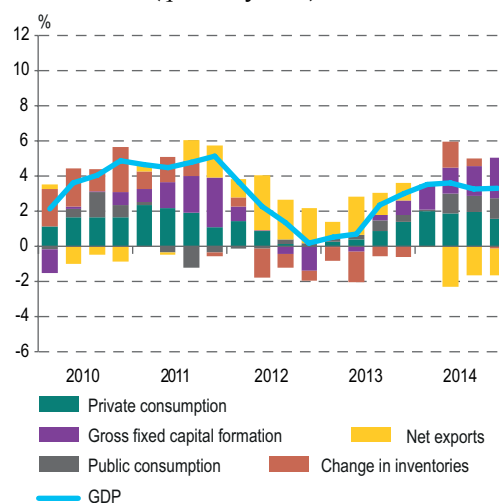
In 2014, the annual GDP growth rate amounted to 3.4% (as compared to 1.7% in 2013)¹ and was lower than that of domestic demand. Consequently, net exports contributed negatively to GDP growth as imports accelerated due to the recovery in domestic demand, while exports growth was only moderate amid unfavourable economic conditions abroad.

Figure A2.1. Contribution of aggregate demand components to GDP growth in 2004–2014 (annual data)



Source: GUS data, NBP calculations.

Figure A2.2. Contribution of aggregate demand components to GDP growth in 2010–2014 (quarterly data)



Source: GUS data, NBP calculations.

Following the acceleration in the first half of 2014 (from 3.0% y/y in 2013 Q4 to 3.6% y/y in 2014 Q2), economic growth slowed down slightly in the second half of the year, but remained above 3%. The evolution of the main components of aggregate demand is discussed below.

In 2014, private consumption growth accelerated. Factors contributing to the recovery in consumption included the growth in the real income of households resulting from both an improvement in labour market conditions and decelerating, and then negative, price growth. The acceleration in private consumption growth was also supported by stable growth in consumer loans amidst a significant easing of lending conditions as well as an improvement in consumer sentiment throughout 2014. The decline in inflation – along with a freeze in nominal wages in the fiscal sector – has also contributed to the slight rise in public consumption.

The growth of gross fixed capital formation in 2014 significantly accelerated compared from 2013. Investment growth in all sectors of the economy – the corporate sector, fiscal sector and households – contributed to the recovery in investment demand. Increasing propensity of firms to invest, associated with ongoing moderate economic growth and a high level of

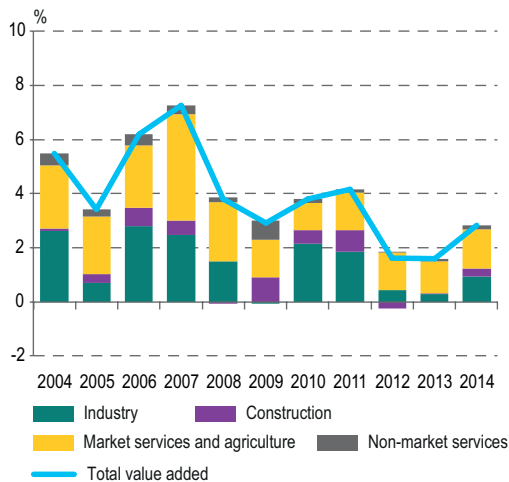
¹ The data concerning national accounts presented in Appendix 2 are compliant with the ESA 2010 methodology.

capacity utilization, contributed to the rise in capital expenditure of enterprises. The recovery of corporate investment was also supported by the sound financial position of companies as well as the high availability of financing, arising from both easing of lending criteria and lower interest rates on loans, as compared to previous years.² In turn, growth in housing investment was supported by the improvement in labour market conditions and lower interest rates on mortgage loans compared with previous years. However, demand uncertainty, associated mainly with the developments abroad contained corporate investment. In case of public investment, growth acceleration of resulted predominantly from a strong rise in investment projects of local governments, including investments co-financed under the EU framework 2007–2013. In turn, growth in housing investment was supported by the improvement in labour market conditions and lower interest rates on mortgage loans compared with previous years.

In 2014 – unlike in 2013 – net exports had a negative contribution to GDP growth, which resulted from a significant acceleration of imports accompanied by the stabilisation of export growth. An increase in imports growth is attributable to an ongoing recovery in domestic demand. Growth in exports was, in turn, limited by the persisting unfavourable economic conditions abroad, including low GDP growth in the euro area, a significant slowdown of economic activity in Russia and recession in Ukraine.

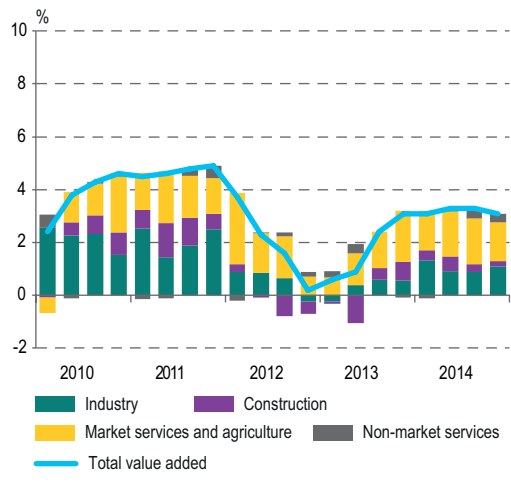
Gross value added growth increased from 1.8% y/y in 2013 to 3.2% y/y in 2014. It was supported by faster growth in value added in all sectors, especially in the industry.

Figure A2.3. Contribution to gross value added growth in 2004–2014 (annual data)



Source: GUS data, NBP calculations.

Figure A2.4. Contribution to gross value added growth in 2010–2014 (quarterly data)



Source: GUS data, NBP calculations.

² In 2014 Q1, one-off factors also contributed to an acceleration in growth of gross fixed capital formation, such as the temporary restoration of the possibility to deduct full VAT on the purchase of cars with truck certification and favourable weather conditions.

Table A2.1. GDP and domestic demand in 2008–2014

	GDP annual growth and its components at constant prices (%)										
	2008	2009	2010	2011	2012	2013	2014	2014			
								Q1	Q2	Q3	Q4
GDP	3.9	2.6	3.7	4.8	1.8	1.7	3.4	3.5	3.6	3.3	3.3
Domestic demand	5.0	-0.3	4.2	3.8	-0.4	0.4	4.9	3.6	6.1	5.1	5.0
Consumption	5.9	3.5	2.8	1.7	0.7	1.4	3.4	2.5	3.7	3.6	3.8
Private consumption	6.1	3.3	2.5	3.0	1.0	1.2	3.1	3.0	3.0	3.2	3.0
Capital formation	2.2	-12.7	9.7	12.2	-4.3	-3.5	11.4	10.9	18.1	11.4	8.0
Gross fixed capital formation	8.3	-1.9	-0.4	9.3	-1.5	1.1	9.2	11.4	8.7	9.2	8.6
Exports	7.0	-6.3	12.9	7.9	4.3	4.8	5.7	7.6	6.0	3.6	5.6
Imports	9.4	-12.4	14.0	5.5	-0.6	1.8	9.1	8.0	11.7	7.4	9.5
Contribution of net exports to GDP growth	-1.2	2.9	-0.5	0.9	2.1	1.3	-1.4	0.0	-2.3	-1.6	-1.5
	Structure of GDP at current prices (%)										
GDP	100.0	100.0	100.0	100.0	100.0	100.0	100.0	-	-	-	-
Domestic demand	104.9	100.8	101.8	101.8	100.2	98.1	98.5	-	-	-	-
Consumption	80.6	80.5	80.8	79.5	79.6	79.0	78.3	-	-	-	-
Private consumption	61.1	60.8	60.6	60.5	60.6	60.0	59.2	-	-	-	-
Capital formation	24.3	20.2	21.0	22.2	20.6	19.1	20.2	-	-	-	-
Gross fixed capital formation	22.6	21.1	19.8	20.3	19.4	18.8	19.5	-	-	-	-
Exports	38.3	37.6	40.5	43.1	45.1	46.1	46.9	-	-	-	-
Imports	43.2	38.3	42.3	44.9	45.3	44.2	45.4	-	-	-	-
Net exports	-4.9	-0.8	-1.8	-1.8	-0.2	1.9	1.5	-	-	-	-

Source: GUS data, NBP calculations.

Appendix 3

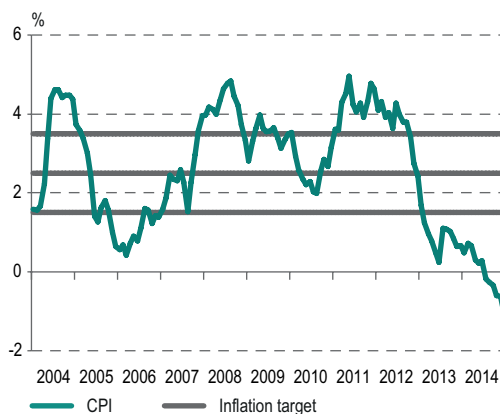
Consumer prices



Consumer prices

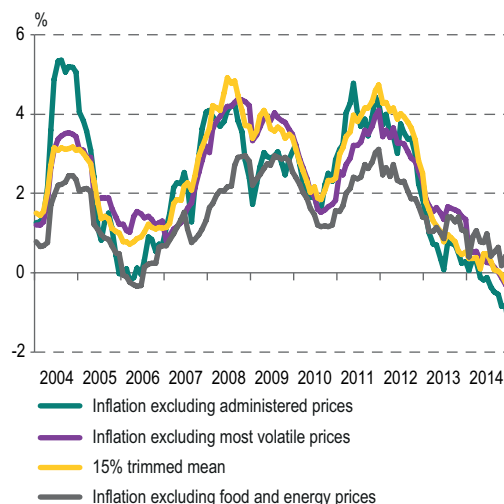
In 2014, the average annual growth of consumer price index (CPI) was 0.0%, i.e. below the NBP inflation target of 2.5% +/- 1 percentage point (Figure A3.1, Figure A3.2). Price growth was weaker than in the previous year and significantly lower than forecasted. The decrease in inflation in 2014 – including its decline below zero in the second half of the year – was driven mainly by external factors, especially a fall in commodity prices in global markets. Price growth was also being tempered by low inflation in the environment of the Polish economy and still limited domestic demand pressure (Figure A3.2).

Figure A3.1. Annual CPI and the inflation target in 2004–2014



Source: GUS data.

Figure A3.2. Core inflation indices in 2004–2014 (y/y)



Source: GUS data, NBP calculations.

The major factor behind the decreasing price growth in 2014 was a fall in food prices driven by a large supply of main agricultural products associated with favourable agrometeorological conditions in Poland and abroad as well as trade restrictions imposed by Russia in January and August 2014. The decrease in inflation was also significantly supported by the ongoing decline in energy prices due to falling electricity and fuel prices related to a decrease in commodity prices, including the strong drop in crude oil prices. Inflation was also contained by the decline in the prices of goods as well as the slowdown in the prices of services amid low inflation abroad and moderate economic growth in Poland. Slower consumer price growth also resulted from the deepening fall in producer prices, associated with the decrease in global commodity prices. In turn, the scale of inflation decline was contained by significant reduction in the NBP interest rates in the previous years. The decrease in CPI inflation was additionally reduced by an increase in excise duty on tobacco products and spirits introduced in 2014 as well as growth of some administered prices (resulting from a rise in tariffs for natural gas and heat). In the second half of the year, the impact of the fall in global

commodity prices on the CPI inflation was mitigated by a significant weakening of the zloty against the dollar.

The consumer price index reflects price developments in four main categories (i.e. food and non-alcoholic beverages, energy, goods and services; Figure A3.3, Figure A3.4). Specifically, in 2014 the price developments in individual categories were as follows:¹

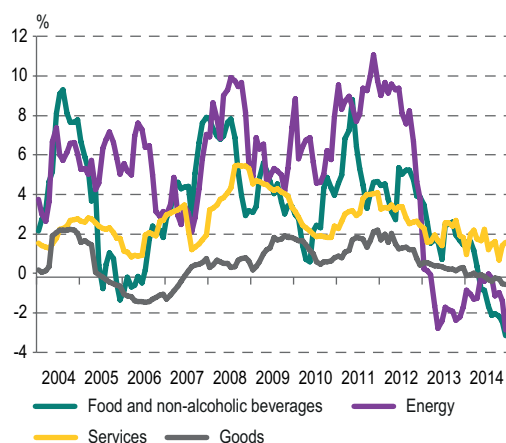
- Prices of food and non-alcoholic beverages decreased by 0.9% y/y, and their contribution to the change in the average annual CPI index reached -0.2 percentage points. The decline in prices in this category was mainly driven by:
 - a decrease in sugar prices (associated with a decline in sugar prices in the global markets and a large supply of domestic sugar);
 - a decline in fruit and vegetable prices (associated with high harvest in Poland and abroad, arising from favourable agrometeorological conditions and the Russian embargo imposed in August 2014 on the imports of agricultural and food products from the EU countries, including Poland);
 - falling meat prices (associated with the Russian embargo on imports of pork from Poland imposed at the end of January 2014).
- Prices of energy decreased by 1.0% y/y, and their contribution to the change in the average annual CPI index reached -0.2 percentage points. The following factors contributed to the decline in energy prices:
 - a fall in fuel prices, particularly strong in the second half of the year (associated with the drop in crude oil prices in the global commodity markets);
 - a decline in electricity prices (related to the reduction in tariffs as of January 2014 in response to falling energy commodity prices in the previous years);
 - a minor reduction in heating fuel prices in the second half of the year (associated with the slump in coal prices in the global markets accompanied by the low demand for heating fuel amidst mild winter).
- Prices of goods decreased by 0.2% y/y, contributing to the decline of 0.1 percentage points in the average annual CPI index. The decline in commodity prices was mainly due to the fall in clothing and footwear prices² persisting since 2002.³
- Prices of services increased by 1.6% y/y, adding to the change in the average annual CPI inflation 0.4 percentage points. The rise in those prices encompassed the majority of main categories of services and took place against continued moderate economic growth, accompanied by rising employment and wages.⁴

¹ The categories are listed in the order corresponding to their contribution to the changes in the overall CPI index in 2014, from categories with the highest negative contribution to categories with the highest positive contribution.

² The fall in the prices of goods was also caused – albeit to a lesser extent – by a decrease in prices of medical and pharmaceutical products (arising mostly from the OTC drug price promotions, as well as changes in the list of reimbursed drugs) as well as a decline in prices of vehicles, spare parts and accessories for vehicles.

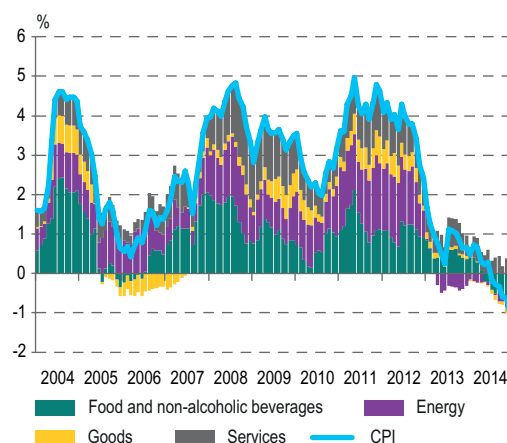
³ The growth in prices in the clothing and footwear category has been negative since January 2002, excluding May and June 2011.

⁴ In 2014, prices of services associated with home maintenance, prices of recreation and culture services, services at restaurants and hotels, medical services and prices of telecommunication services increased.

Figure A3.3. Annual growth in the prices of food, non-alcoholic beverages, energy*, goods and services in 2004–2014

* The category of energy includes energy carriers (electricity, gas, heating fuel) and engine fuels (for private means of transport); the category of goods is exclusive of food, non-alcoholic beverages and energy.

Source: GUS data, NBP calculations.

Figure A3.4. Annual growth in the prices of consumer goods and services and the contributions of main price categories to CPI in 2004–2014

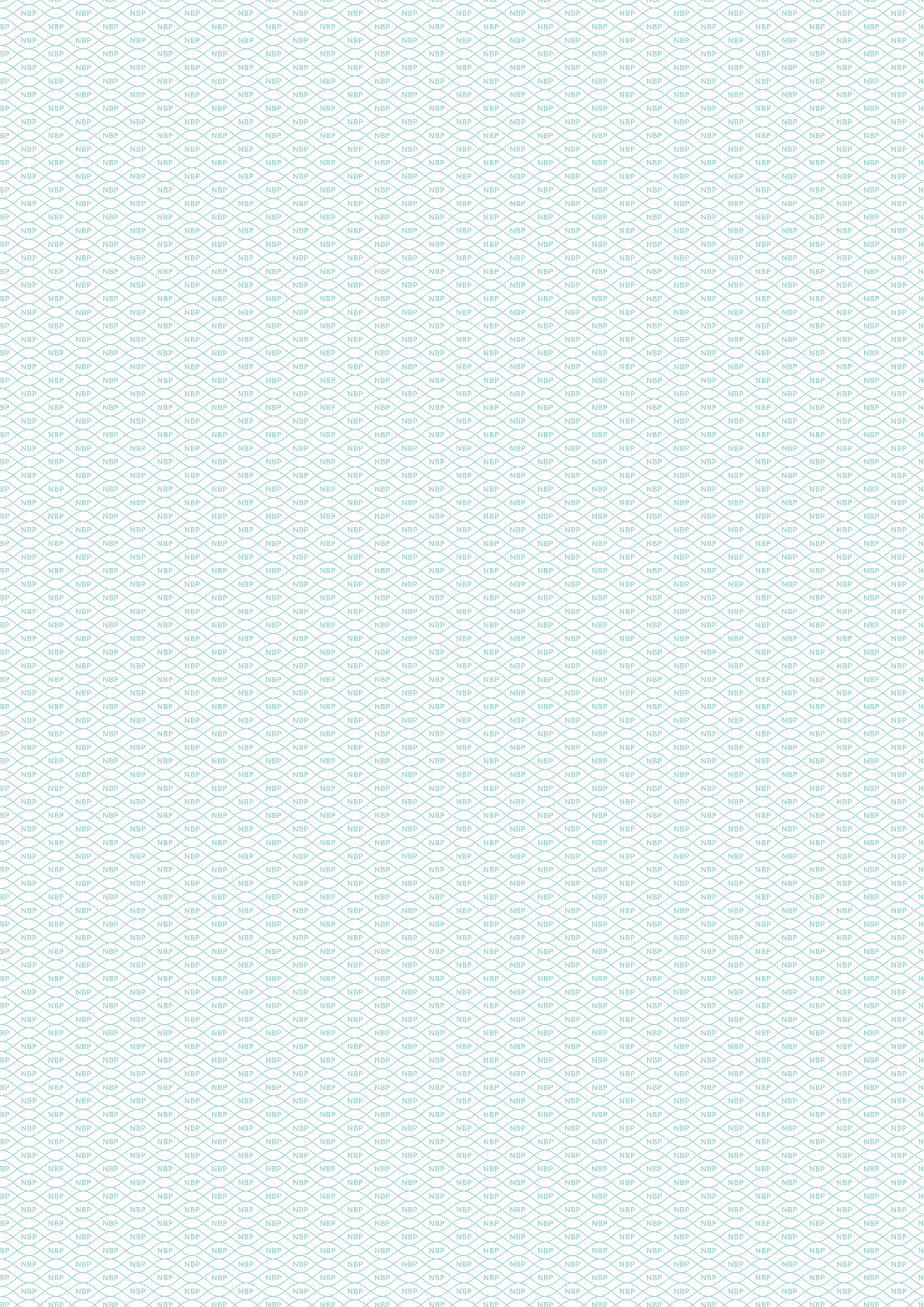
Source: GUS data, NBP calculations.

Table A3.1. Annual growth in consumer goods and services prices and the contribution of the main price categories to CPI

	Weights 2014, %	Change (y/y, %)												Yearly average
		2014												
		I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII	
CPI	100.0	0.5	0.7	0.7	0.3	0.2	0.3	-0.2	-0.3	-0.3	-0.6	-0.6	-1.0	0.0
Core inflation	57.1	0.4	0.9	1.1	0.8	0.8	1.0	0.4	0.5	0.7	0.2	0.4	0.5	0.6
Goods	29.5	-0.1	-0.1	0.0	-0.1	-0.1	-0.1	-0.3	-0.4	-0.2	-0.3	-0.5	-0.6	-0.2
Services	27.6	1.0	2.0	2.2	1.7	1.7	2.2	1.2	1.5	1.6	0.7	1.4	1.6	1.6
Food and non-alcoholic beverages	24.6	1.6	1.6	1.2	0.3	-0.8	-0.9	-1.7	-2.1	-2.0	-2.2	-2.5	-3.2	-0.9
Meat	6.5	0.5	0.8	-0.5	-0.6	-0.2	-0.3	-0.7	-1.1	-2.8	-2.8	-2.8	-2.9	-1.1
Vegetables	2.4	11.3	10.6	6.3	2.3	-8.6	-4.4	-9.9	-12.8	-8.4	-9.6	-9.0	-13.2	-3.8
Fruit	1.3	-0.3	0.1	5.6	3.4	-0.8	-7.8	-9.4	-10.2	-4.2	-1.3	-3.2	-3.5	-2.6
Processed	13.6	0.6	0.6	0.7	0.1	0.4	0.2	0.0	-0.2	-0.6	-0.8	-1.2	-1.5	-0.1
Unprocessed	11.0	2.8	2.9	1.8	0.6	-2.2	-2.2	-3.7	-4.5	-3.9	-3.9	-4.0	-5.2	-1.8
Energy	18.2	-0.8	-1.1	-1.3	-1.3	-0.1	-0.4	0.0	-0.2	-1.1	-1.0	-1.4	-2.9	-1.0
Energy carriers	12.8	-0.2	-0.2	-0.2	-0.2	-0.3	0.4	0.5	0.4	0.4	0.4	0.2	0.1	0.1
Fuels	5.4	-2.3	-3.1	-3.8	-3.8	0.4	-0.6	-1.0	-1.9	-4.7	-4.1	-5.3	-10.2	-3.4

	Weights 2014, %	Change (y/y, %)												Yearly average
		2014												
		I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII	
		According to 12 COICOP groups												
Food and non-alcoholic beverages	24.6	1.6	1.6	1.2	0.3	-0.8	-0.9	-1.7	-2.1	-2.0	-2.2	-2.5	-3.2	-0.9
Alcohol and tobacco	6.6	3.4	3.6	3.7	3.9	3.9	4.0	4.0	3.8	3.6	3.6	3.6	3.5	3.7
Clothing and footwear	5.0	-5.0	-4.7	-4.3	-4.4	-4.6	-4.7	-4.9	-5.1	-4.7	-4.6	-4.6	-5.0	4.7
Home maintenance and energy	21.7	2.3	2.3	2.2	2.1	2	1.9	0.7	0.7	0.7	0.6	0.6	0.5	2.4
Home equipment	4.6	0.3	0.0	-0.1	-0.3	-0.1	-0.1	-0.1	-0.2	-0.2	0.0	-0.2	-0.2	-0.1
Health	5.2	0.4	0.3	0.3	0.2	0.3	0.3	0.0	0.0	0.7	0.7	-0.7	-0.6	0.2
Transportation	9.2	-1.5	-1.8	-2.7	-2.1	-0.1	-0.6	-1.0	-1.5	-3.2	-3.0	-3.7	-6.5	-2.3
Telecommunications	5.4	-7.8	-3.2	-0.3	-1.7	-1.1	1.3	2.6	3.9	4.0	-0.4	3.0	3.0	0.3
Recreation and culture	6.4	3.0	2.8	1.9	0.3	0.3	0.7	0.7	0.9	0.0	0.1	0.6	1.3	1.1
Education	1.2	-6.2	-6.2	-6.3	-6.3	-6.3	-6.0	-6.0	-6.0	1.2	1.3	1.3	1.3	-3.7
Restaurants and hotels	4.6	1.5	1.5	1.6	1.6	1.5	1.4	1.3	1.3	1.4	1.3	1.3	1.3	1.4
Other goods and services	5.5	-0.1	-0.1	-0.1	-0.2	0.0	-0.2	-0.2	-0.2	-0.2	-0.5	-0.5	-0.4	-0.2
		Contribution to CPI (in percentage points)												
		2014												
		I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII	
CPI	100.0	0.5	0.7	0.7	0.3	0.2	0.3	-0.2	-0.3	-0.3	-0.6	-0.6	-1.0	0.0
Core inflation	57.1	0.2	0.5	0.6	0.4	0.4	0.6	0.2	0.3	0.4	0.1	0.2	0.3	0.4
Goods	29.5	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	-0.1	-0.1	-0.1	-0.2	-0.2	-0.1
Services	27.6	0.3	0.5	0.6	0.5	0.5	0.6	0.3	0.4	0.4	0.2	0.4	0.4	0.4
Food and non-alcoholic beverages	24.6	0.4	0.4	0.3	0.1	-0.2	-0.2	-0.4	-0.5	-0.5	-0.5	-0.6	-0.8	-0.2
Meat	6.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	-0.2	-0.2	-0.2	-0.2	-0.1
Vegetables	2.4	0.3	0.3	0.2	0.1	-0.2	-0.1	-0.2	-0.3	-0.2	-0.2	-0.2	-0.3	-0.1
Fruit	1.3	0.0	0.0	0.1	0.0	0.0	-0.1	-0.1	-0.1	-0.1	0.0	0.0	0.0	0.0
Processed	13.6	0.1	0.1	0.1	0.0	0.1	0.0	0.0	0.0	-0.1	-0.1	-0.2	-0.2	0.0
Unprocessed	11.0	0.3	0.3	0.2	0.1	-0.3	-0.2	-0.4	-0.5	-0.4	-0.4	-0.4	-0.6	-0.2
Energy	18.2	-0.2	-0.2	-0.2	-0.2	0.0	-0.1	0.0	0.0	-0.2	-0.2	-0.3	-0.5	-0.2
Energy carriers	12.8	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.0	0.0	0.0	0.0
Fuels	5.4	-0.1	-0.2	-0.2	-0.2	0.0	0.0	-0.1	-0.1	-0.3	-0.2	-0.3	-0.5	-0.2
		According to 12 COICOP groups												
Food and non-alcoholic beverages	24.6	0.4	0.4	0.3	0.1	-0.2	-0.2	-0.4	-0.5	-0.5	-0.5	-0.6	-0.8	-0.2
Alcohol and tobacco	6.6	0.2	0.2	0.2	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2
Clothing and footwear	5.0	-0.3	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.3	-0.2	-0.2	-0.2	-0.3	-0.3
Home maintenance and energy	21.7	0.5	0.5	0.5	0.5	0.4	0.4	0.2	0.2	0.2	0.1	0.1	0.1	0.3
Home equipment	4.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Health	5.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Transportation	9.2	-0.1	-0.2	-0.2	-0.2	0.0	-0.1	-0.1	-0.1	-0.3	-0.3	-0.3	-0.6	-0.2
Telecommunications	5.4	-0.4	-0.2	0.0	-0.1	-0.1	0.1	0.1	0.2	0.2	0.0	0.2	0.2	0.0
Recreation and culture	6.4	0.2	0.2	0.1	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.1	0.1
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	0.0
Restaurants and hotels	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	0.1
Other goods and services	5.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: GUS data and own calculation based on GUS data.



Appendix 4

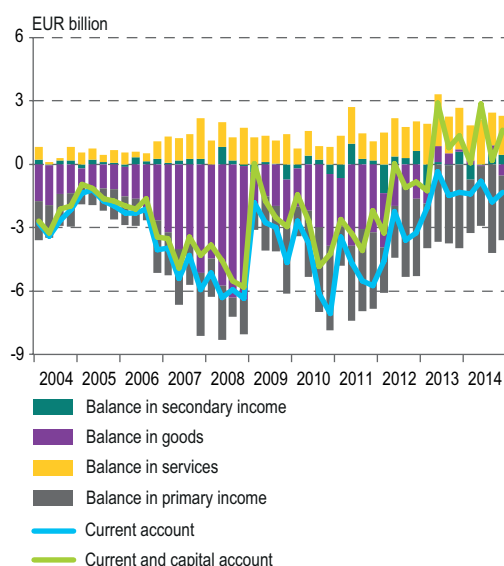
Balance of payments



Balance of payments

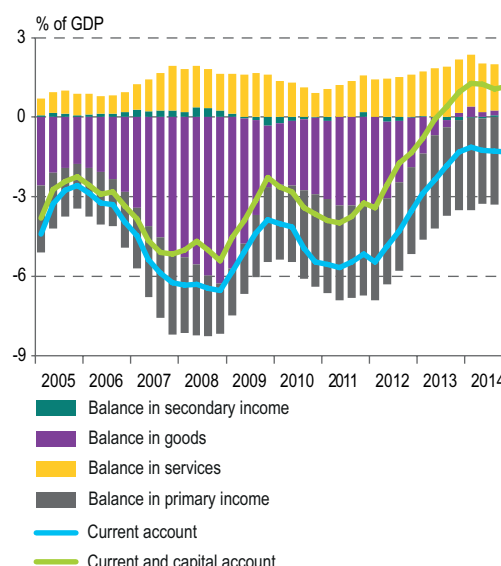
In 2014, the current account deficit remained relatively low, amounting to 1.4% of GDP (against a deficit of 1.3% of GDP in 2013, Figure A4.1, Figure A4.2). This was mainly the result of low – as compared to the long-term average – deficit of trade in goods and high surplus on the service account (the total external trade balance remained positive). Like in the previous year, the persistently negative current account balance was determined by the income of foreign direct and portfolio investors, as reflected in the primary income deficit.¹

Figure A4.1. Current account balance in 2004–2014



Source: GUS data.

Figure A4.2. Current and capital account balance to GDP (4 quarters rolling window) in 2004–2014



Source: NBP and GUS data.

In 2014, trade in goods saw a minor deficit, which was related to accelerating import growth amidst rising domestic demand. Import growth was constrained by the decline in import prices, partly driven by the drop in commodity prices. Growth in exports remained moderate, which was associated with a marked deterioration of economic conditions in Russia and recession in Ukraine.

The primary income deficit remained in 2014 close to the 2013 level. Like in the previous years, this was mainly related to sound financial conditions of Polish enterprises, which translated into high income of foreign direct investors.

In 2014, the capital account balance increased (to 2.5% of GDP against 2.3% in 2013), which was driven by a higher inflow of the European Union funds allocated for infrastructural

¹ Since 30 September 2014, NBP has been publishing the data on the balance of payments and the international investment position, aggregated on the basis of guidelines contained in the balance of payments manual (BPM6). More information concerning the new data presentation method can be found on the NBP website.

Table A4.1. Main items on the balance of payments in 2004–2014 (EUR million)

Balance of payments	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Current account	-11 017	-6 276	-10 857	-19 616	-23 760	-12 244	-20 263	-19 398	-13 697	-5 148	-5 762
Balance of trade in goods	-6 451	-4 304	-7 709	-16 168	-22 850	-7 302	-10 396	-12 451	-7 146	635	-1 629
Balance of services	1 388	1 998	2 046	5 368	5 097	5 040	3 324	5 186	6 209	7 910	9 063
Balance of primary income	-6 515	-4 155	-5 754	-9 583	-6 898	-9 005	-13 146	-12 891	-12 635	-13 266	-12 812
Balance of secondary income	561	185	551	767	891	-977	-45	758	-125	-427	-384
Capital account	955	786	1 666	3 418	4 067	5 080	6 446	7 254	8 549	9 006	10 036
Financial account	-5 919	-5 700	-8 496	-18 239	-28 402	-14 089	-22 610	-19 686	-8 746	-5 292	-2 618
Direct investment: assets	1 711	3 394	8 444	5 411	2 958	4 369	7 051	3 412	1 055	-2 502	3 940
Direct investment: liabilities	11 170	8 930	17 021	18 253	9 718	10 110	13 356	13 274	5 634	70	10 479
Portfolio investment: assets	1 053	2 006	3 682	4 604	-1 700	1 035	616	-610	340	1 650	4 100
Portfolio investment: liabilities	8 487	11 797	1 484	-23	-3 656	11 302	21 885	11 730	15 635	1 688	2 881
Other investment: assets	9 629	2 179	3 194	1 324	-4 080	-3 859	2 281	2 716	1 716	262	1 737
Other investment: liabilities	-813	-1 129	7 890	22 182	17 835	5 936	9 634	5 014	-2 812	3 146	-493
Derivative financial instruments	-154	-138	549	1 456	744	1 301	821	119	-2 133	-552	16
Official reserve assets	686	6 457	2 030	9 378	-2 427	10 413	11 496	4 695	8 733	754	456
Balance of errors and omissions	4 143	-210	695	-2 041	-8 709	-6 925	-8 793	-7 542	-3 598	-9 150	-6 892

Note: with regard to the financial account, the presented figures should be interpreted as follows: positive (negative) value of residents' investment abroad (items: direct investment: assets, portfolio investment: assets, other investment: assets, official reserve assets) denotes an increase (decrease) in Polish assets abroad. Conversely, positive (negative) value of non-residents' investment in Poland (items: direct investment: liabilities, portfolio investment: liabilities, other investment: liabilities) means an increase (decrease) in Polish liabilities against non-residents.

Source: NBP data.

investments. Consequently, the ratio of the combined current and capital account balances to GDP remained positive, reaching the highest level on record.

The net foreign capital continued to inflow to Poland in 2014, although its scale was smaller than in 2013, which was reflected in the reduced financial account deficit. On the one hand, inflow of foreign capital to Poland increased, mainly in the form of direct investments, with the highest share of reinvested profits. On the other hand, however, the outflow of capital from Poland also rose due to a significant growth of Polish direct investment abroad, mainly in the form of shares and share-related investment. Similarly, the outflow of the Polish portfolio capital abroad strengthened, albeit to a lesser extent than in 2013, which was driven by a rise in investment and pension funds' allocations in foreign assets.

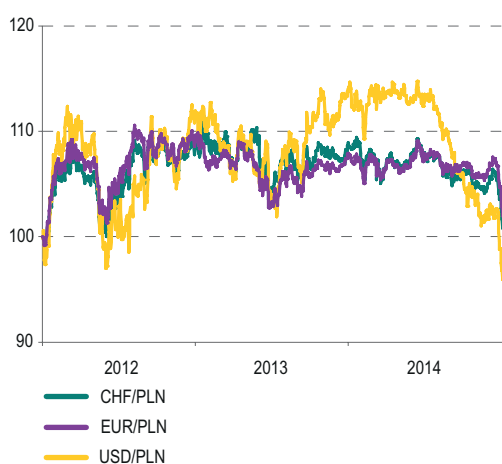
In 2014, some indicators of Poland's external imbalance improved compared to 2013 (Table A4.2). In particular, the ratios of both foreign debt and net international investment position to GDP decreased.

Low current account deficit and a decrease in foreign debt in 2014 favoured the relative stabilisation of the zloty exchange rate. In the first half of 2014, gradual appreciation of the effective zloty exchange rate continued, whereas in the second half of 2014 the zloty slightly depreciated, yet remaining somewhat stronger than in 2013 (Figure A4.3, Figure A4.4). The nominal zloty exchange rate was also driven by external factors – divergence

Table A4.2. Selected external stability indicators in 2004–2014

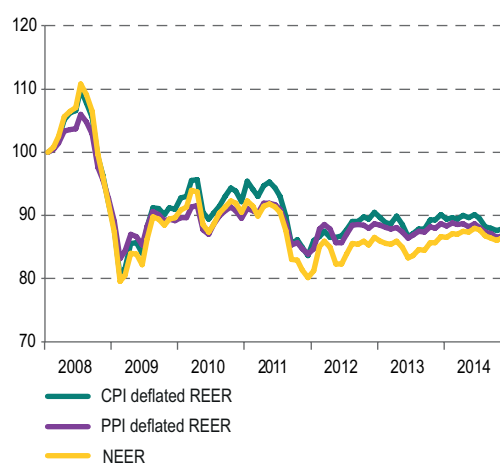
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Current account balance	-5.4	-2.6	-4.0	-6.2	-6.5	-3.9	-5.6	-5.2	-3.6	-1.3	-1.4
Current and capital account balance/GDP (%)	-4.9	-2.2	-3.4	-5.2	-5.4	-2.3	-3.8	-3.3	-1.3	1.0	1.0
Current account balance/GDP (%)	-3.1	-1.8	-2.8	-5.1	-6.3	-2.3	-2.9	-3.4	-1.9	0.2	-0.4
Balance of trade in goods/GDP (%)	-2.5	-0.9	-2.1	-3.4	-4.9	-0.7	-2.0	-2.0	-0.2	2.2	1.8
Official reserve assets in terms of monthly imports of goods and services	4.3	4.9	4.0	4.1	3.4	5.5	5.5	5.4	5.7	5.3	5.3
Foreign debt/GDP (%)	46.4	45.9	47.2	50.5	47.9	61.7	66.2	67.5	72.8	71.3	70.8
International investment position/GDP (%)	-45.4	-43.9	-46.0	-52.1	-47.3	-60.9	-65.8	-59.5	-67.7	-70.1	-66.7

Source: NBP calculations based on GUS and NBP data.

Figure A4.3. Nominal effective zloty exchange rate against major currencies in 2008–2014

Increase denotes appreciation.

Source: Bloomberg data.

Figure A4.4. Real and nominal effective exchange rate in 2008–2014

Increase denotes appreciation.

Source: Eurostat, OECD, Reuters data, NBP calculations.

in monetary policies of major central banks and changes in risk perception in the financial markets. In the second half of 2014, the zloty – similarly to the euro and other currencies of emerging market economies – depreciated against the dollar, due to the conclusion of financial asset purchases by the Federal Reserve and the expected beginning of interest rate increases in the United States in 2015. At the end of 2014, depreciation of currencies of many emerging market economies was also exacerbated by an increase in risk aversion due to the conflict in the Middle East and the escalation of the Russian-Ukrainian crisis, as well as by concerns about the impact of a fall in crude oil prices on economic outlook of its exporters.

Appendix 5

Money and credit

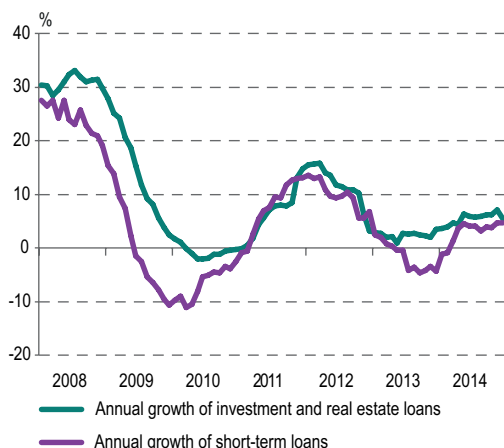


Money and credit

In 2014, growth in lending accelerated slightly against 2013, but remained moderate. The annual growth in debt of non-monetary financial entities in 2014 amounted to 6.3%, compared to 4.0% in the previous year.¹ Acceleration in lending in 2014 occurred amidst stronger economic growth than in the previous year, with investment demand rising at a relatively fast pace, which was accompanied by easing of lending conditions in the majority of credit market segments as well as a decrease in interest rates on loans.

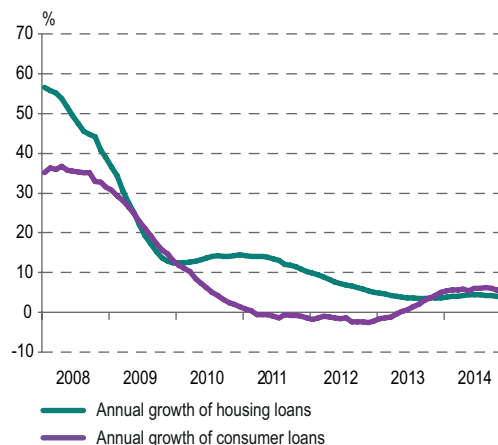
In 2014, lending to the corporate sector accelerated – gradually in case of investment loans and significantly in case of current loans (Figure A5.1, Figure A5.2).² Corporate lending was supported by significant easing of credit standards, especially in the case of current loans, and lower interest rates on loans as compared to the previous year.³ Growth in corporate lending was also underpinned by the strong rise in investment demand of enterprises.

Figure A5.1. Growth rate of investment and current loans to enterprises in 2008–2014



Source: NBP data.

Figure A5.2. Growth rate of consumer and housing loans to households 2008–2014



Source: NBP data.

In the case of household loans, the stable growth in lending continued in 2014 as regards to both housing and consumer loans (Figure A5.2).⁴

¹ Growth rates in this chapter refer to transactional changes. Debt of non-monetary entities comprises debt of households, non-monetary financial institutions, enterprises, non-profit institutions for households, local government units and social insurance funds.

The presented growth rates are annual growth rates for the private sector loans as of December 2013 and December 2014.

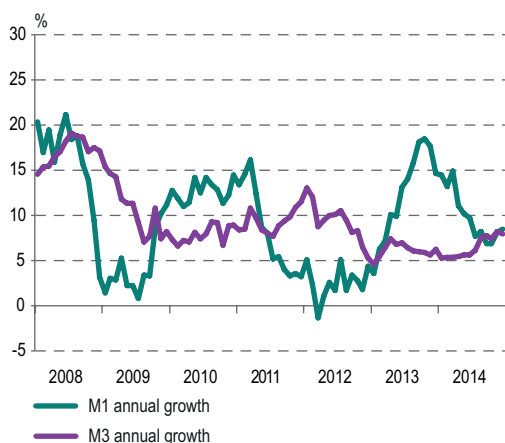
² The average monthly growth in current corporate loans in 2014 amounted to 3% y/y, against the average monthly decline by 1.64% in 2013, whereas for investment loans it reached 5.4% y/y against 2.4%.

³ The interest rates on corporate loans were lower by 0.9 percentage points in December 2014 than in December 2013.

⁴ The average monthly growth of consumer loans in 2014 reached 5.8% y/y against 1.3% in the previous year, whereas for housing loans it amounted to 4.1% y/y against 3.9%.

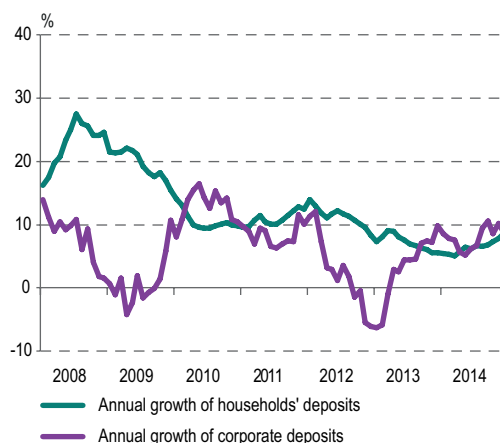
Growth in consumer loans was driven by continued significant easing of lending criteria as well as a decline in interest rates on these loans, due to a reduction of margins by banks and decreases in the NBP interest rates, including the strong reduction of the lombard rate in October 2014.⁵ In turn, the relatively weaker growth in loan demand, as declared by banks, could have constrained the growth in consumer loans.⁶

Figure A5.3. M1 and M3 growth in 2008–2014



Source: NBP data.

Figure A5.4. Growth in household and corporate deposits included in M3 in 2008–2014



Source: NBP data.

As regards housing loans, the growth in lending was supported by the favourable labour market conditions and lower interest rates on loans compared to the previous year. Alongside that, however, the tightening of both lending criteria and lending terms by banks (due to the amendment to the “Recommendation S” on increased borrower’s own contribution while raising housing loan), was dragging down the growth in housing loans.

In 2014, the growth of M3 broad money accelerated (Figure A5.3),⁷ especially in the second half of the year, mainly due to weaker growth of household deposits. Corporate deposit growth stabilised at a moderate level in 2014, which was associated with sound financial position of enterprises. In turn, household deposit growth accelerated, supported by the improving labour market conditions (Figure A5.4). In the second half of the year, household deposit growth was accompanied by a slowdown in the growth of households’ more risky assets, which could relate to the increased price volatility in the financial markets.

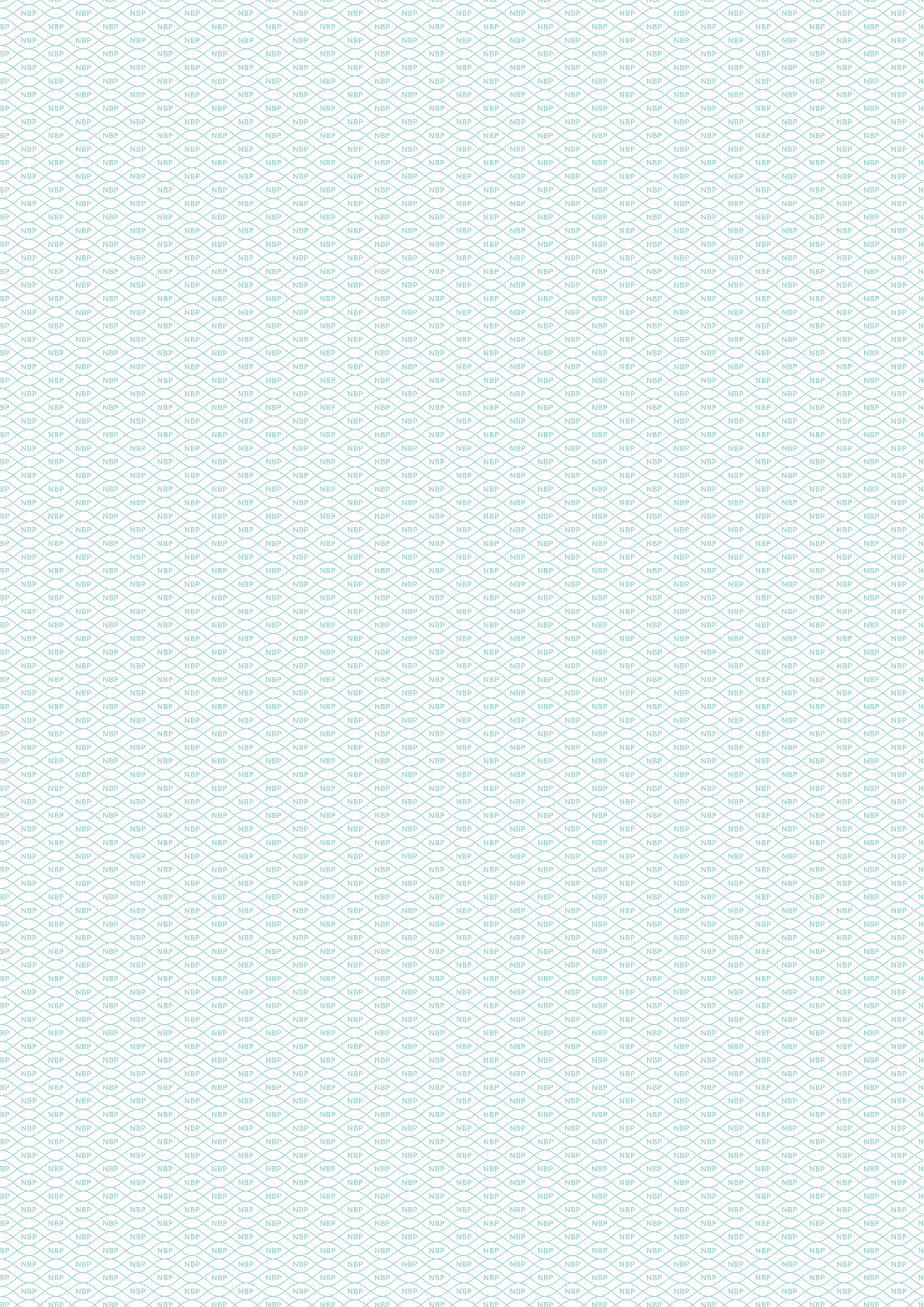
The average monthly growth of M1 aggregate amounted to 10% y/y against 12.4% y/y in 2013.⁸ The growth of M1 aggregate decreased in 2014, which resulted mainly from the change in the term structure of deposits of enterprises and households in the first half of the year – a slower growth rate of current deposits and a stronger growth rate of term deposits.

⁵ The reduction in banks’ margins resulted in interest rate cuts on consumer loans to households from 13.6% in June to 12.5% in September 2014. The interest rates on consumer loans may not exceed the four-fold value of the NBP lombard rate.

⁶ Senior loan officer opinion survey on bank lending practices and credit conditions, 2014 Q2, NBP.

⁷ In transactional terms, M3 growth reached 7.9% (December 2014 on December 2013).

⁸ The average monthly growth of M1 aggregate amounted to 10% y/y against 12.4% y/y in 2013.



Appendix 6

List of open-to-public academic seminars and selected publications of NBP



List of open-to-public academic seminars and selected publication of NBP

In 2014, 29 open-to-public academic seminars were held:

- Methods for research on immigrant economic activity in Poland. Opportunities and limitations
- Liquidity and credit risk premia in government bond yields
- The puzzling change in the transmission of US macroeconomic policy shocks
- The impact of financial institutions on property rights – and the impact of institutions on financial volatility – in transition economies
- Lender of last resort
- Credibility for sale
- Financial shocks and labour market fluctuations
- Capital flows and monetary policy: Turkish experience with unconventional policy tools
- What drives the German current account? And how does it affect other EU member states?
- Understanding global liquidity
- Pricing sovereign risk of an emerging market
- What drives diversity of loan loss provisions' procyclicality in the EU?
- Post-Keynesian theory of money and monetary policy
- Output gap, monetary policy trade-offs and financial frictions
- Testing the asset pricing model of exchange rates with survey forecasts
- Taxation and intra/intergenerational equity
- Schumpeterian Development Agencies: a working model for innovation-based growth policy
- Policy distortions and aggregate productivity with endogenous establishment-level productivity
- The I theory of money

- Do we understand what drives house prices?
- Oil in the futures market
- Endogenous labor share cycles: theory and evidence
- Inequality, credit expansion and financial crises
- Does wealth inequality matter for growth?
- Financial stability, monetary policy, banking supervision and central banking
- Macroprudential policy – institutional issues. Theory and practice in the European Union
- Endogenous money and macroeconomics: the next leg of the Keynesian revolution
- Collateral constraints and macroeconomic asymmetries
- Finland in trouble. Whom to blame?

In 2014, the following publications by NBP employees were included in the ISI Master Journal List:

- Paweł Borys, Andrzej Rzońca, Piotr Ciżkowicz, Panel data evidence on the effects of fiscal policy shocks in the EU new member states, *Fiscal Studies*, Institute for Fiscal Studies, vol. 35(2), 189–224.
- Michał Brzoza-Brzezina, Financial frictions and macroprudential policy, *International Journal of Central Banking*, vol. 10(2), 249–261.
- Michał Brzoza-Brzezina, Marcin Kolasa, Pascal Jacquinot, Can we prevent boom-bust cycles during euro area accession?, *Open Economies Review*, vol. 25(1), 35–69.
- Michał Brzoza-Brzezina, Jacek Kotłowski, Measuring the natural yield curve, *Applied Economics*, vol. 46(17), 2052–2065.
- Michał Brzoza-Brzezina, Krzysztof Makarski, Grzegorz Wesołowski, Would it have paid to be in the Eurozone?, *Economic Modelling*, vol. 41(C), 66–79.
- Jakub Growiec, Katarzyna Growiec, Social capital, trust, and multiple equilibria in economic performance, *Macroeconomic Dynamics*, vol. 18, 282–315.
- Jakub Growiec, Katarzyna Growiec, Trusting only whom you know, knowing only whom you trust: the joint impact of social capital and trust on happiness in CEE countries, *Journal of Happiness Studies*, vol. 15(5), 1015–1040.
- Aleksandra Hałka, Jacek Kotłowski, Does the domestic output gap matter for inflation in a small open economy, *Eastern European Economics*, vol. 52(3), 5–32.

- Marcin Kolasa, Real convergence and its illusions, *Economic Modelling*, vol. 37(C), 79–88.
- Marcin Kolasa, Giovanni Lombardo, Financial frictions and optimal monetary policy in an open economy, *International Journal of Central Banking*, vol. 10(1), 43–94.
- Tomasz Łyziak, Formation of inflation expectations by different economic agents. The case of Poland, *Eastern European Economics*, vol. 51(6), 5–33.
- Tomasz Łyziak, Joanna Mackiewicz-Łyziak, Do consumers in Europe anticipate future inflation? Has it changed since the beginning of the financial crisis?, *Eastern European Economics*, vol. 52(3), 5–32.
- Małgorzata Olszak, Mateusz Pipień (2014), Cross country linkages as determinants of procyclicality of loan loss provisions, *European Journal of Finance*, dostępny na stronie internetowej EJF.
- Michał Rubaszek, Dobromił Serwa, Determinants of credit to households: an approach using the life-cycle model, *Economic Systems*, vol. 38(4), 572–587.
- Anna Sznajderska, Asymmetric effects in the Polish monetary policy rule, *Economic Modelling*, vol. 36, 547–556.

In the series *Materiały i Studia* the following papers were published in 2014:

- Katarzyna Saczuk, *Badanie Aktywności Ekonomicznej Ludności w Polsce w latach 1995–2010. Korekta danych.*
- Sylwia Roszkowska, Aleksandra Majchrowska, *Premia z wykształcenia i doświadczenia zawodowego według płci w Polsce.*
- Anna Matysek-Jędrych, *Odpowiedzialność i przejrzystość banku centralnego w działaniach na rzecz stabilności finansowej.*
- Anna Białek-Jaworska, Aneta Dzik, Natalia Nehrebecka, *Wpływ polityki monetarnej na źródła finansowania przedsiębiorstw w Polsce w latach 1995–2012.*
- Monika Marcinkowska, Piotr Wdowiński, Stanisław Flejterski, Sławomir Bukowski, Mariusz Zygierewicz, *Wpływ regulacji sektora bankowego na wzrost gospodarczy – wnioski dla Polski.*
- Mariusz Kapuściński, Tomasz Łyziak, Jan Przystupa, Ewa Stanisławska, Anna Sznajderska, Ewa Wróbel, *Mechanizm transmisji polityki pieniężnej w Polsce. Co wiemy w 2013 roku?*
- Anna Dobrzańska, *Polityka makroostrożnościowa – zagadnienia instytucjonalne. Teoria i dotychczasowe doświadczenia w Unii Europejskiej.*
- Jakub Growiec, Michał Gradzewicz, Jan Hagemeyer, Zofia Jankiewicz, Piotr Popowski, Katarzyna Puchalska, Paweł Strzelecki, Joanna Tyrowicz, *Rola usług rynkowych w procesach rozwojowych gospodarki Polski.*

- Michał Brzozowski, Paweł Śliwiński, Grzegorz Tchorek, *Wpływ zmienności kursu walutowego na strukturę napływu kapitału. Implikacje dla Polski.*
- Agnieszka Sawicka, Izabela D. Tymoczko, *Dlaczego polskie przedsiębiorstwa nie korzystają z kredytu? Zjawisko zniechęconego kredyto(nie)biorczy.*

In 2014, the following papers were published in the *NBP Working Paper* series:

- Aurélien Leroy, Yannick Lucotte, *Heterogeneous monetary transmission process in the Eurozone: Does banking competition matter?*
- Małgorzata Pawłowska, Dobromił Serwa, Sławomir Zajączkowski, *International transmission of liquidity shocks between parent banks and their affiliates: the host country perspective.*
- Andrzej Cieślik, Jan Jakub Michałek, *The propensity to exports and the membership in the Economic and Monetary Union of Central and Eastern European Countries: the micro-econometric firm level analysis.*
- Grażyna Baldowska, Robert Leszczyński, Barbara Myszowska, *Convergence and differentiation processes in local markets and structural changes (comparison of 16 markets in Poland).*
- Katarzyna Growiec, Jakub Growiec, *The impact of bridging and bonding social capital on individual earnings: evidence for an inverted U.*
- Taneli Mäkinen, Björn Ohl, *Information acquisition and learning from prices over the business cycle.*
- Christopher F. Baum, Margarita Karpava, Dorothea Schäfer, Andreas Stephan, *Credit rating agency downgrades and the Eurozone sovereign debt crises.*
- Tomasz Łyziak, *Inflation expectations in Poland, 2001–2013. Measurement and macroeconomic testing.*
- Ewa Stanisławska, *Interest rate pass-through in Poland. Evidence from individual bank data.*
- Mariusz Kapuściński, Tomasz Łyziak, Jan Przystupa, Ewa Stanisławska, Anna Sznajderska, Ewa Wróbel, *Monetary policy transmission mechanism in Poland. What do we know in 2013?*
- Dariusz Gatarek, Juliusz Jabłecki, *Estimating the risk of joint defaults: an application to central bank collateralized lending operations.*
- Papers presented during the Narodowy Bank Polski Workshop: *Recent trends in the real estate market and its analysis.*
- Michał Brzoza-Brzezina, Jacek Kotłowski, Kamil Wierus, *Can interest rate spreads stabilize the euro area?*
- Michał Brzoza-Brzezina, Marcin Kolasa, Krzysztof Makarski, *Monetary and macroprudential policy with foreign currency loans.*

- Gonzalo Camba-Méndez, Dobromił Serwa, *Market perception of sovereign credit risk in the euro area during the financial crisis.*
- Michał Gradzewicz, Jakub Growiec, Marcin Kolasa, Łukasz Postek, Paweł Strzelecki, *Poland's exceptional performance during the world economic crisis: new growth accounting evidence.*
- Janusz Jabłonowski, Christoph Müller, *A fiscal outlook for Poland: update 2014.*
- Piotr Ciżkowicz, Michał Kowalczyk, Andrzej Rzońca, *Heterogeneous determinants of local unemployment in Poland.*
- Gonzalo Camba-Méndez, Konrad Kostrzewa, Anna Mospan, Dobromił Serwa, *Pricing sovereign credit risk of an emerging market.*
- Margarita Rubio, *Rented vs. owner-occupied housing and monetary policy.*
- Piotr Białowolski, Tomasz Kuszewski, Bartosz Witkowski, *Dynamic factor models & Bayesian averaging of classical estimates in forecasting macroeconomic indicators with application of survey data.*
- Michał Brzoza-Brzezina, Paolo Gelain, Marcin Kolasa, *Monetary and macroprudential policy with multiperiod loans.*
- Grzegorz Wesołowski, *To believe or not to believe: monetary policy and the trend in house prices.*
- Marcin Kolasa, Michał Rubaszek, *How frequently should we re-estimate DSGE models?*

Appendix 7

Voting records of MPC members on motions and resolutions



Voting records of MPC members on motions and resolutions

Presented below are voting records of MPC members on motions and resolutions in 2014.

Date	Subject matter of motion or resolution	MPC decision:	Voting of the MPC members:	
			For	Against
8 January 2014	Resolution No. 1/GP/2014 to grant consent to Member of Monetary Policy Council Jerzy Osiatyński's participation in the activities of an international organisation		M. Belka A. Bratkowski E. Chojna-Duch A. Glapiński J. Hausner A. Kaźmierczak A. Rzońca J. Winięcki A. Zielińska-Głębocka	
21 January 2014	Resolution No. 2/GP/2014 to grant consent to Member of Monetary Policy Council Adam Glapiński's participation in the activities of international organisations		M. Belka E. Chojna-Duch J. Hausner A. Kaźmierczak E.J. Osiatyński A. Rzońca J. Winięcki A. Zielińska-Głębocka	
			A. Bratkowski was absent	
18 February 2014	Resolution No. 3/GP/2014 to grant consent to Member of Monetary Policy Council Jerzy Hausner's participation in the activities of an international organisation		M. Belka A. Bratkowski E. Chojna-Duch A. Glapiński A. Kaźmierczak E.J. Osiatyński A. Rzońca J. Winięcki A. Zielińska-Głębocka	
8 April 2014	Resolution No. 1/2014 on approving the Annual Financial Report of Narodowy Bank Polski prepared as of 31 December 2013		M. Belka A. Bratkowski E. Chojna-Duch A. Glapiński J. Hausner A. Kaźmierczak E.J. Osiatyński A. Rzońca J. Winięcki A. Zielińska-Głębocka	
6 May 2014	Resolution No. 2/2014 on approval of the Report on Monetary Policy Implementation in 2013		M. Belka A. Bratkowski E. Chojna-Duch A. Glapiński J. Hausner A. Kaźmierczak E.J. Osiatyński A. Rzońca J. Winięcki A. Zielińska-Głębocka	

Voting records of MPC members on motions and resolutions

Date	Subject matter of motion or resolution	MPC decision:	Voting of the MPC members:	
			For	Against
6 May 2014	Resolution No. 3/2014 on the evaluation of the activities of NBP Management Board as regards the implementation of the monetary policy guidelines for the year 2013		M. Belka A. Bratkowski E. Chojna-Duch A. Glapiński J. Hausner A. Kaźmierczak E.J. Osiatyński A. Rzońca J. Winiecki A. Zielińska-Głębocka	
20 May 2014	Resolution No. 4/2014 on approving the Report on NBP Operations in 2013		M. Belka A. Bratkowski E. Chojna-Duch A. Glapiński J. Hausner A. Kaźmierczak E.J. Osiatyński A. Rzońca J. Winiecki A. Zielińska-Głębocka	
3 September 2014	Motion to lower NBP interest rates by 0.5 percentage points	Motion did not pass	E. Chojna-Duch E.J. Osiatyński	M. Belka A. Bratkowski A. Glapiński J. Hausner A. Kaźmierczak A. Rzońca A. Zielińska-Głębocka
			J. Winiecki was absent	
3 September 2014	Motion to lower NBP interest rates by 0.25 percentage points	Motion did not pass	E. Chojna-Duch E.J. Osiatyński A. Zielińska-Głębocka	M. Belka A. Bratkowski A. Glapiński J. Hausner A. Kaźmierczak A. Rzońca
			J. Winiecki was absent	
16 September 2014	Resolution No. 5/2014 on adopting Monetary Policy Guidelines for 2015		M. Belka A. Bratkowski E. Chojna-Duch A. Glapiński J. Hausner A. Kaźmierczak E.J. Osiatyński A. Rzońca J. Winiecki	
			A. Zielińska-Głębocka was absent	
8 October 2014	Motion to lower the reference rate and the rediscount rate by 0.5 percentage points	Motion was passed	M. Belka A. Bratkowski E. Chojna-Duch E.J. Osiatyński A. Zielińska-Głębocka	A. Glapiński J. Hausner A. Kaźmierczak A. Rzońca J. Winiecki
8 October 2014	Motion to lower the lombard rate by 1.0 percentage point	Motion was passed	M. Belka A. Bratkowski E. Chojna-Duch A. Glapiński J. Hausner E.J. Osiatyński J. Winiecki A. Zielińska-Głębocka	A. Kaźmierczak A. Rzońca

Date	Subject matter of motion or resolution	MPC decision:	Voting of the MPC members:	
			For	Against
8 October 2014	Resolution No. 6/2014 on the reference rate, the interest rate on refinancing loans, the rate on term deposits and the rediscount rate at Narodowy Bank Polski	MPC lowered the reference rate and the rediscount rate by 0.5 percentage points and the NBP lombard rate by 1.0 percentage point	M. Belka A. Bratkowski E. Chojna-Duch E.J. Osiatyński A. Zielińska-Głębocka	A. Glapiński J. Hausner A. Kaźmierczak A. Rzońca J. Winięcki
8 October 2014	Resolution No. 7/2014 amending the Resolution on the level of reserve requirement and its remunerations for banks, credit unions and the National Association of Credit Unions.	MPC changed the interest rate on the required reserve funds to 0.9 of the reference rate	M. Belka A. Bratkowski A. Glapiński J. Hausner A. Kaźmierczak E.J. Osiatyński A. Zielińska-Głębocka A. Rzońca	
			E. Chojna-Duch i J. Winięcki were absent	
5 November 2014	Motion to lower NBP interest rates by 1.0 percentage point	Motion did not pass	A. Bratkowski	M. Belka E. Chojna-Duch A. Glapiński J. Hausner A. Kaźmierczak E.J. Osiatyński A. Rzońca J. Winięcki A. Zielińska-Głębocka
5 November 2014	Motion to lower NBP interest rates by 0.5 percentage points	Motion did not pass	M. Belka A. Bratkowski E.J. Osiatyński A. Zielińska-Głębocka	E. Chojna-Duch A. Glapiński J. Hausner A. Kaźmierczak A. Rzońca J. Winięcki
5 November 2014	Motion to lower NBP interest rates by 0.25 percentage points	Motion did not pass	M. Belka A. Bratkowski E.J. Osiatyński A. Zielińska-Głębocka	E. Chojna-Duch A. Glapiński J. Hausner A. Kaźmierczak A. Rzońca J. Winięcki
3 December 2014	Motion to lower NBP interest rates by 1.0 percentage point	Motion did not pass	A. Bratkowski	M. Belka E. Chojna-Duch A. Glapiński J. Hausner A. Kaźmierczak E.J. Osiatyński A. Rzońca J. Winięcki A. Zielińska-Głębocka
3 December 2014	Resolution No. 8/2014 on approving the Financial Plan of Narodowy Bank Polski for 2015		M. Belka A. Bratkowski E. Chojna-Duch A. Glapiński J. Hausner A. Kaźmierczak E.J. Osiatyński A. Rzońca J. Winięcki A. Zielińska-Głębocka	

Appendix 8

**Condensed financial statements
of NBP as at 31 December 2014
and independent auditor's opinion**



Balance sheet of NBP as at 31 December 2014

Assets	Note	31.12.2013	31.12.2014
		<i>PLN thousand</i>	
1. Gold and gold receivables	1	11,974,687.8	13,918,505.3
2. Claims on non-residents denominated in foreign currency		307,978,156.0	338,369,553.3
2.1. <i>Receivables from the IMF</i>	2	8,757,032.0	8,437,237.1
2.2. <i>Balances with foreign institutions, securities, loans granted and other foreign assets</i>	3	299,221,124.0	329,932,316.2
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	1.6	271.3
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		1,302,579.2	1,316,827.2
10.1. <i>Tangible and intangible fixed assets</i>	5	915,051.9	894,666.0
10.2. <i>Other financial assets</i>	6	182,202.7	193,493.4
10.3. <i>Off-balance-sheet instruments revaluation differences</i>	7	460.4	38,829.6
10.4. <i>Accruals and prepaid expenses</i>	8	31,990.2	16,217.7
10.5. <i>Sundry</i>	9	172,874.0	173,620.5
Total assets		321,255,424.6	353,605,157.1

Liabilities	Note	31.12.2013	31.12.2014
		PLN thousand	
1. Banknotes and coins in circulation	10	126,142,763.3	142,928,806.0
2. Liabilities to other domestic monetary financial institutions related to monetary policy operations denominated in domestic currency	11	155,466,510.1	133,620,004.4
2.1. Current accounts (incl. the required minimum reserve accounts)		38,125,710.1	47,218,516.7
2.2. Deposit facilities		0.0	1,740,047.7
2.3. Fixed-interest deposits		0.0	0.0
2.4. Other monetary policy operations		117,340,800.0	84,661,440.0
3. Other liabilities to other domestic monetary financial institutions denominated in domestic currency	12	157,721.9	166,764.2
4. Liabilities to other residents denominated in domestic currency	13	3,553,663.8	4,397,053.4
4.1. Liabilities to general government		3,484,639.9	4,380,658.1
4.2. Other liabilities		69,023.9	16,395.3
5. Liabilities to non-residents denominated in domestic currency	14	517,006.3	334,379.3
6. Liabilities to residents denominated in foreign currency	15	5,928,209.0	17,077,974.6
7. Liabilities to non-residents denominated in foreign currency	16	16,341,845.1	13,373,829.9
8. Liabilities to the IMF	17	6,046,345.7	6,623,949.5
9. Items in course of settlement		0.0	0.0
10. Other liabilities		256,533.4	318,729.5
10.1. Off-balance-sheet instruments revaluation differences	18	4,208.5	233.1
10.2. Accruals and deferred income	19	199,558.3	195,261.9
10.3. Sundry	20	52,766.6	123,234.5
11. Provisions for future liabilities	21	123,579.7	163,958.6
12. Revaluation accounts	22	10,739,224.9	34,573,585.7
13. Capital and reserves	23	7,439,933.1	11,484,033.7
13.1. Statutory fund		1,500,000.0	1,500,000.0
13.2. Reserve fund		1,243,645.5	1,243,645.5
13.3. Reserves		4,696,287.6	8,740,388.2
14. Financial result	24	-11,457,911.7	-11,457,911.7
14.1. Financial result for the current year		0.0	0.0
14.2. Loss of previous years		-11,457,911.7	-11,457,911.7
Total liabilities		321,255,424.6	353,605,157.1

Director of the Accounting
and Finance Department
of Narodowy Bank Polski:
/-/ Grażyna Gielecińska

Management Board
of Narodowy Bank Polski:

/-/ Marek Belka
/-/ Piotr Wiesiołek
/-/ Anna Trzecińska
/-/ Jacek Bartkiewicz
/-/ Eugeniusz Gatnar
/-/ Andrzej Raczek
/-/ Paweł Samecki
/-/ Katarzyna Zajdel - Kurowska
/-/ Małgorzata Zaleska

Warsaw, 25 March 2015

Profit and loss account of NBP for the year ended 31 December 2014

	Note	2013	2014
		PLN thousand	
1. Net result on interest, discount and premium		-1,926,742.9	-355,097.3
1.1. Interest, discount and premium income	29	6,112,240.2	5,965,143.5
1.2. Interest, discount and premium expenses	30	8,038,983.1	6,320,240.8
2. Net result on financial operations		2,851,648.4	1,354,585.1
2.1. Income on financial operations	31	6,889,069.6	6,897,433.2
2.2. Expenses on financial operations	32	2,525,194.1	628,051.5
2.3. Unrealised losses	33	8,273,851.2	870,696.0
2.4. Income on transfers from risk provisions and on reversal of write-downs on financial assets	34	6,761,624.1	0.0
2.5. Expenses on transfers to risk provisions and on write-downs on financial assets	34	0.0	4,044,100.6
3. Net result on fees and commissions		-3,840.9	145.6
3.1. Fees and commissions income	35	33,736.1	34,919.0
3.2. Fees and commissions expenses	36	37,577.0	34,773.4
4. Income on shares and equities	37	17,742.9	9,688.4
5. Other income	38	176,782.0	175,323.4
A. Total net income [1+2+3+4+5]		1,115,589.5	1,184,645.2
6. Salaries and social contributions	39	477,628.0	483,021.5
7. Administrative expenses	40	260,282.6	303,723.4
8. Depreciation and amortisation expenses	41	79,520.8	80,897.3
9. Expenses on issue of banknotes and coins	42	268,792.1	290,786.9
10. Other expenses	43	29,366.0	26,216.1
B. Financial result for the current year [A-6-7-8-9-10]	44	0.0	0.0

Director of the Accounting
and Finance Department
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/-/ Jacek Bartkiewicz
/-/ Eugeniusz Gatnar
/-/ Andrzej Raczko
/-/ Paweł Samecki
/-/ Katarzyna Zajdel - Kurowska
/-/ Małgorzata Zaleska

Warsaw, 25 March 2015

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 Narodowy Bank Polski”, hereinafter referred to as “NBP”. “It shall have the exclusive right to issue money as well as to formulate and implement monetary policy. The NBP shall be responsible for the value of Polish currency”.

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 Narodowy Bank Polski (consolidated text: Journal of Laws of 2013, item 908, as amended), hereinafter referred to as the “Act on the NBP”,
- the Act of 29 August 1997 – Banking Law (consolidated text: Journal of Laws of 2015, item 128),
- 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 the 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 NBP bodies as at 31 December 2014 was as follows:

President of NBP

Marek Belka

Monetary Policy Council

Chairperson

Marek Belka

Members

Andrzej Bratkowski

Elżbieta Chojna-Duch

Adam Glapiński

Jerzy Hausner

Andrzej Kaźmierczak

Jerzy Osiatyński

Andrzej Rzońca

Jan Winiecki

Anna Zielińska-Głębocka

Management Board of NBP

Chairperson	Marek Belka
Vice President of NBP – First Deputy President of NBP	Piotr Wiesiołek
Vice President of NBP	Anna Trzecińska
Members	Jacek Bartkiewicz
	Eugeniusz Gatnar
	Andrzej Raczko
	Paweł Samecki
	Katarzyna Zajdel - Kurowska
	Małgorzata Zaleska

In 2014, President of the Republic of Poland Bronisław Komorowski appointed the following persons:

- Paweł Samecki – as a member of the Management Board of NBP – on 17 February;
- Piotr Wiesiołek, following the termination of the previous term on 6 March – for another term of office as a member of the Management Board of NBP and for the position of the Vice President of NBP – First Deputy President of NBP – on 7 March;
- Anna Trzecińska – as a member of the Management Board of NBP and for the position of the Vice President of NBP – on 3 November.

The term of office of Witold Koziński – a member of the Management Board of NBP and Vice President of NBP ended on 24 October 2014.

1.2. Legal basis of preparation of the financial statements

The financial statements of NBP as at 31 December 2014 were prepared on the basis of the following provisions:

- the Act on the NBP,
- Resolution No. 16/2003 of the Monetary Policy Council of 16 December 2003 on the accounting principles, format of the balance sheet and the profit and loss account of 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. 45/2013 of the Management Board of Narodowy Bank Polski of 12 December 2013 on performing tasks in the area of accounting at 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 2014.

1.4. Certified auditor and its selection

The annual financial statements of Narodowy Bank Polski prepared as at 31 December 2014 are subject to audit and evaluation by the 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 2013 in accordance with Article 69 para. 1 of the Act on the NBP. The selection was made following an open tendering, pursuant to the Act of 29 January 2004 – Public Procurement Law (consolidated text: Journal of Laws of 2010 No. 113, item 759, as amended), for a period of two years (audit of the financial statements for the years 2013 and 2014).

1.5. Information on the adoption and approval of NBP financial statements for 2013

The annual financial statements of NBP prepared as at 31 December 2013 were adopted by the MPC by Resolution No. 1/2014 on 8 April 2014 and approved by the Council of Ministers by Resolution No. 136/2014 on 15 July 2014. 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 prepared as at 31 December 2013, NBP recorded a zero financial result. Consequently, in 2014 NBP did not pay a contribution from profit to the State budget.

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 NBP financial statements:

- true and fair view,
- going concern,
- prudence,
- materiality,
- comparability,
- accrual.

2.2. Going concern

NBP financial statements were prepared under the assumption of the going concern principle. In accordance with Article 58 of the Act on the 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, the following rules are applied:

- 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 recognised in the profit and loss account at the end of each operating day¹.

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

¹ 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,
- interest on initial margins related to futures, which is recognised in the financial result on the payment 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.

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 average NBP exchange rate effective as at the date of the economic event or at the average NBP 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 average 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 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 a 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 a 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 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 NBP balance sheet liabilities as a received deposit collateralised with securities whose holding is not decreased on the 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 NBP balance sheet assets as a loan granted, collateralised with

securities whose holding is not increased on the 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 NBP balance sheet liabilities at nominal value of banknotes and coins issued, decreased by nominal value of banknotes and coins:

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

Expenses on issue of banknotes and coins are recognised in the financial result on the date they are 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 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 amount calculated for the period for which a given security was issued, pro-rata to the time elapsed between the date of liability recognition and the end of each day.

2.5.8. Tangible and intangible fixed assets

Tangible and intangible fixed assets are recognised in 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/amortised 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 periods of use for particular groups of tangible and intangible fixed assets prevailing as at 31 December 2014.

Fixed assets	Periods of use (in months)
Land	Unlimited
<i>including: right to perpetual usufruct of land</i>	800
Buildings and premises	480-780
Land and water engineering objects	267-480
Boilers and energy machinery	86-300
General application machines, devices and appliances	48-240
Specialist machines, devices and appliances	86-192
Technical devices	36-240
Vehicles	72-180
Tools, technical instruments, movables and equipment	60-240
<i>including: objects of art, museum exhibits, collector objects</i>	Unlimited
Intangible assets	Periods of use (in months)
Copyrights, including the rights related to inventions, patents, trademarks, utility and ornamental designs	120
IT software licences	72 or 144
IT software developed by NBP	120

In specific cases, individual periods of use 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 3.5 thousand depreciation/amortisation 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/amortisation and impairment.

2.5.9. Inventories

Inventories are recognised in 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 adjusted. Provisions for future liabilities unused due to full or partial 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 Chapter 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 with 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

Currency purchased or sold and, respectively, re-sold or re-purchased 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.

2.5.17. Futures

Futures transactions are recognised on off-balance-sheet accounts, from the trade date to the settlement date, at nominal value of the purchased or sold underlying instrument.

The initial margin related to futures, deposited in cash, is recognised on balance sheet accounts as an asset. The initial margin deposited in securities does not change their holding.

Daily changes in market prices of futures are recognised in the financial result on a daily basis, including the day of closing the open position in futures.

If, on the closing day of the open position in futures, the actual supply of the underlying instrument takes place, its purchase or sale is recognised at a market price.

2.6. Events after the balance sheet date

The balance sheet and the profit and loss account contain the events about which 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 2014 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 an occurrence of factors beyond 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, the Value at Risk (VaR) methodology is used to perform the analysis of changes in the foreign exchange rate risk of the zloty. 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 in and structure of NBP balance sheet and financial result

NBP balance sheet

The balance sheet total of NBP as at 31 December 2014 amounted to PLN 353,605,157.1 thousand, which represents an increase by PLN 32,349,732.5 thousand (10.1%) as compared with 31 December 2013.

On the assets side, the increase in the balance sheet total resulted mainly from:

- increase by PLN 30,391,397.3 thousand in claims on non-residents denominated in foreign currency, which amounted to PLN 338,369,553.3 thousand as at 31 December 2014 (the growth was mainly related to securities denominated in foreign currency and funds on term deposit accounts in foreign currency),
- increase by PLN 1,943,817.5 thousand in gold and gold receivables, which amounted to PLN 13,918,505.3 thousand as at 31 December 2014.

The increase in the value of the aforementioned items was mainly a result of currency revaluation (including gold) and price revaluation which were carried out as at 31 December 2014.

On the liabilities side, currency and price revaluation resulted in higher price and currency revaluation gains which amounted to PLN 32,955,562.5 thousand as at 31 December 2014, and were higher by PLN 23,834,360.8 thousand as compared with 31 December 2013.

The increase of the balance sheet total on the liabilities side was also affected by:

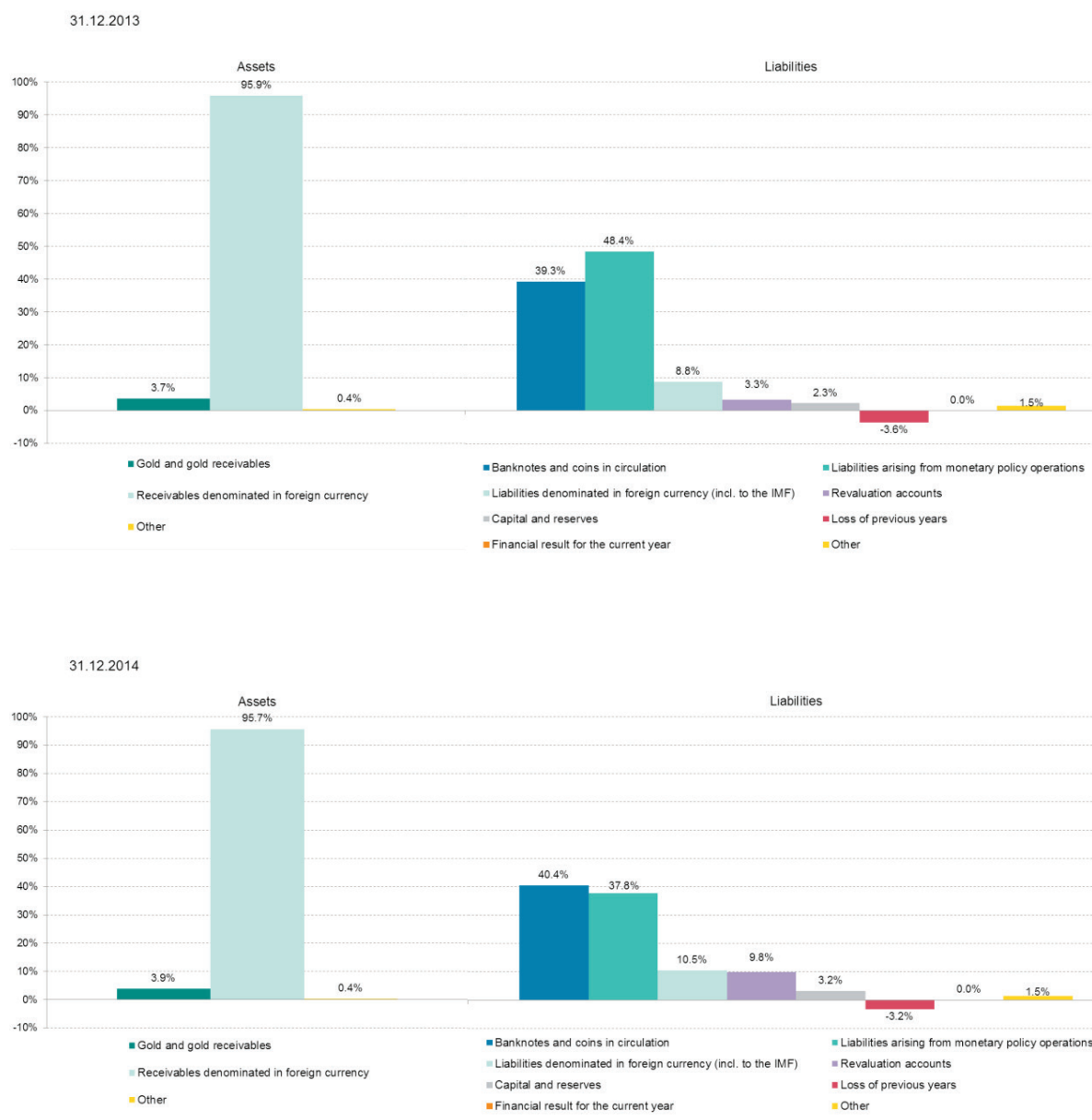
- liabilities due to banknotes and coins in circulation, which were higher by PLN 16,786,042.7 thousand and amounted to PLN 142,928,806.0 thousand as at 31 December 2014,
- liabilities to residents denominated in foreign currency, which were higher by PLN 11,149,765.6 thousand and amounted to PLN 17,077,974.6 thousand as at 31 December 2014,
- the provision against the foreign exchange rate risk of the zloty, which was higher by PLN 4,044,100.6 thousand and amounted to PLN 8,740,388.2 thousand as at 31 December 2014.

The increase in the balance sheet total on the liabilities side was partly offset by:

- liabilities related to monetary policy operations, which were lower by PLN 21,846,505.7 thousand and amounted to PLN 133,620,004.4 thousand as at 31 December 2014,
- liabilities to non-residents denominated in foreign currency, which were lower by PLN 2,968,015.2 thousand and amounted to PLN 13,373,829.9 thousand as at 31 December 2014.

The dominant items on the assets side of NBP balance sheet are those in foreign currencies and gold. As at 31 December 2014, their combined share in the balance sheet total amounted to 99.6% and did not change when compared with 31 December 2013. On the liabilities side, the share of liabilities in foreign currencies amounted to 10.5% as at 31 December 2014, as compared with 8.8% as at 31 December 2013. The main elements of the liabilities are banknotes and coins in circulation and liabilities related to monetary policy operations, whose combined share in the balance sheet total amounted to 78.2% as at 31 December 2014, as compared with 87.7% as at 31 December 2013 (see Figure 1).

Figure 1. NBP balance sheet structure as at 31 December 2013 and 31 December 2014



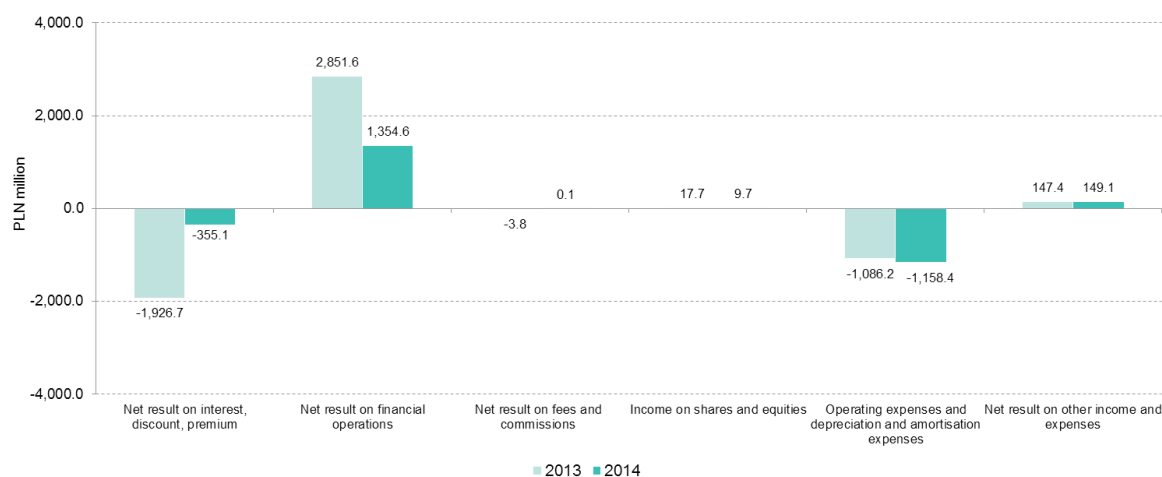
NBP financial result

Similar to 2013, NBP financial result for 2014 amounted to zero, whereas, compared with the previous year, the following changes occurred:

- decrease in the negative net result on interest, discount and premium,
- decrease in the positive net result on financial operations,
- increase in operating expenses and depreciation and amortisation expenses.

The structure of NBP financial result for 2013 and 2014 is presented in Figure 2.

Figure 2. Structure of financial result, 2013-2014.



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 general government.

As in the previous year, net result on interest, discount and premium was negative but its level was higher by PLN 1,571,645.6 thousand as compared with 2013. The increase in the net result was mainly driven by a decrease in discount expenses on monetary bills of NBP by PLN 1,134,193.5 thousand and in premium expenses on foreign securities by PLN 469,442.8 thousand (see Figure 3).

Figure 3. Structure of interest, discount and premium income and expenses, 2013-2014*

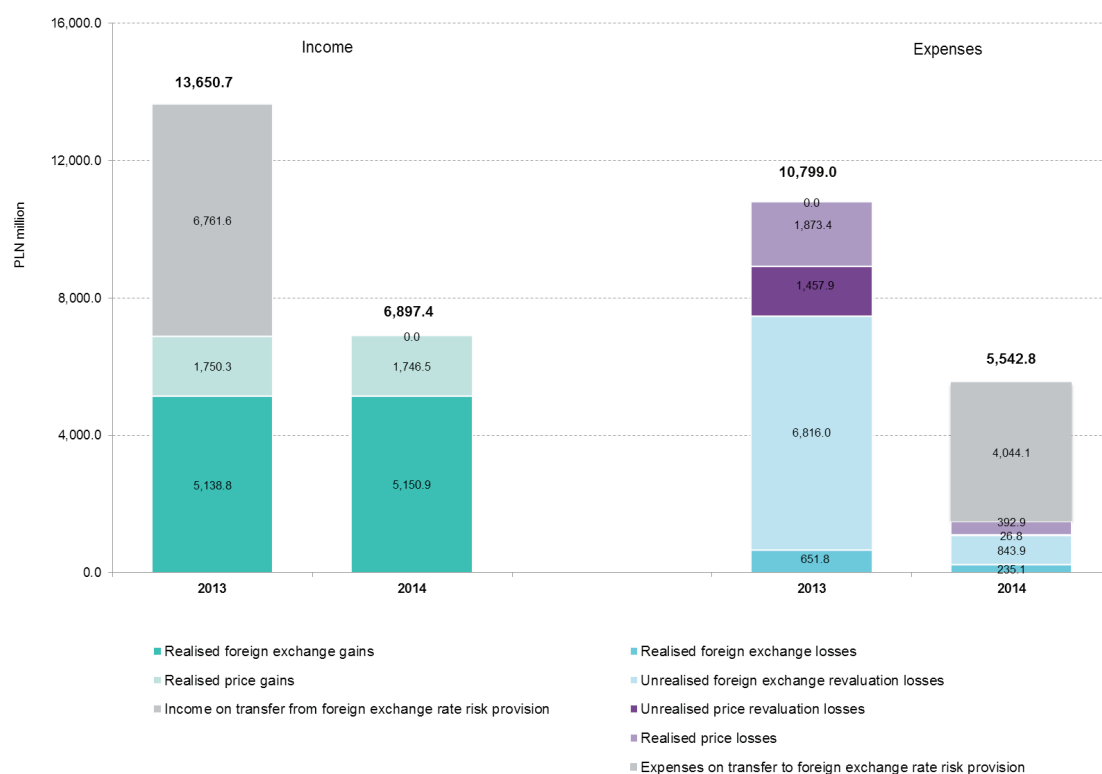

* Due to rounding, individual values may not add up to totals.

Net result on financial operations comprises mainly: realised foreign exchange and price gains and losses, unrealised foreign exchange and price 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 1,497,063.3 thousand was mainly driven by the update of the provision against the foreign exchange rate risk. Whereas in 2013 income on the release of the provision in the amount of PLN 6,761,624.1 thousand occurred (associated with the unrealised foreign exchange losses in the amount which could generate loss), in 2014 NBP incurred expenses on the replenishment of the provision against the foreign exchange rate risk in the amount of PLN 4,044,100.6 thousand.

At the same time, in 2014, as compared with 2013, the decrease was recorded in:

- unrealised foreign exchange and price losses by PLN 7,403,155.2 thousand, and
- realised foreign exchange and price losses by PLN 1,897,144.4 thousand (see Figure 4).

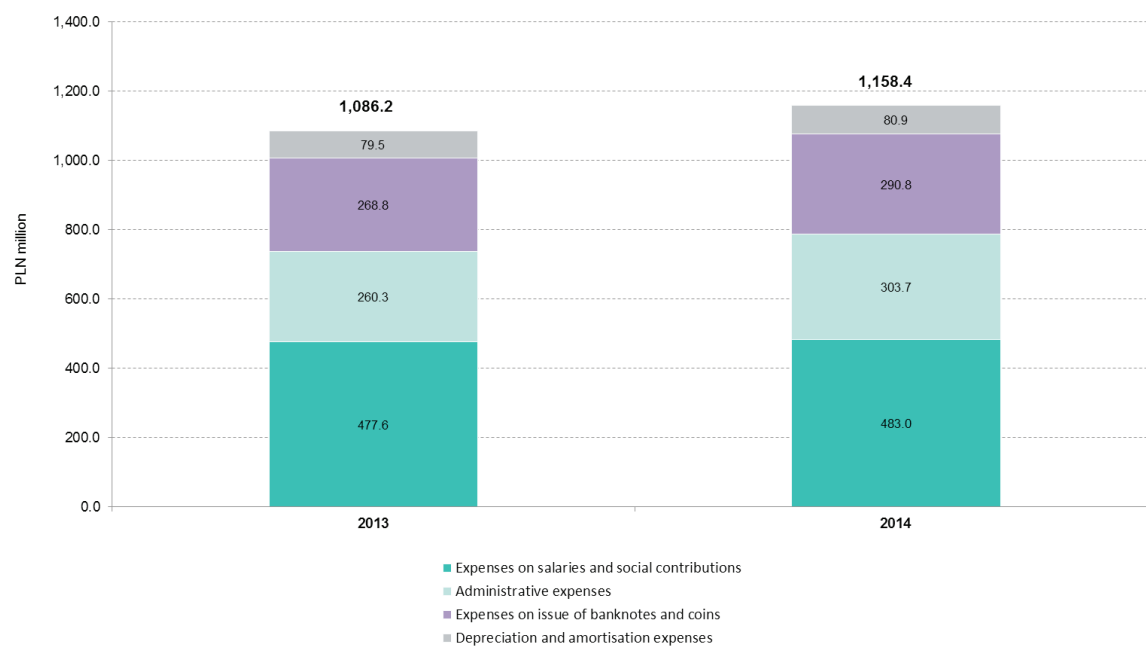
Figure 4. Structure of income and expenses included in net result on financial operations, 2013-2014*

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

NBP operating expenses include: expenses on salaries, administrative expenses and expenses on issue of banknotes and coins.

In 2014 operating expenses and depreciation and amortisation expenses increased by a total of PLN 72,205.6 thousand as compared with 2013. The increase in operating expenses resulted mainly from higher expenses on issue of banknotes and coins and administrative expenses (see Figure 5).

Figure 5. Structure of operating expenses and depreciation and amortisation expenses, 2013-2014*



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

6. Explanatory notes to balance sheet

Note 1 Gold and gold receivables

<i>PLN thousand</i>	31.12.2013	31.12.2014	Change	
Gold and gold receivables	11,974,687.8	13,918,505.3	1,943,817.5	16.2%
<i>of which currency revaluation differences</i>	<i>7,638,688.3</i>	<i>9,580,871.8</i>	<i>1,942,183.5</i>	<i>25.4%</i>

The item comprises gold holding, which as at 31 December 2014 amounted to 3,309.2 thousand ounces of gold (102.9 tonnes) and was higher by 0.3 thousand ounces compared with 31 December 2013.

The gold holding is stored at NBP as well as deposited in foreign bank accounts: on the current account and, since 2014, on term deposit accounts, in connection with the relaunch by NBP of investment of gold in the interbank market.

Interest on term deposits in gold is accrued and paid in USD.

The increase in the item resulted mainly from the currency revaluation of gold (see Note 22).

Note 2 Receivables from the IMF

<i>PLN thousand</i>	31.12.2013	31.12.2014	Change	
SDR under the reserve tranche	2,300,493.0	1,842,983.0	-457,510.0	-19.9%
Current accounts with the IMF	4,927,287.5	5,012,458.8	85,171.3	1.7%
Term deposits with the IMF	32,777.8	35,912.2	3,134.4	9.6%
Loans extended to the IMF	1,496,473.7	1,545,883.1	49,409.4	3.3%
Total	8,757,032.0	8,437,237.1	-319,794.9	-3.7%
<i>of which currency revaluation differences</i>	<i>-257,821.8</i>	<i>720,978.8</i>	<i>978,800.6</i>	<i>-379.6%</i>

The item 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 in domestic currency operated by NBP for the IMF (so-called No. 1 Account), whose balance as at 31 December 2014 was PLN 6,492,343.1 thousand,
- current account of NBP with the IMF on which, among others, funds received by NBP under SDR allocation are recorded (see Note 17),

- the NBP term deposit in the PRG-HIPC Trust (Poverty Reduction and Growth – Heavily Indebted Poor Countries Initiative), administered by the IMF,
- loans in foreign currency extended to the IMF under the New Arrangements to Borrow (NAB) (see Note 27).

The decrease in the item in the original currency was due to a reduction of:

- the reserve tranche, which mainly resulted from the repayments made by the member states in favour of the IMF to the IMF No. 1 Account held with NBP, exceeding the payments made by the IMF from this account in favour of the member states,
- receivables due to loans extended to the IMF under NAB, which resulted from the partial repayment of the debt towards NBP by the IMF, in the amount exceeding payments transferred by NBP in 2014,
- the balance of funds denominated in SDR on the current account with the IMF.

The domestic currency value of the item was also affected by the currency revaluation of SDR.

Nota 3 Balances with foreign institutions, securities, loans granted and other foreign assets

<i>PLN thousand</i>	31.12.2013	31.12.2014	Change	
Current accounts in foreign currency	2,582,073.1	6,562,775.3	3,980,702.2	154.2%
Term deposits in foreign currency	20,404,028.6	31,072,016.2	10,667,987.6	52.3%
Reverse repo transactions in foreign currency	16,196,929.1	13,223,762.9	-2,973,166.2	-18.4%
Securities denominated in foreign currency (marketable securities other than held-to-maturity)	259,924,722.6	278,948,631.1	19,023,908.5	7.3%
Foreign banknotes and coins in stock	113,370.6	124,138.5	10,767.9	9.5%
Other claims in foreign currency	0.0	992.2	992.2	-
Total	299,221,124.0	329,932,316.2	30,711,192.2	10.3%
<i>of which</i>				
- currency revaluation differences	-5,093,486.9	21,158,239.6	26,251,726.5	-515.4%
- price revaluation differences	-1,113,427.9	2,776,390.5	3,889,818.4	-349.4%

The item comprises assets denominated in foreign currency, mostly in USD, EUR, GBP, AUD, NOK and NZD. Securities, term deposit accounts, reverse repo transactions presented in this item are the main investment instruments of foreign exchange reserves.

In addition, in 2014 NBP continued investing in government securities denominated in the currencies of developing countries (Brazilian real – BRL, Mexican peso – MXN).

The increase in the item mainly resulted from the foreign exchange and price revaluation (see Note 22 and Note 33).

Note 4 Other claims on other domestic monetary financial institutions denominated in domestic currency

The item comprises NBP's claims related to settlements with banks due to purchase transactions of domestic banknotes and coins as well as interest due to breaching of the obligation to maintain the required minimum reserve.

As at 31 December 2014 this item amounted to PLN 271.3 thousand and was by PLN 269.7 thousand (16,856.3%) higher as compared with 31 December 2013. The increase in the item resulted mainly from the occurrence of claims on interest due to breaching of the obligation to maintain the required minimum reserve as at 31 December 2014.

Note 5 Tangible and intangible fixed assets

<i>PLN thousand</i>	31.12.2013	31.12.2014	Change	
Gross tangible fixed assets	1,912,999.9	1,839,983.0	-73,016.9	-3.8%
Depreciation	-1,056,414.7	-1,010,035.0	46,379.7	-4.4%
Impairment	-26,985.9	-27,014.0	-28.1	0.1%
<i>Net tangible fixed assets</i>	<i>829,599.3</i>	<i>802,934.0</i>	<i>-26,665.3</i>	<i>-3.2%</i>
Gross intangible fixed assets	376,423.7	390,924.2	14,500.5	3.9%
Amortisation	-290,962.2	-299,183.3	-8,221.1	2.8%
Impairment	-8.9	-8.9	0.0	0.0%
<i>Net intangible fixed assets</i>	<i>85,452.6</i>	<i>91,732.0</i>	<i>6,279.4</i>	<i>7.3%</i>
Total	915,051.9	894,666.0	-20,385.9	-2.2%

The item comprises tangible fixed assets (including tangible fixed assets under construction) and intangible fixed assets (including intangible fixed assets under construction).

As at 31 December 2014, the balance sheet value of the item comprised mainly real estates, machines, devices and IT software.

Note 6 Other financial assets

<i>PLN thousand</i>	31.12.2013	31.12.2014	Change	
Shares and equities in domestic entities	53,848.9	53,848.9	0.0	0.0%
Shares and equities in foreign entities	128,353.8	139,644.5	11,290.7	8.8%
Total	182,202.7	193,493.4	11,290.7	6.2%

The item comprises shares and equities that NBP holds in domestic entities (including the Central Securities Depository of Poland [Krajowy Depozyt Papierów Wartościowych S.A., KDPW S.A.], the National Clearing House [Krajowa Izba Rozliczeniowa, KIR S.A.], Bazy i Systemy Bankowe Sp. z o.o.) and in foreign entities (Bank for International Settlements in Basel, S.W.I.F.T., European Central Bank).

The increase in the item resulted mainly from the change in NBP's participating interest in the ECB's capital as well as from the currency revaluation of shares and equities in foreign entities.

Since 1 May 2004, i.e. the day of Poland's accession to the European Union, NBP has had participating interest in the ECB's capital. As at 31 December 2014, the amount of the capital paid up by NBP to the ECB was PLN 88,639.6 thousand (EUR 20,796.2 thousand).

In accordance with Article 28 of the Statute of the European System of Central Banks and the European Central Bank, hereinafter referred to as the "Statute of the ESCB and 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). The subscription key of the ECB capital is regularly updated at five year intervals, as well as at the moment of accession of a new country to the European Union. The last regular update of the key took place on 1 January 2014. As a result, the share of NBP in the ECB's subscribed capital increased from 4.8581% to 5.1230%, which corresponded to the increase in participating interest from EUR 525,889.7 thousand to EUR 554,565.1 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 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. As a result of the last update of ECB capital subscription key on 1 January 2014, the level of the capital paid up by NBP to the ECB increased from EUR 19,720.9

thousand to EUR 20,796.2 thousand. Upon entry of Poland 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 533,768.9 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.

in EUR	Capital subscription key		Subscribed capital		Paid-up capital	
	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014
Oesterreichische Nationalbank	1.9370%	1.9631%	209,680,386.94	212,505,713.78	209,680,386.94	212,505,713.78
Nationale Bank van België	2.4176%	2.4778%	261,705,370.91	268,222,025.17	261,705,370.91	268,222,025.17
Central Bank of Cyprus	0.1333%	0.1513%	14,429,734.42	16,378,235.70	14,429,734.42	16,378,235.70
Eesti Pank/Bank of Estonia	0.1780%	0.1928%	19,268,512.58	20,870,613.63	19,268,512.58	20,870,613.63
Suomen Pankki/Finlands Bank	1.2456%	1.2564%	134,836,288.06	136,005,388.82	134,836,288.06	136,005,388.82
Banque de France	14.1342%	14.1792%	1,530,028,149.23	1,534,899,402.41	1,530,028,149.23	1,534,899,402.41
Bank of Greece	1.9483%	2.0332%	210,903,612.74	220,094,043.74	210,903,612.74	220,094,043.74
Banco de España	8.2533%	8.8409%	893,420,308.48	957,028,050.02	893,420,308.48	957,028,050.02
De Nederlandsche Bank	3.9663%	4.0035%	429,352,255.40	433,379,158.03	429,352,255.40	433,379,158.03
Central Bank of Ireland	1.1111%	1.1607%	120,276,653.55	125,645,857.06	120,276,653.55	125,645,857.06
Banque centrale du Luxembourg	0.1739%	0.2030%	18,824,687.29	21,974,764.35	18,824,687.29	21,974,764.35
Latvijas Banka*	-	0.2821%	-	30,537,344.94	-	30,537,344.94
Central Bank of Malta	0.0635%	0.0648%	6,873,879.49	7,014,604.58	6,873,879.49	7,014,604.58
Deutsche Bundesbank	18.7603%	17.9973%	2,030,803,801.28	1,948,208,997.34	2,030,803,801.28	1,948,208,997.34
Banco de Portugal	1.7636%	1.7434%	190,909,824.68	188,723,173.25	190,909,824.68	188,723,173.25
Národná banka Slovenska	0.6881%	0.7725%	74,486,873.65	83,623,179.61	74,486,873.65	83,623,179.61
Banka Slovenije	0.3270%	0.3455%	35,397,773.12	37,400,399.43	35,397,773.12	37,400,399.43
Banca d'Italia	12.4570%	12.3108%	1,348,471,130.66	1,332,644,970.33	1,348,471,130.66	1,332,644,970.33
<i>National central banks in the euro area total</i>	<i>69.5581%</i>	<i>69.9783%</i>	<i>7,529,669,242.48</i>	<i>7,575,155,922.19</i>	<i>7,529,669,242.48</i>	<i>7,575,155,922.19</i>
Българска народна банка	0.8644%	0.8590%	93,571,361.11	92,986,810.73	3,508,926.04	3,487,005.40
Croatian National Bank	0.5945%	0.6023%	64,354,667.03	65,199,017.58	2,413,300.01	2,444,963.16
Česka národní banka	1.4539%	1.6075%	157,384,777.79	174,011,988.64	5,901,929.17	6,525,449.57
Danmarks Nationalbank	1.4754%	1.4873%	159,712,154.31	161,000,330.15	5,989,205.79	6,037,512.38
Lietuvos bankas	0.4093%	0.4132%	44,306,753.94	44,728,929.21	1,661,503.27	1,677,334.85
Latvijas Banka*	0.2742%	-	29,682,169.38	-	1,113,081.35	-
Narodowy Bank Polski	4.8581%	5.1230%	525,889,668.45	554,565,112.18	19,720,862.57	20,796,191.71
Banca Națională a României	2.4449%	2.6024%	264,660,597.84	281,709,983.98	9,924,772.42	10,564,124.40
Sveriges Riksbank	2.2612%	2.2729%	244,775,059.86	246,041,585.69	9,179,064.74	9,226,559.46
Magyar Nemzeti Bank	1.3740%	1.3798%	148,735,597.14	149,363,447.55	5,577,584.89	5,601,129.28
Bank of England	14.4320%	13.6743%	1,562,265,020.29	1,480,243,941.72	58,584,938.26	55,509,147.81
<i>National central banks outside the euro area total</i>	<i>30.4419%</i>	<i>30.0217%</i>	<i>3,295,337,827.14</i>	<i>3,249,851,147.43</i>	<i>123,575,168.51</i>	<i>121,869,418.02</i>
Total	100.0%	100.0%	10,825,007,069.61	10,825,007,069.61	7,653,244,410.99	7,697,025,340.21

* On 1 January 2014 Latvia joined the euro area.

Note 7 Off-balance-sheet instruments revaluation differences

<i>PLN thousand</i>	31.12.2013	31.12.2014	Change	
Currency revaluation differences	73.9	38,707.2	38,633.3	52,277.8%
Price revaluation differences	386.5	122.4	-264.1	-68.3%
Total	460.4	38,829.6	38,369.2	8,333.9%

The item 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).

Note 8 Accruals and prepaid expenses

The item comprises accruals on discount expenses related to securities issued in domestic currency and prepaid expenses related to services.

As at 31 December 2014 this item amounted to PLN 16,217.7 thousand and was by PLN 15,772.5 thousand (49.3%) lower as compared with 31 December 2013. The decrease in the item resulted from lower amount of discount to be amortised on monetary bills issued by NBP (see Note 11) and balance of prepaid expenses related to services concerning NBP's own administrative activities.

Note 9 Sundry

The item comprises mainly current assets (including precious metals), 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 2014 this item amounted to PLN 173,620.5 thousand and was by PLN 746.5 thousand (0.4%) higher as compared with 31 December 2013. The increase in the item resulted mainly from the increase in the stock of precious metals with a simultaneous decrease of the balance arising from the adjustment of off-balance-sheet items in foreign currency to the average cost of foreign currency holding and other receivables.

Note 10 Banknotes and coins in circulation

<i>PLN thousand</i>	31.12.2013	31.12.2014	Change	
Domestic banknotes in circulation	122,450,701.2	138,955,416.2	16,504,715.0	13.5%
Domestic coins in circulation	3,692,062.1	3,973,389.8	281,327.7	7.6%
Total	126,142,763.3	142,928,806.0	16,786,042.7	13.3%

The item comprises banknotes and coins in circulation issued by NBP, including collector banknotes and coins, whose value as at 31 December 2014 amounted to PLN 267,769.5 thousand as compared with PLN 258,932.3 thousand as at 31 December 2013.

The average level of banknotes and coins in circulation throughout 2014 amounted to PLN 132,291.9 million as compared with PLN 120,083.2 million in 2013.

Note 11 Liabilities to other domestic monetary financial institutions related to monetary policy operations denominated in domestic currency

<i>PLN thousand</i>	31.12.2013	31.12.2014	Change	
Current accounts (incl. the required minimum reserve accounts)	38,125,710.1	47,218,516.7	9,092,806.6	23.8%
Deposit facilities	0.0	1,740,047.7	1,740,047.7	-
Other monetary policy operations	117,340,800.0	84,661,440.0	-32,679,360.0	-27.8%
Total	155,466,510.1	133,620,004.4	-21,846,505.7	-14.1%

The item comprises liabilities related to monetary policy operations conducted by NBP. They include:

- liabilities to domestic banks due to the 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,
 - accounts of the required minimum reserve of banks not holding the current account with NBP,
 - account of the required minimum reserve of the National Association of Credit Unions [Krajowa Spółdzielcza Kasa Oszczędnościowo-Kredytowa, KSKOK], used for maintaining funds representing the required minimum reserve of credit unions and KSKOK,
- liabilities to domestic banks due to deposit facilities.

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

Note 12 Other liabilities to other domestic monetary financial institutions denominated in domestic currency

The item comprises liabilities to banks due to operations unrelated to monetary policy. Its main component are liabilities resulting from:

- payment orders of NBP's customers submitted for settlement in the domestic payment system ELIXIR via KIR S.A., which were under settlement as at 31 December 2014,
- funds in the trust account operated by NBP for KIR S.A., which is used to settle payments in Express ELIXIR system.

As at 31 December 2014 this item amounted to PLN 166,764.2 thousand and was by PLN 9,042.3 thousand (5.7%) higher as compared with 31 December 2013. The increase in the item resulted mainly from the increase in liabilities due to the aforementioned titles.

Note 13 Liabilities to other residents denominated in domestic currency

<i>PLN thousand</i>	31.12.2013	31.12.2014	Change	
Liabilities to general government	3,484,639.9	4,380,658.1	896,018.2	25.7%
Other liabilities	69,023.9	16,395.3	-52,628.6	-76.2%
Total	3,553,663.8	4,397,053.4	843,389.6	23.7%

The item comprises mainly current accounts, auxiliary accounts and term deposit accounts in domestic currency operated by NBP for the general government, including the State budget and social insurance funds.

The increase in the item resulted mainly from the increase in the balance of funds held on auxiliary accounts of social insurance funds and the State budget accounts as well as the balance of term deposits of the State budget.

Note 14 Liabilities to non-residents denominated in domestic currency

The item 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 expenditures (so-called No. 2 Account).

As at 31 December 2014 this item amounted to PLN 334,379.3 thousand and was by PLN 182,627.0 thousand (35.3%) lower as compared with 31 December 2013. The decrease in the item resulted mainly from the decrease in funds held on the accounts of international organisations.

Note 15 Liabilities to residents denominated in foreign currency

<i>PLN thousand</i>	31.12.2013	31.12.2014	Change	
State budget accounts	4,203,008.0	16,238,494.7	12,035,486.7	286.4%
Accounts of domestic banks for settlements in the TARGET2 system	1,530,042.7	344,115.2	-1,185,927.5	-77.5%
Other	195,158.3	495,364.7	300,206.4	153.8%
Total	5,928,209.0	17,077,974.6	11,149,765.6	188.1%
<i>of which currency revaluation differences</i>	<i>-4,545.9</i>	<i>432,614.7</i>	<i>437,160.6</i>	<i>-9,616.6%</i>

The item 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 the TARGET2 system.

The increase in the item resulted mainly from the increase in funds in foreign currency held on the accounts of the State budget, with a simultaneous decrease in the balance of funds on the accounts of domestic banks used for settlements in the TARGET2 system.

Note 16 Liabilities to non-residents denominated in foreign currency

<i>PLN thousand</i>	31.12.2013	31.12.2014	Change	
Repo transactions in foreign currency	16,195,752.7	13,221,902.6	-2,973,850.1	-18.4%
Other	146,092.4	151,927.3	5,834.9	4.0%
Total	16,341,845.1	13,373,829.9	-2,968,015.2	-18.2%
<i>of which currency revaluation differences</i>	<i>504,086.4</i>	<i>1,197,822.9</i>	<i>693,736.5</i>	<i>137.6%</i>

The item comprises mainly repo transactions in foreign currency carried out with foreign financial institutions. Under NBP's investment policies, these transactions are usually executed simultaneously with reverse repo transactions in foreign currency (see Note 3).

The decrease in the item resulted mainly from NBP's lower involvement in these transactions. Moreover, the value of this item was affected by currency revaluation.

Note 17 Liabilities to the IMF

<i>PLN thousand</i>	31.12.2013	31.12.2014	Change	
Liabilities to the IMF	6,046,345.7	6,623,949.5	577,603.8	9.6%
<i>of which currency revaluation differences</i>	<i>-178,014.6</i>	<i>566,029.7</i>	<i>744,044.3</i>	<i>-418.0%</i>

The item 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.

The increase in the item resulted mainly from SDR currency revaluation.

Note 18 Off-balance-sheet instruments revaluation differences

<i>PLN thousand</i>	31.12.2013	31.12.2014	Change	
Currency revaluation differences	4,155.1	0.0	-4,155.1	-100.0%
Price revaluation differences	53.4	233.1	179.7	336.5%
Total	4,208.5	233.1	-3,975.4	-94.5%

The item 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).

Note 19 Accruals and deferred income

The item comprises accruals and deferred income.

As at 31 December 2014 this item amounted to PLN 195,261.9 thousand and was by PLN 4,296.4 thousand (2.2%) lower as compared with 31 December 2013. The decrease in the item resulted mainly from the decrease in the balance of deferred income.

Note 20 Sundry

The item 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 2014 this item amounted to PLN 123,234.5 thousand and was by PLN 70,467.9 thousand (133.5%) higher as compared with 31 December 2013. The increase in the item resulted mainly from higher balances arising from the adjustment of off-balance-sheet items in foreign currency to the average cost of foreign currency holding (see Note 25).

Note 21 Provisions for future liabilities

The item comprises mainly provisions for future liabilities to employees due to retirement severance payments, disability severance payments, jubilee awards and untaken leaves as well as severance payments and additional benefits.

As at 31 December 2014 this item amounted to PLN 163,958.6 thousand and was by PLN 40,378.9 thousand (32.7%) higher as compared with 31 December 2013. The increase in the item resulted mainly from the increase in provisions for severance payments and additional employee benefits, in connection with the commencement of implementation of the *Programme of employment optimisation in NBP* in 2014.

Note 22 Revaluation accounts

PLN thousand	31.12.2013	31.12.2014	Change	
Gold revaluation account	1,618,023.2	1,618,023.2	0.0	0.0%
Currency revaluation gains, of which	8,776,418.2	30,152,500.2	21,376,082.0	243.6%
- on gold	7,638,688.3	9,580,871.8	1,942,183.5	25.4%
- on foreign currencies	1,137,729.9	20,571,628.4	19,433,898.5	1,708.1%
Price revaluation gains, of which	344,783.5	2,803,062.3	2,458,278.8	713.0%
- on securities	344,397.0	2,802,939.9	2,458,542.9	713.9%
- on off-balance-sheet financial instruments	386.5	122.4	-264.1	-68.3%
Total	10,739,224.9	34,573,585.7	23,834,360.8	221.9%

As at 31 December 2014, the value of the item resulted mainly from currency revaluation gains on gold and foreign currencies, in particular: USD, GBP, EUR and AUD.

Currency revaluation gains are determined for:

- gold – by comparing 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 comparing 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.

PLN	Average cost of holding	Average NBP exchange rate/ Average price of gold	Average cost of holding	Average NBP exchange rate/ Average price of gold
	31.12.2013		31.12.2014	
AUD	2.9664699547	2.6864	2.7589624338	2.8735
BRL	1.5097846268	1.2753	1.2827101828	1.3197
CAD	3.0279148071	2.8297	2.9077736326	3.0255
CHF	3.4035020298	3.3816	3.5054219646	3.5447
CZK	0.1606971177	0.1513	0.1512647539	0.1537
DKK	0.5564783132	0.5560	0.5578631243	0.5725
EUR	4.1447379246	4.1472	4.1658064400	4.2623
GBP	4.8180689389	4.9828	4.9752598745	5.4648
HUF	0.0141905208	0.0140	0.0138589620	0.0135
JPY	0.0304371447	0.0287	0.0292789021	0.0294
MXN	0.2497819256	0.2302	0.2305324942	0.2382
NOK	0.5252774756	0.4953	0.4934243647	0.4735
NZD	2.5826789367	2.4741	2.5911742231	2.7500
SEK	0.4781631214	0.4694	0.4594143867	0.4532
USD	3.0693482142	3.0120	3.0697564838	3.5072
SDR	4.7701239618	4.6337	4.6429772859	5.0768
ounce of gold*	1,310.3996257646	3,618.9180	1,310.7821428807	4,206.0096

*Price of an ounce of gold expressed in USD was, respectively: USD 1,201.50 as at 31.12.2013 and USD 1,199.25 as at 31.12.2014.

Price revaluation gains on securities are determined by comparing 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 2014, price revaluation gains related mainly to interest-bearing securities denominated in AUD, GBP, USD, EUR and NOK.

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

Due to the fact that as at 31 December 2014:

- no unrealised gold revaluation losses occurred,

- no decrease in gold holding as compared with the holding at the balance-sheet date of the previous financial year was recorded, NBP did not release the gold revaluation account.

Note 23 Capital and reserves

<i>PLN thousand</i>	31.12.2013	31.12.2014	Change	
Statutory fund	1,500,000.0	1,500,000.0	0.0	0.0%
Reserve fund	1,243,645.5	1,243,645.5	0.0	0.0%
Reserves	4,696,287.6	8,740,388.2	4,044,100.6	86.1%
Total	7,439,933.1	11,484,033.7	4,044,100.6	54.4%

The item comprises:

- the statutory fund, whose amount is determined by Article 61 of the Act on the NBP,
- the reserve fund which, in accordance with Article 62 of the Act on the NBP, is created from the transfer of 5% of NBP's annual profit until it reaches the amount equivalent to the statutory fund. Reserve fund may only be used to cover NBP's balance sheet losses,
- the provision against the foreign exchange rate risk of the zloty, created as provided for in Article 65 of the Act on the NBP.

The increase in the item resulted from the replenishment of the provision against the foreign exchange rate risk of the zloty in the amount of PLN 4,044,100.6 thousand.

Note 24 Financial result

The item comprises:

- financial result for the current year, which was zero (see Note 44),
- portion of NBP's loss for the year 2007, which was not covered by the reserve fund; as at 31 December 2014 the item amounted to PLN 11,457,911.7 thousand and remained unchanged as compared with 31 December 2013.

7. Explanatory notes to off-balance-sheet items

Note 25 Spot transactions recognised on off-balance-sheet accounts

<i>PLN thousand</i>	31.12.2013	31.12.2014	Change	
Receivables arising from spot transactions, of which	127,080.5	1,726,409.7	1,599,329.2	1,258.5%
- receivables denominated in foreign currency	127,080.5	1,726,409.7	1,599,329.2	1,258.5%
Liabilities arising from spot transactions, of which	127,080.5	1,726,409.7	1,599,329.2	1,258.5%
- liabilities denominated in domestic currency	965.2	1,726,409.7	1,725,444.5	178,765.5%
- liabilities denominated in foreign currency	126,115.3	0.0	-126,115.3	-100.0%

The increase in individual items resulted from a higher volume of spot foreign exchange transactions carried out by NBP towards the end of the year.

Note 26 Off-balance-sheet financial instruments

<i>PLN thousand</i>	31.12.2013	31.12.2014	Change	
Securities denominated in foreign currency purchased in forward transactions	369,883.9	269,408.5	-100,475.4	-27.2%
Securities denominated in foreign currency sold in forward transactions	0.0	1,290,305.7	1,290,305.7	-
Futures denominated in foreign currency - sales	0.0	87,582.7	87,582.7	-

The item comprises off-balance-sheet financial instruments used by NBP under foreign exchange reserves management.

As at 31 December 2014 the increase in the item was related to:

- a higher volume of forward transactions in securities carried out by NBP towards the end of the year,
- commencement of the execution of bond futures in the second half of 2014.

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 extend 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 2014, NBP's commitment under the NAB amounted to SDR 2,224,117.5 thousand (PLN 11,291,399.7 thousand according to the average NBP exchange rate as at the balance sheet date) as a result of:

- transferring SDR 407,000.0 thousand by NBP to the IMF in the years 2011-2014 (in 2011: SDR 174,000.0 thousand; in 2012: SDR 127,000.0 thousand; in 2013: SDR 51,600.0 thousand; and in 2014: SDR 54,400.0 thousand, respectively),
- receiving a loan repayment of SDR 102,527.5 thousand by NBP from the IMF in the years 2012-2014 (in 2012: SDR 2,500.0 thousand; in 2013: SDR 27,200.0 thousand; and in 2014: SDR 72,827.5 thousand, respectively).

On 15 March 2013, NBP and the IMF concluded a bilateral loan agreement, in accordance with which NBP committed to extend an interest-bearing loan to the IMF up to the amount of the SDR equivalent of EUR 6,270,000.0 thousand. The funds are to be transferred by NBP at the request of the IMF. The IMF will be able to use these funds provided that it exhausts other available resources originating from member countries' quotas and loans under the NAB.

As at 31 December 2014, NBP's commitment to the bilateral loan agreement with the IMF amounted to EUR 6,270,000.0 thousand (PLN 26,724,621.0 thousand according to the average NBP exchange rate as at the balance sheet date) as the IMF did not use any of these funds in 2014.

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

As at 31 December 2014, other items recognised on off-balance-sheet accounts mainly related to:

- collateral received by NBP, related to NBP's own administrative activities, in the amount of PLN 28,374.3 thousand (as at 31 December 2013 – PLN 27,961.8 thousand),
- contingent assets claimed by NBP in the amount of PLN 124.4 thousand (as at 31 December 2013 – PLN 126.5 thousand).

Interest due from Bank Handlowo-Kredytowy S.A. in 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 2013.

8. Explanatory notes to profit and loss account

Nota 29 Interest, discount and premium income

<i>PLN thousand</i>	2013	2014	Change	
Interest and discount income on securities denominated in foreign currency	5,728,837.3	5,582,841.0	-145,996.3	-2.5%
Interest income on NBP's bank accounts denominated in foreign currency and gold	373,436.1	371,755.6	-1,680.5	-0.5%
Interest income on credits and loans, of which	1,854.6	1,819.6	-35.0	-1.9%
- in foreign currency	1,219.4	1,326.9	107.5	8.8%
- in domestic currency	635.2	492.7	-142.5	-22.4%
Other income	8,112.2	8,727.3	615.1	7.6%
Total	6,112,240.2	5,965,143.5	-147,096.7	-2.4%

The item comprises mainly interest and discount income on the main investment instruments of foreign exchange reserves (see Note 3).

In 2014 the decrease in the item resulted mainly from:

- lower by PLN 145,996.3 thousand income on securities denominated in foreign currency, which was caused by:
 - a decline in interest income by PLN 238,667.0 thousand, arising mainly from the lower average annual interest rate on securities denominated in AUD, GBP, NOK,
 - an increase in discount income by PLN 92,670.7 thousand;
- lower by PLN 1,680.5 thousand interest income on NBP's bank accounts, which was caused by:
 - a decrease in interest income on term deposits denominated in foreign currency by PLN 33,103.9 thousand,
 - recognition of interest income on term deposits in gold in the amount of PLN 15,840.5 thousand (see Note 1),
 - an increase in interest income on reverse repo transactions denominated in foreign currency by PLN 15,566.9 thousand.

The change in interest, discount and premium income on investment instruments of foreign exchange reserves in 2014 was significantly affected by:

- a decrease in the average annual level of foreign exchange reserves (their average level amounted to EUR 66,035.1 million in 2014 as compared with EUR 69,759.4 million in 2013),
- a change in average annual exchange rates of the zloty – appreciation of the zloty against USD, EUR, AUD, NOK, BRL and MXN, and a simultaneous depreciation of the zloty against GBP and NZD (see table below presenting the average annual exchange rates).

Moreover, in 2014 there was a decrease in interest income on the current account with the IMF and on the reserve tranche by PLN 206.0 thousand recognised in the item *Other income*. At the same time, an increase was recorded in interest income on the loans extended to the IMF under the NAB, by PLN 107.5 thousand, recognised in the item *Interest income on credits and loans* (see Note 2).

The average annual exchange rates of the zloty in 2013-2014 are presented below.

PLN	Average annual exchange rate			
	2013	2014	Change	
USD	3.1608	3.1551	-0.0057	-0.2%
EUR	4.1975	4.1852	-0.0123	-0.3%
GBP	4.9437	5.1934	0.2497	5.1%
AUD	3.0587	2.8437	-0.2150	-7.0%
NOK	0.5383	0.5009	-0.0374	-6.9%
NZD	2.5914	2.6165	0.0251	1.0%
BRL	1.4711	1.3420	-0.1291	-8.8%
MXN	0.2478	0.2370	-0.0108	-4.4%

Note 30 Interest, discount and premium expenses

PLN thousand	2013	2014	Change	
Premium expenses on securities denominated in foreign currency	3,275,046.9	2,805,604.1	-469,442.8	-14.3%
Interest and discount expenses on issued securities denominated in domestic currency	3,767,401.6	2,633,208.1	-1,134,193.5	-30.1%
Interest expenses on bank accounts operated by NBP in foreign currency	52,752.7	67,190.9	14,438.2	27.4%
Interest expenses on bank accounts operated by NBP in domestic currency, of which	938,499.8	803,854.2	-134,645.6	-14.3%
- on required minimum reserve	877,957.3	763,929.4	-114,027.9	-13.0%
- on deposit facilities	6,063.7	3,029.9	-3,033.8	-50.0%
Other expenses	5,282.1	10,383.5	5,101.4	96.6%
Total	8,038,983.1	6,320,240.8	-1,718,742.3	-21.4%

The item 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.

In 2014 the decrease in the item resulted mainly from:

- lower by PLN 1,134,193.5 thousand discount expenses on issued securities denominated in domestic currency, due to a decrease in the issue of NBP monetary bills under open market operations (the level of main operations in average annual terms² in 2014 amounted to PLN 107,190.6 million as compared with PLN 124,280.4 million in 2013, and the level of fine-tuning operations amounted to PLN 1,238.2 million in 2014 as compared with PLN 1,845.9 million in 2013), as well as due to a decrease in the average annual level of reference rate that determines the yield on monetary bills, from 2.94% in 2013 to 2.38% in 2014,
- lower by PLN 469,442.8 thousand premium expenses on securities denominated in foreign currency, mainly due to the decrease in the average annual level of foreign exchange reserves (see Note 29) and appreciation of the zloty against USD, EUR, AUD, NOK and MXN in average annual terms (see Note 29 – the table of average annual exchange rates),
- lower by PLN 134,645.6 thousand interest expenses on bank accounts operated by NBP in domestic currency. This change stemmed primarily from lower interest expenses on the required minimum reserves, which mainly resulted from the decline in the average annual interest rate on the required minimum reserve from 2.87% in 2013 to 2.32% in 2014³, with a simultaneous increase in the average level of the required minimum reserve from PLN 30,585 million in 2013 to PLN 32,991 million in 2014⁴,
- higher by PLN 14,438.2 thousand interest expenses on bank accounts operated by NBP in foreign currency, which mainly resulted from the increase in interest expenses on repo transactions in foreign currency by PLN 14,203.5 thousand.

Moreover, in 2014 there was an increase by PLN 305.8 thousand in interest expenses on liabilities to the IMF due to the SDR allocation recognised in the item *Other expenses* (see Note 17).

² To calculate average annual values, all calendar days from 1 January to 31 December of each year were taken into account.

³ In accordance with the *Resolution No. 7/2014 of the MPC of 8 October 2014 amending the resolution concerning the required minimum reserve ratio, credit unions, the National Association of Credit Unions and the remuneration of the required minimum reserve* as of 9 October 2014, funds of the required minimum reserve bear interest of 0.9 of the NBP reference rate. Until 8 October 2014 the interest rate on funds of the required minimum reserve amounted to 0.9 of rediscount rate.

⁴ Amounts calculated taking into account the reserve periods weighted by the number of days in the period.

Note 31 Income on financial operations

<i>PLN thousand</i>	2013	2014	Change	
Realised foreign exchange gains	5,138,756.2	5,150,923.0	12,166.8	0.2%
Realised price gains, of which	1,750,310.7	1,746,508.8	-3,801.9	-0.2%
- on spot transactions in securities	1,502,492.0	1,466,344.1	-36,147.9	-2.4%
- on off-balance-sheet financial instruments, of which	247,818.7	280,164.7	32,346.0	13.1%
* on forward transactions in securities	247,818.7	276,902.5	29,083.8	11.7%
* on futures	0.0	3,262.2	3,262.2	-
Other income on financial operations	2.7	1.4	-1.3	-48.1%
Total	6,889,069.6	6,897,433.2	8,363.6	0.1%

The item comprises mainly:

- realised foreign exchange gains on foreign currency transactions,
- realised price gains on the sale of securities in spot transactions,
- realised price gains on the settlement of forward transactions in securities,
- realised price gains on daily revaluation of bond futures denominated in foreign currency.

In 2014 the increase in the item resulted mainly from:

- higher realised price gains on forward transactions in securities denominated in AUD and EUR, with simultaneously lower gains on forward transactions in securities denominated in GBP,
- higher realised foreign exchange gains on transactions in USD, NZD and AUD, with simultaneously lower gains on transactions in EUR, NOK and GBP,
- recognition of realised price gains on revaluation of bond futures denominated in GBP, USD and EUR (see Note 26),
- lower realised price gains on the spot sale transactions of interest-bearing securities denominated in EUR and AUD, with simultaneously higher gains on the spot transactions in USD and GBP.

Note 32 Expenses on financial operations

<i>PLN thousand</i>	2013	2014	Change	
Realised foreign exchange losses	651,799.9	235,124.4	-416,675.5	-63.9%
Realised price losses, of which	1,873,391.4	392,922.5	-1,480,468.9	-79.0%
- on spot transactions in securities	1,627,679.8	240,704.2	-1,386,975.6	-85.2%
- on off-balance-sheet financial instruments, of which	245,711.6	152,218.3	-93,493.3	-38.1%
* on forward transactions in securities	245,711.6	149,651.0	-96,060.6	-39.1%
* on futures	0.0	2,567.3	2,567.3	-
Other expenses on financial operations	2.8	4.6	1.8	64.3%
Total	2,525,194.1	628,051.5	-1,897,142.6	-75.1%

The item 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,
- realised price losses on daily revaluation of bond futures denominated in foreign currency.

In 2014 the decrease in the item resulted mainly from:

- lower realised price losses on the spot sale transactions of interest-bearing securities denominated in EUR, GBP, USD and AUD,
- lower realised foreign exchange losses on transactions in AUD and NZD,
- lower realised price losses on forward transactions in securities denominated in GBP and AUD,
- recognition of realised price losses on revaluation of bond futures denominated in GBP, USD and EUR (see Note 26).

Note 33 Unrealised losses

<i>PLN thousand</i>	2013	2014	Change	
Foreign currency revaluation losses	6,815,972.9	843,913.5	-5,972,059.4	-87.6%
Price revaluation losses, of which	1,457,878.3	26,782.5	-1,431,095.8	-98.2%
- price revaluation losses on securities	1,457,824.9	26,549.4	-1,431,275.5	-98.2%
- price revaluation losses on off-balance-sheet instruments	53.4	233.1	179.7	336.5%
Total	8,273,851.2	870,696.0	-7,403,155.2	-89.5%

In 2014 the amount of losses was mainly the effect of foreign currency revaluation losses as at 31 December 2014.

Foreign currency revaluation losses are determined by comparing the average cost of foreign currency holding with the average NBP exchange rate, which is lower than the average cost (see Note 22). In 2014, foreign currency revaluation losses mainly related to NOK.

Price revaluation losses on securities are determined by comparing 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 2014, price revaluation losses mainly related to interest-bearing securities denominated in USD and BRL.

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 on financial assets / expenses on transfers to risk provisions and on write-downs on financial assets

In 2014, expenses in the amount of PLN 4,044,100.6 thousand resulted from the replenishment of the provision against the foreign exchange rate risk of the zloty in the amount which does not lead to a negative financial result (see Note 23).

In 2013, income in the amount of PLN 6,761,624.1 thousand resulted from a partial use of the provision against the foreign exchange rate risk of the zloty in connection with unrealised foreign exchange revaluation losses recorded at the end of 2013, in the amount which could lead to a loss.

Note 35 Fees and commissions income

The item comprises mainly fees and commissions income on execution of payment orders by NBP, operation of bank accounts and participation in the TARGET2 system.

In 2014 the item amounted to PLN 34,919.0 thousand and was by PLN 1,182.9 thousand (3.5%) higher as compared with 2013.

Note 36 Fees and commissions expenses

The item comprises fees and commissions expenses incurred 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 NBP's accounts in foreign currency abroad,

- execution of own payment orders.

In 2014 the item amounted to PLN 34,773.4 thousand and was by PLN 2,803.6 thousand (7.5%) lower as compared with 2013.

Note 37 Income on shares and equities

<i>PLN thousand</i>	2013	2014	Change	
Income on shares and equities in domestic entities	5,159.9	1,587.5	-3,572.4	-69.2%
Income on shares and equities in foreign entities	12,583.0	8,100.9	-4,482.1	-35.6%
Total	17,742.9	9,688.4	-8,054.5	-45.4%

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

In 2014 the income comprised the total of dividend proceeds from shares in the National Clearing House and in the Bank for International Settlements in Basel.

Note 38 Other income

The item comprises mainly income on the sale of collector coins and banknotes, income on precious metals obtained from the remelting of collector coins withdrawn from sale (see Note 9), income on sale of tangible fixed assets, rental of office premises and sale of IT services.

In 2014 the item amounted to PLN 175,323.4 thousand and was by PLN 1,458.6 thousand (0.8%) lower as compared with 2013.

Note 39 Salaries and social contributions

The item comprises expenses on salaries, social contributions as well as on provisions for future liabilities to employees due to retirement and disability severance payments, jubilee awards and untaken leaves.

In 2014 the item amounted to PLN 483,021.5 thousand and was by PLN 5,393.5 thousand (1.1%) higher as compared with 2013. The increase in the item resulted mainly from higher, by PLN 6,838.4 thousand (1.8%), expenses on salaries as well as higher, by PLN 1,015.5 thousand (1.2%), expenses on social contributions, with a simultaneous decrease in expenses on provisions for future liabilities to employees by PLN 2,460.4 thousand (15.2%), in line with the adopted Human Resources and payroll policy.

Note 40 Administrative expenses

<i>PLN thousand</i>	2013 data from the approved financial statements	2013 comparable data*	2014	Change	
Materials and energy used	33,552.7	33,621.4	31,310.5	-2,310.9	-6.9%
Benefits for employees and other eligible persons	16,283.1	19,122.0	49,377.3	30,255.3	158.2%
Business travels	7,612.6	4,705.0	4,535.3	-169.7	-3.6%
Services from third parties	145,882.2	145,882.2	131,277.1	-14,605.1	-10.0%
Taxes and fees	21,586.9	21,586.9	28,314.7	6,727.8	31.2%
Transfers to special funds	4,726.2	4,726.2	4,677.7	-48.5	-1.0%
Other administrative expenses	30,638.9	30,638.9	54,230.8	23,591.9	77.0%
Total	260,282.6	260,282.6	303,723.4	43,440.8	16.7%

* In 2014 reclassification of selected categories of expenses was performed in order to better reflect the resources used.

The increase in the item resulted mainly from higher:

- expenses on benefits for employees and other eligible persons due to the increase by NBP of the provision for severance payments and additional benefits for employees (see Note 21),
- other administrative expenses, which was related to the organisation of the Annual Meeting of the Board of Governors of the European Bank for Reconstruction and Development by NBP in May 2014,

with a simultaneous reduction of expenses on services from third parties, in particular expenses on renovation, repairs, maintenance and overhauls services.

Note 41 Depreciation and amortisation expenses

<i>PLN thousand</i>	2013	2014	Change	
Tangible fixed assets depreciation expenses	63,988.2	61,262.3	-2,725.9	-4.3%
Intangible fixed assets amortisation expenses	15,532.6	19,635.0	4,102.4	26.4%
Total	79,520.8	80,897.3	1,376.5	1.7%

In 2014 tangible fixed assets depreciation expenses related mainly to the depreciation of machines and devices as well as buildings and premises, while intangible fixed assets amortisation expenses related to IT software.

Note 42 Expenses on issue of banknotes and coins

The item comprises the expenses on issue of banknotes and coins, including collector banknotes and coins.

In 2014 the item amounted to PLN 290,786.9 thousand and was by PLN 21,994.8 thousand (8.2%) higher as compared with 2013. The increase in the item resulted mainly from:

- higher expenses on issuing banknotes due to an increase in the number of orders for general circulation banknotes with modernised security features,
- increase in the expenses on issuing collector coins in connection with higher expenses on gold and silver used to mint them and the increase in the number of orders for collector coins,

with a simultaneous:

- reduction of the expenses on issuing general circulation coins, mainly in connection with lower prices of coins of the nominal value of 1 grosz, 2 grosz and 5 grosz (minted in brass-plated steel), introduced into circulation on 3 March 2014. The supplier of these coins is The Royal Mint from the United Kingdom, with whom NBP signed an agreement on 31 October 2013, as a result of the contract awarding procedure for the supply of the aforementioned coins to NBP in 2014-2016.

Note 43 Other expenses

The item comprises mainly expenses corresponding to the nominal value of collector coins and banknotes sold, expenses on increasing provisions for future liabilities and expenses due to write-downs on other assets and expenses on adjustments of income/expenses related to previous years.

In 2014 the item amounted to PLN 26,216.1 thousand and was by PLN 3,149.9 thousand (10.7%) lower as compared with 2013.

Note 44 Financial result for the current year and its allocation

The financial result of NBP for 2014 amounted to zero and it has not changed as compared with 2013.

In accordance with Article 62 and Article 69 of the Act on the NBP, the NBP's profit shall be allocated (within 14 days following the approval of the annual financial statements of NBP by the Council of Ministers) to:

- NBP reserve fund (5% of profit),
- the State budget, as NBP's contribution from profit.

As the financial result of NBP for 2014 amounted to zero, there will be no contribution to the State budget, nor allocation to NBP reserve fund in 2015.

9. Other explanatory notes

Note 45 Flexible Credit Line

The Flexible Credit Line (FCL) is the IMF instrument intended for countries with sound fundamentals and positive macroeconomic outlook. In the case of Poland, it is a precautionary facility.

The current Flexible Credit Line of SDR 22,000,000.0 thousand as at 31 December 2014 was granted to Poland on 18 January 2013 by the Executive Board of the IMF for two years (i.e. until 17 January 2015). 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 14 January 2015 the Executive Board of the IMF accepted the application of Poland for granting the renewed access to the Flexible Credit Line in the amount of SDR 15,500,000.0 thousand. The Republic of Poland received access to this IMF instrument for a period of two years (i.e. until 13 January 2017). As in the case of the instrument made available to Poland in 2013, the Government of the Republic of Poland is the authorising entity of the FCL, while NBP acts as the fiscal agency of the Government.

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 NBP Foundation amounted to PLN 1,500.0 thousand, of which PLN 750.0 thousand is earmarked for business activities. In connection with the decision on discontinuation of the business activity of the Foundation, on 10 December 2014 it was deleted from the Register of Entrepreneurs of the National Court Register and since then it has been conducting statutory activities only.

Note 47 Events after the balance sheet date

Until the day of approval of the financial statements, no events occurred of which information was received after the balance sheet date, and which would have significant impact on the contents of the financial statements.

10. Financial and operational risk

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

The risk management system embraces three inherently connected levels:

- decentralised operational risk management by directors of Head Office departments and NBP Regional Branches who, with the assistance of the so-called Risk Managers, identify and monitor operational risk, perform the assessment of its level and take measures mitigating its occurrence in their units;
- activities of:
 - the Financial Risk Management Department [Departament Zarządzania Ryzykiem Finansowym, DZRF] responsible for financial risk management,
 - the Operational Risk and Compliance Department [Departament Ryzyka Operacyjnego i Zgodności, DROZ] that, among others, develops regulations concerning operational risk, monitors and analyses operational risk and compliance risk at NBP, introduces new tools, reports on operational risk and compliance throughout the bank,
 - the Commission for Operational Risk Management (which replaced the Commission for Risk Management operating until the end of August 2014) that, among others, assesses the effectiveness of operational risk management in the bank as a whole and issues recommendations in this respect; the Commission is headed by a member of the Management Board of NBP appointed by the President of NBP to oversee DROZ,
- strategic decision-making by the Management Board of NBP, based on information concerning the financial and operational risk received on a cyclical basis.

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 the exposure to various types of risk under the

adopted constraints is monitored on an on-going basis by DZRF. 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 deposit transactions and non-government securities,
- counterparty selection criteria and on-going monitoring of their creditworthiness,
- limits imposed on counterparties of term deposit transactions and foreign 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 rating agencies as well as risk valuation reflected in market quotations.

The dominant portion of foreign exchange reserves is invested in government securities of high rating countries 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; the scale of investment in the corporate bond market is small. The share of term deposits in foreign exchange reserves is also low – transactions are concluded for short periods with banks of high creditworthiness.

Credit risk underlying domestic credit operations

To support the liquidity of the financial system, NBP makes available marginal lending facility (Lombard credit), intraday credit and intraday credit in euro to domestic banks. The risk underlying these operations is mitigated through the use of eligible collateral, i.e. meeting the criteria set by NBP. Treasury and NBP securities denominated in PLN are the primary collateral

presented by banks in credit operations, though the list of assets accepted as collateral comprises also other securities deposited with the Central Securities Depository of Poland, including covered bonds, municipal bonds, corporate bonds, bonds issued by the European Investment Bank denominated in PLN, as well as EUR denominated Treasury bonds.

When setting the required level of collateral, the haircut rate is applied, with the purpose to reduce the probability of a drop in the market value of the collateral below the value of extended credit as a result of unfavourable changes in the market price of securities and/or exchange rates. The haircut rate for marginal lending facility and intraday credit is set with the reference to the nominal value of accepted securities.

Intraday credit in euro is extended in accordance with the principles laid down by the ECB, and it may be collateralised by 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 MPC, 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 are characterised by 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 sensitivity 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. In 2014 the level of modified duration applicable in the previous year was maintained.

The growth of risk aversion associated with geopolitical tensions, as well as the decreasing dynamics of global inflation and weaker economic data than expected, leading to easing of the monetary policy by some central banks, mainly by the ECB, resulted in the decline of yield in government securities, the most notable in Norway, Australia and Germany.

10.1.4. Foreign exchange rate risk

Foreign exchange rate risk arises out of a potential decline in the value of foreign currency holdings as a result of unfavourable exchange rates fluctuations in the foreign exchange market.

The assessment of exposure to foreign exchange rate risk is carried out based on the 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. As in the previous year, in 2014 the strategic benchmark currency composition was as follows: 36% USD, 32% EUR, 12% GBP, 10% AUD, 7% NOK and 3% NZD. In addition, 1.5% of the reserves were investments in currencies of developing countries – MXN and BRL.

In 2014 the volatility of exchange rates of reserve currencies against the zloty was at a lower level than observed in recent years. Factors contributing to the decline in the volatility of financial markets included, inter alia, the accommodative policy of major central banks and the application of the *forward guidance* policy.

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 employee's error.

Operational risk encompasses the following risk sub-categories: management risk, safety risk, personnel risk, legal risk, technological risk, which is divided into ICT technological risk (related, inter alia to IT and ICT systems, IT software and hardware) and non-ICT technological risk (related, inter alia, to construction facilities and elements of mobile equipment).

Risk mitigation mechanisms used at NBP 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.

Director of the Accounting
and Finance Department
of Narodowy Bank Polski:

/-/ Grażyna Gielecińska

Management Board
of Narodowy Bank Polski:

/-/ Marek Belka
/-/ Piotr Wiesiołek
/-/ Anna Trzecińska
/-/ Jacek Bartkiewicz
/-/ Eugeniusz Gatnar
/-/ Andrzej Raczko
/-/ Paweł Samecki
/-/ Katarzyna Zajdel - Kurowska
/-/ Małgorzata Zaleska

Warsaw, 25 March 2015

REPORT OF THE INDEPENDENT AUDITOR ON THE CONDENSED FINANCIAL STATEMENTS**TO THE MONETARY POLICY COUNCIL AND THE MANAGEMENT BOARD OF THE NATIONAL BANK OF POLAND**

The accompanying condensed financial statements (hereinafter called “the condensed financial statements”) of the National Bank of Poland (hereinafter called “the NBP”) located in Warsaw at 11/21 Świętokrzyska St. was derived by the NBP Management Board from the audited full annual financial statements of the NBP for the financial year from 1 January 2014 to 31 December 2014 (hereinafter called “the NBP annual financial statements”). The NBP annual financial statements were prepared in accordance with the provisions of the Act on the National Bank of Poland of 29 August 1997 (Journal of Laws of 2013, item 908, 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, equity and 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 recognizing and releasing the provision against foreign exchange risk of the Polish złoty at the National Bank of Poland (NBP Official Journal of 2010, No. 17, item 19), Resolution No. 45/2013 of the Management Board of the National Bank of Poland of 12 December 2013 on the method of performing accounting tasks at the National Bank of Poland (as amended).

The audit of the NBP annual financial statements, on which basis the condensed financial statements were prepared, was conducted by us in accordance with the provisions of Chapter 7 of the Accounting Act of 29 September 1994 (Journal of Laws of 2013, item 330, as amended), National Standards on Auditing as issued by the National Chamber of Chartered Auditors of Poland and International Auditing Standards. On 25 March 2015 we expressed an unqualified auditor’s opinion on the NBP annual financial statements. The NBP annual financial statements, and the condensed financial statements, do not reflect the effects of events that occurred subsequent to the date of our opinion.

For a full understanding of the NBP financial position of the NBP as at 31 December 2014, its financial result for the financial year from 1 January 2014 to 31 December 2014 and the scope of the NBP annual financial statements audit conducted by us, the NBP annual financial statements should be read in conjunction with the auditor’s opinion and report on these statements.

Management’s responsibility for the condensed financial statements

In accordance with § 91.4 of Resolution No. 45/2013 of the Management Board of the National Bank of Poland of 12 December 2013 on the method of performing accounting tasks by the National Bank of Poland (as amended), the NBP Management is responsible for a publication of the condensed financial statements, accompanying by the auditor’s opinion on these condensed financial statements.

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REPORT OF THE INDEPENDENT AUDITOR ON THE CONDENSED FINANCIAL STATEMENTS

TO THE MONETARY POLICY COUNCIL AND THE MANAGEMENT BOARD OF THE NATIONAL BANK OF POLAND (CONT'D)

Auditor's responsibility

Our responsibility is to express an opinion on the condensed financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810, 'Engagements to Report on Summary Financial Statements'.

Opinion

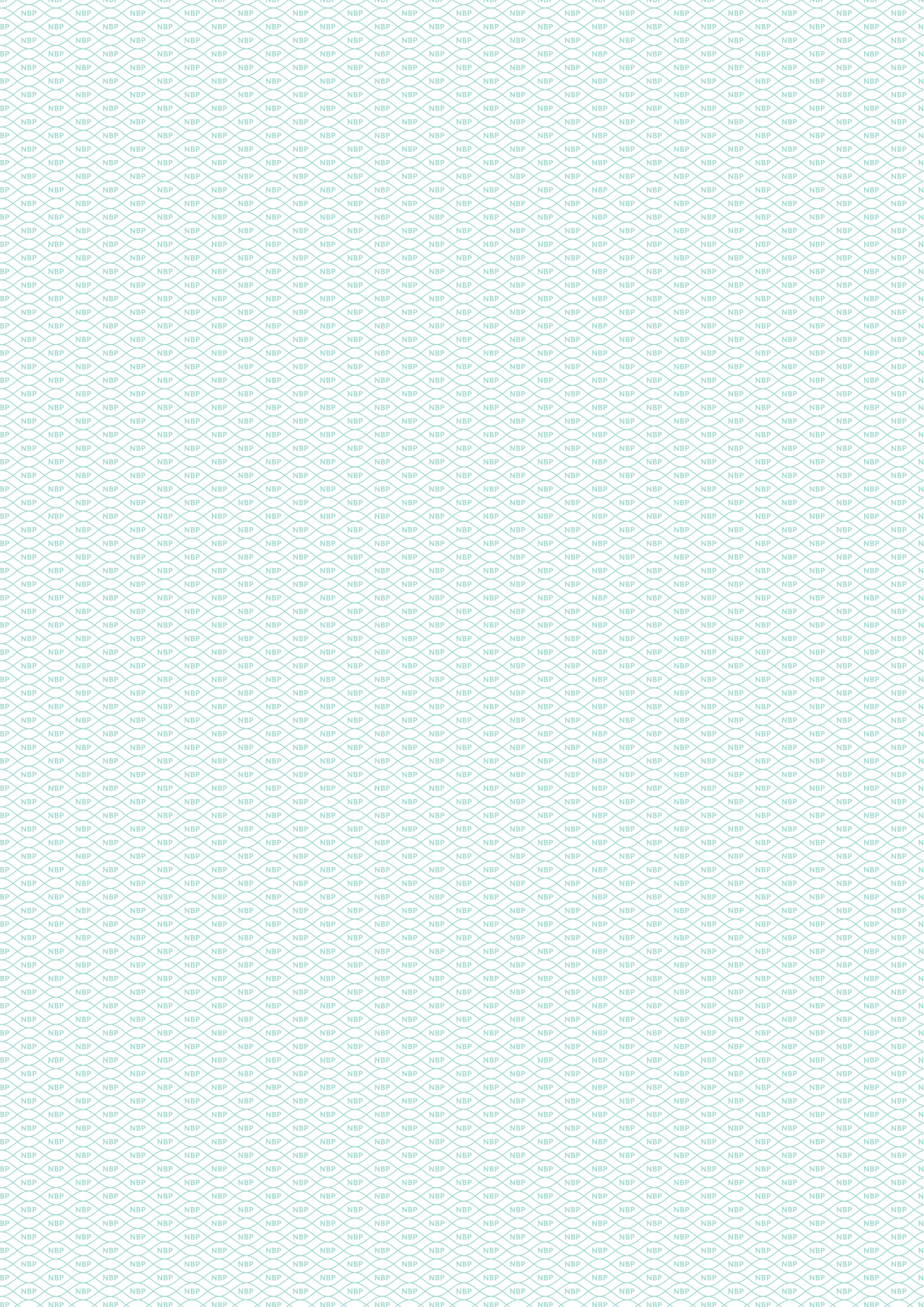
In our opinion, the condensed financial statements derived from the audited NBP annual financial statements for the financial year from 1 January to 31 December 2014 are consistent, in all material respects, with those financial statements.

Person preparing this opinion and conducting the audit of the NBP annual financial statements on behalf of PricewaterhouseCoopers Sp. z o.o., Registered Audit Company No. 144:

Adam Celiński
Key Registered Auditor
No. 90033

Warszawa, 7 May 2015

The document is a translation of the document originally issued in Polish. The only binding version is the original Polish version.



Statistical annex



Table I. Basic statistical 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 2013	90 589.7	106.7	90.4	9 880.6	105.8	121.5	100.7	100.1	100.7	99.0	99.9
January 2014	93 386.9	104.2	103.0	3 547.2	96.1	36.0	100.5	100.1	100.1	99.0	100.0
February	91 429.4	105.3	98.2	4 200.0	114.4	118.7	100.7	100.1	100.2	98.6	99.9
March	99 812.7	105.5	109.4	5 208.6	117.4	124.2	100.7	100.1	100.3	98.7	99.8
April	97 487.3	105.5	97.8	5 373.7	112.2	103.2	100.3	100.0	100.2	99.3	99.8
May	95 478.7	104.4	98.3	6 126.1	110.0	114.0	100.2	99.9	100.1	99.0	99.8
June	95 378.4	101.8	100.0	7 173.8	108.0	116.8	100.3	100.0	100.1	98.2	99.9
July	97 495.8	102.4	102.1	7 223.7	101.1	100.9	99.8	99.8	99.9	97.9	99.9
August	89 562.6	98.1	91.5	6 842.9	96.4	94.6	99.7	99.6	99.5	98.5	100.3
September	103 921.1	104.2	116.5	8 206.4	105.6	119.8	99.7	100.0	99.4	98.4	100.0
October	107 226.1	101.7	103.6	8 782.4	99.0	107.2	99.4	100.0	99.5	98.7	99.6
November	98 684.1	100.3	92.5	7 953.8	98.4	90.6	99.4	99.8	99.2	98.4	99.5
December	95 533.2	108.4	97.7	10 320.3	105.0	129.7	99.0	99.7	99.0	97.5	99.0

Period	5. Construction Price Index		6. Number of employed, corporate sector total	7. Average employment, corporate sector total	8. Number of unemployed	9. Unemployment rate	10. Average monthly employee earnings, gross, corporate sector	11. National budget revenue & expenditure		
	the same month previous year = 100	previous month = 100						revenue	expenditure	financial surplus/ deficit and net foreign lending/ borrowing
	%	%	thousands	thousands	thousands	%	zloty	million zloty	million zloty	million zloty
	12	13	14	15	16	17	18	19	20	21
December 2013	98.3	99.9	5 692	5 491	2 157.9	13.4	4 221.50	279 151.2	321 342.9	-26 030.4
January 2014	98.3	99.8	5 721	5 506	2 260.7	13.9	3 805.28	29 275.3	31 876.3	5 271.5
February	98.4	99.8	5 733	5 508	2 255.9	13.9	3 856.56	48 719.9	60 438.1	-3 662.3
March	98.5	99.9	5 741	5 515	2 182.2	13.5	4 017.75	66 974.9	84 465.9	-11 221.0
April	98.5	99.9	5 743	5 515	2 079.0	13.0	3 976.80	95 696.5	116 876.4	-17 128.1
May	98.6	100.0	5 751	5 515	1 986.7	12.5	3 878.31	115 241.7	137 604.3	-21 601.9
June	98.7	100.0	5 764	5 526	1 912.5	12.0	3 943.01	136 321.4	161 620.0	-28 462.4
July	98.8	100.0	5 770	5 531	1 878.5	11.8	3 964.91	162 534.2	188 937.5	-25 898.7
August	99.1	100.0	5 769	5 535	1 853.2	11.7	3 893.23	184 520.3	209 123.8	-20 387.1
September	99.2	100.0	5 776	5 537	1 821.9	11.5	3 900.49	209 190.5	231 635.1	-21 143.8
October	99.3	100.0	5 791	5 545	1 784.8	11.3	3 980.92	235 803.6	263 036.7	-25 548.6
November	99.4	99.9	5 794	5 551	1 799.8	11.4	4 004.80	260 292.5	285 083.1	-23 084.4
December	99.2	99.9	5 774	5 549	1 825.2	11.5	4 379.26	283 542.70	312 520.2	-32 336.6

Table I. Basic statistical data, cont'd

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: cost of sales									
	million zloty	million zloty	million zloty	million zloty	million zloty	million zloty	million zloty	%	%	%	million zloty	million zloty	million zloty
22	23	24	25	26	27	28	29	30	31	32	33	34	
December 2013	2 392 594.2	1 403 383.2	2 284 484.5	1 447 110.0	108 113.5	16 006.1	92 107.4	95.5	3.8	96.8	737 915.2	268 608.6	270 156.8
January 2014	.	.	.	.	.	.	.	.	.	.	.	.	.
February	.	.	.	.	.	.	.	.	.	.	.	.	.
March	566 408.9	337 035.3	540 827.4	345 134.8	25 584.9	4 326.0	21 258.9	95.5	3.8	100.1	725 786.9	270 141.8	252 527.1
April	.	.	.	.	.	.	.	.	.	.	.	.	.
May	.	.	.	.	.	.	.	.	.	.	.	.	.
June	1 169 743.9	692 441.6	1 115 284.8	709 545.1	54 513.9	8 383.9	46 130.0	95.3	3.9	100.6	745 350.0	275 275.1	259 295.5
July	.	.	.	.	.	.	.	.	.	.	.	.	.
August	.	.	.	.	.	.	.	.	.	.	.	.	.
September	1 794 603.2	1 058 672.6	1 707 795.8	1 084 974.6	86 871.4	12 383.4	74 488.0	95.2	4.2	102.6	758 588.8	281 304.6	265 503.0
October	.	.	.	.	.	.	.	.	.	.	.	.	.
November	.	.	.	.	.	.	.	.	.	.	.	.	.
December	2 442 964.7	1 443 377.4	2 337 425.6	1 484 961.6	105 685.9	15 527.3	90 158.6	95.7	3.7	102.5	768 733.6	275 197.8	269 925.8

Table II. Financial market – basic information

Period	1. NBP interest rates					2. Reserve requirement						
	Reference rate	Lombard rate	Deposit rate	Rediscount rate	Discount rate	Reserve requirement ratio on zloty deposits		Reserve requirement ratio on foreign currency deposits (zloty equivalent)		Reserve requirement ratio on repo operations	Interest on reserve requirement ¹	Total required reserves held
						demand	time	demand	time			
	%	%	%	%	%	%	%	%	%	%	%	million zloty
1	2	3	4	5	6	7	8	9	10	11	12	
December 2013	2.50	4.00	1.00	2.75	.	3.5	3.5	3.5	3.5	0.0	0.9	31 875.7
January 2014	2.50	4.00	1.00	2.75	.	3.5	3.5	3.5	3.5	0.0	0.9	31 864.4
February	2.50	4.00	1.00	2.75	.	3.5	3.5	3.5	3.5	0.0	0.9	31 788.3
March	2.50	4.00	1.00	2.75	.	3.5	3.5	3.5	3.5	0.0	0.9	32 272.8
April	2.50	4.00	1.00	2.75	.	3.5	3.5	3.5	3.5	0.0	0.9	32 871.9
May	2.50	4.00	1.00	2.75	.	3.5	3.5	3.5	3.5	0.0	0.9	32 871.9
June	2.50	4.00	1.00	2.75	.	3.5	3.5	3.5	3.5	0.0	0.9	33 046.1
July	2.50	4.00	1.00	2.75	.	3.5	3.5	3.5	3.5	0.0	0.9	33 384.6
August	2.50	4.00	1.00	2.75	.	3.5	3.5	3.5	3.5	0.0	0.9	33 384.6
September	2.50	4.00	1.00	2.75	.	3.5	3.5	3.5	3.5	0.0	0.9	33 737.1
October	2.00	3.00	1.00	2.25	.	3.5	3.5	3.5	3.5	0.0	0.9	34 332.0
November	2.00	3.00	1.00	2.25	.	3.5	3.5	3.5	3.5	0.0	0.9	34 332.0
December	2.00	3.00	1.00	2.25	.	3.5	3.5	3.5	3.5	0.0	0.9	34 695.7

¹ Rediscount rate – as from 9 October 2014 NBP reference rate.

Period	3. Treasury bill tenders					
	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 at month end (purchase prices)
		million zloty	million zloty	million zloty	%	million zloty
	13	14	15	16	17	18
December 2013	0	0.00	0.00	0.00	0.00	0.00
January 2014	0	0.00	0.00	0.00	0.00	0.00
February	0	0.00	0.00	0.00	0.00	0.00
March	0	0.00	0.00	0.00	0.00	0.00
April	0	0.00	0.00	0.00	0.00	0.00
May	0	0.00	0.00	0.00	0.00	0.00
June	0	0.00	0.00	0.00	0.00	0.00
July	0	0.00	0.00	0.00	0.00	0.00
August	0	0.00	0.00	0.00	0.00	0.00
September	0	0.00	0.00	0.00	0.00	0.00
October	0	0.00	0.00	0.00	0.00	0.00
November	0	0.00	0.00	0.00	0.00	0.00
December	0	0.00	0.00	0.00	0.00	0.00

Table II. Financial market - basic information, cont'd.

Period	4. Tenders for NBP money-market bills					
	Number of tenders during month	Face value of bills offered for sale	Demand declared by bidders (at face value)	Face value of bills sold	Yield on bills purchased, weighted average	Bills outstanding from tender sales at month end (purchase prices)
		million zloty	million zloty	million zloty	%	million zloty
	19	20	21	22	23	24
December 2013	7	560 000.00	515 708.90	515 708.90	2.50	117 283.77
January 2014	8	649 500.00	626 596.08	625 946.08	2.50	118 468.15
February	7	534 500.00	500 658.16	500 058.86	2.50	118 388.52
March	5	480 000.00	476 784.41	464 612.23	2.50	101 063.09
April	5	478 000.00	472 104.59	467 322.09	2.50	103 642.11
May	6	564 500.00	555 696.10	548 524.93	2.50	110 841.22
June	5	456 000.00	443 307.76	436 798.79	2.50	98 687.85
July	6	454 500.00	435 071.95	434 647.34	2.50	110 081.35
August	7	543 000.00	534 612.13	529 947.19	2.50	106 068.07
September	5	433 000.00	436 013.30	429 942.34	2.50	107 947.51
October	7	532 500.00	548 371.91	521 995.65	2.10	100 460.91
November	5	419 000.00	399 348.19	398 964.04	2.00	103 996.96
December	6	541 500.00	511 392.46	511 392.46	2.00	84 642.65

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								million zloty	%
	25	26	27	28	29	30	31	32	33	34	35
December 2013	450	593 464.5	17.6	2 401.0	2 445.7	3 345.3	3 371.0	14 336.8	14 365.2	16 520.3	39.8
January 2014	451	590 334.0	17.7	2 355.9	2 369.2	3 381.6	3 333.4	14 387.8	14 141.8	19 650.0	41.4
February	451	629 202.1	19.4	2 518.5	2 456.0	3 579.7	3 527.0	14 464.4	14 554.7	17 946.2	37.6
March	450	613 376.1	17.7	2 462.5	2 400.2	3 481.4	3 403.8	1 329.3	1 314.5	22 631.2	46.6
April	455	607 159.2	16.7	2 439.1	2 448.4	3 455.2	3 453.1	1 285.3	1 310.9	14 391.1	30.6
May	456	610 978.8	17.5	2 429.5	2 422.8	3 485.5	3 405.4	1 269.5	1 246.0	16 315.3	33.4
June	458	607 218.0	17.6	2 408.8	2 457.4	3 446.0	3 495.2	1 242.9	1 259.8	16 094.3	34.4
July	462	584 285.2	19.7	2 320.9	2 381.0	3 297.3	3 357.5	1 158.0	1 186.2	15 061.5	29.0
August	462	604 022.3	20.0	2 417.0	2 402.2	3 399.4	3 364.4	1 148.8	1 139.8	16 105.0	35.8
September	463	635 249.1	21.1	2 500.3	2 504.2	3 639.7	3 591.4	1 214.2	1 192.1	19 646.3	37.6
October	466	622 309.2	21.0	2 463.7	2 424.5	3 551.3	3 530.6	1 196.5	1 187.5	18 392.9	34.4
November	469	610 189.7	20.3	2 416.9	2 421.8	3 562.6	3 546.6	1 175.0	1 178.5	13 512.1	31.0
December	471	591 164.9	19.7	2 315.9	2 362.7	3 483.5	3 537.1	12 108.1	12 075.1	15 551.4	36.3

Table III. PLN/USD and PLN/EUR daily exchange rates

Days	December 2013			January 2014			February 2014		
	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	3.0846	4.1998	1.3615	3.0120	4.1472	1.3769	3.1288	4.2368	1.3541
2	3.0965	4.1965	1.3552	3.0315	4.1631	1.3733	3.1288	4.2368	1.3541
3	3.0973	4.2032	1.3571	3.0517	4.1645	1.3646	3.1370	4.2375	1.3508
4	3.0916	4.2011	1.3589	3.0517	4.1645	1.3646	3.1189	4.2140	1.3511
5	3.0870	4.1974	1.3597	3.0517	4.1645	1.3646	3.0987	4.1887	1.3518
6	3.0673	4.1925	1.3668	3.0517	4.1645	1.3646	3.0950	4.1860	1.3525
7	3.0673	4.1925	1.3668	3.0688	4.1798	1.3620	3.0857	4.1865	1.3567
8	3.0673	4.1925	1.3668	3.0717	4.1789	1.3605	3.0857	4.1865	1.3567
9	3.0534	4.1883	1.3717	3.0695	4.1776	1.3610	3.0857	4.1865	1.3567
10	3.0425	4.1822	1.3746	3.0700	4.1745	1.3598	3.0683	4.1822	1.3630
11	3.0386	4.1803	1.3757	3.0700	4.1745	1.3598	3.0581	4.1798	1.3668
12	3.0415	4.1878	1.3769	3.0700	4.1745	1.3598	3.0552	4.1686	1.3644
13	3.0432	4.1844	1.3750	3.0450	4.1600	1.3662	3.0532	4.1752	1.3675
14	3.0432	4.1844	1.3750	3.0400	4.1565	1.3673	3.0334	4.1530	1.3691
15	3.0432	4.1844	1.3750	3.0495	4.1522	1.3616	3.0334	4.1530	1.3691
16	3.0350	4.1784	1.3767	3.0566	4.1647	1.3625	3.0334	4.1530	1.3691
17	3.0360	4.1788	1.3764	3.0596	4.1601	1.3597	3.0250	4.1450	1.3702
18	3.0393	4.1800	1.3753	3.0596	4.1601	1.3597	3.0300	4.1584	1.3724
19	3.0490	4.1700	1.3677	3.0596	4.1601	1.3597	3.0286	4.1638	1.3748
20	3.0525	4.1652	1.3645	3.0680	4.1586	1.3555	3.0490	4.1780	1.3703
21	3.0525	4.1652	1.3645	3.0763	4.1647	1.3538	3.0389	4.1681	1.3716
22	3.0525	4.1652	1.3645	3.0761	4.1669	1.3546	3.0389	4.1681	1.3716
23	3.0443	4.1638	1.3677	3.0559	4.1679	1.3639	3.0389	4.1681	1.3716
24	3.0346	4.1512	1.3680	3.0727	4.2014	1.3673	3.0255	4.1638	1.3762
25	3.0346	4.1512	1.3680	3.0727	4.2014	1.3673	3.0264	4.1595	1.3744
26	3.0346	4.1512	1.3680	3.0727	4.2014	1.3673	3.0260	4.1584	1.3742
27	3.0105	4.1538	1.3798	3.0884	4.2291	1.3693	3.0655	4.1851	1.3652
28	3.0105	4.1538	1.3798	3.0635	4.1827	1.3653	3.0254	4.1602	1.3751
29	3.0105	4.1538	1.3798	3.0829	4.2155	1.3674	.	.	.
30	3.0180	4.1513	1.3755	3.1166	4.2365	1.3593	.	.	.
31	3.0120	4.1472	1.3769	3.1288	4.2368	1.3541	.	.	.
Average monthly rate	3.0481	4.1757	X	3.0650	4.1776	X	3.0613	4.1786	X

Table III. PLN/USD and PLN/EUR daily exchange rates, cont'd.

Days	March 2014			April 2014			May 2014		
	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	3.0254	4.1602	1.3751	3.0278	4.1765	1.3794	3.0440	4.1994	1.3796
2	3.0254	4.1602	1.3751	3.0288	4.1774	1.3792	3.0289	4.1990	1.3863
3	3.0462	4.1978	1.3780	3.0330	4.1738	1.3761	3.0289	4.1990	1.3863
4	3.0489	4.1926	1.3751	3.0397	4.1657	1.3704	3.0289	4.1990	1.3863
5	3.0477	4.1860	1.3735	3.0397	4.1657	1.3704	3.0310	4.2056	1.3875
6	3.0427	4.1788	1.3734	3.0397	4.1657	1.3704	3.0196	4.2051	1.3926
7	3.0185	4.1893	1.3879	3.0446	4.1748	1.3712	3.0187	4.2003	1.3914
8	3.0185	4.1893	1.3879	3.0276	4.1684	1.3768	3.0042	4.1865	1.3935
9	3.0185	4.1893	1.3879	3.0221	4.1675	1.3790	3.0247	4.1787	1.3815
10	3.0266	4.1991	1.3874	3.0092	4.1710	1.3861	3.0247	4.1787	1.3815
11	3.0449	4.2171	1.3850	3.0086	4.1784	1.3888	3.0247	4.1787	1.3815
12	3.0508	4.2290	1.3862	3.0086	4.1784	1.3888	3.0362	4.1797	1.3766
13	3.0284	4.2277	1.3960	3.0086	4.1784	1.3888	3.0381	4.1815	1.3764
14	3.0481	4.2334	1.3889	3.0288	4.1855	1.3819	3.0480	4.1828	1.3723
15	3.0481	4.2334	1.3889	3.0325	4.1840	1.3797	3.0589	4.1824	1.3673
16	3.0481	4.2334	1.3889	3.0272	4.1925	1.3849	3.0567	4.1935	1.3719
17	3.0430	4.2295	1.3899	3.0317	4.1968	1.3843	3.0567	4.1935	1.3719
18	3.0396	4.2295	1.3915	3.0265	4.1820	1.3818	3.0567	4.1935	1.3719
19	3.0245	4.2065	1.3908	3.0265	4.1820	1.3818	3.0558	4.1884	1.3706
20	3.0500	4.2089	1.3800	3.0265	4.1820	1.3818	3.0620	4.1905	1.3685
21	3.0425	4.1970	1.3795	3.0265	4.1820	1.3818	3.0540	4.1885	1.3715
22	3.0425	4.1970	1.3795	3.0340	4.1890	1.3807	3.0525	4.1755	1.3679
23	3.0425	4.1970	1.3795	3.0273	4.1914	1.3845	3.0490	4.1524	1.3619
24	3.0483	4.1990	1.3775	3.0285	4.1893	1.3833	3.0490	4.1524	1.3619
25	3.0342	4.1910	1.3813	3.0378	4.2030	1.3836	3.0490	4.1524	1.3619
26	3.0318	4.1835	1.3799	3.0378	4.2030	1.3836	3.0466	4.1560	1.3641
27	3.0401	4.1826	1.3758	3.0378	4.2030	1.3836	3.0532	4.1655	1.3643
28	3.0374	4.1677	1.3721	3.0368	4.2112	1.3867	3.0598	4.1678	1.3621
29	3.0374	4.1677	1.3721	3.0318	4.2053	1.3871	3.0395	4.1385	1.3616
30	3.0374	4.1677	1.3721	3.0440	4.1994	1.3796	3.0435	4.1420	1.3609
31	3.0344	4.1713	1.3747	.	.	.	3.0435	4.1420	1.3609
Average monthly rate	3.0378	4.1972	X	3.0293	4.1841	X	3.0415	4.1790	X

Table III. PLN/USD and PLN/EUR daily exchange rates, cont'd.

Days	June 2014			July 2014			August 2014		
	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	3.0435	4.1420	1.3609	3.0355	4.1550	1.3688	3.1280	4.1887	1.3391
2	3.0413	4.1355	1.3598	3.0387	4.1500	1.3657	3.1280	4.1887	1.3391
3	3.0449	4.1392	1.3594	3.0418	4.1536	1.3655	3.1280	4.1887	1.3391
4	3.0491	4.1527	1.3619	3.0495	4.1435	1.3587	3.1114	4.1783	1.3429
5	3.0275	4.1215	1.3614	3.0495	4.1435	1.3587	3.1121	4.1679	1.3393
6	3.0222	4.1211	1.3636	3.0495	4.1435	1.3587	3.1377	4.1940	1.3366
7	3.0222	4.1211	1.3636	3.0497	4.1472	1.3599	3.1397	4.1990	1.3374
8	3.0222	4.1211	1.3636	3.0441	4.1401	1.3600	3.1509	4.2184	1.3388
9	3.0067	4.0998	1.3636	3.0322	4.1272	1.3611	3.1509	4.2184	1.3388
10	3.0303	4.1090	1.3560	3.0323	4.1341	1.3634	3.1509	4.2184	1.3388
11	3.0431	4.1157	1.3525	3.0426	4.1419	1.3613	3.1378	4.1998	1.3385
12	3.0374	4.1096	1.3530	3.0426	4.1419	1.3613	3.1465	4.2025	1.3356
13	3.0382	4.1231	1.3571	3.0426	4.1419	1.3613	3.1442	4.1980	1.3352
14	3.0382	4.1231	1.3571	3.0368	4.1390	1.3629	3.1285	4.1800	1.3361
15	3.0382	4.1231	1.3571	3.0454	4.1433	1.3605	3.1285	4.1800	1.3361
16	3.0654	4.1460	1.3525	3.0503	4.1310	1.3543	3.1285	4.1800	1.3361
17	3.0495	4.1398	1.3575	3.0579	4.1378	1.3532	3.1285	4.1800	1.3361
18	3.0589	4.1463	1.3555	3.0652	4.1479	1.3532	3.1342	4.1951	1.3385
19	3.0589	4.1463	1.3555	3.0652	4.1479	1.3532	3.1356	4.1871	1.3353
20	3.0495	4.1506	1.3611	3.0652	4.1479	1.3532	3.1470	4.1838	1.3295
21	3.0495	4.1506	1.3611	3.0700	4.1521	1.3525	3.1569	4.1893	1.3270
22	3.0495	4.1506	1.3611	3.0748	4.1464	1.3485	3.1520	4.1874	1.3285
23	3.0627	4.1603	1.3584	3.0707	4.1355	1.3468	3.1520	4.1874	1.3285
24	3.0526	4.1587	1.3623	3.0702	4.1398	1.3484	3.1520	4.1874	1.3285
25	3.0451	4.1437	1.3608	3.0831	4.1459	1.3447	3.1680	4.1814	1.3199
26	3.0361	4.1358	1.3622	3.0831	4.1459	1.3447	3.1686	4.1800	1.3192
27	3.0485	4.1528	1.3622	3.0831	4.1459	1.3447	3.1764	4.1880	1.3185
28	3.0485	4.1528	1.3622	3.0860	4.1470	1.3438	3.1834	4.2043	1.3207
29	3.0485	4.1528	1.3622	3.0900	4.1524	1.3438	3.1965	4.2129	1.3180
30	3.0473	4.1609	1.3654	3.0978	4.1517	1.3402	3.1965	4.2129	1.3180
31	.	.	.	3.1094	4.1640	1.3392	3.1965	4.2129	1.3180
Average monthly rate	3.0425	4.1369	X	3.0598	4.1447	X	3.1482	4.1932	X

Table III. PLN/USD and PLN/EUR daily exchange rates, cont'd.

Dni	September 2014			October 2014			November 2014			December 2014		
	NBP average exchange rates			NBP average exchange rates			NBP average exchange rates			NBP average exchange rates		
	PLN/USD	PLN/EUR	USD/EUR	PLN/USD	PLN/EUR	USD/EUR	PLN/USD	PLN/EUR	USD/EUR	PLN/1 USD	PLN/1 EUR	USD/EUR
	28	29	30	31	32	33	34	35	36	37	38	39
1	3.2035	4.2099	1.3142	3.3172	4.1792	1.2599	3.3459	4.2043	1.2566	3.3519	4.1788	1.2467
2	3.2112	4.2120	1.3117	3.3039	4.1780	1.2646	3.3459	4.2043	1.2566	3.3466	4.1620	1.2437
3	3.1912	4.1937	1.3141	3.3079	4.1789	1.2633	3.3772	4.2209	1.2498	3.3730	4.1574	1.2326
4	3.1947	4.2000	1.3147	3.3079	4.1789	1.2633	3.3776	4.2253	1.2510	3.3728	4.1538	1.2316
5	3.2354	4.1908	1.2953	3.3079	4.1789	1.2633	3.3887	4.2310	1.2486	3.3619	4.1585	1.2369
6	3.2354	4.1908	1.2953	3.3343	4.1829	1.2545	3.3769	4.2250	1.2511	3.3619	4.1585	1.2369
7	3.2354	4.1908	1.2953	3.3106	4.1825	1.2634	3.4084	4.2243	1.2394	3.3619	4.1585	1.2369
8	3.2303	4.1824	1.2947	3.3050	4.1856	1.2664	3.4084	4.2243	1.2394	3.3978	4.1655	1.2259
9	3.2605	4.1978	1.2875	3.2776	4.1826	1.2761	3.4084	4.2243	1.2394	3.3688	4.1594	1.2347
10	3.2508	4.2070	1.2941	3.2985	4.1795	1.2671	3.3765	4.2163	1.2487	3.3572	4.1595	1.2390
11	3.2435	4.1935	1.2929	3.2985	4.1795	1.2671	3.3765	4.2163	1.2487	3.3611	4.1749	1.2421
12	3.2468	4.1957	1.2923	3.2985	4.1795	1.2671	3.3966	4.2247	1.2438	3.3639	4.1805	1.2428
13	3.2468	4.1957	1.2923	3.3062	4.1901	1.2673	3.3860	4.2203	1.2464	3.3639	4.1805	1.2428
14	3.2468	4.1957	1.2923	3.3095	4.1993	1.2689	3.3933	4.2290	1.2463	3.3639	4.1805	1.2428
15	3.2522	4.2028	1.2923	3.3262	4.2089	1.2654	3.3933	4.2290	1.2463	3.3621	4.1761	1.2421
16	3.2419	4.1970	1.2946	3.2985	4.2223	1.2801	3.3933	4.2290	1.2463	3.3522	4.1935	1.2510
17	3.2331	4.1899	1.2959	3.2964	4.2293	1.2830	3.3819	4.2255	1.2494	3.3928	4.2286	1.2463
18	3.2490	4.1880	1.2890	3.2964	4.2293	1.2830	3.3706	4.2180	1.2514	3.4428	4.2365	1.2305
19	3.2507	4.1860	1.2877	3.2964	4.2293	1.2830	3.3655	4.2170	1.2530	3.4791	4.2705	1.2275
20	3.2507	4.1860	1.2877	3.3109	4.2232	1.2755	3.3680	4.2155	1.2516	3.4791	4.2705	1.2275
21	3.2507	4.1860	1.2877	3.2987	4.2263	1.2812	3.3827	4.2088	1.2442	3.4791	4.2705	1.2275
22	3.2570	4.1845	1.2848	3.3275	4.2228	1.2691	3.3827	4.2088	1.2442	3.4767	4.2625	1.2260
23	3.2430	4.1775	1.2882	3.3390	4.2280	1.2662	3.3827	4.2088	1.2442	3.4937	4.2743	1.2234
24	3.2525	4.1785	1.2847	3.3387	4.2245	1.2653	3.3842	4.1977	1.2404	3.5290	4.3060	1.2202
25	3.2823	4.1757	1.2722	3.3387	4.2245	1.2653	3.3706	4.1916	1.2436	3.5290	4.3060	1.2202
26	3.2776	4.1781	1.2747	3.3387	4.2245	1.2653	3.3546	4.1800	1.2461	3.5290	4.3060	1.2202
27	3.2776	4.1781	1.2747	3.3288	4.2229	1.2686	3.3528	4.1807	1.2469	3.5290	4.3060	1.2202
28	3.2776	4.1781	1.2747	3.3295	4.2268	1.2695	3.3605	4.1814	1.2443	3.5290	4.3060	1.2202
29	3.3000	4.1843	1.2680	3.3192	4.2248	1.2728	3.3605	4.1814	1.2443	3.5270	4.3053	1.2207
30	3.2973	4.1755	1.2663	3.3592	4.2280	1.2586	3.3605	4.1814	1.2443	3.5458	4.3138	1.2166
31	.	.	.	3.3459	4.2043	1.2566	.	.	.	3.5072	4.2623	1.2153
Average monthly rate	3.2475	4.1901	X	3.3152	4.2050	X	3.3777	4.2115	X	3.4287	4.2233	X

Table IV. Average MFI interest rates on outstanding amounts, PLN denominated (in %)

	Sector	Category	Original maturity	No.	December 2013	January	February	March
						2014		
Deposits in PLN	households and non-profit institutions serving households	overnight		1	1.1	1.1	1.1	1.0
		with agreed maturity	up to 2 years	2	2.7	2.5	2.5	2.5
			over 2 years	3	2.2	2.2	2.3	2.3
			total	4	2.7	2.5	2.5	2.4
		total, overnight included		5	1.7	1.7	1.7	1.6
	non-financial corporations	overnight		6	1.1	1.1	1.1	1.1
		with agreed maturity	up to 2 years	7	2.6	2.6	2.6	2.6
			over 2 years	8	2.6	2.5	2.5	2.5
			total	9	2.6	2.6	2.6	2.6
		total, overnight included		10	1.7	1.8	1.8	1.8
	total, overnight excluded		11	2.6	2.5	2.5	2.5	
	total, overnight included		12	1.7	1.7	1.7	1.7	
Loans in PLN	households and non-profit institutions serving households	revolving loans and overdrafts		13	11.1	11.1	11.0	10.9
		credit cards		14	12.8	12.9	12.6	12.5
		for consumption	up to 1 year	15	8.8	8.4	8.5	8.2
			over 1 and up to 5 years	16	13.3	13.2	13.5	13.2
			over 5 years	17	12.4	12.3	12.8	12.3
			total	18	12.7	12.6	13.0	12.6
		for house purchases	up to 1 year	19	6.1	6.1	6.0	5.8
			over 1 and up to 5 years	20	7.1	7.2	7.0	6.9
			over 5 years	21	4.6	4.5	4.7	4.6
			total	22	4.6	4.6	4.7	4.6
		for other purposes	up to 1 year	23	5.9	6.0	5.9	5.9
			over 1 and up to 5 years	24	7.0	7.0	7.1	7.1
			over 5 years	25	5.6	5.6	5.6	5.5
	total		26	5.9	5.9	5.8	5.8	
	total, overdrafts included		27	7.4	7.4	7.5	7.3	
	non-financial corporations	revolving loans and overdrafts		28	4.7	4.8	4.7	4.6
		credit cards		29	8.2	8.9	8.3	8.1
		up to 1 year		30	4.3	4.2	4.5	4.5
		over 1 and up to 5 years		31	4.9	4.9	4.8	4.9
		over 5 years		32	4.7	4.8	4.7	4.7
total		33	4.7	4.8	4.7	4.7		
total, overdrafts included		34	4.7	4.8	4.7	4.7		
total, overdrafts included		35	6.5	6.5	6.5	6.4		

n/a - category not available due to confidentiality issues.

Note: since December 2014 a new methodology of calculating average interest rates has been employed.

Table IV. Average MFI interest rates on outstanding amounts, PLN denominated (in %)

April	May	June	July	August	September	October	November	December
2014								
1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	0.8
2.5	2.4	2.4	2.5	2.5	2.5	2.5	2.4	2.4
2.3	2.3	2.4	2.4	2.4	2.4	2.4	2.5	2.2
2.4	2.4	2.4	2.5	2.5	2.5	2.5	2.5	2.4
1.6	1.6	1.6	1.6	1.7	1.7	1.7	1.6	1.6
1.1	1.1	1.1	1.1	1.1	1.1	0.9	0.9	0.8
2.6	2.6	2.7	2.7	2.7	2.6	2.4	2.2	2.1
2.4	2.5	2.5	2.4	2.6	2.4	2.2	2.1	2.1
2.6	2.6	2.7	2.7	2.7	2.6	2.4	2.2	2.1
1.8	1.8	1.9	1.9	1.9	1.8	1.6	1.5	1.4
2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.4	2.3
1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.6	1.6
10.9	10.9	11.0	11.0	11.0	11.0	10.1	9.4	9.2
12.6	12.7	12.6	12.8	12.7	12.8	11.0	9.7	9.8
8.2	8.2	8.3	8.3	8.3	8.3	7.1	6.7	6.5
13.3	13.1	13.2	13.1	13.1	13.1	11.3	10.8	10.6
12.4	12.3	12.4	12.3	12.2	12.3	11.1	10.7	10.8
12.7	12.5	12.7	12.5	12.5	12.5	11.1	10.6	10.6
5.8	5.6	5.6	5.5	5.4	5.4	n/a	n/a	n/a
7.0	7.0	7.2	7.3	7.3	7.3	7.2	6.9	6.7
4.6	4.6	4.6	4.6	4.6	4.6	4.3	4.2	4.1
4.6	4.6	4.7	4.6	4.6	4.6	4.4	4.2	4.1
6.1	6.2	6.3	6.1	6.1	5.9	5.6	5.3	4.6
7.1	7.1	7.1	7.0	7.0	7.0	6.8	6.5	5.8
5.5	5.5	5.5	5.5	5.4	5.5	5.3	5.1	4.6
5.8	5.8	5.8	5.8	5.8	5.8	5.5	5.3	4.8
7.4	7.3	7.4	7.3	7.3	7.3	6.7	6.4	6.3
4.6	4.6	4.6	4.6	4.6	4.5	4.3	4.0	4.0
8.2	8.0	8.0	9.0	9.7	10.0	9.0	8.3	8.4
4.4	4.4	4.5	4.4	4.4	4.4	4.1	3.9	3.8
4.8	4.8	4.8	4.7	4.8	4.7	4.5	4.3	4.3
4.7	4.7	4.7	4.7	4.7	4.7	4.5	4.2	4.2
4.7	4.7	4.7	4.7	4.7	4.7	4.4	4.2	4.2
4.7	4.6	4.7	4.7	4.7	4.6	4.4	4.1	4.1
6.4	6.4	6.5	6.4	6.4	6.4	5.9	5.6	5.6

Table V. Average MFI interest rates on new and renegotiated business, PLN denominated (in %)

	Sector	Category	Original maturity, initial rate fixation	No.	December	January	February	March
					2013	2014		
Deposits in PLN	households and non-profit institutions serving households	with agreed maturity	up to 1 month	1	2.2	2.2	2.2	2.2
			over 1 and up to 3 months	2	2.8	2.7	2.8	2.8
			over 3 and up to 6 months	3	2.8	2.8	2.8	2.7
			over 6 months and up to 1 year	4	2.8	2.6	2.6	2.7
			over 1 year	5	2.7	n/a	n/a	n/a
			total	6	2.6	2.6	2.6	2.6
	non-financial corporations	with agreed maturity	up to 1 month	7	2.2	2.3	2.2	2.4
			over 1 and up to 3 months	8	2.8	2.7	2.7	2.8
			over 3 and up to 6 months	9	2.9	2.8	2.8	2.8
			over 6 months and up to 1 year	10	3.0	3.1	3.1	3.1
			over 1 year	11	2.7	2.6	2.5	2.8
			total	12	2.3	2.4	2.3	2.5
	total				13	2.4	2.4	2.4	2.5
Loans in PLN	households and non-profit institutions serving households	for consumption	floating rate and up to 3 months initial rate fixation	14	13.7	13.9	13.8	13.9
			over 3 months and up to 1 year initial rate fixation	15	7.4	7.4	7.8	7.8
			over 1 year up to 5 years initial rate fixation	16	13.4	13.3	13.9	13.6
			over 5 years initial rate fixation	17	14.1	14.1	14.4	14.6
			total	18	13.1	13.2	13.5	13.5
		annual percentage rate of charge (APRC)	19	19.9	19.8	19.9	20.0	
		for house purchases	floating rate and up to 3 months initial rate fixation	20	5.1	5.2	5.2	5.2
			over 3 months and up to 1 year initial rate fixation	21	n/a	n/a	n/a	n/a
			over 1 year initial rate fixation	22	n/a	–	–	–
			total	23	5.2	5.2	5.2	5.3
		annual percentage rate of charge (APRC)	24	5.6	5.6	5.6	5.6	
		for sole proprietors and unincorporated partnerships	floating rate and up to 3 months initial rate fixation	25	6.6	7.0	6.7	6.8
			over 3 months and up to 1 year initial rate fixation	26	7.4	7.6	n/a	n/a
			over 1 year initial rate fixation	27	12.9	np.	np.	8.3
		total	28	6.8	7.2	6.9	6.9	
		for other purposes	floating rate and up to 3 months initial rate fixation	29	6.7	6.4	6.6	7.1
			over 3 months and up to 1 year initial rate fixation	30	n/a	n/a	n/a	n/a
			over 1 year initial rate fixation	31	–	–	–	–
			total	32	6.7	6.4	6.6	7.1
	total		33	9.2	9.4	9.4	9.3	
	non-financial corporations	up to PLN 1 million, overdrafts excluded	floating rate and up to 3 months initial rate fixation	34	4.4	4.4	4.4	4.4
			over 3 months and up to 1 year initial rate fixation	35	4.3	4.2	4.2	4.3
			over 1 year initial rate fixation	36	8.7	10.0	12.0	np.
			total	37	4.4	4.4	4.4	4.4
		over PLN 1 million up to 4 million, overdrafts excluded	floating rate and up to 1 year initial rate fixation, with original maturity over 1 year*	38	5.2	5.0	4.7	5.0
			floating rate and up to 3 months initial rate fixation	39	4.3	4.2	4.3	4.5
			over 3 months and up to 1 year initial rate fixation	40	4.1	3.8	3.6	4.4
			over 1 year initial rate fixation	41	n/a	–	n/a	n/a
			total	42	4.3	4.1	4.3	4.5
			floating rate and up to 1 year initial rate fixation, with original maturity over 1 year*	43	4.8	4.5	4.8	4.9
		over PLN 4 million, overdrafts excluded	floating rate and up to 3 months initial rate fixation	44	4.4	4.0	4.8	4.2
			over 3 months and up to 1 year initial rate fixation	45	n/a	4.9	5.5	n/a
			over 1 year initial rate fixation	46	n/a	n/a	n/a	5.3
total			47	4.5	4.1	4.9	4.2	
floating rate and up to 1 year initial rate fixation, with original maturity over 1 year	48		4.7	4.6	5.3	4.5		
total	49		4.4	4.2	4.7	4.3		
total				50	6.3	6.8	7.2	6.8

n/a – category not available due to confidentiality issues.

Note: since December 2014 a new methodology of calculating average interest rates has been employed.

Table V. Average MFI interest rates on new and renegotiated business, PLN denominated (in %)

April	May	June	July	August	September	October	November	December
2014								
2.3	2.3	2.2	2.2	2.2	2.3	2.0	1.8	2.2
2.8	2.8	2.8	2.8	2.8	2.8	2.7	2.6	2.5
2.8	2.8	2.7	2.8	3.1	3.2	2.8	2.4	2.4
2.8	2.8	2.8	2.8	2.8	2.7	2.4	2.1	2.0
n/a	n/a	n/a	n/a	2.5	2.4	2.3	2.0	2.3
2.6	2.6	2.6	2.6	2.7	2.8	2.5	2.2	2.3
2.3	2.3	2.4	2.3	2.4	2.3	1.9	1.8	1.9
2.8	2.8	2.8	2.8	2.7	2.7	2.3	2.1	2.1
2.9	2.7	3.0	2.9	2.8	2.8	2.5	2.1	2.3
3.2	3.2	2.8	2.9	2.7	2.7	2.2	2.3	2.3
2.2	2.8	2.5	2.3	2.3	2.1	1.8	1.6	1.8
2.4	2.4	2.5	2.4	2.4	2.4	2.0	1.9	1.9
2.5	2.5	2.5	2.5	2.5	2.5	2.1	2.0	2.0
13.7	13.8	13.7	13.7	13.3	12.9	11.4	11.0	10.7
8.3	8.1	8.1	8.0	7.7	7.2	5.9	5.3	4.2
14.0	13.6	14.2	13.5	13.3	12.8	10.5	9.6	8.5
14.6	14.7	14.5	14.6	13.6	12.8	12.0	10.6	10.2
13.6	13.5	13.6	13.4	13.0	12.5	11.0	10.1	9.5
20.3	20.1	20.0	19.9	19.8	19.4	17.6	17.6	16.8
5.2	5.3	5.4	5.4	5.4	5.3	4.9	4.9	4.8
n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	4.3
n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
5.3	5.3	5.3	5.3	5.3	5.2	4.8	4.7	4.7
5.6	5.7	5.7	5.7	5.7	5.6	5.2	5.0	5.0
6.6	6.3	6.5	6.6	6.6	6.2	6.1	5.8	6.0
7.1	7.0	n/a	n/a	n/a	n/a	7.3	6.3	n/a
8.5	n/a	12.6	n/a	n/a	n/a	n/a	n/a	n/a
6.8	6.5	6.7	6.7	6.8	6.4	6.2	5.9	6.1
7.4	7.7	7.1	7.1	7.2	7.1	6.6	6.4	6.0
n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	5.7
-	-	-	-	-	-	n/a	-	n/a
7.3	7.5	6.9	6.9	7.0	6.8	6.5	6.2	6.0
9.3	9.4	9.4	9.4	9.3	9.0	8.0	7.6	7.4
4.4	4.6	4.4	4.4	4.4	4.2	4.0	3.7	3.7
4.1	4.3	4.3	4.1	4.0	3.9	3.8	3.5	3.7
8.3	n/a	11.6	n/a	n/a	6.7	7.3	5.8	4.3
4.4	4.5	4.4	4.4	4.4	4.2	4.0	3.7	3.7
4.8	5.0	4.7	4.7	4.9	4.5	4.3	3.8	4.2
4.7	4.4	4.5	4.5	4.7	4.3	4.4	3.7	3.9
4.0	4.3	4.2	4.1	4.2	4.1	3.5	3.7	4.0
n/a	-	n/a	n/a	n/a	n/a	n/a	-	n/a
4.6	4.4	4.5	4.5	4.7	4.3	4.4	3.7	3.9
4.8	4.7	4.7	4.8	4.6	4.6	4.4	4.2	4.2
4.6	4.3	4.1	4.6	4.3	3.8	4.1	3.8	3.2
n/a	4.4	n/a	4.1	n/a	4.1	n/a	3.6	4.6
n/a	4.1	n/a	n/a	n/a	n/a	n/a	n/a	n/a
4.5	4.3	4.0	4.5	4.3	4.0	4.2	3.7	3.4
4.8	4.4	4.4	4.7	4.5	4.1	4.3	4.0	3.5
4.5	4.4	4.2	4.4	4.4	4.1	4.2	3.7	3.5
7.0	6.7	6.8	6.9	6.8	6.3	6.2	5.8	5.3

Table VI. Average MFI interest rates on new and renegotiated business, EUR denominated (in %)

	Sector	Category	Original maturity, initial rate fixation	No.	December 2013	January	February	March		
					2014					
Deposits in EUR	households and non-profit institutions serving households	overnight ¹		1	0.2	0.2	0.2	0.2		
		with agreed maturity	up to 1 month		2	0.6	0.4	0.5	0.4	
			over 1 and up to 3 months		3	0.7	0.7	0.5	0.7	
			over 3 and up to 6 months		4	0.7	0.7	0.7	0.7	
			over 6 months and up to 1 year		5	0.8	0.9	0.8	0.8	
			over 1 year		6	1.7	0.7	0.9	0.8	
			total		7	0.7	0.7	0.6	0.6	
	non-financial corporations	overnight ¹		8	0.0	0.0	0.0	0.0		
		with agreed maturity	up to 1 month		9	0.3	0.3	0.2	0.3	
			over 1 and up to 3 months		10	0.4	0.3	0.4	0.5	
			over 3 and up to 6 months		11	0.6	0.6	0.4	n/a	
			over 6 months and up to 1 year		12	0.8	0.8	0.6	0.4	
			over 1 year		13	0.4	n/a	0.2	0.5	
			total		14	0.3	0.3	0.3	0.3	
	total, overdrafts excluded				15	0.4	0.3	0.3	0.3	
Loans in EUR	households and non-profit institutions serving households	revolving loans and overdrafts ¹		16	2.2	2.5	2.4	2.4		
		for consumption	total		17	–	–	n/a	n/a	
			annual percentage rate of charge (APRC)		18	–	–	n/a	n/a	
		for house purchases	total		19	3.0	3.0	n/a	3.5	
			annual percentage rate of charge (APRC)		20	3.4	3.1	n/a	3.6	
		for other purposes		21	2.3	2.7	1.8	2.1		
		total, overdrafts excluded				22	2.4	2.8	2.2	2.5
	non-financial corporations	revolving loans and overdrafts ¹		23	1.8	1.9	1.9	1.9		
		up to EUR 1 million		24	1.9	2.0	2.0	1.9		
		over EUR 1 million		25	2.9	3.6	3.4	3.3		
		total, overdrafts excluded				26	2.8	3.4	3.0	2.8
		total, overdrafts excluded				27	2.8	3.4	3.0	2.8

¹ Category calculated on a basis of an outstanding amounts. Excluded from “total” average.

n/a - category not available due to confidentiality issues.

Note: since December 2014 a new methodology of calculating average interest rates has been employed.

Table VI. Average MFI interest rates on new and renegotiated business, EUR denominated (in %)

April	May	June	July	August	September	October	November	December
2014								
0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1
0.5	0.4	0.4	0.5	0.5	0.4	n/a	0.3	0.5
0.6	0.7	0.6	0.5	0.6	0.6	0.4	0.7	0.6
0.7	0.8	0.7	0.6	0.7	0.6	0.6	0.6	0.7
0.7	0.8	0.7	0.7	0.7	0.6	0.6	0.7	0.7
0.8	0.8	0.7	0.7	0.5	0.6	0.3	0.6	0.6
0.6	0.6	0.6	0.6	0.6	0.6	0.4	0.6	0.6
0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2
0.4	0.5	0.3	0.3	0.3	0.3	0.3	0.2	0.3
0.6	0.6	0.4	0.4	n/a	0.4	0.2	0.3	0.2
0.5	0.8	0.6	0.6	0.7	0.5	0.5	n/a	0.7
n/a	0.2	n/a	0.1	0.1	n/a	0.2	0.3	n/a
0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2
0.3	0.3	0.3	0.2	0.3	0.2	0.2	0.2	0.2
2.5	2.5	2.4	2.2	2.2	2.1	2.0	2.0	1.9
–	–	n/a	n/a	–	–	–	n/a	n/a
–	–	n/a	n/a	–	–	–	n/a	n/a
4.2	n/a	3.2	2.9	n/a	n/a	n/a	n/a	n/a
4.6	n/a	3.3	3.2	n/a	n/a	n/a	n/a	n/a
2.4	2.2	1.7	2.5	1.9	2.5	1.7	2.5	2.4
2.6	2.5	2.1	2.6	2.2	2.5	2.1	2.5	2.4
1.9	2.0	2.0	1.8	1.8	1.7	1.6	1.5	1.5
2.0	2.0	1.9	1.7	1.6	1.6	1.6	1.7	1.6
3.0	2.7	3.4	3.1	2.5	2.5	2.5	2.4	2.7
2.8	2.6	3.2	2.8	2.3	2.3	2.2	2.3	2.6
2.8	2.6	3.2	2.8	2.3	2.3	2.2	2.3	2.6

Table VII. Aggregated balance sheet of other monetary financial institutions (million zloty)**Assets**

Period								other domestic residents ¹
	Loans to domestic residents	monetary financial institutions	general government	other domestic residents ¹	Holdings of securities other than shares issued by domestic residents	monetary financial institutions	general government	
	1	2	3	4	5	6	7		8
December 2013	1 039 961.3	91 779.1	78 478.8	869 703.4	296 853.6	124 853.3	155 697.7	16 302.6
January 2014	1 065 673.2	106 977.4	78 920.8	879 775.0	305 399.2	125 765.5	162 861.9	16 771.8
February	1 062 548.6	104 266.0	78 452.9	879 829.7	309 412.8	125 879.1	166 575.3	16 958.4
March	1 081 973.6	114 030.0	78 048.2	889 895.4	297 752.0	107 544.6	173 457.2	16 750.2
April	1 087 053.6	114 607.4	77 672.5	894 773.7	307 050.1	110 013.9	179 916.0	17 120.2
May	1 075 894.6	101 429.2	77 350.3	897 115.1	316 808.9	119 050.3	180 573.7	17 184.9
June	1 102 451.0	117 416.0	77 954.9	907 080.1	304 008.5	107 018.3	179 553.0	17 437.2
July	1 091 826.7	107 456.0	78 511.9	905 858.8	317 638.1	119 174.4	180 282.9	18 180.8
August	1 100 378.0	104 295.0	79 343.0	916 740.0	323 461.2	115 350.8	187 354.4	20 756.0
September	1 107 294.3	104 879.7	81 532.4	920 882.2	333 459.2	117 936.8	193 114.9	22 407.5
October	1 091 066.3	89 791.6	76 965.9	924 308.8	324 941.0	108 529.6	194 314.2	22 097.2
November	1 089 562.1	80 174.6	77 812.8	931 574.7	330 890.1	111 960.6	196 485.6	22 443.9
December	1 109 792.0	100 086.4	79 272.7	930 432.9	315 654.0	95 231.6	198 404.1	22 018.3

Period					External assets	Fixed assets ²	Remaining assets	Total assets
	Money Market Fund Shares/Units	Holdings of shares / other equity issued by domestic residents	monetary financial institutions	other domestic residents ¹				
	9	10	11	12					13	14	15	16
December 2013	0.0	11 473.1	1 141.0	10 332.1	62 426.6	46 190.6	44 141.0	1 501 046.2
January 2014	0.0	11 595.3	1 150.3	10 445.0	58 697.1	46 054.8	43 322.0	1 530 741.6
February	0.0	11 608.3	1 150.4	10 457.9	60 112.6	46 123.9	43 466.6	1 533 272.8
March	0.0	11 727.8	1 158.1	10 569.7	58 448.5	46 136.8	44 270.3	1 540 309.0
April	0.0	15 102.0	4 204.2	10 897.8	58 032.4	46 296.3	45 382.6	1 558 917.0
May	0.0	15 225.3	4 223.2	11 002.1	74 655.0	46 093.8	45 114.7	1 573 792.3
June	0.0	14 817.7	4 218.1	10 599.6	73 293.5	46 247.5	46 565.1	1 587 383.3
July	0.0	17 162.8	6 329.3	10 833.5	71 942.9	46 583.0	46 240.0	1 591 393.5
August	0.0	17 210.8	6 333.8	10 877.0	84 152.4	46 555.2	48 146.9	1 619 904.5
September	0.0	17 423.6	6 335.9	11 087.7	78 523.0	46 621.0	49 321.7	1 632 642.8
October	0.0	14 873.0	3 639.1	11 233.9	81 310.3	47 773.6	51 406.8	1 611 371.0
November	0.0	15 282.5	3 774.0	11 508.5	79 796.9	47 871.2	51 015.7	1 614 418.5
December	0.0	15 472.8	3 766.1	11 706.7	78 289.1	48 392.5	54 640.5	1 622 240.9

¹ Non-monetary financial institutions and non-financial sector.

² 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 ¹	overnight	with agreed maturity	redeemable at notice	repurchase agreements
	1	2	3	4	5	6	7	8
December 2013	957 262.6	52 357.3	30 621.6	874 283.7	440 343.0	421 661.0	2.2	12 277.5
January 2014	975 851.6	68 508.8	47 200.0	860 142.8	432 086.1	418 258.8	2.3	9 795.6
February	984 302.8	70 052.7	49 374.6	864 875.5	432 445.7	423 295.3	2.3	9 132.2
March	988 314.6	67 244.0	46 607.9	874 462.7	441 511.4	422 989.8	2.3	9 959.2
April	999 899.7	78 072.8	44 278.7	877 548.2	428 202.3	439 136.7	2.1	10 207.1
May	1 011 609.4	68 398.4	60 870.1	882 340.9	437 190.3	435 386.1	2.1	9 762.4
June	1 022 179.0	75 393.4	60 774.8	886 010.8	450 680.6	426 349.6	2.0	8 978.6
July	1 026 332.8	76 277.4	58 138.4	891 917.0	447 397.1	434 255.9	2.0	10 262.0
August	1 041 584.7	72 655.0	60 897.3	908 032.4	448 715.7	448 035.9	1.8	11 279.0
September	1 041 288.1	74 061.1	57 750.3	909 476.7	453 203.2	444 514.3	1.8	11 757.4
October	1 027 420.4	56 849.8	55 926.0	914 644.6	447 684.2	457 106.1	1.8	9 852.5
November	1 026 983.3	49 887.6	58 293.1	918 802.6	455 633.3	453 768.7	2.0	9 398.6
December	1 031 363.5	51 257.8	35 951.7	944 154.0	475 012.6	458 789.3	1.8	10 350.3

¹ Non-monetary financial institutions, local government, social security funds and non-financial sector.

Period								External liabilities	Remaining liabilities	Total liabilities
	Money Market Fund Shares / Units	Debt securities issued	Capital and reserves	Tier-1 capital	Tier-2 capital	reserves				
	9	10	11	12	13	14				
December 2013	0.0	54 672.8	213 330.8	139 707.0	2 510.5	71 113.3	216 610.5	59 169.5	1 501 046.2	
January 2014	0.0	53 747.2	213 756.1	140 540.2	1 555.6	71 660.3	226 141.3	61 245.4	1 530 741.6	
February	0.0	54 480.0	214 520.1	140 001.6	2 403.0	72 115.5	219 835.7	60 134.2	1 533 272.8	
March	0.0	54 816.3	214 374.2	140 178.1	2 239.9	71 956.2	218 458.5	64 345.4	1 540 309.0	
April	0.0	55 215.0	218 569.5	143 477.1	2 729.6	72 362.8	224 466.3	60 766.5	1 558 917.0	
May	0.0	57 713.5	220 290.9	144 431.7	3 420.9	72 438.3	223 722.0	60 456.5	1 573 792.3	
June	0.0	58 899.0	224 084.1	147 507.6	3 980.9	72 595.6	220 046.7	62 174.5	1 587 383.3	
July	0.0	59 444.8	226 838.0	149 933.9	4 084.1	72 820.0	220 286.0	58 491.9	1 591 393.5	
August	0.0	59 913.8	228 773.0	150 463.5	4 916.3	73 393.2	226 382.5	63 250.5	1 619 904.5	
September	0.0	61 462.8	229 358.4	150 546.9	5 318.7	73 492.8	229 181.4	71 352.1	1 632 642.8	
October	0.0	54 399.7	226 903.1	147 850.3	6 232.0	72 820.8	235 524.8	67 123.0	1 611 371.0	
November	0.0	54 133.3	227 442.9	148 252.1	6 108.3	73 082.5	232 860.1	72 998.9	1 614 418.5	
December	0.0	55 255.8	227 077.4	149 324.5	5 124.1	72 628.8	237 584.2	70 960.0	1 622 240.9	

Table VIII. Balance sheet of Narodowy Bank Polski (million zloty)**Assets**

Period	Loans to domestic residents	other monetary financial institutions	general government	other domestic residents ¹	Holdings of securities other than shares issued by domestic residents	other monetary financial institutions	general government	Holdings of shores / other equity issued by domestic residents	other monetary financial institutions	other domestic residents ¹	External assets	Fixed assets ²	Remaining assets	Total assets
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
December 2013	24.0	0.0	0.0	24.0	0.0	0.0	0.0	53.8	0.0	53.8	325 669.3	2 283.1	216.0	328 246.2
January 2014	23.7	0.0	0.0	23.7	0.0	0.0	0.0	53.8	0.0	53.8	338 401.1	2 280.5	325.9	341 085.0
February	23.6	0.0	0.0	23.6	0.0	0.0	0.0	53.8	0.0	53.8	321 805.4	2 272.8	304.6	324 460.2
March	23.4	0.0	0.0	23.4	0.0	0.0	0.0	53.8	0.0	53.8	317 939.2	2 274.6	307.4	320 598.4
April	24.0	0.0	0.0	24.0	0.0	0.0	0.0	53.8	0.0	53.8	317 798.3	2 275.6	247.5	320 399.3
May	23.9	0.0	0.0	23.9	0.0	0.0	0.0	53.8	0.0	53.8	318 543.6	2 280.6	462.7	321 364.6
June	23.9	0.0	0.0	23.9	0.0	0.0	0.0	53.8	0.0	53.8	316 634.7	2 285.0	378.8	319 376.2
July	24.1	0.0	0.0	24.1	0.0	0.0	0.0	53.8	0.0	53.8	327 721.1	2 269.9	309.5	330 378.4
August	24.2	0.0	0.0	24.2	0.0	0.0	0.0	53.8	0.0	53.8	331 923.1	2 271.1	263.6	334 535.8
September	23.8	0.0	0.0	23.8	0.0	0.0	0.0	53.8	0.0	53.8	341 676.1	2 271.8	941.7	344 967.2
October	23.6	0.0	0.0	23.6	0.0	0.0	0.0	53.8	0.0	53.8	341 268.8	2 275.3	295.2	343 916.7
November	22.9	0.0	0.0	22.9	0.0	0.0	0.0	53.8	0.0	53.8	343 752.9	2 274.3	1 002.7	347 106.6
December	22.5	0.0	0.0	22.5	0.0	0.0	0.0	53.8	0.0	53.8	358 922.3	2 224.2	241.3	361 464.1

¹ Non-monetary financial institutions and non-financial sector.² Excluding financial fixed assets, included in column 8.**Liabilities**

Period	Currency in circulation	Deposits of domestic residents	other monetary financial institutions	central government	other domestic residents ¹	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 2013	125 883.8	47 579.2	39 655.8	6 834.3	1 089.1	117 340.8	8 845.2	2 743.6	6 101.6	28 491.0	106.2	328 246.2
January 2014	123 190.9	50 432.3	39 024.4	10 461.5	946.4	118 525.8	8 842.5	2 743.6	6 098.9	30 340.1	9 753.4	341 085.0
February	124 226.6	42 347.0	35 791.7	5 647.6	907.7	118 446.1	8 839.5	2 743.6	6 095.9	26 323.0	4 278.0	324 460.2
March	126 313.1	54 042.5	48 137.0	5 119.9	785.6	101 112.2	8 842.8	2 743.6	6 099.2	25 080.1	5 207.7	320 598.4
April	130 392.5	45 942.2	38 950.8	6 060.9	930.5	103 692.5	8 848.3	2 743.6	6 104.7	24 421.4	7 102.4	320 399.3
May	129 520.1	38 581.4	33 599.4	4 169.8	812.2	110 891.5	8 853.1	2 743.6	6 109.5	27 216.9	6 301.6	321 364.6
June	131 151.3	46 975.7	42 409.5	3 697.6	868.6	98 735.8	8 858.5	2 743.6	6 114.9	25 848.3	7 806.6	319 376.2
July	132 891.6	41 682.3	31 469.6	9 312.1	900.6	110 134.2	8 847.3	2 743.6	6 103.7	26 514.2	10 308.8	330 378.4
August	135 195.2	39 271.0	33 064.8	5 376.9	829.3	106 117.7	8 853.0	2 743.6	6 109.4	27 564.2	17 534.7	334 535.8
September	135 118.1	43 061.8	31 887.5	10 280.9	893.4	108 000.0	8 859.1	2 743.6	6 115.5	31 504.4	18 423.8	344 967.2
October	136 957.9	47 020.6	34 873.3	11 127.5	1 019.8	100 500.0	8 864.5	2 743.6	6 120.9	29 970.5	20 603.2	343 916.7
November	136 976.1	46 869.7	32 362.0	13 565.8	941.9	104 034.4	8 868.8	2 743.6	6 125.2	30 056.0	20 301.6	347 106.6
December	142 661.0	69 990.5	49 302.6	19 431.9	1 256.0	84 661.4	12 846.1	2 743.6	10 102.5	26 825.8	24 479.3	361 464.1

¹ Non-monetary financial institutions, local government, social security funds and non-financial sector.

Table IX. Consolidated balance sheet of monetary financial institutions (million zloty)

Assets

Period	Loans to domestic residents			Holdings of securities other than shares issued by domestic residents			Holdings of shares / other equity ² issued by other domestic residents ¹	External assets	Fixed assets ³	Remaining assets ⁴	Total assets
	1	General government	Other domestic residents ¹	4	General government	Other domestic residents ¹					
		2	3		5	6					
December 2013	948 206.2	78 478.8	869 727.4	172 000.3	155 697.7	16 302.6	10 385.9	388 095.9	48 473.7	32 876.4	1 600 038.4
January 2014	958 719.5	78 920.8	879 798.7	179 633.7	162 861.9	16 771.8	10 498.8	397 098.2	48 335.3	33 911.8	1 628 197.3
February	958 306.2	78 452.9	879 853.3	183 533.7	166 575.3	16 958.4	10 511.7	381 918.0	48 396.7	34 224.4	1 616 890.7
March	967 967.0	78 048.2	889 918.8	190 207.4	173 457.2	16 750.2	10 623.5	376 387.7	48 411.4	34 921.6	1 628 518.6
April	972 470.2	77 672.5	894 797.7	197 036.2	179 916.0	17 120.2	10 951.6	375 830.7	48 571.9	34 498.5	1 639 359.2
May	974 489.3	77 350.3	897 139.0	197 758.6	180 573.7	17 184.9	11 055.9	393 198.6	48 374.4	35 706.1	1 660 582.9
June	985 058.9	77 954.9	907 104.0	196 990.2	179 553.0	17 437.2	10 653.4	389 928.2	48 532.5	36 620.2	1 667 783.4
July	984 394.8	78 511.9	905 882.9	198 463.7	180 282.9	18 180.8	10 887.3	399 664.0	48 852.9	35 866.7	1 678 129.4
August	996 107.2	79 343.0	916 764.2	208 110.4	187 354.4	20 756.0	10 930.8	416 075.5	48 826.3	38 201.0	1 718 251.2
September	1 002 438.4	81 532.4	920 906.0	215 522.4	193 114.9	22 407.5	11 141.5	420 199.1	48 892.8	39 534.1	1 737 728.3
October	1 001 298.3	76 965.9	924 332.4	216 411.4	194 314.2	22 097.2	11 287.7	422 579.1	50 048.9	40 645.9	1 742 271.3
November	1 009 410.4	77 812.8	931 597.6	218 929.5	196 485.6	22 443.9	11 562.3	423 549.8	50 145.5	42 148.8	1 755 746.3
December	1 009 728.1	79 272.7	930 455.4	220 422.4	198 404.1	22 018.3	11 760.5	437 211.4	50 616.7	42 245.0	1 771 984.1

¹ Non-monetary financial institutions and non-financial sector.

² Including units in investment funds and financial fixed assets.

³ Excluding financial fixed assets, incorporated in column 7.

⁴ Including rights issues.

Liabilities

Period	Deposits of domestic residents ¹							Money Market Fund Shares/Units	Debt securities issued	Capital and reserves	External liabilities	Remaining liabilities	Excess of inter-MFI liabilities	Total liabilities
	Currency in circulation	Deposits of central government	Deposits of other domestic residents ¹	overnight	with agreed maturity	redeemable at notice	repurchase agreements							
				4	5	6	7							
December 2013	114 403.2	37 455.9	875 372.8	441 432.1	421 661.0	2.2	12 277.5	0.0	47 160.3	221 035.0	245 101.5	59 275.7	234.0	1 600 038.4
January 2014	113 454.8	57 661.5	861 089.2	433 032.5	418 258.8	2.3	9 795.6	0.0	46 507.5	221 448.3	256 481.4	70 998.8	555.8	1 628 197.3
February	114 679.8	55 022.2	865 783.2	433 353.1	423 295.6	2.3	9 132.2	0.0	47 047.0	222 209.2	246 158.7	64 412.2	1 578.4	1 616 890.7
March	116 657.0	51 727.8	875 248.3	442 297.0	422 989.8	2.3	9 959.2	0.0	48 383.9	222 058.9	243 538.6	69 553.1	1 351.0	1 628 518.6
April	119 260.9	50 339.6	878 478.7	429 132.8	439 136.7	2.1	10 207.1	0.0	48 893.6	223 213.6	248 887.7	67 868.9	2 416.2	1 639 359.2
May	119 648.8	65 039.9	883 153.1	438 002.5	435 386.1	2.1	9 762.4	0.0	49 554.7	224 920.8	250 938.9	66 757.9	568.8	1 660 582.9
June	120 827.5	64 472.4	886 879.4	451 548.3	426 350.5	2.0	8 978.6	0.0	50 616.5	228 724.5	245 895.0	69 981.3	386.8	1 667 783.4
July	122 208.8	67 450.5	892 817.6	448 297.7	434 255.9	2.0	10 262.0	0.0	50 404.6	229 356.0	246 800.2	68 800.7	291.0	1 678 129.4
August	124 985.7	66 274.2	908 861.7	449 543.7	448 037.2	1.8	11 279.0	0.0	50 680.7	231 292.2	253 946.7	80 785.1	1 424.9	1 718 251.2
September	124 388.8	68 031.2	910 370.1	454 096.6	444 514.3	1.8	11 757.4	0.0	51 526.0	231 881.6	260 685.8	89 775.8	1 069.0	1 737 728.3
October	125 901.8	67 053.5	915 664.4	448 704.0	457 106.1	1.8	9 852.5	0.0	46 370.1	232 128.5	265 495.3	87 726.1	1 931.6	1 742 271.3
November	127 106.5	71 858.9	919 744.5	456 575.2	453 768.7	2.0	9 398.6	0.0	46 207.1	232 537.7	262 916.1	93 300.5	2 075.0	1 755 746.3
December	130 024.2	55 383.6	945 410.0	476 268.6	458 789.3	1.8	10 350.3	0.0	44 685.6	236 157.4	264 410.0	95 439.3	474.0	1 771 984.1

¹ Non-monetary financial institutions, local government, social security funds and non-financial sector.

Table Xa. M3 and counterparts (milion 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		11
December 2013	114 403.2	125 883.8	11 480.6	441 432.1	279 831.7	17 664.6	112 497.1	10 393.3	19 658.6	1 386.7	555 835.3
January 2014	113 454.8	123 190.9	9 736.1	433 032.5	281 043.7	24 618.3	100 847.1	9 889.8	15 318.5	1 315.0	546 487.3
February	114 679.7	124 226.6	9 546.8	433 353.1	283 326.2	21 036.5	100 040.3	10 100.8	17 577.5	1 271.8	548 032.8
March	116 657.0	126 313.1	9 656.1	442 296.9	283 983.8	20 433.6	105 783.5	10 306.9	20 688.5	1 100.6	558 953.9
April	119 260.9	130 392.5	11 131.6	429 132.8	285 002.7	20 521.5	94 330.9	10 216.6	17 542.0	1 519.0	548 393.7
May	119 648.8	129 520.1	9 871.3	438 002.4	284 207.5	21 581.9	101 205.3	10 576.2	19 107.3	1 324.3	557 651.2
June	120 827.5	131 151.3	10 323.8	451 548.3	286 453.4	22 164.8	110 581.9	10 953.0	18 820.7	2 574.5	572 375.8
July	122 208.9	132 891.6	10 682.8	448 297.7	287 061.0	21 687.6	108 789.4	11 264.3	17 543.6	1 951.9	570 506.6
August	124 985.7	135 195.2	10 209.5	449 543.8	287 580.1	25 663.6	105 919.0	11 523.9	17 182.8	1 674.4	574 529.4
September	124 388.8	135 118.1	10 729.3	454 096.6	285 225.4	23 173.5	113 794.5	11 604.6	18 959.6	1 339.1	578 485.4
October	125 901.8	136 957.9	11 056.1	448 704.0	285 471.6	22 599.3	110 241.2	11 510.1	17 385.9	1 495.9	574 605.8
November	127 106.5	136 976.1	9 869.6	456 575.2	289 426.3	21 426.0	113 281.0	11 420.1	17 712.5	3 309.3	583 681.7
December	130 024.3	142 661.0	12 636.8	476 268.6	300 802.4	18 573.8	124 239.4	11 305.5	19 494.2	1 853.5	606 292.9

Period													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	
	12	13	14	15	16	17	18	19	20	21	22	23		24
December 2013	404 507.4	263 774.7	34 038.2	94 028.5	6 888.7	4 644.8	1 132.7	2.2	960 344.9	12 277.5	6 285.8	0.0	978 908.2
January 2014	400 953.8	268 689.7	21 927.0	91 076.0	7 561.9	9 733.1	1 966.1	2.2	947 443.3	9 795.6	5 176.7	0.0	962 415.6
February	406 249.0	271 888.0	23 903.5	91 011.2	7 616.4	11 331.6	498.3	2.3	954 284.1	9 132.2	5 026.0	0.0	968 442.3
March	405 667.6	273 826.7	23 622.6	88 560.7	7 366.1	10 784.5	1 507.0	2.2	964 623.7	9 959.2	5 794.3	0.0	980 377.3
April	421 357.7	274 514.4	26 206.3	97 923.6	7 672.3	12 522.6	2 518.5	2.1	969 753.5	10 207.1	6 181.5	0.0	986 142.2
May	417 347.6	274 572.4	26 224.6	94 490.4	7 629.4	11 910.0	2 521.0	2.1	975 000.9	9 762.4	6 356.7	0.0	991 120.0
June	407 711.7	274 578.7	24 543.1	88 849.2	7 144.6	9 755.1	2 841.0	2.0	980 089.5	8 978.6	7 103.1	0.0	996 171.2
July	415 260.6	276 843.1	27 028.5	91 154.9	7 296.2	10 160.8	2 777.2	1.9	985 769.2	10 262.0	6 106.1	0.0	1 002 137.3
August	428 597.2	278 459.9	31 141.2	99 528.9	7 464.4	10 877.9	1 124.9	1.8	1 003 128.4	11 279.0	6 153.8	0.0	1 020 561.1
September	424 867.2	282 056.8	30 215.8	95 078.9	7 327.4	9 461.5	726.8	1.7	1 003 354.3	11 757.4	6 712.4	0.0	1 021 824.2
October	437 322.9	286 311.7	30 898.2	99 339.5	7 553.8	9 679.3	3 540.5	1.8	1 011 930.6	9 852.5	6 882.2	0.0	1 028 665.3
November	433 975.3	286 976.0	28 349.0	100 201.5	7 417.1	9 347.8	1 683.9	1.9	1 017 658.8	9 398.6	6 360.3	0.0	1 033 417.8
December	438 276.6	290 773.8	33 353.1	101 639.2	6 800.0	4 526.3	1 184.4	1.8	1 044 571.2	10 350.3	4 264.0	0.0	1 059 185.6

Table Xb. M3 and counterparts (million zloty)

M3 counterparts

Period	Net external assets			Credit to other domestic residents	Loans to other domestic residents				
	Net external assets	External assets	External liabilities		households	non-monetary financial institutions	non-financial corporations	non-profit institutions serving households	
									Loans to other domestic residents
1	2	3	4	5	6	7	8	9	
December 2013	142 994.5	388 096.0	245 101.5	947 800.1	904 029.1	562 379.9	42 992.1	259 048.9	5 306.5
January 2014	140 616.8	397 098.2	256 481.4	958 569.4	914 189.1	567 983.7	43 382.2	263 062.7	5 370.2
February	135 759.4	381 918.0	246 158.6	958 668.8	914 067.8	567 257.3	43 359.4	263 940.7	5 295.9
March	132 848.9	376 387.6	243 538.7	968 149.3	923 708.7	569 333.9	47 768.3	267 553.0	5 263.6
April	126 943.0	375 830.7	248 887.7	973 579.3	928 449.9	573 332.0	45 328.4	270 886.3	5 251.0
May	142 259.7	393 198.6	250 938.9	975 893.3	930 651.9	574 799.8	43 752.0	273 359.6	5 227.6
June	144 033.1	389 928.2	245 895.0	985 779.4	940 703.1	578 638.6	46 439.5	276 708.8	5 317.0
July	152 863.7	399 663.9	246 800.2	985 779.6	939 640.9	581 446.6	44 535.8	274 548.7	5 351.8
August	162 128.8	416 075.5	253 946.7	999 521.7	950 773.8	587 135.9	46 736.9	277 482.4	5 408.9
September	159 513.4	420 199.1	260 685.7	1 005 593.3	954 978.4	590 208.3	44 956.7	280 248.0	5 492.9
October	157 083.7	422 579.1	265 495.4	1 009 219.8	958 641.7	592 068.2	47 591.3	279 124.5	5 548.4
November	160 633.7	423 549.8	262 916.1	1 017 534.4	966 268.0	593 456.2	50 489.5	282 030.5	5 621.4
December	172 801.5	437 211.4	264 409.9	1 017 497.9	966 120.1	593 249.7	53 309.5	278 213.5	5 682.8

Period	Holdings of securities other than shares		Holdings of securities other than shares	of which issued by			Holdings of shares/other equity	of which:	
	local government	social security funds		non-monetary financial institutions	non-financial corporations	local government		non-monetary financial institutions	non-financial corporations
10	11	12	13	14	15	16	17	18	
December 2013	34 301.5	0.2	33 385.0	761.0	15 541.6	17 082.4	10 386.0	6 554.1	3 831.9
January 2014	34 390.4	0.0	33 881.5	769.2	16 002.7	17 109.6	10 498.8	6 605.0	3 893.8
February	34 214.5	0.0	34 089.3	859.1	16 099.3	17 130.9	10 511.7	6 599.0	3 912.7
March	33 789.9	0.0	33 817.0	902.0	15 848.3	17 066.8	10 623.6	6 719.7	3 903.8
April	33 652.1	0.0	34 177.8	693.1	16 427.1	17 057.6	10 951.6	7 929.0	3 022.6
May	33 512.9	0.0	34 185.5	745.8	16 439.1	17 000.6	11 055.9	8 092.9	2 963.0
June	33 599.1	0.0	34 422.8	818.7	16 618.5	16 985.6	10 653.5	8 010.5	2 642.9
July	33 757.9	0.0	35 251.3	1 007.8	17 173.0	17 070.6	10 887.3	8 093.1	2 794.2
August	34 009.4	0.2	37 817.1	1 119.8	19 636.2	17 061.1	10 930.8	8 142.0	2 788.8
September	34 072.2	0.2	39 473.4	1 619.5	20 788.0	17 065.9	11 141.5	8 352.4	2 789.2
October	34 309.1	0.2	39 290.4	1 526.4	20 570.9	17 193.2	11 287.7	8 368.5	2 919.2
November	34 670.2	0.2	39 704.0	1 483.8	20 960.1	17 260.1	11 562.4	8 387.6	3 174.8
December	35 664.4	0.2	39 617.2	1 711.2	20 307.1	17 599.0	11 760.5	8 764.6	2 995.9

Table Xb. M3 and counterparts (million zloty)

M3 counterparts

Period	Credit to central government, net	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
			loans	debt securities issued				
			19	20					21	22	23	24	25	26
December 2013	145 336.6	182 792.4	780.6	138 615.3	37 455.8	279 063.1	17 153.6	10 066.8
January 2014	132 621.1	190 282.6	862.7	145 752.2	57 661.6	280 084.1	17 305.0	10 383.9
February	138 660.6	193 682.8	819.4	149 444.4	55 022.2	281 277.0	17 046.7	10 752.6
March	148 921.0	200 648.8	851.4	156 390.4	51 727.8	281 970.7	17 322.2	11 049.3
April	156 539.3	206 878.8	724.8	162 858.5	50 339.5	283 704.8	17 779.0	11 538.3
May	142 370.6	207 410.4	686.8	163 573.1	65 039.9	286 157.4	18 038.6	12 044.1
June	142 450.8	206 923.3	728.3	162 567.4	64 472.5	290 876.8	18 638.9	12 621.2
July	140 515.8	207 966.2	715.3	163 212.3	67 450.5	292 649.8	18 995.3	12 939.9
August	149 352.5	215 626.7	721.7	170 293.3	66 274.2	295 259.3	19 440.0	13 234.6
September	155 477.8	223 508.9	769.7	176 049.0	68 031.2	296 342.5	19 647.2	13 394.0
October	152 724.1	219 777.6	635.9	177 121.1	67 053.5	291 399.8	19 783.2	13 532.4
November	150 509.1	222 367.9	636.9	179 225.5	71 858.9	292 178.1	19 793.5	13 579.0
December	169 029.6	224 413.2	703.3	180 805.1	55 383.6	297 091.8	20 512.7	13 756.4

Period								Fixed assets (excluding financial fixed assets)	Other items (net)
	non-monetary financial institutions	non-financial corporations	non-profit institutions serving households	local government	social security funds	Debt securities issued with maturity over 2 years	Capital and reserves		
	27	28	29	30	31	32	33			34	35
December 2013	5 485.3	1 492.3	78.8	30.4	0.1	40 874.5	221 034.9	48 473.7	-26 633.6
January 2014	5 580.5	1 226.2	78.8	35.6	0.1	41 330.7	221 448.4	48 335.2	-37 642.7
February	5 080.2	1 114.6	73.6	25.6	0.1	42 021.0	222 209.3	48 396.7	-31 766.1
March	5 059.6	1 111.3	76.4	25.6	0.1	42 589.6	222 059.0	48 411.3	-35 982.6
April	5 048.6	1 097.8	68.8	25.5	0.1	42 712.0	223 213.7	48 571.9	-35 786.6
May	5 028.4	884.4	56.1	25.5	0.1	43 198.0	224 920.9	48 374.4	-31 620.5
June	5 099.6	838.4	54.2	25.4	0.1	43 513.5	228 724.5	48 532.5	-33 747.9
July	5 130.4	828.9	71.6	24.4	0.1	44 298.4	229 356.0	48 852.9	-33 224.9
August	5 287.1	824.0	69.5	24.8	0.1	44 527.0	231 292.3	48 826.3	-44 008.9
September	5 336.2	824.3	67.4	25.2	0.1	44 813.7	231 881.7	48 892.8	-51 310.6
October	5 324.8	836.0	64.8	25.2	0.1	39 487.9	232 128.6	50 048.9	-49 011.4
November	5 299.9	823.0	66.0	25.5	0.1	39 846.9	232 537.8	50 145.5	-53 226.8
December	5 851.1	812.9	64.4	27.8	0.1	40 421.6	236 157.4	50 616.7	-53 668.4

Table XI. Reserve money and counterparts (million zloty)

Period	External assets, net	Official reserve assets	Refinancing credit	rediscount credit	lombard credit	credit for rehabilitation programmes	credit for central government investment projects	other credit	overdue credit
	1	2	3	4	5	6	7	8	9
December 2013	297 178.4	319 933.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
January 2014	308 061.0	332 661.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
February	295 482.4	315 873.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
March	292 859.0	312 077.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
April	293 377.0	311 905.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
May	291 326.7	312 662.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
June	290 786.3	310 676.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
July	301 206.8	321 761.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
August	304 358.9	325 952.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
September	310 171.7	335 408.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0
October	311 298.3	335 000.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
November	313 696.9	337 373.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
December	332 096.6	352 256.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Period	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
December 2013	-117 340.8	0.0	0.0	-117 340.8	-6 834.3	-8 993.8	164 009.5	125 883.8	37 887.8	238.0
January 2014	-118 525.8	0.0	0.0	-118 525.8	-10 461.5	-17 529.8	161 543.9	123 190.9	38 106.4	246.6
February	-118 446.1	0.0	0.0	-118 446.1	-5 647.6	-13 058.6	158 330.1	124 226.6	33 877.6	225.9
March	-101 112.2	0.0	0.0	-101 112.2	-5 119.9	-13 413.9	173 213.0	126 313.1	46 139.0	760.9
April	-103 692.5	0.0	0.0	-103 692.5	-6 060.9	-15 112.2	168 511.4	130 392.5	37 365.9	753.0
May	-110 891.5	0.0	0.0	-110 891.5	-4 169.8	-14 019.1	162 246.3	129 520.1	31 939.2	787.0
June	-98 735.8	0.0	0.0	-98 735.8	-3 697.6	-15 256.5	173 096.4	131 151.3	41 153.1	791.9
July	-110 134.2	0.0	0.0	-110 134.2	-9 312.1	-17 752.6	164 008.0	132 891.6	30 298.7	817.6
August	-106 117.7	0.0	0.0	-106 117.7	-5 376.9	-25 855.9	167 008.4	135 195.2	31 073.8	739.4
September	-108 000.0	0.0	0.0	-108 000.0	-10 280.9	-25 787.3	166 103.6	135 118.1	30 332.9	652.5
October	-100 500.0	0.0	0.0	-100 500.0	-11 127.5	-28 021.3	171 649.4	136 957.9	33 993.4	698.1
November	-104 034.4	0.0	0.0	-104 034.4	-13 565.8	-27 006.6	169 090.0	136 976.1	31 461.9	652.0
December	-84 661.4	0.0	0.0	-84 661.4	-19 431.9	-36 383.8	191 619.6	142 661.0	48 298.0	660.5

Methodological notes

Table I. Basic statistical data

Information contained in Table I is derived from the “Statistical Bulletin” of the Central Statistical Office (GUS). Definitions of the categories presented in the Table can be found in the GUS publications.

1. Data presented in pts. 1, 2, 6, 7, 10 and 12 comprise national economy entities regardless of their ownership type.
2. The corporate sector comprises entities, which conduct their economic activities in the fields of: forestry, including the provision of services; marine fishing; mining and quarrying, manufacturing; electricity, water, gas and conditioned air production and supply; sanitation management and other sanitation services and re-cultivation services; construction; wholesale and retail trade; repair of motor vehicles, motorcycles; transport, storage and communication; hotels and restaurants; information and communication; real estate market services; legal services; accounting and tax services, head offices activities, management solutions; architecture and engineering services; technological research and analysis; advertising; market and public opinion polls; other professions, technical or academic activity; administration and support; recreational, cultural, sporting and other services computer repair and maintenance for individual clients; other business activities.
3. According to the Polish Statistical Classification of Economic Activities (PKD 2007), the notion of “industry” applies to the following sections: “mining and quarrying”, “manufacturing” and “electricity, gas and water production and supply” as well as water supply sanitation management and other sanitation services and re-cultivation services.
4. Data on the sold production of industry (pt. 1), and the construction and assembly production (pt. 2) refer to economic entities with of more than 9 employees.
5. Data on the value of the sold production of industry (pt. 1) and the construction and assembly production (pt. 2) are disclosed net without the due value added tax (VAT) and the excise tax, while they include subsidies for specific purposes to products and services in the so-called base prices.
6. Construction and assembly production data (pt. 2) refer to works performed in Poland on commission (i.e. for third-party) and directly (i.e. without subcontractors) by the business entities of the construction sector, i.e. classified “under construction” according to the PKD 2007.
7. Information on the sold production of industry (pt. 1) and the construction assembly production (pt. 2) are disclosed without seasonal adjustments.
8. Data on employed persons include persons employed on a full and part-time basis in the main place of work. Employed persons include: persons employed on the basis of

a labour contract; owners and co-owners of units engaged in economic activities including contributing family members; outworkers; agents and persons employed by agents; members of agricultural production co-operatives. Data presented in the Bulletin do not include private farmers or employees of budget entities conducting activity within the scope of national defence and public safety.

9. Unemployment rate (pt. 9) is calculated as a percentage share of the unemployed in the total of employed and unemployed persons over 15 years of age.
10. Revenues from privatisation do not constitute the current revenues of the state budget; instead they finance the budget deficit (pt. 11).
11. Data on financial results of enterprises (pt. 12) pertain to business units that keep accounting books (except for the following units, classified according to PKD 2007 under “agriculture, forestry hunting and fishing” and “financial and insurance services”) with more than 49 employees.

Table II. Financial market – basic information

Information comprised in Table II has been derived from Narodowy Bank Polski (save for the data in pt. 6, supplied by the Warsaw Stock Exchange).

1. Interest rates in Table II are presented on an annual basis at the level which was binding on the last day of a given month. The average monthly interest rate has been given only for the weighted average yield on purchased T-bills or the NBP money-market bills.
2. As from 1 January 2011, NBP no longer sets the central bank discount rate.
3. Total reserve requirements (pt. 2, col. 12) pertain to the volumes declared by banks and binding on the last day of the month. Since 28 February 2002, the total reserve requirements are held exclusively on the NBP accounts.
4. Information on Treasury bill tenders (pt. 3, except for the stocks of bills in circulation at the end of the month – col. 18) comprises data from tenders conducted within one month. The average yield on bills purchased is weighted by the share of the sales of bills with different maturities in the total value of bills purchased. The stock of bills in circulation at month end has been determined on the basis of the agreed maturity, calculated from the day after the tender which resulted in the sale of the bill. The above stock does not include bills in circulation which do not stem from tenders.
5. Information on tenders for the NBP money-market bills (pt. 4, except for the stock of bills in circulation at month end – col. 24) comprises data from tenders conducted within one month. The average yield on bills purchased is weighted by the share of the sales of bills with different maturities in the total value of bills purchased.
6. The below presentation of indices comprises precise data involving the situation of the largest (WIG 20), medium (mWIG40) and small stock companies (sWIG80):

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- 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 1000 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 1000 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.
7. The indices comprise companies from all the quotation markets.
 8. Capitalization refers only to domestic companies.
 9. The P/E ratio shows the relation of the market price to net earnings and is calculated as a quotient of the total market value of companies at month end to their aggregated profits and losses generated within the last 4 quarters, for which financial data are available.
 10. The turnover ratio shows the relation between the value of sold shares to the average value of shares quoted in a given month.
 11. The monthly turnover value and the turnover ratio comprise the continuous quotation and fixing.

Table III. PLN/USD and PLN/EUR daily exchange rates

The information has been based on the data of 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 institutions¹ (including the central bank and other monetary financial institutions); in Poland, the concept of other monetary financial institutions applies to banks, credit unions (SKOK) and money market funds;
 - insurance corporations and pension funds;
 - other financial intermediaries (including: investment funds financial leasing companies, factoring companies, brokerage offices, and financial companies created for securitization of assets);
 - financial auxiliaries (including bureaux de change, bourses, hire purchase institutions).
- Non-financial sector comprises the following sub-sectors:
 - state-owned corporations;
 - private corporations and co-operatives;
 - individual entrepreneurs;²
 - 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;
 - 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, public universities, state institutions of culture and welfare etc.);
 - local government (including, among others, local administrative offices (at województwo, gmina and powiat level), local parliaments, public elementary schools

¹ In accordance with the ECB definition, monetary financial institutions (MFIs) comprise financial institutions whose business is to receive deposits or close substitutes for deposits from entities other than MFIs and, for their own account, to grant credits or to make investments in securities.

² Natural persons conducting business activities on their own account, with a maximum of 9 employees.

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- administered by local government units, 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 National Healthcare Fund and its branches).

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. Bank Zachodni WBK SA
7. mBank SA
8. Bank Millennium SA
9. Bank Gospodarki Żywnościowej SA
10. Raiffeisen Bank Polska SA
11. mBank Hipoteczny SA
12. Krakowski Bank Spółdzielczy
13. Bank Spółdzielczy w Brodnicy
14. Bank Gospodarstwa Krajowego
15. Bank Ochrony Środowiska SA
16. BNP Paribas Bank Polska SA
17. Credit Agricole Bank Polska SA
18. Santander Consumer Bank SA.

At the end-December 2014, the above banks held 74% of deposits of residents and 71% of credit to households and non-financial corporations. From December 2014 onwards, new methodology for calculating average weighted interest has been applied. New method involves using data on reporting agent's homogenous groups (layers). For more information please refer to http://www.nbp.pl/statystyka/pieniężna_i_bankowa/dwn/instrukcja_mir.pdf.

Table V. Average MFI interest rates on new and renegotiated business, PLN denominated

Information refers to agreements carried out in a given reporting month. Renegotiated 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. Weighted average is calculated with the use of the same method.

Table VI. Average MFI interest rates on new and renegotiated 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, 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. The category 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 shares/units purchased by other MFIs (assets col. 9).

Starting from January 2012 the list of Polish monetary financial institutions (MFIs) does not include money market funds (MMFs), as no investment fund meets the criteria of MMF definition as set forth in the regulation of the European Central Bank No. 1071/2013 of 24 September 2013 concerning the balance sheet of the monetary financial institutions sector (ECB/2013/33).

As a consequence of the above change shares/units issued by MMFs deleted from the list of MFIs and held by banks have been reclassified to “Holdings of shares and other equity issued by domestic residents-other domestic residents”

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 against the liabilities of 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 maturity, 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 shares/units issued by the MMF (liabilities col. 9).

Zero-sum in “Money market fund shares/units” results from change indicated in pt. 3 above.

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).
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.

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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. Starting from January 2012 the list of Polish monetary financial institutions (MFIs) does not include money market funds (MMFs), as no investment fund meets the criteria of MMF definition as set forth in the regulation of the European Central Bank 1071/2013 of 24 September 2013 concerning the balance sheet of the monetary financial institutions sector (ECB/2013/33).

As a consequence of the above change shares/units issued by MMFs deleted from the list of MFIs and held by banks have been reclassified to “Holdings of shares and other equity issued by domestic residents-other domestic residents” (assets col. 7) and zero-sum in “Money market fund shares/units” (liabilities col. 8).

4. Other assets (assets col. 10) and currency in circulation (liabilities col. 1) were decreased by cash in vaults of other monetary financial institutions.

List of the most important abbreviations

BFG	Bank Guarantee Fund (Bankowy Fundusz Gwarancyjny)
BIS	Bank for International Settlements
bp	basis point
CPI	Consumer Price Index
EBA	European Banking Authority
EBRD	European Bank for Reconstruction and Development
ECB	European Central Bank
ECOFIN	Economic and Financial Affairs Council
ESCB	European System of Central Banks
ESRB	European Systemic Risk Board
EU	European Union
Fed	Federal Reserve System
GDP	Gross Domestic Product
GUS	Central Statistical Office (Główny Urząd Statystyczny)
IMF	International Monetary Fund
KDPW SA	National Depository for Securities (Krajowy Depozyt Papierów Wartościowych SA)
KDPW SA_CCP	National Depository for Securities – Central Counterparty
KIR SA	National Clearing House (Krajowa Izba Rozliczeniowa SA)
KNF	Polish Financial Supervision Authority (Komisja Nadzoru Finansowego)
KSKOK	National Association of Credit Unions (Krajowa Spółdzielcza Kasa Oszczędnościowa-Kredytowa)
NBP	Narodowy Bank Polski (National Bank of Poland)
OECD	Organisation for Economic Co-operation and Development
MPC	Monetary Policy Council
SDR	Special Drawing Rights
SEPA	Single Euro Payments Area
SORBNET, SORBNET2	Real-Time Gross Settlement System [RTGS] at the NBP Head Office
TARGET, TARGET2	Trans-European Automated Real-Time Gross Settlement Express Transfer System

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