



We explain

Narodowy Bank Polski (NBP) is the central bank of the Republic of Poland. According to the country's Constitution, NBP is responsible for the value of the Polish currency and its basic objective, enshrined in the Act on Narodowy Bank Polski, is to maintain price stability, while supporting the economic policy of the government (provided that it does not constrain the pursuit of the basic objective of NBP). The governing bodies of NBP are the Governor of NBP, the Monetary Policy Council (MPC) and the NBP Management Board. The Governor of NBP directs the work of the Management Board and at the same time chairs the MPC.

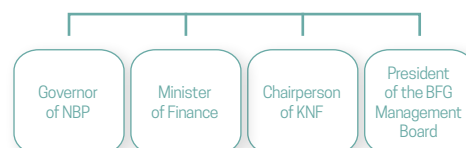
Main tasks of NBP

- **Issuing banknotes and coins.** NBP has the exclusive right to issue banknotes and coins (the currency of the Republic of Poland). This is why each Polish banknote bears the signature of the Governor of NBP. Banknotes and coins issued by NBP constitute legal tender in Poland, which means that they are used and generally accepted when making payments in the territory of Poland.
- **Pursuing monetary policy.** Monetary policy involves the actions of the central bank which affect the volume of money and the **level of interest rates** in the economy. Through these actions, NBP has an impact on household and business spending and, consequently, on inflation.
- **Organising payments.** The payment system enables monetary settlements between entities. For example, in order to settle a payment it is possible to order the transfer of funds from one's own bank account to the recipient's account in another commercial bank. The smooth operation of the payment system is possible due to the fact that NBP operates a clearing system between banks and enables fast and safe settlement of their transactions.
- **Acting for the stability of the domestic financial system.** NBP acts for the stability of the financial system and forms the conditions required for the development of the banking system – it analyses and assesses risks to the stability of the financial system, monitors its development and cooperates with other state institutions, jointly forming the so-called financial safety net. The Governor of NBP is one of the four members of **the Financial Stability Committee** (next to the Minister of Finance, the Chairperson of the Polish Financial Supervisory Authority and the President of the Bank Guarantee Fund). The stability of the financial system means that banks and other financial institutions are able to perform their tasks (including, among others, accepting deposits and granting loans as well as handling transactions in the economy) continuously and efficiently, even in the event of unexpected and adverse economic disturbances of significant magnitude.
- **Management of foreign exchange reserves.** Foreign exchange reserves are financial assets denominated in foreign currency held by NBP. The major part of foreign exchange reserves is invested in Treasury securities issued by countries with the highest creditworthiness, high level of safety and liquidity. Maintaining foreign exchange reserves primarily serves to strengthen the country's financial credibility, which has a stabilising effect on the exchange rate, reduces the cost of financing the state in foreign markets and mitigates the risk of a sudden outflow of capital. NBP's foreign exchange reserves may also be used, among others, to support the stability of financial markets or the banking sector, in particular by providing foreign currency liquidity in the event of major turbulences in financial markets.
- **Bank services to the State Treasury.** NBP is the so-called **bank of the State**, i.e. it operates the current account of the state budget and current accounts of state budgetary units. For example, when we pay income tax, our funds are not transferred to a commercial bank but to tax office accounts operated by NBP.



The Monetary Policy Council is the NBP body responsible for pursuing the monetary policy, including determining NBP interest rates. It is composed of the Chairman of the Council – the Governor of NBP – and 9 members, appointed in equal number by the President of the Republic of Poland, the Sejm and the Senate for a 6-year term of office.

Financial Stability Committee



NBP's role is to ensure price stability, using the inflation targeting strategy for that purpose. Under this strategy, the monetary policy target since 2004 has been to maintain inflation at a level of 2.5%, with a symmetrical deviation band of ± 1 percentage point in the medium term.



In figures



2,978.9 million

The number of banknotes in circulation in Poland at the end of 2021 Q4



6 years

The length of the term of office of the Governor of NBP and members of the Monetary Policy Council

7-9

The number of members of the NBP Management Board, including the Governor of NBP

PLN 674,172.1 million

The value of Poland's official reserve assets in December 2021

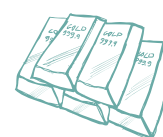
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The number of members in the Monetary Policy Council (9 members of the Council and its Chairman, i.e. the Governor of NBP)



16

The number of NBP Regional Branches



228.6 tonnes

NBP gold holdings in 2021

Good to know

The activity of NBP differs significantly from the activities of commercial banks. First of all, their core objectives are different: the role of NBP is to maintain price stability, while the objective of commercial banks is to make a profit.

Unlike commercial banks, NBP does not operate accounts for individuals or undertakings, nor does it grant loans to them. On the other hand, commercial banks and the state budget hold accounts with NBP. Therefore, NBP is often referred to as the **bank of banks and the bank of the State**.

Acting with the aim to support the stability of the domestic financial system, NBP acts, among others, as a lender of last resort, i.e. under certain conditions it may grant loans to commercial banks in order to replenish their financial resources.

Historical background

