

## INDEPENDENT AUDITOR'S REPORT

### To the Monetary Policy Council of Narodowy Bank Polski

1. We have audited the attached financial statements for the year ended 31 December 2015 of Narodowy Bank Polski ('NBP'), with its registered office in Warsaw, at Świętokrzyska 11/21, containing the balance sheet as at 31 December 2015, the profit and loss account for the year ended 31 December 2015 and the notes ('the attached financial statements').
2. The truth and fairness<sup>1</sup> of the attached financial statements, its preparation in accordance with the required applicable accounting policies and the proper maintenance of the accounting records are the responsibility of the NBP's Management Board. Our responsibility was to audit the attached financial statements and to express an opinion on whether, based on our audit, these financial statements comply, in all material respects, with the required applicable accounting policies, whether they truly and fairly<sup>2</sup> reflect, in all material respects, the financial position and financial result of NBP and whether the accounting records that form the basis for their preparation are, in all material respects, properly maintained.
3. We conducted our audit of the attached financial statements in accordance with:
  - chapter 7 of the Accounting Act of 29 September 1994 (Journal of Laws of 2013, item 330 with subsequent amendments),
  - National Auditing Standards issued by the National Council of Statutory Auditors in Poland,in order to obtain reasonable assurance whether these financial statements are free of material misstatements. In particular, the audit included examining, to a large extent on a test basis, documentation supporting the amounts and disclosures in the attached financial statements. The audit also included assessing the accounting principles adopted and used and significant estimates made by the NBP's Management Board, as well as evaluating the overall presentation of the attached financial statements. We believe our audit has provided a reasonable basis to express our opinion on the attached financial statements treated as a whole.
4. The financial statements for the prior financial year ended 31 December 2014 were subject to an audit by a key certified auditor acting on behalf of another authorised audit firm, who issued an unqualified opinion on those financial statements, dated 25 March 2015.

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<sup>1</sup> Translation of the following expression in Polish: '*rzetelność i jasność*'

<sup>2</sup> Translation of the following expression in Polish: '*rzetelnie i jasno*'

5. In our opinion, the attached financial statements, in all material respects:
- present truly and fairly all information material for the assessment of the financial result for the period from 1 January 2015 to 31 December 2015, as well as financial position<sup>3</sup> of NBP as at 31 December 2015;
  - have been prepared in accordance with the Act of 29 August 1997 on Narodowy Bank Polski (Journal of Laws of 2013, item 908 with subsequent amendments), Resolution No. 16/2003 of the Monetary Policy Council of 16 December 2003 on the accounting principles, format of the balance sheet and the profit and loss account of Narodowy Bank Polski (NBP Official Journal of 2003, No. 22, item 38 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 of 2010, No. 17, item 19), 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 and based on properly maintained accounting records;
  - are, in respect of the form and content, in accordance with legal regulations governing the preparation of financial statements.

on behalf of  
Ernst & Young Audyt Polska spółka  
z ograniczoną odpowiedzialnością sp. k.  
Rondo ONZ 1, 00-124 Warsaw  
Reg. No. 130

Key Certified Auditor

(-)  
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Arkadiusz Krasowski  
Certified Auditor  
No. 10018

Warsaw, 24 March 2016

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<sup>3</sup> Translation of the following expression in Polish: '*sytuacja majątkowa i finansowa*'

**NARODOWY BANK POLSKI**

**LONG-FORM AUDITOR'S REPORT  
ON THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

## **I. GENERAL NOTES**

### **1. Background**

Narodowy Bank Polski (hereinafter 'NBP') is the central bank of the Republic of Poland. NBP was incorporated on the basis of a decree of the Council of Ministers of 15 January 1945 (Journal of Laws of 1945, No. 4, item 14). The NBP's registered office is located in Warsaw, at Świętokrzyska 11/21.

NBP operates on the basis of art. 227 of the Constitution of the Republic of Poland and on the basis of the Act of 29 August 1997 on Narodowy Bank Polski (Journal of Laws of 2013, item 908 with subsequent amendments – 'the Act on the NBP').

According to the Act on the NBP, NBP has a legal personality and is not subject to entry into the register of state enterprises. In accordance with the art. 6 para. 1, point 2 of the Corporate Income Tax Act of 15 February 1992 (Journal of Laws of 2014, item 851 with subsequent amendments) NBP is exempt from the corporate income tax. In addition, based on art. 57 para 1 of the Act on the NBP Narodowy Bank Polski is treated on a par with budgetary units and is be subject to exemption from taxes as well as stamp duty.

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

The principal activities of NBP are also:

- organizing monetary clearing,
- managing the foreign exchange reserves,
- conducting foreign exchange activities within the bounds stipulated by statutes,
- 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 towards stability of financial system in terms of the financial institution, as defined by art. 4 para. 4 of the Act on Prudential Supervision over the Financial System and Crisis Management in the Financial System of 5 August 2015 (Journal of Laws from 2015, item 1513),
- acting towards eliminating or reducing the systemic risk, as defined by art. 4 para. 15 of the Act of 5 August 2015 on Prudential Supervision over the Financial System and Crisis Management in the Financial System (Journal of Laws of 2015, item 1513),
- compiling monetary and banking statistics, the balance of payments and the international investment position,
- performing other tasks as specified by statutes.

NBP has the exclusive right to issue the currency of the Republic of Poland.

As at 31 December 2015 the NBP's statutory fund amounted to 1,500,000 thousand zlotys.

There were no movements in the NBP's statutory fund in the reporting period as well as from the balance sheet date to the date of the opinion.

As at 24 March 2016 the Management Board of NBP was composed of:

Marek Belka	- President of NBP
Piotr Wiesiołek	- Vice President of NBP - First Deputy President of NBP
Anna Trzecińska	- Vice President of NBP
Jacek Bartkiewicz	- Member of the Management Board of NBP
Adam Glapiński	- Member of the Management Board of NBP
Ryszard Kokoszczynski	- Member of the Management Board of NBP
Andrzej Raczek	- Member of the Management Board of NBP
Paweł Samecki	- Member of the Management Board of NBP
Katarzyna Zajdel-Kurowska	- Member of the Management Board of NBP

During the reporting period and from the balance sheet date to the date of the opinion there were the following changes in the NBP's Management Board:

- on 3 August 2015 Ms. Małgorzata Zaleska ceased to be the Management Board Member of NBP;
- on 4 August 2015 Mr. Ryszard Kokoszczynski was appointed to the position of Management Board Member of NBP;
- on 22 January 2016 Mr. Eugeniusz Gatnar due to his resignation was dismissed from the Management Board Member of NBP;
- on 1 March 2016 Mr. Adam Glapiński was appointed to the position of Management Board Member of NBP.

## 2. Financial Statements

### 2.1 Auditor's opinion and audit of financial statements

Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k. with its registered office in Warsaw, at Rondo ONZ 1, is registered on the list of entities authorized to audit financial statements under No. 130.

Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k. was appointed on 7 July 2015 by the Monetary Policy Council ('MPC') to audit the NBP's financial statements.

Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k. and the key certified auditor meet the conditions required to express an impartial and independent opinion on the financial statements, as defined in art. 56 para. 3 and art. 56 para. 4 of the Act on statutory auditors and their self-governance, audit firms authorized to audit financial statements and public oversight of 7 May 2009 (Journal of Laws from 2009, No. 77, item 649 with subsequent amendments).

Under the contract executed on 18 August 2015 we have audited the financial statements for the year ended 31 December 2015.

Our responsibility was to express an opinion on the financial statements based on our audit. The auditing procedures applied to the financial statements were designed to enable us to express an opinion on the financial statements taken as a whole.

Our procedures did not extend to supplementary information that does not have an impact on the financial statements taken as a whole.

Based on our audit, we issued an unqualified auditor's opinion dated 24 March 2016, stating the following:

'To the Monetary Policy Council of Narodowy Bank Polski

1. We have audited the attached financial statements for the year ended 31 December 2015 of Narodowy Bank Polski ('NBP'), with its registered office in Warsaw, at Świętokrzyska 11/21, containing the balance sheet as at 31 December 2015, the profit and loss account for the year ended 31 December 2015 and the notes ('the attached financial statements').
2. The truth and fairness<sup>1</sup> of the attached financial statements, its preparation in accordance with the required applicable accounting policies and the proper maintenance of the accounting records are the responsibility of the NBP's Management Board. Our responsibility was to audit the attached financial statements and to express an opinion on whether, based on our audit, these financial statements comply, in all material respects, with the required applicable accounting policies, whether they truly and fairly<sup>2</sup> reflect, in all material respects, the financial position and financial result of NBP and whether the accounting records that form the basis for their preparation are, in all material respects, properly maintained.
3. We conducted our audit of the attached financial statements in accordance with:
  - chapter 7 of the Accounting Act of 29 September 1994 (Journal of Laws of 2013, item 330 with subsequent amendments),
  - National Auditing Standards issued by the National Council of Statutory Auditors in Poland, in order to obtain reasonable assurance whether these financial statements are free of material misstatements. In particular, the audit included examining, to a large extent on a test basis, documentation supporting the amounts and disclosures in the attached financial statements. The audit also included assessing the accounting principles adopted and used and significant estimates made by the NBP's Management Board, as well as evaluating the overall presentation of the attached financial statements. We believe our audit has provided a reasonable basis to express our opinion on the attached financial statements treated as a whole.
4. The financial statements for the prior financial year ended 31 December 2014 were subject to an audit by a key certified auditor acting on behalf of another authorised audit firm, who issued an unqualified opinion on those financial statements, dated 25 March 2015.
5. In our opinion, the attached financial statements, in all material respects:
  - present truly and fairly all information material for the assessment of the financial result for the period from 1 January 2015 to 31 December 2015, as well as financial position<sup>3</sup> of NBP as at 31 December 2015;
  - have been prepared in accordance with the Act of 29 August 1997 on Narodowy Bank Polski (Journal of Laws of 2013, item 908 with subsequent amendments), Resolution No. 16/2003 of the Monetary Policy Council of 16 December 2003 on the accounting principles, format of the balance sheet and the profit and loss account of Narodowy Bank Polski (NBP Official Journal of 2003, No. 22, item 38 with subsequent amendments), Resolution No. 12/2010 of the

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<sup>1</sup> Translation of the following expression in Polish: 'rzetelność i jasność'

<sup>2</sup> Translation of the following expression in Polish: 'rzetelnie i jasno'

<sup>3</sup> Translation of the following expression in Polish: 'sytuacja majątkowa i finansowa'

Monetary Policy Council of 14 December 2010 on the principles for creating and releasing the provision against the foreign exchange rate risk of the zloty at Narodowy Bank Polski (NBP Official Journal of 2010, No. 17, item 19), 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 and based on properly maintained accounting records;

- are, in respect of the form and content, in accordance with legal regulations governing the preparation of financial statements.’

We conducted the audit of the NBP’s financial statements during the period from 26 October 2015 to 15 December 2015 and from 8 February 2016 to 24 March 2016. We were present at the NBP’s head office from 27 October 2015 to 18 November 2015 and from 15 February 2016 to 11 March 2016.

## **2.2 Representations provided and data availability**

The NBP Management Board confirmed its responsibility for the truth and fairness<sup>4</sup> of the financial statements and its preparation in accordance with the applicable accounting policies, and stated that it had provided us with all financial information, accounting records and other required documents as well as all necessary explanations. The Management Board also provided a letter of representations dated 24 March 2016, confirming that:

- the information included in the books of account was complete;
- all contingent liabilities had been disclosed in the financial statements, and
- all material events from the balance sheet date to the date of the representation letter had been disclosed in the financial statements.

The NBP Management Board confirmed that the information provided to us was true and fair to the best of the Management Board’s belief and knowledge, and included all events that could have had an effect on the financial statements.

At the same time we declare that during the audit of the financial statements there were no limitations of scope.

## **2.3 Financial statements of NBP for prior financial year**

The NBP’s financial statements for the year ended 31 December 2014 were audited by Adam Celiński, key certified auditor No. 90033, acting on behalf of PricewaterhouseCoopers Sp. z o.o., the company entered on the list of entities authorized to audit financial statements conducted by the National Council of Statutory Auditors with the number 144. The key certified auditor issued an unqualified opinion on the financial statements for the year ended 31 December 2014. NBP presented in the financial statements for the year ended 31 December 2014 financial result equaled zero zlotys. Due to that fact there were no contribution from the NBP to the state budget.

The financial statements for the financial year ended 31 December 2014 were adopted by the MPC by Resolution No. 2/2015 on 15 April 2015 and approved by the Council of Ministers by Resolution No. 140/2015 on 10 August 2015.

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<sup>4</sup> Translation of the following expression in Polish: “rzetelność i jasność”

The balance sheet as at 31 December 2014 and the profit and loss account for the year then ended were announced in NBP Official Journal from 2015, item 15, dated 15 September 2015.

The closing balances as at 31 December 2014 were correctly brought forward in the accounts as the opening balances at 1 January 2015.

### 3. Analytical Review

#### 3.1 Basic data and financial ratios

Selected financial ratios indicating the financial performance of NBP for the years 2013 – 2015 are presented below. The ratios were calculated on the basis of financial information included in the financial statements for the years ended 31 December 2014 and 31 December 2015.

The ratios for the years ended 31 December 2014 and 31 December 2013 were calculated on the basis of financial information included in the approved financial statements audited by another auditor.

	2015	2014	2013
<b>Total assets</b>	372,172,357	353,605,157	321,255,425
<b>Financial result for the current year</b>	8,275,781	0	0
<b>Gold and claims on non-residents denominated in foreign currency</b>	370,323,744	352,288,059	319,952,844
<b>Banknotes and coins in circulation</b>	163,225,778	142,928,806	126,142,763
Financial result for the current year x 100%	2.2%	0.0%	0.0%
Total assets			
Net result on interest, discount and premium x 100%	12.7%	-	-
Financial result for the current year			
Net result on financial operations x 100%	99.5%	-	-
Financial result for the current year			
<b>Foreign exchange rates*</b>			
EUR/PLN	4.2615	4.2623	4.1472
USD/PLN	3.9011	3.5072	3.0120
GBP/PLN	5.7862	5.4648	4.9828
<b>Inflation rate:</b>			
Yearly average	(0.9%)	0.0%	0.9%
December to December	(0.5%)	(1.0%)	0.7%

\* Average foreign exchange rates announced by NBP as at 31 December 2015, 31 December 2014 and 31 December 2013, respectively.



### **3.2 Comments**

The following trends may be observed based on the above financial ratios:

- Total assets increased from 321,255,425 thousand zlotys as at 31 December 2013 to 353,605,157 thousand zlotys as at 31 December 2014 and to 372,172,357 thousand zlotys as at 31 December 2015.
- Financial result for 2013 and 2014 was zero zlotys, while for 2015 it amounted to 8,275,781 thousand zlotys.
- Gold and claims on non-residents denominated in foreign currency increased from 319,952,844 thousand zlotys as at 31 December 2013 through 352,288,059 thousand zlotys as at 31 December 2014 to 370,323,744 thousand zlotys as at 31 December 2015.
- The amount of banknotes and coins in circulation increased from 126,142,763 thousand zlotys as at 31 December 2013 through 142,928,806 thousand zlotys as at 31 December 2014 to 163,225,778 thousand zlotys as at 31 December 2015.
- The ratio of the financial result to total assets increased from 0.0% at the end of 2013 and 2014 to 2.2% at the end of 2015.
- The ratio of the net result on interest, discount and premium to financial result for the current year amounted to 12.7% in 2015.
- The ratio of the net result on financial operations to financial result for the current year amounted to 99.5% in 2015.

### **3.3 Going concern**

According to art. 58 of The Act on the NBP, NBP cannot be declared bankrupt.

## **II. DETAILED REPORT**

### **1. Accounting System**

The NBP's accounts are kept using the Zintegrowany System Księgowy (ZSK) computer system in the NBP's head office. NBP has up-to-date documentation describing the accounting principles adopted by NBP, including the NBP's chart of accounts, which is an appendix 1 to 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.

During our audit no material irregularities were noted in the books of account which could have a material effect on the audited financial statements. These would include matters related to:

- the reasonableness and consistency of the applied accounting principles;
- the reliability of the accounting records, the absence of errors in the accounting records and the trail of entries in the accounting records;
- whether business transactions are supported by documents;
- the correctness of opening balances based on approved prior year figures;
- consistency between the accounting entries, the underlying documentation and the financial statements;
- fulfilment of the requirements for safeguarding accounting documents and storing accounting records and financial statements.

### **2. Assets, Liabilities and Equity, Profit and Loss Account of NBP**

Details of the NBP's assets, liabilities and equity and profit and loss account are presented in the audited financial statements for the year ended 31 December 2015.

Verification of assets, liabilities and equity was performed. Any differences were adjusted in the books of account for the year 2015.

### **3. Notes to the Financial Statements**

The notes to the audited financial statements for the year ended 31 December 2015 were prepared, in all material respects, in accordance with the Resolution No. 16/2003 of the Monetary Policy Council of 16 December 2003 on the accounting principles, format of the balance sheet and the profit and loss account of Narodowy Bank Polski (NBP Official Journal of 2003, No. 22, item 38 with subsequent amendments) and with the 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.

### **4. Conformity with Law and Regulations**

We have obtained a letter of representations from the Management Board confirming that no laws, were breached during the financial year that would have material impact on the audited financial statements.

## 5. Materiality Level

When determining the materiality level, professional judgment was applied taking into account the specific characteristics relating to NBP. This included consideration of both qualitative and quantitative aspects.

## 6. Work of Experts

During our audit we have taken into account the results of the work of the independent expert acting on behalf of NBP in estimating the provision for retirement benefits and jubilee benefits as at 31 December 2015.

on behalf of  
Ernst & Young Audyt Polska spółka  
z ograniczoną odpowiedzialnością sp. k.  
Rondo ONZ 1, 00-124 Warsaw  
Reg. No. 130

Key Certified Auditor

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Arkadiusz Krasowski  
Certified Auditor  
No. 10018

Warsaw, 24 March 2016