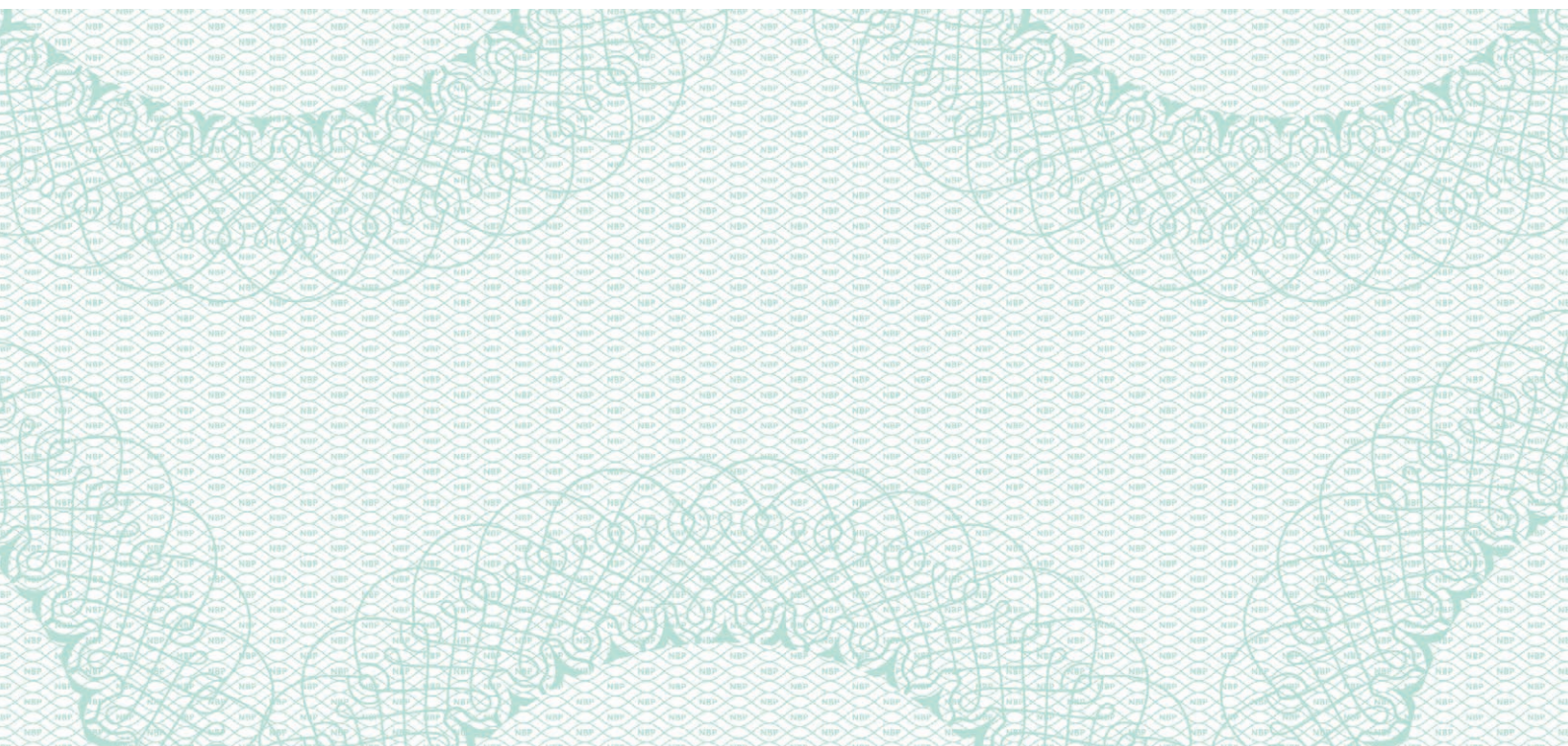


NBP

Narodowy Bank Polski

Annual Report 2018



Annual Report 2018

Warsaw 2019

Compiled on basis of NBP materials

Photo of the President of NBP
Piotr Małecki

Published by
Narodowy Bank Polski
Education and Publishing Department
00-919 Warszawa
ul. Świętokrzyska 11/21
www.nbp.pl

ISSN 1427-0277

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Adam Glapiński
President of Narodowy Bank Polski

Dear Readers,

Let me present to you the Annual Report, which highlights the basic information on the functioning of the governing bodies of Narodowy Bank Polski and the most important activities of the central bank undertaken in 2018. The report also contains the financial statements of NBP along with the independent auditor's report.

The activities of NBP were focused on carrying out the basic tasks of the central bank, i.e. maintaining price stability, supporting sustainable economic growth and ensuring financial system stability. The macroeconomic indicators of the Polish economy confirm that Narodowy Bank Polski duly carried out its constitutional and statutory duties.

This is evidenced, above all, by price growth, the main indicator of the effectiveness of the monetary policy conducted by the central bank, which is running at a level

in accordance with the NBP inflation target. In 2018 inflation of consumer goods and service prices stood at 1.6% against 2.0% in 2017, which means that prices continued to rise at a moderate rate last year.

It should be underlined that with GDP growth of 5.1% in 2018, Poland was one of the fastest developing economies of the European Union. The main source of economic growth was rising consumption, supported by growth in employment and wages, as well as continued strong consumer sentiment. At the end of 2018, the rate of registered unemployment was at a record low level, i.e. 5.8% against 6.6% at the end of 2017. At the same time, investment growth accelerated, supported by the favourable demand outlook, growing absorption of EU funds, and high capacity utilisation.

Thanks to the effectively conducted monetary policy of NBP, price stability and macroeconomic balance has also been ensured. Despite temporary sharp exchange rate fluctuations in the so-called emerging markets, the zloty exchange rate has remained stable for some time. This is a sign of high confidence in the zloty, not only in Polish society, but also among foreign investors.

In view of the above conditions, the Monetary Policy Council kept NBP interest rates unchanged in 2018, including the reference rate at 1.5%.

Apart from monetary policy, the statutory tasks of NBP also include undertaking measures to ensure the stability of the financial system and creating the conditions necessary for the development of the banking sector. Activities in this field consisted primarily in identifying and reducing systemic risk. With this aim, NBP conducted analyses and research into the financial system and participated in the works of the Financial Stability Committee, in which it cooperated with other financial

safety net institutions. The works of the Financial Stability Committee cover two areas, i.e. macroprudential supervision and crisis management. As President of NBP, I chaired the Financial Stability Committee on macroprudential supervision. This body concentrated above all on identifying phenomena and processes that might be a source of systemic risk.

At the same time, I would like to underline that the Polish financial system is functioning in a stable manner. In 2018, the banks continued to increase own funds, mainly from earned profits. At the end of the year the total capital ratio in the banking sector reached 18.3%, while the minimum required level is 8%. The overwhelming majority of banks fulfilled the regulatory requirements, including the requirement to hold additional capital buffers. This was confirmed by the results of stress tests, which showed that thanks to systematic accumulation of capital in recent years, banks in Poland are resilient to any possible unfavourable phenomena in the economy.

Fulfilling its constitutional and statutory duties, NBP is strengthening the Polish economy, but also creating reserves, which will safeguard its security in the future. It was precisely in the interests of the long-

-term financial security of the country that the Management Board of Narodowy Bank Polski took the strategic decision – for the first time in 20 years – to increase the gold reserves in NBP's foreign exchange reserves. In 2018, Narodowy Bank Polski purchased 25.7 tonnes of gold, and in the following year, 100 tonnes. The Management Board of NBP also decided to diversify the place of storage of the gold by transferring some of the Polish gold to the vaults of NBP – up to 228.6 tonnes in 2019 – which was possible thanks to the strong economic situation of Poland and the constant growth of the foreign exchange reserves, which have increased by over EUR 30 billion over the last five years.

To summarise, I would like to underline that 2018 was a very good year for the Polish economy. NBP's activities, including its monetary policy, ensured the stability of the Polish currency, while at the same time supporting the maintenance of sustainable economic growth and the stability of the financial system.

I encourage you to read the report and hope that it will prove to be an interesting source of knowledge about the activities of Narodowy Bank Polski.



MONETARY POLICY COUNCIL

Chairman

Adam Glapiński

Members

Grażyna Ancyparowicz

Eugeniusz Gatnar

Łukasz Hardt

Jerzy Kropiwnicki

Eryk Łon

Jerzy Osiatyński

Rafał Sura

Kamil Zubelewicz

Jerzy Żyżyński

NBP MANAGEMENT BOARD

Chairman, President of NBP

Adam Glapiński

First Deputy President of NBP

Piotr Wiesiołek

Vice President of NBP

Anna Trzecińska

Members

Jacek Bartkiewicz

Andrzej Kaźmierczak

Ryszard Kokoszczyński

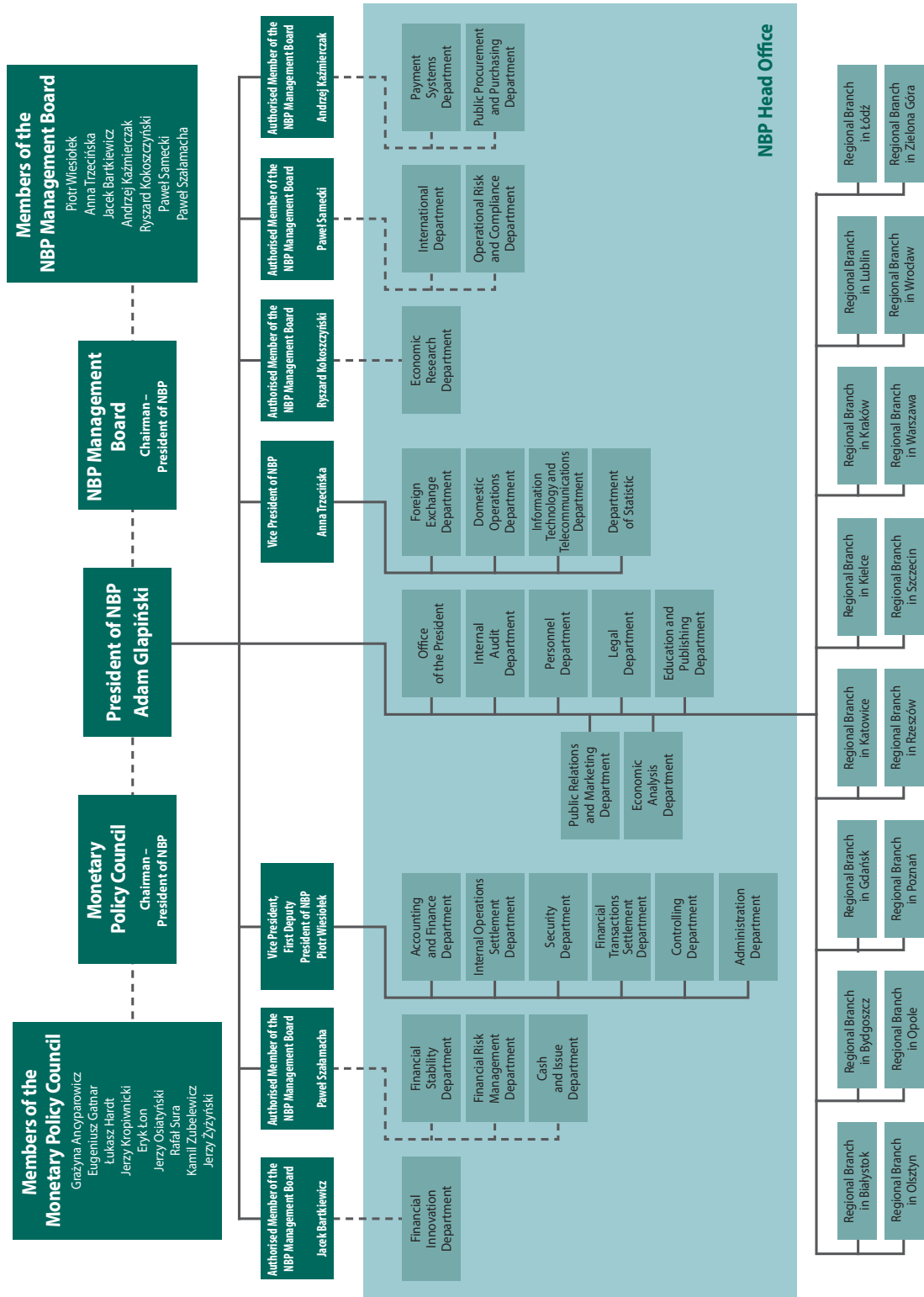
Paweł Samecki

Paweł Szalamacha

Katarzyna Zajdel-Kurowska*

* On 22 May 2018 Ms Katarzyna Zajdel-Kurowska ceased to be a member of the NBP Management Board (she was recalled after her resignation as a member of the NBP Management Board).

Organisation Chart of Narodowy Bank Polski as at 31 December 2018



--- 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 In accordance with Article 227(1) of the Constitution of the Republic of Poland, “The central bank of the State shall be Narodowy Bank Polski. It shall have the exclusive right to issue money as well as to formulate and implement monetary policy. Narodowy Bank Polski shall be responsible for the value of Polish currency”. The basic responsibilities of NBP are stipulated in the Act of 29 August 1997 on Narodowy Bank Polski and in the Banking Act of 29 August 1997, as well as in the Treaty on the Functioning of the European Union and in the Statute of the European System of Central Banks and of the European Central Bank. In 2018, NBP conducted its activities pursuant to the *Monetary Policy Guidelines for 2018* and *Narodowy Bank Polski Plan of Activity for 2018–2020*.
- 2 This *Report* describes the performance of the statutory responsibilities of NBP in 2018 with regard to the following areas: monetary policy, pursuit of financial system stability, issue of currency, foreign exchange reserves management, foreign exchange activities, the payment system, services to the State Treasury, analysis and 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 financial statements of NBP as at 31 December 2018, together with the opinion of an independent certified auditor on the financial statements of NBP.
- 3 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. In 2018, the NBP organisational structure comprised the Head Office and 16 organisational units.
- 4 In 2018, monetary policy was conducted in accordance with the *Monetary Policy Guidelines for 2018*. As in previous years, the main aim of monetary policy was to maintain price stability, while at the same time supporting sustainable economic growth and the stability of the financial system. In the conduct of monetary policy, NBP continued to apply the strategy of direct inflation targeting. Since 2004, the medium-term permanent inflation target has been set at the level of 2.5% with a symmetrical tolerance band for deviations of ± 1 percentage point. In 2018, the economic situation in Poland was very good. GDP growth increased to 5.1% (compared to 4.9% in 2017). Growing consumption, supported by rising employment and wages, low unemployment as well as very good consumer sentiment, remained the main driver of growth. At the same time, investment growth accelerated, which was supported by the positive demand outlook, higher absorption of EU funds and the high capacity utilisation. Consumer price growth in 2018 was moderate and amounted – in average annual terms – to 1.6%, which means that it remained in the band of deviations from the inflation target. CPI inflation was accompanied by low core inflation. In 2018, inflation excluding food and energy prices amounted to 0.7% in average annual terms. At the same time, macroeconomic imbalances in the economy did not build up. In particular, the growth of lending to the non-financial sector remained close to nominal GDP growth. As a result, the ratio of non-financial sector loan debt to GDP remained stable. At the same time, although the economic situation in the national economy remained very good, the foreign trade balance remained in surplus, and the total current and capital account balance remained

positive. As a result, the foreign debt to GDP ratio decreased. Against this background, the zloty exchange rate was relatively stable despite periodical fluctuations associated with turmoil in international financial markets. In view of the above conditions, the Monetary Policy Council kept the NBP interest rates unchanged in 2018, including the NBP reference rate at 1.5%. The stabilisation of the NBP interest rates supported price stability. At the same time, monetary policy – in view of the acceleration of economic growth and very low unemployment – mitigated the risk of the build-up of macroeconomic imbalances and was also conducive to maintaining financial stability.

- 5 In pursuing its monetary policy in 2018, Narodowy Bank Polski employed the range of instruments adopted by the Monetary Policy Council in the *Monetary Policy Guidelines for 2018*. The NBP reference rate was the main interest rate of Narodowy Bank Polski. This rate determined the yields of open market operations by influencing the interest on short-term money market instruments, including unsecured interbank deposits in particular. The operational target of monetary policy was to keep the POLONIA rate, which reflects the weighted average interest on unsecured overnight deposits, running close to the NBP reference rate. In 2018, the average absolute deviation of the index from the NBP reference rate was 21 bps. Open market operations were the main instrument that NBP employed to achieve the operational target of its monetary policy. By using these, the central bank strove to ensure optimal liquidity conditions in the banking sector from the point of view of the operational target. NBP carried out main market operations on a regular basis, once a week, in the form of the issuance of NBP bills with a 7-day maturity (by using these operations, the central bank absorbed most of the funds in the banking sector in excess of the level of the required reserve requirement). In turn, fine-tuning operations served to balance liquidity conditions in the banking sector on an *ad hoc* basis. At the same time, the attainment of the monetary policy operational target was supported by the reserve requirement system. The averaged nature of the reserve requirement system contributed to stabilisation of short-term market interest rates, providing entities subject to the minimum reserve requirement freedom to decide on the amount of funds kept at accounts at the central bank (provided that the funds accumulated at the central bank at NBP are at the level not lower than the required reserve level, on average during the required reserve maintenance period). At the same time, the obligation to maintain the required reserve limited the volume of NBP open market operations carried out by the central bank to absorb the excess liquidity. Banks had also the possibility to replenish their liquidity shortages as well as deposit surpluses of funds at the central bank, making use of the standing (lending and deposit) facilities. Alongside the reserve requirement system, these instruments played a complementary role in relation to open market operations in the pursuit of the operational target of monetary policy. Yields on deposit and loans (the NBP deposit rate and the Lombard rate) determined the range of fluctuations for the interest rate of unsecured overnight deposits placed in the interbank market.
- 6 The level of short-term liquidity in the banking sector, measured as the averaged annualised balance of operations carried out by NBP (the total of money market bills issued by NBP and standing facilities) in 2018 amounted to PLN 90,166 million. Compared to the average level in 2017, there was an increase in liquidity of PLN 16,534 million. In 2018, the average issue of NBP bills amounted to PLN 88,796 million. Of this amount, 98.1% or PLN 87,137 million were bills sold under main open market operations, while fine-tuning operations accounted for PLN 1,659 million. The average level of standing

facilities amounted to PLN 1,370 million. The increase in liquidity in 2018 was mainly due to the purchase of foreign currency by NBP being higher than the sale of foreign currency. On the other hand, the increase in the level of currency in circulation was the main source of downward pressure on the level of liquidity.

- 7 In accordance with Article 3(2)(6) of the Act on Narodowy Bank Polski, the responsibilities of NBP shall include “establishing the necessary conditions for the development of the banking system”. The Polish central bank performs this responsibility on an ongoing basis by acting to ensure stable conditions for the functioning of banks and the whole financial system and also by maintaining a low level of inflation. In 2018, NBP continued to undertake activities aimed at developing the payment system and safeguarding its smooth functioning. Moreover, the Bank participated in developing legal provisions on the banking sector, conducted research on the national financial system and cooperated with the Polish Bank Association.
- 8 The activities for the stability of the financial system in 2018 primarily consisted in regular research and analysis of financial system stability and domestic financial system development. The results of the research were published, among others, in the *Financial Stability Report*, a study entitled *Financial System in Poland 2017*, and the report *Senior loan officer opinion survey on bank lending practices and credit conditions*. In 2018, NBP performed its statutory obligations by organising the work of the Financial Stability Committee for macroprudential supervision (FSC-M) and providing analytical and research services to the Committee. NBP was also involved in FSC measures related to crisis management. The central bank cooperated with institutions that form the financial safety net, i.e. the Ministry of Finance, the Polish Financial Supervision Authority (KNF) and the Bank Guarantee Fund. NBP representatives cooperated with European institutions for the efficient conduct of macroprudential policy.
- 9 The main goal of currency issue by NBP was to ensure the safety and smoothness of cash transactions. The value of currency in circulation (including bank vault cash) rose by 10.5% to amount to PLN 219,489.9 million at the end of December 2018. In 2018, NBP issued the following collector items: 6.7 thousand pieces of gold coins, 223.42 thousand pieces of silver coins and 50 thousand pieces of collector notes, including the banknote commemorating the 100th Anniversary of Regaining Independence by Poland. In addition, NBP introduced new measures aimed at streamlining cash transactions in Poland.
- 10 In managing its foreign exchange reserves, NBP seeks to ensure the safety and necessary liquidity of the invested funds. At the same time, while observing these criteria, it also undertakes measures aimed at raising the yield on the reserves. In 2018, the income on investment activity related to the management of foreign exchange reserves, excluding realised and unrealised exchange rate differences, amounted to PLN 3.0 billion. Taking into account market conditions and the size of foreign exchange reserves, NBP increased its holding of gold in 2018 by 25% to 4,135.7 thousand ounces (128.6 tonnes).
- 11 The foreign exchange activity of NBP involved maintaining a register of bureaux de change, issuing decisions on foreign exchange matters, and carrying out statutory inspections. In 2018, a total of 1,415 inspections relating to foreign exchange matters were

carried out and 28 decisions on foreign exchange matters were issued. As at 31 December 2018, a total of 4,873 bureaux de change were active in Poland.

- 12 The activities of NBP with respect to the payment system consisted mainly in the operation of the payment systems and the performance of interbank settlements, the organisation of monetary settlements, and the oversight of the payment system infrastructure. In 2018, NBP participated in the work on incorporating the so-called PSD2 (payment services directive 2) into national law, performed a cybersecurity maturity assessment of selected financial infrastructure entities and an assessment of the SKARBNET4 system for compliance with European regulations. Also in 2018, NBP completed work on the adaptation of its infrastructure to cooperate with the TIPS platform (for instant payment settlements in euro).
- 13 The provision of bank services to the State Budget by NBP contributed to ensuring the safety and smoothness of settlements of the public finance sector. As at 31 December 2018, NBP operated 22,810 accounts for 2,969 clients. In 2018, the operation of bank accounts was adapted to the provisions of law on the rules of the handling of payments of social insurance contributions, health insurance contributions and contributions for so-called non-insurance funds – these provisions introduced the split payment mechanism into Polish law. In addition, NBP provided account holders with payment cards and the electronic cash withdrawal service and started to offer a third-party substitution cash service with the use of cash withdrawal orders. Narodowy Bank Polski organised bond and bill sales, swap and redemption auctions, and cooperated with the Ministry of Finance under the framework of the Public Debt Management Committee.
- 14 In 2018, the most important economic research on macroeconomic stability conducted by NBP focused on monetary policy, price-setting processes, prices and inflation, macroeconomic forecasting and development of forecasting models, the fiscal situation and the situation of the economy. Forecasting tools were enhanced and numerous modelling exercises were executed. Their results were used in the decision-making process by the Management Board of NBP and the Monetary Policy Council. Six international scientific conferences and 21 open scientific seminars were organised in 2018. In that year, 21 academic papers by NBP staff were published in journals of the so-called Philadelphia list.¹
- 15 In 2018, NBP performed statistical tasks consisting in the collection of data to be reported, above all, from financial sector entities and, to a lesser degree, from non-financial entities. NBP also carried out work on the data processing methodology, its harmonisation with the changing international standards, and on the improvement of IT methods of gathering and presenting data. In 2018, NBP finished introducing changes (arising from amended EU regulations) to the COREP package, enhanced the methodology of conducting research on migration processes and extended its scope.
- 16 As part of educational activities carried out in 2018, NBP participated in the implementation of 252 projects across the country. The educational offer of the Sławomir S. Skrzypek NBP Money Centre, visited by nearly 68,00 persons, was broadened again

¹ Philadelphia list (ISI Master Journal List) – a list of academic journals created and updated by the Institute for Scientific Information. The list includes titles of journals evaluated and included in ISI databases.

-
- in 2018. NBP participated in the events marking the 100th Anniversary of Regaining Independence by Poland and extended the scope of information and promotion activity.
- 17 In 2018, NBP participated in the work of the Permanent Committee of the Council of Ministers, the Committees on European Affairs and other inter-departmental bodies, and also cooperated with government bodies by delivering opinions on bills relating to economic policy and the banking system. As part of cooperation with the European Central Bank (ECB), Narodowy Bank Polski took part in issuing opinions on ECB's draft positions to draft acts of the EU and of the EU member states. The drafts concerned financial supervision and financial stability in particular.
- 18 In 2018, NBP representatives participated in the work of the following EU bodies: the ECB General Council, the ESRB General Board, the ESCB and ESRB committees and working groups, and the ESRB, the EBA, the ECOFIN Council (at informal meetings), and the committees and working groups of the Council of the European Union and the European Commission. The most important items on the agenda included completion of the banking union and mitigation of risk in the EU banking sector. Also in 2018, NBP cooperated with international economic and financial organisations, including the World Bank Group, the International Monetary Fund (IMF), the European Bank for Reconstruction and Development (EBRD) and the Bank for International Settlements (BIS). NBP was also involved in the development of multi-year strategies of the World Bank Group (CPF) and the EBRD for Poland (adopted in 2018) and in the preparation of the comprehensive Financial Sector Assessment Program (FSAP) in Poland. NBP was also implementing the twinning cooperation project for the National Bank of the Republic of Belarus. NBP was also involved in activities associated with the United Kingdom's exit from the EU (so-called Brexit).
- 19 In 2018, the average employment level at NBP was 1 (one) full-time post lower than in 2017 and amounted to 3,280 full-time posts.
- 20 In accordance with Article 69(1) of the Act on Narodowy Bank Polski the *Financial Statements of Narodowy Bank Polski as at 31 December 2018* were reviewed by a certified auditor appointed by the Monetary Policy Council. The *Financial Statements of Narodowy Bank Polski as at 31 December 2018* and the *Auditor's report on the financial statements* constitute Appendix 8.
- 21 The financial result of NBP as at the end of 2018 amounted to PLN 0. The following factors affected the result: the positive result from exchange rate differences, the positive result on the management of foreign exchange reserves, the costs of the monetary policy conducted by NBP, operating expenses and depreciation, and expenses on provision against the foreign exchange risk of the zloty (the obligation arising from the Act on NBP).

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 2018, as part of his responsibilities, the President of Narodowy Bank Polski chaired the meetings of the Monetary Policy Council and the NBP Management Board as well as the Financial Stability Committee in its macroprudential capacity. Additionally, while representing Narodowy Bank Polski and the Republic of Poland, the President of NBP attended (or was represented in) the following meetings of international banking and financial institutions:

- 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,
- meetings of the Board of Governors of the World Bank and the International Monetary Fund,
- informal sessions of the ECOFIN,
- meetings of the General Board of the ESRB,
- meetings of the Governors of the Bank for International Settlements,
- the annual meeting of the World Economic Forum in Davos.

In 2018, the President of NBP issued 32 ordinances concerning, in particular, the issue of banknotes and coins, the rules and procedure of exchange of banknotes and coins that cease to be legal tender in the territory of the Republic of Poland due to wear and tear or damage, the method and procedure of counting, sorting, packing and marking banknotes and coins, and the performance of activities related to supplying banks with such notes and coins. Moreover, the President of NBP issued 11 announcements including, in particular, uniform texts of legal acts issued by the governing bodies of NBP, the list of convertible currencies, the balance sheet and the profit and loss account of Narodowy Bank Polski for 2017.

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 supervised compliance with the work standards at NBP.

1.2 Monetary Policy Council

In 2018, the Monetary Policy Council acted in accordance with the *Monetary Policy Guidelines for 2018*. In 2018, the MPC held 22 meetings (including 11 decision-making meetings) and adopted 6 normative resolutions. MPC resolutions were published in Monitor Polski (Official Gazette) and Dziennik Urzędowy Narodowego Banku Polskiego (Official Journal of Narodowy Bank Polski).

In 2018, the Monetary Policy Council did not adopt any resolutions on the reference rate, the interest rate on refinancing loans, the interest rate on term deposits or the rediscount rate on the bills of exchange at Narodowy Bank Polski (Table 1.1). Neither did it adopt any resolutions on the required reserve rates for banks, credit unions and the National Association of Credit Unions or the remuneration on the required reserve (Table 1.2).

Table 1.1 NBP interest rates at the end of 2018

Interest rate	in %
Reference rate	1.50
Lombard rate	2.50
Deposit rate	0.50
Rediscount rate	1.75

Source: NBP data.

Table 1.2 Required reserve rates and the remuneration on the required reserve balances

	in %	Applicable from
The required reserve rates on funds in Polish zloty and funds in foreign currency accumulated in bank accounts and on funds received in respect of the issue of securities	3.50	31 December 2010
The required reserve ratio on funds received from repo and sell-buy-back transactions, as well as funds received for the duration of at least 2 years	0.00	1 March 2018
The remuneration on the required reserve balances held on current accounts or reserve requirement accounts by banks, credit unions and the National Association of Credit Unions	0.50	1 January 2018

Source: NBP data.

The resolutions adopted by the MPC in 2018 concerned:

- the approval of the *Report on Monetary Policy Implementation* in 2017,
- the evaluation of the activities of the NBP Management Board regarding the implementation of the monetary policy guidelines for 2017,
- the setting of the monetary policy guidelines for 2019,
- the approval of the *Annual Financial Statements of Narodowy Bank Polski* as at 31 December 2017,
- the approval of the *Financial Plan of Narodowy Bank Polski for 2019*,
- the approval of the *Report on the Operations of Narodowy Bank Polski in 2017*.

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

- the *Balance of Payments of the Republic of Poland* for 2017 Q3 and Q4 and for 2018 Q1 and Q2,
- the *International Investment Position of Poland in 2017*,
- the *Forecast of the Balance of Payments of the Republic of Poland for 2019*,
- the *Opinion on the 2019 Draft Budget Act*.

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

In 2018, members of the MPC participated in:

- a meeting with the representatives of the Polish Financial Supervision Authority to discuss the *Report on the condition of Polish banks in 2017*,
- meetings with missions of the International Monetary Fund and OECD visiting Poland,
- meetings with market analysts,
- conferences and seminars organised by NBP, international institutions and central banks.

1.3 Management Board of Narodowy Bank Polski

Pursuant to the Act on Narodowy Bank Polski, the activity of NBP is directed by its Management Board. The Management Board adopts resolutions on matters which are not the exclusive competence of other bodies of NBP and implements the MPC-adopted resolutions. In 2018, the NBP Management Board performed its basic responsibilities in accordance with the *Monetary Policy Guidelines for 2018*, *Narodowy Bank Polski Plan of Activity for 2018–2020* and the *Financial Plan of Narodowy Bank Polski for 2018*.

Moreover, 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 Poland, including the course of inflation processes, the position of public finance, the economic situation of enterprises and households, the developments in the labour, real estate, financial, credit and foreign exchange markets,
- current developments in the world financial markets, including the euro area financial markets and the financial markets of Central and Eastern European countries,
- financial system stability in Poland, including the assessment of the functioning of the banking system and the outlook for its development,
- banking sector liquidity and monetary policy instruments,
- the situation in the interbank market and open market operations.

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

In 2018, the NBP Management Board held 54 meetings. It adopted 95 resolutions (including: 61 normative acts and 34 non-normative acts) and 142 management resolutions.¹

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

- granting a refinancing credit to commercial banks for the restoration of payment liquidity,
- Strategic Benchmarking for 2019,
- the rules of maintenance by NBP of deposit accounts and sub-accounts for Treasury bills and NBP bills in the SKARBNET4 system and of conducting transactions in securities in this system,

¹ In accordance with Article 53 and 54 of the Act on Narodowy Bank Polski (Journal of Laws of 2017, item 1373, as amended), resolutions of the Management Board of Narodowy Bank Polski constituting normative acts are published in Monitor Polski or in the Official Journal of Narodowy Bank Polski.

- the establishment and operating procedure of the Committee of Users of the registration system of Treasury bills and NBP bills in the SKARBNET4 system,
- the terms and conditions of sale by Narodowy Bank Polski of coins, banknotes and numismatic items for collection and other purposes,
- the rules of maintenance by Narodowy Bank Polski of bank accounts and the provision of e-banking services as well as model bank account agreements,
- the execution by Narodowy Bank Polski of foreign currency and domestic currency payment orders and cheque operations in cross-border and domestic transactions, as well as purchases and sales of foreign currencies for bank account holders,
- bank fees and commissions charged by NBP,
- the procedure and detailed rules for banks submitting to Narodowy Bank Polski the data necessary for determining monetary policy and for the periodic assessments of the monetary situation of the state, as well as the assessment of the financial situation of banks and the risks for the banking sector,
- personal data protection at NBP,
- the implementation of the Twinning project for the National Bank of the Republic of Belarus,
- the organisational rules of NBP.

The management resolutions adopted by the NBP Management Board concerned, among others:

- the adoption of the declaration of adherence to the Foreign Exchange Global Code,
- activities regarding the development of the guidelines for the creation of the National Credit Registry,
- the approval of the plan of research on economic immigration to Poland for 2018–2021.

In addition, in 2018 the NBP Management Board prepared the NBP annual financial statements for 2017.²

1.4 Narodowy Bank Polski Plan of Activity

In 2018, the *Narodowy Bank Polski Plan of Activity for 2018–2020*, adopted by the NBP Management Board on 26 October 2017, was implemented. The *Plan* sets out NBP's 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 for 2019–2021*, effective as of 1 January 2019.

² In accordance with Article 17(4)(12) of the Act on Narodowy Bank Polski.

Chapter 2

Monetary policy



Monetary policy¹

In presenting the *Report on Monetary Policy*, the Monetary Policy Council acts in accordance with Article 227 of the Constitution of the Republic of Poland, which imposes the obligation on the Council to present a report on the achievement of the purposes of monetary policy within 5 months following the end of the fiscal year. In accordance with Article 53 of the Act on Narodowy Bank Polski, the *Report on Monetary Policy* is announced in the Official Gazette of the Republic of Poland, the *Monitor Polski*. The *Report* presents the main elements of the monetary policy strategy, a description of macroeconomic conditions and decisions taken with respect to monetary policy in the year under review, as well as a description of the monetary policy tools applied.

The *Report on Monetary Policy in 2018* is accompanied by the appendices presenting the development of relevant macroeconomic variables, as well as by *Minutes of the Monetary Policy Council decision-making meetings*² and *Voting records of the Monetary Policy Council members on motions and resolutions* 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 that – 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 2018

In 2018, the Monetary Policy Council, hereinafter referred to as “the Council”, conducted monetary policy in line with *Monetary Policy Guidelines for 2018*, adopted in September 2017. As in previous years, the main objective of monetary policy was to maintain price stability while supporting sustainable economic growth and financial system stability. This way, the Council pursued the basic objectives of Narodowy Bank Polski (NBP) set out in the Constitution of the Republic of Poland and in the Act on Narodowy Bank Polski of 29 August 1997. According to Article 227 Section 1 of the Constitution of the Republic of Poland “Narodowy Bank Polski shall be responsible for the value of Polish currency.” The Act on Narodowy Bank Polski states in Article 3 Section 1 that “the basic objective of the activity of 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 NBP.”

The Council strives to ensure price stability by using a medium-term inflation-targeting regime. Since 2004, the Council has pursued a medium-term inflation target of 2.5%, with

¹ The Chapter *Monetary policy* presents the *Report on Monetary Policy Implementation for 2018* adopted by the Monetary Policy Council at its meeting on 14 May 2019. The responsibilities in this field are exercised in pursuance with 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 the *Report* due to its length. It is available in the source document and the NBP website.

a symmetrical band for deviations of ± 1 percentage point. Inflation-targeting countries report lower inflation, on average, than non-inflation targeters.

Since 2004, the average inflation in Poland has amounted to 2.0%, thus it has been close to 2.5% and remained within the symmetrical tolerance band, although in some years price growth strayed outside the band. Furthermore, economic growth has been relatively stable over the past few years and close to its long-term trend, with no macroeconomic imbalances building up in the economy. These developments indicate that inflation targeting has been effective in ensuring long-term price stability, while at the same time supporting sustainable economic growth.

The medium-term nature of inflation target means that due to macroeconomic and financial shocks, inflation may temporarily deviate from the target or even run outside the band for deviations from the target. The response of monetary policy to shocks is flexible and contingent on their causes and the assessed persistence of their consequences, including the impact on inflation developments. When inflation deviates from the target, the Council flexibly determines the expected time necessary to bring it back to the target, as a rapid return to the target may entail significant costs to macroeconomic and financial stability.

While taking monetary policy decisions, the Council considers the monetary transmission mechanism, including the fact that changes in monetary policy parameters affect the economy with a lag. The time lag between an interest rate decision and its peak impact on real variables (such as output or employment) and on inflation takes several quarters and may change over time. Moreover, monetary policy is conducted under uncertainty, in particular about future economic developments.

The experience of the global financial crisis shows that stabilizing inflation at a low level is an important, yet insufficient condition to maintain macroeconomic stability, which in turn supports price stability in the long term. In particular, imbalances in the financial sector pose a threat to long-term price stability. Bearing this in mind, the Council conducts monetary policy in a manner that supports the stability of the financial system and mitigates the risk of imbalances accumulating in the economy. Therefore, in its decisions, the Council takes into account developments in asset prices (especially real estate prices) and lending growth. Given the free movement of capital and highly integrated financial markets, macroprudential policy should play a primary role in containing macroeconomic imbalances. Owing to its capacity to selectively influence credit aggregates, macroprudential policy can stabilize lending growth at lower costs for economic growth than in the case of applying monetary policy instruments.

Besides monetary and macroprudential policy, fiscal policy plays an important role in maintaining macroeconomic stability. A fiscal policy which ensures long-term stability of public finance is necessary to maintain macroeconomic stability.

The Council pursues inflation targeting under the floating exchange rate regime. The floating exchange rate regime does not rule out interventions in the foreign exchange market when necessary to ensure macroeconomic and financial stability.

2.2 Monetary policy and macroeconomic developments in 2018

In 2018, monetary policy in Poland was conducted against the background of relatively strong, although gradually weakening, global economic conditions. In particular, in the second half of the year, GDP growth slowed down in many economies, including in the euro area. At the same time, inflation in the immediate environment of the Polish economy remained moderate, although it fluctuated, mainly due to changes in global energy commodity prices, notably those of oil.

The US Federal Reserve (hereinafter “the Fed”) gradually raised interest rates in 2018, whereas the European Central Bank (ECB) reduced the scale of its asset purchases while keeping interest rates close to zero, including the deposit rate below zero. The tightening of monetary policy by the Fed, combined with persistent uncertainty about changes in the trade policy of major countries and weaker world economy performance, contributed to a deterioration in sentiment in global financial markets.

In Poland, economic conditions were very good in 2018. GDP growth accelerated to 5.1% (compared to 4.9% in 2017). It continued to be driven mainly by rising consumption, supported by increasing employment and wages, low unemployment and very strong consumer confidence. At the same time, investment growth accelerated, backed by favourable demand outlook, increasing absorption of EU funds and high capacity utilisation. Moreover, exports rose substantially in 2018, although at a softer pace than before, due to weaker growth in global trade and slower GDP growth in the euro area. Concurrently, imports continued to rise, though, again, at a slower pace.

Consumer price growth was moderate in 2018 and amounted to 1.6% y/y on average, i.e. it remained within the band for deviations from the inflation target ($2.5\% \pm 1$ percentage point). This was accompanied by low core inflation. Inflation net of food and energy prices stood, on average, at 0.7% y/y.

At the same time, no macroeconomic imbalances were building up in the economy. In particular, despite a considerable increase in lending to the non-financial sector (by an annual average of 5.9%), its growth remained close to the nominal GDP growth. As a result, the ratio of outstanding loan portfolio of the non-financial sector to GDP remained stable. Alongside that, even so the performance of the Polish economy was very good, the trade balance stayed in surplus, and the combined current and capital account balance continued to be positive. In effect, foreign debt in relation to GDP diminished. Against this background, the zloty exchange rate remained relatively stable, notwithstanding its temporary fluctuations related to turbulences in the world’s financial markets.

In view of the above conditions, the Council kept the NBP interest rates unchanged in 2018, including the reference rate at 1.5%. The stabilization of NBP interest rates was conducive to preserving price stability. At the same time, against the accelerated economic growth and very low unemployment, monetary policy curbed the risk of macroeconomic imbalances accumulating in the economy, and supported financial system stability.

Similarly to previous years, in 2018 communication with the public played an important role in the conduct of monetary policy. This involved the Council informing the public about its decisions and presenting an assessment of economic developments behind them. The key

communication instruments applied in 2018 included the cyclical publications: *Information from the Meeting of the Monetary Policy Council* (and the accompanying press conferences following the Council meetings), *Minutes of the Monetary Policy Council decision-making meetings*,³ *Inflation Reports*, as well as *Report on Monetary Policy in 2017* and *Monetary Policy Guidelines for 2019*.

The most important developments motivating the Council's decisions in 2018, divided into the six-month periods, are presented below.

In the first half of 2018, global economic conditions remained favourable. GDP growth in the euro area, stayed relatively high, albeit it was somewhat lower than in the second half of 2017. This was supported by a steady rise in employment and wages, as well as the expansionary monetary policy of the ECB. In the United States, GDP growth accelerated in the first half of 2018. This occurred against the backdrop of strong labour market conditions, reduction in some taxes rates and a rise in the value of household wealth. Turning to China, data coming from this economy pointed to a stabilisation of activity growth at the level of 2017. At the same time, risks to global GDP growth lingered; these were related primarily to changes in the trade policy of major countries, a rise in the prices of energy commodities and the consequences of the interest rate increases by the Fed.

Despite robust global economic performance, price growth in the external environment of the Polish economy continued to be moderate in the first half of 2018, with relatively low core inflation. At the same time, the increase in the prices of energy commodities on their 2017 levels gradually translated into higher energy price growth. In the euro area, inflation in the first half of the year stood at 1.5% on average.

Under these circumstances, monetary policy in the immediate environment of the Polish economy remained expansionary. In particular, the ECB kept interest rates close to zero, including the deposit rate below zero, and continued its asset purchase programme, albeit its scale was reduced as of January 2018. The Fed, in turn, gradually tightened monetary policy, shifting up the interest rate band by a total of 0.5 percentage points (to 1.75–2.0% at the end of the first half of the year) and by reducing the size of its balance sheet.

Notwithstanding continuously favourable global economic performance, sentiment in the world's financial markets deteriorated. The increase in global risk aversion in the global market was chiefly related to changes in the trade policy of the United States, heightened uncertainty about economic policy in Italy, and the Fed's monetary policy tightening, which had an adverse effect on financial conditions in the emerging market economies indebted in US dollars. Consistent with that, prices of many financial assets fell. Particularly, in many emerging market economies, share prices declined while government bond yields increased, and exchange rates weakened against the US dollar. The zloty exchange rate also weakened, although the scale of its depreciation was moderate in comparison with other emerging economy currencies.

³ The *Minutes of the Monetary Policy Council decision-making meetings* contain a more detailed coverage of issues and arguments with an impact on the decisions on interest rates taken by the Council at its consecutive meetings in 2018.

In Poland, economic conditions in the first half of 2018 were very good. GDP growth in this period amounted to 5.2% y/y on average and was driven primarily by rising consumer demand, supported by employment and wage growth. Consumer confidence indicators surged to their all-time highs amid improving labour market conditions, including falling unemployment, disbursement of benefits under the “Family 500 Plus” programme and moderate inflation. An additional factor boosting demand in the economy was rising investment, particularly public investment, including that co-financed from EU funds. This was accompanied by a stable expansion in lending to the non-financial sector. With imports and exports both losing momentum, the contribution of net exports to GDP growth remained close to zero in the first half of 2018. Also the current account balance (as related to GDP) was close to zero, and the combined current and capital account balance was positive, testifying to a high degree of the economy’s external balance.

Despite very good economic conditions, price growth in Poland slowed down in the first half of 2018, running at 1.6% y/y (as against 2.0% on average in 2017). Moderate inflation was backed by the stabilisation of demand pressure and moderate inflation among Poland’s most important trading partners. In consequence, core inflation remained low. Another factor conducive to lower inflation was slower growth in food prices resulting from high supply of some agricultural products. Moreover, in the first quarter of the year, energy price growth was subdued. Yet it accelerated markedly from May onwards, following a rise in global commodity prices, which drove up inflation.

Given the above, and in particular moderate inflation and the absence of macroeconomic imbalances, in the first half of 2018 the Council maintained the NBP interest rates unchanged, including the reference rate at 1.5%. This decision was also warranted by the forecasts, including the March inflation and GDP projections, which pointed to inflation remaining moderate and a sustained robust performance of the Polish economy over the monetary policy transmission horizon.

In the second half of 2018, global economic conditions deteriorated, particularly in 2018 Q4. In the period under review, industrial output growth decreased in many countries. As a consequence, uncertainty about the outlook for global economic growth in the subsequent quarters increased. In geographical terms, activity growth weakened markedly in the euro area and in some emerging market economies in Asia, including China. By contrast, economic conditions in the United States continued to be favourable, with GDP growth rate slightly exceeding that in the first half of 2018.

Global inflation in the second half of 2018 was higher than in previous quarters, which resulted to a great extent from a marked rise in global oil prices taking place until October. Yet, as oil prices declined in the final months of the year, inflation followed suit.⁴ In particular, inflation in the euro area, while in the first half-year was close to 2.0% y/y, in December fell to 1.6% y/y. At the same time, core inflation in that economy remained low, running close to 1% y/y. In contrast, inflation in the United States in the second half of the year stayed higher than in many other advanced economies.

⁴ From the beginning of 2018 until early October, the USD price of a barrel of Brent oil in the global markets rose by nearly 30%, to subsequently fall substantially (by nearly 38% by the end of the year).

In the second half of 2018, monetary policy in the immediate environment of the Polish economy remained accommodative. The ECB kept interest rates close to zero, including the deposit rate below zero, although concurrently it reduced the scale of its net asset purchases in October, winding them up altogether at the end of the year. The Fed, in turn, raised interest rate twice, by a total of 0.5 percentage points (to 2.25–2.5% at the end of the year). This, together with weaker global growth outlook and changes in the trade policy of major countries, contributed to a deterioration of sentiment in the global financial markets, including a substantial fall in equity prices. The elevated uncertainty related to the fiscal policy outlook in Italy and the Brexit negotiations added to the worsening sentiment in the euro area financial markets. Despite this background, the zloty exchange rate remained stable in the discussed period.

Notwithstanding weaker global economic performance, in the second half of 2018, activity growth in Poland was high and close to that in the first half of the year. GDP growth continued to be driven by consumer demand, although its pace was somewhat slower than in previous quarters. Consumption growth was further backed by increasing wages and employment, coupled with consistently strong consumer confidence. Yet in the final months of the year employment growth gradually diminished. In the second half of the year, a considerable contribution to GDP growth also came from investment, as sharply rising public investment went in tandem with a marked recovery in corporate investment. Investment growth was further supported by favourable demand prospects, absorption of EU funds and high capacity utilisation. This was accompanied by a stable rise in lending to the non-financial sector. Export growth in the second half of 2018 was slower than in 2017, reflecting a deterioration in economic conditions in the euro area, particularly in Germany. At the same time, import growth remained strong, amid a further rise in domestic demand. In effect, the contribution of net exports to GDP growth was marginally negative in the second half of 2018.

In the period under review, inflation remained moderate. However, at the end of the year it fell due to a decline in growth of both energy (following the decline in global oil prices) and food prices. As a result, CPI inflation fell from 2.0% y/y in July to 1.1% y/y in December. This took place amid moderate domestic demand pressure and lower inflation in the euro area. Under these conditions, core inflation remained low, which was a combined effect of slower service price growth and still weak – albeit gradually picking up – price growth of non-food goods.

In view of the information incoming in the second half of 2018, the Council kept the NBP interest rates unchanged, including the reference rate of 1.5%. The stabilisation of interest rates was warranted by moderate inflation persisting amid favourable economic conditions and the absence of macroeconomic imbalances. Also forecasts indicated that keeping the interest rates unchanged would be conducive to maintaining both price and macroeconomic stability in the monetary policy transmission horizon.

2.3 Monetary policy instruments in 2018

In 2018, NBP employed the range of instruments adopted by the Monetary Policy Council in the *Monetary Policy Guidelines for 2018*.

Liquidity of the banking sector in 2018

In 2018, NBP pursued monetary policy amid a liquidity surplus prevailing⁵ in the banking sector. The level of excess liquidity averaged PLN 90,166 million,⁶ thus being PLN 16,534 million, or 22.5% higher than in 2017.

The average level of surplus liquidity in December 2018 stood at PLN 86,625 million and was PLN 3,248 million (or 3.9%) higher than in December 2017.

The key factors affecting banking sector liquidity in 2018 was changes in the level of currency in circulation and foreign currency purchase transactions conducted between NBP and the Ministry of Finance. The first of the above-mentioned factors caused a decline of PLN 21,412 million in banking sector liquidity. The surplus of foreign currency purchases by NBP over their sale increased this liquidity by PLN 15,984 million.

NBP interest rates

NBP interest rates were the key instrument of monetary policy in 2018. By determining the yield on open market operations, the NBP reference rate influenced the level of short-term market interest rates.

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

Open market operations

In 2018, the operational target of the NBP monetary policy was to keep the POLONIA rate⁷ close to the NBP reference rate. This was achieved mainly by means of open market operations, carried out on the initiative of the central bank. The central bank employed these instruments to manage the liquidity of the banking sector. The implementation of the operational target of monetary policy was supported by the required reserve system and the standing facilities provided by the central bank.

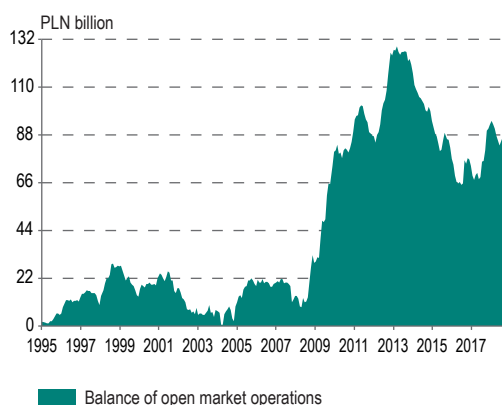
By using the main open market operations, the central bank strived to ensure balanced liquidity conditions in the banking sector. At the same time, the yields on the individual operations, equal to the NBP reference rate at the date of the operation, had a direct impact on the cost of money determined in the interbank market (including the POLONIA rate).

⁵ The liquidity surplus of the banking sector are the funds held by the banking sector in excess of the required reserve. Liquidity surplus is measured by the combined balance of the NBP open market operations and standing facility operations.

⁶ During the required reserve maintenance period.

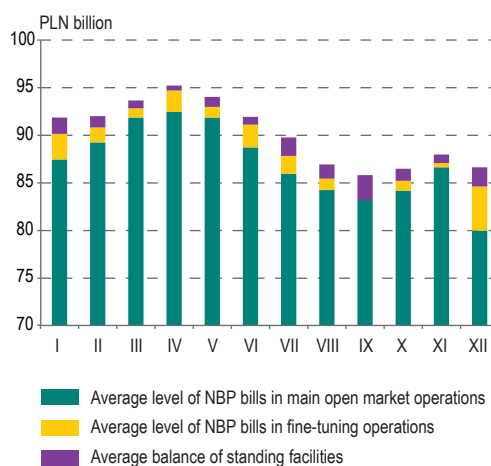
⁷ The POLONIA rate (Polish Overnight Index Average) is determined as the average (weighted by the volume of the individual transactions) of the interest rate on unsecured interbank deposits concluded for the "overnight" term on a given working day until 4.30 p.m.

Figure 2.1 Average monthly balance of open market operations 1995–2018



Source: NBP data.

Figure 2.2 Liquidity absorbing instruments in the respective months of 2018



Source: NBP data.

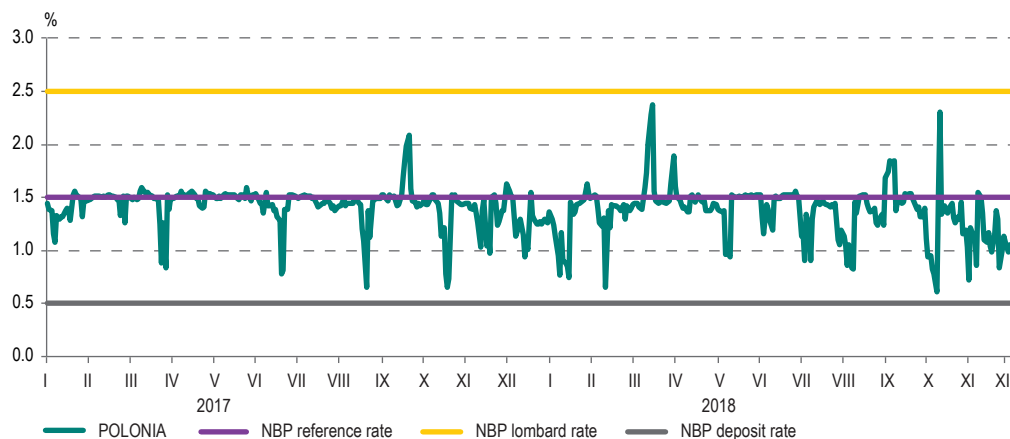
In 2018, the main open market operations were carried out on a regular weekly basis, in the form of issuance of NBP bills with a 7-day maturity. By using the main open market operations, the central bank absorbed most of the surplus liquidity in the banking sector. In 2018, the average volume of the NBP bill categorised as the main open market operations amounted to PLN 87,137 million and exceeded the 2017 level by PLN 16,047 million (Figure 2.1).

Apart from the main open market operations, in 2018 NBP also conducted fine-tuning open market operations, which played a complementary role in implementing the operational target of monetary policy. The premise for its application was the central bank's striving to ensure conditions in the interbank market which would support the implementation of the operational target of monetary policy. Yields on the individual fine-tuning operations were equal to the NBP reference rate, and they affected the price of money in the interbank market in a similar manner to the main operations.

In 2018, NBP carried out 11 fine-tuning operations on the last days of the required reserve maintenance periods. In addition, the central bank conducted 8 fine-tuning operations within the required reserve maintenance period. Under this other category of operations, the NBP bills were issued with maturities of 1, 2, 3 and 4 days. The average issue of the NBP fine-tuning operations amounted to PLN 1,659 million and was PLN 37 million lower than in 2017 (Figure 2.2).

In 2018, the average absolute deviation of the POLONIA rate from the NBP reference rate stood at 21 bps, compared with 12 bps in 2017⁸ (Figure 2.3).

⁸ The quoted index has been computed as the average absolute daily deviation of the POLONIA rate from the NBP reference rate (the average module of the differential) based on a 365-day year.

Figure 2.3 NBP interest rates and the POLONIA rate in 2017–2018

Source: NBP data.

Reserve requirement

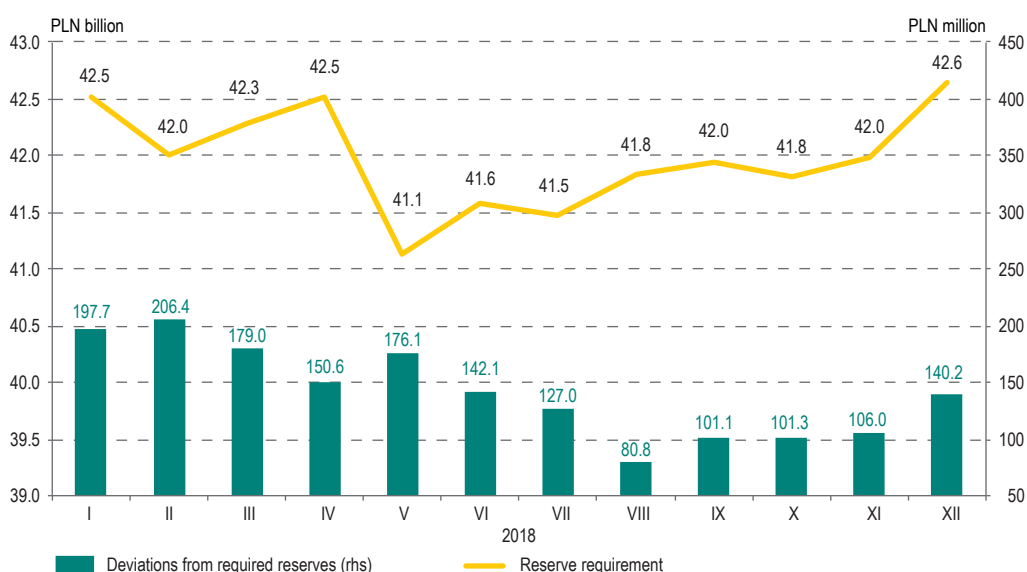
The required reserve system supported the implementation of the operational target of monetary policy, thus contributing to the stability of short-term market interest rates. The averaged character of the required reserve system enabled entities to decide on the amount of holdings accumulated at the central bank on the respective days of the required reserve maintenance period, provided that the average holdings at NBP were at least equal to the required reserve level. At the same time, the obligation to maintain the required reserve limited the scale of the NBP open market operations necessary to absorb the excess liquidity prevailing in the banking sector in 2018.

In 2018, the following entities were subject to the reserve requirement: banks, branches of credit institutions, branches of foreign banks operating in Poland, credit unions and the National Credit Union.

In 2018, the basic reserve requirement ratio amounted to 3.5% on all liabilities constituting the basis for required reserve computation, except for funds received from the sale of securities in repo and sell-buy-back transactions, and funds obtained for the term of 2 years or more (from 1 March 2018), on which the reserve requirement ratio stood at 0.0%.

The remuneration of the required reserve funds was 0.5% in 2018, in line with the decision of the Monetary Policy Council of 5 December 2017.

The amount of required reserves as at 31 December 2018 stood at PLN 43,196 million, including the required reserve of commercial banks and cooperative banks of PLN 42,962 million and the required reserves of credit unions and the National Credit Union of PLN 234 million. The total amount of the required reserve was PLN 615 million higher than on 31 December 2017, which represents an increase of 1.4% (compared with 6.4% y/y in the previous year).

Figure 2.4 Changes in required reserves level and deviations from the reserve requirement in 2018

Source: NBP data.

The main factor responsible for the upward change in the discussed item was the rising deposits of the banking sector, on which the required reserve was calculated. A factor with a downward effect on the required reserve levels was the lowering of the required reserve ratio on funds obtained for no less than 2 years, to 0.0% (as of 1 March 2018), and the exemption by the NBP Management Board of 3 commercial banks and 1 cooperative bank from the obligation to maintain the required reserve.⁹

In all the required reserve maintenance periods of 2018, entities' average holdings at NBP remained slightly above the required level (Figure 2.4). The surplus ranged from the lowest point (of PLN 81 million) observed in August to a peak (of PLN 206 million) in February. The average funds in excess of the required reserve holdings in 2018 amounted to PLN 142 million and accounted for 0.33% of the average level of the required reserves. At the same time, there were 3 instances of failure to maintain the required reserve level, by 2 commercial banks and 1 cooperative bank.

Standing facilities

Standing facilities (overnight deposit and lombard credit) acted as an instrument for stabilising the level of liquidity in the banking sector and the scale of the fluctuations of the interbank market rate. These operations were conducted at the initiative of banks, which used them to supplement their liquidity needs for the term of 1 day, or to place surplus funds with NBP for the same period.

⁹ In 2018 the NBP Management Board decided to uphold the full exemption of one of the cooperative banks from the obligation to maintain the required reserve for the duration of the implementation of a recovery programme; it also decided to partially exempt from that duty 3 commercial banks which are implementing a recovery programme.

The interest rate on lombard credit, setting the maximum price of borrowing money at NBP, determined the ceiling of overnight rate fluctuations in the interbank market. The overnight deposit rate, in turn, provided the floor for these fluctuations.

In 2018, like in previous years, banks used the lombard credit only occasionally. The total drawing on this credit in 2018 (calculated for the days of using this instrument) was PLN 57 million, compared to PLN 13 million in 2017.

In 2018, banks placed overnight deposits totalling PLN 497 billion at NBP (calculated for the period of their holding). This amount was approx. 61.0% higher than the corresponding item recorded in the previous year (i.e. PLN 309 billion). The total amount of overnight deposits fluctuated between PLN 60 million and PLN 22,299 million. The highest amounts were lodged in the form of overnight deposits in the final days of required 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 2018, the central bank did not conclude any such operations.

Foreign exchange interventions

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

In 2018, the central bank did not conclude any such operations.

Chapter 3

Financial system



Financial system¹

A stable-functioning financial system is essential for sustainable economic development in the long-term and for the implementation of the main goal of NBP, i.e. maintaining price stability. The financial stability tasks conferred upon Narodowy Bank Polski include acting with the aim of eliminating or mitigating systemic risk, establishing the necessary conditions for the development of the banking system and acting in favour of the stability of the financial system.

Maintaining the safety of the banking system, whose assets account for over two thirds of the assets of domestic financial institutions, is of special significance for the preservation of financial stability in Poland.

3.1 Macroprudential supervision

In 2018, NBP implemented the tasks arising from the Act on Narodowy Bank Polski on providing support to the Financial Stability Committee as the competent authority for macroprudential supervision (FSC-M) in Poland. Six meetings of the Committee were held in 2018.

As part of FSC-M work in 2018 Narodowy Bank Polski:

- Prepared and provided analyses, studies and opinions on the identification and assessment of systemic risk, nationally and internationally, including NBP regular reports: (semi-annual) *Financial Stability Report* and annual *Macroeconomic Stability of the Polish Economy*. NBP also started implementing the FSC-M recommendation on increasing the coverage of available real estate data.²
- Prepared the analyses that provide the content-related basis for the MSC-M to formulate proposals of action aimed at mitigating systemic risk, including delivering, on a quarterly basis, recommendations on the level of the countercyclical buffer.³
- Operated an online news service on macroprudential supervision to communicate the work of the FSC-M to the public and supervised entities by posting information on the activity of the FSC-M, among others, press releases after its meetings, information on the application of macroprudential instruments and analytical studies.
- Cooperated, on behalf of the Committee, with EU bodies and institutions on macroprudential policy issues.

¹ Tasks in this area are fulfilled pursuant to Article 3(2) (6) and (6a) of the Act on Narodowy Bank Polski.

² The FSC-M addressed the recommendation to NBP on ensuring availability of data and information on the real estate market in the Resolution 23/2018 of 11 June 2018. The recommendation followed the 2016 recommendation of the European Systemic Risk Board on closing real estate data gaps (Recommendation ESRB/2016/14) to national macroprudential supervision authorities of all 28 EU member states.

³ Analytical material is published on the website.

An NBP representative chaired the work of the permanent working group established by the Committee. This expert group provides a forum for cooperation of the institutions involved, on regular systemic risk assessments and proposals of risk-reducing action, in particular. Moreover, in 2018 the working group:

- prepared a draft opinion issued by the FSC-M and submitted to the Polish Financial Supervision Authority on the identification of other systemically important institutions (OSIIs),⁴
- continued to analyse developments in the real estate market, and the costs and benefits arising from the new MREL,⁵
- discussed the conditions for the development of the domestic covered bonds market and the progress towards adjusting the money market reference rates to the requirements of the Benchmarks Regulation (BMR).⁶

In 2018, in accordance with the provisions of the act,⁷ the NBP President – acting as Chairperson of the FSC-M – submitted to the Sejm (the Polish Parliament) the Annual Report on Macroprudential Supervision Activity of the Financial Stability Committee 2017 (the document is available on the NBP website).

3.2 Cooperation with financial safety net institutions

In 2018, Narodowy Bank Polski participated in FSC work in its crisis management capacity (FSC-C). Twelve meetings of the FSC-C were held during the year. The FSC-C discussed the economic and financial condition of banks and actions aimed at the preservation of financial stability.

NBP's task consists, in particular, in presenting opinions to the FSC-C on the impact of an institution whose present or projected financial situation may jeopardise its future operation on banking sector liquidity.⁸ When implementing Article 6(3)(1) of the Act on Macroprudential Supervision and Crisis Management, NBP submitted opinions to the FSC, in particular, on the liquidity of the banks whose condition was discussed during the Committee's meetings.

Narodowy Bank Polski issued opinions on drafts of domestic and EU regulations on financial institutions and markets as well as the financial infrastructure, and also prepared (for the Polish Ministry of Finance and other government agencies) information used

⁴ OSII, which stands for other systemically important institution, is an entity which is not a global systemically important institution, but which can – due to its size, value, linkages or business model – create a risk to the stability of the financial system of a given country.

⁵ MREL stands for the minimum requirement for own funds and eligible liabilities of financial institutions; the requirement was introduced for the resolution authorities to be able to apply the bail-in tool to implement the process of resolution.

⁶ Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No. 596/2014 (OJ L 171/2016).

⁷ Pursuant to Article 9(2) of the Act of 5 August 2015 on Macroprudential Supervision of the Financial System and Crisis Management (Journal of Laws of 2017, item 1934, as amended).

⁸ The tasks are fulfilled pursuant to Article 6(3)(1) of the Act on Macroprudential Supervision.

for the preparation of Poland's positions submitted to EU bodies which deal with drafts of legislative acts regulating the EU financial system.

The cooperation of NBP with financial safety net institutions also included the following:

- membership of an NBP Management Board member delegated by the President of NBP in the Polish Financial Supervision Authority,⁹
- interaction with the Office of the Polish Financial Supervision Authority – under the statutory authorisation regarding the rules for submitting information,¹⁰
- membership of two representatives delegated by the President of NBP in the BFG Council.¹¹

3.3 Financial system analytical and research activities

Narodowy Bank Polski regularly conducts analysis and research of Poland's financial system, broken down by its sectors. Individual institutions, including banks, are also analysed.

The following documents (available on the NBP website) were published in 2018:

- *Financial Stability Report*. The analyses have shown that the Polish financial system was functioning in a stable manner and that risks to its stability have not changed significantly. The results of stress tests have indicated that the majority of banks would be able to absorb the consequences of strong and unlikely shocks. The areas that need to be particularly monitored include the growing portfolio of high-value consumer loans with long maturities and housing loans granted in the environment of low interest rates and a robust real estate market. The systematically decreasing albeit still substantial portfolio of foreign currency loans remains a vulnerability. The biggest risk to Poland's financial stability still stems from developments in the country's external economic environment. The main conclusions from the NBP analyses were confirmed in the analysis of Poland's financial system by the International Monetary Fund and the World Bank in 2018.¹²
- *Financial System in Poland 2017*. The report presents trends and barriers to the development of financial markets and institutions in Poland. At the end of 2017, the assets of institutions that together form the Polish financial system amounted to PLN 2.47 trillion, which represents a 5.9% increase on the 2016 figure, however their ratio to GDP slightly declined compared to 2016 and stood at 124.4%. The assets of open pension funds, investment funds, cooperative banks and brokerage offices rose at the highest rate. The assets of credit unions fell substantially. The banking sector was the largest part of the financial system (89% of GDP). Financial markets developed at a relatively weaker pace.

⁹ Pursuant to Article 5(2)(3) of the Act of 21 July 2006 on Financial Market Supervision (Journal of Laws 2019, item 298).

¹⁰ Pursuant to Article 17(2) of the Act of 21 July 2006 on Financial Market Supervision.

¹¹ Pursuant to Article 7(4)(2) of the Act of 10 June 2016 on the Bank Guarantee Fund, Deposit Guarantee Scheme and Resolution (Journal of Laws 2017, item 1937, as amended).

¹² The Financial Sector Assessment Program (FSAP) is a comprehensive and in-depth analysis of a country's financial system and its stability (the issue analysed by the IMF) and development (the issue analysed by the World Bank). The previous FSAP on Poland's financial system was prepared in 2013.

- *Senior loan officer opinion survey on bank lending practices and credit conditions.* This study is based on a quarterly questionnaire survey addressed to the chairpersons of the credit committees of banks. It presents changes in the lending policy of banks and in demand for selected loan types as well as the factors influencing these changes. In 2018, banks tightened lending policy for the majority of products they offered, except for consumer loans. A stronger rise in demand was only registered for housing loans.
- *The level of the countercyclical capital buffer in Poland.* The study is produced quarterly for the FSC-M and includes the results of analysis necessary for the calibration of the countercyclical capital buffer in Poland. The analyses have shown that the pace of credit growth neither creates imbalances in the economy and the financial system, nor impedes economic growth.

Moreover, NBP conducted research aimed at increasing knowledge about financial processes and interdependencies between the financial system and the economy and about the operationalization of macroprudential policy. The research projects concerned, in particular, the identification of features of the financial cycle and its synchronization with the business cycle, the optimal level of capital in the Polish banking sector, the costs and benefits arising from the new MREL, and the design of DSGE models that describe the interaction between the real economy and the financial system.

3.4 International cooperation for financial stability

In 2018, Narodowy Bank Polski participated in the work of European institutions responsible for the monitoring of systemic risk and the protection of financial stability in the EU. The activities mainly involved the performance by the President of NBP of the duties of a member in the General Board of the European Systemic Risk Board (ESRB) and the participation of NBP representatives in the work of ESRB bodies. NBP's involvement in the activities helped to comprehensively identify external risks to Poland's financial system stability and – through cooperation with other EU countries – to obtain knowledge on how to conduct macroprudential policy.

As part of the ESRB work in 2018, NBP representatives were particularly involved in: assessment of risk associated with the functioning of central counterparties (CCPs) in the EU and risk on the residential and commercial real estate market, development of methods of counteracting impaired loan growth in the banking sector to the systemically significant level, and also analysis of risk to the EU's financial stability following United Kingdom's exit from the EU.

Moreover, in 2018 NBP representatives participated in:

- the work of resolution colleges set up for cross-border European banking groups, with a focus on banks identified by the Polish supervision authority as other systemically important institutions (OSIIs);¹³

¹³ NBP representatives participate in the work of the colleges at the invitation of the Polish Financial Supervision Authority and cooperate on the issue with representatives of the Bank Guarantee Fund (the Polish resolution authority).

- meetings of the Board of Supervisors of the European Banking Authority (EBA);
- the work of the European Bank Coordination (“Vienna”) Initiative;
- in the work of the International Banking Research Network, where central banks examine the impact of changes in monetary policy and macroprudential regulations in various countries and their banking systems (including the Polish banking system).

3.5 NBP operational activities aimed at maintaining financial stability

In 2018, the four banks implementing the recovery proceedings or recovery plan were exempted (in whole or in part) from the obligation to maintain the required reserve.

In order to protect the stability of the domestic banking system, pursuant to Article 42(1) of the Act on Narodowy Bank Polski, NBP provided liquidity support, in the form of refinancing loans, to commercial banks. By doing so, NBP fulfilled the central bank’s task laid down in Article 3(2) of the Act on NBP.

Highlights of 2018:

- services provided to the Financial Stability Committee as a competent authority for macroprudential supervision (FSC-M) and participation in the Committee’s work related to crisis management (FSC-C),
- developing analyses and research on the stability and development of the financial system and on reducing systemic risk,
- cooperation with European institutions for effective macroprudential policy.

Chapter 4

The issue of currency



The issue of currency¹

Narodowy Bank Polski holds the exclusive right to issue currency of the Republic of Poland. By putting into circulation banknotes and coins in full nominal structure, NBP guarantees smooth cash settlements and the adequate quality of currency circulation.

4.1 Currency in circulation

The value of currency in circulation (including bank vault cash), as at 31 December 2018, amounted to PLN 219 billion 489.9 million. This represents an increase in the value of currency by 20 billion 774.0 million, i.e. 10.5% more compared to 31 December 2017.

In 2018, manufacturers of legal tender delivered to NBP 236 million 820.2 thousand pieces of notes and 1 billion 122 million 866.8 thousand pieces of coins. In relation to the deliveries in 2017 (377 million 791.2 thousand pieces and 1 billion 59 million 414.5 thousand pieces, respectively), the number of notes decreased by 140 million 971 thousand (37.3%), and the number of coins increased by 63 million 452,3 thousand (6.0%).

As at 31 December 2018, notes accounted for 97.7% of all zloty-denominated currency in circulation by value, while coins represented 2.3% (97.6% and 2.4% in 2017, respectively). In terms of volume, the issued notes accounted for 10.3% of all currency in circulation, whilst coins represented 89.7% (10.2% and 89.8% in 2017, respectively).

In terms of value of notes in circulation, as at the end of 2018, the following denominations had the biggest share: 100 zł – 60.7% (62.8% in 2017) and 200 zł – 29.6% (28.3% in 2017), whereas among coins the following denominations prevailed: 5 zł – 35.7% (35.1% in 2017) and 2 zł – 29.3% (29.8% in 2017).

In terms of volume, the following notes had the biggest share as at the end of 2018: 100 zł – 61.4% (61.6% in 2017) and 200 zł – 15.0% (13.9% in 2017). As regards coins, the following denominations prevailed: 1 gr – 37.5% (37.5% in 2017) and 2 gr – 17.4% (17.5% in 2017).

4.2 Issue of collector coins and notes

Narodowy Bank Polski issues collector coins and notes, commemorating important historical anniversaries and famous Poles. The bank also aims to develop the interest of the public in Polish culture, science and tradition.

In 2018, under 16 topics of commemorative coins NBP issued 6.7 thousand pieces of gold coins, 223.42 thousand pieces of silver collector coins and 50 thousand collector notes (in 2017, 6.2 thousand gold coins, 356 thousand silver coins and 55 thousand collector notes).

¹ Tasks in this field are performed pursuant to, among others, Article 4 and Articles 31–37 of the Act of 29 August 1997 on Narodowy Bank Polski.

In 2018, a total of 21 types of collector coins and one collector note were issued.

As part of celebrations of the 100th anniversary of regaining independence by Poland, Narodowy Bank Polski issued:

- a 5 zł coin with the inscription *100th Anniversary of Regaining Independence by Poland*, in general circulation standard, in a symbolic mintage of up to 38,424 thousand pieces;
- a silver coin *We Poles, proud and free: 1918–2018* with the face value of 10 zł; it was the first Polish coin where the 2D code was used;
- sphere-shaped coins *100th Anniversary of Regaining Independence by Poland*, a silver coin with the face value of 100 zł and a gold coin with the face value of 2,018 zł;
- a collector note *Independence* with the face value of 20 zł featuring Marshal Józef Piłsudski and *100th Anniversary of Regaining Independence by Poland – a 100th Anniversary of Regaining Independence by Poland* coin with the face value of 1 zł with the image of a 1 zł contemporary general circulation coin.

In 2018, Narodowy Bank Polski also put into circulation gold bullion coins *White-tailed Eagle – 100th Anniversary of Regaining Independence by Poland* with the face values of 500 zł, 200 zł, 100 zł and 50 zł.

The *Nicolaus Copernicus* collector coin issued by Narodowy Bank Polski in *The Great Polish Economists* series was awarded the main prize in the “Coin classic” category at the International Coins Contest “Coin Constellation 2018”.

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

In 2018, 189.9 million pieces of notes and coins were classified as eligible for destruction: including 185.0 million pieces of notes and 4.9 million pieces of coins (in 2017 – 231.2 million pieces, including 225.4 million pieces of notes and 5.8 million pieces of coins) due to wear and tear or loss of counterfeit protection features.

4.4 Counterfeit of Polish currency

In 2018, the number of disclosed counterfeit Polish currency notes and coins remained at the 2017 level. The number of counterfeit banknotes and coins per million of currency pieces² in circulation amounted to 1.83 pieces, having decreased by 0.08 pieces as compared to 2017. The persistently low level of counterfeits is associated with the increased number of circulating modernised banknotes and the rising awareness of the public about currency security features, which is a result of NBP’s educational activities.

Data on the number of counterfeit notes and coins disclosed in 2015–2018 are shown in Table 4.1.

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

Table 4.1 The number of counterfeit Polish notes and coins disclosed in the years 2015–2018

Counterfeits	2015	2016	2017	2018
Banknotes	7,803	6,919	5,156	5,601
Coins	2,296	1,490	1,273	825
Total	10,099	8,409	6,429	6,426

Source: NBP data.

4.5 Supply of notes and coins to banks

In 2018, commercial banks and entities which are authorised by law to withdraw and lodge Polish currency notes and coins from/in NBP, withdrew from NBP Polish notes and coins worth PLN 198.4 billion (PLN 184.6 billion in 2017), of which:

- PLN 99.2 billion in the deposit system (PLN 93.2 billion in 2017),
- PLN 99.2 billion in the main system (PLN 91.4 billion in 2017).³

4.6 Activities aimed at streamlining cash transactions

On 1 July 2018, changes in the operation of domestic cash transactions came into force, which were introduced by Regulation 19/2016 of the President of NBP.⁴ They concern, in particular:

- implementation of multi-orientation sorting of banknotes and lodgements of banknotes in NBP without the obligation to sort them as fit or unfit for circulation,
- criteria of banknote fitness (for machine and manual counting of notes),
- testing equipment and requirements to be met by equipment, including these related to fitness sorting of banknotes,
- introduction of new reporting forms on equipment, counting and sorting of banknotes and coins as well as their recirculation outside NBP.

In the coming years, regulations concerning the following issues will come into force:

- the need to count, sort and check the authenticity of banknotes with equipment (sorting machines) in the case of notes to be used in client-operated equipment (e.g. ATMs) – as of 1 January 2020,
- introduction of a 10-percent maximum limit on manual counting, sorting and authenticity checking of banknotes – as of 1 January 2021.

Moreover, NBP published on its website *Raport o obrocie gotówkowym w Polsce w 2017 r.* [A Report on Cash Circulation in Poland in 2017], containing information on the functioning

³ In the main system, Polish currency is collected from vaults of NBP regional branches after funds are transferred to NBP for this purpose; in the deposit system, Polish currency, owned by NBP, is kept in vaults of commercial banks' organisational units. It is collected after funds are transferred to NBP for this purpose. In both cases, Polish currency is collected based on concluded agreements.

⁴ Regulation No. 19/2016 of the President of NBP on the method and procedure to be used in counting, sorting, packaging and labelling packages of banknotes and coins and in conducting activities related to the supply of banknotes and coins to the banks (Official Journal of NBP of 2018, item 14).

of the domestic system of cash transactions, including statistical data and relations between the central bank and the market agents.

Highlights of 2018:

- issuance of commemorative collector coins and note on the 100th anniversary of regaining independence by Poland,
- introduction of changes in the functioning of domestic cash transactions.

Chapter 5

Foreign exchange reserves management



Foreign exchange reserves management¹

Pursuant to Article 52(1) of the Act on Narodowy Bank Polski, the central bank holds and manages foreign exchange reserves as well as 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. Incidentally may these reserves be used to support the stability of financial markets or the banking sector in the event of significant disturbances in their functioning.

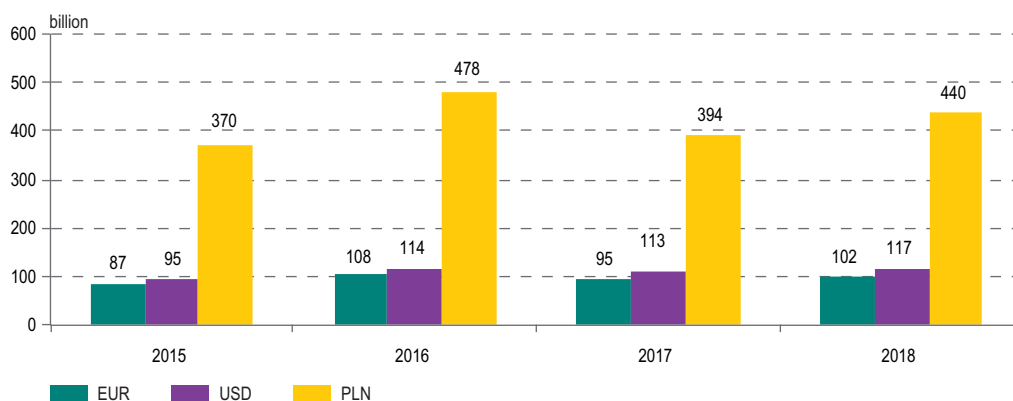
5.1 Level of the official reserve assets

In 2018, the NBP official reserve assets² increased:

- in euro terms – by EUR 7.7 billion (8.2%), to EUR 102.3 billion,
- in dollar terms – by USD 3.7 billion (3.3%), to USD 117 billion,
- in zloty terms – by PLN 45.4 billion (11.5%), to PLN 439.8 billion.

The increase in the official reserve assets was mainly the result of the positive balance of external cash flows³ and increased involvement in reverse repo transactions concluded at the same time as the repo ones, under the implemented investment policy.

Figure 5.1 Official reserve assets in 2015–2018 (as at the end of a given year)



Source: NBP data.

¹ Tasks in this area are performed pursuant to Article 3(2)(2) and Article 52 of the Act of 29 August 1997 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 (SDRs), IMF reserve position and foreign currency assets, mainly in the form of securities, deposits and cash.

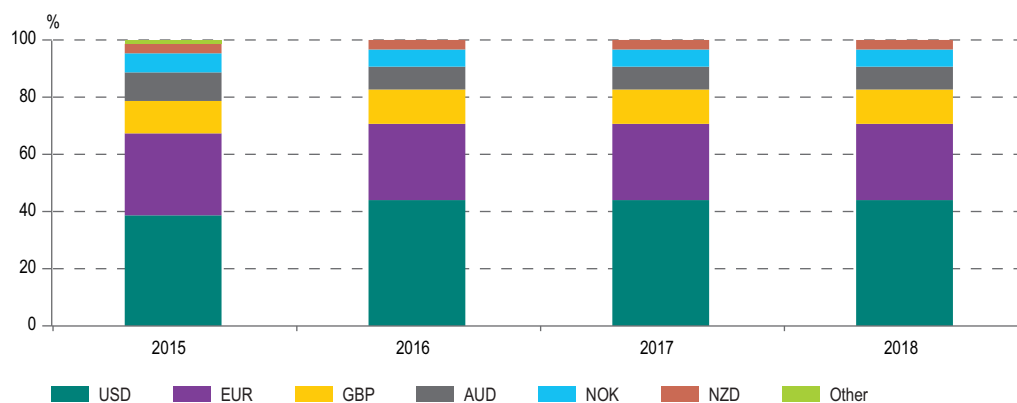
³ Arising primarily from the inflow of foreign exchange funds into the accounts operated by NBP for the Ministry of Finance.

5.2 Foreign currency reserves management strategy⁴

The priority in the foreign exchange reserves management is to ensure the safety of the invested funds and their adequate liquidity. While observing these criteria, Narodowy Bank Polski also undertakes measures aimed at raising the yield on the reserves.

In 2018, Narodowy Bank Polski, considering the market conditions and the level of foreign currency reserves, took a strategic decision to raise its gold holdings by 25% to 4,135,700 ounces (128.6 tons). At the same time, taking into account analyses of the global macroeconomic perspectives, forecasts of developments in the global financial markets and results of the optimisation and simulation analysis, the NBP Management Board maintained the currency composition applicable in 2017 (44% USD, 27% EUR, 12% GBP, 8% AUD, 6% NOK and 3% NZD) and the modified duration⁵ (2.1) of the strategic benchmark.

Figure 5.2 Currency composition of reserves in 2015–2018 (as at the end of a given year)



Source: NBP data.

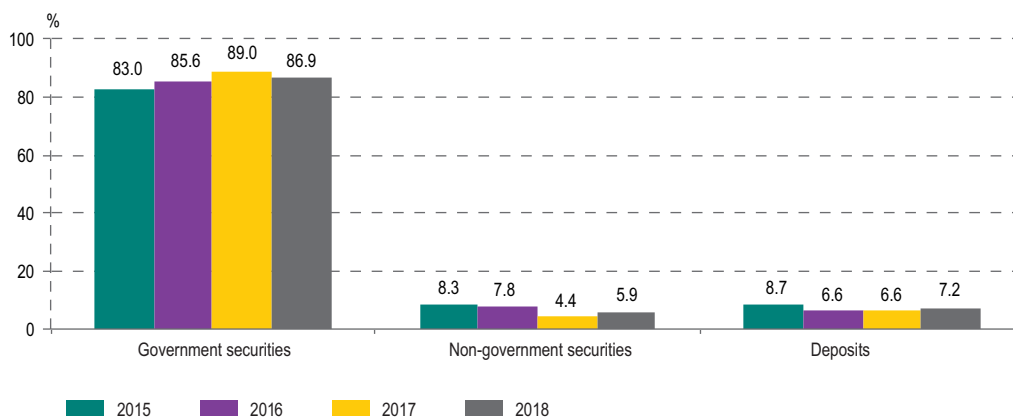
The major part of foreign exchange reserves is invested in government securities of the countries with a high rating, i.e. securities characterised by the highest degree of security and liquidity. The non-government securities held in the investment portfolios are issued, first of all, by international 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. Moreover, bond futures contracts are used in modified duration management.

In 2018, an upgraded version of the IT system supporting foreign exchange reserves management at NBP was implemented.

⁴ Excluding funds held on the foreign currency accounts operated by NBP for the Ministry of Finance.

⁵ Modified duration is a measure of interest rate risk, representing the sensitivity of investment portfolios to fluctuations in yields on financial instruments.

Figure 5.3 Share of investment instruments in the NBP foreign currency reserves excluding gold (as at the end of a given year)



Source: NBP data.

5.3 Financial risk management in the foreign exchange reserves management process

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

Table 5.1 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 a counterparty's creditworthiness Counterparty limits on deposit transactions and foreign exchange transactions Limited maturity of deposit transactions Minimum accepted rating of securities Limits for issuers of securities Collateral in reverse repo 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

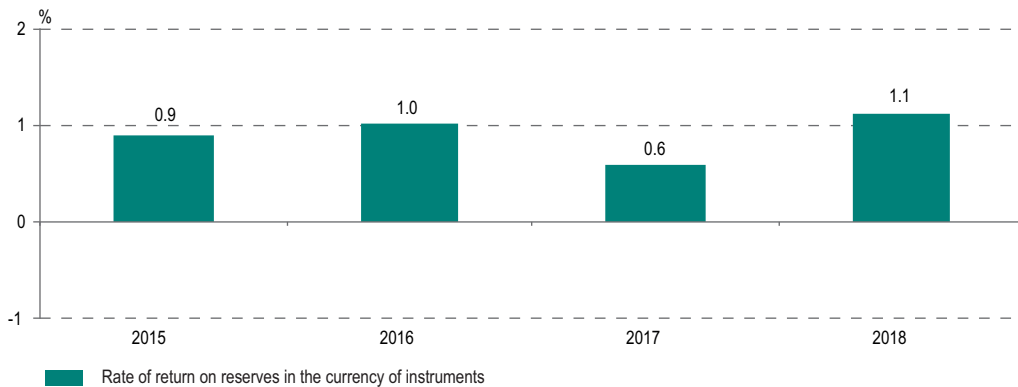
Source: NBP data.

5.4 Rate of return on foreign currency reserves⁶

The rate of return on the invested foreign currency reserves depends, most of all, on market conditions: changes in currency exchange rates, level of yields and changes in investment instrument prices.

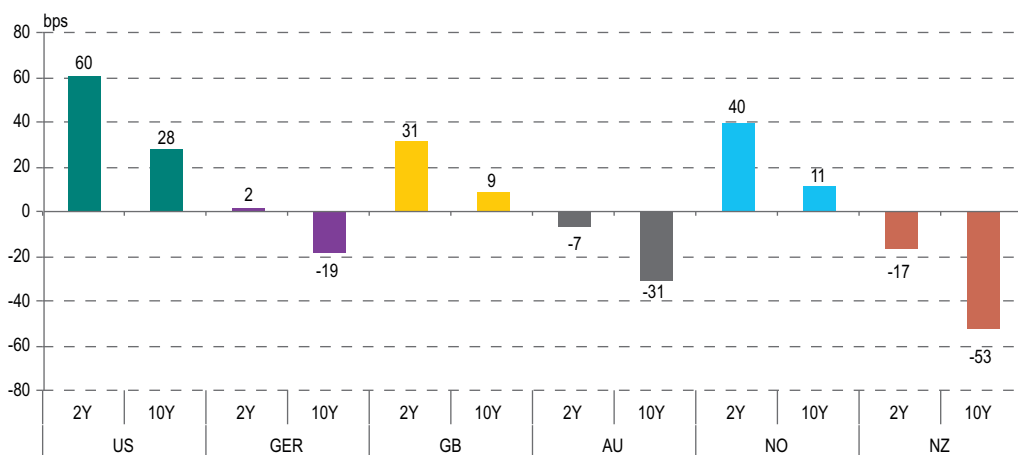
In 2018, the rate of return on the foreign currency reserves, denominated in the currency of instruments,⁷ was 1.1%, i.e. 0.5 percentage point more than in 2017. The increase in the return on reserves resulted mainly from the higher yield, compared with the previous year, on government securities in the American and British markets (Figures 5.4 and 5.5).

Figure 5.4 Return on the NBP foreign currency reserves excluding the impact of exchange rate fluctuations in 2015–2018



Source: NBP data.

Figure 5.5 Fluctuations in yields on 2-year and 10-year government securities in major markets in 2018



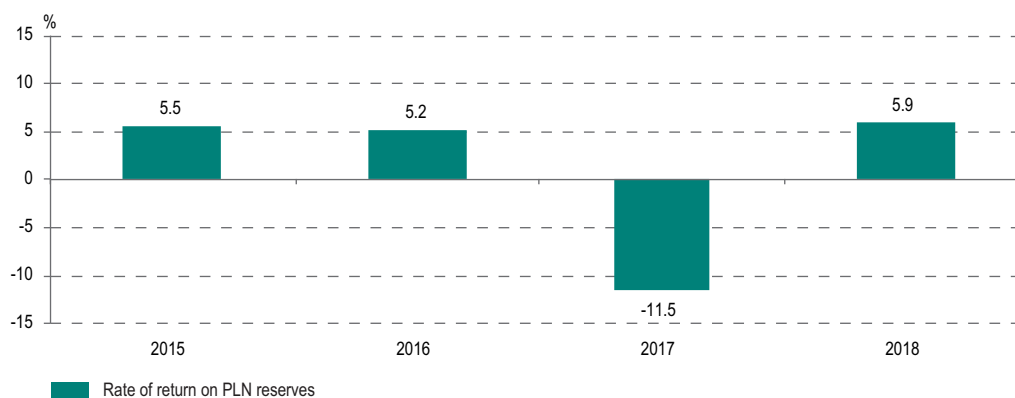
Source: NBP data.

⁶ Foreign currency reserves correspond to foreign exchange reserves excluding gold.

⁷ 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.

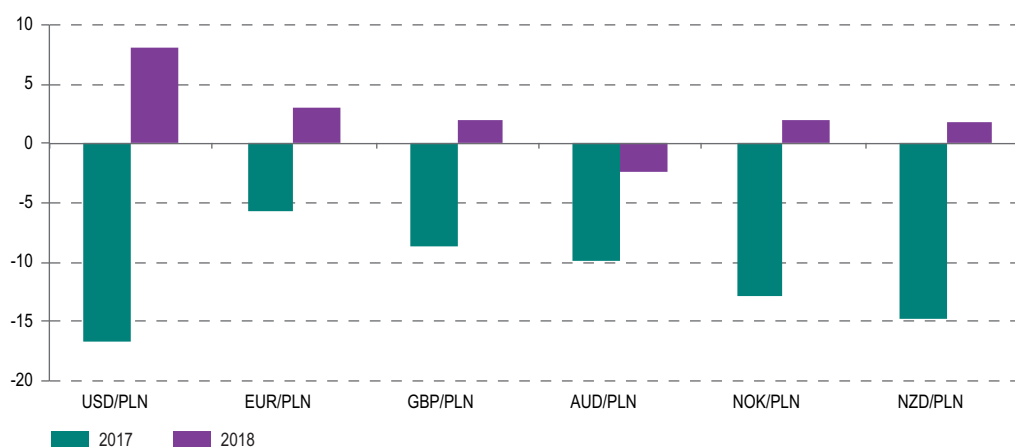
In 2018, the rate of return on the reserves calculated in PLN⁸ amounted to 5.9% (Figure 5.6), which was associated with the depreciation of PLN against most of the reserve currencies⁹ (Figure 5.7). The major factor stimulating the depreciation of PLN against the reserve currencies, the strongest in 2018 Q2, was the deterioration of investors' attitude towards the currencies of emerging economies amid monetary policy tightening by the Fed.

Figure 5.6 Rate of return on the NBP foreign currency reserves (including the impact of exchange rate fluctuations) in 2015–2018



Source: NBP data.

Figure 5.7 Fluctuations in the exchange rates of major reserve currencies in relation to PLN in 2017 and 2018



Source: NBP data.

⁸ The rate of return on foreign currency reserves in PLN also includes the impact of fluctuations in the exchange rates of reserve currencies in relation to PLN.

⁹ An increase in the exchange rates: USD/PLN – by 8.0%, EUR/PLN – by 3.1%, GBP/PLN – by 1.9%, NOK/PLN – by 2.0% and NZD/PLN – by 1.8%; a decline in the exchange rate of AUD/PLN by 2.4% (NBP middle exchange rates).

5.5 Investment income

In 2018, the income on investment related to foreign currency reserves management, excluding the realised and unrealised exchange rate effects, amounted to PLN 3.0 billion (as compared to PLN 2.4 billion in 2017).

In 2018, realised foreign exchange gains amounted to PLN 4.4 billion, whereas unrealized foreign exchange losses amounted to PLN 0.8 billion.¹⁰

Highlights of 2018:

- raising the NBP gold holdings by 25%,
- implementation of the new version of the IT system supporting foreign exchange reserves management.

¹⁰ According to 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. In contrast, unrealized foreign exchange losses diminish the NBP financial result (similarly as realised foreign exchange losses).

Chapter 6

Foreign exchange reserves management



Foreign exchange activity¹

Foreign exchange activity involves maintaining a register of bureaux de change, issuing decisions on foreign exchange matters and controlling: bureaux de change (including in the scope of fulfilment of the obligations imposed on them by the Act on Counteracting Money Laundering and Terrorism Financing), use of granted individual foreign exchange permits and the performance of the reporting responsibilities by residents and operators of bureaux de change for the needs of the compilation of the balance of payments and international investment position. The purpose of this activity is to ensure the security of foreign exchange transactions.

6.1 Register of bureaux de change

In 2018, 779 entries were made to the register of bureaux de change (as compared to 856 in 2017), of which 138 entries concerned new entities (as compared to 157 in 2017) and the remainder regarded the deletion of entities or data updates in the register.

As at 31 December 2018, 4,873 bureaux de change were operating in Poland (as at 31 December 2017 there were 4,951).

6.2 Foreign exchange-related decisions

In 2018, a total of 28 decisions on foreign exchange were issued, including 16 permits and 12 other decisions (in 2017 – 29 decisions on foreign exchange 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. Decisions were related to the increase in the amount of transfer abroad, prolonging the validity of permits and discontinuation of proceedings due to their being groundless.

6.3 Foreign exchange control

Foreign exchange control by the President of NBP in 2018 included inspections of residents who were subject to the mandatory transfer to NBP of data necessary for the compilation of the balance of payments and the international investment position, and inspections of operators of bureaux de change.

¹ Tasks in this field are performed pursuant to Article 3(2)(3) and Article 52(2) of the Act on Narodowy Bank Polski, Article 130(2)(1)(a) of the Act of 1 March 2018 on Counteracting Money Laundering and Terrorism Financing (Journal of Laws of 2018, item 723 as amended) and the provisions of the Act of 27 July 2002 – the Foreign Exchange Law (Journal of Laws of 2019, item 160).

In 2018, a total of 1,415 inspections were carried out (in comparison to 1,671 in 2017), including:

- 1,011 inspections concerning the performance of the reporting responsibilities for the needs of the balance of payments (in 2017 – 1,014),
- 402 inspections regarding bureau de change activity (in 2017 – 656),
- 2 inspections of the implementation of individual foreign exchange permits (in 2017 – 1).

Irregularities were detected in the course of 496 inspections, i.e. 35% of all the inspections conducted (in 2017 – 40%), including:

- 353 inspections concerning the performance of the reporting obligation for the needs of the balance of payments (in 2017 – 430),
- 142 inspections regarding bureau de change activity (in 2017 – 230),
- 1 inspection of the implementation of an individual foreign exchange permit (in 2017 – 1).

If such irregularities occurred, post-inspection recommendations were submitted to the managers of the inspected units. In cases of gross violation or failure to remedy violations of the rules of conduct of bureau de change activity, five decisions were issued on prohibiting the conduct of such activity and deleting the unit from the register of bureaux de change. In 500 cases, NBP notified the competent financial authorities of the violation of legal standards. Having conducted the appropriate proceedings, tax offices and customs and tax offices informed NBP of penalties imposed on 103 entities, 278 cases of submission of the so-called active repentance² and 3 cases of voluntary submission to liability. The results of all the inspections as regards the fulfilment of responsibilities by the operators of bureaux de change laid down by the Act on Counteracting Money Laundering and Terrorism Financing were forwarded to the General Inspector of Financial Information.

On 13 July 2018, the amended Act on Counteracting Money Laundering and Terrorism Financing came into force. Pursuant to its provisions, the President of NBP was granted the power to issue decisions on imposing administrative penalties on operators of bureaux de change activity in the event of violation of the provisions on counteracting money laundering and terrorism financing. In 2018, no decisions were issued under these regulations.

Inspections carried out by NBP ensure:

- the compliance of foreign exchange trading in bureaux de change with the requirements of procedures defining the rules of the pursuit of regulated activity,
- the proper fulfilment of responsibilities in the area of counteracting money laundering and terrorism financing,
- the compliance of data provided by reporting entities to the balance of payments statistics.

² Pursuant to Article 16(1) of the Act of 10 September 1999 – Penal Fiscal Code (Journal of Laws of 2018, item 1958, 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 punishment for fiscal crime or fiscal offence.

Highlights of 2018:

- 1,415 foreign exchange inspections performed,
- 28 foreign exchange decisions issued.

Chapter 7

Payment system oriented activities



Payment system oriented activities¹

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

- operational tasks, including the operation of the payment systems and performance of interbank settlements,
- activities relating to the payment system policy and development, including organising payments and drafting relevant legal regulations,
- oversight of the infrastructure of the payment systems.

The Bank's objective is to ensure efficient operation of the payment system, enabling fast and safe flow of money between individuals and economic entities, public institutions or other entities who are parties to the payment transaction.

7.1. Performance of operational tasks

7.1.1 Operation of accounts in the SORBNET2 system

The SORBNET2 system is an RTGS (Real-Time Gross Settlement) payment system in which current accounts of banks are operated and the interbank settlement of zloty-denominated payments is performed. In an RTGS system, payment orders are executed in line 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 at predetermined hours).

As at 31 December 2018, accounts operated in the SORBNET2 system included zloty current accounts of 44 banks (one fewer than in 2017), the current account of Krajowa Spółdzielcza Kasa Oszczędnościowo-Kredytowa (National Association of Credit Unions), as well as accounts for Krajowa Izba Rozliczeniowa (National Clearing House, KIR SA), Krajowy Depozyt Papierów Wartościowych (Central Securities Depository of Poland, KDPW SA) and the clearing house KDPW_CCP SA. In 2018, one current account was opened,² and one was closed.³

In 2018, about 4.258 million payment orders were executed in the SORBNET2 system (in 2017 – 4.191 million), totalling PLN 77.9 trillion (PLN 73.1 trillion in 2017). This represents an increase of 67 thousand (1.6%) in the number of executed payment orders and a rise of PLN 4.8 trillion (6.5%) in their total value on 2017. In 2018, the average amount of a single payment order increased by about 4.9% compared to the previous year, reaching PLN 18.3 million (PLN 17.4 million in 2017).

¹ Tasks in this area are performed pursuant to Article 3(2)(1) and Article 3(2)(6) of the Act on Narodowy Bank Polski and the Act of 24 August 2001 on the finality of settlement in payment systems, securities settlement systems and principles of oversight of these systems (Journal of Laws of 2018, item 145).

² On 2 July 2018, a current account was opened for the National Association of Credit Unions.

³ On 31 October 2018, the current account of Raffeisen Bank Polska SA was closed in connection with the bank's merger with BGŻ BNP Paribas SA.

7.1.2 Operation of accounts in euro in the TARGET2-NBP system

The TARGET2-NBP system is the Polish component of the TARGET2 system – an all-European RTGS system carrying out settlement of euro-denominated payments.

As at 31 December 2018, the TARGET2-NBP system operated accounts in euro for 21 participants: NBP, KIR SA, KDPW SA and KDPW_CCP SA and 17 commercial banks.

In 2018, almost 1.6 million transactions were carried out in the TARGET2-NBP system, their amount totalling EUR 1.5 trillion. As compared to 2017, the number of completed transactions increased by 144.4 thousand (or 9.8%) and the total value of transactions rose by EUR 420.8 billion (i.e. 41%). The average value of transactions amounted to EUR 890.6 thousand and increased by 28.4% as compared to 2017.

7.2. Policy measures and development of the payment system

7.2.1 Regulatory activities

On 1 February 2018, ordinance No. 30/29017 of the President of Narodowy Bank Polski of 26 October 2017 on interbank clearing and settlements (Official Journal of Narodowy Bank Polski, item 21) took effect.⁴

Furthermore, as part of regulatory measures relating to the payment system, NBP participated in legislative work on draft laws. In 2018, these related to:

- Payment services. The amendments to the Act on payment services were intended to implement the so-called PSD2 directive.⁵ The changes include adding new kinds of payment services, amendments to regulations relating to responsibility for an unauthorised payment transaction, and the introduction of the small payment institution (i.e. an entity which, after meeting a narrower range of criteria than is the case with national payment institutions, may – within certain constraints – provide payment services, except for initiating a payment transaction and providing access to account information).⁶
- Forms of payment settlement. The draft Act amending certain acts in connection with the development of electronic payments⁷ aims to expand the admissibility of payments in cashless form.

⁴ This ordinance replaced ordinance 13/2013 of the President of Narodowy Bank Polski of 24 May 2013 on interbank clearing (Official Journal of Narodowy Bank Polski, item 9). The ordinance aimed to eliminate interbank settlement mechanisms that could not be qualified as payment systems subject to supervision of the NBP president.

⁵ Directive (EU) 2015/2366 of the European Union and of the Council of 25 November 2015 on payment services in the internal market, amending Directives 2002/65/EC, 2009/110/EC and 2013/36/EU and Regulation (EU) No. 1093/2010, and repealing Directive 2007/64/EC.

⁶ The implementation of the PSD2 directive was effected in two stages. The first was the Act of 10 May 2018 amending the Act on payment services and certain other Acts (Official Journal 2018, item 1075), which took effect on 20 June 2018. The next one was the Act of 22 March 2018 amending the Act on payment services and certain other acts (Official Journal 2018, item 864), which entered into force on 11 August 2018.

⁷ The draft Act was published in the List of Legislative Work and Policies of the Council of Ministers as well as in the Public Information Bulletin and the Government Centre for Legislation.

7.2.2 Development of domestic large-value payment systems and their adjustment to the payment systems operated in the EU countries

In 2018, the following activities were undertaken with the purpose of developing domestic large value payment systems:

- a new version of the SORBNET2 system was put into operation,
- work on adjusting NBP infrastructure to become interoperable with the TIPS platform was completed. The TIPS (TARGET Instant Payments Settlement) platform is a component of the TARGET2 system used to settle instant payments in euro, via settlement accounts held at the central bank. On 30 November 2018 NBP stood ready to provide instant payment services in euro to participants in the TARGET2-NBP system.

7.2.3 Standardisation activities

In 2018, Polski Komitet Normalizacyjny (Polish Committee for Standardisation) published the PN-ISO 9362 Banking Standard – Banking telecommunications messages – Business Identification Code (BIC).⁸ The standard had been drawn up at NBP. The BIC is used to identify a bank or financial institution during international payment transactions.

7.2.4 Payment System Council activity

The Payment System Council, the advisory body to the NBP Management Board, analyses and evaluates the Polish payment system on an on-going basis and promotes the development of this system.

In 2018, the Council primarily discussed:

- activities of the Cybersecurity centre operated by the Association of Polish Banks,
- the potential for developing the market of prepaid cards and electronic money instruments to ensure the due security of transactions executed with their use,
- the evaluation of the status of the Polish API communication interface against the requirements resulting from legal regulations and the preparedness of payment service providers to meet the requirements related to enabling third party access to the payment accounts operated,
- the assessment of the rationale for the National Securities Depository to join the all-European settlement platform TARGET2-Securities (T2S),
- the performance of the programme designed to increase the number of agents accepting electronic payments, implemented by Fundacja Polska Bezgotówkowa (Cashless Poland Foundation),
- banks' demand for the service of instant euro payment under the Instant Credit Transfer (SCT Inst) SEPA standard and the National Clearing House's plans regarding the settlement of this type of payment,
- the findings of the NBP study into the costs of payment instruments in the Polish market.

⁸ The Polish standard is a translation of the ISO 9362 Banking standard – Banking telecommunication messages – Business Identifier Code (BIC).

Moreover, the composition of the Council was changed in 2018, and the scope of its tasks updated.⁹ Finally, the Regulations for the Payment System Council were introduced.¹⁰

7.3 Oversight of payment systems

Oversight of payment system seeks to minimise the risk related to possible disruptions in the operation of the payment systems and the entities making up the infrastructure of the payment system, i.e. payment systems, payment schemes, securities clearing and settlement systems and provision of acquiring services by domestic payment institutions. Oversight of the system by NBP contributes to ensuring the stability of the financial system.

7.3.1 Oversight of payment systems and schemes

In 2018, NBP analysed on an on-going basis the statistical data and other information on the overseen payment systems. It also assessed incidents disruptive to the systems' operations and undertook actions aimed at ensuring their secure and efficient functioning.

In addition to that, in 2018:

- with regard to payment systems:
 - the NBP President issued 7 decisions¹¹ authorising modifications to the rules of operation of payment system-work continued on the assessment of two payment systems: the Krajowy System Rozliczeń (Domestic Settlement System), operated by the First Data Polska SA company, and the Elixir system operated by Krajowa Izba Rozliczeniowa SA;
- with regard to payment schemes, the NBP President issued:
 - consent for 2 payment schemes to operate in the territory of Poland;¹²
 - 5 consents to introduce changes in the principles of operation of a payment system.¹³

7.3.2 Oversight of the payment service of acquiring

As part of the oversight of the payment service of acquiring (an intermediary service in authorising non-cash payments), the President of NBP, at the request of KNF (Financial Supervision Authority), issued, in the form of decisions, 2 opinions on the provision of the acquiring service.

⁹ Resolution No. 14/2018 of the Management Board of Narodowy Bank Polski of 10 May 2018 amending the Resolution on the appointment of the Payment System Council, an advisory body of the Management Board of NBP.

¹⁰ Amendment to Resolution No. 1/2018 of the Payment System Council of 17 April 2018, approved by Resolution No. 15/2018 of the NBP Management Board of 10 May 2018.

¹¹ Pursuant to Article 69 of the Act of 6 March 2018 Provisions introducing the Act – Entrepreneurs' Law and other business laws and other provisions concerning business operations (Official Journal 2018, item 650).

¹² Pursuant to Article 148 (15) of the Act referred to in the previous footnote.

¹³ Pursuant to Article 132 (6) of the Act of 19 August 2011 on Payment Services (Official Journal 2017 item 2003, as amended).

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

In 2018, the President of NBP issued, in the form of decisions, two opinions on changes to the rules of operation of securities settlement and clearing systems.

In 2018, the NBP Management Board approved a report presenting the findings of an assessment of the SKARBNET4 system. The Report points to a high degree of compliance of the SKARBNET4 system with the requirements specified in the CSDR¹⁴ ordinance and the requirements of the Commission delegated Regulation (EU) 2017/392.¹⁵

In 2018, NBP continued to contribute to the activities coordinated by the European Central Bank which aim to increase the cybersecurity of entities constituting the infrastructure of the payment system of the European Union. As part of these activities, in 2018 NBP conducted an evaluation of the cybersecurity of the entities operating the systems of securities clearing and settlement in the territory of Poland.¹⁶

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

In 2018, NBP held listed and unlisted shares in the following domestic entities:¹⁷

- KDPW SA, with its registered office in Warsaw, which is the central institution responsible for operating the deposit and settlement system in the scope of financial instrument trading in Poland; KDWP holds 100% of the shares of KDPW_CCP SA, which operates systems of settlement of transactions in financial instruments;
- KIR SA, with its registered office in Warsaw, which is the key institution on the domestic market of payments clearing;
- BSB (Bazy i Systemy Bankowe sp. z o.o.; Bank Databases and Systems, Ltd), 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.

¹⁴ Regulation (EU) No. 909/2014 of the European Parliament and of the Council 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.

¹⁵ Commission Delegated Regulation (EU) 2017/392 of 11 November 2016 supplementing Regulation (EU) No. 909/2014 of the European Parliament and of the Council with regard to regulatory technical standards on authorisation, supervisory and operational requirements for central securities depositories.

¹⁶ In two cases, in cooperation with the Polish Financial Supervision Authority.

¹⁷ In accordance with Article 5(2) of the Act of 29 August 1997 on Narodowy Bank Polski, NBP may hold shares or participating interests in other legal persons that provide services to financial institutions or the State Treasury, or are relevant for NBP in terms of acting to sustain the stability of Poland's financial system.

Table 7.1 Specification of stocks and shares held by NBP in companies acting under the Polish commercial law as at 31 December 2018

Name of entity	Share capital (PLN)	Number of shares held by NBP	NBP interest in share capital (%)
Krajowy Depozyt Papierów Wartościowych SA	21,000,000	7,000	33.33
Krajowa Izba Rozliczeniowa SA	5,445,000	3,750	34.44
Bazy i Systemy Bankowe sp. z o.o.	10,000,000	1,000	100.00

Source: NBP data.

Highlights of 2018:

- contribution to work on incorporating into the national law the so-called PSD2 Directive, which, among others, introduces new categories of payment services,
- completion of work on adapting the NBP infrastructure to interoperate with the TARGET2-Securities platform,
- the assessment of cybersecurity of selected entities of the infrastructure of the financial market,
- the assessment of the SKARBNET4 system with regard to the CSDR EU regulation.

Chapter 8

Services to the State Treasury



Services to the State Treasury¹

Tasks performed by Narodowy Bank Polski as 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 to manage public debt, in particular, State Treasury debt.

8.1 Bank accounts operated by NBP

In 2018, NBP operated bank accounts referred to in Article 196 of the Public Finances Act of 27 August 2009, including in particular the central current account of the State Budget, current accounts of budgetary entities, including offices providing services to tax authorities, as well as budgetary entities' accounts for permanent appropriations. NBP also maintained term deposit accounts in PLN and foreign currencies for entities authorised to hold accounts with NBP.

Moreover, pursuant to Article 51(1)(4) of the Act on Narodowy Bank Polski (hereinafter: the Act on NBP), 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 electronic banking system, as well as in cash form. Bank accounts of some customers (e.g. the State Budget Department of the Ministry of Finance, the Social Insurance Institution, common courts) were serviced via B2B cross-system interface which enables a technologically advanced method of communication with NBP and ensures high security of transferred data.

Since 1 January 2018 the law governing the rules of the service of payments of contributions to social insurance, health insurance, the Labour Fund, the Guaranteed Employee Benefits Fund and the Bridging Pension Fund has changed.² In line with the new regulations, payments – instead of via four separate transfers to four different bank accounts held with NBP – are made collectively to individual contribution accounts, also operated by NBP.

Since 1 July 2018 the operation of bank accounts has been adjusted to the legal regulations introducing the split payment mechanism³ into the Polish legal order, among others,

¹ Tasks in this area are performed pursuant to Article 3(2)(4) and Articles 49, 51 and 52 of the Act of 29 August 1997 on Narodowy Bank Polski, the Public Finances Act of 27 August 2009 (Journal of Laws of 2017, item 2077, as amended) and the Act of 29 August 1997 – the Banking Law (Journal of Laws of 2018, item 2187, as amended).

² The Act of 11 May 2017 on Amending the Act on the Social Security System and the Act on Amending the Act – the Labour Code and Some Other Acts (Journal of Laws of 2017, item 1027).

³ The Act of 15 December 2017 on Amending the Act on the Goods and Services Tax and Some Other Acts (Journal of Laws of 2018, item 62).

by opening VAT accounts for account holders, taking into account the specific character of the service of the State Budget accounts.

In December 2018, as part of the modernisation of the process of providing banking services to the State Budget, NBP offered payment cards and the electronic cash withdrawal service to account holders, and started providing the third-party substitution cash service using a cash withdrawal order.

8.1.2 Categories of accounts operated by NBP

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

As at 31 December 2018, NBP provided services for 2,969 customers (in 2017 – 3,017), for whom NBP's regional branches operated 22,810 accounts (in 2017 – 14,146), including 8,445 VAT accounts, of which 6,279 accounts were operated as part of a third-party substitution cash service (in 2017 – 6,755).⁴

8.2 Handling international liabilities and claims of the State Budget

Pursuant to the agency agreement concluded with the Minister of Development and Finance on 18 November 2016, in 2018 Narodowy Bank Polski handled the State Budget liabilities and claims arising from:

- 57 loans granted by international financial institutions to the government of the Republic of Poland,
- 74 foreign loans granted to domestic entities, guaranteed by the government of the Republic of Poland,
- Poland's contributions to 9 international financial institutions and receivables from shares in a foreign financial institution.

While acting as a depositary for the World Bank Group, NBP administered 14 promissory notes issued by the government of the Republic of Poland in connection with Poland's membership in institutions of that financial group.

8.3 Organisation of trade in Treasury securities

8.3.1 Treasury securities auctions

Narodowy Bank Polski acts as the issuing agent for Treasury securities. Therefore, it is committed to organise sale and redemption auctions of Treasury bills as well as sale,

⁴ The third-party substitution cash service is provided to account holders whose seat is outside the city where the NBP Regional Branch is located.

redemption and swap auctions of Treasury bonds. In 2018, the following auctions were organised:

- 11 Treasury bonds sale auctions, including three supplementary auctions. The total supply amounted to PLN 61.8 billion, the total amount bid was PLN 128.5 billion, bonds worth PLN 61.8 billion were allotted. The majority of bonds offered by the Ministry of Finance were fixed-rate bonds; their amount allotted constituted 58.4% of the total amount allotted;
- 9 Treasury bond swap auctions, where the Ministry of Finance redeemed bonds worth PLN 48.9 billion, and allotted bonds worth PLN 49.9 billion; the value of purchase of bonds for cash amounted to PLN 44.2 million; fixed-rate bonds represent the biggest share (55.6%) of bonds allotted at auctions.

In 2018, 1 redemption auction of US dollar-denominated Treasury bonds was organised: the supply amounted to USD 300 million, bid – to USD 254 million and redemption – to USD 226 million.

8.3.2 Treasury Securities Dealer System (DSPW)

In 2018, as in previous years, NBP performed tasks associated with the Treasury Securities Dealer System (DSPW).⁵ Under the agreement concluded with the Ministry of Finance, Narodowy Bank Polski:

- supplied the Ministry of Finance with data used for the preparation of assessments of the activities of the DSPW banks,
- acted as the organiser of Treasury securities fixing.⁶

8.4 Cooperation with the Ministry of Finance within the Public Debt Management Committee

In 2018, NBP cooperated with the Ministry of Finance within the Public Debt Management Committee. The objective of the cooperation is to exchange information used to harmonize the public debt management policy (of the Ministry of Finance) with NBP's monetary and foreign exchange policies.

⁵ The main aim of the system is to distinguish primary dealers. This is a group of banks which in return for a privilege of exclusive submission of bids at the Treasury securities (SPW) auctions and exclusiveness or privilege in concluding individual transactions with the Minister of Finance are obliged to participate, on a regular basis, in SPW sale auctions, SPW fixings, SPW quoting (in particular, the benchmark Treasury securities on the electronic market), undertake actions aimed at expanding the SPW investor base, fulfil the obligations arising from their participation in depository systems in a reliable manner, and promote the SPW market. Those actions are aimed at the implementation of the public finance sector debt management strategy, in particular, the enhancement of the liquidity, efficiency and transparency of the SPW market.

⁶ Acting as an organiser of SPW fixing, NBP defines its rules, in agreement with the Minister of Finance (the issuer) and BondSpot SA (the proxy), as well as provides the general supervision of fixing (para. 2 item 3 of the fixing regulations).

Highlights of 2018:

- adjustment of NBP to the servicing of payments of contributions to social insurance, health insurance and the so-called non-insurance funds, and to the servicing of bank accounts following the introduction of the split payment mechanism,
- offering payment cards and the electronic cash withdrawal service to account holders, and launch of the third-party substitution cash service using a cash withdrawal order,
- organisation of the total of 21 sale, redemption and swap auctions of Treasury securities.

Chapter 9

Analytical and research activities



Analytical and research activities¹

Actions of central banks aimed at ensuring macroeconomic and financial stability require detailed knowledge of the developments in the economy and its external environment. While performing these tasks, NBP analyses the current and expected economic situation in Poland and around the world, relying on a broad range of data and analytical and prognostic tools. The Bank also conducts scientific research enabling the assessment of changes in the economy and verification of analytical tools applied. The results of the analyses and research are used in the decision-making process by the Management Board of NBP and the Monetary Policy Council.

Below are presented the most important works and analytical and research activities conducted in 2018 concerning macroeconomic stability,² including price stability, broken down into major topics.

9.1 Analyses and research concerning monetary policy

- The macroeconomic effects of crises on the interbank market were analysed as well as the role of unconventional monetary policy tools in mitigating these effects and the international experience of the use of this group of instruments was studied.
- Research into the redistributive effects of monetary and fiscal policy was conducted, including its impact on household aggregate demand.
- Another study of the monetary policy transmission mechanism was conducted, including an assessment of the evolution of the monetary policy mechanism over time, a study of the credit channel and a study of the risk taking channel.
- The impact of demographic changes on the fall in equilibrium real interest rate in Poland and the euro area was studied, as well as their consequences for conducting monetary policy.
- The monetary policy of the major central banks was monitored and analysed, including their potential impact on the Polish economy.

9.2 Analyses and studies of price-setting processes, prices and inflation

- NBP staff continued studies on price rigidity in the Polish economy and the use of data from internet shops for forecasting inflation.

¹ Tasks in this area are performed, among others, under article 59 of the Act on Narodowy Bank Polski of 29 August 1997.

² Analytical and research activities concerning financial system's stability and development were presented in Chapters 3 and 7 of the *Report*.

- A forecasting model was developed for retail fuel prices in Poland taking into account the development of margins.
- Analysis and research was continued into inflation processes in the national economy, as well as short-term forecasts of the price index of consumer goods and services and its components.
- Analytical and research work was conducted into the measures of core inflation indicators as well as research work into the causes of the development of inflation at a relatively low level.

9.3 Macroeconomic forecasting and the development of prognostic models

- Regular inflation and GDP projections were prepared, as well as short-term forecasts of GDP and its components used for the assessment of macroeconomic stability and the stability of the financial sector.
- The SoePL forecasting model was modified in order to better map the course of the business cycle, including fluctuations in the propensity to save in response to an increase in uncertainty, medium-term demographic trends and their impact on the labour market, and the role of EU funds in investment processes.
- An update was prepared of the simulation properties of the NECMOD model and the long-term forecasts of the potential economic growth rate.
- Macroeconomic scenarios were analysed related to the United Kingdom's withdrawal from the structures of the European Union.
- Research was conducted into the determinants of low wage growth in recent years.
- Four NBP Macroeconomic Surveys were conducted, collecting macroeconomic forecasts (including probabilistic forecasts of GDP and inflation) of professional forecasters from outside NBP.

9.4 Analyses and studies of the fiscal situation

- Analyses and forecasts of the state budget and the whole of the general government sector were carried out, as well as the restrictiveness of fiscal policy and its impact on the economy. The use of funds from the European Union budget and their impact on the main macroeconomic aggregates was also studied.
- Research was continued into the differences in wages and salaries in the public and private sector in Poland, analysing the impact of the economic crisis in the years 2007–2009 on the size of the cross-sectoral wage gap in EU countries.

- Multiplier effects of fiscal policy (government spending) were studied, including their impact on household consumption and the labour market.
- Research into the fiscal effects of labour mobility was conducted in the context of the stability of the public finances of countries that are part of a monetary union.

9.5 Analyses of the global economy and the impact of foreign countries on the Polish economy

- Research was conducted into the structural determinant of the balances of the current account balance of the Polish economy.
- Studies were continued into the impact of exports and linkages within global value chains on economic growth and convergence.
- The current and forecasted international business conditions in the world's major economies and in Central and Eastern European countries were analysed.
- Macro-financial variables used in FX reserves management for the world's selected economies were forecasted and the outlook for the economic situation of countries in which NBP invests its foreign exchange reserves was assessed.
- Tools used in short-term forecasting of activity in the external environment of the Polish economy were developed.
- The impact of changes in trade policy around the world on global economic activity was analysed, as well as the risk associated with the high level of debt in certain large economies.
- The uncovered interest rate parity in emerging and developed economies was studied.
- Research was continued into the way in which quantitative easing conducted by large central banks impacts on small open economies.

9.6 Analyses and studies of the real sector of the economy

9.6.1 Analyses and studies of the economic situation of households

- Cyclical analyses of the financial situation of the household sector in terms of sources of income, consumption expenditure and savings, the consumer climate, and changes in the status of assets and liabilities were conducted.
- Research was completed into the impact of the expectations of the private sector regarding future credit-worthiness of households and the economy as well as the impact of the central bank's policies on debt reduction.

- Research was conducted into the impact of the structure of the labour market on the monetary transmission mechanism.

9.6.2 Analyses and studies of the economic situation of the labour market

- The situation on the labour market was analysed on a cyclical basis, focusing on factors leading to changes in employment and unemployment, wages, the relationship between labour productivity and wage growth, as well as the phenomenon of migration, including the intense inflow of immigrants to Poland observed in the recent years.

9.6.3 Analysis and research of the economic and financial situation of enterprises

- Analyses were conducted, in particular, into the impact of large corporate investments on the effectiveness of their functioning, the turning points of consumer confidence indicators, and the strength of linkages between industrial climate indicators and the index of sold production of industry, the use of the measurement of gross value added for data units as a supplement to information for the national accounts, and the links between investment and employment in the non-financial enterprises sector, including the relations between profitability, labour costs and the transfer of costs to prices.
- Changes in price margins above marginal costs were analysed, as well as the factors affecting margins, with particular emphasis on globalisation processes.
- The non-financial enterprise sector was studied: the determinants of their productivity were estimated and assessed, research was commenced into the competitive position of firms in selected industries of this sector and research was continued into the competitiveness of the Polish economy assessed from the perspective of this group of entities.
- A series of quarterly NBP Quick Monitoring Surveys focusing on production, employment, investment, financial and pricing decisions of companies and their relations with the banking system were conducted.
- NBP's Annual Survey was conducted, analysing factors affecting the condition of the enterprise sector.
- The study of microenterprises in Poland was continued, focusing on issues important from the perspective of monetary policy, including an assessment of the size of the credit gap and factors affecting the availability of credit for small non-financial enterprises.

9.6.4 Analysis and research of the real estate market

- Periodical analyses of the situation and prices in the residential and commercial real estate market were conducted. This included the calculation of the hedonic index of rents in the office and commercial markets, survey research into real estate developers, analysis of the activities of real estate companies categorised into large, medium and companies listed on the Warsaw Stock Exchange, and the commencement of research into the impact

of the situation of producers and wholesalers of building materials and construction companies on housing supply.

- NBP published quarterly *Information on home prices and the situation in the residential and commercial real estate market* and the *Report on the situation in the residential and commercial real estate market in 2017*.

9.7 Research papers of NBP staff

Dissemination of results of research conducted by NBP staff enables scientific verification of its quality and methodological correctness – thanks to the assessment by domestic and foreign experts as well as the peer review process.

In 2018, 81 research papers of NBP staff were published in renowned national and international periodicals, including 10 papers in Polish and 71 papers in English. 21 research papers were published in journals from the ISI Master Journal list (Appendix 6).

9.8 Scientific conferences and seminars organised by NBP

In 2018, NBP organized 6 international scientific conferences (5 in 2017), attended by representatives of central banks and representatives of the scientific community with significant scientific achievements:

- 13 April 2018: *Integration Trends in Europe and the Impact on the Region*. The conference was organised in Lviv in cooperation with the National Bank of Ukraine and was devoted to the impact of European integration on the region of Central and Eastern Europe. The speakers included students of Polish and Ukrainian universities and employees of the analytical and research departments of NBP and the NBU.
- 31 May – 1 June 2018: *Interaction of Fiscal and Monetary Policies*. The conference was organised in Kiev in cooperation with the National Bank of Ukraine. It was devoted to the interactions of, among others, fiscal and monetary policy.
- 11–15 June 2018: *7th NBP Summer Workshop*. It was an annual meeting of economists conducting research in the most important foreign and domestic institutions, focusing on macroeconomics and finance.
- 20–21 September 2018: *International Spillovers*. The conference was organised in cooperation with the Bank of Lithuania, the Centre for Economic Policy Research (CEPR) and the Central Bank Research Association (CEBRA). It was devoted to the causes and effects of the international synchronisation of business cycle fluctuations.
- 26 October 2018: *The Mystery of Low Productivity Growth in Europe*. This was the eight edition of NBP's annual conference in the cycle *Conference on the Future of the European Economy (CoFEE)*. The conference was attended by representatives of central banks, international financial institutions, public administration, think tanks, and the scientific community. The subject of the conference was productivity and the weakening growth of labour productivity, particularly in Central Europe.

- 26–27 November 2018: *NBP Workshop on Forecasting*. During the workshops, the methods applied in forecasting the main macroeconomic variables in central banks and other forecasting institutions was discussed.

Moreover, 21 open scientific seminars were organized (27 in 2017). They addressed various issues related to monetary policy, the functioning of the economy, the financial system and other aspects of economic policy. The list of seminars is presented in Appendix 6.

9.9 Cooperation with the scientific community, central banks and international institutions

In 2018:

- As part of the cyclic NBP Visiting Researcher Programme NBP hosted 7 researchers – all of whom presented the results of their research during scientific seminars.
- 6 reports from research projects carried out as part of competitions for NBP research projects to be implemented by NBP staff and persons from outside NBP were approved.
- Within the framework of cooperation with experts from other central banks, NBP organised in Poland 3 meetings with representatives of departments conducting macroeconomic analysis and forecasting, as well as dealing with monetary policy instruments in central banks of the Visegrád Group and in Deutsche Bundesbank. The workshops discussed, among others, new forecasting and analytical tools for forecasting GDP, potential growth, inflation and assessments of the labour market. Research into the impact of exchange rate fluctuations, changes in margins, and price convergence on the economy was also presented.
- NBP continued its cooperation with the World Economic Forum in the scope of the Global Competitiveness Report 2019 – an annual, international study into the competitiveness of approx. 140 economies.
- NBP representatives participated in the work of working groups of the ESCB, EU bodies and other national and international institutions, focusing on issues and projects related to the main areas of NBP’s analytical and research work.

Highlights of 2018:

- analysis on the economic situation in Poland and its external environment for the needs of the Management Board of NBP and the Monetary Policy Council,
- enhancement of the forecasting tools and conducting numerous model and analytical research works,
- publication of 81 scientific research papers by NBP employees including 21 in magazines from the ISI Master Journal list,
- organisation of 6 international scientific conferences and 21 scientific seminars open to the public.

Chapter 10

Statistics



Statistics¹

Narodowy Bank Polski is a key institution conducting statistical research in Poland. The Bank's statistical research relates primarily to the operation of the financial sector as well as the broadly understood external relations. The collected data and information is used in the implementation of monetary policy, monitoring of risk in the financial sector, studies of financial stability and macroprudential analyses.

NBP publishes a broad range of statistical data on a regular basis. It also submits reports to international institutions, in particular, the ECB, Eurostat and BIS. The compliance of the Bank's data processing methodology with applicable standards enables international comparisons and the monitoring of Poland's position against the background of other European countries. NBP continues to expand the scope of the collected data while working on further development of methods for their acquisition, processing and publication.

10.1 Core tasks with respect to statistics

The core tasks of NBP relating to statistics include collection of data to be reported, above all from financial sector entities, and – to a lesser degree – from non-financial entities. In parallel, the Bank carries out work on data processing methodology, its alignment with the changing international standards, and on improvement of IT methods for collecting and presenting data. NBP also receives statistical data from other institutions, such as Statistics Poland, the Office of the Financial Supervision Authority, and the National Securities Depository.

In 2018, NBP continued the ongoing provision of statistical compilations, analytical materials and publications addressed to both internal recipients at the bank and external audiences. The most important of those include:

- quarterly reports on the balance of payments, the *International Investment Position of Poland* annual report,
- quarterly data on Poland's external debt and international investment position,
- monthly data on the balance of payments,
- monthly consolidated balance sheet of monetary financial institutions, including key monetary aggregates (money supply M3 and its counterparts),
- monthly data on the average interest rate on bank deposits and loans,
- monthly financial data on the banking sector (assets, liabilities, profit and loss account),
- quarterly data on banking sector capital adequacy,
- quarterly data on domestic investment funds,
- quarterly and annual financial accounts, by institutional sectors.

Statistical information was submitted, among others, to national institutions, such as the Sejm (Parliament) of the Republic of Poland, the Council of Ministers, Statistics Poland, the Bank Guarantee Fund, the Office of the Polish Financial Supervision Authority,

¹ Tasks in this area are performed pursuant to Article 3 (2)(7), Article 17 (4)(13) and Article 23 of the Act on Narodowy Bank Polski and the Act of 29 June 1995 on Public Statistics (Journal of Laws of 2018, item 997, as amended).

the Polish Bank Association and academic establishments. Information was also provided to the ECB and other international institutions, such as Eurostat, BIS, the IMF, the World Bank and the OECD.

10.2 Statistical tasks deriving from NBP participation in the European System of Central Banks and in other international institutions

In 2018, NBP continued its cooperation with international institutions in the area of statistics, above all, with the ECB, the European Commission (Eurostat), the Committee on Monetary, Financial and Balance of Payments Statistics (CMFB), the European Banking Authority (EBA), and the European Systemic Risk Board (ESRB).

10.2.1 Monetary and financial statistics

In 2018, NBP provided the ECB with harmonised monthly and quarterly data on the aggregated balance sheet of monetary financial institutions (MFIs), as well as monthly interest rate statistics, monthly and quarterly data on assets and liabilities of investment funds, annual data on the statistics of insurance institutions and data required by the Register of Institutions and Affiliates Data (RIAD).

Moreover, in 2018 NBP:

- Continued work on modifications to the IT systems used to gather and process investment fund data (PEGAZ, INTER-FIN and PAR-INTER-FIN) in order to bring them up to date with amended legal regulations.²
- Participated in the activities of the Working Group on Monetary and Financial Statistics, operating within the ECB, which included work on: updating the manual of balance of payments statistics, improving the quality of data on insurance institutions, and on guidelines for pension funds regarding the format of statistical data reporting that would be compliant with the new ECB regulation in this area.³ In the capacity of an observer, it also participated in the work on developing the Integrated Reporting Framework for banks.
- Contributed to the work of the Working Group on Analytical Credit Datasets and the NEWS1 Expert Group operating within the ECB. In 2018, these groups focused on preparing the first transmission of individual credit exposure data. In cooperation with the Working Group on Monetary and Financial Statistics, an expert team was formed to compare the AnaCredit statistics with balance sheet statistics (BSI) and interest rate statistics (MIR). In cooperation with other institutions, NBP analysed the possibility of creating a central credit register in Poland. The register will serve to analyse credit

² Regulation of the Minister of Development of 21 September 2017 on the manner, detailed scope and dates for submission to Narodowy Bank Polski of data required in the development of monetary policy, periodic assessments of the country's financial position and systemic risk analysis (Journal of Laws 2017, item 1803).

³ Regulation (EU) 2018/231 of the European Central Bank of 26 January 2018 on statistical reporting requirements for pension funds (ECB/2018/2).

developments for the needs of conducting monetary policy, ensuring financial stability and performing macroprudential supervision.

- Participated in the activities of the RIAD⁴ Hub Network Working Group; their particular focus in 2018 was on preparing for the implementation of the new version of the RIAD 4.0 system. In addition, NBP took part in the work on harmonising data in the RIAD and CSDB (Centralised Securities Database) systems, commenced feeding the RIAD system with reference data of securities issuers, and started cooperation with the ECB on expanding the RIAD system to include borrowers with foreign exposure. In 2018, NBP regularly submitted to the ECB harmonised reference data on financial institutions (monetary financial institutions, investment funds, insurance companies, institutions of significance to the payment system) and data on selected non-financial entities.

10.2.2 Prudential statistics

In the area of prudential statistics, in 2018 NBP:

- Implemented, as part of its Reporting Information System (Polish: System Informacji Sprawozdawczej, SIS) adjustments in the reporting package COREP, resulting from amendments to EU regulations.⁵ The amendments related to data regarding prudential valuation, securitisation and the Tier 2 capital adequacy ratio.
- Participated in the activities of ECB working groups: the Working Group on Supervisory Statistics and the Expert Group on Data Quality.
- Participated in the activities of groups and subgroups operating within the European Banking Supervision, in particular of the Standing Committee on Accounting, Reporting and Auditing (SCARA).
- Continued submission of reports to ECB relating to financial reporting and capital adequacy (Consolidated Banking Data, CBD). The structure and scope of CBD reports were substantially changed in 2018 in connection with the MSSF standard 9 coming into force on 1 January 2018 and changes in the FINREP consolidated and FINREP solo packages.

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

In 2018 NBP:

- Conducted research into migration processes. The analysis covered both economic emigration from Poland and economic immigration into Poland from Ukraine. NBP gained insights into the impact of migration patterns on monetary flows and

⁴ Register of Institutions and Affiliates Data, RIAD.

⁵ Commission implementing regulation (EU) 2018/1627 of 9 October 2018 amending Implementing Regulation (EU) No. 680/2014 as regards prudent valuation for supervisory reporting.

into the effects of migration on the labour market. The list of country destinations for emigration from Poland was modified to reflect current trends more closely and to obtain knowledge on the activity of Poles on labour markets previously not covered by research. The rising role of immigrants on local labour markets in Poland was also investigated, along with the developments in foreign worker employment in the individual sectors of the economy.

- Continued to submit to the ECB harmonised monthly and quarterly data on the balance of payments, international investment position, official reserve assets, liquid foreign currency assets and liabilities, external debt; it also provided Eurostat with annual data on trade in services and foreign direct investment.
- Participated in the activities of the following international working groups: the Working Group on External Statistics at the ECB, the Working Group on Balance of Payments Statistics at Eurostat and the Working Group on International Investment Statistics at the OECD.
- Contributed to the work of the Joint ESS and ESCB Task Force on Foreign Direct Investment (TF-FDI).

10.2.4 Other statistics

- Financial accounts statistics. NBP submitted quarterly and annual financial accounts to the ECB and Eurostat, respectively, participated in the ECB Working Group on Financial Accounts and in the work on ensuring the quality of data used in the EU procedure of macroeconomic imbalances conducted by the Committee for Monetary, Financial and Balance of Payments Statistics (CMFB).
- General Government Sector statistics. In 2018, NBP submitted annual data relating to the statistics of this sector. Moreover, NBP participated in the activities of the Working Group on General Government Statistics appointed by the President of Statistics Poland as well as in the work of the Working Group on Government Finance Statistics at the ECB.
- Real sector statistics. NBP continued cooperation with the BACH Working Group. Among others, a publication was prepared concerning the assessment of the profitability of non-financial enterprises depending on the indicator employed. NBP also finalised work on a comprehensive data visualisation tool, to be available to the users of the BACH database. As part of NBP's participation in the Risk Assessment Working Group, a methodology was developed for examining the sectoral risk of enterprises. Also, a study of modelling loss given default was conducted.
- Statistics on securities investment. NBP developed tools for managing the quality of data on securities characteristics and took part in the ECB Working Group on Securities Statistics.

Highlights of 2018:

- implementation of amendments to the COREP reporting system resulting from changes in EU regulations,
- continuation of work on modifications to the IT systems used to gather and process investment fund data, bringing them up to date with the amended legal regulations,
- work on developing the methodology of research into migration processes and extending their scope.

Chapter 11

Education and information



Education and information

The educational activity of NBP is related to the tasks specified in Article 59 of the Act on Narodowy Bank Polski, pursuant to which the central bank conducts publishing and promotional activity. This part of the Bank's remit involves activities aimed at informing the general public about its operations and expanding its understanding of the principles of central bank operation, the banking system and a market economy.

11.1 Education

11.1.1 Economic Education Programme

As part of its educational activity, NBP implements projects which aim to disseminate the knowledge of the principles of financial market operation, foster attitudes conducive to its stability and growth, enhance the understanding of economic issues, including those relating to the role and mission of the central bank as well as develop entrepreneurial attitudes, counteract financial exclusion and disseminate knowledge of the economic heritage, history of money and new trends in economics.

In 2018, NBP organised new editions of competitions for dissertations in economic subjects: the NBP President Award competition for the best MA dissertation in economic sciences, the NBP President Award competition for the best doctoral and habilitation thesis in economics and the competition for the best essay in this area targeted at young people.¹

In all voivodeship capitals, NBP conducted free teacher training sessions on innovative economic education.

In 2018, NBP subsidised educational projects addressed at various social groups, including schools,² universities, senior citizens and persons at risk of financial exclusion. NBP's decisions on sponsoring educational projects were preceded by a verification process comprising several stages. Projects with a value exceeding PLN 30,000 were assessed by the Council for Economic Education, an opinion-providing and advisory body at the Management Board of NBP.³ Projects with the value of less than PLN 30,000 were evaluated by the NBP Commission for the Support of Social Educational Initiatives. In total, 252 projects were subsidized (41 projects endorsed by the Council, 114 projects endorsed by the Commission, as well as 97 projects under a grant competition).

¹ The topic of the paper for primary school 7th and 8th formers and for lower secondary schools was: *In 1919, the Parliament of the Republic of Poland introduced a law establishing the new currency unit – the zloty. A hundred years later, what value does the Polish currency represent to you?* For the upper secondary schools the topic was: *190 years of central banking in Poland. How might NBP activity translate into your personal finance?*

² 195,000 students and 34,000 teachers were covered by the activities.

³ It comprises representatives of social and professional communities associated with educational and research activity, social communication and financial policy.

All educational projects completed in 2018 have been evaluated. The evaluation is carried out by NBP staff and external research agencies selected under a tendering procedure. The Council for Economic Education and the Commission for the Support of Social Educational Initiatives play a significant role in this process. These bodies formulate conclusions and recommendations providing the basis for the evaluation of the submitted projects. In 2018, another study was conducted to gauge the level of economic knowledge and awareness in children and young adults in Poland (the study is conducted periodically, every few years).

11.1.2 Sławomir S. Skrzypek NBP Money Centre

The activities of the exhibition and educational facility, the Sławomir S. Skrzypek NBP Money Centre aim to bring the history of money closer to the public, along with its role in the social and economic history of Poland and the world. The Centre offers modern interactive exhibitions comprising approx. 10,000 exhibits, and educational programmes addressed mainly to school and university students. Visiting the exhibition and participation in the educational activity of the NBP Money Centre is free of charge.

In 2018, the facility received over 68,000 visitors (compared to 58,000 in 2017), most of them school groups. With regard to individual visitors, an increase was observed in the share of families with children, senior citizens and persons with various forms of disability.

In 2018, the activities of the Money Centre included, among others:

- Organisation of educational programmes: *This and that about money* and *Our Polish złoty* – as part of the *Winter in the City* municipal initiative, and *From the denarius to the złoty* as part of the *Summer in the City* programme, family activities⁴ and thematic visits to the centre devoted to: *History of the złoty*, *The iconography of Polish banknotes*, *Money as a source of information*, *King, painter or poet*. *The portraits on coins*.
- The exhibition *History of the złoty* was designed and presented at the Polish Economic Exhibition. The exhibition was devoted to the history of the Polish currency from the 16th to the 20th century.
- Special visit programmes were developed for visitors with disabilities, i.e. those who are deaf and with hearing impairment, blind and visually impaired, those with sensory impairments.
- Educational aids such as games and lesson plans were developed, targeted at adults, family groups and teachers.
- New exhibits were acquired.⁵

⁴ The cycle of meetings *Family Saturdays at the Money Centre* organised during the Summer in the City programme received a distinction in the *Warszawskie Słoneczniki* competition run by the *CzasDzieci.pl* portal as the most inspiring initiative for children.

⁵ These are: a tankard decorated with coins dating back to the turn of the 17th century, with five wedding medals of Polish kings: Władysław IV and John Casimir, as well as a chalice with Prussian thalers from 1861–1971 melted into it.

Furthermore, owing to the efforts of the NBP Money Centre, a set of 12 coins and banknotes was entered, under the name of *Polish monetary unit ZŁOTY set of coins, their specimens and banknote designs*, in the Polish National List of the UNESCO Memory of the World programme.

11.2 Information and promotion

11.2.1 Information and promotion campaigns

In 2018, NBP carried out the following information and promotion activities:

- promoted collector coins and banknotes, launching the mobile sale and exchange of collector items,
- provided information about changes in the management of bank accounts at NBP (new principles for providing cash services through intermediaries),
- promoted the Sławomir S. Skrzypek NBP Money Centre and the Bank's educational projects.

11.2.2 Presentation of NBP's activity on the Internet

In 2018:

- NBP continued to operate its website, along with its other on-line services. In 2018, over 105.5 million persons visited the NBP website (in 2017 – 103.4 million).
- NBP Internet channels were operated (including NBPtv on YouTube). 134 videos were posted (in 2017 – 81), attracting 4.1 million subscriptions and 2.4 million viewings.
- Once again, an increase was noted in the interest in NBP posts among Facebook and Twitter users.
- The NBP channel in the Polish television vod.tvp.pl service was fed with video content.
- Live coverage (streaming with simultaneous interpretation) of the MPC press conferences and selected international conferences organised by NBP continued.

11.2.3 Liaising with the media and market analysts

While liaising with the media in 2018, NBP:

- informed the public of reports and analyses prepared at NBP, in particular reports on monetary policy, the financial system, including macroprudential supervision, the payment system and of the macroeconomic situation,
- presented the current activity of the central bank, including monetary policy implementation, issue operations and educational activity,
- organised press briefings and conferences, including those following the Monetary Policy Council meetings and the publication of key NBP reports; such events were

also organised in the context of the cooperation with major financial institutions (Polish and foreign ones),

- organised the 16th edition of the Władysław Grabski competition,
- corresponded with journalists on issues regarding NBP's activity.

11.3 Celebration of the 100th anniversary of Poland regaining independence

As part of its educational and information activity, in 2018 Narodowy Bank Polski contributed to the celebration of the 100th anniversary of Poland regaining independence. Events organised by NBP on this occasion included:

- The *We Poles 1918–2018* project, culminating in the open air show *Freedom runs in our blood*. The show was staged live on 15 August 2018 on the Marshal Józef Piłsudski Square in Warsaw. It was broadcast in several other towns and cities in Poland and abroad as well as on TV (transmission and retransmission). The *We Poles 1918–1920* project directly reached an audience of almost 90,000.
- Organisation of a grant competition under the title *We Poles – independent and entrepreneurial*. As a result of the competition, 97 schools received financial support to implement the submitted projects.
- Preparation of the *Following in the footsteps of Poland's independence* visiting programme at the NBP Money Centre.

11.4 Publishing and Library

NBP's publishing activity involves issuing documents related to central bank tasks, research and statistical-analytical papers, and documents aimed at spreading knowledge in the area of economics and finance.

In 2018, a range of publications were released, including: *Annual Report*, *Narodowy Bank Polski Plan of Activity*, *Report on the Operations of Narodowy Bank Polski*, *Inflation Report*, *Financial System in Poland*, *Financial System Stability in Poland*, *Information on home prices and the situation in the housing and commercial real estate market in Poland*, *Balance of Payments of the Republic of Poland*, *International Investment Position*, *Report on Systemic Oversight of the Polish Payment System*, *Information Bulletin*, *Bank i Kredyt* (Bank and Credit), *Materiały i Studia* (published in Polish), *NBP Working Papers* (materials in English),⁶ *Review of European Issues*, quarterly summaries of the *ECB Economic Bulletin* in Polish, and *Bankoteka* (educational journal of the NBP Money Centre). In 2018, the annual publication *Raport o obrocie gotówkowym w Polsce w 2017* (Report on Cash Transactions in Poland in 2017) was issued for the first time.

⁶ A detailed list of publications of *Materiały i Studia* and *NBP Working Paper* series issued in 2018 is contained in Appendix 6.

The NBP Central Library is a scientific library. It houses one of the biggest collections of publications relating to economic sciences, in particular banking, finance and management. In 2018, the NBP Central Library was visited by approx. 7,000 readers. A total of over 16,000 books and periodicals were made available. The collection of the NBP Central Library comprises over 149,500 book volumes (in 2018, the collection expanded by approx. 3,000 books).

11.5 Petitions, complaints, requests and letters

In 2018, NBP considered 3,586 queries (4,155 in 2017), of which 3,390 were in the form of letters (3,956 in 2017) and 196 – complaints and requests for public information (199 in 2017). Out of these, 3,395 were handled directly at NBP, while the remaining 191 were handed over to banks and other institutions in line with their remit.

Similar to previous years, issues handled by NBP concerned commercial banks' activity, historical information on banks and financial institutions, indication of the legal successors of liquidated banks, interpretation of legal regulations, cash and issue and collector issues, HR and social issues, requests for NBP patronage, statistical information, current issues relating to NBP activity, NBP monetary policy information, and information on FX loans.

Highlights of 2018:

- sponsorship of 252 projects in the area of economic education carried out all over the country,
- expansion of the educational offer and promotion of the Sławomir S. Skrzypek NBP Money Centre, educational and exhibition facility,
- development of NBP information activity on the Internet, resulting in an increase in the number of users of channels and websites run by NBP,
- participation in the celebration of the 100th anniversary of Poland regaining independence.

Chapter 12

Legislative activity



Legislative activity¹

12.1 Legislation by the NBP governing bodies

In 2018, the governing bodies of NBP issued 144 legal acts, including 43 by the President of NBP, 6 by the Monetary Policy Council, and 95 by the Management Board of NBP. Out of the legal acts issued by the governing bodies of NBP, 26 were published in Monitor Polski (the Official Gazette of the Republic of Poland) and 17 in the Official Journal of Narodowy Bank Polski.

12.2 NBP contribution to legislative activity by state authorities with respect to draft normative acts

Pursuant to the Act on Narodowy Bank Polski, NBP cooperated with the state authorities by issuing opinions on draft normative acts regarding economic policy and with relevance to 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 2018, NBP received:

- 781 documents sent as part of the work of the Standing Committee of the Council of Ministers, including 170 bills, for which 95 opinions (NBP positions) were drawn up,
- 127 documents sent as part of inter-ministerial consultations, including 46 bills, for which 74 opinions (NBP positions) were drawn up,
- 71 bills from the Chancellery of the Sejm, the Chancellery of the Senate and the Chancellery of the President of the Republic of Poland; for each of them an NBP position was presented,
- 32 draft legal acts sent as part of the work of the Committee for European Affairs, for which 4 opinions (NBP positions) were drawn up.

In 2018, NBP representatives participated in 13 consultative conferences, 11 sessions of legal committees, as well as in 28 meetings of Sejm and Senate committees and subcommittees.

The most important draft legal acts on which NBP issued opinions in 2018, 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:
 - the Act of 10 May 2018 on the Protection of Personal Data (Journal of Laws, item 1000),

¹ Tasks in this field are performed, among others, pursuant to Article 7, Article 12, Article 16(3), Article 17(3) (2) and 17(4), and Article 21(3) and (4) of the Act of 29 August 1997 on Narodowy Bank Polski and pursuant to the provisions of other acts in compliance with delegations included therein for the governing bodies of NBP to adopt legal acts.

- the Act of 10 May 2018 amending the Act on Payment Services and Some Other Acts (Journal of Laws, item 1075),
 - the Act of 5 July 2018 on the National System of Cyber Security (Journal of Laws, item 1560),
 - the Act of 5 July 2018 amending the Act on Trust Services and Electronic Identification and Some Other Acts (Journal of Laws, item 1544),
 - the Act of 4 October 2018 on Employee Capital Plans (Journal of Laws, item 2215),
 - the Act of 9 November 2018 on Electronic Invoices in Public Procurement, Concessions for Construction Works or Services and Public-Private Partnership (Journal of Laws, item 2191),
 - the Act of 14 December 2018 on the Protection of Personal Data Processed in Connection with the Prevention and Combatting of Crime (Journal of Laws of 2019, item 125).
- bills:
- government Bill amending some acts in connection with ensuring compliance with Regulation 2016/679 (Sejm printed matter No. 3050),
 - government Bill amending the Financial Market Supervision Act and some other acts² (the bill is available in the online database of the Government Legislation Centre).

In 2018, NBP participated in the work of the Committee of European Affairs, in particular, by issuing opinions on selected draft national legislation referred to in items 12.2 and 12.3.

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 Council of 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 Social Dialogue Council.

12.3 Draft legislation related to the operation of the banking system

Narodowy Bank Polski issued opinions on:

- bills which subsequently became:
- the Act of 5 July 2018 amending the Tax Ordinance Act (Journal of Laws, item 1499),
 - the Act of 9 November 2018 amending certain acts in connection with strengthening the financial market supervision and investor protection in this market (Journal of Laws, item 2243);

² The bill relates to the operation of internet platforms.

- bills:
 - government Bill amending the Act on the Bank Guarantee Fund, Deposit Guarantee Scheme and Resolution and some other acts (Sejm printed matter No. 2877 and No. 3000),
 - government Bill amending certain acts in connection with the development of electronic payments (the bill is available in the online database of the Government Legislation Centre).

12.4 Consulting the European Central Bank’s draft opinions to draft Community laws and draft national legislation of the EU Member States by NBP

In 2018, NBP participated in assessing 58 proposals for legislative acts on which the ECB issued opinions.³ The ECB opinions on draft Community laws related to:

- a proposal for a Regulation of the European Parliament and of the Council on amending Regulation (EU) No. 1092/2010/EU on EU macroprudential oversight of the financial system and establishing a European Systemic Risk Board,
- a proposal for a Regulation of the European Parliament and of the Council amending Regulation (EU) No. 1093/2010 establishing a European Supervisory Authority (European Banking Authority) and related legal acts,
- a proposal for a regulation on establishing the European Monetary Fund,
- a proposal for a Council directive laying down provisions for strengthening fiscal responsibility and the medium-term budgetary orientation in the EU Member States,
- a review of the prudential treatment of investment firms,
- a proposal for a regulation on certain charges on cross-border payments in the Union and currency conversion charges.

Consultations also concerned numerous national draft acts of the EU Member States, including the Polish bill amending certain acts in connection with strengthened supervision and investor protection in the financial market. They regulate, among other things, issues relating to financial supervision, strengthening financial stability and the introduction of macroprudential tools.

³ According to the provisions of the Treaty on the Functioning of the European Union and the Statutes of the ESCB and the ECB, the tasks conferred upon the ECB include 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, monetary statistics, payment systems and financial institutions.

Highlights in 2018:

- participation in work of the state authorities concerning draft legal acts with relevance to the banking system,
- issuing opinions on proposals of EU legislation and draft legal acts from the EU Member States on, among others, financial and banking issues, including financial supervision, strengthening financial stability as well as financial and payment instruments.

Chapter 13

International activity



International activity¹

13.1 Duties resulting from Poland's membership of the European Union

In 2018, NBP representatives participated in the activities of EU 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), and committees and working groups of the Council of the European Union and the European Commission. The key activities focused on completing the creation of the banking union, including the implementation of measures aimed at risk mitigation in the EU banking sector.² They worked on the creation of a common safety mechanism, the so-called common backstop, to the Single Resolution Fund (SRF).

NBP was also engaged in the activities related to the UK leaving the EU ("Brexit") on internal, national and Community level.

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. They also took part in the quarterly meetings of the ECB General Council (one of the ECB's decision-making bodies) and in the work of the ESCB committees.

The ECB General Council's meetings primarily addressed issues relating to the macroeconomic situation of the EU Member States and the situation in financial markets (including the impact of the development of cryptocurrencies³ on the financial sector), monetary policy of the countries outside the euro area and the monitoring of central bank activities with regard to the prohibition of financing of the public sector with central bank funds⁴ and prohibition of privileged access.⁵

During the meetings of ESCB committees as well as ESCB working groups and task forces, among others, the following issues were discussed:

- the macroeconomic conditions in the EU countries,
- protection against cyber threats, including the elaboration by the ECB of a framework for cyber resilience testing for the EU financial sector (TIBER-EU),
- the concept of digital central bank money and virtual currencies,
- the creation of the central system of European borrowers (AnaCredit),

¹ Tasks in this field are performed, among others, pursuant to Article 5, Article 11(2) and (3), Article 23(7) of the Act on NBP of 29 August 1997 and the Statutes of the ECB and the ESCB.

² The amendment to the Bank Recovery and Resolution Directive (BRRD), the amendment to the Regulation on the Single Resolution Mechanism (SRM), the amendment to the Capital Requirements Directive (CRD IV) and the Capital Requirements Regulation (CRR).

³ i.e. virtual currencies (payment tokens) and other types of tokens (utility, security and mixed).

⁴ This follows from Article 123 of the Treaty on the Functioning of the European Union.

⁵ This follows from Article 124 of the Treaty on the Functioning of the European Union.

- euro banknote counterfeiting,
- the introduction of instant payments (Instant Credit Transfer, SCT Inst) to points of sale (POS),
- accounting and financial reporting of central banks of the ESCB,
- the effects of Brexit on the economic situation of the EU and the preparations for Brexit.

In 2018, NBP representatives participated in 318 visits to central banks and the ECB, and in 93 visits to other European institutions (in 2017, 328 and 126, respectively).

13.1.2 Collaboration with other EU bodies

In 2018, NBP representatives participated, directly or indirectly, in the activities of the following EU bodies:

- the Council of ECOFIN (informal meetings),
- the Economic and Financial Committee of the Council of the EU (EFC),
- working groups of the Council of the EU and the European Commission.

Moreover, as part of cooperation between NBP and the European Systemic Risk Board (ESRB), in 2018 NBP organized a meeting of the Board's working group called the Task Force on Central Counterparties (TFCCP).

13.2 Collaboration with international economic and financial institutions

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

In 2018, NBP experts participated in meetings of committees and working groups of the OECD and in the activities under two initiatives: the OECD International Network on Financial Education and the OECD Blockchain Policy Forum.

In 2018, NBP representatives took part in the recapitulation of the 15th Economic Survey of Poland. The principal subject of the survey was innovativeness.

13.2.2 The World Bank Group (WB)

As part of cooperation with the World Bank Group (WB), representatives of NBP participated in:

- the Spring and Annual Meetings of the Boards of Governors of the WB and the IMF,
- a meeting of the International Development Association (IDA) concerning the subject of funds,
- the work on the new strategy of cooperation between the World Bank Group and Poland, adopted by the Board of Governors of the WB in June 2018,

- a meeting of the member states of the constituency group in the IMF and the World Bank,⁶ which was held in July 2018 in Warsaw⁷ and organized by NBP and the Ministry of Finance.

13.2.3 The International Monetary Fund (IMF)

In 2018, NBP representatives cooperated with the IMF, including as part of:

- the Fund's mission to Poland pursuant to Article IV of the Agreement of the IMF,
- the Fund's mission in connection with the comprehensive review of the stability of the financial system in Poland (Financial Sector Assessment Programme, FSAP).

In cooperation with the Ministry of Finance, NBP representatives also took part in issuing opinions on documents assessed by the Executive Board of the IMF.⁸

In 2018, under the temporary increase of the IMF financial resources, Narodowy Bank Polski continued the following activities:

- standing ready to extend to the IMF an interest-bearing loan up to the amount corresponding to SDR 1.29 billion – as a member of New Arrangements to Borrow (NAB); NBP will remain a member of NAB until November 2022;
- acting as a signatory of the bilateral loan agreement with the IMF for the amount of EUR 6.27 billion; the agreement is effective until the end of 2019 and may be extended by one year, subject to NBP's approval.

The funds made available by NBP to the IMF both under NAB and the bilateral loan agreement will retain their status as official foreign reserves. So far, the IMF has not used the funds provided under the bilateral loan. Under NAB, as at the end of 2018 the IMF had used the amount corresponding to SDR 105.2 million.⁹

13.2.4 The European Bank for Reconstruction and Development (EBRD)

As part of NBP's cooperation with the EBRD in 2018, NBP representatives participated in issuing opinions concerning documents considered at the meetings of the EBRD Board of Directors and in the preparation of the EBRD *Strategy for Poland for 2018–2023*. The strategy was approved by the EBRD Board of Directors in April 2018. The objectives set out in the document are: strengthening competitiveness, promoting the green economy transition and enhancing stability thanks to the development and diversification of capital markets.

NBP representatives also participated in the 27th Annual Meeting of the EBRD Board of Governors.

⁶ Azerbaijan, Kazakhstan, Kyrgyzstan, Poland, Serbia, Switzerland, Tajikistan, Turkmenistan and Uzbekistan.

⁷ Poland hosted the meeting for the third time; the previous meetings were held in 2000 and 2005.

⁸ From 1 November 2016 to 31 October 2018, a representative of Poland (appointed by the Minister of Finance as a Governor of the Republic of Poland in the IMF) acted as a chairman of the IMF constituency of which Poland is a member. The chairmanship is held on a rotation basis and on 1 November 2018 it returned to a representative of Switzerland.

⁹ In 2011–2018 NBP granted loans to the IMF under NAB in the total amount of SDR 451.2 million and received the repayment of the loan in the total amount of SDR 346 million.

13.2.5 The Bank for International Settlements (BIS)

In 2018, NBP representatives participated in six Governors' meetings of BIS. In June 2018, the annual General Meeting of BIS Shareholders was held, which approved the BIS 88th Annual Report and the balance sheet of the Bank as at 31 March 2018. The profit and loss account posted a net profit of SDR 508.1 million, of which SDR 131.2 million was allocated for the payment of the dividend. Narodowy Bank Polski received a dividend amounting to SDR 1.88 million.

13.2.6 The International Bank for Economic Cooperation (IBEC) and the Asian Infrastructure Investment Bank (AIIB)

In 2018:

- representatives of NBP, together with representatives of the Ministry of Finance, participated in meetings of the IBEC Council and working meetings related to the current activities of the Bank,
- NBP continued cooperation with the Ministry of Finance involving issuing opinions on documents and formulating Poland's position concerning the activity of the Asian Infrastructure Investment Bank (AIIB).¹⁰

13.2.7 Other activities on the international arena

In 2018, NBP organised 19 international conferences (in 2017 – also 19), on its own or in cooperation with other central banks, EU bodies and domestic and international financial institutions (besides conferences discussed in other chapters of the Report), including:

- on 15 January 2018 – the presentation of the World Bank report entitled *Global Economic Prospects 2018. Broad-Based Upturn, but for How Long?*;
- on 8 February 2018 – presentation of the European Bank for Reconstruction and Development (EBRD) report entitled *Transition Report 2017–2018: Sustaining growth*;
- on 19 March 2018 – a conference organized by NBP and Bruegel¹¹ entitled *Exit from the unconventional monetary policies: Implications for the euro area and potential spill-overs for non-euro countries*;
- on 13 April 2018 – a conference co-organised with the European Investment Bank entitled *Investment and Investment Finance in Poland and the EU. Presentation of the EIB Investment Survey 2017*;
- on 7 September 2018 – a conference organised by NBP and the IMF entitled *China: Economic Situation and Policy Challenges*;
- on 13–15 September 2018 – a conference organised by NBP, the Official Monetary and Financial Institutions Forum (OMFIF) and Magyar Nemzeti Bank (MNB) entitled *Economic growth prospects in the 21st century for the CEE region*.

NBP employees also represented Narodowy Bank Polski at international conferences (in 2018 – 133 visits, in 2017 – 132 visits).

¹⁰ The NBP representative acts in the capacity of the Vice-Governor at the AIIB; the Minister of Finance acts in the capacity of the Governor.

¹¹ Bruegel – a think-tank specialising in economics.

In 2018, in the framework of the technical cooperation of Narodowy Bank Polski with central banks and institutions from countries in economic transition performing central bank tasks, NBP implemented a total of 102 projects with 283 participants from 31 institutions (in 2017, there were 63 projects with 327 participants from 27 institutions), including:

- 26 study visits and 62 expert visits,
- 5 seminars devoted to economic education, international cooperation, public procurement procedure, macroprudential stress testing (in cooperation with the National Bank of Switzerland) and internal auditing,
- 9 workshops related to structural modelling of the business cycle, modelling of monetary transmission on the emerging markets, the tasks and role of NBP regional branches, monetary policy tools, methods of real-time inflation forecasting, Bayesian econometrics, telecommunication security management, work environment diagnosis, and statistical analysis of time series data.

In 2018, NBP in the consortium with Deutsche Bundesbank and the Bank of Lithuania implemented the European Commission twinning project for the National Bank of the Republic of Belarus. As part of the project, NBP employees completed 45 expert missions to the National Bank of the Republic of Belarus.

Moreover, NBP employees took part in 100 visits to international institutions (in 2017 – 85).

Highlights of 2018:

- participation in the development of *The EBRD Strategy for Poland for 2018–2023* and the next version of *The Strategy for the Cooperation of the World Bank Group and Poland*,
- organisation of a meeting of the representatives of the IMF and World Bank constituency of which Poland is a member,
- participation in the preparation of a comprehensive review of the stability of the financial system in Poland (FSAP),
- involvement in activities related to the UK leaving the EU (Brexit),
- implementation of the twinning project for the National Bank of the Republic of Belarus.

Chapter 14

Internal development of NBP



Internal development of NBP

14.1 Human resources management

14.1.1 NBP head count

In 2018, the average head count at NBP amounted to 3,280 full-time posts (in 2017 – 3,281).

Expenses related to the remuneration of employees, along with the related social contributions in 2018 were 9.5% higher than in 2017 and, including provisions for future liabilities to employees, they went up by 11.7%.

The change in the NBP average head count in 2015–2018 is presented in Table 14.1.

Table 14.1. Change in the NBP average head count in 2015–2018

Specification	2015	2016	2017	2018	2018–2017
Total	3,387	3,296	3,281	3,280	-1
Head Office	1,926	1,934	1,949	1,950	1
Regional branches	1,461	1,362	1,332	1,330	-2

Source: NBP data.

14.1.2 Developing NBP staff qualifications

The purpose of the NBP training activity is to ensure competence and efficiency of the staff. In 2018, every employee participated, on average, in 3 training events (in 2017 – 2.5). The evaluation by NBP of the effectiveness of training sessions stayed at the level from the previous year and stood at 4.8 (on a scale from 1 to 5).

In 2018, training events within the European System of Central Banks were organised, the NBP Management Development Programme was continued, and measures to support new employee adaptation were undertaken. Internships for 23 students of Polish universities and 15 students of foreign universities were also organised (the prerequisite for participation in the internship is the preparation of a thesis in finance and banking).

14.2 Organisational changes

As of 1 July 2018, the Financial Innovation Department was established in Narodowy Bank Polski. Its area of competence covers analytical tasks devoted to new financial technologies

in Poland and globally related to the functioning of virtual currencies, services and products based on modern digital technologies, including the blockchain technology.¹

14.3 Operational risk management

In 2018, NBP monitored the level of operational risk to minimise the probability of the materialisation of events disrupting the implementation of tasks, resulting in financial losses, or deteriorating NBP's reputation. Current and future threats to the Bank were identified. The promotion of attitudes corresponding to standards described in the *Code of Ethics for NBP Employees* was also continued.

14.4 Investment activity

In 2018, expenditure on investment purchases of NBP amounted to PLN 78.0 million (PLN 93.3 million in 2017). The PLN 15.3 million decline was mainly a result of the fact that the bank incurred considerable expenditure in 2017 – for the refurbishment of the NBP Regional Branch in Kraków, the purchase of high performance banknote sorting machines, and their adaptation to NBP conditions.

The ICT investment in 2018 involved mainly the implementation of new or upgrading of used IT systems and applications, cyber security systems, purchase of computers, and modernisation of the network and server infrastructure. The most important construction investments included the modernisation of NBP regional branches, and training and recreational centres. Moreover specialised vehicles for the protection of transport of valuables were purchased and the programme of modernisation of technical security systems at NBP was continued.

14.5 IT support for the banking system and NBP

The most important activities in the IT area performed in 2018 at NBP included:

- initiating the TIPS service (TARGET Instant Payment Settlement) for the participants of the TARGET2-NBP systems (see also Chapter 7),
- implementation of an enhanced version of the Electronic Orders Systems (e-SEZ),
- enhancing the level of security of settlements in the NBP electronic banking system,
- upgrade and technological extension of IT systems in the following areas: monetary policy, own administrative activities, cash-and-issue activity, State Treasury service, accounting and statistics.

¹ Blockchain denotes information about transactions in the digital form composed of a sequence of data blocks linked by a cryptographic mechanism.

14.6 Internal audit

In 2018, 33 audits were conducted² (in 2017 – 36 audits). The audits covered in particular cash-and-issue activities, IT activity, activities for the financial system stability, management of foreign exchange reserves and the State Treasury service. The security of IT systems at NBP, management of operational risk, statistics, accounting and internal organisation were also audited.

The audit covered 21 departments of the NBP Head Office and 9 NBP regional branches. The audits resulted in instructions and recommendations aimed at removing irregularities, increasing the efficiency of operations and improving the organisational solutions applied.

14.7 Activity of NBP regional branches

Narodowy Bank Polski carries out its activity in the field through 16 regional branches located in each voivodeship city.

In 2018, the regional branches:

- participated in analytical research in the area of statistics and foreign exchange, including new surveys of enterprises and micro-enterprises, the real estate market and the labour market,
- organised 16 conferences addressed to local governments, academic and scientific communities and entrepreneurs, the subject of which included the economy, finance, money and banking, as well as the commemoration of the 100th anniversary of Poland regaining independence,
- within the framework of servicing the state budget, they participated in the introduction of statutory changes with regard to operating bank accounts and in offering new services to account holders (see also Chapter 8).

14.8 Safety and security

In 2018, activities aimed at ensuring and maintaining an adequate level of security at NBP were carried out, including:

- the expansion of the Security Operations Centre at NBP, in particular in the area of cyberthreat prevention,
- the continuation of a project leading to prevention of unauthorised disclosure of sensitive information processed in NBP ITC systems,
- an increase in the level of cryptographic security of NBP IT systems due to the introduction of the electronic time stamp service,
- new cash-in-transit vehicles.

² Including 2 tasks commissioned by the ESCB Internal Audit Committee.

Highlights in 2018:

- creation of the Financial Innovation Department,
- introduction of further improvements in the security of NBP IT systems.

Appendix 1

Economic developments abroad



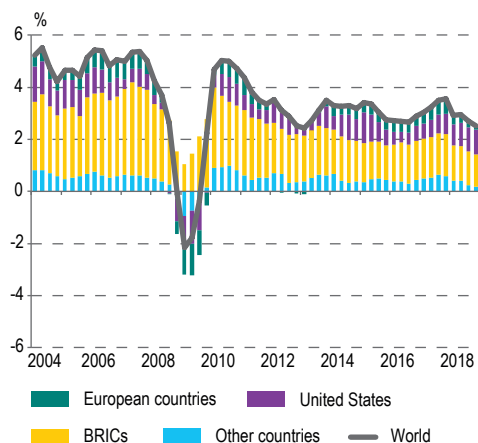
Economic developments abroad

In 2018, global economic conditions were favourable, although the pace of growth gradually slowed down, in particular in the euro area and some Asian countries (Figure A1.1, Figure A1.2). The good performance of the world economy was supported by rising consumer demand and – in many countries – investment activity. However, weaker global trade and subdued industrial output growth had a dampening effect on overall growth rate.

Following a sharp rise in 2017, GDP growth in the euro area declined in 2018. This was mainly due to a lower contribution of net exports to economic growth, which resulted from slower growth of foreign sales. Domestic demand, supported by a steady rise in employment and wages, as well as the ECB's continued expansionary monetary policy, remained a key driver of growth. At the same time, in Central and Eastern Europe, despite weaker growth in the euro area, GDP growth remained high, albeit lower than in 2017, with domestic demand acting as a main factor supporting activity.

In the United States, good economic conditions continued. Consumer demand still contributed the most to GDP growth, backed by favourable labour market conditions, rising corporate investment and a reduction in some taxes. Alongside that, activity growth in many emerging economies (such as Argentina, China, India, Turkey and South Africa) gradually declined over the course of 2018. In China, annual GDP growth slowed down to the lowest point since 1990.

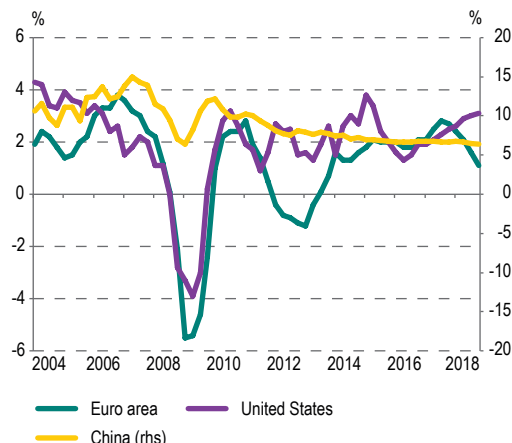
Figure A1.1 Annual global GDP growth in 2004–2018 by country groups



GDP-weighted average GDP growth in economies accounting for 80% of the global GDP (Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Korea, Mexico, Russia, Spain, Switzerland, Turkey, the United Kingdom and the United States).

Source: Bloomberg, Eurostat, IMF data, NBP calculations.

Figure A1.2 Annual GDP growth in selected economies in 2004–2018



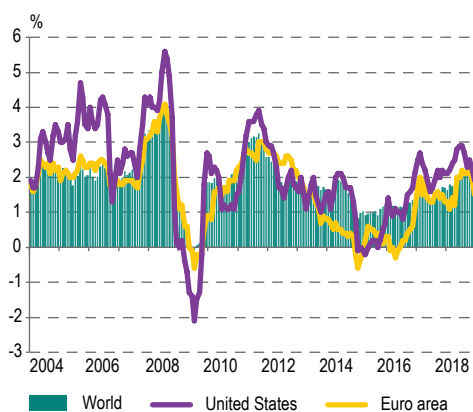
Source: Bloomberg data.

Throughout most of 2018, global inflation, notably in the immediate environment of the Polish economy, remained moderate while fluctuating, largely due to movements in global energy commodity prices (Figure A1.3, Figure A1.4). In the euro area, average price growth in 2018 was 1.8%, with core inflation remaining at moderate levels. In the United States, in turn, inflation continued to be higher than in many other advanced economies.

Amid favourable global economic conditions, demand for energy commodities remained strong in 2018, causing their global prices to rise throughout most of the year. This concerned in particular oil prices, which gained almost 30% between the beginning of 2018 and October of that year. Besides good performance of the global economy, growing oil prices also reflected tense political situation in the Middle East and the reduction in the output of this commodity by some oil exporting countries (the so-called OPEC+). Yet in the final months of 2018, global oil prices dropped off markedly, due to the increase in global stocks of this commodity as a result of its expanding output in the United States, coupled with concerns about the slowing global economic growth and the temporary exemptions of several countries from the US sanctions on oil imports from Iran. Following the decline in oil prices, prices of many other energy commodities, such as natural gas and coal, also declined.

At the same time, prices of most agricultural products followed an upward path due to rising production costs and drought experienced by many countries.

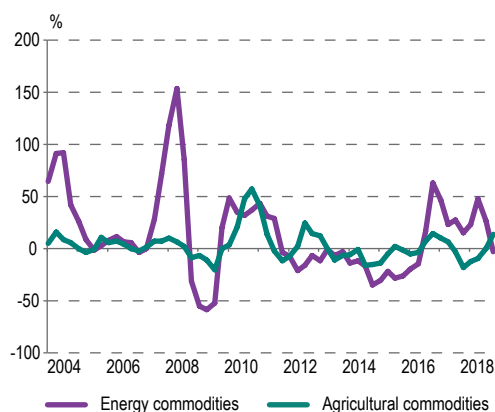
Figure A1.3 Annual consumer price growth globally (y/y) and in selected economies in 2004–2018



World – GDP-weighted average annual consumer price inflation in the economies accounting for 80% of the global GDP. United States – annual CPI inflation. Euro area – annual HICP inflation.

Source: Bloomberg data, NBP calculations.

Figure A1.4 Annual growth in energy and agricultural commodity prices in USD in 2004–2018



The agricultural commodity price index comprises the prices of wheat, colza, pork, potatoes, sugar, cocoa, coffee, skimmed powdered milk, butter and condensed frozen orange juice. The system of weights reflects the consumption structure of Polish households. The energy commodity price index included the prices of coal, oil and gas. The system of weights reflects the structure of primary energy carrier consumption in the Polish economy.

Source: Bloomberg data, NBP calculations.

Monetary policy in the immediate environment of the Polish economy remained expansionary in 2018. The European Central Bank kept interest rates close to zero, including the deposit rate below zero. Moreover, in the first half of 2018 it signalled that it would maintain interest rates unchanged for an extended period, and in June 2018 it announced that interest rates would not be changed at least through the summer of 2019.¹ In 2018, the ECB also continued its programme of financial asset purchases, albeit on a smaller scale than in previous years, and in December 2018, it terminated net asset purchases under this programme. The ECB announced that it would reinvest all of the principal payments resulting from the purchase of securities for an extended period following the launch of any interest rate rise.

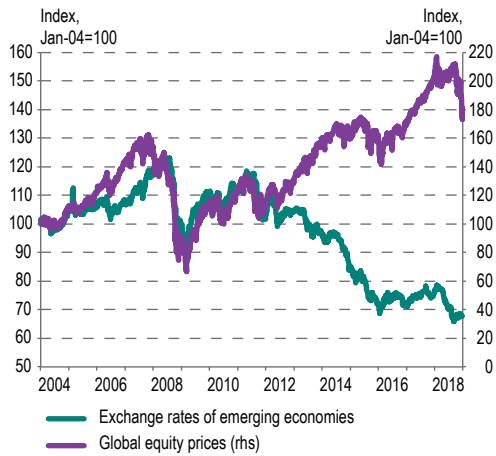
In the United States, in turn, the Fed continued to gradually tighten monetary policy. In 2018, it raised the interest rate band on four occasions (by 0.25 percentage points each time) – to 2.25–2.50%. Moreover, the Fed gradually reduced the size of its balance sheet by limiting the reinvestment of assets purchased under the previously implemented quantitative easing programmes.

In 2018, sentiment in the global financial markets deteriorated (Figure A1.5 and A1.6). Changes in the trade policy of major countries, the political situation and fiscal policy outlook in Italy and the negotiations concerning the UK's exit from the European Union, all added to global uncertainty levels. Confidence in the global markets was also undermined by the tightening of monetary policy by the Fed, and in the second half of the year, the deteriorating current and expected global economic performance. In these conditions, equity prices in advanced economies declined in 2018. Against the background of the Fed's tighter monetary policy, yields on US bonds increased. In contrast, yields narrowed in the largest euro area countries, except for Italy, due to the rising expectations that the ECB's monetary policy would remain expansionary.

The confidence slump in the global financial markets was also reflected in declining stock prices, rising bond yields and a depreciation of currencies of many emerging market economies outside Europe (including, in particular Argentina and Turkey).

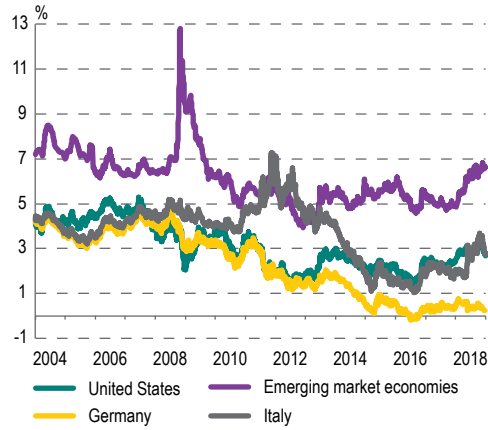
¹ In March 2019, the ECB announced a likely absence of changes to its interest rates at least through the end of 2019.

Figure A1.5 Index of global equity prices and exchange rates of emerging market economies in 2004–2018



The world stock market – MSCI (Morgan Stanley Capital International) World Index. Emerging market economies exchange rates – JP Morgan Emerging Market Currency Index. Rise indicates appreciation.
Source: Bloomberg and IMF data, NBP calculations.

Figure A1.6 Yields on 10-year Treasury bonds in selected economies in 2004–2018



Source: Bloomberg data, NBP calculations.

Appendix 2

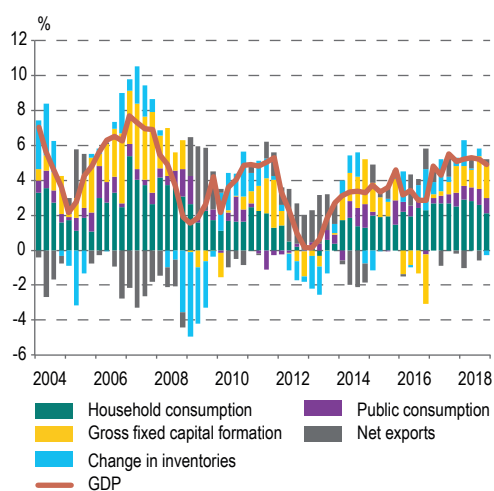
Gross domestic product



Gross domestic product

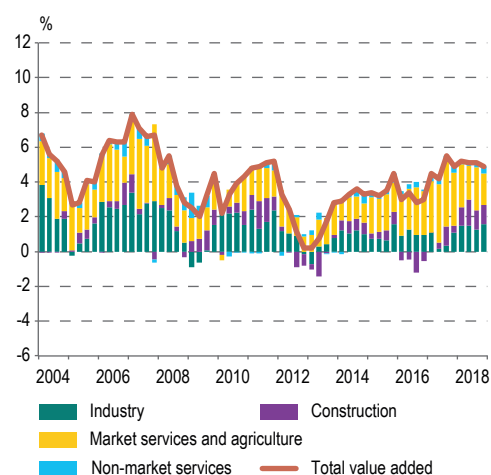
In 2018, real GDP growth amounted to 5.1% (against 4.9% in 2017; Figure A2.1, Table A2.1). Activity growth was mainly driven by rising consumer demand, with substantial contribution also from investment. This was accompanied by export growth, which, however, was slower than in 2017. At the same time, imports continued to increase, albeit also more slowly than in 2017. The contribution of net exports to GDP growth was marginally negative.

Figure A2.1 Annual GDP growth and its components in 2004–2018



Source: GUS data.

Figure A2.2 Annual value added growth and its components in 2004–2018



Market services and agriculture cover categories A and G–N of PKD classification (Polish equivalent of NACE): agriculture, trade, transportation, accommodation and catering, information and communication, financial and insurance activity, real estate activities, professional, scientific and technical activities, administrative and support service activities.

Non-market services comprise categories O, P and Q of PKD classification: public administration and defence, compulsory social security, education, human health and social work activities.

Source: GUS data, NBP calculations.

Household consumption growth remained high in 2018 and amounted to 4.5% (against 4.5% as well in 2017). Consumption growth was boosted by rising wages and employment, very strong consumer sentiment and increasing consumer loans.

In 2018, growth of gross fixed capital formation picked up markedly (to 8.7% y/y against 4.0% in 2017). Investment recovery was to a large extent the result of an increase in public sector investment, especially that of local government units, including projects co-financed by EU funds. Corporate investment also rose substantially, particularly in the second half of 2018. This was supported by favourable demand outlook, very good economic conditions and high capacity utilisation. Housing investment growth was also robust, driven by solid

demand for dwellings, partly reflecting very strong position of employees in the labour market and upbeat households' confidence.

Exports rose substantially in 2018, although their growth slowed down (to 6.3% from 9.5% in 2017) due to weaker global trade growth and slower euro area GDP growth. Import growth also decelerated (posting 7.1% as against 9.8% in 2017), however, it was higher than export growth. In effect, the contribution of net trade to GDP growth was marginally negative.

Table A2.1 GDP and its components in 2010–2018

	Current prices (PLN billion)	per cent of GDP	Annual growth rate at the previous year prices (in per cent)													
			2018	2010	2011	2012	2013	2014	2015	2016	2017	2018	2018			
													Q1	Q2	Q3	Q4
GDP	2 115.7	100.0	3.6	5.0	1.6	1.4	3.3	3.8	3.1	4.9	5.1	5.2	5.3	5.2	4.9	
Domestic demand	2 043.3	96.6	4.2	4.2	-0.5	-0.6	4.8	3.3	2.3	4.9	5.5	6.6	4.9	6.1	4.8	
Consumption	1 606.3	75.9	2.8	2.0	0.5	0.8	2.8	2.8	3.5	4.1	4.5	4.5	4.6	4.5	4.3	
Household consumption	1 216.4	57.5	2.6	3.3	0.8	0.3	2.6	3.0	3.9	4.5	4.5	4.6	4.8	4.4	4.2	
Capital formation	437.0	20.7	9.4	12.8	-3.9	-5.8	12.8	4.9	-2.0	7.9	9.6	19.1	5.9	12.4	6.1	
Gross fixed capital formation	384.7	18.2	0.0	8.8	-1.8	-1.1	10.0	6.1	-8.2	4.0	8.7	9.6	6.0	11.3	8.2	
Exports	1 170.2	55.3	13.1	7.9	4.6	6.1	6.7	7.7	8.8	9.5	6.3	3.8	8.1	5.3	7.9	
Imports	1 097.8	51.9	14.3	5.8	-0.3	1.7	10.0	6.6	7.6	9.8	7.1	6.1	7.6	7.0	7.8	
Value added	1 851.7	87.5	3.5	5.0	1.7	1.5	3.3	3.7	3.0	4.8	5.1	5.2	5.1	5.1	4.9	
Industry	474.7	22.4	8.4	7.9	2.8	0.9	4.5	3.8	3.9	2.5	5.6	5.4	6.3	5.3	5.6	
Construction	148.1	7.0	4.9	13.5	-4.0	-5.0	9.0	6.4	-8.5	6.8	17.1	24.7	21.0	14.0	13.6	
Market services and agriculture	970.2	45.9	1.9	3.4	2.6	2.9	2.3	3.7	4.9	6.3	4.1	4.7	3.5	4.5	3.7	
Non-market services	258.7	12.2	-0.3	1.1	0.1	0.9	1.7	2.0	1.3	2.4	1.8	1.2	1.1	1.8	2.8	
Contribution to annual GDP growth at the previous year prices (in percentage points)																
Domestic demand	-	-	4.2	4.3	-0.5	-0.6	4.6	3.2	2.3	4.6	5.3	6.2	4.7	5.8	4.6	
Consumption	-	-	2.3	1.6	0.4	0.6	2.2	2.2	2.7	3.1	3.4	3.6	3.6	3.5	3.0	
Household consumption	-	-	1.6	2.0	0.5	0.2	1.5	1.8	2.3	2.6	2.6	2.9	2.8	2.6	2.1	
Capital formation	-	-	1.9	2.7	-0.9	-1.2	2.4	1.0	-0.4	1.5	1.9	2.6	1.1	2.3	1.6	
Gross fixed capital formation	-	-	0.0	1.8	-0.4	-0.2	1.9	1.2	-1.6	0.7	1.5	1.1	1.0	1.9	1.9	
Net exports	-	-	-0.6	0.7	2.1	2.0	-1.4	0.6	0.8	0.3	-0.2	-1.0	0.6	-0.6	0.3	
Contribution to annual value added growth at the previous year prices (in percentage points)																
Industry	-	-	2.1	2.0	0.7	0.2	1.1	1.0	1.0	0.7	1.5	1.5	1.5	1.3	1.6	
Construction	-	-	0.4	1.1	-0.3	-0.4	0.7	0.5	-0.7	0.5	1.2	1.1	1.5	1.1	1.1	
Market services and agriculture	-	-	1.0	1.7	1.3	1.5	1.2	1.9	2.5	3.3	2.2	2.4	2.0	2.5	1.8	
Non-market services	-	-	0.0	0.2	0.0	0.1	0.3	0.3	0.2	0.3	0.2	0.2	0.1	0.2	0.4	

Market services and agriculture cover categories A and G–N of PKD classification (Polish equivalent of NACE): agriculture, trade, transportation, accommodation and catering, information and communication, financial and insurance activity, real estate activities, professional, scientific and technical activities, administrative and support service activities.

Non-market services comprise categories O, P and Q of PKD classification: public administration and defence, compulsory social security, education, human health and social work activities. Contributions to GDP growth and value added growth may not add up to overall GDP growth and value added growth due to rounding.

Source: GUS data, NBP calculations.

Sectoral decomposition of value added growth shows that in 2018, as in the previous year, economic activity growth spanned across all the sectors (Figure A2.2). Services made the largest contribution to economic growth, although value added growth in this sector decreased after a sharp rise in 2017. At the same time, business conditions in industry remained strong. Value added growth in construction picked up substantially, which resulted above all from fast increasing output in infrastructure construction.

Appendix 3

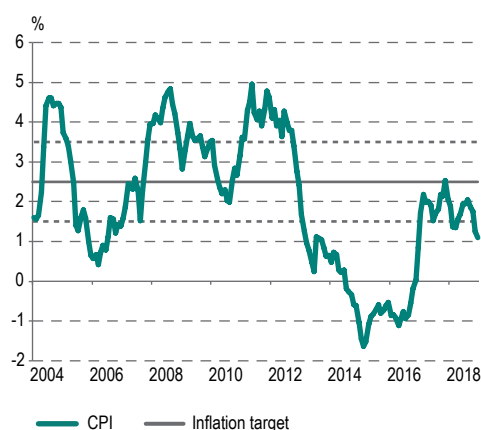
Consumer prices



Consumer prices

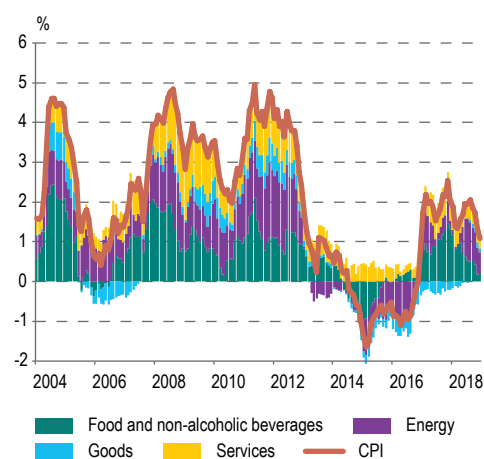
The annual average growth of consumer prices amounted to 1.6% in 2018 (against 2.0% in 2017), remaining within the band for deviations from the inflation target (2.5% plus/minus 1 percentage point, Figure A3.1).

Figure A3.1 Annual growth in CPI and the inflation target in 2004–2018



Source: GUS data.

Figure A3.2 Annual consumer price growth and its components in 2004–2018



Source: GUS data, NBP calculations.

Due to the stabilisation of the domestic demand pressure and moderate price growth abroad, core inflation remained low in 2018, and its contribution to CPI growth did not change compared to 2017 (Table A3.1). At the same time, the decline in CPI from the previous year's level was driven by a fall in food price growth, amid slightly higher growth of energy prices than in 2017 (Figure A3.2).

In each subsequent month of 2018 food price growth diminished steadily, with the yearly average turning out to be markedly lower than in 2017 (Figure A3.3). Slower food price growth primarily reflected a decline in the growth of meat and fruit prices caused by increased supply of these products. To a lesser extent, it resulted from weaker growth in the prices of fats and a fall in sugar prices. The opposite effect on food price growth stemmed from rising bread prices amid higher production costs, and vegetable prices, which accelerated due to the drought experienced by many countries in 2018.

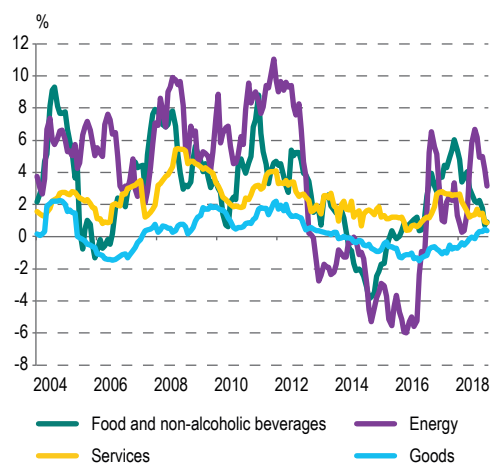
Energy price growth, in contrast, picked up only slightly in 2018. This was related to higher annual growth in the prices of oil and natural gas. Coal prices were also seen to rise, although more slowly than in the previous year. Following the changes in the prices of those commodities, energy price growth rose from the beginning of 2018 until July, after which it started to gradually decline on the back of a fall in energy commodity prices.

Core inflation¹ stabilised at a low level in 2018, under the combined impact of weaker service price growth and steeper growth in prices of goods (Figure A3.4). The substantial decline

¹ CPI net food and energy prices.

in service price growth resulted primarily from a drop in the prices of telecommunication services² and insurance. In contrast, growth in prices of goods increased and in the second half of 2018 turned positive for the first time in several years.

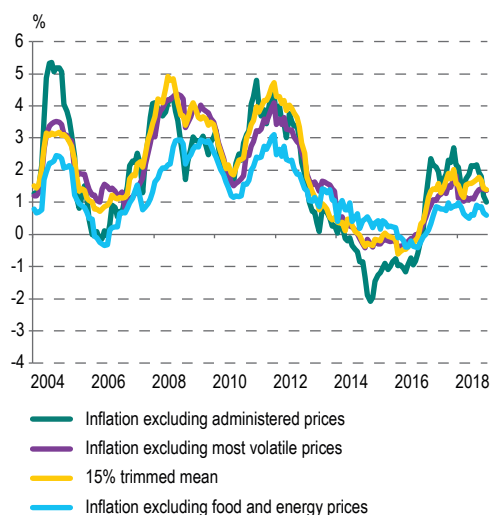
Figure A3.3 Annual growth in the prices of food and non-alcoholic beverages, energy, goods and services in 2004–2018



The category of Energy comprises energy carriers (electricity, gas and heating fuel), as well as engine fuels (for private means of transport). The category of Goods comprises other goods (excluded from categories Food and non-alcoholic beverages and Energy).

Source: GUS data, NBP calculations.

Figure A3.4 Core inflation indices in 2004–2018 (y/y)



Source: GUS data, NBP calculations.

² Including effects of price promotions in the area of mobile telephony, internet and TV services.

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

	Weights in 2018, per cent	Change (y/y, per cent)												2018, average	2017, average
		2018													
		I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII		
CPI	100.0	1.9	1.4	1.3	1.6	1.7	2.0	2.0	2.0	1.9	1.8	1.3	1.1	1.6	2.0
Core inflation	59.4	1.0	0.8	0.7	0.6	0.5	0.6	0.6	0.9	0.8	0.9	0.7	0.6	0.7	0.7
Goods	30.5	-0.6	-0.4	-0.5	-0.3	-0.1	0.0	-0.1	0.2	0.3	0.3	0.5	0.4	0.0	-0.8
Services	28.9	2.7	2.1	1.9	1.6	1.2	1.3	1.4	1.7	1.4	1.5	0.9	0.9	1.5	2.4
Food and non-alcoholic beverages	24.4	4.8	3.4	3.7	4.1	3.0	2.7	2.2	2.1	2.3	1.8	0.7	0.9	2.6	4.2
Processed	13.3	4.7	4.0	3.7	4.1	3.5	3.5	3.2	2.6	2.5	2.3	1.2	1.2	3.0	3.9
Milk, cheeses and eggs	3.2	10.3	8.7	7.9	7.9	7.2	6.7	6.2	5.5	4.9	3.8	-1.1	-2.1	5.4	5.9
Oils and fats	1.1	14.3	11.3	10.7	13.3	11.1	12.7	10.0	5.1	1.7	-0.3	-1.8	-1.5	6.8	16.0
Unprocessed	11.1	4.9	2.6	3.7	3.9	2.4	1.6	1.0	1.4	2.0	1.1	0.1	0.5	2.1	4.7
Meat	6.2	4.3	3.7	3.9	3.0	1.5	1.6	0.8	0.7	1.2	0.8	0.0	-0.4	1.7	4.8
Vegetables	2.5	2.7	-4.9	-0.2	2.3	4.1	2.5	4.8	8.6	10.2	10.0	9.4	10.1	4.7	2.9
Fruit	1.6	12.6	12.6	10.9	11.5	3.8	0.4	-3.8	-5.3	-5.9	-11.0	-14.3	-12.0	-0.1	8.0
Energy	16.2	0.8	0.3	0.4	1.5	4.1	5.8	6.7	6.2	4.9	5.0	4.2	3.2	3.6	3.2
Energy carriers	11.1	1.7	1.8	1.7	1.6	1.7	1.8	1.8	2.1	1.8	1.4	1.2	1.1	1.6	1.6
Fuels	5.1	-1.0	-2.8	-2.3	1.4	9.2	15.2	18.0	15.3	12.0	12.8	10.6	7.6	7.8	7.2
According to COICOP															
Food and non-alcoholic beverages	24.4	4.8	3.4	3.7	4.1	3.0	2.6	2.2	2.1	2.3	1.8	0.7	0.9	2.6	4.2
Alcoholic beverages and tobacco products	6.2	1.2	1.0	0.9	1.7	1.6	1.8	1.8	1.8	1.6	1.5	1.7	1.4	1.5	1.0
Clothing and footwear	5.4	-4.5	-4.2	-3.7	-3.8	-3.8	-4.2	-4.2	-3.4	-3.3	-2.9	-2.7	-2.7	-3.6	-5.2
Home maintenance and energy carriers	20.4	2.1	2.1	2.0	2.0	2.0	2.1	2.2	2.4	2.2	2.0	1.9	1.9	2.1	1.9
Home equipment and household maintenance	5.3	0.3	0.5	0.0	0.5	0.4	0.5	0.7	0.9	1.1	0.9	1.2	1.1	0.7	0.3
Health	5.7	1.8	1.9	1.4	1.4	2.4	2.2	1.7	1.8	2.1	2.1	2.9	2.9	2.0	1.2
Transportation	8.7	-1.2	-2.0	-1.9	-0.1	4.8	8.6	10.1	8.5	7.0	7.5	6.1	4.0	4.2	3.8
Telecommunications	4.9	2.0	0.6	0.6	0.1	-1.9	-1.6	-1.7	-0.9	-3.6	-3.6	-5.9	-6.1	-1.8	0.7
Recreation and culture	6.9	2.5	1.5	1.0	0.9	1.0	0.7	1.2	1.6	1.8	1.9	0.7	0.9	1.3	1.4
Education	1.0	2.1	2.1	2.2	2.1	2.2	2.2	2.2	2.2	2.6	2.8	3.0	3.0	2.4	1.2
Restaurants and hotels	5.7	3.0	3.0	2.9	2.8	2.9	2.9	2.9	2.9	3.0	3.1	3.1	3.1	3.0	2.2
Other goods and services	5.6	-0.2	0.1	-0.4	-0.7	-1.2	-0.9	-1.6	-0.6	-0.2	-0.2	0.0	-0.1	-0.5	2.2

	Weights in 2018, per cent	Contribution to CPI growth (in percentage points)												2018, average	2017, average
		2018													
		I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII		
CPI	100.0	1.9	1.4	1.3	1.6	1.7	2.0	2.0	2.0	1.9	1.8	1.3	1.1	1.6	2.0
Core inflation	59.4	0.6	0.5	0.4	0.3	0.3	0.4	0.4	0.5	0.5	0.5	0.4	0.4	0.4	0.4
Goods	30.5	-0.2	-0.1	-0.2	-0.1	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.0	-0.2
Services	28.9	0.8	0.6	0.5	0.4	0.3	0.4	0.4	0.5	0.4	0.4	0.3	0.2	0.4	0.7
Food and non-alcoholic beverages	24.4	1.2	0.8	0.9	1.0	0.7	0.6	0.5	0.5	0.6	0.4	0.2	0.2	0.6	1.0
Processed	13.3	0.6	0.5	0.5	0.5	0.5	0.5	0.4	0.4	0.3	0.3	0.2	0.2	0.4	0.5
Milk, cheeses and eggs	3.2	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.0	-0.1	0.2	0.2
Oils and fats	1.1	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.1	0.2
Unprocessed	11.1	0.5	0.3	0.4	0.4	0.3	0.2	0.1	0.2	0.2	0.1	0.0	0.1	0.2	0.5
Meat	6.2	0.3	0.2	0.2	0.2	0.1	0.1	0.1	0.0	0.1	0.0	0.0	0.0	0.1	0.3
Vegetables	2.5	0.1	-0.1	0.0	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.3	0.1	0.1
Fruit	1.6	0.2	0.2	0.2	0.2	0.1	0.0	-0.1	-0.1	-0.1	-0.2	-0.2	-0.2	0.0	0.1
Energy	16.2	0.1	0.0	0.1	0.2	0.7	0.9	1.1	1.0	0.8	0.8	0.7	0.5	0.6	0.5
Energy carriers	11.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.2	0.2
Fuels	5.1	-0.1	-0.1	-0.1	0.1	0.5	0.7	0.9	0.7	0.6	0.6	0.5	0.4	0.4	0.3
According to COICOP															
Food and non-alcoholic beverages	24.4	1.2	0.8	0.9	1.0	0.7	0.6	0.5	0.5	0.6	0.4	0.2	0.2	0.6	1.0
Alcoholic beverages and tobacco products	6.2	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	0.1
Clothing and footwear	5.4	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.1	-0.1	-0.2	-0.3
Home maintenance and energy	20.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.5	0.5	0.4	0.4	0.4	0.4	0.4
Home equipment and household maintenance	5.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.1	0.1	0.0	0.0
Health	5.7	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.1	0.1
Transportation	8.7	-0.1	-0.2	-0.2	0.0	0.4	0.7	0.9	0.7	0.6	0.6	0.5	0.3	0.4	0.3
Telecommunications	4.9	0.1	0.0	0.0	0.0	-0.1	-0.1	-0.1	0.0	-0.2	-0.2	-0.3	-0.3	-0.1	0.0
Recreation and culture	6.9	0.2	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1
Education	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Restaurants and hotels	5.7	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1
Other goods and services	5.6	0.0	0.0	0.0	0.0	-0.1	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.1

The core inflation quoted in the table is the CPI inflation excluding prices of food and energy.

Source: GUS data, NBP calculations.

Appendix 4

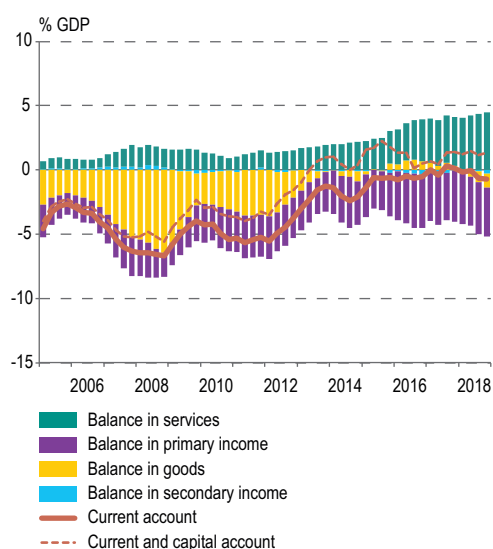
Balance of payments



Balance of payments

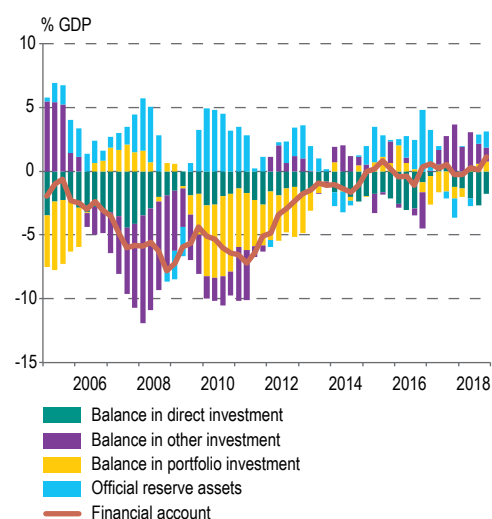
External imbalance indicators in 2018 confirmed that the Polish economy was well balanced. In 2018, the current account deficit in relation to GDP was low and stood at 0.7% (against a surplus of 0.2% of GDP the year before; Figure A4.1). The deterioration in this balance on its 2017 level reflected, above all, a decline in the balance of trade in goods. At the same time, the combined current and capital account balance remained positive, while foreign debt decreased.

Figure A4.1 Current and capital account balance and its decomposition (4-quarter rolling window) in 2005–2018



Source: NBP and GUS data.

Figure A4.2 Financial account balance and its decomposition (4-quarter rolling window) in 2005–2018



Source: NBP and GUS data.

The decline in the balance of trade in goods in 2018 resulted from slower growth in the value of exports amid deteriorating economic conditions across Poland's main trading partners. Growth in the value of imports decelerated, too. Yet owing to consistently strong domestic demand growth and a rise in commodity prices, import growth exceeded that of exports, which negatively affected the balance of trade in goods. At the same time, the surplus in trade in services was large and growing, whereas the primary income balance remained significantly negative due to consistently high income of foreign direct investors.

Despite the decline in the current account balance, the combined current and capital account balance was positive (amounting to 1.3% of GDP) and close to the level seen in 2017. The reason behind this was an inflow of EU funds in 2018, especially under the European Regional Development Fund and Cohesion Fund, which led to a wider surplus on the capital account.

Alongside that, Poland's foreign debt in relation to GDP declined and net international investment position in relation to GDP improved in comparison with 2017 (Table A4.2).

Table A4.1 Balance of payments in 2010–2018 (PLN million)

Balance of payments	2010	2011	2012	2013	2014	2015	2016	2017	2018
Current account	-77,770	-81,497	-60,477	-21,039	-35,656	-10,229	-9,689	3,176	-14,945
Balance of trade in goods	-43,677	-54,790	-34,128	-1,345	-13,634	9,326	12,834	6,100	-22,068
Balance of services	13,174	21,073	25,145	32,070	37,922	45,610	60,942	76,389	94,530
Balance of primary income	-47,108	-50,914	-50,874	-50,016	-58,369	-61,535	-77,367	-78,778	-81,211
Balance of secondary income	-159	3,134	-620	-1,748	-1,575	-3,630	-6,098	-535	-6,196
Capital account	25,705	30,618	35,711	37,857	41,990	42,510	19,536	25,015	43,326
Financial account	-92,928	-80,227	-37,276	-18,676	-19,557	2,296	6,000	-4,991	23,627
Direct investment balance	-25,864	-40,631	-19,692	-13,311	-40,728	-38,666	-16,594	-24,044	-37,810
Portfolio investment balance	-87,618	-50,222	-64,060	-398	7,639	11,865	-14,712	-18,348	15,815
Other investment balance	-27,353	-7,882	18,847	-5,781	11,654	29,644	-52,724	72,469	23,632
Derivative financial instruments	1,789	525	-8,942	-2,200	-62	-3,663	762	-4,516	-4,572
Official reserve assets	46,118	17,983	36,571	3,014	1,940	3,116	89,268	-30,552	26,562
Balance of errors and omissions	-40,863	-29,348	-12,510	-35,494	-25,891	-29,985	-3,847	-33,182	-6,963

Source: NBP data.

In 2018, the financial account recorded a surplus of PLN 23.6 billion (i.e. 1.1% of GDP as against -0.3% GDP in 2017; Figure A4.2). The most significant changes on the previous year were observed in the balance of official reserve assets and in other investment balance (Table A4.1).¹ Lower involvement of foreign investors in the form of portfolio investment in the debt securities market also boosted the financial account balance. In turn, the deficit on the direct investment account increased as a result of a decline in Polish residents' assets abroad.

Table A4.2 Selected external stability indicators in 2010–2018

	2010	2011	2012	2013	2014	2015	2016	2017	2018
Current account balance / GDP (%)	-5.4	-5.2	-3.7	-1.3	-2.1	-0.6	-0.5	0.2	-0.7
Current and capital account balance / GDP (%)	-3.6	-3.2	-1.5	1.0	0.4	1.8	0.5	1.4	1.3
Balance of trade in goods and services / GDP (%)	-2.1	-2.2	-0.6	1.9	1.4	3.1	4.0	4.1	3.4
Official reserve assets in terms of monthly imports of goods and services	5.5	5.7	5.5	5.2	5.3	5.3	6.4	4.7	4.9
Foreign debt / GDP (%)	65.5	70.7	70.2	69.8	72.7	71.8	76.4	66.9	63.8
Net international investment position / GDP (%)	-65.1	-62.4	-65.3	-68.9	-69.1	-62.1	-61.6	-61.0	-55.7

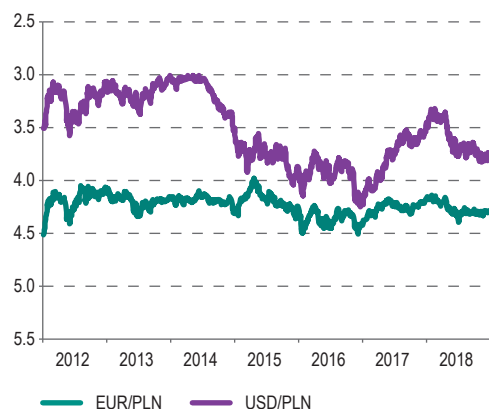
Source: NBP and GUS data, NBP calculations.

Despite temporary fluctuations, the average annual exchange rate of the zloty did not change substantially in comparison with the previous year. In average annual terms, the nominal effective exchange rate was 2.2% stronger than in 2017. A temporary depreciation occurred in the first half of 2018, resulting from a deterioration of sentiment in global financial markets, primarily related to the changes in trade policy of major countries, and the Fed's decision to raise interest rates (see also Appendix 1 *Economic developments abroad*). In the second half

¹ The change in the balance of transactions in other investment was primarily related to the repo and reverse repo transactions of NBP, which entailed a rise in the official reserve assets.

of 2018, the nominal effective exchange rate of the zloty, as well as the zloty exchange rates against the US dollar and the euro remained stable (Figure A4.3 and A4.4).

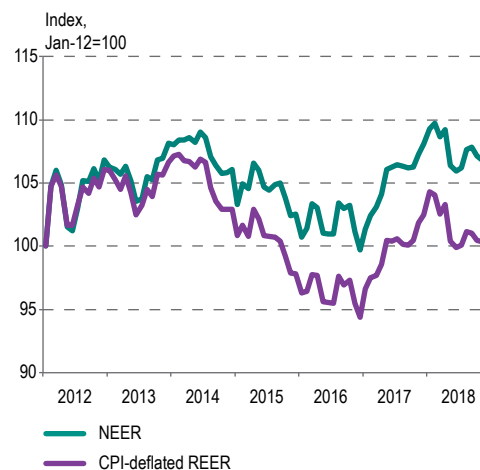
Figure A4.3 Nominal effective zloty exchange rate against euro and US dollar in 2012–2018



Values on the vertical axis are in a reverse order, so an increase denotes appreciation of the zloty.

Source: NBP data.

Figure A4.4 Real and nominal effective exchange rate in 2012–2018



NEER – nominal effective exchange rate; REER – real effective exchange rate. Increase denotes appreciation of the zloty.

Source: BIS data.

Appendix 5

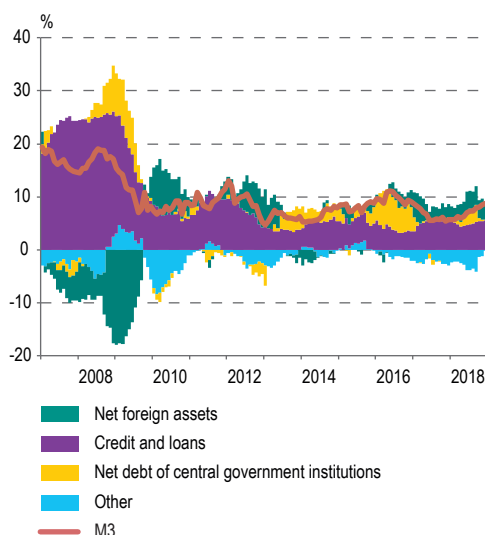
Money and credit



Money and credit

In 2018, growth of the M3 aggregate picked up slightly and averaged 7.1% y/y against 6.5% y/y in 2017 (Figure A5.1).¹ The main source of M3 creation continued to be loans to the non-financial sector, which grew somewhat faster than in the previous year (5.9% y/y in 2018 compared to 5.4% y/y in 2017; Figure A5.2), albeit close to nominal GDP growth (6.4%). As a result, the ratio of outstanding loan portfolio of non-financial sector to GDP remained stable and stood at 51.5% at the end of 2018. M3 growth was also driven by a rise in net foreign assets (by 18.6% y/y in 2018 against 20.1% y/y in 2017).

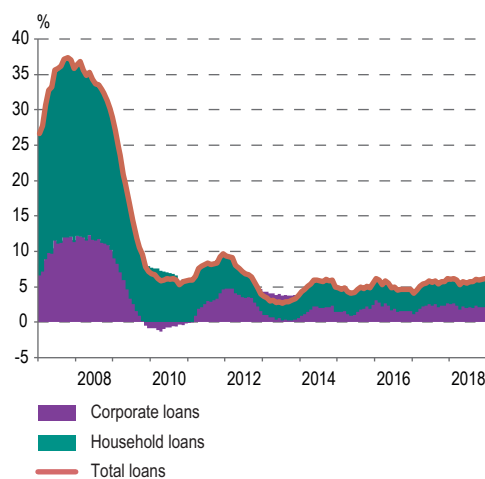
Figure A5.1 Annual growth of M3 aggregate and its main components in 2007–2018



The category Other covers: (i) receivables of monetary financial institutions arising from debt and equity securities; (ii) fixed assets (excluding financial assets); and (iii) financial liabilities with agreed maturity of over two years, which are not included in the M3 aggregate and for this reason – in order to ensure comparability – are included in the statistics of the main components of money creation with a minus sign.

Source: NBP data.

Figure A5.2 Annual growth of loans to the non-financial sector and its main components in 2007–2018



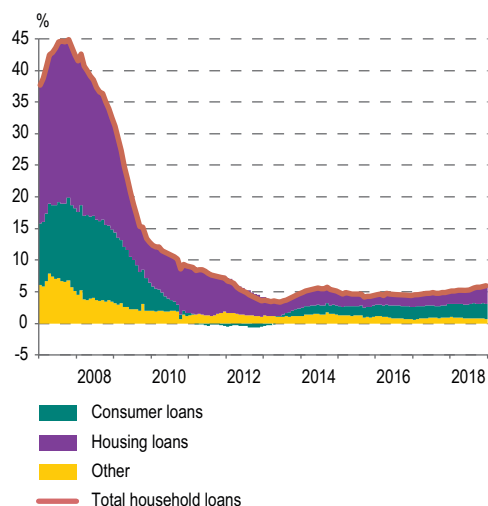
Besides loans to enterprises and households, the series Total loans comprises loans to non-profit institutions serving households. Due to its insignificant impact on total lending growth, it was not marked separately in the chart.

Source: NBP data.

Loans to households were the major source of growth in lending to the non-financial sector in 2018, increasing by 5.5% y/y (4.7% y/y in 2017; Figure A5.3). This involved growth in both consumer loans (to 9.0% y/y from 8.2% y/y in 2017) and housing loans (to 4.1% y/y from 3.3% y/y in 2017).

¹ The data presented in the Appendix are transaction data.

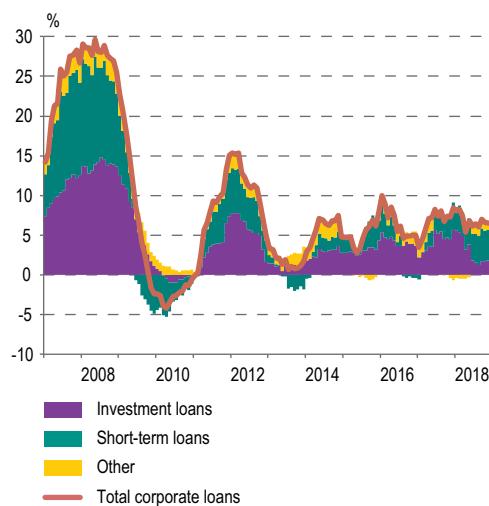
Figure A5.3 Annual growth of household loans and its main components in 2007–2018



The category Other covers operating and investment loans to small enterprises.

Source: NBP data.

Figure A5.4 Annual growth of corporate loans and its main components in 2007–2018



The category Other covers i.a. loans for the purchase of securities.

Source: NBP data.

Growth in loans to non-financial enterprises, in turn, remained stable at 6.8% in 2018 (Figure A5.4). Within that, growth in short-term loans accelerated significantly, while growth in investment loans declined, despite corporate investment rising much faster than in 2017 which was accompanied by an increase in financing investment with own fund.²

Lending growth stimulated an increase in deposits, mainly current deposits (which grew by 11.7% y/y against 15.0% y/y in 2017). At the same time, the value of deposits with agreed maturity up to 2 years declined slightly (by 1.5% y/y), although the fall was smaller than in 2017 (5.7% y/y in 2017). In these conditions, the amount of cash in circulation continued to increase (by 9.0% y/y against 9.4% y/y in 2017).

² NBP Quick Monitoring Survey. Economic climate in the enterprise sector, No. 01/19, NBP, January 2019.

Appendix 6

The list of open-to-public academic seminars and selected publications of NBP



The list of open-to-public academic seminars and selected publications of NBP

In 2018, 21 open-to-public academic seminars were held at NBP (the title of the seminar is followed by the name(s) and affiliation of the speaker(s)):

- *Jak daleko sięga polityka pieniężna? Wyniki z czynnikowych modeli wektorowej autoregresji dla Polski*, Mariusz Kapuściński – Narodowy Bank Polski; Warsaw School of Economics.
- *Prognozowanie kursów walutowych w Excelu*, Michał Rubaszek – Narodowy Bank Polski; Warsaw School of Economics.
- *Wpływ zmian w perspektywach zatrudnienia na wartość mnożnika wydatków rządowych*, Paweł Kopiec – Narodowy Bank Polski.
- *The Bond between Positive and Normative Economics*, Daniel M. Hausman – University of Wisconsin-Madison.
- *Interest Premium and Economic Growth: the Case of CEE*, István Kónya – Center for Economic and Regional Studies; Central European University.
- *Sygnaly wczesnego ostrzegania przed napięciami fiskalnymi*, Barbara Jarmulska – European Central Bank.
- *Measuring the Systemic Importance of Banks*, Plutarchos Sakellaris – Athens University of Economics and Business.
- *Doomed to Disappear? – The Surprising Return of Cash Across Time and Across Countries*, Helmut Stix – Oesterreichische Nationalbank.
- *Kanał podejmowanego ryzyka (risk taking channel) w mechanizmie transmisji polityki pieniężnej w Polsce*, Tomasz Chmielewski – Narodowy Bank Polski, Warsaw School of Economics.
- *Operacje otwartego rynku*, Jan Toporowski – University of London.
- *The Euro and the Battle of Ideas*, Harold James – Princeton University.
- *Nominal GDP Targeting with Heterogeneous Labor Supply*, Aarti Singh – University of Sydney.
- *Era cyfrowa, widziana z perspektywy tysiącleci rozwoju gospodarczego*, Jakub Growiec – Narodowy Bank Polski; Warsaw School of Economics.
- *The Emergence of Scientific Macroeconomics and the Quantity Theory of Disaggregated Credit*, Richard A. Werner – Linacre College, Oxford University.
- *A Rationale for the Existence of Sovereign Lending Mechanisms*, Roberto Pancrazi – University of Warwick.

- *Forward Guidance*, Kurt Mitman – Stockholm University.
- *A New Database for Financial Crises in European Countries*, Marco Lo Duca – European Central Bank.
- *Foreign Banks and International Transmission of Monetary Policy: Evidence from the Syndicated Loan Market*, Bálint L. Horváth – University of Bristol.
- *Central Bank Sentiment*, Paul Hubert — Sciences Po, Paris.
- *Coordinating Expectations through Central Bank Projections*, Luba Petersen – Simon Fraser University.
- *Intergenerational Redistribution in the Great Recession*, Dirk Krueger – University of Pennsylvania.

In 2018, the following publications by NBP employees were included in the ISI Master Journal List:

- Piotr Arendarski, Tomasz Gubiec, Piotr Ochnicki, Paweł Smaga, Mateusz Wiliński, *Can banks default overnight? Modelling endogenous contagion on the O/N interbank market*, “Quantitative Finance”, 18(11), 1815–1829.
- Paola Bongini, Małgorzata Iwanicz-Drozdowska, Paweł Smaga, Bartosz Witkowski, *In search of a measure of banking sector distress: empirical study of CESEE banking sectors*, “Risk Management”, 20(3), 242–257.
- Michał Brzoza-Brzezina, Marcin Kolasa, Krzysztof Makarski, *Crisis, contagion and international policy spillovers under foreign ownership of banks*, “Journal of Financial Stability”, 36(C), 293–304.
- Aneta Dzik-Walczak, Natalia Nehrebecka, *The dynamic model of partial adjustment of the capital structure. Meta-analysis and a case of Polish enterprises*, “Zbornik radova Ekonomskog fakulteta u Rijeci” / “Proceedings of Rijeka Faculty of Economics”, 36(1), 55–81.
- Michał Gradzewicz, Jakub Growiec, Marcin Kolasa, Łukasz Postek, Paweł Strzelecki, *Poland's uninterrupted growth performance: new growth accounting evidence*, “Post-Communist Economies”, 30(2), 238–272.
- Katarzyna Growiec, Jakub Growiec, Bogumił Kamiński, *Social network structure and the trade-off between social utility and economic performance*, “Social Networks”, 55, 31–46.
- Jakub Growiec, *Factor-specific technology choice*, “Journal of Mathematical Economics”, 77(C), 1–14.
- Jakub Growiec, Peter McAdam, Jakub Mućk, *Will the “true” labor share stand up? An Applied Survey on labor share measures*, “Journal of Economic Surveys”, 32(4), 961–984.

- Jakub Growiec, Peter McAdam, Jakub Mućk, *Endogenous labor share cycles: theory and evidence*, “Journal of Economic Dynamics & Control”, 87, 74–93.
- Aleksandra Hałka, Grzegorz Szafranski, *What common factors are driving inflation in CEE countries?*, “Prague Economic Papers”, 27(2), 131–148.
- Mariusz Kapuściński, Ewa Stanisławska, *Measuring bank funding costs in the analysis of interest rate pass-through: evidence from Poland*, “Economic Modelling”, 70, 288–300.
- Andrzej Kocięcki, Marcin Kolasa, *Global identification of linearized DSGE models*, “Quantitative Economics”, 9(3), 1243–1263.
- Marcin Kolasa, Michał Rubaszek, *Does the foreign sector help forecast domestic variables in DSGE models?*, “International Journal of Forecasting”, 34(4), 809–821.
- Łukasz Kurowski, Karol Rogowicz, *Are business and credit cycles synchronised internally or externally?*, “Economic Modelling”, 74, 124–141.
- Łukasz Kurowski, Paweł Smaga, *Monetary policy and cyclical systemic risk – friends or foes?*, “Prague Economic Papers”, 27(5), 522–540.
- Tomasz Łyziak, Maritta Paloviita, *On the formation of inflation expectations in turbulent times: the case of the euro area*, “Economic Modelling”, 72, 132–139.
- Natalia Nehrebecka, *Sectoral risk assessment with particular emphasis on export enterprises in Poland*, “Zbornik radova Ekonomskog fakulteta u Rijeci” / “Proceedings of Rijeka Faculty of Economics”, 36(2), 677–700.
- Jacek Suda, Anastasia S. Zervou, *International great inflation and common monetary policy*, “Macroeconomic Dynamics”, 22(6), 1428–1461.
- Jacek Suda, *Belief-twisting shocks and the macroeconomy*, “Macroeconomic Dynamics”, 22(7), 1844–1858.
- Joanna Tyrowicz, Krzysztof Makarski, Marcin Bielecki, *Inequality in an OLG economy with heterogeneous cohorts and pension systems*, “The Journal of Economic Inequality”, 16(4), 583–606.
- Grzegorz Wesołowski, *Do long term interest rates drive GDP and inflation in small open economies? Evidence from Poland*, “Applied Economics”, 50(57), 6174–6192.

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

- Mariusz Kapuściński, Andrzej Kocięcki, Halina Kowalczyk, Tomasz Łyziak, Jan Przystupa, Ewa Stanisławska, Anna Sznajderska, Ewa Wróbel, *Mechanizm transmisji polityki pieniężnej w Polsce*.
- Mateusz Pipień, Piotr Wdowiński, Jagoda Kaszowska, *Identyfikacja cech cyklu finansowego i analiza jego synchronizacji z cyklem koniunkturalnym*.

In 2018, the following papers were published in the NBP Working Paper series:

- Paweł Borys, Paweł Doligalski, Paweł Kopiec, *Labor market institutions in a shopping economy*.
- Michał Gradzewicz, *How do savings of different agents respond to interest rate change?*
- Georgios P. Kouretas, Małgorzata Pawłowska, *The impact of market structure of the banking sector on the growth of bank loans in the EU after the global financial crisis*.
- Tomasz Łyziak, Xuguang Simon Sheng, *Disagreement in consumer inflation expectations*.
- Christian Groth, Jakub Growiec, *Do Mincerian wage equations inform how schooling influences productivity?*
- Paweł Kopiec, *Interbank market turmoils and the macroeconomy*.
- Aleksandra Kolasa, *Macroeconomic consequences of the demographic and educational transition in Poland*.
- Marcin Kolasa, Michał Rubaszek, *Does the foreign sector help forecast domestic variables in DSGE models?*
- Jan Hagemeyer, Jakub Mućk, *Unraveling the economic performance of the CEEC countries. The role of exports and global value chains*.
- Marcin Bielecki, Michał Brzoza-Brzezina, Marcin Kolasa, *Demographics, monetary policy, and the zero lower bound*.
- Oskar Kowalewski, Paweł Pisany, *What drove the corporate bond markets in Asia after 1995?*
- Tomasz Chmielewski, Mariusz Kapuściński, Andrzej Kocięcki, Tomasz Łyziak, Jan Przystupa, Ewa Stanisławska, Ewa Wróbel, *Monetary transmission mechanism in Poland. What do we know in 2017?*
- Michał Brzoza-Brzezina, Jacek Kotłowski, *International confidence spillovers and business cycles in small open economies*.
- Ye Jin Heo, *Population aging and housing prices: Who are we calling old?*

- *Ádám Banai, Nikolett Vágó, The effect of house prices on bank risk: empirical evidence from Hungary.*
- *Krzysztof Gajewski, Alejandro Jara, Yujin Kang, Junghwan Mok, David Moreno, Dobromił Serwa, International spillovers of monetary policy: lessons from Chile, Korea, and Poland.*
- *Michał Gradzewicz, What happens when firms invest? Investment events and firm performance.*
- *Katalin Bodnár, Ludmila Fadejeva, Stefania Iordache, Liina Malk, Desislava Paskaleva, Jurga Pesliakaitė, Nataša Todorović Jemec, Peter Tóth, Robert Wyszynski, How do firms adjust to rises in the minimum wage? Survey evidence from Central and Eastern Europe.*
- *Marcin Kolasa, Equilibrium foreign currency mortgages.*
- *Aleksandra Hałka, Grzegorz Szafranski, What core inflation indicators measure? Evidence from the European Union countries.*
- *Jan Toporowski, Kalecki's critique of wicksellianism and the miss-specification of negative interest rates.*
- *Paweł Kopiec, Employment prospects and the propagation of fiscal stimulus.*
- *Christophe Godlewski, Dorota Skala, Laurent Weill, Is lending by Polish cooperative banks procyclical? A multidimensional analysis of credit supply cyclicalities in Polish cooperative banks – the country and regional perspective.*
- *Jan Babecký, Clémence Berson, Ludmila Fadejeva, Ana Lamo, Petra Marotzke, Fernando Martins, Paweł Strzelecki, Non-base wage components as a source of wage adaptability to shocks. Evidence from European firms, 2010–2013.*
- *Joanna Niedźwiedzińska, Inflation targeting. Institutional features of the strategy in practice.*

Appendix 7

**Voting records
of the Monetary
Policy Council
members on motions
and resolutions**



Voting records of the Monetary Policy Council members on motions and resolutions

Voting records of the Monetary Policy Council members on motions and resolutions in 2018 are presented below.

Date	Subject matter of motion or resolution	Voting of the MPC members	
		For	Against
10 April 2018	Resolution No. 1/2018 of 10 April 2018 on approving the Annual Financial Report of Narodowy Bank Polski prepared as of 31 December 2017	A. Glapiński G.M. Ancyparowicz E. Gatnar Ł.J. Hardt J.J. Kropiwnicki E.M. Łon E.J. Osiatyński R. Sura K. Zubelewicz J. Żyżyński	
15 May 2018	Resolution No. 2/2018 of 15 May 2018 on approving the Report on Monetary Policy Implementation in 2017	A. Glapiński G.M. Ancyparowicz E. Gatnar Ł.J. Hardt J.J. Kropiwnicki E.M. Łon E.J. Osiatyński R. Sura K. Zubelewicz J. Żyżyński	
15 May 2018	Resolution No. 3/2018 of 15 May 2018 on the evaluation of the activities of the NBP Management Board as regards the implementation of monetary policy guidelines for 2017	A. Glapiński G.M. Ancyparowicz E. Gatnar Ł.J. Hardt J.J. Kropiwnicki E.M. Łon E.J. Osiatyński R. Sura J. Żyżyński	K. Zubelewicz
29 May 2018	Resolution No. 4/2018 of 29 May 2018 on approving the report on the operations of Narodowy Bank Polski in 2017	A. Glapiński G.M. Ancyparowicz E. Gatnar Ł.J. Hardt J.J. Kropiwnicki E.M. Łon E.J. Osiatyński R. Sura J. Żyżyński	K. Zubelewicz
4 September 2018	Resolution No. 5/2018 of 4 September 2018 on adopting monetary policy guidelines for 2019	A. Glapiński G.M. Ancyparowicz E. Gatnar Ł.J. Hardt J.J. Kropiwnicki E.M. Łon E.J. Osiatyński R. Sura J. Żyżyński	K. Zubelewicz

Voting records of the Monetary Policy Council members on motions and resolutions

Date	Subject matter of motion or resolution	Voting of the MPC members	
		For	Against
7 November 2018	Motion to raise the NBP interest rates by 0.25 percentage points. Motion did not pass	K. Zubelewicz	A. Glapiński G. M. Ancyparowicz E. Gatnar Ł. J. Hardt J. J. Kropiwnicki E. M. Łon E. J. Osiatyński R. Sura J. Żyżyński
4 December 2018	Resolution No. 6/2018 of the Monetary Policy Council of 4 December 2018 on approving the Financial Plan of Narodowy Bank Polski for 2019	A. Glapiński G.M. Ancyparowicz E. Gatnar Ł.J. Hardt J.J. Kropiwnicki E.M. Łon E.J. Osiatyński R. Sura J. Żyżyński	K. Zubelewicz

Appendix 8

**Financial Statements
of Narodowy Bank Polski
as at 31 December 2018,
together with the Independent
Auditor's Report**



Balance sheet of NBP as at 31 December 2018

Assets	Note	31.12.2017	31.12.2018
		<i>PLN thousand</i>	
1. Gold and gold receivables	1	14,942,147.1	19,928,317.3
2. Claims on non-residents denominated in foreign currency		379,434,903.9	419,868,025.9
2.1. <i>Receivables from the IMF</i>	2	3,374,388.1	4,819,450.5
2.2. <i>Balances with foreign institutions, securities, loans granted and other foreign assets</i>	3	376,060,515.8	415,048,575.4
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	529.0	5,643,915.1
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		1,443,867.6	1,407,838.3
10.1. <i>Tangible and intangible fixed assets</i>	5	915,063.0	906,670.7
10.2. <i>Other financial assets</i>	6	265,901.7	271,165.9
10.3. <i>Off-balance-sheet instruments revaluation differences</i>	7	23,022.7	871.4
10.4. <i>Accruals and prepaid expenses</i>	8	33,156.3	35,007.8
10.5. <i>Sundry</i>	9	206,723.9	194,122.5
Total assets		395,821,447.6	446,848,096.6

Liabilities	Note	31.12.2017	31.12.2018
		PLN thousand	
1. Banknotes and coins in circulation	10	198,715,915.2	219,489,936.7
2. Liabilities to other domestic monetary financial institutions related to monetary policy operations denominated in domestic currency	11	128,003,831.0	126,218,616.5
2.1. Current accounts (incl. the required minimum reserve accounts)		28,301,807.1	61,390,258.2
2.2. Deposit facilities		5,278,903.9	11,552,358.3
2.3. Fixed-interest deposits		0.0	0.0
2.4. Other monetary policy operations		94,423,120.0	53,276,000.0
3. Other liabilities to other domestic monetary financial institutions denominated in domestic currency	12	471,354.0	362,810.7
4. Liabilities to other residents denominated in domestic currency	13	7,581,248.1	7,273,508.0
4.1. Liabilities to general government		7,560,576.7	7,251,979.7
4.2. Other liabilities		20,671.4	21,528.3
5. Liabilities to non-residents denominated in domestic currency	14	2,862,039.9	2,605,986.1
6. Liabilities to residents denominated in foreign currency	15	19,304,330.0	25,100,108.6
7. Liabilities to non-residents denominated in foreign currency	16	29,178,544.7	37,886,502.4
8. Liabilities to the IMF	17	6,485,630.0	6,823,985.7
9. Items in course of settlement		0.0	0.0
10. Other liabilities		226,796.1	239,079.3
10.1. Off-balance-sheet instruments revaluation differences	18	13,681.4	23,787.0
10.2. Accruals and deferred income	19	113,940.2	142,056.0
10.3. Sundry	20	99,174.5	73,236.3
11. Provisions for future liabilities	21	133,784.0	145,368.3
12. Revaluation accounts	22	13,223,338.0	27,193,170.3
13. Capital and reserves	23	2,967,483.8	5,374,387.4
13.1. Statutory fund		1,500,000.0	1,500,000.0
13.2. Reserve fund		1,467,483.8	0.0
13.3. Reserves		0.0	3,874,387.4
14. Financial result	24	-13,332,847.2	-11,865,363.4
14.1. Financial result for the current year		-2,524,935.6	0.0
14.2. Loss of previous years		-10,807,911.6	-11,865,363.4
Total liabilities		395,821,447.6	446,848,096.6

Director of the Accounting and Finance Department of Narodowy Bank Polski:

/-/ Krzysztof Kruszewski

Warsaw, 20 March 2019

Management Board of Narodowy Bank Polski:

/-/ Adam Glapiński
 /-/ Piotr Wiesiołek
 /-/ Anna Trzecińska
 /-/ Jacek Bartkiewicz
 /-/ Andrzej Kaźmierczak
 /-/ Ryszard Kokoszcyński
 /-/ Paweł Samecki
 /-/ Paweł Szalamacha

Profit and loss account of NBP for the year ended 31 December 2018

	Note	2017	2018
		PLN thousand	
1. Net result on interest, discount and premium	28	810,923.8	2,558,165.1
1.1. Interest, discount and premium income		6,253,315.0	7,639,880.1
1.2. Interest, discount and premium expenses		5,442,391.2	5,081,715.0
2. Net result on financial operations		-2,388,017.7	-1,517,340.8
2.1. Income on financial operations	29	6,101,229.4	6,856,843.3
2.2. Expenses on financial operations	29	5,545,164.0	3,465,340.2
2.3. Unrealised losses	30	13,751,994.7	1,034,456.5
2.4. Income on transfers from risk provisions and on reversal of write-downs on financial assets	31	10,807,911.6	0.0
2.5. Expenses on transfers to risk provisions and on write-downs on financial assets	31	0.0	3,874,387.4
3. Net result on fees and commissions		11,773.8	10,737.8
3.1. Fees and commissions income	32	47,000.6	44,780.8
3.2. Fees and commissions expenses	33	35,226.8	34,043.0
4. Income on shares and participating interests	34	17,289.4	14,703.6
5. Other income	35	112,997.1	87,289.2
A. Total net income [1+2+3+4+5]		-1,435,033.6	1,153,554.9
6. Salaries and social contributions	36	486,955.0	543,992.4
7. Administrative expenses	37	228,260.6	251,810.4
8. Depreciation and amortisation expenses	38	81,991.8	85,736.3
9. Expenses on issue of banknotes and coins	39	280,088.9	260,891.9
10. Other expenses	40	12,605.7	11,123.9
B. Financial result for the current year [A-6-7-8-9-10]	41	-2,524,935.6	0.0

Director of the Accounting
and Finance Department
of Narodowy Bank Polski:

/-/ Krzysztof Kruszewski

Management Board
of Narodowy Bank Polski:

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/-/ Anna Trzecińska
/-/ Jacek Bartkiewicz
/-/ Andrzej Kaźmierczak
/-/ Ryszard Kokoszczyński
/-/ Paweł Samecki
/-/ Paweł Szalamacha

Warsaw, 20 March 2019

Notes

1. Introduction

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

In accordance with Article 227 para. 1 of the Constitution of the Republic of Poland, Narodowy Bank Polski, hereinafter referred to as "NBP", is the central bank of the State. It has the exclusive right to issue money as well as to formulate and implement monetary policy. NBP is responsible for the value of Polish currency.

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

- the Act of 29 August 1997 on Narodowy Bank Polski (Journal of Laws of 2017, item 1373, as amended), hereinafter referred to as the "Act on NBP",
- the Act of 29 August 1997 – Banking Law (Journal of Laws of 2018, item 2187, as amended),
- the Treaty on European Union and the Treaty on the Functioning of the European Union (consolidated texts: Official Journal of the EU 2016 C 202 of 7 June 2016, p. 1).

Pursuant to Article 2 of the Act on NBP, Narodowy Bank Polski 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.

In accordance with the Act on NBP, the basic objective of the activity of NBP is to maintain price stability, while supporting the economic policy of the government, insofar as this does not constrain the basic objective of NBP. The tasks of NBP also include:

- organising payments,
- 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 financial system,
- acting with the aim of eliminating or mitigating systemic risk in the financial system,
- compiling monetary and banking statistics, the balance of payments and the international investment position,
- performing other tasks as specified by laws.

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

1. President of NBP (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 NBP (its members are appointed for a six-year term of office).

The composition of NBP bodies as at 31 December 2018 was as follows:

President of NBP

Adam Glapiński

Monetary Policy Council

Chairperson	<i>Adam Glapiński</i>		
Members	<i>Grażyna Ancyparowicz</i>	<i>Jerzy Kropiwnicki</i>	<i>Rafał Sura</i>
	<i>Eugeniusz Gatnar</i>	<i>Eryk Łon</i>	<i>Kamil Zubelewicz</i>
	<i>Łukasz Hardt</i>	<i>Jerzy Osiatyński</i>	<i>Jerzy Żyżyński</i>

Management Board of NBP¹

Chairperson	<i>Adam Glapiński</i>		
Vice President of NBP - First Deputy President of NBP	<i>Piotr Wiesiołek</i>		
Vice President of NBP	<i>Anna Trzecińska</i>		
Members	<i>Jacek Bartkiewicz</i>	<i>Ryszard Kokoszczyński</i>	<i>Paweł Szalamacha</i>
	<i>Andrzej Kaźmierczak</i>	<i>Paweł Samecki</i>	

¹ As on 22 May 2018 Katarzyna Zajdel-Kurowska stopped acting as member of the Management Board of NBP (she was dismissed following her resignation from the position of the member of the Management Board of NBP).

1.2. Legal basis of preparation of the financial statements

The financial statements of NBP as at 31 December 2018 were prepared by the Management Board of NBP in accordance with the following provisions:

- the Act on NBP,
- Resolution No. 16/2003 of the Monetary Policy Council of 16 December 2003 on the accounting principles, format of the balance sheet and the profit and loss account of Narodowy Bank Polski (NBP Official Journal, 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, 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 2018 to 31 December 2018. Comparable data in the financial statements cover the calendar year from 1 January 2017 to 31 December 2017.

1.4. Certified auditor and its selection

The annual financial statements of NBP prepared as at 31 December 2018 are subject to audit and evaluation by the certified auditor KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k., with its registered office in Warsaw. The certified auditor was appointed by the Monetary Policy Council, hereinafter referred to as the "MPC", in 2017 in accordance with Article 69 para. 1 of the Act on NBP. The selection was made following an open tendering, pursuant to the Act of 29 January 2004 – Public Procurement Law (Journal of Laws of 2015, item 2164, as amended), for a period of two years (audit of the financial statements for the years 2017 and 2018).

1.5. Information on the adoption and approval of NBP financial statements for the year 2017

The annual financial statements of NBP prepared as at 31 December 2017 were adopted by the MPC by Resolution No. 1/2018 on 10 April 2018 (NBP Official Journal, item 6) and approved by the Council of Ministers by Resolution No. 112/2018 on 21 August 2018. The certified auditor in charge of auditing the financial statements – KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k. – issued an unmodified opinion on the audited financial statements.

In the financial statements prepared as at 31 December 2017, NBP recorded a financial loss of PLN 2,524,935.6 thousand. Therefore in 2018 NBP paid no contribution from profit to the State budget and made no allocation to NBP's reserve fund.

2. Description of significant accounting principles

2.1. Basic accounting principles

The accounting principles applied by NBP, as specified in the legal regulations listed in point 1.2. of the Introduction to the financial statements, conform to the standards applied in the European System of Central Banks, hereinafter referred to as "ESCB", the basis of which is the Guideline of the European Central Bank of 3 November 2016 on the legal framework for accounting and financial reporting in the European System of Central Banks (ECB/2016/34), hereinafter referred to as the "ECB Guideline".

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

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

2.2. Going concern

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

2.3. Recognition of transactions in the accounting books

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

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 day.²

Securities purchased or sold in a spot transaction are recognised in NBP accounting books on the settlement date.

2.4. Valuation as at the balance sheet date

In financial statements, for gold, foreign currencies, securities purchased by NBP (except for securities held to maturity and non-marketable securities) and off-balance-sheet financial instruments the principle of valuation at market prices/exchange rates is applied.³ 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 NBP 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. The prices of an ounce of gold in USD are translated into domestic currency according to the average NBP exchange rate of the USD 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

² 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.

³ Off-balance-sheet items in foreign currency arising from foreign exchange forwards and foreign exchange swaps are valued at the average NBP exchange rate.

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 an ounce of gold, translated into domestic currency according to the average NBP exchange rate of the USD effective as at the balance sheet date. No distinction is made between the results of foreign exchange 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 exchange rate 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 a 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 NBP accounting books at purchase price.

Discount and premium on securities purchased are recognised in the financial result (as discount income or premium expenses, respectively) 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 (as interest income) 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 (International Securities Identification Number, ISIN) code, 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 participating interests

Non-marketable shares and participating interests are recognised in the NBP accounting books at purchase price and as at the balance sheet date are valued at purchase price less impairment.

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 the 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 (as discount expenses or premium income, respectively) 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 (as interest expenses) at the end of each operating day in the amounts calculated for the period for which a given security

was issued, pro-rata to the time elapsed between the date of liability recognition and the end of each day.

2.5.8. Tangible and intangible fixed assets

Tangible and intangible fixed assets are recognised in 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 2018.

Tangible fixed assets	Periods of use (in months)
Land, including	
- right to perpetual usufruct of land	800
- other land	unlimited
Buildings and premises	480-780
Land and water engineering objects	267-480
Machines, devices, appliances, tools, equipment, including	
- Boilers and energy machinery	86-300 ¹
- General application machines, devices and appliances	48-240 ²
- Specialist machines, devices and appliances	86-240 ³
- Technical devices	36-300 ⁴
- Tools, technical instruments, movables and equipment, including	
Objects of art	unlimited
Other tools, technical instruments, movables and equipment	78-240 ⁵
Vehicles	72-180
Intangible fixed assets	Periods of use (in months)
IT software licences	72 or 144
IT software developed by NBP	120
Copyrights, including the rights related to inventions, trademarks, utility and industrial designs	120

¹ A period of 300 months applies only to other turbine generator sets and electric generating sets, including AC electric generating units or sets of a voltage below 1000 V.

² A period of 240 months applies only to heat transfer devices, including membrane exchangers of various types, other heat transfer devices.

³ A period of 240 months applies only to printing machines, devices and appliances, including printing machines, bookbinding machinery, paper drills and auxiliary devices and equipment.

⁴ A period of 300 months applies only to electricity devices and apparatus, including: AC distribution devices, AC and DC setting devices, AC apparatus, fixed and mobile transformer stations, DC distribution devices and apparatus, DC apparatus and transformers.

⁵ A period of 240 months applies only to armoured cabinets and strongboxes, safes, metal shelvings and other utility equipment objects of rooms.

In specific cases, individual periods of use are adopted for tangible and intangible fixed assets.

Periods of use of tangible and intangible fixed assets are verified each financial year.

In the case of tangible and intangible fixed assets with a low initial value, i.e. below PLN 3.5 thousand, depreciation/amortisation is made on a one-off basis, in the amount equal to their initial value, at the end of the month when the assets were made available for use.

Tangible and intangible fixed assets are subject to periodical review (at least as at the balance sheet date) to verify if material indications of impairment have occurred, which would require recognising (increasing) impairment loss, or if indications of impairment have ceased, which would require reversing (decreasing) impairment loss.

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.

As at the balance sheet date, inventories are valued at purchase price/production cost less impairment.

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 an 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 a 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 9.1.4).

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 the 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 a 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 take into account 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 and are adjusting events as at the balance sheet date.

3. Changes in accounting principles

In 2018, at NBP there were no material changes in 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 foreign currency revaluation gains. 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 against foreign currencies (see Chapter 9.1.4).

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

5. Explanatory notes to Balance Sheet

Note 1 Gold and gold receivables

<i>PLN thousand</i>	31.12.2017	31.12.2018	Change
Gold stored at NBP	709,598.7	757,567.8	47,969.1
Gold on accounts with foreign banks, of which	14,232,548.4	19,170,749.5	4,938,201.1
- <i>current account in gold</i>	802,775.4	2,265,651.6	1,462,876.2
- <i>term deposits in gold</i>	13,429,773.0	16,905,097.9	3,475,324.9
Total	14,942,147.1	19,928,317.3	4,986,170.2
<i>of which gold revaluation differences</i>	<i>10,597,180.6</i>	<i>11,875,428.3</i>	<i>1,278,247.7</i>

<i>Thousands of ounces</i>	31.12.2017	31.12.2018	Change
Gold stored at NBP	157.2	157.2	0.0
Gold on accounts with foreign banks, of which	3,153.3	3,978.5	825.2
- <i>current account in gold</i>	177.8	470.2	292.4
- <i>term deposits in gold</i>	2,975.5	3,508.3	532.8
Total	3,310.5*	4,135.7**	825.2

* Which corresponds to the weight of 103.0 tons.

** Which corresponds to the weight of 128.6 tons.

Gold is held at NBP and at the Bank of England.

Gold held at the Bank of England is:

- held on the current account at the Bank of England,
- invested in term deposit transactions with foreign commercial banks and central banks; interest on term deposits in gold is accrued and paid in USD (see Note 3 and Note 28).

The increase in the balance by 825.2 thousand ounces resulted mainly from the purchase by NBP of gold in the interbank market in the second half of 2018.

The domestic currency value of the item was also affected by the revaluation of gold (see Note 22).

Note 2 Receivables from the IMF

<i>PLN thousand</i>	31.12.2017	31.12.2018	Change
Reserve tranche	1,140,102.2	2,673,540.0	1,533,437.8
Current account with the IMF	1,492,794.7	1,558,705.4	65,910.7
Term deposit with the IMF	35,123.4	36,933.6	1,810.2
Loans extended to the IMF	706,367.8	550,271.5	-156,096.3
Total	3,374,388.1	4,819,450.5	1,445,062.4
<i>of which SDR currency revaluation differences</i>	<i>-428,858.2</i>	<i>-318,531.1</i>	<i>110,327.1</i>

<i>SDR thousand</i>	31.12.2017	31.12.2018	Change
Reserve tranche	229,614.0	512,054.7	282,440.7
Current account with the IMF	300,645.4	298,533.9	-2,111.5
Term deposit with the IMF	7,073.8	7,073.8	0.0
Loans extended to the IMF	142,260.8	105,391.8	-36,869.0
Total	679,594.0	923,054.2	243,460.2

The item comprises SDR-denominated:

- reserve tranche corresponding to the Republic of Poland's member quota in the International Monetary Fund, hereinafter referred to as "IMF", reduced by liabilities due to the account in domestic currency operated by NBP for the IMF (so-called No. 1 Account).

<i>PLN thousand</i>	31.12.2017	31.12.2018	Change
<i>Member quota in the IMF</i>	<i>20,663,090.9</i>	<i>21,388,360.0</i>	<i>725,269.1</i>
<i>No. 1 Account of the IMF</i>	<i>-19,522,988.7</i>	<i>-18,714,820.0</i>	<i>808,168.7</i>
Reserve tranche	1,140,102.2	2,673,540.0	1,533,437.8

<i>SDR thousand</i>	31.12.2017	31.12.2018	Change
<i>Member quota in the IMF</i>	<i>4,095,400.0</i>	<i>4,095,400.0</i>	<i>0.0</i>
<i>No. 1 Account of the IMF</i>	<i>-3,865,786.0</i>	<i>-3,583,345.3</i>	<i>282,440.7</i>
Reserve tranche	229,614.0	512,054.7	282,440.7

The quota in the IMF of each member country is determined on the basis of selected macroeconomic indicators and paid in full amount (in domestic currency and in foreign currencies). The size of member quota determines for a given country, among others, the number of its voting rights in the IMF, the assigned amount of SDR allocation and the limits of loans granted to that country.

The funds accumulated in No. 1 Account of the IMF are used by the IMF under the quarterly Financial Transaction Plans (FTPs). The funds are exchanged for foreign currency and transferred to member countries - IMF borrowers, which results in an increase in reserve tranche. On the other hand, loan repayments made by IMF borrowers in foreign currencies are exchanged for the domestic currency and credited to No. 1 Account of the IMF, which results in a decrease in reserve tranche.

Credits to No. 1 Account of the IMF due to payments made in PLN by IMF member countries connected with their member quota increase also result in a decrease of reserve tranche.

- current account with the IMF on which funds received under SDR allocation are maintained (see Note 17) and payments in SDR due to loans extended to the IMF under the New Arrangements to Borrow, hereinafter referred to as "NAB", as well as settlements arising from interest and fees on balances and transactions related to the IMF are made,
- the non-interest-bearing NBP term deposit in the PRG-HIPC Trust (Poverty Reduction and Growth – Heavily Indebted Poor Countries Initiative), administered by the IMF,
- loans extended to the IMF in foreign currency under NAB (see Note 27).

Reserve tranche (except for the non-interest-bearing part, which is fixed and amounts to SDR 56,236.0 thousand), the balance of the current account with the IMF and loans extended to the IMF are remunerated on the basis of the interest rate determined by the IMF.

The increase in the item in the original currency resulted from the increase in reserve tranche, which was due to:

- transactions under FTPs – payments in favour of IMF member countries made by the IMF from No. 1 Account of the IMF with NBP (SDR 282,400.0 thousand), and
- crediting No. 2 Account of the IMF (see Note 14) with funds from No. 1 Account of the IMF in the amount of SDR 40.7 thousand,

with a simultaneous:

- decrease in 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 of SDR 36,897.5 thousand, accompanied by a concurrent increase in the interest accrued, in the amount of SDR 28.5 thousand,

- a decrease in the current account with the IMF, as a result of settlements with the IMF arising from interest and fees (SDR 5,111.5 thousand), accompanied by a concurrent receipt of SDR due to repayments of loans extended to the IMF by NBP under NAB (SDR 3,000.0 thousand).

The domestic currency value of the item was also affected by the currency revaluation of SDR (see Note 22).

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

PLN thousand	31.12.2017	31.12.2018	Change
Current accounts in foreign currency, of which	12,470,822.1	10,293,530.8	-2,177,291.3
- current account with the ECB for settlements in TARGET2	4,713,430.8	3,370,499.9	-1,342,930.9
Term deposits in foreign currency	26,289,397.0	37,477,995.2	11,188,598.2
Reverse repo transactions in foreign currency	29,795,939.6	37,849,982.3	8,054,042.7
Securities denominated in foreign currency	307,350,022.7	329,190,814.2	21,840,791.5
Foreign banknotes and coins in stock	152,894.3	195,945.7	43,051.4
Other claims in foreign currency, of which	1,440.1	40,307.2	38,867.1
- initial margins related to bond futures denominated in foreign currency	0.0	39,388.3	39,388.3
- interest on term deposits in gold	1,377.5	918.9	-458.6
- other	62.6	0.0	-62.6
Total	376,060,515.8	415,048,575.4	38,988,059.6
<i>of which</i>			
- currency revaluation differences	-14,553,357.5	13,352,860.9	27,906,218.4
- price revaluation differences	-40,925.2	1,229,622.1	1,270,547.3

The item comprises mostly the main investment instruments of foreign currency reserves in USD, EUR, GBP, AUD, NOK and NZD, that is:

- securities (discount securities and fixed-interest-rate securities) – all securities purchased by NBP are marketable securities and are valued at the average market prices; neither on 31 December 2017 nor on 31 December 2018 did NBP hold securities classified as held-to-maturity,
- term deposits,
- reverse repo transactions – under the NBP investment policy, these transactions are usually executed simultaneously with repo transactions (see Note 16).

Basic investment instruments of foreign currency reserves by foreign currency are presented below.

31.12.2017						
<i>thousand units of original currency</i>	USD	EUR	GBP	AUD	NOK	NZD
Term deposits	719,859.4	1,968,339.9	495,511.2	0.0	22,607,616.0	1,477,872.3
Reverse repo transactions	6,326,989.9	1,584,211.1	0.0	427,296.5	0.0	0.0
Securities	41,658,941.9	20,799,623.5	7,645,660.5	9,266,998.6	21,535,176.8	2,139,403.7
Total	48,705,791.2	24,352,174.5	8,141,171.7	9,694,295.1	44,142,792.8	3,617,276.0

31.12.2018						
<i>thousand units of original currency</i>	USD	EUR	GBP	AUD	NOK	NZD
Term deposits	606,500.0	4,220,596.4	100,000.0	300,400.0	27,489,447.1	1,539,240.8
Reverse repo transactions	5,709,188.6	1,224,971.0	1,660,449.6	1,192,153.1	0.0	0.0
Securities	40,851,481.2	20,913,559.6	8,744,136.1	10,401,706.4	23,014,085.8	2,466,932.9
Total	47,167,169.8	26,359,127.0	10,504,585.7	11,894,259.5	50,503,532.9	4,006,173.7

Change						
<i>thousand units of original currency</i>	USD	EUR	GBP	AUD	NOK	NZD
Term deposits	-113,359.4	2,252,256.5	-395,511.2	300,400.0	4,881,831.1	61,368.5
Reverse repo transactions	-617,801.3	-359,240.1	1,660,449.6	764,856.6	0.0	0.0
Securities	-807,460.7	113,936.1	1,098,475.6	1,134,707.8	1,478,909.0	327,529.2
Total	-1,538,621.4	2,006,952.5	2,363,414.0	2,199,964.4	6,360,740.1	388,897.7

The increase in the item in foreign currency was mainly a result of a bigger holding of securities denominated in GBP, AUD and NOK, an increase in the level of funds held on term deposit accounts in EUR and NOK, and a higher exposure in reverse repo transactions in GBP and AUD. Simultaneously, the exposure in investment instruments in USD declined.

Additionally, the increase in the item was a result of currency and price revaluation (see Note 22 and Note 30).

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

<i>PLN thousand</i>	31.12.2017	31.12.2018	Change
Credits and loans extended in domestic currency	0.0	5,643,437.2	5,643,437.2
Interest receivable for non-compliance with the obligation to maintain the required minimum reserve	420.9	420.9	0.0
Other claims in domestic currency	108.1	57.0	-51.1
Total	529.0	5,643,915.1	5,643,386.1

As at 31 December 2018, the item comprised:

- claims on domestic banks due to refinancing loans extended in another form specified by the Management Board of NBP; the interest rate on those loans is set at the level of the interest rate determined by the MPC for the refinancing loan other than Lombard credit (as at the balance sheet date it stood at 3.5%); the extended refinancing loans were collateralised mainly with portfolios of credit claims (see Note 42 and Chapter 9.1.1.3),
- claims on a credit union due to interest for non-compliance with the obligation to maintain the required minimum reserve,
- claims due to settlements related to the deliveries of domestic coins and notes.

Note 5 Tangible and intangible fixed assets

Change in tangible fixed assets (due to rounding, individual figures in the table may not add up to totals)	2017				2018			
	Land*, buildings, premises, land and water engineering objects	Machines, devices, appliances, tools, equipment and vehicles	Tangible fixed assets under construction	Total	Land*, buildings, premises, land and water engineering objects	Machines, devices, appliances, tools, equipment and vehicles	Tangible fixed assets under construction	Total
<i>PLN thousand</i>								
Gross value as at start of period	980,328.8	713,933.1	62,910.1	1,757,171.9	979,418.3	661,606.7	77,209.1	1,718,234.1
Increases	5,740.0	40,101.5	43,138.6	88,980.2	39,124.4	50,762.4	28,430.7	118,317.5
Decreases	-6,650.5	-92,427.9	-28,839.6	-127,918.0	-3,634.6	-58,520.6	-93,580.0	-155,735.2
Gross value as at end of period	979,418.3	661,606.7	77,209.1	1,718,234.1	1,014,908.1	653,848.5	12,059.8	1,680,816.4
<i>of which fully depreciated</i>	2,166.4	226,951.9	0.0	229,118.3	2,423.2	220,103.2	0.0	222,526.4
Depreciation as at start of period	-401,095.2	-504,522.9	0.0	-905,618.0	-412,174.0	-461,931.7	0.0	-874,105.7
Increases	-13,240.5	-47,578.1	0.0	-60,818.7	-13,813.4	-47,656.7	0.0	-61,470.1
Decreases	2,161.7	90,169.3	0.0	92,331.0	146.5	57,953.6	0.0	58,100.1
Depreciation as at end of period	-412,174.0	-461,931.7	0.0	-874,105.7	-425,840.9	-451,634.8	0.0	-877,475.7
Impairment as at start of period	-422.4	-112.0	-25,903.9	-26,438.3	-3,397.0	-311.8	-25,464.8	-29,173.6
Increases	-2,974.6	-246.8	0.0	-3,221.5	0.0	-12.5	0.0	-12.5
Decreases	0.0	47.1	439.1	486.2	3,124.1	3.2	25,464.8	28,592.1
Impairment as at end of period	-3,397.0	-311.8	-25,464.8	-29,173.6	-272.9	-321.1	0.0	-594.0
Net value as at end of period	563,847.3	199,363.2	51,744.3	814,954.8	588,794.3	201,892.6	12,059.8	802,746.7

* Land includes right to perpetual usufruct of land, the net value of which as at 31 December 2018 amounted to PLN 57,250.1 thousand, with depreciation amounting to PLN 28,375.7 thousand (as at 31 December 2017 – PLN 58,375.4 thousand and PLN 27,264.7 thousand, respectively).

** The decrease in the impairment of tangible fixed assets in 2018 was mainly related to the free-of-charge transfer of a real estate in Zegrze to the State Treasury.

Change in intangible fixed assets (due to rounding, individual figures in the table may not add up to totals)	2017				2018			
	Computer software	Copyrights, proprietary rights and similar rights and values	Intangible fixed assets under construction	Total	Computer software	Copyrights, proprietary rights and similar rights and values	Intangible fixed assets under construction	Total
<i>PLN thousand</i>								
Gross value as at start of period	406,868.5	12,647.2	10,646.3	430,161.9	427,435.8	14,054.4	16,356.5	457,846.7
Increases	22,918.0	1,408.2	21,586.4	45,912.6	38,872.3	1,582.4	22,239.4	62,694.1
Decreases	-2,350.7	-1.0	-15,876.1	-18,227.8	-2,290.9	-207.4	-34,209.9	-36,708.2
Gross value as at end of period	427,435.8	14,054.4	16,356.5	457,846.7	464,017.2	15,429.4	4,386.0	483,832.6
<i>of which fully depreciated</i>	116,167.8	1,703.1	0.0	117,870.9	121,533.9	2,259.4	0.0	123,793.3
Amortisation as at start of period	-333,840.0	-5,032.5	0.0	-338,872.5	-351,685.6	-6,044.0	0.0	-357,729.6
Increases	-20,184.7	-1,012.5	0.0	-21,197.2	-23,443.7	-1,051.9	0.0	-24,495.6
Decreases	2,339.1	1.0	0.0	2,340.1	2,290.9	34.6	0.0	2,325.5
Amortisation as at end of period	-351,685.6	-6,044.0	0.0	-357,729.6	-372,838.4	-7,061.3	0.0	-379,899.7
Impairment as at start of period	-8.9	0.0	0.0	-8.9	-8.9	0.0	0.0	-8.9
Increases	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Decreases	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Impairment as at end of period	-8.9	0.0	0.0	-8.9	-8.9	0.0	0.0	-8.9
Net value as at end of period	75,741.3	8,010.4	16,356.5	100,108.2	91,169.9	8,368.1	4,386.0	103,924.0

Note 6 Other financial assets

PLN thousand	31.12.2017	31.12.2018	Change
Shares and participating interests in domestic entities, of which	128,848.9	128,848.9	0.0
- shares in Krajowy Depozyt Papierów Wartościowych S.A.	51,708.1	51,708.1	0.0
- shares in Krajowa Izba Rozliczeniowa S.A.	75,312.5	75,312.5	0.0
- participating interests in Bazy i Systemy Bankowe Sp. z o.o.	1,820.0	1,820.0	0.0
- participating interests in housing cooperatives	8.3	8.3	0.0
Shares and participating interests in foreign entities, of which	137,052.8	142,317.0	5,264.2
- shares in the Bank for International Settlements	49,653.0	52,212.0	2,559.0
- participating interests in S.W.I.F.T.	661.0	681.4	20.4
- participating interests in the European Central Bank	86,738.8	89,423.6	2,684.8
Total	265,901.7	271,165.9	5,264.2

An increase in the value of the item in domestic currency resulted from the currency revaluation of shares and participating interests in foreign entities.

The participation of NBP in domestic entities did not change in comparison to 31 December 2017, and as at 31 December 2018 was as follows:⁴

Entity	Share capital (PLN thousand)	Nominal price per share/participating interest (PLN thousand)	Number of shares/ participating interests held by NBP	NBP's participation in the share capital (%)
	31.12.2018	31.12.2018	31.12.2018	31.12.2018
Krajowy Depozyt Papierów Wartościowych S.A.	21,000.0	1.0	7,000	33.33%
Krajowa Izba Rozliczeniowa S.A.	5,445.0	0.5	3,750	34.44%
Bazy i Systemy Bankowe Sp. z o.o.	10,000.0	10.0	1,000	100.00%

The participation of NBP in foreign entities was as follows:

- shares of the Bank for International Settlements, hereinafter referred to as "BIS".
As at 31 December 2017 and 31 December 2018, NBP held 8,000 shares that translated into the same number of votes. 25% of the nominal value of shares (the nominal value of 1 share amounts to SDR 5.0 thousand) was paid up, which totals SDR 10,000.0 thousand. The share of NBP in the share capital of BIS amounts to 1.43%.

⁴ The data in the table do not include a participating interest in a housing cooperative.

- participating interests in S.W.I.F.T.
As at 31 December 2017 and as at 31 December 2018 NBP had 53 shares (in the amount of EUR 158.5 thousand) of the total number of 110,034 shares as at 31 December 2017 and 109,814 shares as at 31 December 2018.
- participating interests in the European Central Bank, hereinafter referred to as "ECB".
Since 1 May 2004, i.e. the day of Poland's accession to the European Union, NBP has held a participating interest in the ECB's capital. As at 31 December 2018, the capital paid up by NBP to the ECB amounted to PLN 89,423.6 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 subscription 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 adjusted every five years, as well as at the time a new country joins the European Union. Prior to the balance sheet date, the last regular adjustment of the subscription key took place on 1 January 2014 (see Note 42). As at 31 December 2018, the share of NBP in the ECB's subscribed capital amounted to 5.1230%, which corresponds to a participating interest in the amount of EUR 554,565.1 thousand.

As a central bank from outside the euro area, NBP 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 at 31 December 2018, the share of NBP in the paid-up capital of the ECB amounted to EUR 20,796.2 thousand. Upon Poland's entry into the euro area, NBP will be required to pay up the remaining 96.25% of the ECB's capital subscribed by it, i.e. EUR 533,768.9 thousand.

Note 7 Off-balance-sheet instruments revaluation differences

<i>PLN thousand</i>	31.12.2017	31.12.2018	Change
Currency revaluation differences	22,372.4	763.9	-21,608.5
Price revaluation differences	650.3	107.5	-542.8
Total	23,022.7	871.4	-22,151.3

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

Note 8 Accruals and prepaid expenses

<i>PLN thousand</i>	31.12.2017	31.12.2018	Change
Accruals related to discount on NBP monetary bills*	12,048.2	6,667.1	-5,381.1
Prepaid expenses related to services	21,108.1	28,340.7	7,232.6
Total	33,156.3	35,007.8	1,851.5

* See Note 11.

Note 9 Sundry

<i>PLN thousand</i>	31.12.2017	31.12.2018	Change
Inventories, of which	18,186.0	23,305.6	5,119.6
- <i>precious metals</i>	14,428.5	19,870.0	5,441.5
- <i>collector items not in circulation</i>	3,167.2	2,854.1	-313.1
Credits and loans extended in domestic currency, of which	142,905.1	120,885.7	-22,019.4
- <i>loans to employees, of which</i>	19,508.4	21,085.9	1,577.5
* <i>loans extended from the Employee Benefit Fund</i>	9,151.3	11,558.8	2,407.5
- <i>other loans</i>	123,396.7	99,799.8	-23,596.9
Other claims, of which	23,163.1	19,986.9	-3,176.2
- <i>on public authorities</i>	849.6	5.3	-844.3
- <i>on customers and suppliers</i>	12,791.9	9,521.9	-3,270.0
Funds of the Employee Benefit Fund	8,835.9	5,663.7	-3,172.2
Adjustment of off-balance-sheet instruments to the average cost of foreign currency holding	13,633.8	24,280.6	10,646.8
Total	206,723.9	194,122.5	-12,601.4

The decrease in the item *Other loans*, which includes a claim due to a refinancing loan extended by NBP in 2015 in another form specified by the Management Board of NBP was the result of the repayments of claims on loan agreements, which were assigned in favour of NBP as collateral to the loan granted (see Chapter 9.1.1.3.1).

Adjustment of off-balance-sheet instruments to the average cost of foreign currency holding relates to spot transactions in foreign currency recognised on off-balance-sheet accounts (see Note 25).

Note 10 Banknotes and coins in circulation

<i>PLN thousand</i>	31.12.2017	31.12.2018	Change
Domestic banknotes in circulation	193,976,229.3	214,430,353.4	20,454,124.1
Domestic coins in circulation	4,739,685.9	5,059,583.3	319,897.4
Total	198,715,915.2	219,489,936.7	20,774,021.5

The item comprises banknotes and coins in circulation issued by NBP, including collector banknotes and coins, whose value as at 31 December 2018 amounted to PLN 291,741.1 thousand as compared with PLN 286,442.8 thousand as at 31 December 2017. The increase in the item was the result of higher demand for cash.

The average level of banknotes and coins in circulation throughout 2018 amounted to PLN 206,813.5 million as compared with PLN 190,582.9 million in 2017.

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

<i>PLN thousand</i>	31.12.2017	31.12.2018	Change
Current accounts (incl. required minimum reserve accounts), of which	28,301,807.1	61,390,258.2	33,088,451.1
- <i>current accounts of banks and KSKOK</i>	27,465,346.7	60,585,533.9	33,120,187.2
- <i>required minimum reserve accounts of banks not having a current account with NBP</i>	785,479.8	804,724.3	19,244.5
- <i>interest on required minimum reserve funds</i>	50,980.6	0.0	-50,980.6
Deposit facilities, of which	5,278,903.9	11,552,358.3	6,273,454.4
- <i>accrued interest</i>	216.9	158.3	-58.6
Other monetary policy operations, of which	94,423,120.0	53,276,000.0	-41,147,120.0
- <i>main operations</i>	64,792,800.0	53,276,000.0	-11,516,800.0
- <i>fine-tuning operations</i>	29,630,320.0	0.0	-29,630,320.0
Total	128,003,831.0	126,218,616.5	-1,785,214.5

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

- balances on:
 - current accounts of domestic banks and the National Association of Credit Unions [Krajowa Spółdzielcza Kasa Oszczędnościowo-Kredytowa], hereinafter referred to as “KSKOK”, used to make interbank settlements in zloty and to hold funds that correspond to the required minimum reserve; KSKOK maintains funds representing the required minimum reserve of credit unions and KSKOK on the current account,
 - required minimum reserve accounts of banks not having a current account with NBP⁵;

The amount of funds held by banks, credit unions and KSKOK with NBP due to the required minimum reserve depends on the basis for calculating the required minimum reserve and the required minimum reserve rate in force. The required minimum reserve is an averaged value in the maintenance period.

The increase in the balance as at 31 December 2018, as compared with 31 December 2017, was the result of a higher amount of funds held by banks on those accounts at the end of the year;

- liabilities to domestic banks due to deposit facilities – in 2018 domestic banks used the possibility to deposit their liquidity surplus on term deposit accounts with NBP in the form of interest-bearing overnight deposit. Typically, the largest amounts were deposited on the last days of the required minimum reserve maintenance periods.

The increase in the balance as at 31 December 2018, as compared with 31 December 2017, was the result of a higher amount of funds held by banks under deposit facilities;

- liabilities to domestic banks due to the issue of monetary bills by NBP under open market main⁶ and fine-tuning⁷ operations, which are aimed to absorb liquidity.

The funds of the required minimum reserve and deposit facilities bear interest, whereas monetary bills are issued at a discount (see Note 8). As at 31 December 2018 and 31 December 2017, the interest rates which are the basis for remuneration of the required minimum reserve funds, deposit facilities and for determining discount on monetary bills issued by NBP under open market operations were as follows:

⁵ As at 31 December 2017, the funds representing the required minimum reserve of credit unions and KSKOK were held at the required minimum reserve account of KSKOK.

⁶ In 2018, the maturity of main operations was 7 days (in 2017 it was 7 and 8 days).

⁷ In 2018 and in 2017, the maturity of fine-tuning operations was 1 day, 2, 3 and 4 days.

%	31.12.2017	31.12.2018
Required minimum reserve*	1.35	0.50
Deposit facility**	0.50	0.50
Monetary bills***	1.50	1.50

* Until 31 December 2017, the interest rate of the funds of the required minimum reserve stood at 0.9 of the NBP reference rate.

From 1 January 2018, the interest rate of the funds of the required minimum reserve has been 0.50%.

** NBP deposit rate.

*** NBP reference rate.

The decrease in the total liabilities of NBP to other domestic monetary financial institutions in domestic currency due to monetary policy operations by PLN 1,785,214.5 thousand as at 31 December 2018, as compared with 31 December 2017, resulted mainly from an increase in the volume of cash in circulation in 2018 (see Note 10). To the contrary, mainly purchases of foreign currency by NBP in 2018 acted on the increase in the item.

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

PLN thousand	31.12.2017	31.12.2018	Change
Settlements in the domestic payment systems of Krajowa Izba Rozliczeniowa, of which	466,082.0	358,751.5	-107,330.5
- in the Elixir system	300,802.9	155,159.1	-145,643.8
- in the Express Elixir system	165,279.1	203,592.4	38,313.3
Liabilities due to substitution cash services	5,272.0	4,059.2	-1,212.8
Total	471,354.0	362,810.7	-108,543.3

The item comprises liabilities to banks due to operations unrelated to monetary policy which concern settlements in the payment systems operated by Krajowa Izba Rozliczeniowa S.A. and substitution cash services.⁸

⁸ It concerns cash disbursements carried out in domestic banks by State budget units and offices providing services to the tax authorities which are located outside the cities in which NBP offers cash services.

Note 13 Liabilities to other residents denominated in domestic currency

<i>PLN thousand</i>	31.12.2017	31.12.2018	Change
Liabilities to general government, of which	7,560,576.7	7,251,979.7	-308,597.0
- State budget accounts	3,245,289.2	4,279,041.1	1,033,751.9
- accounts of social insurance funds	4,232,157.5	2,896,011.0	-1,336,146.5
- accounts of other entities of general government sector	83,118.1	76,927.6	-6,190.5
- other liabilities to general government	11.9	0.0	-11.9
Other liabilities	20,671.4	21,528.3	856.9
Total	7,581,248.1	7,273,508.0	-307,740.1

The item comprises mainly current accounts, auxiliary accounts and term deposit accounts in domestic currency operated by NBP for general government entities.

Note 14 Liabilities to non-residents denominated in domestic currency

<i>PLN thousand</i>	31.12.2017	31.12.2018	Change
Accounts of international financial organisations and central banks, of which	12,126.3	16,549.8	4,423.5
- No. 2 Account of the IMF	41.9	121.7	79.8
Accounts of international non-financial organisations	2,849,913.6	2,589,436.3	-260,477.3
Total	2,862,039.9	2,605,986.1	-256,053.8

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

Note 15 Liabilities to residents denominated in foreign currency

<i>PLN thousand</i>	31.12.2017	31.12.2018	Change
State budget accounts	14,102,551.6	21,328,213.5	7,225,661.9
Accounts of domestic banks for settlements in TARGET2	4,476,574.0	3,307,151.7	-1,169,422.3
Other liabilities	725,204.4	464,743.4	-260,461.0
Total	19,304,330.0	25,100,108.6	5,795,778.6
<i>of which currency revaluation differences</i>	-433,024.9	552,604.3	985,629.2

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 TARGET2.

Moreover, the item comprises liabilities denominated in foreign currency due to payment orders of NBP's customers which are in the course of settlement as at the balance-sheet date.

Note 16 Liabilities to non-residents denominated in foreign currency

<i>PLN thousand</i>	31.12.2017	31.12.2018	Change
Repo transactions in foreign currency	29,005,514.5	37,848,426.7	8,842,912.2
Accounts of international non-financial organisations	47,411.8	37,796.9	-9,614.9
Other liabilities	125,618.4	278.8	-125,339.6
Total	29,178,544.7	37,886,502.4	8,707,957.7
<i>of which currency revaluation differences</i>	-1,020,666.6	1,472,452.1	2,493,118.7

The item comprises mainly repo transactions carried out with foreign financial institutions. Under the NBP investment process, the above repo transactions are usually executed simultaneously with reverse repo transactions (see Note 3).

Repo transactions by foreign currency are presented below.

<i>thousand units of original currency</i>	USD	EUR	GBP	AUD
31.12.2017	6,326,809.7	1,583,987.2	0.0	137,262.3
31.12.2018	5,709,135.2	1,224,878.2	1,660,311.1	1,192,042.9
Change	-617,674.5	-359,109.0	1,660,311.1	1,054,780.6

Other liabilities include mainly NBP's own transactions denominated in foreign currency in the course of settlement as at the balance-sheet date.

Note 17 Liabilities to the IMF

<i>PLN thousand</i>	31.12.2017	31.12.2018	Change
SDR allocation	6,485,630.0	6,823,985.7	338,355.7
<i>of which SDR currency revaluation differences</i>	-824,272.5	-451,016.5	373,256.0

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. Liabilities to the IMF due to the SDR allocation bear the interest calculated according to the rate determined by the IMF. The increase in the item in original currency resulted from the increase in accrued interest by SDR 785.5 thousand (as at 31 December 2018 the accrued interest amounted to SDR 2,336.8 thousand).

The change in the domestic currency value of the item was mainly affected by the currency revaluation of SDR (see Note 22 and Note 30).

Note 18 Off-balance-sheet instruments revaluation differences

<i>PLN thousand</i>	31.12.2017	31.12.2018	Change
Currency revaluation differences	13,667.8	23,459.0	9,791.2
Price revaluation differences	13.6	328.0	314.4
Total	13,681.4	23,787.0	10,105.6

The item comprises currency revaluation losses on spot transactions in foreign currency recognised on off-balance-sheet accounts (see Note 25) and price revaluation losses on forward transactions in securities denominated in foreign currency (see Note 26 and Note 30).

Note 19 Accruals and deferred income

<i>PLN thousand</i>	31.12.2017	31.12.2018	Change
Accruals	51,828.2	81,206.0	29,377.8
Deferred income	62,112.0	60,850.0	-1,262.0
Total	113,940.2	142,056.0	28,115.8

Deferred income comprise mainly the value of tangible fixed assets received free of charge, which are recognised in the financial result alongside depreciation (see Note 5).

Note 20 Sundry

<i>PLN thousand</i>	31.12.2017	31.12.2018	Change
Employee Benefit Fund	17,987.2	17,222.5	-764.7
Other liabilities, of which	57,824.3	54,658.3	-3,166.0
- to public authorities	24,907.2	14,809.5	-10,097.7
- to suppliers	27,907.7	38,221.5	10,313.8
Adjustment of off-balance-sheet instruments to the average cost of foreign currency holding	23,363.0	1,355.5	-22,007.5
Total	99,174.5	73,236.3	-25,938.2

Adjustment of off-balance-sheet instruments to the average cost of foreign currency holding relates to spot transactions in foreign currency recognised on off-balance-sheet accounts (see Note 25).

Note 21 Provisions for future liabilities

<i>PLN thousand</i>	31.12.2017	31.12.2018	Change
Provisions for future liabilities to employees	125,481.2	137,035.1	11,553.9
Other provisions	8,302.8	8,333.2	30.4
Total	133,784.0	145,368.3	11,584.3

The change in provisions in 2017 and 2018 by allocation into particular categories is presented in tables below.

PLN thousand	01.01.2017	Increase	Use	Decrease	31.12.2017
Provisions for future liabilities to employees, of which	124,596.4	11,785.3	-10,156.0	-744.5	125,481.2
- due to retirement severance payments	62,235.8	4,884.0	-1,577.8	0.0	65,542.0
- due to disability severance payments	1,688.4	211.6	-177.9	0.0	1,722.1
- due to jubilee awards	49,710.2	6,674.5	-7,352.6	0.0	49,032.1
- due to untaken leaves	8,162.0	0.0	-182.9	-674.1	7,305.0
- due to statutory and additional severance payments and additional benefits for employees under employment contracts who are laid off for reasons unrelated to employees	2,800.0	15.2	-864.8	-70.4	1,880.0
Other provisions, of which	8,717.6	442.7	-671.8	-185.7	8,302.8
- for future liabilities due to court proceedings	8,654.1	442.7	-671.8	-175.1	8,249.9
- for future liabilities resulting from financial operations in domestic currency	63.5	0.0	0.0	-10.6	52.9
Total	133,314.0	12,228.0	-10,827.8	-930.2	133,784.0

PLN thousand	01.01.2018	Increase	Use	Decrease	31.12.2018
Provisions for future liabilities to employees, of which	125,481.2	23,750.0	-11,929.1	-267.0	137,035.1
- due to retirement severance payments	65,542.0	8,740.2	-4,105.0	0.0	70,177.2
- due to disability severance payments	1,722.1	238.6	-150.6	0.0	1,810.1
- due to jubilee awards	49,032.1	9,802.5	-6,990.4	0.0	51,844.2
- due to untaken leaves	7,305.0	4,924.2	-135.6	0.0	12,093.6
- due to statutory and additional severance payments and additional benefits for employees under employment contracts who are laid off for reasons unrelated to employees	1,880.0	44.5	-547.5	-267.0	1,110.0
Other provisions, of which	8,302.8	557.7	0.0	-527.3	8,333.2
- for future liabilities due to court proceedings	8,249.9	553.4	0.0	-527.3	8,276.0
- for future liabilities resulting from financial operations in domestic currency	52.9	4.3	0.0	0.0	57.2
Total	133,784.0	24,307.7	-11,929.1	-794.3	145,368.3

Note 22 Revaluation accounts

PLN thousand	31.12.2017	31.12.2018	Change
Currency revaluation gains, of which	10,986,318.2	24,146,806.7	13,160,488.5
- on gold	10,597,180.6	11,875,428.3	1,278,247.7
- on foreign currencies	389,137.6	12,271,378.4	11,882,240.8
Price revaluation gains, of which	618,996.6	1,428,340.4	809,343.8
- on securities	618,346.3	1,428,232.9	809,886.6
- on off-balance-sheet financial instruments	650.3	107.5	-542.8
Gold revaluation account	1,618,023.2	1,618,023.2	0.0
Total	13,223,338.0	27,193,170.3	13,969,832.3

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 cost⁹.

Average cost of holding of foreign currency and gold, average NBP exchange rates and average market price of gold

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
	31.12.2017		31.12.2018	
USD	3.6155244642	3.4813	3.5129233609	3.7597
EUR	4.2597284583	4.1709	4.2165990123	4.3000
GBP	4.9729585522	4.7001	4.7760640397	4.7895
AUD	2.8720955035	2.7199	2.7065985670	2.6549
NOK	0.4537717252	0.4239	0.4380940491	0.4325
NZD	2.6405620544	2.4774	2.4997222189	2.5230
SDR	5.5963505432	4.9653	5.5662838698	5.2212
Ounce of gold*	1,312.4640266468	4,513.5055	1,947.1693054304	4,818.6195

* Price of an ounce of gold in USD was respectively: USD 1,296.50 as at 31.12.2017 and USD 1,281.65 as at 31.12.2018.

Currency revaluation gains by foreign currency are presented below.

PLN thousand	31.12.2017	31.12.2018	Change
USD	0.0	10,104,703.6	10,104,703.6
EUR	0.0	1,827,375.7	1,827,375.7
GBP	0.0	119,108.3	119,108.3
NZD	0.0	90,652.5	90,652.5
SDR	389,103.8	129,034.6	-260,069.2
Other	33.8	503.7	469.9
Total	389,137.6	12,271,378.4	11,882,240.8

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.

⁹ In the case of a negative holding of foreign currency, currency revaluation gains are determined by comparing the average cost of foreign currency holding with the average NBP exchange rate, which is lower than the average cost. As at the end of 2017 and 2018 such a case materialised for SDR, the holding of which was negative.

Price revaluation gains by securities denominated in individual foreign currencies are presented below.

<i>PLN thousand</i>	31.12.2017	31.12.2018	Change
Securities in USD	23,048.2	413,286.2	390,238.0
Securities in EUR	30,992.7	288,236.1	257,243.4
Securities in GBP	150,672.4	174,273.8	23,601.4
Securities in AUD	8,261.0	256,889.6	248,628.6
Securities in NOK	202,261.3	92,314.8	-109,946.5
Securities in NZD	203,110.7	203,232.4	121.7
Total	618,346.3	1,428,232.9	809,886.6

As at 31 December 2018, price revaluation gains on off-balance-sheet financial instruments related to forward purchase transactions in securities denominated in GBP (see Note 26 and Note 7).

Due to the fact that as at 31 December 2018:

- no unrealised gold revaluation losses occurred,
- there was no decrease in gold holding as compared with the holding at the balance-sheet date of the previous financial year,

NBP, similarly to 31 December 2017, did not release the gold revaluation account.

Note 23 Capital and reserves

<i>PLN thousand</i>	31.12.2017	31.12.2018	Change
Statutory fund	1,500,000.0	1,500,000.0	0.0
Reserve fund	1,467,483.8	0.0	-1,467,483.8
Reserves	0.0	3,874,387.4	3,874,387.4
Total	2,967,483.8	5,374,387.4	2,406,903.6

The item comprises:

- the statutory fund, whose amount is determined by Article 61 of the Act on NBP,
- the reserve fund which, in accordance with Article 62 of the Act on NBP, is created from the transfer of 5% of NBP's annual profit until it reaches the amount equivalent to the statutory fund. The 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 NBP.

The change in the item resulted from:

- use of the reserve fund in the amount of PLN 1,467,483.8 thousand to cover a loss from previous years (see Note 24),
- creation of the provision against the foreign exchange rate risk of the zloty in the amount of PLN 3,874,387.4 thousand (see Note 31 and Chapter 9.1.4).

The change in the provision against the foreign exchange rate risk of the zloty in 2017 and 2018 is presented in the table below:

<i>PLN thousand</i>	Opening balance	Increase	Use	Release	Closing balance
2017	10,807,911.6	0.0	-10,807,911.6	0.0	0.0
2018	0.0	3,874,387.4	0.0	0.0	3,874,387.4

Note 24 Financial result

As at 31 December 2018, the item comprised:

- financial result of the current year, amounting to zero (see Note 41),
- uncovered loss of previous years in the amount of PLN 11,865,363.4 thousand, which is the result of NBP's loss for the year:
 - 2007 – in the amount of PLN 12,427,261.7 thousand,
 - 2017 – in the amount of PLN 2,524,935.6 thousand.

and its partial coverage from the reserve fund:

- in 2008 – in the amount of PLN 969,350.0 thousand;
- in 2015 – in the amount of PLN 250,000.0 thousand;
- in 2016 – in the amount of PLN 400,000.0 thousand;
- in 2018 – in the amount of PLN 1,467,483.8 thousand.

6. Explanatory notes to off-balance-sheet items

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

31.12.2017 PLN thousand	USD	EUR	GBP	AUD	NOK	NZD	Total
Currency to be received in spot transactions	490,890.0	208,860.5	188,649.1	136,364.0	0.0	0.0	1,024,763.6
Currency to be delivered in spot transactions	136,364.0	208,270.5	282,619.5	167,110.7	0.0	230,398.9	1,024,763.6

31.12.2018 PLN thousand	USD	EUR	GBP	AUD	NOK	NZD	Total
Currency to be received in spot transactions	187,221.6	0.0	272,891.0	208,747.2	316,000.2	0.0	984,860.0
Currency to be delivered in spot transactions	331,727.8	386,239.2	0.0	0.0	187,221.7	79,671.3	984,860.0

The decrease in the item resulted from a lower volume of spot foreign exchange purchase/sale transactions carried out by NBP towards the end of 2018.

Note 26 Off-balance-sheet financial instruments

PLN thousand	31.12.2017	31.12.2018	Change
Securities denominated in foreign currency purchased in forward transactions, of which	0.0	48,913.9	48,913.9
- securities in GBP	0.0	48,913.9	48,913.9
Securities denominated in foreign currency sold in forward transactions, of which	1,722,742.3	553,724.9	-1,169,017.4
- securities in AUD	1,722,742.3	553,724.9	-1,169,017.4
Bond futures sold denominated in foreign currency, of which	0.0	1,485,646.8	1,485,646.8
- bond futures in EUR	0.0	1,343,206.8	1,343,206.8
- bond futures in GBP	0.0	142,440.0	142,440.0

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

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

New Arrangements to Borrow – NAB

As of 15 November 2011, NBP became a participant in the New Arrangements to Borrow, which can be joined in by member countries 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 the arranged limit. The funds are transferred by NBP at the request of the IMF.

The currently in force New Arrangements to Borrow of 17 November 2017, which is a renewal of the New Arrangements to Borrow of 2011, expire after five years (that is on 16 November 2022).

As at 31 December 2018, the NBP's commitment under the NAB amounted to SDR 1,180,225.0 thousand (PLN 6,162,190.8 thousand according to the average NBP exchange rate as at 31 December 2018). As at 31 December 2017, the NBP's commitment to the IMF under the NAB amounted to SDR 1,143,327.5 thousand (PLN 5,676,964.0 thousand according to the average NBP exchange rate as at 31 December 2017).

SDR thousand	Opening balance	Increase		Decrease		Closing balance
		limit set	loan repayment	loan extension	limit decreased	
2011	0.0	2,528,590.0	0.0	-174,000.0	0.0	2,354,590.0
2012	2,354,590.0	0.0	2,500.0	-127,000.0	0.0	2,230,090.0
2013	2,230,090.0	0.0	27,200.0	-51,600.0	0.0	2,205,690.0
2014	2,205,690.0	0.0	72,827.5	-54,400.0	0.0	2,224,117.5
2015	2,224,117.5	0.0	102,200.0	-44,200.0	0.0	2,282,117.5
2016	2,282,117.5	0.0	21,323.8	0.0	-1,243,190.0*	1,060,251.3
2017	1,060,251.3	0.0	83,076.2	0.0	0.0	1,143,327.5
2018	1,143,327.5	0.0	36,897.5	0.0	0.0	1,180,225.0
	Total	2,528,590.0	346,025.0	-451,200.0	-1,243,190.0	

* As a result of an increase in the Republic of Poland's member quota in the IMF in 2016, the limit was reduced by SDR 1,243,190.0 thousand (from the initial amount of SDR 2,528,590.0 thousand to SDR 1,285,400.0 thousand).

Bilateral loan agreement

On 15 March 2013, NBP and the IMF concluded a bilateral loan agreement, in accordance with which NBP committed to extend interest-bearing loans to the IMF amounting up to the SDR equivalent of EUR 6,270,000.0 thousand. The funds will 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 quotas of member countries and loans under the NAB.

The current bilateral loan agreement of 23 January 2017, which supersedes the agreement of March 2013, is in force until the end of 2019, with the option to extend it for a one-year period (subject to NBP's consent) to the end of 2020. The limit of the loan was set at the previous level.

Until 31 December 2018, the IMF did not use the funds made available under the bilateral loan agreement with NBP. Therefore, as at 31 December 2018, the NBP's commitment to the bilateral loan agreement with the IMF amounted to EUR 6,270,000.0 thousand (PLN 26,961,000.0 thousand according to the average NBP exchange rate as at 31 December 2018). As at 31 December 2017, the NBP's commitment to the bilateral loan agreement with the IMF amounted to EUR 6,270,000.0 thousand (PLN 26,151,543.0 thousand according to the average NBP exchange rate as at 31 December 2017).

7. Explanatory notes to Profit and Loss Account

Note 28 Net result on interest, discount and premium

PLN thousand	Income		Expenses		Net result		
	2017	2018	2017	2018	2017	2018	Change
Investment instruments of foreign currency reserves, of which	6,193,285.9	7,560,987.6	3,703,095.9	3,408,338.1	2,490,190.0	4,152,649.5	1,662,459.5
- securities*	5,713,662.5	6,866,850.0	3,282,646.5	2,901,167.0	2,431,016.0	3,965,683.0	1,534,667.0
- term deposits**	163,329.7	231,537.0	109,558.6	75,659.8	53,771.1	155,877.2	102,106.1
- reverse repo transactions**	291,112.1	455,025.6	35,678.9	6,192.6	255,433.2	448,833.0	193,399.8
- repo transactions***	24,831.2	7,287.1	258,246.0	424,398.9	-233,414.8	-417,111.8	-183,697.0
- other**	350.4	287.9	16,965.9	919.8	-16,615.5	-631.9	15,983.6
Gold	13,960.6	11,355.6	0.0	0.0	13,960.6	11,355.6	-2,605.0
International Monetary Fund	18,003.5	32,366.6	35,409.2	62,262.4	-17,405.7	-29,895.8	-12,490.1
Monetary policy instruments, of which	6.4	140.6	1,673,796.0	1,566,489.2	-1,673,789.6	-1,566,348.6	107,441.0
- NBP monetary bills	0.0	0.0	1,107,616.4	1,350,744.6	-1,107,616.4	-1,350,744.6	-243,128.2
- required minimum reserve****	5.5	136.7	561,920.5	208,699.6	-561,915.0	-208,562.9	353,352.1
- deposit facility	0.0	0.0	4,259.1	7,045.0	-4,259.1	-7,045.0	-2,785.9
- Lombard credit	0.9	3.9	0.0	0.0	0.9	3.9	3.0
Other interest income/expenses	28,058.6	35,029.7	30,090.1	44,625.3	-2,031.5	-9,595.6	-7,564.1
Total	6,253,315.0	7,639,880.1	5,442,391.2	5,081,715.0	810,923.8	2,558,165.1	1,747,241.3

* Income includes discount and interest income, and expenses include premium expenses.

** Expenses include interest expenses due to a negative interest rate.

*** Income includes interest income due to a negative interest rate.

**** Income includes interest income for non-compliance with the obligation to maintain the required minimum reserve.

Net result on interest, discount and premium on investment instruments of foreign currency reserves (see Note 3 and Note 16)

2017								
<i>PLN thousand</i>	USD	EUR	GBP	AUD	NOK	NZD	Other	Total
Securities	1,846,816.2	-486,132.1	196,001.9	515,723.5	153,935.3	204,671.2	0.0	2,431,016.0
Term deposits	28,221.3	-109,558.4	2,350.2	5,330.0	55,913.2	71,514.8	0.0	53,771.1
Reverse repo transactions	261,212.7	-35,678.9	25,237.3	4,662.1	0.0	0.0	0.0	255,433.2
Repo transactions	-234,549.5	24,203.2	-19,550.7	-3,517.8	0.0	0.0	0.0	-233,414.8
Other	233.1	-16,447.8	51.7	7.2	34.7	-0.3	-494.1	-16,615.5
Total	1,901,933.8	-623,614.0	204,090.4	522,205.0	209,883.2	276,185.7	-494.1	2,490,190.0

2018								
<i>PLN thousand</i>	USD	EUR	GBP	AUD	NOK	NZD	Other	Total
Securities	3,182,325.5	-437,826.2	295,716.8	560,222.3	165,336.5	199,908.1	0.0	3,965,683.0
Term deposits	67,562.4	-75,659.8	5,814.3	2,864.1	76,852.6	78,443.6	0.0	155,877.2
Reverse repo transactions	395,695.8	-6,192.6	34,353.3	22,318.5	0.0	2,658.0	0.0	448,833.0
Repo transactions	-375,080.4	7,110.8	-29,202.5	-17,550.1	0.0	-2,389.6	0.0	-417,111.8
Other	258.4	-622.3	0.5	2.7	12.5	-0.1	-283.6	-631.9
Total	3,270,761.7	-513,190.1	306,682.4	567,857.5	242,201.6	278,620.0	-283.6	4,152,649.5

Change								
<i>PLN thousand</i>	USD	EUR	GBP	AUD	NOK	NZD	Other	Total
Securities	1,335,509.3	48,305.9	99,714.9	44,498.8	11,401.2	-4,763.1	0.0	1,534,667.0
Term deposits	39,341.1	33,898.6	3,464.1	-2,465.9	20,939.4	6,928.8	0.0	102,106.1
Reverse repo transactions	134,483.1	29,486.3	9,116.0	17,656.4	0.0	2,658.0	0.0	193,399.8
Repo transactions	-140,530.9	-17,092.4	-9,651.8	-14,032.3	0.0	-2,389.6	0.0	-183,697.0
Other	25.3	15,825.5	-51.2	-4.5	-22.2	0.2	210.5	15,983.6
Total	1,368,827.9	110,423.9	102,592.0	45,652.5	32,318.4	2,434.3	210.5	1,662,459.5

The increase of PLN 1,662,459.5 thousand in the net result on interest, discount and premium on investment instruments of foreign currency reserves was recorded in the following circumstances:

- an increased level of investment instruments of foreign currency reserves¹⁰ in average annual terms (their average level was PLN 354,047.4 million in 2018 as compared with PLN 344,426.7 million¹¹ in 2017), and
- an average annual appreciation of the zloty against all the currencies, except for EUR, in which foreign currency reserves are invested.

Average annual foreign exchange rates

PLN	2017	2018	Change
USD	3.7777	3.6134	-0.1643
EUR	4.2576	4.2623	0.0047
GBP	4.8601	4.8170	-0.0431
AUD	2.8934	2.6972	-0.1962
NOK	0.4567	0.4438	-0.0129
NZD	2.6837	2.4980	-0.1857

The increase in the net result on interest, discount and premium on the investment instruments of foreign currency reserves mainly related to securities denominated in foreign currencies, on which the following factors had an influence:

- an increase in the average rate of return on securities denominated in USD and GDP, and
- a higher share of securities in the investment structure of main investment instruments of foreign currency reserves in the circumstances of an increased average annual level of main investment instruments of foreign currency reserves.

Investment structure of NBP foreign currency reserves in average annual terms

%	2017*	2018	Change
Term deposits	12.0	10.1	-1.9 p.p.
Reverse repo transactions in foreign currency (stand-alone)	1.0	0.1	-0.9 p.p.
Securities	87.0	89.8	2.8 p.p.

* In 2018, there was a change in the methodology of calculating the average annual level of main investment instruments of foreign currency reserves, as a result of which the data for 2017 were recalculated and revised.

¹⁰ Main investment instruments of foreign currency reserves include term deposits, reverse repo transactions in securities (stand-alone) and securities.

¹¹ In 2018, there was a change in the methodology of calculating the average annual level of main investment instruments of foreign currency reserves, as a result of which the data for 2017 were recalculated and revised.

Interest income on gold (see Note 1 and Note 3)

The item includes interest income on term deposits in gold, which is accrued and paid in USD. The decrease in the item in 2018 was the result of:

- a decrease in the average annual interest rate on deposits, and
- an appreciation of the zloty against USD, in average annual terms,

with a simultaneous increase in the average annual level of term deposits in gold in 2018 (3,340.1 thousand ounces of gold) as compared with 2017 (3,117.8 thousand ounces of gold).

Net result on interest on receivables/liabilities related to the International Monetary Fund (see Note 2 and Note 17)

PLN thousand	Income		Expenses		Net result		
	2017	2018	2017	2018	2017	2018	Change
Interest on reserve tranche	4,690.6	11,950.5	0.0	0.0	4,690.6	11,950.5	7,259.9
Interest on current account with the IMF	7,993.8	14,130.6	0.0	0.0	7,993.8	14,130.6	6,136.8
Interest on loans extended to the IMF	5,319.1	6,285.5	0.0	0.0	5,319.1	6,285.5	966.4
Interest on SDR allocation	0.0	0.0	35,409.2	62,262.4	-35,409.2	-62,262.4	-26,853.2
Total	18,003.5	32,366.6	35,409.2	62,262.4	-17,405.7	-29,895.8	-12,490.1

The change in the interest income/expenses on items related to the IMF was a result of the following factors:

- the increase in the average weighted interest on SDR from 0.525% in 2017 to 0.933% in 2018,
- an appreciation of the zloty against SDR, in average annual terms, from PLN 5.2367 in 2017 to PLN 5.1111 in 2018,
- a higher average annual level of receivables due to an interest-bearing part of the reserve tranche (an increase from SDR 173,354.8 thousand in 2017 to SDR 243,790.2 thousand in 2018)¹², with a simultaneous lower average annual levels of receivables: on the current account with the IMF (a decrease from SDR 299,985.1 thousand in 2017 to SDR 298,383.0 thousand in 2018) and from loans extended to the IMF (a decline from SDR 199,085.2 thousand in 2017 to SDR 132,145.9 thousand in 2018).

¹² The value of non-interest-bearing part of the reserve tranche is fixed and amounts to SDR 56,236.0 thousand (see Note 2).

Net result on interest and discount on monetary policy instruments (see Note 11)

The decrease, by PLN 107,441.0 thousand, in the negative net result on interest and discount on the instruments used in monetary policy operations was mostly driven by:

- lower, by PLN 353,220.9 thousand, interest expenses on the required minimum reserve, which resulted from a decrease in the interest rate on the required minimum reserve since 1 January 2018, with a simultaneous rise in the average level of the required minimum reserve during the year,

Average level of required minimum reserve* and average annual interest rate on required minimum reserve

PLN million / %	2017	2018	Change
Required minimum reserve	41,697.3	41,972.6	275.3
Interest rate on required minimum reserve	1.35	0.50	-0.85 p.p.

* Amounts of the required minimum reserve are calculated based on reserve maintenance periods weighted with the number of days in the period.

- higher, by PLN 243,128.2 thousand, discount expenses on NBP monetary bills.

PLN thousand	2017	2018	Change
Discount expenses on NBP monetary bills issued under main monetary policy operations	1,082,121.0	1,324,373.7	242,252.7
Discount expenses on NBP monetary bills issued under fine-tuning monetary policy operations	25,495.4	26,370.9	875.5
Total	1,107,616.4	1,350,744.6	243,128.2

The above change resulted from the increase in the average annual issue of NBP monetary bills under both main and fine-tuning monetary policy operations.

Average annual level of main and fine-tuning operations* and average annual reference rate

PLN million / %	2017	2018	Change
Main operations	71,076.0	86,982.7	15,906.7
Fine-tuning operations	1,674.1	1,731.7	57.6
NBP reference rate	1.5	1.5	0.0 p.p.

* All calendar days from 1 January to 31 December were taken into account in the calculation of the average annual level of main and fine-tuning operations.

Other interest income/expenses

The item *Other interest income/expenses* comprises mainly interest expenses on accounts operated by NBP for the State budget, interest income on refinancing loans extended in another form

specified by the Management Board of NBP and interest income and expenses related to settlements in TARGET2.

Note 29 Income/expenses on financial operations

PLN thousand	Income		Expenses		Net result		
	2017	2018	2017	2018	2017	2018	Change
Realised foreign exchange gains/losses	3,496,116.5	5,530,124.4	3,513,779.0	1,166,554.9	-17,662.5	4,363,569.5	4,381,232.0
Realised price gains/losses of which	2,605,108.3	1,326,716.9	2,031,383.0	2,298,774.5	573,725.3	-972,057.6	-1,545,782.9
- on spot transactions in securities	836,112.2	505,302.1	467,514.1	1,314,248.2	368,598.1	-808,946.1	-1,177,544.2
- on off-balance-sheet financial instruments, of which	1,768,996.1	821,414.8	1,563,868.9	984,526.3	205,127.2	-163,111.5	-368,238.7
• on forward transactions in securities	29,933.5	47,380.5	30,104.8	41,419.5	-171.3	5,961.0	6,132.3
• on bond futures	1,739,062.6	774,034.3	1,533,764.1	943,106.8	205,298.5	-169,072.5	-374,371.0
Other income/expenses on financial operations	4.6	2.0	2.0	10.8	2.6	-8.8	-11.4
Total	6,101,229.4	6,856,843.3	5,545,164.0	3,465,340.2	556,065.4	3,391,503.1	2,835,437.7

Net result on realised foreign exchange gains/losses

PLN thousand	USD	EUR	GBP	AUD	NOK	NZD	SDR	Other	Total
2017	1,835,260.1	-231,317.6	-1,396,766.2	177,160.9	-65,892.0	-338,903.7	1,190.3	1,605.7	-17,662.5
2018	2,525,615.8	671,463.8	492,177.7	-100,362.0	578,087.8	111,674.1	95,119.0	-10,206.7	4,363,569.5
Change	690,355.7	902,781.4	1,888,943.9	-277,522.9	643,979.8	450,577.8	93,928.7	-11,812.4	4,381,232.0

The increase in the net result on realised foreign exchange gains/losses in 2018 was mainly the result of an increase in the volume of the sale of foreign currencies in the circumstances of an average annual growth of the difference between the NBP average exchange rate and the average cost of holding of foreign currencies.

Net result on realised price gains/losses on the sale of securities in spot transactions

PLN thousand	USD	EUR	GBP	AUD	NOK	Total
2017	11,989.9	68,613.8	139,814.6	138,733.6	9,446.2	368,598.1
2018	-891,819.8	69,266.7	-30,858.1	44,465.1	0.0	-808,946.1
Change	-903,809.7	652.9	-170,672.7	-94,268.5	-9,446.2	-1,177,544.2

Net result on realised price gains/losses on forward transactions in securities

<i>PLN thousand</i>	USD	EUR	GBP	AUD	NZD	Total
2017	-1,850.0	-3,921.1	1,817.9	3,850.2	-68.3	-171.3
2018	-4,828.1	-990.9	-962.6	12,742.6	0.0	5,961.0
Change	-2,978.1	2,930.2	-2,780.5	8,892.4	68.3	6,132.3

Net result on realised price gains/losses on daily revaluation of bond futures

<i>PLN thousand</i>	USD	EUR	GBP	Total
2017	206,022.0	-11,418.3	10,694.8	205,298.5
2018	-142,665.2	-23,094.3	-3,313.0	-169,072.5
Change	-348,687.2	-11,676.0	-14,007.8	-374,371.0

Note 30 Unrealised losses

<i>PLN thousand</i>	2017	2018	Change
Currency revaluation losses	13,092,709.6	835,517.7	-12,257,191.9
Price revaluation losses, of which	659,285.1	198,938.8	-460,346.3
- revaluation losses on securities	659,271.5	198,610.8	-460,660.7
- revaluation losses on off-balance-sheet financial instruments	13.6	328.0	314.4
Total	13,751,994.7	1,034,456.5	-12,717,538.2

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 cost¹³ (see Note 22). Currency revaluation losses by foreign currency are presented below.

¹³ In the case of a negative holding of foreign currency, currency revaluation losses are determined by comparing the average cost of foreign currency holding with the average NBP exchange rate, which is higher than the average cost.

<i>PLN thousand</i>	2017	2018	Change
USD	5,672,532.6	0.0	-5,672,532.6
EUR	1,892,538.3	0.0	-1,892,538.3
GBP	2,207,578.4	0.0	-2,207,578.4
AUD	1,452,458.8	552,387.7	-900,071.1
NOK	1,304,581.0	283,076.6	-1,021,504.4
NZD	561,710.0	0.0	-561,710.0
Other	1,310.5	53.4	-1,257.1
Total	13,092,709.6	835,517.7	-12,257,191.9

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. Price revaluation losses by securities denominated in individual foreign currencies are presented below.

<i>PLN thousand</i>	2017	2018	Change
Securities in USD	461,925.7	178,372.5	-283,553.2
Securities in EUR	102,460.3	989.1	-101,471.2
Securities in GBP	59,536.3	8,115.7	-51,420.6
Securities in AUD	35,349.2	0.0	-35,349.2
Securities in NOK	0.0	11,133.5	11,133.5
Total	659,271.5	198,610.8	-460,660.7

As at 31 December 2017 and 31 December 2018, price revaluation losses on off-balance-sheet financial instruments concerned securities denominated in AUD sold in forward transactions (see Note 18 and Note 26).

Note 31 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 2018, expenses in the amount of PLN 3,874,387.4 thousand resulted from the creation of the provision against the foreign exchange rate risk of the zloty. In 2017, income in the amount of PLN 10,807,911.6 thousand resulted from the use of the entire provision against the foreign exchange rate risk of the zloty (see Note 23).

Note 32 Fees and commissions income

PLN thousand	2017	2018	Change
On the operation by NBP of bank accounts	534.9	526.4	-8.5
On the execution of payment orders	31,259.8	31,648.3	388.5
Other fees and commissions income	15,205.9	12,606.1	-2,599.8
Total	47,000.6	44,780.8	-2,219.8

The decrease in other income in 2018 was related mainly to fees income due to non-delivery of securities by NBP's counterparties in time (so-called fails charges¹⁴), which amounted to PLN 1,849.5 thousand in 2018 as compared with PLN 4,673.8 thousand in 2017.

Note 33 Fees and commissions expenses

PLN thousand	2017	2018	Change
On the opening and operation of NBP accounts	6,691.8	7,170.5	478.7
On the execution of own payment orders	3,537.5	3,889.9	352.4
Due to substitution cash services	6,767.9	4,417.4	-2,350.5
Other fees and commissions expenses	18,229.6	18,565.2	335.6
Total	35,226.8	34,043.0	-1,183.8

The decrease in the expenses due to substitution cash services resulted mainly from a drop in the number of bank accounts operated under the service (see Note 12).

Moreover, the developments which affected other expenses included, among other things:

- the increase in expenses on transaction charges related to futures transactions – from PLN 1,559.2 thousand in 2017 to PLN 3,256.7 thousand in 2018,
- the decrease in fees expenses related to failure to deliver securities in time (so called *fails charges*) – from PLN 3,195.6 thousand in 2017 to PLN 1,392.4 thousand in 2018 (see Note 32).

¹⁴ Fails charges relate to securities purchase/sale transactions and repo/reverse repo transactions in USD. Charges are calculated when one of the parties to a transaction delivers securities to the other party at a date later than agreed.

Note 34 Income on shares and participating interests

The item comprises income on dividends from shares and participating interests held by NBP in domestic and foreign entities (see Note 6).

<i>PLN thousand</i>	2017	2018	Change
Dividends received, of which	17,289.4	14,703.6	-2,585.8
- <i>Krajowa Izba Rozliczeniowa S.A.</i>	4,965.0	4,702.5	-262.5
- <i>Bank for International Settlements</i>	12,324.4	10,001.1	-2,323.3

Note 35 Other income

In 2018, the item amounted to PLN 87,289.2 thousand and comprised mostly income on the sale of collector coins and banknotes, income on rental of office premises and income on the sale of tangible fixed assets. The decrease in the income by PLN 25,707.9 thousand as compared with 2017 was mainly driven by lower income on the sale of tangible fixed assets.

Note 36 Salaries and social contributions

<i>PLN thousand</i>	2017	2018	Change
Expenses on salaries	388,700.0	424,232.9	35,532.9
Expenses on provisions for future liabilities to employees	11,770.1	23,705.5	11,935.4
Expenses on social contributions, of which	86,484.9	96,054.0	9,569.1
- <i>Occupational Pension Scheme</i>	24,713.5	26,885.9	2,172.4
Total	486,955.0	543,992.4	57,037.4

In 2018, the average headcount at NBP amounted to 3,280 employees and was lower by 1 employee as compared with 2017.

In 2018, higher salary expenses resulted mainly from the adopted Human Resources and payroll policy.

In 2017 and 2018, expenses on the creation of provisions for future liabilities to employees by allocation into particular categories were as follows (see Note 21).

PLN thousand	2017		2018	
	Expenses on provisions	Actuarial gains/losses*	Expenses on provisions	Actuarial gains/losses*
Expenses on provisions for future liabilities to employees, of which	11,770.1	2,103.7	23,705.5	9,530.6
- due to retirement severance payments	4,884.0	38.8	8,740.2	4,186.0
- due to disability severance payments	211.6	23.8	238.6	52.3
- due to jubilee awards	6,674.5	2,041.1	9,802.5	5,292.3
- due to untaken leaves	0.0**	-	4,924.2	-

* Actuarial gains and losses result from changes in actuarial assumptions, such as the probability of an employee quitting job, death rate, discount rate or the level of future remunerations. Actuarial gains are presented with a (-) sign.

** In the case of provision for untaken leaves in 2017, a gain was recorded due to a partial release of the provision and classified as *Other income*.

Note 37 Administrative expenses

PLN thousand	2017	2018	Change
Materials and energy used	23,048.5	23,499.4	450.9
Benefits for employees and other eligible persons	10,855.3	13,285.3	2,430.0
Business travels	4,270.1	4,377.8	107.7
Services from third parties	153,039.1	166,458.4	13,419.3
Taxes and fees	22,042.1	21,983.9	-58.2
Transfers to Employee Benefit Fund	4,632.6	4,633.3	0.7
Other administrative expenses	10,372.9	17,572.3	7,199.4
Total	228,260.6	251,810.4	23,549.8

The change in the item resulted mainly from higher:

- expenses on services from third parties, mostly services related to information and promotion of NBP in the context of celebrations of the 100th anniversary of regaining independence by Poland, and to servicing IT systems and maintenance of ICT hardware and cash desk and vault equipment,
- other administrative expenses, mainly due to higher costs of subsidising educational projects.

Note 38 Depreciation and amortisation expenses

PLN thousand	2017	2018	Change
Tangible fixed assets depreciation expenses	60,795.9	61,240.7	444.8
Intangible fixed assets amortisation expenses	21,195.9	24,495.6	3,299.7
Total	81,991.8	85,736.3	3,744.5

Note 39 Expenses on issue of banknotes and coins

The item comprises expenses on the issue of banknotes and coins, including collector banknotes and coins.

In 2018, the item amounted to PLN 260,891.9 thousand and was by PLN 19,197.0 thousand lower as compared with 2017. The decline in the item resulted mainly from:

- decrease in expenses on the issue of general circulation banknotes resulting from a decline in the number of ordered banknotes of the face value of 10 zloty, 20 zloty, 50 zloty, 200 zloty and 500 zloty, accompanied by an increase in the prices of their purchase,

with a simultaneous:

- increase in expenses on the issue of collector coins, mostly resulting from a rise in the cost of gold used for their production.

Note 40 Other expenses

In 2018, the item amounted to PLN 11,123.9 thousand and comprised mainly of expenses corresponding to the nominal value of collector coins and banknotes sold. The decrease in the item by PLN 1,481.8 thousand as compared with 2017 was mainly driven by a drop in these expenses.

Note 41 Financial result for the current year and its allocation

The NBP financial result for 2018 amounted to zero, and therefore there will be no contribution from NBP's profit to the State budget, nor will there be allocation to NBP's reserve fund in 2019.¹⁵

¹⁵ In accordance with Article 62 and Article 69 of the Act on NBP, the NBP's profit is allocated (within 14 days of the approval of the NBP annual financial statements by the Council of Ministers) to:

- NBP's reserve fund (5% of the profit),
- contribution from NBP's profit to the State budget.

8. Other explanatory notes

Note 42 Events after the balance sheet date

Adjustment of the subscription key of the ECB capital

On 1 January 2019, an adjustment of the subscription key of the ECB capital was made, which in accordance with Article 29 of the Statute of the ESCB and the ECB is carried out regularly every five years on the basis of data on the size of population and GDP of the EU countries, provided to the ECB by the European Commission. Following this adjustment, the share of NBP in the ECB's subscribed capital amounted to 5.2068%, which corresponds to participating interest in the amount of EUR 563,636.5 thousand. As a result, the share of NBP in the paid-up capital of the ECB rose to EUR 21,136.4 thousand. The respective payment for the ECB, in the amount of EUR 340.2 thousand, was made by NBP on 2 January 2019.

Claims on domestic banks due to extended refinancing loans

Claims on domestic banks due to refinancing loans extended in another form specified by the Management Board of NBP were fully repaid in the first quarter of 2019. As at 31 December 2018, the claims amounted to PLN 5,643,437.2 thousand (see Note 4).

9. Financial and operational risk

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

- as relates to financial risk – the activity of the Financial Risk Management Department responsible for financial risk management;
- as relates to operational risk:
 - decentralised operational risk management by directors of Head Office departments and NBP regional branches who, on an ongoing basis, monitor operational risk, perform the assessment of its level and take measures mitigating risk occurrence in their units,
 - the activity of the Operational Risk and Compliance Department, which – on an ongoing basis – monitors and analyses operational risk in NBP as a whole, prepares regulations and draft measures related to changes to operational risk management. It also prepares reports on operational risk for the Commission for Operational Risk Management and for the Management Board of NBP,
 - Commission for Operational Risk Management, which assesses the effectiveness of operational risk management in NBP, monitors the current level of operational risk and

analyses the causes underlying materialisation of risk assessed as high or unacceptable. The Commission also submits and recommends to the Management Board of NBP proposed solutions and changes in the area of operational risk management.

- strategic decision-making by the Management Board of NBP, based on information concerning financial and operational risk.

The tasks carried out as part of risk management include:

- on-going identification and analysis of individual types of risk,
- measurement of risk level and its acceptance or non-acceptance,
- selection 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.

9.1. 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 exchange rate risk). The accepted level of financial risk is set through the system of investment limits, determination of which takes also into account mitigation of concentration risk. Exposure to various types of risk, under the adopted constraints, is monitored on an on-going basis by the Financial Risk Management Department. The analysis of exposure to financial risk is presented to the Management Board of NBP on a regular basis.

9.1.1. 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 decline in the market value of investment instruments arising from a deterioration in the issuer's creditworthiness.

9.1.1.1. Maximum exposure to credit risk

Maximum exposure to credit risk related to NBP assets, with no consideration of collateral held (exposures shown in the table are based on amounts recognised in the balance sheet), is presented below.

NBP's exposure to credit risk arises mainly from financial assets related to foreign currency reserves management (item A.2.2 of the Balance Sheet).

<i>PLN thousand</i>	31.12.2017	31.12.2018	Balance sheet item
Current accounts in gold	802,775.4	2,265,651.6	A.1
Term deposits in gold	13,429,773.0	16,905,097.9	A.1
Receivables from the IMF	3,374,388.1	4,819,450.5	A.2.1
Current accounts in foreign currency	12,470,822.1	10,293,530.8	A.2.2
Term deposits in foreign currency	26,289,397.0	37,477,995.2	A.2.2
Reverse repo transactions in foreign currency	29,795,939.6	37,849,982.3	A.2.2
Securities in foreign currency	307,350,022.7	329,190,814.2	A.2.2
Foreign banknotes and coins in stock	152,894.3	195,945.7	A.2.2
Other claims in foreign currency	1,440.1	40,307.2	A.2.2
Credits and loans extended to other monetary financial institutions in domestic currency	0.0	5,643,437.2	A.6
Other*	173,133.5	146,344.2	A.6, A.10.3, A.10.5
Total	393,840,585.8	444,828,556.8	

* This concerns mostly credits and loans extended in domestic currency (see Note 9).

Moreover, when joining the IMF borrowing programmes (see Note 27), NBP pledged to grant foreign-currency-denominated loans to the IMF, respectively:

- NAB agreement – up to the amount of SDR 1,285,400.0 thousand, of which the outstanding amount as at 31 December 2018 was SDR 1,180,225.0 thousand,
- bilateral loan agreements – up to the amount of EUR 6,270,000.0 thousand, of which the outstanding amount as at 31 December 2018 was EUR 6,270,000.0 thousand.

The concentration of NBP's maximum exposure to credit risk, by counterparty's sector, is presented below.

<i>PLN thousand</i>	31.12.2017	31.12.2018
General government institutions	301,010,723.9	316,528,174.8
- Foreign central government institutions	292,726,332.0	308,162,309.8
- Other	8,284,391.9	8,365,865.0
Monetary financial institutions	69,130,267.3	86,001,000.2
- Foreign credit institutions	46,289,878.8	55,659,058.3
- Central banks, BIS and IMF	22,827,009.9	24,685,191.8
- Domestic credit institutions	13,378.6	5,656,750.1
International financial organisations	740,242.6	904,068.3
Non-monetary financial institutions	21,353,864.3	38,189,416.6
Non-financial sector	1,452,589.1	3,009,944.0
Other	152,898.6	195,952.9
Total	393,840,585.8	444,828,556.8

NBP's maximum exposure to credit risk, by counterparty's geographical location, is presented below.

<i>PLN thousand</i>	31.12.2017	31.12.2018
United States	155,831,299.5	170,814,719.9
Euro area	118,284,203.1	125,262,038.1
United Kingdom	66,720,024.4	83,307,373.1
Australia	26,034,926.8	27,657,150.1
Norway	11,849,103.5	11,847,833.0
New Zealand	5,300,959.4	6,224,804.3
Poland	170,244.9	5,787,484.3
Denmark	304,809.5	1,989,856.4
Sweden	1,788,320.0	1,856,175.7
Switzerland	158,033.2	1,684,677.0
Other	7,398,661.5	8,396,444.9
Total	393,840,585.8	444,828,556.8

9.1.1.2. Credit risk in foreign currency reserve management

In the process of foreign currency reserve management, NBP uses the following credit risk mitigation methods:

- limiting the share of term deposit transactions and corporate bonds,
- counterparty selection criteria and on-going monitoring of their creditworthiness,

- limits imposed on counterparties of term deposit transactions and foreign currency transactions,
- limitation of the maturity of term deposit transactions,
- selection criteria for issuers of securities,
- limits for issuers of securities,
- entering into master agreements with counterparties,
- collateral in reverse repo transactions.

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 currency 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 currency reserves is also low – transactions are concluded for short periods with banks of high creditworthiness.

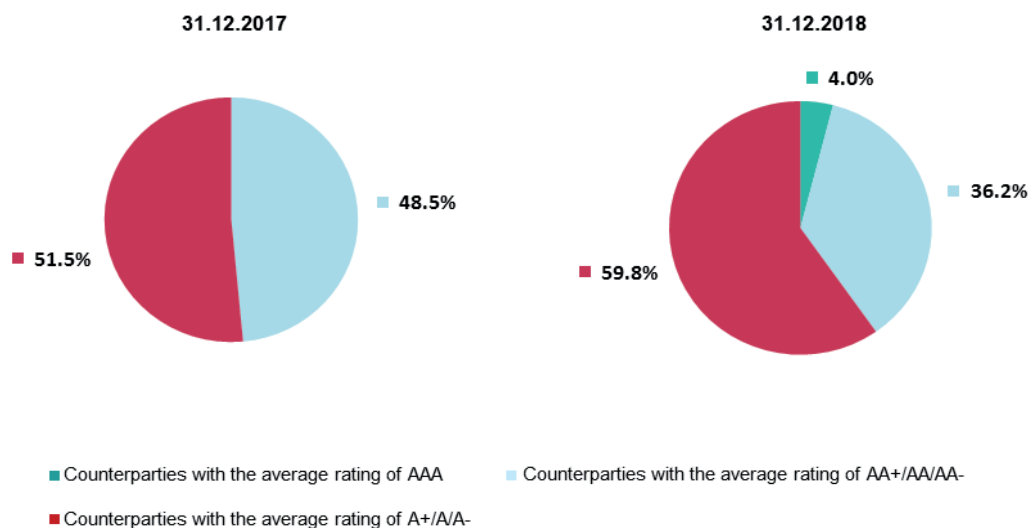
9.1.1.2.1. Credit quality of term deposits

The financial standing of NBP's counterparties with whom term deposits are concluded under the management of foreign currency reserves and gold is subject to on-going monitoring based on daily information from rating agencies about changes in creditworthiness ratings and rating forecasts, as well as implied ratings derived from CDS market quotations.

The figure presented below shows the structure of exposure to term deposits related to foreign currency reserves management, by counterparty average credit rating as at 31 December 2017 and 31 December 2018.¹⁶

¹⁶ The structure of exposures to term deposits was presented based on values used in the monitoring of the investment limits towards term deposit counterparties.

Figure 1. The structure of exposure to term deposits by counterparty average rating as at 31 December 2017 and 31 December 2018



NBP also concludes term deposits with central banks of the countries which meet the set rating requirements. As at 31 December 2018, NBP held term deposits at three central banks for the total nominal amount of PLN 6,698,777.1 thousand, whereas as at 31 December 2017, it had held term deposits at two central banks for the total amount of PLN 6,130,219.7 thousand.

9.1.1.2.2. Credit quality of securities

The table below presents NBP's exposure to securities issued by governments, central banks and other entities.

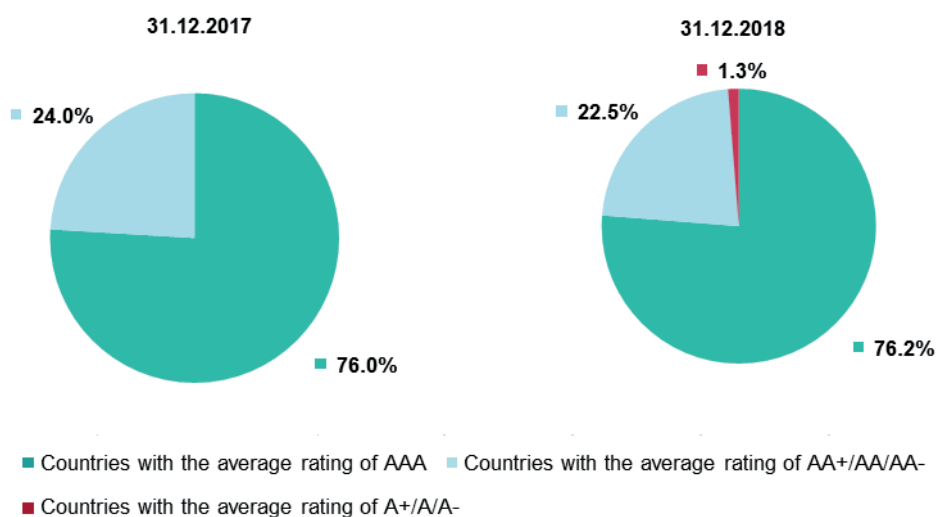
<i>PLN thousand</i>	31.12.2017	31.12.2018	Change
Government securities in foreign currency	292,725,681.7	308,162,202.3	15,436,520.6
Securities in foreign currency issued by central banks	174,558.7	0.0	-174,558.7
Other securities in foreign currency, of which:	14,449,782.3	21,028,611.9	6,578,829.6
- corporate securities in USD	1,420,513.6	3,103,132.8	1,682,619.2
Total	307,350,022.7	329,190,814.2	21,840,791.5

Government securities and securities issued by central banks

When estimating the credit quality of securities issued by governments and central banks, the creditworthiness ratings of the country of the securities issuer are, among others, taken into account. The structure of exposures to government securities and securities issued by central

banks by the average rating of the issuer's country is shown below.¹⁷ In 2018, NBP made investments in securities of the countries rated at least as A-/Baa1.

Figure 2. The structure of exposure to government securities and securities issued by central banks by the average rating of the issuer's country as at 31 December 2017 and 31 December 2018



Other securities

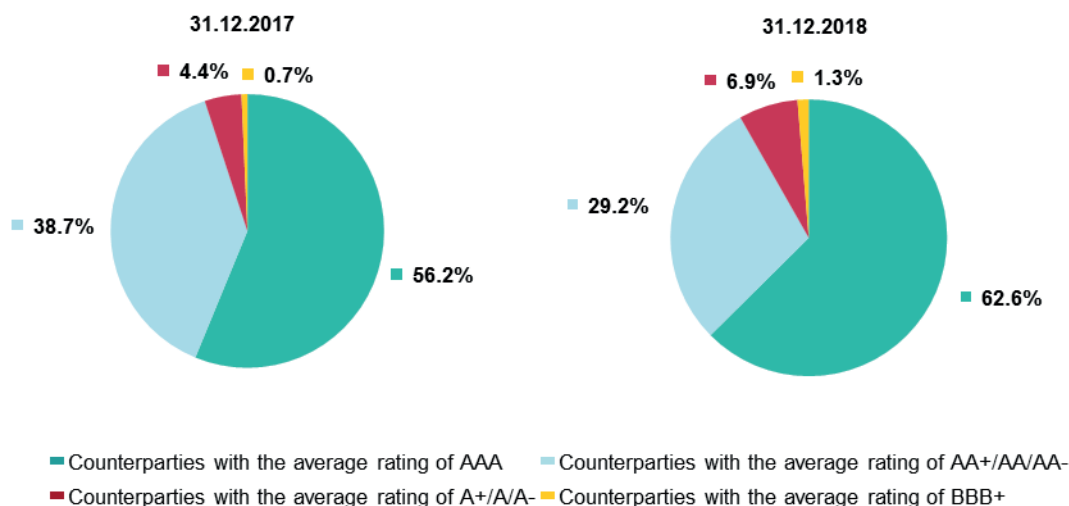
The credit quality of the issuers of other securities is assessed based on the scoring model that takes into account: issuer status, ratings assigned by rating agencies, issuer's financial data.

The figure below presents the structure of exposure to other securities by issuer's average rating as at 31 December 2017 and 31 December 2018.¹⁸

¹⁷ The structure of exposure to securities was presented based on values used for the monitoring of credit risk.

¹⁸ The structure of exposure to securities was presented based on values used for the monitoring of the investment limits for issuers of other securities.

Figure 3. The structure of exposures to other securities by issuer's average rating as at 31 December 2017 and 31 December 2018



9.1.1.3. Credit risk underlying domestic credit operations

To support the liquidity of the financial system, NBP may grant a refinancing loan in zloty to banks in order to supplement their financial resources. Specifically, banks use intraday credit and marginal lending facility (Lombard credit). Banks also use intraday credit in euro. NBP may also, on request by a bank, grant a refinancing loan in another form specified by the Management Board of NBP.

The total drawing on the credit in annual terms*

PLN million / EUR	2017	2018	Change
Lombard credit	12.6	57.4	44.8
Intraday credit	11,544,493.1	12,155,347.2	610,854.1
Intraday credit in EUR	12,663.0	22,301.7	9,638.7

* The values of intraday credit and intraday credit in euro are the sum total of the daily drawings of these loans, whereas the value of Lombard loan is counted for the days of its use.

The risk underlying these operations is mitigated through the use of eligible collateral that meet the criteria set by NBP.

Treasury and NBP securities denominated in PLN are the primary collateral presented by banks. The list of assets accepted as collateral also comprises other securities deposited with Krajowy Depozyt Papierów Wartościowych S.A.: covered bonds, municipal bonds, corporate bonds,

bonds issued by the European Investment Bank denominated in PLN, as well as – in the case of Lombard credit – EUR-denominated Treasury bonds.

In the case of a refinancing loan granted in another form specified by the Management Board of NBP, a wider range of collateral may apply. Extended refinancing loans have been collateralised mostly with portfolios of credit claims that meet the criteria set by NBP (see Note 4). Under the assessment carried out, it was established that as at 31 December 2018 the discounted value of expected cash flows from refinancing loans exceeds their carrying amount.

When setting the required level of collateral, the haircut rate is applied with the purpose to take into account the risk of unfavourable changes in market prices and exchange rates.

The first quarter of 2019 saw a full repayment of the amounts due from domestic banks under the refinancing loans extended in another form specified by the Management Board of NBP. As at 31 December 2018, the claims amounted to PLN 5,643,437.2 thousand (see Note 42).

Intraday credit in euro is extended in accordance with the principles laid down in the Agreement on the terms of opening and maintaining an account in euro in the TARGET2-NBP system, and it may be collateralised by Treasury bonds participating in BondSpot S.A. fixing, accepted by the ECB (in addition, haircut related to the exchange rate risk is taken into account).

9.1.1.3.1. Overdue claims on domestic credit operations

As at 31 December 2018, NBP had an overdue claim in the amount of PLN 99,799.8 thousand (PLN 123,396.7 thousand as at 31 December 2017) from a domestic bank under winding-up proceedings, which was related to a refinancing loan granted in 2015 in another form specified by the Management Board of NBP (see Note 9). As at the balance-sheet date, the outstanding portion of the loan was collateralised with the claims of the domestic bank under loan agreements which were assigned in favour of NBP. Under the assessment carried out, it was established that as at 31 December 2018 the discounted value of expected cash flows from collateral fully covers the carrying amount of the claim. Claims of the domestic bank arising from the loan agreements which were assigned in favour of NBP as collateral to the refinancing loan granted in another form specified by the Management Board of NBP are not included in the bankruptcy estate of the domestic bank, in accordance with the provisions of Article 67 paragraphs 2 and 3 of the Act of 28 February 2003 on the Bankruptcy and Restructuring Law¹⁹ (Journal of Laws of 2015, item 233, as amended).

¹⁹ As at 1 January 2016, pursuant to Article 428 subparagraph 1 of the Act of 15 May 2015 – Restructuring Law (Journal of Laws, item 978), the act received the title "Bankruptcy Law". Nonetheless, pursuant to Article 449 of the Act (i.e. the Restructuring Law), in matters for which a motion for bankruptcy was filed before the act entered

9.1.2. Liquidity risk

Liquidity risk is associated with the possibility of incurring additional expenses, if an urgent need arises to raise liquid funds.

As NBP has the exclusive right to issue banknotes and coins of the Republic of Poland, NBP is capable of creating liquidity in domestic currency. This 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 currency reserves management, NBP ensures adequate liquidity of funds by matching current and expected cash flows. Investments are made in the markets that ensure immediate availability of funds – reserve currencies and investment instruments are principally characterised by high liquidity.

9.1.2.1. Maturity analysis for financial liabilities in foreign currency

The table below presents the maturity analysis for financial liabilities of NBP denominated in foreign currency as at 31 December 2017 and 31 December 2018.²⁰

Moreover, when joining the IMF borrowing programmes (see Note 27), NBP pledged to grant foreign-currency-denominated loans to the IMF under, respectively:

- NAB agreement – up to the amount of SDR 1,285,400.0 thousand, of which the outstanding amount as at 31 December 2018 was SDR 1,180,225.0 thousand,
- bilateral loan agreements – up to the amount of EUR 6,270,000.0 thousand, of which the outstanding amount as at 31 December 2018 was EUR 6,270,000.0 thousand.

into force, i.e. before 1 January 2016, the regulations binding theretofore shall apply, that is regulations of the Bankruptcy and Restructuring Law in the wording in force prior to 1 January 2016.

²⁰ Liabilities related to NBP's own administrative activities were not included, as bearing no material impact.

31.12.2017	TOTAL	Avista	From 1 day to 1 month	Over 1 month to 3 months	Over 3 months	Balance sheet value	P.6 Liabilities to residents denominated in foreign currency	P.7 Liabilities to nonresidents denominated in foreign currency	P.8 Liabilities to the IMF	P.10 Other liabilities
PLN thousand										
Current/auxiliary accounts in foreign currency operated by NBP	18,627,430.3	18,627,430.3	0.0	0.0	0.0	18,627,430.3	18,580,018.5	47,411.8	0.0	0.0
Term deposit accounts in foreign currency operated by NBP	17,239.9	0.0	17,239.9	0.0	0.0	17,233.6	17,233.6	0.0	0.0	0.0
Repo transactions in foreign currency	29,008,145.7	0.0	29,008,145.7	0.0	0.0	29,005,514.5	0.0	29,005,514.5	0.0	0.0
Other financial liabilities denominated in foreign currency	842,218.0	0.0	842,119.1	98.9	0.0	842,218.0	707,077.9	125,618.4	0.0	9,521.7
SDR allocation	6,485,630.0	0.0	12,015.2	0.0	6,477,927.4	6,485,630.0	0.0	0.0	6,485,630.0	0.0
Foreign currency to be delivered in spot transactions	1,023,516.0	0.0	1,023,516.0	0.0	0.0	-	-	-	-	-
TOTAL	56,008,494.5	18,627,430.3	30,903,037.9	98.9	6,477,927.4	54,978,026.4	19,304,330.0	29,178,544.7	6,485,630.0	9,521.7
31.12.2018	TOTAL	Avista	From 1 day to 1 month	Over 1 month to 3 months	Over 3 months	Balance sheet value	P.6 Liabilities to residents denominated in foreign currency	P.7 Liabilities to nonresidents denominated in foreign currency	P.8 Liabilities to the IMF	P.10 Other liabilities
PLN thousand										
Current/auxiliary accounts in foreign currency operated by NBP	24,668,682.6	24,668,682.6	0.0	0.0	0.0	24,668,682.6	24,630,885.7	37,796.9	0.0	0.0
Term deposit accounts in foreign currency operated by NBP	9,214.9	0.0	9,214.9	0.0	0.0	9,205.0	9,205.0	0.0	0.0	0.0
Repo transactions in foreign currency	37,884,307.6	0.0	34,088,897.9	3,795,709.7	0.0	37,848,426.7	0.0	37,848,426.7	0.0	0.0
Other financial liabilities denominated in foreign currency	465,670.7	0.0	465,564.0	106.7	0.0	465,670.7	460,017.9	278.8	0.0	5,374.0
SDR allocation	6,823,985.7	0.0	18,686.5	0.0	6,811,784.7	6,823,985.7	0.0	0.0	6,823,985.7	0.0
Foreign currency to be delivered in spot transactions	986,910.6	0.0	986,910.6	0.0	0.0	-	-	-	-	-
Forward transactions in securities (purchase)	49,495.4	0.0	49,495.4	0.0	0.0	-	-	-	-	-
TOTAL	70,874,755.0	24,668,682.6	35,598,471.3	3,795,816.4	6,811,784.7	69,815,970.7	25,100,108.6	37,886,502.4	6,823,985.7	5,374.0

9.1.3. 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, hereinafter referred to as "MD", which 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 currency reserves, NBP defines the benchmark level of MD of foreign currency reserves, along with admissible fluctuation bands. In 2018, the MD of the reserves was kept at a level binding in the preceding year.

The sensitivity analysis, conducted based on MD²¹, showed that a change in interest rates by 100 basis points (for each foreign exchange portfolio, evenly distributed along the yield curve) would result in a change of the value of securities portfolios by PLN 6,991.1 million as at 31 December 2018 (as at 31 December 2017 – by PLN 6,574.4 million). The change in value of securities portfolios in individual currencies in response to a change in interest rates by 100 basis points, as estimated based on MD analysis, is presented below.

MD-based estimate of a change in values of securities portfolios in individual currencies in response to a 100 bps change in interest rates

<i>PLN million</i>	31.12.2017	31.12.2018	Change
USD	2,494.1	2,678.9	184.8
EUR	1,731.3	1,765.9	34.6
GBP	1,114.0	1,292.8	178.8
AUD	753.9	799.6	45.7
NOK	326.8	301.6	-25.2
NZD	154.3	152.3	-2.0
Total	6,574.4	6,991.1	416.7

In accordance with the accounting principles of NBP, price revaluation gains on securities at the end of the year are recorded as revaluation accounts on the liabilities side of the balance sheet, while losses are debited to NBP's financial result.

²¹ In the sensitivity analysis NBP applied the MD ratio for individual foreign-currency securities portfolios as at 31 December 2017 and 31 December 2018 as a linear measure of the relationship between price and yield, as well as the holding of securities portfolios as at 31 December 2017 and 31 December 2018 based on values used in the monitoring of MD.

9.1.4. 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 currency reserves management, NBP defines the currency structure of the strategic benchmark²², along with admissible fluctuation bands. In 2018, the composition of the strategic currency benchmark of the previous year was maintained – the benchmark was as follows:

- 44% USD,
- 27% EUR,
- 12% GBP,
- 8% AUD,
- 6% NOK,
- 3% NZD.

9.1.4.1. Exposure to foreign exchange rate risk

The foreign currency holdings of NBP as at 31 December 2017 and 31 December 2018 by currency are presented below, wherein items in foreign currency related to own administrative activities are presented as part of PLN holdings since they are immaterial.

²² The strategic currency benchmark is a reference portfolio mirroring long-term assumptions for the investment strategy by setting the foreign currency composition and the level of modified duration.

31.12.2017	PLN thousand	USD	EUR	GBP	AUD	NOK	NZD	SDR	Gold	Other currencies	Total
ASSETS											
1. Gold and gold receivables	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	14,942,147.1	0.0	14,942,147.1
2. Claims on non-residents denominated in foreign currency	0.0	169,602,794.7	113,827,122.0	38,274,186.7	26,369,789.1	18,840,711.0	8,962,333.2	3,374,388.1	0.0	183,579.1	379,434,903.9
3. Claims on residents denominated in foreign currency	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4. Claims on non-residents denominated in domestic currency	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5. Claims on other domestic monetary financial institutions related to monetary policy operations denominated in domestic currency	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
6. Other claims on other domestic monetary financial institutions denominated in domestic currency	529.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	529.0
7. Securities of residents denominated in domestic currency	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
8. Claims on general government denominated in domestic currency	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
9. Items in course of settlement	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
10. Other assets	1,266,639.9	13,633.8	90,918.2	5,457.2	2,391.4	0.0	15,174.1	49,653.0	0.0	0.0	1,443,867.6
of which: adjustment and currency revaluation differences on off-balance-sheet items	0.0	13,633.8	0.0	5,457.2	1,741.1	0.0	15,174.1	0.0	0.0	0.0	36,006.2
TOTAL ASSETS	1,267,168.9	169,616,428.5	113,919,040.2	38,279,643.9	26,372,180.5	18,840,711.0	8,977,597.3	3,424,041.1	14,942,147.1	183,579.1	395,821,447.6
LIABILITIES											
1. Banknotes and coins in circulation	198,715,915.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	198,715,915.2
2. Liabilities to other domestic monetary financial institutions related to monetary policy operations denominated in domestic currency	128,003,831.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	128,003,831.0
3. Other liabilities to other domestic monetary financial institutions denominated in domestic currency	471,354.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	471,354.0
4. Liabilities to other residents denominated in domestic currency	7,591,248.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	7,591,248.1
5. Liabilities to non-residents denominated in domestic currency	2,862,039.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2,862,039.9
6. Liabilities to residents denominated in foreign currency	0.0	783,352.9	18,360,761.3	2,806.2	0.0	0.0	0.0	0.0	0.0	157,409.6	19,304,330.0
7. Liabilities to non-residents denominated in foreign currency	0.0	22,025,590.2	6,654,064.1	0.0	373,339.7	125,560.7	0.0	0.0	0.0	0.0	29,178,544.7
8. Liabilities to the IMF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	6,485,630.0	0.0	0.0	6,485,630.0
9. Items in course of settlement	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
10. Other liabilities	180,230.0	13,874.2	9,531.7	5,754.9	2,156.8	1.6	15,174.5	0.0	0.0	72.4	226,796.1
of which: adjustment and currency revaluation differences on off-balance-sheet items	0.0	13,667.8	590.0	5,488.8	2,110.1	0.0	15,174.1	0.0	0.0	0.0	37,030.8
11. Provisions for future liabilities	133,784.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	133,784.0
12. Revaluation accounts	12,604,341.4	23,048.2	30,992.7	150,672.4	8,911.3	202,261.3	203,110.7	0.0	0.0	0.0	13,223,338.0
13. Capital and reserves	2,967,483.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2,967,483.8
14. Financial result	-13,332,847.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-13,332,847.2
TOTAL LIABILITIES	340,187,390.2	22,845,655.5	25,055,349.8	158,233.5	384,407.8	327,823.6	218,285.2	6,485,630.0	0.0	157,482.0	395,821,447.6
OFF-BALANCE-SHEET ITEMS											
Currency to be received in spot transactions	0.0	490,890.0	208,860.5	188,649.1	136,364.0	0.0	0.0	0.0	0.0	0.0	1,024,763.6
Currency to be delivered in spot transactions	0.0	136,364.0	208,270.5	282,619.5	167,110.7	0.0	230,398.9	0.0	0.0	0.0	1,024,763.6
NET HOLDING	-338,920,211.3	147,125,096.0	88,863,280.4	38,026,440.0	25,957,026.0	18,512,887.4	8,528,823.2	-3,061,988.9	14,942,147.1	26,097.1	
of which:											
Balance sheet holding*	-338,920,211.3	146,770,607.0	88,863,280.4	38,120,442.0	25,988,141.7	18,512,887.4	8,759,222.1	-3,061,988.9	14,942,147.1	26,097.1	
Off-balance-sheet holding*	0.0	354,492.0	0.0	-94,002.0	-31,115.7	0.0	-230,398.9	0.0	0.0	0.0	

* The effects of the adjustments to the average cost of holding and currency revaluation of the off-balance sheet holding in foreign currency (presented in items A.10 and L.10) are accounted for in the off-balance sheet holding. Values presented in the tables may not add up to totals due to rounding.

31.12.2018	PLN	USD	EUR	GBP	AUD	NOK	NZD	SDR	Gold	Other currencies	Total
ASSETS											
1. Gold and gold receivables	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	19,928,317.3	0.0	19,928,317.3
2. Claims on non-residents denominated in foreign currency	0.0	177,395,102.2	123,762,052.2	50,328,270.8	31,580,292.8	21,848,044.3	10,108,425.9	4,819,450.6	0.0	26,387.1	419,868,025.9
3. Claims on residents denominated in foreign currency	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4. Claims on non-residents denominated in domestic currency	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5. Claims on other domestic monetary financial institutions related to monetary policy operations denominated in domestic currency	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
6. Other claims on other domestic monetary financial institutions denominated in domestic currency	5,643,915.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5,643,915.1
7. Securities of residents denominated in domestic currency	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
8. Claims on general government denominated in domestic currency	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
9. Items in course of settlement	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
10. Other assets	1,237,043.9	9,699.5	100,175.8	871.4	4,040.1	3,060.5	735.1	52,212.0	0.0	0.0	1,407,838.3
of which, adjustment and currency revaluation differences on off-balance-sheet items	0.0	9,699.5	6,745.3	763.9	4,040.1	3,060.5	735.1	0.0	0.0	0.0	25,044.4
TOTAL ASSETS	6,880,959.0	177,404,801.7	123,862,238.0	50,329,142.2	31,584,332.9	21,851,104.8	10,109,161.0	4,871,652.6	19,928,317.3	26,387.1	446,848,066.6
LIABILITIES											
1. Banknotes and coins in circulation	219,489,936.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	219,489,936.7
2. Liabilities to other domestic monetary financial institutions related to monetary policy operations denominated in domestic currency	126,218,616.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	126,218,616.5
3. Other liabilities to other domestic monetary financial institutions denominated in domestic currency	362,810.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	362,810.7
4. Liabilities to other residents denominated in domestic currency	7,273,508.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	7,273,508.0
5. Liabilities to non-residents denominated in domestic currency	2,605,986.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2,605,986.1
6. Liabilities to residents denominated in foreign currency	0.0	1,425,364.9	23,654,198.7	15,465.9	0.0	11.4	0.0	0.0	0.0	5,107.7	25,100,108.6
7. Liabilities to non-residents denominated in foreign currency	0.0	21,464,635.6	5,304,773.3	7,952,338.7	3,164,754.8	0.0	0.0	0.0	0.0	0.0	37,886,532.4
8. Liabilities to the IMF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	6,823,955.7	0.0	0.0	6,823,955.7
9. Items in course of settlement	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
10. Other liabilities	208,562.9	9,478.2	12,723.7	1,467.1	4,420.5	1,694.7	735.4	0.0	0.0	6.8	239,079.3
of which, adjustment and currency revaluation differences on off-balance-sheet items	0.0	9,469.9	7,506.1	1,355.5	4,054.4	1,663.4	735.1	0.0	0.0	0.0	24,814.4
11. Provisions for future liabilities	145,388.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	145,388.3
12. Revaluation accounts	25,764,829.9	413,286.1	286,236.1	174,381.4	256,889.5	92,314.8	203,232.5	0.0	0.0	0.0	27,193,170.3
13. Capital and reserves	5,374,387.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5,374,387.4
14. Financial result	-11,865,363.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-11,865,363.4
TOTAL LIABILITIES	375,578,643.1	23,312,764.8	29,259,891.8	8,143,653.1	3,426,064.8	94,010.9	203,967.9	6,823,955.7	0.0	5,114.5	446,848,066.6
OFF-BALANCE-SHEET ITEMS											
Currency to be received in spot transactions	0.0	187,221.6	0.0	272,891.0	208,747.2	316,000.2	0.0	0.0	0.0	0.0	994,860.0
Currency to be delivered in spot transactions	0.0	331,727.8	386,239.2	0.0	0.0	187,221.7	79,671.3	0.0	0.0	0.0	994,860.0
NET HOLDING	-368,697,684.1	153,947,530.7	94,216,096.9	42,458,380.1	28,367,015.3	21,855,672.4	9,825,521.8	-1,952,523.1	19,928,317.3	21,272.6	
of which:											
Balance sheet holding*	-368,697,684.1	154,091,807.3	94,603,096.9	42,186,080.7	28,188,292.4	21,755,716.8	9,905,193.1	-1,952,523.1	19,928,317.3	21,272.6	
Off-balance-sheet holding*	0.0	-144,276.6	-387,000.0	272,289.4	208,722.9	100,156.6	-79,671.3	0.0	0.0	0.0	

* The effects of the adjustments to the average cost of holding and currency revaluation of the off-balance sheet holding in foreign currency (presented in items A.10 and L.10) are accounted for in the off-balance sheet holding. Values presented in the tables may not add up to totals due to rounding.

9.1.4.2. Value at Risk and provision against the foreign exchange rate risk of the zloty

At NBP, the Value at Risk (VaR) methodology is used to perform the analysis of 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 unrealised foreign currency revaluation gains estimated on the basis of statistical distribution analysis. The estimation is based on the foreign currency holdings in the structure of foreign currency reserves as at the balance sheet date along with historical time series of the average cost of currency holdings and 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 against the foreign exchange rate risk of the zloty.

As at 31 December 2017 the estimation of the provision amounted to PLN 10,807,911.6 thousand and was equal to the amount of the uncovered accumulated loss of previous years arising from changes in the exchange rate of the zloty against foreign currencies. Due to materialisation at the end of 2017 of unrealised losses resulting from changes of the foreign exchange rate of the zloty against foreign currencies in the amount that caused a loss for NBP and exceeded the created provision, the provision was in total released as income.

As at 31 December 2018 the estimation of the provision was equal to the amount of the uncovered accumulated loss of previous years arising from changes in the exchange rate of the zloty against foreign currencies, and amounted to PLN 11,865,363.4 thousand²³ (see Note 24). Bearing in mind that in accordance with Resolution No 12/2010 the provision is replenished by an amount which does not lead to a negative financial result and it is recognised as expense, as at 31 December 2018 the provision was created in the amount of PLN 3,874,387.4 thousand.

9.1.4.3. Gold price risk

The risk of the change in the price of gold (see Note 1) arises out of a potential decline in the value of gold holding as a result of unfavourable changes in the market price of gold.

The impact of a decline in the price of gold on the financial result is limited by unrealised gold revaluation gains and gold revaluation account (see Chapter 2.5.13 and Note 22).

²³ In accordance with Resolution No 12/2010, the estimated provision must not be lower than the amount of the uncovered accumulated loss of previous years that has arisen from changes in the foreign exchange rate of the zloty.

9.1.5. Capital of NBP

As the central bank of the State, NBP is not subject to regulations on capital adequacy of banks.

According to practice adopted by central banks, NBP classifies the following as its capital components:

- statutory fund,
- reserve fund,
- provision against the foreign exchange rate risk of the zloty,
- gold revaluation account,
- currency and price revaluation gains,
- NBP's balance sheet loss (of previous years and of the current year),
- a part of profit of current year at the disposal of NBP (i.e. 5%), which will be allocated to the reserve fund of NBP.

The table below presents values of the components of NBP's capital.

<i>PLN thousand</i>	31.12.2017	31.12.2018
Statutory fund	1,500,000.0	1,500,000.0
Reserve fund	1,467,483.8	0.0
Provision against the foreign exchange rate risk of the zloty	0.0	3,874,387.4
Gold revaluation account	1,618,023.2	1,618,023.2
Currency and price revaluation gains	11,605,314.8	25,575,147.1
NBP balance sheet loss of previous years	-10,807,911.6	-11,865,363.4
Financial result for the current year retained at NBP	-2,524,935.6	0.0
Total	2,857,974.6	20,702,194.3
<i>% of the balance sheet total of NBP</i>	<i>0.7%</i>	<i>4.6%</i>

9.1.6. Market value of financial assets and liabilities and off-balance-sheet financial instruments

In line with the applicable accounting principles, NBP measures the value of financial assets and liabilities and off-balance-sheet financial instruments using market prices (mark-to-market valuation) or valuation models accepted in market practice (mark-to-model valuation) with prices or market parameters as input factors, with the exception of:

- claims and liabilities due to bank accounts, including deposits and term deposits,
- credits and loans granted,
- other financial assets,
- banknotes and coins in circulation,
- securities issued by NBP.

Bearing in mind the nature of the above mentioned financial instruments (e.g. short-term character, uniqueness of the instrument), it was assumed that their balance sheet value approximately equals their market/current value.

Financial assets and liabilities as well as off-balance-sheet financial instruments are classified into one of the following three categories based on the methods of determining the market value for price valuation used by NBP:

Level 1	Level 2	Level 3
Financial assets and liabilities and off-balance-sheet financial instruments whose market value is determined directly on the basis of (unadjusted) prices quoted on active markets for identical assets, liabilities or off-balance-sheet financial instruments.	Financial assets and liabilities and off-balance-sheet financial instruments whose market value is determined on the basis of valuation models, for which all significant input data are observable in the market directly (as prices) or indirectly (as based on prices).	Financial assets and liabilities as well as off-balance-sheet financial instruments, whose market value is estimated using valuation models for which input data are not based on data observable in the market.
NBP has classified securities purchased by NBP* into this category.	NBP has classified into this category forward transactions in securities for the revaluation of which it uses the model with input parameters coming directly from the market. The value of such transactions as at the balance sheet date is determined by comparing the market price of securities on the valuation date with their contract price, discounted as at the spot date applicable for market prices from the valuation date.	As at 31 December 2017 and 31 December 2018, NBP did not classify any financial assets and liabilities and off-balance-sheet financial instruments into this category.

*Gold is also revalued according to market prices. To measure its value, NBP uses the average market price of gold which is converted into domestic currency according to the average NBP exchange rate of the US dollar as at the balance sheet date. In line with the applicable accounting principles, NBP does not differentiate between the effects of the exchange rate revaluation and price revaluation of gold, treating them jointly as currency revaluation differences.

Financial assets and liabilities and off-balance-sheet financial instruments that are presented in the balance sheet as at 31 December 2017 and 31 December 2018 according to market value, assigned to individual levels, are presented below.

31.12.2017 PLN thousand	Level 1	Level 2	Level 3	Balance sheet value	Balance sheet item
ASSETS					
Securities purchased by NBP	307,350,022.7	0.0	0.0	307,350,022.7	A.2.2
Forward transactions in securities (revaluation gains)	0.0	650.3	0.0	650.3	A.10.3
LIABILITIES					
Forward transactions in securities (revaluation losses)	0.0	13.6	0.0	13.6	L.10.1

31.12.2018 PLN thousand	Level 1	Level 2	Level 3	Balance sheet value	Balance sheet item
ASSETS					
Securities purchased by NBP	329,190,814.2	0.0	0.0	329,190,814.2	A.2.2
Forward transactions in securities (revaluation gains)	0.0	107.5	0.0	107.5	A.10.3
LIABILITIES					
Forward transactions in securities (revaluation losses)	0.0	328.0	0.0	328.0	L.10.1

In 2017 and 2018, there were no transfers between Level 1 and Level 2.

Narodowy Bank Polski also carries out transactions in bond futures. These transactions are marked to market (Level 1) and settled on a daily basis (see Note 29).

9.2. Operational risk

The concept of operational risk in NBP includes the potential possibility of incurring financial or non-financial damages, including failure to carry out tasks or a negative impact on NBP reputation, resulting from inadequate or failed internal processes and systems as well as personnel or external events.

The operational risk in NBP is divided into four sub-categories: safety risk, personnel risk, legal risk and technological risk, which includes 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).

The 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,
- introduction of access control system as well as IT and telecommunications, physical and electronic safeguards,
- generation of back-up copies of electronic files,
- development of contingency and evacuation plans as well as training and tests related to securing business continuity in NBP,
- insurance,
- control and internal audit.

In 2018 the Commission for Operational Risk Management held 12 sessions during which topics were discussed related mainly to the current issues that may affect the level of operational risk at NBP, cybersecurity at NBP and business continuity plans.

Promotion of standards delineated in the *Code of Ethics for Narodowy Bank Polski Employees* continued as part of compliance risk management.

Director of the Accounting
and Finance Department
of Narodowy Bank Polski:

/-/ Krzysztof Kruszewski

Management Board
of Narodowy Bank Polski:

/-/ Adam Glapiński
/-/ Piotr Wiesiołek
/-/ Anna Trzecińska
/-/ Jacek Bartkiewicz
/-/ Andrzej Kaźmierczak
/-/ Ryszard Kokoszczyński
/-/ Paweł Samecki
/-/ Paweł Szalamacha

Warsaw, 20 March 2019



This document is a free translation of the Polish original. Terminology current in Anglo-Saxon countries has been used where practicable for the purposes of this translation in order to aid understanding. The binding Polish original should be referred to in matters of interpretation.

Independent Auditor's Report

To the Monetary Policy Council of Narodowy Bank Polski

Report on the Audit of the Annual Financial Statements

Opinion

We have audited the accompanying annual financial statements of Narodowy Bank Polski ("NBP"), which comprise:

- the balance sheet as at 31 December 2018;
- the profit and loss account for the year ended 31 December 2018;

and

- the notes

(the "financial statements").

In our opinion, the accompanying financial statements of NBP:

- give a true and fair view of the financial position of NBP as at 31 December 2018 and of its financial result for the year ended 31 December 2018 in accordance with the Act of 29 August 1997 on Narodowy Bank Polski (Journal of Laws of 2017 item 1373 with subsequent amendments) (the "Act on NBP"), Resolution No. 16/2003 of the Monetary Policy Council of 16 December 2003 on the accounting

principles, format of the balance sheet and the profit and loss account of Narodowy Bank Polski (NBP Official Journal item 38 with subsequent amendments), 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 item 19) and 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 (with subsequent amendments) (all together "the legal basis for preparation of the NBP financial statements");

- comply, in all material respects, with regard to form and content, with laws applicable to NBP;
- have been prepared, in all material respects, on the basis of properly maintained accounting records.

KPMG Audyt spółka z ograniczoną odpowiedzialnością sp.k.

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Basis for Opinion

We conducted our audit in accordance with:

- International Standards on Auditing as adopted by the National Council of Certified Auditors as National Standards on Auditing (the “NSA”); and
- the act on certified auditors, audit firms and public oversight dated 11 May 2017 (Journal of Laws of 2017 item 1089 with

subsequent amendments) (the “Act on certified auditors”).

Our responsibilities under those standards are further described in the Auditor’s Responsibility for the audit of the financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Ethics

We are independent of NBP in accordance with the Code of Ethics for Professional Accountants (“IFAC Code”) issued by the International Ethics Standards Board for Accountants as adopted by the resolutions of the National Council of Certified Auditors, as well as other independence and ethical requirements, applicable to audit engagement

in Poland. We have fulfilled all ethical responsibilities resulting from those requirements and IFAC Code. During our audit the key certified auditors and the audit firm remained independent of NBP in accordance with requirements of the Act on certified auditors.

Responsibility of the Management Board of NBP for the financial statements

The Management Board of NBP is responsible for the preparation, on the basis of properly maintained accounting records, of financial statements that give a true and fair view in accordance with the legal basis for the preparation of the NBP financial statements, laws applicable to NBP and for such internal control as the Management Board of NBP determines is necessary to enable the preparation of financial statements that are

free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management Board of NBP is responsible for assessing the ability of NBP to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in accordance with applicable laws, in particular Article 58 of the Act on NBP.

Auditor’s Responsibility for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with NSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The scope of audit does not include assurance on the future viability of NBP or on the efficiency or effectiveness with which the

Management Board of NBP has conducted or will conduct the affairs of NBP.

As part of an audit in accordance with NSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions,



TRANSLATION

- misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control of NBP;
 - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board of NBP;
 - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
 - conclude on the appropriateness of the Management Board of NBP's use of the going concern basis of accounting and,

based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on NBP's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report on the audit of the financial statements to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report on the audit of the financial statements, including those related to Article 58 of the Act on NBP.

We communicate with the Management Board of NBP regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

On behalf of audit firm

KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.

Registration No. 3546

Signed on the Polish original

Stacy Ligas

Member of the Management Board of KPMG Audyт Sp. z o.o., entity which is the General Partner of KPMG Audyт Spółka z ograniczoną odpowiedzialnością sp. k.

Signed on the Polish original

Katarzyna Łącka-Dziekan

Key Certified Auditor
Registration No. 13131

Warsaw, 20 March 2019

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 2017	109 389.5	102.8	90.0	10 762.9	112.8	127.0	102.1	100.2	102.1	100.3	99.7
January 2018	114 103.0	108.7	104.1	4 551.1	134.7	42.2	101.9	100.3	100.3	100.2	100.1
February	111 139.5	107.3	97.7	4 705.0	131.3	103.3	101.4	99.8	100.1	99.9	99.8
March	124 301.8	101.6	111.2	6 224.5	116.1	132.1	101.3	99.9	100.0	100.5	100.6
April	116 223.8	109.3	93.2	6 305.0	119.7	101.0	101.6	100.5	100.5	101.0	100.3
May	119 465.8	105.2	101.4	7 139.5	120.7	112.9	101.7	100.2	100.6	103.0	101.3
June	124 716.8	106.7	104.2	8 638.9	124.7	120.6	102.0	100.1	100.7	103.7	100.3
July	118 324.2	110.3	94.6	8 539.1	118.7	98.5	102.0	99.8	100.6	103.4	100.1
August	119 338.1	105.0	100.8	8 703.0	120.1	101.6	102.0	100.0	100.5	103.0	100.0
September	123 545.5	102.7	103.3	9 388.5	116.5	107.5	101.9	100.2	100.7	103.0	100.5
October	136 131.4	107.4	109.9	10 166.7	122.5	107.9	101.8	100.4	101.1	103.2	100.5
November	130 524.4	104.6	96.3	10 237.9	117.0	100.3	101.3	100.0	101.1	102.8	99.6
December	114 698.8	102.9	88.5	12 509.4	112.3	121.8	101.1	100.0	101.1	102.1	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 2017	101.4	100.2	6 350	6 065	1 081.7	6.6	4 973.7	350 499.1	375 868.1	-24 736.5
January 2018	101.5	100.1	6 472	6 187	1 133.7	6.8	4 588.6	35 191.2	26 629.0	14 175.4
February	101.7	100.1	6 492	6 197	1 126.7	6.8	4 599.7	62 020.3	57 559.5	8 247.2
March	101.9	100.3	6 501	6 205	1 092.2	6.6	4 886.6	88 469.2	85 341.5	12 670.5
April	102.1	100.3	6 510	6 212	1 042.5	6.3	4 840.4	125 162.3	115 837.1	18 633.6
May	102.4	100.3	6 513	6 210	1 002.2	6.1	4 696.6	154 008.6	144 423.2	18 138.4
June	102.8	100.4	6 529	6 222	967.9	5.8	4 848.2	182 007.8	172 472.3	17 025.6
July	103.1	100.3	6 530	6 231	961.8	5.8	4 825.0	212 154.4	213 013.1	4 670.1
August	103.2	100.3	6 531	6 229	958.6	5.8	4 798.3	243 460.3	242 408.1	2 384.1
September	103.3	100.4	6 530	6 225	947.4	5.7	4 771.9	272 862.1	269 678.4	1 211.7
October	103.3	100.4	6 544	6 227	937.3	5.7	4 921.4	309 414.0	302 937.7	3 771.9
November	103.4	100.4	6 548	6 232	950.5	5.7	4 966.6	343 394.9	332 334.8	2 125.7
December	103.7	100.4	6 538	6 233	968.9	5.8	5 275.0	380 077.1	390 495.0	-29 869.6

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 2017	2 865 057.6	1 686 012.1	2 714 983.6	1 743 154.0	150 074.0	23 678.2	126 395.9	94.8	4.4	102.2	956 153.1	341 733.1	340 529.8
January 2018	.	.	.	.	.	.	.	.	.	.	.	.	.
February	.	.	.	.	.	.	.	.	.	.	.	.	.
March	706 604.8	417 939.7	672 813.4	430 133.3	33 791.4	6 581.8	27 209.6	95.2	3.9	103.0	945 867.0	340 194.9	322 650.6
April	.	.	.	.	.	.	.	.	.	.	.	.	.
May	.	.	.	.	.	.	.	.	.	.	.	.	.
June	1 466 606.8	861 870.0	1 391 442.6	887 919.1	75 164.2	12 729.4	62 434.8	94.9	4.3	100.6	993 562.0	358 595.8	342 766.8
July	.	.	.	.	.	.	.	.	.	.	.	.	.
August	.	.	.	.	.	.	.	.	.	.	.	.	.
September	2 232 988.3	1 316 578.9	2 119 411.1	1 357 503.8	113 577.3	18 965.0	94 612.3	94.9	4.2	99.9	1 023 008.1	377 726.2	359 178.9
October	.	.	.	.	.	.	.	.	.	.	.	.	.
November	.	.	.	.	.	.	.	.	.	.	.	.	.
December	3 057 031.9	1 798 572.6	2 919 314.3	1 863 736.3	137 717.6	25 021.3	112 696.3	95.5	3.7	98.4	1 015 096.2	358 380.2	354 348.0

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	Total required reserves held
						demand	time	demand	time			
	%	%	%	%	%	%	%	%	%	%	%	million zloty
1	2	3	4	5	6	7	8	9	10	11	12	
December 2017	1.50	2.50	0.50	1.75	.	3.5	3.5	3.5	3.5	0.0	0,9 ¹	42 581.1
January 2018	1.50	2.50	0.50	1.75	.	3.5	3.5	3.5	3.5	0.0	0.5	42 002.6
February	1.50	2.50	0.50	1.75	.	3.5	3.5	3.5	3.5	0.0	0.5	42 290.0
March	1.50	2.50	0.50	1.75	.	3.5	3.5	3.5	3.5	0.0	0.5	42 290.0
April	1.50	2.50	0.50	1.75	.	3.5	3.5	3.5	3.5	0.0	0.5	41 133.3
May	1.50	2.50	0.50	1.75	.	3.5	3.5	3.5	3.5	0.0	0.5	41 133.3
June	1.50	2.50	0.50	1.75	.	3.5	3.5	3.5	3.5	0.0	0.5	41 580.5
July	1.50	2.50	0.50	1.75	.	3.5	3.5	3.5	3.5	0.0	0.5	41 826.0
August	1.50	2.50	0.50	1.75	.	3.5	3.5	3.5	3.5	0.0	0.5	41 949.0
September	1.50	2.50	0.50	1.75	.	3.5	3.5	3.5	3.5	0.0	0.5	41 949.0
October	1.50	2.50	0.50	1.75	.	3.5	3.5	3.5	3.5	0.0	0.5	41 996.3
November	1.50	2.50	0.50	1.75	.	3.5	3.5	3.5	3.5	0.0	0.5	42 639.8
December	1.50	2.50	0.50	1.75	.	3.5	3.5	3.5	3.5	0.0	0.5	43 194.6

¹ Until December 2017 interest on reserve requirement has been calculated as 0.9 of the reference rate and from January 2018 0.5%.

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 2017	0	0.00	0.00	0.00	0.00	0.00
January 2018	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 2017	8	517 000.00	428 368.40	428 368.40	1.50	94 399.25
January 2018	7	455 000.00	408 615.23	407 309.00	1.50	89 802.77
February	6	420 500.00	401 540.94	401 540.94	1.50	86 639.69
March	6	493 500.00	469 099.60	468 274.15	1.50	98 203.38
April	5	421 500.00	390 186.48	389 573.10	1.50	89 778.38
May	5	414 000.00	385 877.19	385 877.19	1.50	109 655.76
June	7	506 000.00	471 648.07	468 151.07	1.50	102 065.51
July	6	413 000.00	380 784.68	380 784.68	1.50	83 396.64
August	7	487 500.00	447 518.48	447 518.48	1.50	83 311.00
September	4	364 500.00	330 102.60	330 102.60	1.50	78 714.61
October	6	382 000.00	362 843.92	362 398.40	1.50	87 301.96
November	6	469 500.00	440 243.35	440 243.35	1.50	81 221.28
December	6	423 000.00	350 960.60	350 960.60	1.50	53 260.44

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 2017	482	670 975.5	15.8	2 461.2	2 430.2	4 847.3	4 764.8	14 595.8	14 357.4	16 420.8	33.5
January 2018	479	694 136.2	16.5	2 553.8	2 566.3	5 023.2	4 973.3	14 968.6	14 971.4	19 136.4	33.8
February	477	648 976.6	14.6	2 364.3	2 427.8	4 720.9	4 806.9	14 597.1	14 675.6	16 211.4	31.4
March	478	607 650.3	12.5	2 210.4	2 300.2	4 554.9	4 693.1	14 179.6	14 418.8	18 359.5	35.7
April	476	616 478.0	13.3	2 291.9	2 279.2	4 571.4	4 617.2	14 120.5	14 192.1	14 240.5	30.0
May	476	587 278.0	13.2	2 157.1	2 248.4	4 500.8	4 548.4	13 626.0	13 927.8	17 050.2	36.2
June	473	569 332.0	12.7	2 135.5	2 191.8	4 219.7	4 376.5	12 689.0	13 279.9	16 739.3	35.2
July	473	602 284.4	13.5	2 302.1	2 194.3	4 344.0	4 240.1	13 042.1	12 760.5	14 734.4	30.1
August	472	600 215.8	13.5	2 338.0	2 302.7	4 231.1	4 281.9	12 559.4	12 802.7	16 878.2	32.8
September	470	587 309.7	13.4	2 285.1	2 270.5	4 169.0	4 058.5	11 483.6	11 668.8	21 917.6	48.5
October	469	554 045.0	12.8	2 151.9	2 194.9	3 819.3	3 975.6	10 968.6	11 216.4	16 370.1	32.3
November	467	582 979.2	13.9	2 291.1	2 228.9	3 944.4	3 878.8	10 938.0	10 855.8	17 795.8	39.6
December	465	578 949.4	13.8	2 276.6	2 293.6	3 909.4	3 992.9	10 571.1	10 754.9	14 823.3	38.4

Table III. PLN/USD and PLN/EUR daily exchange rates

Days	December 2017			January 2018			February 2018		
	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	3.5352	4.2078	1.1903	3.4813	4.1709	1.1981	3.3346	4.1504	1.2446
2	3.5352	4.2078	1.1903	3.4546	4.1701	1.2071	3.3329	4.1615	1.2486
3	3.5352	4.2078	1.1903	3.4616	4.1673	1.2039	3.3329	4.1615	1.2486
4	3.5499	4.2082	1.1854	3.4472	4.1515	1.2043	3.3329	4.1615	1.2486
5	3.5454	4.2024	1.1853	3.4488	4.1544	1.2046	3.3375	4.1585	1.2460
6	3.5653	4.2154	1.1823	3.4488	4.1544	1.2046	3.3498	4.1547	1.2403
7	3.5722	4.2115	1.1790	3.4488	4.1544	1.2046	3.3677	4.1593	1.2351
8	3.5808	4.2026	1.1736	3.4735	4.1647	1.1990	3.4119	4.1733	1.2232
9	3.5808	4.2026	1.1736	3.4992	4.1779	1.1940	3.4263	4.2024	1.2285
10	3.5808	4.2026	1.1736	3.4999	4.1784	1.1939	3.4263	4.2024	1.2285
11	3.5633	4.2038	1.1797	3.4950	4.1758	1.1948	3.4263	4.2024	1.2285
12	3.5708	4.2077	1.1784	3.4366	4.1669	1.2125	3.4122	4.1846	1.2264
13	3.5880	4.2155	1.1749	3.4366	4.1669	1.2125	3.3916	4.1764	1.2314
14	3.5716	4.2216	1.1820	3.4366	4.1669	1.2125	3.3769	4.1716	1.2353
15	3.5786	4.2217	1.1797	3.4010	4.1696	1.2260	3.3259	4.1530	1.2487
16	3.5786	4.2217	1.1797	3.4190	4.1825	1.2233	3.3173	4.1559	1.2528
17	3.5786	4.2217	1.1797	3.4109	4.1739	1.2237	3.3173	4.1559	1.2528
18	3.5740	4.2134	1.1789	3.4108	4.1663	1.2215	3.3173	4.1559	1.2528
19	3.5583	4.2011	1.1806	3.3994	4.1750	1.2282	3.3411	4.1467	1.2411
20	3.5459	4.1975	1.1838	3.3994	4.1750	1.2282	3.3597	4.1472	1.2344
21	3.5369	4.2018	1.1880	3.3994	4.1750	1.2282	3.3697	4.1562	1.2334
22	3.5393	4.1935	1.1848	3.4036	4.1696	1.2251	3.4009	4.1811	1.2294
23	3.5393	4.1935	1.1848	3.4084	4.1712	1.2238	3.3911	4.1738	1.2308
24	3.5393	4.1935	1.1848	3.3750	4.1637	1.2337	3.3911	4.1738	1.2308
25	3.5393	4.1935	1.1848	3.3376	4.1493	1.2432	3.3911	4.1738	1.2308
26	3.5393	4.1935	1.1848	3.3299	4.1477	1.2456	3.3799	4.1717	1.2343
27	3.5253	4.1909	1.1888	3.3299	4.1477	1.2456	3.3816	4.1700	1.2331
28	3.5046	4.1815	1.1931	3.3299	4.1477	1.2456	3.4188	4.1779	1.2220
29	3.4813	4.1709	1.1981	3.3375	4.1423	1.2411			
30	3.4813	4.1709	1.1981	3.3442	4.1461	1.2398			
31	3.4813	4.1709	1.1981	3.3318	4.1488	1.2452			
Average monthly rate	3.5482	4.2016	X	3.4141	4.1636	X	3.3701	4.1683	X

Table III. PLN/USD and PLN/EUR daily exchange rates, cont'd.

Days	March 2018			April 2018			May 2018		
	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	3.4356	4.1854	1.2182	3.4139	4.2085	1.2328	3.4868	4.2204	1.2104
2	3.4200	4.1986	1.2277	3.4139	4.2085	1.2328	3.5563	4.2675	1.2000
3	3.4200	4.1986	1.2277	3.4177	4.2094	1.2316	3.5563	4.2675	1.2000
4	3.4200	4.1986	1.2277	3.4224	4.2065	1.2291	3.5754	4.2771	1.1963
5	3.3995	4.1895	1.2324	3.4301	4.2070	1.2265	3.5754	4.2771	1.1963
6	3.3936	4.1891	1.2344	3.4315	4.1984	1.2235	3.5754	4.2771	1.1963
7	3.3744	4.1922	1.2424	3.4315	4.1984	1.2235	3.5634	4.2513	1.1930
8	3.3935	4.2024	1.2384	3.4315	4.1984	1.2235	3.5884	4.2662	1.1889
9	3.4132	4.1989	1.2302	3.4174	4.1967	1.2280	3.6090	4.2790	1.1856
10	3.4132	4.1989	1.2302	3.4068	4.1990	1.2325	3.5773	4.2473	1.1873
11	3.4132	4.1989	1.2302	3.3859	4.1911	1.2378	3.5708	4.2569	1.1921
12	3.4066	4.1942	1.2312	3.3924	4.1882	1.2346	3.5708	4.2569	1.1921
13	3.4143	4.2097	1.2330	3.3862	4.1769	1.2335	3.5708	4.2569	1.1921
14	3.4055	4.2114	1.2366	3.3862	4.1769	1.2335	3.5558	4.2615	1.1985
15	3.4117	4.2168	1.2360	3.3862	4.1769	1.2335	3.5931	4.2823	1.1918
16	3.4214	4.2162	1.2323	3.3666	4.1628	1.2365	3.6241	4.2893	1.1835
17	3.4214	4.2162	1.2323	3.3572	4.1582	1.2386	3.6283	4.2868	1.1815
18	3.4214	4.2162	1.2323	3.3721	4.1677	1.2359	3.6385	4.2958	1.1807
19	3.4341	4.2176	1.2282	3.3693	4.1665	1.2366	3.6385	4.2958	1.1807
20	3.4296	4.2242	1.2317	3.3881	4.1724	1.2315	3.6385	4.2958	1.1807
21	3.4544	4.2416	1.2279	3.3881	4.1724	1.2315	3.6615	4.2991	1.1741
22	3.4264	4.2261	1.2334	3.3881	4.1724	1.2315	3.6252	4.2812	1.1810
23	3.4319	4.2295	1.2324	3.4156	4.1802	1.2239	3.6693	4.3037	1.1729
24	3.4319	4.2295	1.2324	3.4401	4.1980	1.2203	3.6590	4.2953	1.1739
25	3.4319	4.2295	1.2324	3.4548	4.2159	1.2203	3.6686	4.3022	1.1727
26	3.4145	4.2316	1.2393	3.4827	4.2392	1.2172	3.6686	4.3022	1.1727
27	3.3921	4.2164	1.2430	3.5003	4.2259	1.2073	3.6686	4.3022	1.1727
28	3.3956	4.2097	1.2398	3.5003	4.2259	1.2073	3.6849	4.3031	1.1678
29	3.4201	4.2093	1.2308	3.5003	4.2259	1.2073	3.7299	4.3056	1.1543
30	3.4139	4.2085	1.2328	3.4868	4.2204	1.2104	3.7200	4.3195	1.1612
31	3.4139	4.2085	1.2328				3.7200	4.3195	1.1612
Average monthly rate	3.4158	4.2101	X	3.4188	4.1948	X	3.6183	4.2820	X

Table III. PLN/USD and PLN/EUR daily exchange rates, cont'd.

Days	June 2018			July 2018			August 2018		
	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	3.6934	4.3146	1.1682	3.7440	4.3616	1.1650	3.6603	4.2758	1.1682
2	3.6934	4.3146	1.1682	3.7703	4.3899	1.1643	3.6783	4.2745	1.1621
3	3.6934	4.3146	1.1682	3.7723	4.3978	1.1658	3.6926	4.2758	1.1579
4	3.6665	4.2931	1.1709	3.7759	4.3969	1.1645	3.6926	4.2758	1.1579
5	3.6569	4.2804	1.1705	3.7485	4.3833	1.1693	3.6926	4.2758	1.1579
6	3.6470	4.2829	1.1744	3.7222	4.3600	1.1714	3.6920	4.2672	1.1558
7	3.6062	4.2634	1.1822	3.7222	4.3600	1.1714	3.6722	4.2554	1.1588
8	3.6479	4.2912	1.1763	3.7222	4.3600	1.1714	3.6782	4.2619	1.1587
9	3.6479	4.2912	1.1763	3.6850	4.3380	1.1772	3.6846	4.2715	1.1593
10	3.6479	4.2912	1.1763	3.6973	4.3356	1.1726	3.7481	4.2942	1.1457
11	3.6247	4.2717	1.1785	3.7000	4.3322	1.1709	3.7481	4.2942	1.1457
12	3.6271	4.2776	1.1793	3.7055	4.3262	1.1675	3.7481	4.2942	1.1457
13	3.6461	4.2820	1.1744	3.7244	4.3302	1.1627	3.7862	4.3094	1.1382
14	3.6155	4.2757	1.1826	3.7244	4.3302	1.1627	3.7768	4.3001	1.1386
15	3.6922	4.2802	1.1593	3.7244	4.3302	1.1627	3.7768	4.3001	1.1386
16	3.6922	4.2802	1.1593	3.6828	4.3076	1.1697	3.7871	4.3105	1.1382
17	3.6922	4.2802	1.1593	3.6619	4.2998	1.1742	3.7784	4.3061	1.1397
18	3.7003	4.2887	1.1590	3.7031	4.3036	1.1622	3.7784	4.3061	1.1397
19	3.7316	4.3113	1.1553	3.7163	4.3155	1.1612	3.7784	4.3061	1.1397
20	3.7352	4.3171	1.1558	3.7170	4.3275	1.1642	3.7695	4.2997	1.1407
21	3.7607	4.3323	1.1520	3.7170	4.3275	1.1642	3.7375	4.3101	1.1532
22	3.6977	4.3149	1.1669	3.7170	4.3275	1.1642	3.7104	4.2937	1.1572
23	3.6977	4.3149	1.1669	3.6957	4.3262	1.1706	3.7069	4.2868	1.1564
24	3.6977	4.3149	1.1669	3.7020	4.3256	1.1684	3.7014	4.2801	1.1563
25	3.7087	4.3242	1.1660	3.6793	4.3035	1.1697	3.7014	4.2801	1.1563
26	3.7151	4.3372	1.1675	3.6649	4.2927	1.1713	3.7014	4.2801	1.1563
27	3.7351	4.3430	1.1628	3.6937	4.2945	1.1627	3.6820	4.2748	1.1610
28	3.7705	4.3566	1.1554	3.6937	4.2945	1.1627	3.6548	4.2732	1.1692
29	3.7440	4.3616	1.1650	3.6937	4.2945	1.1627	3.6747	4.2871	1.1667
30	3.7440	4.3616	1.1650	3.6684	4.2836	1.1677	3.6724	4.2917	1.1686
31				3.6481	4.2779	1.1726	3.6808	4.2953	1.1669
Average monthly rate	3.6876	4.3054	X	3.7095	4.3301	X	3.7175	4.2873	X

Table III. PLN/USD and PLN/EUR daily exchange rates, cont'd.

Days	September 2018			October 2018			November 2018			December 2018		
	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/USD	PLN/EUR	USD/EUR
	28	29	30	31	32	33	34	35	36	37	38	39
1	3.6808	4.2953	1.1669	3.6867	4.2795	1.1608	3.8203	4.3313	1.1338	3.7731	4.2904	1.1371
2	3.6808	4.2953	1.1669	3.7326	4.2975	1.1513	3.7804	4.3244	1.1439	3.7731	4.2904	1.1371
3	3.6991	4.2954	1.1612	3.7103	4.2949	1.1576	3.7804	4.3244	1.1439	3.7672	4.2818	1.1366
4	3.7241	4.3073	1.1566	3.7512	4.3090	1.1487	3.7804	4.3244	1.1439	3.7516	4.2810	1.1411
5	3.7330	4.3183	1.1568	3.7518	4.3117	1.1492	3.7907	4.3144	1.1382	3.7832	4.2896	1.1339
6	3.7143	4.3218	1.1636	3.7518	4.3117	1.1492	3.7802	4.3115	1.1405	3.7844	4.2919	1.1341
7	3.6995	4.3079	1.1645	3.7518	4.3117	1.1492	3.7398	4.2972	1.1490	3.7694	4.2845	1.1367
8	3.6995	4.3079	1.1645	3.7574	4.3112	1.1474	3.7599	4.2951	1.1423	3.7694	4.2845	1.1367
9	3.6995	4.3079	1.1645	3.7629	4.3190	1.1478	3.7838	4.2901	1.1338	3.7694	4.2845	1.1367
10	3.7283	4.3138	1.1570	3.7507	4.3082	1.1486	3.7838	4.2901	1.1338	3.7600	4.2911	1.1413
11	3.7087	4.3077	1.1615	3.7399	4.3179	1.1545	3.7838	4.2901	1.1338	3.7763	4.2982	1.1382
12	3.7198	4.3103	1.1587	3.7130	4.3022	1.1587	3.8163	4.2962	1.1258	3.7934	4.2993	1.1334
13	3.7130	4.3126	1.1615	3.7130	4.3022	1.1587	3.8268	4.2994	1.1235	3.7739	4.2937	1.1377
14	3.6817	4.3093	1.1705	3.7130	4.3022	1.1587	3.8114	4.2954	1.1270	3.8095	4.3021	1.1293
15	3.6817	4.3093	1.1705	3.7091	4.2927	1.1573	3.8074	4.2970	1.1286	3.8095	4.3021	1.1293
16	3.6817	4.3093	1.1705	3.7036	4.2919	1.1588	3.7876	4.2950	1.1340	3.8095	4.3021	1.1293
17	3.6876	4.2968	1.1652	3.7123	4.2936	1.1566	3.7876	4.2950	1.1340	3.7871	4.2906	1.1330
18	3.6817	4.3030	1.1688	3.7302	4.2966	1.1518	3.7876	4.2950	1.1340	3.7668	4.2853	1.1376
19	3.6685	4.2929	1.1702	3.7601	4.3049	1.1449	3.7840	4.3242	1.1428	3.7619	4.2846	1.1389
20	3.6702	4.2912	1.1692	3.7601	4.3049	1.1449	3.7900	4.3314	1.1428	3.7331	4.2849	1.1478
21	3.6402	4.2929	1.1793	3.7601	4.3049	1.1449	3.7829	4.3070	1.1385	3.7528	4.2889	1.1429
22	3.6402	4.2929	1.1793	3.7273	4.2922	1.1516	3.7764	4.3064	1.1403	3.7528	4.2889	1.1429
23	3.6402	4.2929	1.1793	3.7485	4.2984	1.1467	3.7779	4.2972	1.1375	3.7528	4.2889	1.1429
24	3.6620	4.3092	1.1767	3.7698	4.3036	1.1416	3.7779	4.2972	1.1375	3.7588	4.2832	1.1395
25	3.6511	4.2939	1.1761	3.7796	4.3123	1.1409	3.7779	4.2972	1.1375	3.7588	4.2832	1.1395
26	3.6430	4.2865	1.1766	3.7899	4.3125	1.1379	3.7701	4.2883	1.1374	3.7588	4.2832	1.1395
27	3.6557	4.2814	1.1712	3.7899	4.3125	1.1379	3.7948	4.2919	1.1310	3.7616	4.2860	1.1394
28	3.6754	4.2714	1.1622	3.7899	4.3125	1.1379	3.8114	4.2994	1.1280	3.7550	4.2969	1.1443
29	3.6754	4.2714	1.1622	3.7930	4.3164	1.1380	3.7728	4.2900	1.1371	3.7550	4.2969	1.1443
30	3.6754	4.2714	1.1622	3.8062	4.3258	1.1365	3.7731	4.2904	1.1371	3.7550	4.2969	1.1443
31				3.8203	4.3313	1.1338				3.7597	4.3000	1.1437
Average monthly rate	3.6837	4.2992	X	3.7495	4.3060	X	3.7866	4.3029	X	3.7691	4.2905	X

Table IV. Average MFI interest rates on outstanding amounts, PLN denominated (in %)

	Sector	Category	Original maturity	No.	December 2017	January	February	March
						2018		
Deposits in PLN	households and non-profit institutions serving households	overnight		1	0.5	0.5	0.5	0.5
		with agreed maturity	up to 2 years	2	1.5	1.5	1.5	1.5
			over 2 years	3	2.1	2.2	2.2	2.2
			total	4	1.5	1.6	1.6	1.5
		total, overnight included		5	0.9	0.9	0.9	0.9
	non-financial corporations	overnight		6	0.6	0.5	0.5	0.6
		with agreed maturity	up to 2 years	7	1.5	1.5	1.5	1.5
			over 2 years	8	1.5	1.4	1.4	1.4
			total	9	1.5	1.5	1.5	1.5
		total, overnight included		10	0.9	0.9	0.9	0.9
		total, overnight excluded		11	1.5	1.5	1.5	1.5
		total, overnight included		12	0.9	0.9	0.9	0.9
Loans in PLN	households and non-profit institutions serving households	revolving loans and overdrafts		13	7.4	7.5	7.5	7.4
		credit cards		14	7.5	7.4	7.1	7.1
		for consumption	up to 1 year	15	4.8	4.8	4.8	4.8
			over 1 and up to 5 years	16	7.3	7.3	7.4	7.2
			over 5 years	17	8.0	8.0	8.2	8.0
			total	18	7.7	7.7	7.8	7.7
		for house purchases	up to 1 year	19	n/a	n/a	n/a	n/a
			over 1 and up to 5 years	20	5.6	5.6	5.5	5.5
			over 5 years	21	3.7	3.7	3.8	3.7
			total	22	3.7	3.7	3.8	3.7
		for other purposes	up to 1 year	23	5.2	5.1	5.4	5.2
			over 1 and up to 5 years	24	5.2	5.1	5.4	5.3
			over 5 years	25	5.0	5.0	5.1	5.1
	total		26	5.1	5.1	5.2	5.1	
	total, overdrafts included		27	5.2	5.2	5.3	5.2	
	non-financial corporations	revolving loans and overdrafts		28	3.3	3.3	3.4	3.4
		credit cards		29	6.7	6.9	6.5	6.4
		up to 1 year		30	3.2	3.3	3.3	3.3
		over 1 and up to 5 years		31	3.8	3.8	3.8	3.8
		over 5 years		32	4.0	4.0	4.1	4.0
total		33	3.9	3.9	4.0	3.9		
total, overdrafts included		34	3.7	3.7	3.8	3.7		
total, overdrafts included		35	4.7	4.8	4.8	4.7		

n/a – category not available due to confidentiality issues.

Table IV. Average MFI interest rates on outstanding amounts, PLN denominated (in %)

April	May	June	July	August	September	October	November	December
2018								
0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.6
1.9	2.2	2.2	2.2	2.2	2.2	2.2	2.1	2.1
1.5	1.6	1.6	1.6	1.6	1.6	1.6	1.5	1.6
0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9
0.6	0.5	0.6	0.5	0.5	0.5	0.5	0.5	0.5
1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
1.3	1.4	1.3	1.3	1.2	1.3	1.2	1.2	1.2
1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.8
1.5	1.5	1.6	1.6	1.6	1.6	1.6	1.5	1.6
0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9
7.4	7.4	7.3	7.2	7.2	7.2	7.1	7.2	7.1
7.2	7.2	7.3	7.3	7.3	7.3	7.4	7.3	7.2
4.8	4.8	4.9	5.1	5.2	5.1	5.4	5.4	5.1
7.3	7.2	7.3	7.3	7.3	7.3	7.2	7.3	7.2
8.1	8.0	8.1	8.0	8.0	8.1	8.0	8.1	8.0
7.8	7.7	7.8	7.7	7.7	7.8	7.7	7.8	7.7
n/a	n/a	n/a	n/a	4.0	3.9	n/a	n/a	n/a
5.4	5.3	5.3	5.3	5.1	5.1	4.4	4.3	4.3
3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7
3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7
5.3	5.2	5.3	5.2	5.2	5.2	5.6	5.7	5.6
5.3	5.3	5.3	5.2	5.3	5.4	5.4	5.5	5.4
5.2	5.1	5.1	5.1	5.1	5.2	5.1	5.1	5.1
5.2	5.1	5.2	5.1	5.2	5.2	5.2	5.2	5.2
5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2
3.3	3.3	3.3	3.4	3.3	3.3	3.3	3.4	3.3
6.7	6.6	6.2	6.4	6.6	6.7	6.0	6.0	6.2
3.4	3.4	3.4	3.4	3.3	3.4	3.3	3.3	3.2
3.9	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8
4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9
3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7
4.8	4.7	4.8	4.7	4.7	4.8	4.7	4.8	4.7

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
					2017	2018		
Deposits in PLN	households and non-profit institutions serving households	with agreed maturity	up to 1 month	1	1.2	1.2	1.1	1.1
			over 1 and up to 3 months	2	1.7	1.7	1.7	1.7
			over 3 and up to 6 months	3	1.7	1.9	1.9	1.8
			over 6 months and up to 1 year	4	1.7	1.6	1.7	1.7
			over 1 year	5	1.5	1.4	1.4	1.5
			total	6	1.5	1.6	1.5	1.5
	non-financial corporations	with agreed maturity	up to 1 month	7	1.0	1.0	1.1	1.2
			over 1 and up to 3 months	8	1.5	1.5	1.5	1.5
			over 3 and up to 6 months	9	1.6	1.7	1.7	1.6
			over 6 months and up to 1 year	10	1.7	1.7	1.7	1.8
			over 1 year	11	1.5	1.5	1.1	1.3
			total	12	1.2	1.2	1.2	1.3
			total	13	1.3	1.4	1.3	1.4
Loans in PLN	households and non-profit institutions serving households	for consumption	floating rate and up to 3 months initial rate fixation	14	8.4	8.5	8.6	8.5
			over 3 months and up to 1 year initial rate fixation	15	2.8	2.8	2.9	3.4
			over 1 year and up to 5 years initial rate fixation	16	4.9	6.0	5.8	5.8
			over 5 years initial rate fixation	17	8.7	8.6	8.7	8.7
			total	18	7.2	7.8	7.8	7.8
		annual percentage rate of charge (APRC)	19	13.4	13.8	13.8	13.7	
		for house purchases	floating rate and up to 3 months initial rate fixation	20	4.5	4.5	4.5	4.4
			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	n/a	n/a	n/a
			total	23	4.4	4.4	4.4	4.3
			annual percentage rate of charge (APRC)	24	4.6	4.6	4.6	4.6
		for sole proprietors and unincorporated partnerships	floating rate and up to 3 months initial rate fixation	25	5.2	5.5	5.7	5.9
			over 3 months and up to 1 year initial rate fixation	26	n/a	n/a	n/a	n/a
			over 1 year initial rate fixation	27	n/a	n/a	n/a	n/a
			total	28	5.2	5.4	5.7	5.8
			annual percentage rate of charge (APRC)	29	5.0	5.6	5.9	5.6
		for other purposes	floating rate and up to 3 months initial rate fixation	29	5.0	5.6	5.9	5.6
			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	n/a	n/a	-	n/a
	total		32	5.0	5.7	5.9	5.6	
	annual percentage rate of charge (APRC)		33	6.0	6.4	6.3	6.2	
	non-financial corporations	up to PLN 1 million, overdrafts excluded	floating rate and up to 3 months initial rate fixation	34	3.2	3.2	3.2	3.1
			over 3 months and up to 1 year initial rate fixation	35	3.5	3.5	3.3	3.6
			over 1 year initial rate fixation	36	4.3	3.6	3.5	n/a
			total	37	3.2	3.2	3.2	3.2
		over PLN 1 million up to PLN 4 million, overdrafts excluded	floating rate and up to 1 year initial rate fixation, with original maturity over 1 year	38	3.5	3.7	3.6	3.3
			floating rate and up to 3 months initial rate fixation	39	3.8	3.5	3.9	3.9
			over 3 months and up to 1 year initial rate fixation	40	n/a	3.4	3.3	n/a
			over 1 year initial rate fixation	41	n/a	4.2	n/a	n/a
			total	42	3.8	3.6	3.8	3.9
		over PLN 4 million, overdrafts excluded	floating rate and up to 1 year initial rate fixation, with original maturity over 1 year	43	4.2	4.0	4.2	4.3
			floating rate and up to 3 months initial rate fixation	44	3.8	3.8	4.1	3.8
			over 3 months and up to 1 year initial rate fixation	45	n/a	n/a	n/a	n/a
over 1 year initial rate fixation			46	n/a	n/a	n/a	n/a	
total			47	3.8	3.8	3.9	3.6	
floating rate and up to 1 year initial rate fixation, with original maturity over 1 year	48		3.9	4.1	4.1	3.5		
total	49	3.7	3.6	3.6	3.4			
total	50	4.6	5.0	5.1	5.0			

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
2018								
1.1	1.1	1.2	1.2	1.2	1.6	1.3	1.1	1.0
1.7	1.9	1.8	1.8	1.8	1.7	1.8	2.3	2.2
1.8	1.9	1.8	1.9	1.8	1.7	1.8	1.8	2.2
1.7	1.7	1.8	1.7	1.7	1.7	1.7	1.7	1.6
1.7	1.9	1.8	1.7	1.6	1.7	1.6	1.6	1.7
1.5	1.6	1.6	1.6	1.6	1.7	1.6	1.8	1.8
1.2	1.1	1.1	1.1	1.0	1.1	1.1	1.0	1.0
1.5	1.5	1.5	1.5	1.5	1.5	1.4	1.5	1.4
1.6	1.7	1.7	1.7	1.7	1.6	1.7	1.6	1.7
1.7	1.7	1.7	1.8	1.9	1.9	1.7	1.7	1.7
1.2	1.3	1.3	1.6	1.1	1.4	1.3	1.3	1.6
1.3	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.1
1.4	1.4	1.4	1.4	1.3	1.4	1.4	1.4	1.4
8.6	8.6	8.6	8.6	8.6	8.6	8.4	8.3	8.5
3.6	3.7	3.8	4.0	3.7	3.8	3.7	3.4	3.4
6.6	6.5	6.3	6.2	6.2	6.3	6.5	5.8	5.8
8.7	8.7	8.7	8.6	8.7	8.8	8.7	8.8	8.9
8.0	8.0	8.0	8.0	8.0	8.0	8.0	7.7	7.8
13.9	13.9	13.9	14.0	13.8	13.7	13.7	13.2	13.7
4.5	4.4	4.4	4.5	4.5	4.5	4.5	4.5	4.5
n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
4.3	4.3	4.3	4.3	4.3	4.4	4.4	4.4	4.4
4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6
5.6	6.1	5.4	6.0	5.5	5.5	5.6	5.7	5.0
n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	2.3	3.1	4.1	3.9	3.9	3.6	2.3
5.6	6.0	5.4	6.1	5.6	5.6	5.7	5.8	5.1
5.6	5.1	5.5	5.6	5.3	5.4	4.9	5.4	5.4
n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
–	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
5.6	5.1	5.5	5.4	5.2	5.4	4.9	5.4	5.4
6.4	6.4	6.3	6.4	6.4	6.4	6.4	6.3	6.2
3.2	3.2	3.1	3.2	3.2	3.2	3.2	3.2	3.2
3.5	3.3	3.7	3.4	3.7	3.6	3.6	3.5	3.3
4.0	n/a	n/a	5.5	n/a	n/a	3.9	5.2	3.9
3.3	3.2	3.1	3.2	3.2	3.2	3.3	3.2	3.2
3.5	3.5	3.3	3.6	3.6	3.4	3.6	3.4	3.5
3.5	3.6	3.5	3.8	4.0	3.8	3.8	3.8	3.9
3.4	3.5	3.5	3.6	3.4	3.7	3.3	3.9	3.3
n/a	n/a	n/a	4.3	–	3.9	n/a	n/a	n/a
3.5	3.6	3.5	3.8	3.9	3.8	3.7	3.8	3.9
3.9	3.9	4.0	4.4	4.7	4.3	4.3	4.4	4.5
4.1	4.1	3.9	4.1	4.0	3.6	4.0	3.9	3.6
3.3	n/a	3.2	3.5	3.4	3.4	n/a	n/a	3.6
n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
4.0	3.7	3.9	4.0	3.9	3.6	3.9	3.9	3.6
4.0	3.8	4.0	4.2	4.1	3.8	4.0	4.0	3.6
3.7	3.5	3.4	3.6	3.6	3.5	3.6	3.6	3.5
5.1	5.1	5.1	5.2	5.1	5.0	5.2	5.0	4.8

Table VI. Average MFI interest rates on new and renegotiated business, EUR denominated (in %)

	Sector	Category	Original maturity, initial rate fixation	No.	December 2017	January	February	March	
						2018			
Deposits in EUR	households and non-profit institutions serving households	overnight*		1	0.0	0.0	0.0	0.0	
		with agreed maturity	up to 1 month	2	n/a	0.2	n/a	n/a	
			over 1 and up to 3 months	3	0.2	0.2	0.1	0.2	
			over 3 and up to 6 months	4	0.2	0.2	0.3	0.2	
			over 6 months and up to 1 year	5	0.4	0.4	0.4	0.4	
			over 1 year	6	0.2	0.3	0.4	0.2	
		total	7	0.2	0.2	0.2	0.3		
	non-financial corporations	overnight*		8	0.0	0.0	0.0	0.0	
		with agreed maturity	up to 1 month	9	n/a	n/a	n/a	n/a	
			over 1 and up to 3 months	10	0.01	0.0	n/a	0.1	
			over 3 and up to 6 months	11	0.1	0.1	n/a	0.0	
			over 6 months and up to 1 year	12	0.02	0.0	0.5	0.0	
			over 1 year	13	0.00	0.0	0.1	0.0	
		total	14	0.0	n/a	0.0	n/a		
	total, overnight excluded				15	0.1	0.1	0.1	0.1
Loans in EUR	households and non-profit institutions serving households	revolving loans and overdrafts*		16	1.7	1.7	1.7	1.5	
		for consumption	total	17	n/a	–	–	–	
			annual percentage rate of charge (APRC)	18	n/a	–	–	–	
		for house purchases	total	19	4.3	4.1	4.0	4.1	
			annual percentage rate of charge (APRC)	20	4.6	4.5	4.4	4.6	
		for other purposes		21	1.7	1.8	2.3	1.7	
		total, overdrafts excluded				22	3.3	3.1	3.0	3.1
	non-financial corporations	revolving loans and overdrafts*		23	1.6	1.4	1.4	1.4	
		up to EUR 1 million		24	1.4	1.3	1.3	1.2	
		over EUR 1 million		25	2.3	2.1	1.8	2.4	
		total, overdrafts excluded		26	2.1	1.8	1.7	2.1	
		total, overdrafts excluded				27	2.2	1.9	1.7	2.1

* Category calculated on a basis of an outstanding amounts. Excluded from “total” average.
n/a – category not available due to confidentiality issues.

Table VI. Average MFI interest rates on new and renegotiated business, EUR denominated (in %)

April	May	June	July	August	September	October	November	December
2018								
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
n/a	0.2	n/a	n/a	n/a	n/a	n/a	n/a	n/a
0.2	0.1	0.2	0.2	0.1	0.2	0.1	0.1	0.1
0.2	0.3	0.3	0.3	0.3	0.3	0.2	0.3	0.3
0.4	0.4	0.4	0.3	0.3	0.3	0.3	0.3	0.3
0.3	0.1	n/a	0.4	0.2	0.3	0.3	0.3	0.2
0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
0.0	n/a	n/a	n/a	0.2	0.0	0.0	0.0	0.0
0.1	0.0	0.0	0.1	0.1	n/a	0.0	n/a	0.0
0.0	0.0	n/a	0.0	0.1	0.1	0.0	n/a	0.0
0.0	0.0	0.1	n/a	n/a	n/a	0.0	0.0	0.0
n/a	0.0	n/a	0.0	n/a	n/a	n/a	n/a	n/a
0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
1.5	1.5	1.4	1.4	1.3	1.3	1.2	1.2	1.0
–	–	–	–	–	n/a	n/a	–	–
–	–	–	–	–	n/a	n/a	–	–
4.1	4.2	4.4	4.1	4.1	4.2	4.0	3.8	3.5
4.5	4.7	4.8	4.6	4.7	4.7	4.7	4.6	4.4
1.8	1.7	1.6	1.9	1.7	1.9	1.7	2.1	2.2
3.0	3.2	3.0	2.9	3.3	2.8	3.2	3.1	2.9
1.4	1.4	1.4	1.3	1.4	1.3	1.2	1.2	1.2
1.3	1.2	1.4	1.3	1.3	1.3	1.3	1.4	1.3
2.5	2.1	2.1	2.6	2.1	2.1	2.4	2.2	2.1
2.1	1.8	1.9	2.1	1.9	2.0	2.1	1.9	1.9
2.1	1.8	2.0	2.1	1.9	2.0	2.2	2.0	2.0

Table VII. Aggregated balance sheet of other monetary financial institutions (million zloty)**Assets**

Period									other domestic residents ¹
	Cash in other monetary financial institutions' vaults	Loans and other claims on domestic residents	monetary financial institutions	general government	other domestic residents ¹	Debt securities	monetary financial institutions	general government	
	1	2	3	4	5	6	7	8	
December 2017	13 943.1	1 260 176.7	92 144.3	85 723.3	1 082 309.0	416 003.7	101 286.1	286 280.4	28 437.2
January 2018	12 126.4	1 279 240.4	106 195.5	86 250.1	1 086 794.8	417 412.9	97 455.7	291 761.8	28 195.4
February	11 942.6	1 286 099.8	104 567.8	86 145.9	1 095 386.1	422 501.8	94 637.8	300 670.5	27 193.5
March	12 729.3	1 286 883.2	101 403.9	85 586.5	1 099 892.8	438 853.4	105 676.9	306 208.8	26 967.6
April	13 327.8	1 292 486.1	102 795.1	85 201.8	1 104 489.2	420 346.9	96 578.0	297 604.7	26 164.2
May	13 950.0	1 289 266.8	80 586.4	85 656.4	1 123 023.9	448 376.2	116 417.6	305 993.2	25 965.4
June	12 803.5	1 304 743.8	87 490.4	87 304.8	1 129 948.6	440 092.5	108 113.8	306 929.3	25 049.4
July	13 808.9	1 320 723.3	100 460.4	88 336.9	1 131 925.9	414 646.1	88 177.3	301 670.3	24 798.5
August	13 491.1	1 328 555.3	96 872.8	90 781.9	1 140 900.5	416 079.4	88 491.1	302 835.6	24 752.7
September	12 927.4	1 348 181.6	107 979.5	92 229.1	1 147 972.9	420 499.5	84 589.1	311 156.2	24 754.2
October	14 394.3	1 337 814.1	98 661.0	82 908.8	1 156 244.3	424 097.2	92 189.9	307 077.1	24 830.2
November	13 731.8	1 352 702.1	108 815.1	83 649.0	1 160 238.1	421 513.0	87 272.1	309 045.9	25 195.0
December	15 995.5	1 381 967.1	130 902.9	87 648.0	1 163 416.3	398 153.8	57 245.7	314 826.9	26 081.2

Period								
	Money market fund shares/units	Equity and non-MMF investment fund shares or units	monetary financial institutions	other domestic residents ¹	External assets	Fixed assets ²	Remaining assets	Total assets
	10	11	12	13	14	15	16	17
December 2017	0.0	21 148.9	6 984.0	14 164.9	69 764.3	51 045.0	25 581.3	1 857 663.0
January 2018	0.0	21 859.9	7 010.0	14 849.9	67 901.8	51 001.4	33 204.0	1 882 747.0
February	0.0	21 998.8	6 936.5	15 062.2	64 553.8	50 909.2	32 625.6	1 890 631.7
March	0.0	22 768.3	7 079.0	15 689.3	68 934.9	50 985.2	33 574.7	1 914 729.0
April	0.0	23 011.5	7 083.8	15 927.7	74 293.0	51 133.8	34 977.3	1 909 576.4
May	0.0	23 016.3	6 943.7	16 072.7	77 651.6	51 270.2	35 868.6	1 939 399.8
June	0.0	23 491.4	6 924.8	16 566.6	82 389.9	51 354.9	33 869.1	1 948 745.1
July	0.0	23 770.3	7 070.8	16 699.5	76 481.3	51 522.9	26 643.0	1 927 595.8
August	0.0	23 868.5	7 010.4	16 858.0	78 972.1	51 713.2	26 863.7	1 939 543.2
September	0.0	23 600.0	7 009.1	16 590.9	81 497.5	51 793.9	26 502.6	1 965 002.4
October	0.0	24 052.6	7 041.3	17 011.3	97 704.2	51 927.0	27 103.1	1 977 092.5
November	0.0	24 215.1	7 068.4	17 146.6	94 799.3	52 176.9	25 575.0	1 984 713.2
December	0.0	25 757.9	7 050.1	18 707.9	85 699.2	52 693.7	25 909.3	1 986 176.5

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 and other liabilities to domestic residents	Monetary financial institutions	Central government	Other domestic residents ¹	overnight	with agreed maturity	repurchase agreements
	1	2	3	4	5	6	7
December 2017	1 243 104.1	55 711.4	31 037.1	1 156 355.6	717 620.9	432 256.4	6 478.3
January 2018	1 265 338.2	55 946.0	61 329.8	1 148 062.4	703 457.8	436 241.4	8 363.2
February	1 272 409.1	54 664.4	64 551.3	1 153 193.3	708 384.3	437 317.2	7 491.9
March	1 293 382.7	59 864.8	73 416.8	1 160 101.1	703 398.0	446 097.9	10 605.2
April	1 284 649.0	54 216.1	70 400.2	1 160 032.8	709 753.7	439 378.5	10 900.6
May	1 304 410.0	54 502.7	74 952.8	1 174 954.5	719 575.0	444 957.8	10 421.8
June	1 306 252.5	55 075.6	74 158.0	1 177 018.8	726 204.6	442 984.6	7 829.6
July	1 292 058.4	52 710.4	59 475.5	1 179 872.5	734 454.1	437 541.9	7 876.6
August	1 299 500.3	53 295.9	58 598.5	1 187 605.9	739 027.7	441 697.1	6 881.1
September	1 316 697.7	54 676.2	65 630.6	1 196 391.0	745 365.6	440 104.3	10 921.1
October	1 341 735.9	55 924.8	72 577.6	1 213 233.6	756 367.5	448 786.1	8 080.1
November	1 356 500.0	61 500.9	67 949.4	1 227 049.7	772 390.7	446 332.2	8 326.8
December	1 361 437.1	62 628.5	39 781.9	1 259 026.7	806 230.3	441 556.8	11 239.6

¹ Non-monetary financial institutions, local government, social security funds and non-financial sector.

Period						
	Money market fund shares /units	Debt securities issued	Capital and reserves	External liabilities	Remaining liabilities	Total liabilities
	8	9	10	11	12	13
December 2017	0.0	85 069.7	282 116.7	193 218.7	54 153.7	1 857 663.0
January 2018	0.0	84 206.3	290 309.7	191 540.0	51 352.8	1 882 747.0
February	0.0	82 713.6	292 481.7	191 471.5	51 555.8	1 890 631.7
March	0.0	85 046.7	294 571.7	189 533.0	52 194.9	1 914 729.0
April	0.0	88 226.7	295 228.0	187 091.0	54 381.6	1 909 576.4
May	0.0	89 056.9	296 284.2	194 086.3	55 562.5	1 939 399.8
June	0.0	93 215.8	295 191.0	196 290.3	57 795.6	1 948 745.1
July	0.0	93 271.9	292 674.1	191 954.9	57 636.6	1 927 595.8
August	0.0	92 993.9	294 973.8	193 591.8	58 483.4	1 939 543.2
September	0.0	97 699.9	294 839.8	193 396.7	62 368.4	1 965 002.4
October	0.0	88 473.3	294 020.7	202 071.4	50 791.1	1 977 092.5
November	0.0	87 916.5	297 914.5	194 138.2	48 244.0	1 984 713.2
December	0.0	87 574.2	295 869.7	188 092.0	53 203.5	1 986 176.5

Table VIII. Balance sheet of Narodowy Bank Polski (million zloty)**Assets**

Period	Domestic assets	External assets	Total assets
	1	2	3
December 2017	2 597.4	414 039.3	416 636.8
January 2018	10 661.5	411 288.2	421 949.7
February	6 476.9	416 722.3	423 199.1
March	6 554.5	427 009.8	433 564.3
April	4 512.0	414 240.6	418 752.6
May	3 398.8	435 196.1	438 594.9
June	3 369.7	427 381.3	430 751.0
July	3 620.8	429 069.7	432 690.5
August	3 913.9	436 853.1	440 767.0
September	4 597.5	434 841.1	439 438.5
October	3 713.7	445 374.9	449 088.6
November	9 056.2	449 187.5	458 243.7
December	8 196.6	458 655.7	466 852.2

Liabilities

Period	Currency in circulation	Deposits and other liabilities to domestic residents	other monetary financial institutions	central government	other domestic residents ¹	Debt securities issued	Capital and reserves	External liabilities	Remaining liabilities	Total liabilities
	1	2	3	4	5	6	7	8	9	10
December 2017	198 429.5	60 417.4	38 011.4	18 138.8	4 267.3	94 423.1	4 284.1	58 056.8	1 025.8	416 636.8
January 2018	193 234.9	79 225.8	51 945.8	26 134.8	1 145.1	89 829.0	4 439.2	54 522.8	698.0	421 949.7
February	194 274.9	85 301.0	51 746.7	31 972.1	1 582.3	86 665.0	4 623.4	51 739.0	595.9	423 199.1
March	198 908.5	68 276.5	43 315.3	24 135.8	825.4	98 231.0	5 715.5	61 771.2	661.6	433 564.3
April	201 909.4	74 249.1	50 091.1	22 993.5	1 164.5	89 804.6	6 830.3	45 155.1	804.1	418 752.6
May	205 431.3	49 979.4	28 009.3	20 875.9	1 094.2	109 684.2	23 640.9	49 001.0	858.1	438 594.9
June	207 416.0	48 392.2	34 521.9	12 791.2	1 079.1	102 093.0	24 829.4	47 246.5	773.9	430 751.0
July	209 713.2	69 708.6	50 142.8	18 428.8	1 137.0	83 421.0	15 709.1	53 438.0	700.5	432 690.5
August	210 553.5	70 465.5	46 009.4	23 443.4	1 012.7	83 335.3	17 501.2	58 138.6	772.9	440 767.0
September	211 555.4	74 747.5	55 277.1	18 298.9	1 171.5	78 737.6	16 523.5	57 027.7	846.7	439 438.5
October	214 139.1	65 959.3	45 138.1	19 550.5	1 270.7	87 327.5	26 013.9	54 808.6	840.3	449 088.6
November	215 123.6	75 490.8	55 786.8	18 593.9	1 110.2	81 245.0	23 010.1	62 457.1	917.1	458 243.7
December	219 198.2	105 319.4	76 253.7	26 145.1	2 920.7	53 276.0	22 136.9	66 036.4	885.4	466 852.2

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 and other claims on domestic residents			Debt securities			Equity and non-MMF investment fund shares or units ¹	External assets	Fixed assets ²	Remaining assets ³	Total assets
	1	general government	other domestic residents ¹	4	general government	other domestic residents ¹					
		2	3		5	6					
December 2017	1 168 175.3	85 723.3	1 082 452.0	314 717.6	286 280.4	28 437.2	14 293.7	483 803.7	53 221.1	25 730.7	2 059 942.2
January 2018	1 173 187.4	86 250.1	1 086 937.3	319 957.2	291 761.8	28 195.4	14 978.7	479 190.0	53 178.8	41 416.8	2 081 909.0
February	1 181 673.5	86 145.9	1 095 527.6	327 864.1	300 670.5	27 193.5	15 191.1	481 276.0	53 059.9	36 681.6	2 095 746.1
March	1 185 618.2	85 586.5	1 100 031.7	333 176.5	306 208.8	26 967.6	15 818.1	495 944.7	53 135.6	37 711.1	2 121 404.1
April	1 189 829.5	85 201.8	1 104 627.7	323 768.9	297 604.7	26 164.2	16 056.5	488 533.6	53 281.1	37 074.7	2 108 544.2
May	1 208 818.8	85 656.4	1 123 162.4	331 958.6	305 993.2	25 965.4	16 201.5	512 847.7	53 403.3	36 866.9	2 160 096.9
June	1 217 381.4	87 304.8	1 130 076.6	331 978.7	306 929.3	25 049.4	16 695.5	509 771.2	53 485.4	34 851.4	2 164 163.6
July	1 220 390.0	88 336.9	1 132 053.1	326 468.8	301 670.3	24 798.5	16 828.4	505 551.0	53 650.3	27 880.1	2 150 768.6
August	1 231 809.6	90 781.9	1 141 027.7	327 588.3	302 835.6	24 752.7	16 986.9	515 825.2	53 839.6	28 395.2	2 174 444.8
September	1 240 328.2	92 229.1	1 148 099.1	335 910.4	311 156.2	24 754.2	16 719.8	516 338.6	53 923.9	28 715.0	2 191 935.8
October	1 239 278.2	82 908.8	1 156 369.3	331 907.3	307 077.1	24 830.2	17 140.2	543 079.1	54 062.2	28 427.7	2 213 894.6
November	1 244 010.4	83 649.0	1 160 361.4	334 240.9	309 045.9	25 195.0	17 275.5	543 986.8	54 315.9	26 400.1	2 220 229.5
December	1 251 185.2	87 648.0	1 163 537.2	340 908.1	314 826.9	26 081.2	18 836.7	544 354.8	54 858.3	26 067.7	2 236 210.9

¹ Non-monetary financial institutions and non-financial sector.² Excluding financial fixed assets, incorporated in column 7.³ Including rights issues.**Liabilities**

Period	Currency in circulation	Deposits and other liabilities to central government	Deposits and other liabilities to other domestic residents ¹	Debt securities			Money market fund shares/units	Debt securities issued	Capital and reserves	External liabilities	Remaining liabilities	Excess of inter-MFI liabilities	Total liabilities
				overnight	with agreed maturity	repurchase agreements							
				4	5	6							
December 2017	184 486.4	49 175.9	1 160 622.9	721 888.2	432 256.4	6 478.3	0.0	78 206.8	279 416.8	251 275.6	55 179.5	1 578.4	2 059 942.1
January 2018	181 108.6	87 464.7	1 149 207.5	704 603.0	436 241.4	8 363.2	0.0	76 579.6	287 738.9	246 062.8	52 050.8	1 696.2	2 081 909.0
February	182 332.2	96 523.4	1 154 775.6	709 966.6	437 317.2	7 491.9	0.0	74 740.8	290 168.6	243 210.5	52 151.7	1 843.3	2 095 746.1
March	186 179.2	97 552.5	1 160 926.6	704 223.5	446 097.9	10 605.2	0.0	77 600.7	293 208.2	251 304.2	52 856.6	1 776.2	2 121 404.1
April	188 581.6	93 393.7	1 161 197.3	710 918.2	439 378.5	10 900.6	0.0	81 453.3	294 974.5	232 246.1	55 185.7	1 512.0	2 108 544.2
May	191 481.3	95 828.8	1 176 048.7	720 669.1	444 957.8	10 421.8	0.0	82 323.4	312 981.4	243 087.2	56 420.6	1 925.5	2 160 096.9
June	194 612.5	86 949.2	1 178 097.9	727 283.7	442 984.6	7 829.6	0.0	87 195.0	313 095.6	243 536.8	58 569.5	2 107.1	2 164 163.6
July	195 904.2	77 904.4	1 181 009.0	735 591.1	437 541.9	7 876.0	0.0	88 515.7	301 312.4	245 392.9	58 337.1	2 392.5	2 150 768.6
August	197 062.5	82 041.9	1 188 618.1	740 040.4	441 697.1	6 880.5	0.0	87 838.2	305 464.5	251 730.4	59 256.3	2 432.5	2 174 444.8
September	198 628.0	83 929.5	1 197 562.0	746 537.1	440 104.3	10 920.6	0.0	91 848.4	304 354.2	250 424.4	63 215.1	1 973.7	2 191 935.8
October	199 744.8	92 128.1	1 214 503.8	757 638.2	448 786.1	8 079.5	0.0	83 610.9	312 993.3	256 880.0	51 631.5	2 401.8	2 213 894.6
November	201 391.8	86 543.3	1 228 159.8	773 500.9	446 332.2	8 326.8	0.0	81 889.4	313 856.2	256 595.3	49 161.1	2 632.6	2 220 229.5
December	203 202.7	65 926.9	1 261 947.3	809 150.9	441 556.8	11 239.6	0.0	83 604.6	310 956.5	254 128.3	54 088.9	2 355.6	2 236 210.9

¹ Non-monetary financial institutions, local government, social security funds and non-financial sector.

Table Xa. M3 and counterparts (million zloty)

M3

Period											M1
	Currency in circulation (excluding vault cash)	currency in circulation (including MFIs' vault cash)	cash in monetary financial institutions' vaults	Overnight deposits and other liabilities	households	other financial corporations	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 2017	184 486.4	198 429.5	13 943.1	721 888.2	453 227.5	31 589.2	187 138.6	16 425.7	26 743.6	6 763.5	906 374.6
January 2018	181 108.6	193 234.9	12 126.4	704 603.0	454 675.2	30 257.0	178 067.2	16 124.4	22 609.5	2 869.7	885 711.5
February	182 332.2	194 274.9	11 942.6	709 966.6	463 926.9	30 288.2	171 139.8	16 677.3	25 301.0	2 633.5	892 298.9
March	186 179.2	198 908.5	12 729.3	704 223.5	468 984.4	27 917.2	162 705.4	16 453.7	26 173.4	1 989.4	890 402.6
April	188 581.6	201 909.4	13 327.8	710 918.2	470 891.2	30 910.3	164 210.4	17 063.1	25 102.7	2 740.4	899 499.8
May	191 481.3	205 431.3	13 950.0	720 669.1	475 516.9	32 686.0	166 085.4	16 954.0	27 065.4	2 361.3	912 150.4
June	194 612.5	207 416.0	12 803.5	727 283.7	481 834.2	30 338.0	170 835.3	17 358.8	24 602.3	2 315.1	921 896.2
July	195 904.2	209 713.2	13 808.9	735 591.1	485 951.2	28 320.8	176 552.0	18 011.2	23 875.7	2 880.2	931 495.4
August	197 062.5	210 553.5	13 491.1	740 040.4	490 389.7	29 460.7	176 088.1	18 212.9	23 725.1	2 164.0	937 102.9
September	198 628.0	211 555.4	12 927.4	746 537.1	495 054.1	29 046.4	176 876.8	18 378.1	24 898.7	2 283.0	945 165.1
October	199 744.8	214 139.1	14 394.3	757 638.2	503 791.2	29 270.8	178 852.9	18 479.1	24 715.5	2 528.8	957 383.0
November	201 391.8	215 123.6	13 731.8	773 500.9	513 523.0	28 786.1	185 411.6	18 233.5	25 437.9	2 109.0	974 892.8
December	203 202.7	219 198.2	15 995.5	809 150.9	523 307.9	32 796.7	199 732.2	18 293.0	27 722.2	7 298.9	1 012 353.6

Period											M2	Repurchase agreements	Debt securities issued with maturity up to 2 years	Money market fund shares	M3
	Deposits and other liabilities with agreed maturity up to 2 years	households	other financial corporations	non-financial corporations	non-profit institutions serving households	local government	social security funds								
	12	13	14	15	16	17	18								
December 2017	406 472.7	279 206.7	22 189.7	88 269.4	7 515.2	6 046.3	3 245.3	1 312 847.3	6 478.3	5 042.9	0.0	1 324 368.6			
January 2018	410 546.8	277 487.4	23 320.4	88 557.3	8 444.1	10 083.1	2 654.4	1 296 258.3	8 363.2	4 993.4	0.0	1 309 614.8			
February	411 525.2	276 398.7	23 167.4	88 684.0	8 796.9	12 112.0	2 366.3	1 303 824.0	7 491.9	4 066.4	0.0	1 315 382.3			
March	420 299.0	276 409.8	25 699.7	94 917.1	8 380.4	12 282.6	2 609.4	1 310 701.7	10 605.2	4 488.7	0.0	1 325 795.6			
April	413 595.5	274 678.1	24 320.5	91 295.6	8 341.6	12 810.8	2 149.0	1 313 095.3	10 900.6	4 852.6	0.0	1 328 848.5			
May	419 302.5	275 506.5	24 494.5	94 847.8	8 699.5	13 255.3	2 498.9	1 331 453.0	10 421.8	4 833.3	0.0	1 346 708.1			
June	417 209.4	275 596.1	26 603.6	91 545.3	8 495.5	12 481.4	2 487.6	1 339 105.6	7 829.6	5 556.7	0.0	1 352 491.9			
July	411 668.9	275 360.8	26 097.1	86 659.1	8 663.8	12 372.4	2 515.7	1 343 164.2	7 876.0	5 765.8	0.0	1 356 806.0			
August	415 777.1	275 784.1	25 963.1	90 940.8	8 460.6	12 190.8	2 437.7	1 352 880.0	6 880.5	5 719.1	0.0	1 365 479.6			
September	414 148.7	275 008.5	26 647.1	90 468.5	8 344.4	11 392.6	2 287.6	1 359 313.8	10 920.6	5 930.5	0.0	1 376 164.8			
October	423 101.6	277 767.0	25 584.7	93 037.2	8 605.1	10 449.4	7 658.2	1 380 484.6	8 079.5	6 142.0	0.0	1 394 706.1			
November	420 361.4	276 978.3	25 159.6	92 058.2	8 537.2	9 305.0	8 323.0	1 395 254.2	8 326.8	6 114.9	0.0	1 409 695.8			
December	415 880.4	282 754.6	24 480.0	87 588.5	7 784.9	4 562.1	8 710.3	1 428 234.0	11 239.6	6 619.8	0.0	1 446 093.4			

Table Xb. M3 and counterparts (million zloty)

M3 counterparts

Period	Net external assets		External liabilities	Credit to other domestic residents	Loans and other claims on domestic residents	households	other financial corporations	non-financial corporations	non-profit institutions serving households
	External assets								
	1	2	3	4	5	6	7	8	9
December 2017	232 528.1	483 803.7	251 275.6	1 175 788.5	1 113 993.1	676 361.6	65 781.9	333 362.2	6 946.3
January 2018	233 127.3	479 190.0	246 062.8	1 180 681.8	1 118 564.9	679 166.0	64 238.2	336 565.5	6 967.5
February	238 065.5	481 276.0	243 210.5	1 188 182.0	1 126 774.3	683 650.6	64 254.9	340 597.9	7 024.3
March	244 640.5	495 944.7	251 304.2	1 192 438.1	1 130 909.7	686 225.7	64 650.3	342 298.3	6 857.3
April	256 287.5	488 533.6	232 246.1	1 196 186.6	1 135 220.3	688 606.2	66 238.2	342 930.7	6 852.6
May	269 760.5	512 847.7	243 087.2	1 214 564.7	1 153 652.8	700 612.4	66 562.3	349 110.2	6 877.5
June	266 234.4	509 771.2	243 536.8	1 221 192.5	1 160 568.3	704 721.5	68 074.3	350 337.3	6 943.5
July	260 158.1	505 551.0	245 392.9	1 223 262.7	1 162 618.6	705 961.8	68 456.7	350 633.7	7 000.9
August	264 094.8	515 825.2	251 730.4	1 232 957.4	1 171 943.0	712 927.9	68 287.7	352 831.1	6 981.0
September	265 914.1	516 338.6	250 424.4	1 240 236.4	1 179 170.7	713 800.2	70 238.9	357 013.0	7 047.0
October	286 199.1	543 079.1	256 880.0	1 249 965.1	1 187 901.0	718 223.1	70 972.0	360 063.0	7 111.2
November	287 391.5	543 986.8	256 595.3	1 254 983.8	1 192 546.0	720 832.6	71 884.7	360 470.0	7 174.1
December	290 226.5	544 354.8	254 128.3	1 264 561.3	1 198 129.4	723 446.9	74 123.1	358 670.9	7 296.3

Period			Debt securities	of which issued by:			Equity and non-MMF investment fund shares or units	of which:	
	local government	social security funds		other financial corporations	non-financial corporations	local government		other financial corporations	non-financial corporations
	10	11	12	13	14	15	16	17	18
December 2017	31 541.1	0.1	47 501.7	3 496.3	24 941.0	19 064.4	14 293.7	12 070.3	2 222.5
January 2018	31 627.5	0.1	47 138.2	3 513.1	24 682.2	18 942.8	14 978.7	12 374.6	2 601.4
February	31 238.4	8.3	46 216.7	3 243.0	23 950.6	19 023.1	15 191.1	12 624.2	2 565.6
March	30 877.9	0.1	45 710.2	3 296.6	23 671.0	18 742.6	15 818.1	13 267.4	2 549.4
April	30 592.5	0.1	44 909.8	3 184.1	22 980.1	18 745.6	16 056.5	13 489.7	2 565.8
May	30 490.3	0.1	44 710.4	3 141.1	22 824.3	18 745.0	16 201.5	13 641.0	2 559.5
June	30 491.7	0.0	43 928.8	3 244.3	21 805.1	18 879.3	16 695.5	14 119.1	2 575.4
July	30 565.5	0.0	43 815.7	3 237.5	21 561.1	19 017.2	16 828.4	14 214.3	2 613.1
August	30 915.3	0.0	44 027.6	3 441.3	21 311.4	19 274.9	16 986.9	14 374.0	2 611.8
September	31 071.6	0.0	44 345.9	3 507.9	21 246.3	19 591.7	16 719.8	14 163.1	2 555.6
October	31 531.7	0.0	44 923.9	3 582.5	21 247.6	20 093.7	17 140.2	14 594.9	2 544.3
November	32 184.6	0.0	45 162.4	3 554.2	21 640.7	19 967.4	17 275.5	14 383.6	2 890.8
December	34 592.2	0.0	47 595.1	3 500.3	22 581.0	21 513.9	18 836.7	15 962.5	2 873.2

Table Xb. M3 and counterparts (million zloty), cont'd.

M3 counterparts

Period	Credit to central government, net	Credit to central government	of which:		Deposits of central government	Longer-term financial liabilities	Deposits and other liabilities with agreed maturity over 2 years	households
			loans	debt securities				
			19	20					21	22	23	24	25	26
December 2017	268 824.0	321 398.1	1 010.9	267 215.9	52 574.1	374 962.7	25 783.7	21 344.1
January 2018	237 441.6	327 441.5	1 032.7	272 819.1	89 999.9	382 481.2	25 694.6	21 338.0
February	238 069.6	336 546.6	983.0	281 647.4	98 477.0	384 681.3	25 792.0	21 498.0
March	242 243.0	342 174.8	992.9	287 466.3	99 931.7	389 739.8	25 798.8	21 555.4
April	237 044.1	333 468.3	986.0	278 859.1	96 424.2	394 327.7	25 783.0	21 644.7
May	243 347.9	342 414.3	998.6	287 248.2	99 066.4	412 889.2	25 655.2	21 539.6
June	254 500.5	344 863.1	989.2	288 049.9	90 362.6	417 095.7	25 775.2	21 637.4
July	257 809.9	340 424.5	960.8	282 653.1	82 614.6	405 225.0	25 873.0	21 742.9
August	257 200.5	343 427.4	965.5	283 560.7	86 226.9	409 318.6	25 920.0	21 809.3
September	264 725.1	352 722.0	981.5	291 564.5	87 996.9	412 160.3	25 955.7	21 865.4
October	242 078.6	338 360.6	961.8	286 983.4	96 282.0	411 992.8	25 684.5	21 597.0
November	251 032.0	340 543.0	1 081.9	289 078.6	89 511.0	412 633.6	25 970.7	22 012.8
December	275 714.7	346 368.8	1 042.6	293 313.0	70 654.0	408 890.6	25 676.4	21 836.1

Period								Fixed assets (excluding financial fixed assets)	Other items (net)
	other financial corporations	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 2017	3 482.7	788.8	144.1	23.9	0.0	69 762.3	279 416.8	53 221.1	-31 030.5
January 2018	3 425.0	789.6	120.6	21.4	0.0	69 047.7	287 738.9	53 178.8	-12 333.5
February	3 334.1	818.1	120.9	20.8	0.0	68 720.8	290 168.6	53 059.9	-17 313.4
March	3 289.0	803.8	128.9	21.7	0.0	70 732.8	293 208.2	53 135.6	-16 921.7
April	3 223.3	769.7	123.5	21.8	0.0	73 570.2	294 974.5	53 281.1	-19 623.1
May	3 240.4	740.9	109.3	25.1	0.0	74 252.5	312 981.4	53 403.3	-21 479.2
June	3 244.5	756.7	109.4	27.2	0.0	78 224.9	313 095.6	53 485.4	-25 825.1
July	3 262.6	726.3	118.8	22.5	0.0	78 039.6	301 312.4	53 650.3	-32 850.0
August	3 263.2	716.3	107.2	24.0	0.0	77 934.1	305 464.5	53 839.6	-33 294.0
September	3 217.7	744.2	105.8	22.5	0.0	81 850.5	304 354.2	53 923.9	-36 474.3
October	3 211.0	752.3	101.2	22.9	0.0	73 315.0	312 993.3	54 062.2	-25 606.1
November	3 057.0	776.0	103.3	21.7	0.0	72 806.7	313 856.2	54 315.9	-25 393.7
December	2 939.2	772.3	100.3	28.6	0.0	72 257.6	310 956.5	54 858.3	-30 376.8

Table XI. Reserve money and counterparts (million zloty)

Period	Currency in circulation (including MFIs' vault cash)	Banks' current accounts	Required reserves	Reserve money	Net external assets	Credit to central government, net	Other items, net
	1	2	3	4	5	6	7
December 2017	198 429.5	32 749.3	785.5	231 964.3	355 982.5	-18 138.8	-105 879.5
January 2018	193 234.9	47 147.8	931.1	241 313.9	356 765.4	-26 134.8	-89 316.7
February	194 274.9	47 946.5	877.2	243 098.6	364 983.3	-31 972.1	-89 912.6
March	198 908.5	39 523.8	825.7	239 258.0	365 238.6	-24 135.8	-101 844.9
April	201 909.4	45 790.7	794.8	248 494.9	369 085.6	-22 993.5	-97 597.2
May	205 431.3	23 124.6	921.5	229 477.3	386 195.1	-20 875.9	-135 841.8
June	207 416.0	31 696.3	819.4	239 931.7	380 134.8	-12 791.2	-127 411.9
July	209 713.2	47 164.4	568.3	257 445.9	375 631.7	-18 428.8	-99 757.0
August	210 553.5	43 909.1	565.6	255 028.3	378 714.5	-23 443.4	-100 242.9
September	211 555.4	50 853.4	563.3	262 972.1	377 813.3	-18 298.9	-96 542.3
October	214 139.1	42 919.3	556.5	257 614.9	390 566.3	-19 550.5	-113 401.0
November	215 123.6	53 434.1	610.6	269 168.3	386 730.4	-18 593.9	-98 968.3
December	219 198.2	72 141.8	804.7	292 144.7	392 619.3	-26 145.1	-74 329.5

Methodological notes

TABLE I. Basic statistical data

Information contained in Table I is derived from the “Statistical Bulletin” of the Statistics Poland (GUS). Definitions of the categories presented in the Table can be found in the GUS publications.

- 1 Data presented in pts. 1, 2, 6, 7, 10 and 12 comprise national economy entities regardless of their ownership type, i.e. public sector entities (state-owned entities, units of local government and mixed ownership, where public sector entities prevail) and private sector entities. The private sector includes units of private domestic ownership (among others: companies, cooperatives, natural persons conducting economic activities, social organizations, associations, foundations), private foreign ownership (among others: foreign enterprises branches, foreign representatives, partnerships with exclusive foreign capital share) and “mixed” ownership with a private sector unit capital majority or lack of sectors majority in unit capital.
- 2 The corporate sector comprises entities, which conduct their economic activities in the fields of: forestry, including the provision of services; marine fishing; mining and quarrying, manufacturing; electricity, water, gas and conditioned air production and supply; sanitation management and other sanitation services; construction; repair of motor vehicles, motorcycles; transport, storage and communication; wholesale and retail trade; hotels and restaurants; information and communication; real estate market services; legal services; accounting and tax services for head offices, 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.
- 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. 5, supplied by the Warsaw Stock Exchange).

- 1 Interest rates in Table 2 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.

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- 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).
 - 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 a price index and thus when it is calculated it accounts only for prices of underlying shares whereas dividend income is excluded. The WIG20 index may not include more than 5 companies from a single exchange sector.
 - mWIG40 index is successor of MIDWIG index and has been calculated since 31 December 1997 and comprises 40 medium size companies listed at WSE. The initial value of index was 1,000 points. mWIG40 is a price index and thus when it is calculated it accounts only for prices of underlying shares whereas dividend income is excluded. The mWIG40 index excludes WIG20 and sWIG80 index participants and foreign companies listed at WSE and other markets with the market capitalization at the ranking date above EUR 1 billion.
 - sWIG80 index is successor of WIRR index that has been calculated since 31 December 1994 and comprised 1% of smaller companies listed at WSE. The initial value of index was 1,000 points. sWIG80 is a price index and thus when it is calculated it accounts only for prices of underlying shares whereas dividend income is excluded. The sWIG80 index excludes WIG20 and mWIG40 index participants and foreign companies listed at WSE and other markets with the market capitalization at the ranking date above EUR 100 million.
 - 7 The indices comprise companies from all the quotation markets.
 - 8 Capitalization refers only to domestic companies.
 - 9 The P/E ratio shows the relation of the market price to net earnings and is calculated as a quotient of the total market value of companies at month end to their aggregated profits and losses generated within the last 4 quarters, for which financial data are available.
 - 10 The turnover ratio shows the relation between the value of sold shares to the average value of shares quoted in a given month.
 - 11 The monthly turnover value and the turnover ratio comprise the continuous quotation and fixing.

TABLE III. PLN/USD and PLN/EUR daily exchange rates

The information has been based on the data of Narodowy Bank Polski.

- 1 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 NBP average exchange rates for a month (based on daily exchange rates).

Monetary statistics

In this issue of the Annual Report time series for periods starting from June 2017 are compiled from data collected in the new monetary statistics reporting system.

Due to the launch of new reporting system description of categories in tables: VII, VIII, IX, X, have been adjusted in accordance with new reporting system's terminology.

Narodowy Bank Polski releases monetary statistics based on data received from monetary financial institutions (MFI), which comprise Narodowy Bank Polski, banks operating in Poland and branches of foreign credit institutions and foreign banks, credit unions and money market funds.¹

Sectoral classification

Financial sector comprises the following sub-sectors:

- monetary financial institutions² (including the central bank and other monetary financial institutions); in Poland, the concept of other monetary financial institutions applies to banks, credit unions and money market funds (MMFs);
- non-MMF investment funds;
- insurance corporations;
- pension funds;
- other financial intermediaries (including, financial leasing companies, factoring companies, brokerage offices, and financial companies created for securitization of assets);
- financial auxiliaries and captive financial institutions and money lenders (including bureaux de change, stock exchanges, hire purchase institutions).

¹ 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).

² 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.

Non-financial sector comprises the following sub-sectors:

- non-financial corporations (including state-owned corporations and private corporations and co-operatives);
- individual entrepreneurs;³
- farmers;
- individuals;
- non-profit institutions serving households.

In the publications of Narodowy Bank Polski, claims and liabilities of MFIs on/to the non-financial sector are 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 and 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 etc.);
- local government (including, among others, local administrative offices at regional level, local parliaments, public elementary schools 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.

³ Natural persons conducting business activities on their own account, with a maximum of 9 employees.

The interest rate is calculated based on data received from the following banks (23):

- 1 Powszechna Kasa Oszczędności Bank Polski SA
- 2 Bank Handlowy w Warszawie SA
- 3 ING Bank Śląski SA
- 4 Bank Zachodni WBK SA
- 5 mBank SA
- 6 Bank Millennium SA
- 7 Bank Polska Kasa Opieki SA
- 8 Euro Bank SA
- 9 Bank Ochrony Środowiska SA
- 10 Deutsche Bank Polska SA
- 11 Bank Polskiej Spółdzielczości SA
- 12 Credit Agricole Bank Polska SA
- 13 Idea Bank SA
- 14 Bank BGŻ BNP Paribas SA
- 15 Santander Consumer Bank SA
- 16 mBank Hipoteczny SA
- 17 Getin Noble Bank SA
- 18 Alior Bank SA
- 19 Polski Bank Spółdzielczy w Ciechanowie
- 20 Krakowski Bank Spółdzielczy
- 21 Podkarpacki Bank Spółdzielczy
- 22 Wielkopolski Bank Spółdzielczy
- 23 Bank Spółdzielczy w Brodnicy.

At the end-December 2018, the above banks held 85% of deposits of residents and 84% 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/en/statystyka/oproc/mir_new/manual_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.

For Table V data are collected from the same sample of banks as in case of Table IV. 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-marked 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 and from the balance sheet of Narodowy Bank Polski and credit unions and money market funds.⁴
- 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 (except for debt securities presented at the carrying amount).

TABLE VII. Aggregated balance sheet of other monetary financial institutions – assets and liabilities

- 1 Loans and other claims on domestic residents (assets col. 2) loans granted, debt purchased, realised guarantees and sureties, other claims and claims on repurchase agreements.
- 2 Debt securities (assets col. 6) are debt securities issued by domestic residents and held by other monetary financial institutions.
- 3 Money market funds shares/units⁵ purchased by other MFIs (assets col. 10).
- 4 Equity and non-MMF investment fund shares or units (assets col. 11) include shares, and fixed financial assets issued by domestic residents.
- 5 External assets (assets col. 14) include all assets of non-residents denominated in zloty and foreign currencies.
- 6 Fixed assets (assets col. 15) include total fixed assets except for financial fixed assets.

⁴ See footnote 1.

⁵ See footnote 1. Zero-sum in “Money market fund shares/units” results from change indicated in the footnote 1.

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- 7 Remaining assets (assets col. 16) other cash equivalents held at other monetary financial institutions, vault cash excluded, as well as other claims and interest due and not due on loans and other claims, settlement accounts, claims on third parties, deferred income and expenditure, claims on financial derivatives positions, valuation adjustments, rights issue, other assets.
 - 8 Deposits and other liabilities to domestic residents (liabilities col. 1) comprise overnight deposits, deposits with agreed maturity, blocked deposits, loans received, claims from cash collateral (classified to “with agreed maturity”), other liabilities and claims on repurchase agreements, subordinated loans except for those in the form of securities issued.
 - 9 Money market funds shares/units⁶ issued are liabilities of money market funds against shares/units issued (liabilities col. 8).
 - 10 Debt securities issued (liabilities col. 9) are liabilities on own debt securities issued by other monetary financial institutions and subordinated claims in the form of securities issued (purchased by residents and non-residents).
 - 11 Capital and reserves (liabilities col. 10) comprise share paid-in capital, called-up capital unpaid, own shares, accumulated reserves, general risk provisions, reserve capital and retained earnings, supplementary funds provisions, including specific provisions, impairment allowances, mortgage notes reserves, specific provisions for off-balance liabilities, general risk provisions.
 - 12 External liabilities (liabilities col. 11) include all liabilities of non-residents denominated in zloty and foreign currencies, except for debt securities issued.
 - 13 Remaining liabilities (liabilities col. 12) include interest not due on deposits and other liabilities and interest on debt securities issued, suspense and transit items, liabilities against third parties, deferred income and expenditure, liabilities from financial derivatives positions, other liabilities, valuation adjustments.

TABLE VIII. Balance sheet of Narodowy Bank Polski – assets and liabilities

- 1 Domestic assets (assets col. 1) comprise loans and other claims on domestic residents, debt securities issued by domestic residents, shares and equity as well as non-MMF investment fund shares/units issued by domestic residents, fixed assets (except for financial assets), other assets.
- 2 External assets (assets col. 2) include all assets of non-residents denominated in zloty and foreign currencies.

⁶ See footnote 1. Zero-sum in “Money market fund shares/units” results from change indicated in the footnote 1.

-
- 3 Deposits and other liabilities to 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.
 - 4 Debt securities issued (liabilities col. 6) represent liabilities on NBP debt securities issued.
 - 5 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, profit/loss of the current year, loss incurred in previous years and valuation adjustments.
 - 6 External liabilities (liabilities col. 8) include all liabilities of non-residents denominated in zloty and foreign currencies.
 - 7 Remaining liabilities (liabilities col. 9) include interest from deposits and debt securities issued, deferred income, inter- and intra-MFI settlements, other liabilities.

TABLE IX. Consolidated balance sheet of monetary financial institutions – assets and liabilities

- 1 Table IX comprises 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 Remaining assets (assets col. 10) and currency in circulation (liabilities col. 1) were decreased by cash in vaults of other monetary financial institutions.

List of the most important abbreviations

BIS	Bank for International Settlements
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
FSC	Financial Stability Committee (Komitet Stabilności Finansowej)
GDP	Gross Domestic Product
GUS	Statistics Poland (Główny Urząd Statystyczny)
IMF	International Monetary Fund
KDPW SA	National Depository for Securities (Krajowy Depozyt Papierów Wartościowych SA)
MPC	Monetary Policy Council
NBP	Narodowy Bank Polski (National Bank of Poland)
OECD	Organisation for Economic Co-operation and Development
SDR	Special Drawing Rights
SORBNET2	Real-Time Gross Settlement System [RTGS] at the NBP Head Office
TARGET2	Trans-European Automated Real-Time Gross Settlement Express Transfer System
WB	World Bank

www.nbp.pl

