



Annual Report 2010



Marek Belka
President of the National Bank of Poland

In 2010, I was appointed President of the National Bank of Poland. This was a very special year, full of global events arising out of the crisis in the financial markets. Poland demonstrated a relatively high degree of resilience to the financial crisis of 2008–2009. Aptly coordinated and macroeconomically astute actions carried out by the NBP, the government and the Polish Financial Supervision Authority made Poland the only EU member country to avoid recession, and allowed the domestic financial sector to remain stable.

In accordance with the Constitution of the Republic of Poland, the NBP is responsible for the value of Polish currency, i.e. maintaining its purchasing power at a level securing the sustainable and stable growth of the Polish economy. Last year, the average annual rate of inflation measured by the consumer price index amounted to 2.6%, and was in line with the NBP inflation target of 2.5%, with a symmetrical deviation band of ± 1 percentage point. Not once in 2010 did the average monthly inflation rate exceed 3.5%, i.e. the upper limit of allowable deviations from this target. The Monetary Policy Council pursued an expansionary monetary policy, leaving rates at an unchanged, historically low level.

In the context of the observed improvements in the financial markets and the rapid growth of excess liquidity in the banking sector, the NBP gradually limited the use of emergency instruments providing banks with liquidity, introduced as part of the Confidence Pact in 2008. As a result of these actions, starting from October 2010, the NBP has employed the same set of monetary policy instruments as it used prior to the outbreak of the financial crisis.

The past years have exposed the weakness of financial oversight regulations and structure, which failed to protect the global financial sector against the outbreak and spread of the crisis. This experience has proven that macroeconomic and monetary stability, on one hand, and financial sector stability on the other are strongly interrelated. In order to mitigate systemic risks and reduce the potential cost of a recurrence of a financial crisis, the European Systemic Risk Board was established as part of the European Union – an institution whose objectives are to counteract the build-up of systemic risks and to safeguard the EU financial sector as a whole.

In Poland, due to coordination of supervisory and macro-stability policies, no risk to the domestic financial system stability materialised last year. The tests of the resilience of the financial sector to hypothetical macroeconomic shocks, conducted and published by the NBP on a regular basis, show that banks in Poland have a relatively strong level of high-quality (Core Tier 1) capital, which allows them to operate safely even during a period of strong economic downturn.

A significant element of the financial security of a state is the volume of its foreign exchange reserves, which reinforces the financial credibility of a country, mitigates the risk of an abrupt outflow of foreign capital and influences the funding costs on global markets. In 2010, the official reserve assets of the NBP increased by EUR 14.8 billion, to EUR 70 billion, on the back of an inflow of EU funds and the increase in income on reserves investment. In 2010, the NBP posted a 4% return rate on the reserves, in zloty terms – a higher figure compared to the previous year. The NBP financial result for 2010 amounted to PLN 6.5 billion, i.e. it was by PLN 2.4 billion higher than in 2009.

For years, the NBP has analysed and researched the effects of the adoption of a common European currency by Poland. The research results demonstrate that in the long-term, entry into the euro area should be favourable for Poland, however the right timing of the euro changeover, conditional upon compliance with economic, institutional and political requirements, will determine the eventual balance of benefits and costs. Although the official date of Poland's euro adoption is yet to be set, the NBP has conducted work designed to prepare the process of conversion to the common currency in the best possible way.

31 December 2010 was the last day on which notes and coins withdrawn from circulation as a result of the redenomination of the zloty of 1995 could be exchanged. The NBP conducted a widespread information campaign that reminded the public of the deadline for the exchange of the so-called "old zlotys". In 2010, the NBP exchanged old zlotys for a total amount equal to PLN 2.7 million. A total of 99.83% of notes and coins issued prior to the redenomination were replaced.

To sum up, in 2010 the NBP effectively performed its primary tasks. The bank flexibly responded to developments in the external environment by tailoring instruments it had at its disposal to current market needs. In line with the constitutional principle of cooperation between the state bodies, the NBP cooperated with the Ministry of Finance and the Polish Financial Supervision Authority. Their joint actions contributed to maintaining financial system stability and to consolidating sustainable economic growth.

I hope that the year 2011 and the years to come will bring further improvements in economic situation and its outlook, which will translate into greater prosperity for all Poles.

Marek Belka

President of the National Bank of Poland

CONTENTS

MONETARY POLICY COUNCIL.....	9
MANAGEMENT BOARD OF THE NATIONAL BANK OF POLAND	11
ORGANISATION CHART OF THE NATIONAL BANK OF POLAND	12
SUMMARY	13
1. GOVERNING BODIES OF THE NBP.....	19
1.1. President of the National Bank of Poland.....	20
1.2. Monetary Policy Council	21
1.3. Management Board of the National Bank of Poland.....	22
1.4. Implementation of the <i>National Bank of Poland Plan of Activity 2010–2012</i>	24
2. MONETARY POLICY	25
2.1. Monetary policy strategy	26
2.2. Macroeconomic conditions of NBP monetary policy in 2010.....	29
2.3. Monetary policy in 2010	34
2.4. Monetary policy instruments in 2010.....	39
2.4.1. Liquidity in the banking sector in 2010	39
2.4.2. Monetary policy instruments in 2010	40
2.4.2.1. Interest rate	40
2.4.2.2. Open market operations	40
2.4.2.3. Reserve requirement.....	43
2.4.2.4. Standing facilities	44
2.4.2.5. Foreign exchange swaps	45
2.4.2.6. Foreign exchange interventions	45
3. FINANCIAL SYSTEM	47
3.1. The NBP and the Financial Stability Committee	48
3.2. Analyses and research for the needs of the financial system	48
3.3. International cooperation for financial stability.....	49
3.4. Participation of the National Bank of Poland in bank resolution programs	50
4. THE ISSUE OF CURRENCY	53
4.1. Currency in circulation	54
4.2. Issue of collector coins	54
4.3. Change in the principles for sale of collector values	55
4.4. Withdrawal of unfit notes and coins	55
4.5. Counterfeit Polish currency.....	56
4.6. Supply of notes and coins to banks	56
4.7. Exchange of notes and coins which had ceased to be legal tender	56

5. FOREIGN EXCHANGE RESERVES MANAGEMENT	59
5.1. General principles for managing foreign exchange reserves.....	60
5.2. Financial risk management in the foreign exchange reserves management process	60
5.3. Level of the official reserve assets	61
5.4. Foreign currency reserves management strategy	62
5.5. Market environment in 2010	64
5.5.1. The US, German, UK and Australian government securities market.....	65
5.5.2. Norwegian interbank deposit market	66
5.6. Return on foreign currency reserves	67
5.7. Investment income	69
6. FOREIGN EXCHANGE ACTIVITY	71
6.1. Register of bureaux de change	72
6.2. Foreign exchange related decisions.....	72
6.3. Foreign exchange control	72
7. THE PAYMENT SYSTEM	75
7.1. Implementation of operational tasks	76
7.1.1. Operation of accounts in the SORBNET system	76
7.1.2. Maintenance of accounts in the SORBNET-EURO system	78
7.1.3. Maintenance of accounts in the TARGET2-NBP system	80
7.2. Policy and development of the payment system	81
7.2.1. Regulatory activities.....	81
7.2.2. Development of the functionality of domestic large value payment systems and adjusting them to payment systems operated within the EU	81
7.2.3. Promotion of non-cash transactions	82
7.2.4. Development of SEPA	82
7.2.5. Development of securities clearing and settlement systems	83
7.2.6. Payment System Council	83
7.3. Oversight of payment systems, authorisation and clearing systems and securities settlement systems	83
7.3.1. Oversight of payment systems, authorisation and clearing systems	83
7.3.2. Oversight of securities settlement systems	84
8. SERVICES TO THE CENTRAL GOVERNMENT	85
8.1. Bank accounts operated by the NBP	86
8.1.1. Operating bank accounts	86
8.1.2. Categories of accounts operated by the NBP.....	86
8.2. Handling international liabilities and receivables of central government	87
8.3. Organisation of trade in Treasury securities	87
8.3.1. Treasury securities auctions	87
8.3.2. Treasury Securities Dealer system (DSPW)	88
8.4. Public debt management	88

9. RESEARCH ACTIVITY	91
9.1. Research related to participation in the Exchange Rate Mechanism II (ERM II) and Poland's accession to the euro area	92
9.2. Studies of monetary policy, inflation processes and expectations	92
9.3. Enterprise and household surveys	94
9.4. Other macroeconomic research	95
9.5. Forecasting and research	97
9.6. Activity of the NBP Economic Research Committee	97
9.7. Research related to full membership in the third stage of the Economic and Monetary Union	97
9.8. Poland in the face of the world economic crisis report	98
9.9. Academic conferences and seminars organised by the NBP	98
10. STATISTICS	101
10.1. Standard tasks performed by the NBP with respect to statistics	102
10.2. Statistical tasks deriving from the NBP participation in the ESCB and in other international institutions	103
10.2.1. Monetary and financial statistics	103
10.2.2. Financial accounts statistics	104
10.2.3. General government sector statistics	104
10.2.4. Real sector statistics.....	104
10.2.5. Statistics of the balance of payments and the international investment position	105
10.2.6. Supervisory and prudential statistics	105
11. EDUCATION AND INFORMATION	107
11.1. Education	108
11.1.1. Economic education programme.....	108
11.1.2. Economic Education Portal – NBPortal.pl	109
11.2. NBP Money Centre	110
11.3. Promotion	111
11.4. Publishing.....	112
11.5. Information	112
11.5.1. Campaign concerning the exchange of "old" zlotys	112
11.5.2. Information concerning the EMU and the euro	112
11.5.3. Liaising with the media and market analysts	112
11.5.4. NBP website	112
11.5.5. Consideration of petitions, complaints, applications and letters.....	113
11.6. NBP Central Library	113
12. LEGISLATIVE ACTIVITY.....	115
12.1. Legislation by NBP governing bodies.....	116

12.2. The NBP contribution to legislative activity by state authorities with respect to normative and non-normative acts.....	116
12.3. Draft legislation related to the operation of the banking system	118
12.4. Consulting Community laws and draft national legislation of the EU Member States	119
12.5. Work related to the adoption of the euro by Poland	120
13. INTERNATIONAL ACTIVITY	121
13.1. Duties resulting from Poland's membership in the European Union	122
13.1.1. Co-operation within the European System of Central Banks	122
13.1.2. Collaboration with other Community bodies.....	122
13.1.3. Preparations for the Polish Presidency in the Council of the European Union	123
13.2. Collaboration with international economic and financial institutions	123
13.2.1. Organisation for Economic Co-operation and Development (OECD)	123
13.2.2. The World Bank Group and the International Monetary Fund	124
13.2.3. The European Bank for Reconstruction and Development	124
13.2.4. Cooperation with international financial institutions	125
13.2.5. The Bank for International Settlements (BIS)	125
13.2.6. International Bank for Economic Cooperation (IBEC).....	125
13.3. Technical and training assistance	125
14. INTERNAL DEVELOPMENT OF THE NBP	127
14.1. Human resources management	128
14.1.1. NBP employment level.....	128
14.1.2. Developing staff qualifications.....	128
14.2. Organisational changes.....	129
14.3. Strategic management	129
14.4. Operational risk management	129
14.5. Investment and renovation	130
14.5.1. Investment	130
14.5.2. Renovation	131
14.6. IT support for the banking system and the NBP.....	131
14.7. Internal audit.....	132
14.8. Safety and security	132
14.9. Services	132
15. INDEPENDENT AUDITOR'S OPINION AND CONDENSED FINANCIAL STATEMENTS OF THE NATIONAL BANK OF POLAND AS AT 31 DECEMBER 2010	133
15.1. Independent auditor's opinion.....	134
15.2. Condensed financial statements of the National Bank of Poland as at 31 December 2010	135

15.2.1. Legal principles for maintaining accountancy records at the NBP.....	135
15.2.2. Basic accounting principles of the NBP	135
15.2.3. Information about significant events after the balance sheet date, unrecorded in the NBP financial statements	137
15.2.4. Certified auditor and its selection	138
15.2.5. Other issues influencing the correct understanding of the NBP's economic and financial situation	139
15.2.6. Amendments to accounting principles in the financial year 2010	140
15.2.7. Changes in balance sheet items	141
15.2.7.1. <i>Assets</i>	142
15.2.7.2. <i>Liabilities</i>	147
15.2.7.3. <i>Off-balance sheet items</i>	155
15.2.8. Changes in the NBP profit and loss account	156
APPENDICES	161
APPENDIX 1 GDP and aggregate demand	162
APPENDIX 2 Prices of consumer goods and services	164
APPENDIX 3 Balance of payments	168
APPENDIX 4 Money and credit	170
APPENDIX 5 List of open-to-public academic seminars and selected publications of the NBP	175
APPENDIX 6 Voting records of Monetary Policy Council members on motions and resolutions in 2010	178
STATISTICAL ANNEX.....	183
METHODOLOGICAL NOTES	206
LIST OF THE MOST IMPORTANT ABBREVIATIONS	214

Monetary Policy Council

Chairperson

Marek Belka

(since 11 June 2010)

Members:

Andrzej Bratkowski *(since 10 January 2010)*

Elżbieta Chojna-Duch *(since 10 January 2010)*

Zyta Gilowska *(since 19 February 2010)*

Adam Glapiński *(since 19 February 2010)*

Jerzy Hausner *(since 24 January 2010)*

Andrzej Kaźmierczak *(since 19 February 2010)*

Andrzej Rzońca *(since 24 January 2010)*

Jan Winiecki *(since 24 January 2010)*

Anna Zielińska-Głębocka *(since 9 February 2010)*

Monetary Policy Council of the previous term

Chairperson

Sławomir S. Skrzypek

(up to 10 April 2010)

Members:

Jan Czekaj *(up to 9 January 2010)*

Dariusz Filar *(up to 18 February 2010)*

Stanisław Nieckarz *(up to 7 February 2010)*

Marian Noga *(up to 23 January 2010)*

Stanisław Owsiak *(up to 23 January 2010)*

Mirosław Pietrewicz *(up to 9 January 2010)*

Andrzej Sławiński *(up to 18 February 2010)*

Halina Wasilewska-Trenkner *(up to 23 January 2010)*

Andrzej Wojtyna *(up to 18 February 2010)*

Management Board of the National Bank of Poland

Chairperson

Marek Belka

since 11 June 2010

Piotr Wiesiołek

First Deputy President of the NBP
(since 6 March 2008)

Witold Koziński

Deputy President of the NBP
(since 24 October 2008)

Members:

Eugeniusz Gatnar (since 25 March 2010)

Zbigniew Hockuba (since 2 November 2007)

Andrzej Raczko (since 7 September 2010)

Jakub Skiba (since 2 November 2007)

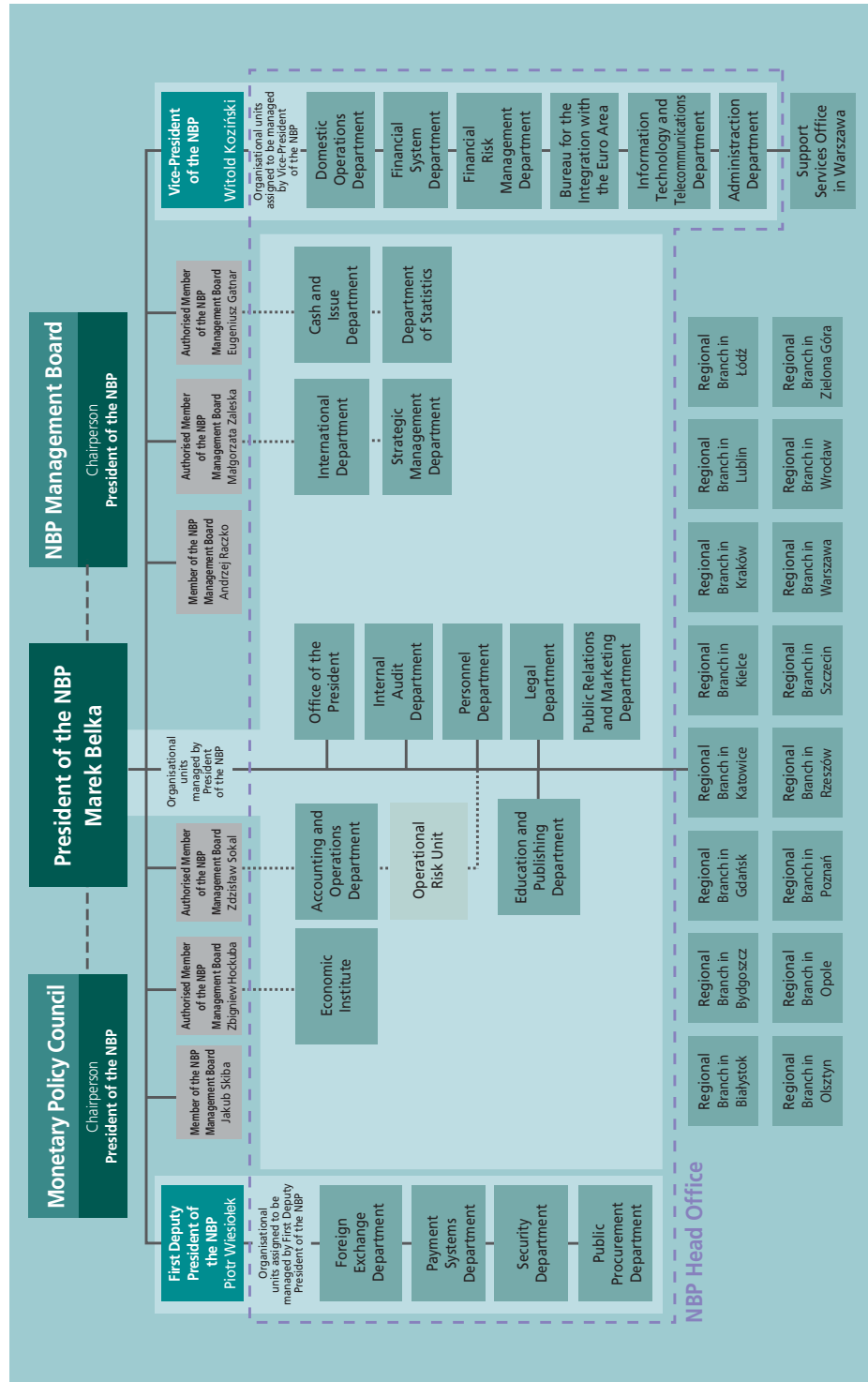
Zdzisław Sokal (since 13 March 2007)

Małgorzata Zaleska (since 3 August 2009)

A term of office of Jerzy Stopyra, Member of the Management Board of the National Bank of Poland, expired as of 25 March 2010.

Organisation chart of the National Bank of Poland

Valid since 31 December 2010



----- Day-to-day oversight exercised in accordance with the authorisation granted by President of the NBP to Members of the NBP Management Board pursuant to § 12 of the Organisational By-laws of the National Bank of Poland

_____ Day-to-day oversight exercised on the basis of the NBP reporting structure, according to the areas of work of organisational units assigned by President of the NBP to be managed by Vice-Presidents of the NBP



SUMMARY

1. Pursuant to Article 227 (1) of the Constitution of the Republic of Poland, "The central bank of the State shall be the National Bank of Poland. It shall have the exclusive right to issue money as well as to formulate and implement monetary policy. The National Bank of Poland shall be responsible for the value of Polish currency". The basic responsibilities of the NBP are stipulated in the Act on the National Bank of Poland and in the Banking Act, as well as in the Treaty on the Functioning of the European Union and in the Statute of the ESCB and of the ECB. In 2010, the NBP conducted its activities pursuant to the *Monetary Policy Strategy beyond 2003*, the *Monetary Policy Guidelines for 2010* and the *National Bank of Poland Plan of Activity 2010–2012*.
2. This *Report* describes the performance of the statutory responsibilities of the NBP in 2010 with regard to the following areas: monetary policy, pursuit of the financial system stability, issue of currency, foreign exchange reserves management, foreign exchange activities, the payment system, education and information, services to the State Treasury, research, statistics and international co-operation. The *Report* also presents the Bank's legislative activity and its internal development as well as the opinion of an independent certified auditor and abbreviated Financial Statements of the NBP as at 31 December 2010.
3. Pursuant to the Constitution of the Republic of Poland and the Act on the National Bank of Poland, the directing bodies of the NBP are: the President of the National Bank of Poland, the Monetary Policy Council and the Management Board of the National Bank of Poland. In 2010, the organisational structure of the NBP consisted of the Head Office and 17 organisational units.
4. In 2010, recovery in the global economy continued, although global economic growth in the second half of the year decelerated slightly as against the first half. Business conditions remained highly diverse across various regions of the global economy. After a significant decrease during the financial crisis, the inflow of capital to emerging economies picked up in 2010. Central banks in the largest developed economies continued their expansionary monetary policy. The majority of developed countries continued to exhibit a high public sector deficit. Considerable fiscal imbalance was a material factor in the uncertainty concerning the outlook for global economic growth. Concerns about the solvency of some euro area countries resulted in an occasional exacerbation of the turmoil in international financial markets, which was particularly intense in Q2 of the previous year.

The recovery in the global economy, together with adverse weather conditions prevailing in certain countries, as well as ample liquidity supply on global financial markets fuelled an increase in the prices of commodities, including agricultural and energy commodities. The increase, which was particularly sharp in the second half of the year, contributed to a rise in global inflation.

The global recovery was followed by an improvement in Poland's economic situation. Economic growth accelerated gradually, although enterprises continued to curb investment, which could have resulted partially from heightened uncertainty as to future demand. Along with the economic upturn, the demand for labour and employment started rising in 2010 Q2. Simultaneously, 2010 saw a considerable increase in the supply of labour, which reduced wage growth through increased unemployment. The public sector deficit deepened further in 2010. In spite of improved economic conditions, the value of bank loans to enterprises fell in 2010. At the same time, the growth in consumer loans to households decreased considerably, while the growth of housing loans to this sector increased.

Changes in global financial markets – through their impact on risk aversion – had a material effect on the situation in the domestic financial market. In spite of considerable volatility during the year, the zloty strengthened over the entire 2010 as compared to 2009. Similarly, despite certain fluctuations, 2010 saw an overall increase in the prices of shares quoted on the Polish stock market.



In 2010, the annual Consumer Price Index (CPI) decreased by 0.9 pp as compared to 2009 and amounted to 2.6%, thus approximating the NBP's inflation target set at 2.5%. In each of the months of 2010, inflation remained within the assumed band of fluctuations from the target (i.e. $2.5\% \pm 1$ pp). Between January and August 2010, the annual CPI decreased steadily, which resulted from low demand pressures and modest unit labour costs in the economy, as well as steady appreciation of the zloty exchange rate observed from the beginning of April. From September, on the other hand, the annual CPI increased, which was mainly caused by growing prices of agricultural and energy commodities in global markets.

In 2010, in the face of persistently limited inflation and wage pressure in Poland and considerable uncertainty regarding the sustainability of global economic recovery and accelerated economic growth in Poland, as well as large inflow of capital to emerging economies, the Council maintained NBP interest rates at their previous level, including the reference rate at 3.5%. However, considering the fact that the major causes of liquidity turmoil in financial markets expired in 2010, in October the Council decided to increase the required reserve by 0.5 pp, from 3.0% to 3.5%, and thus to restore it to the level from before the financial crisis. The increase in the required reserve ratio was also intended to signal the Council's readiness to react to increasing inflation pressure.

5. In 2010, the National Bank of Poland conducted monetary policy by affecting the level of inflation through interest rates. The Council determined the level of NBP interest rates, which in turn determined the yield on monetary policy instruments. The NBP reference rate specified the yield on main open market operations, influencing, at the same time, the level of short-term market interest rates. NBP deposit and lombard rates determined the profitability of standing facilities, constituting the band of fluctuations for the overnight market rate. By affecting the level of short-term money market rates, the MPC aimed to achieve the level of interest rates in the economy which would support the implementation of the adopted inflation target. In 2010, main open market operations took the form of issuance of money market bills with 7-day maturity which enabled the absorption of liquidity surplus from the banking sector. Lombard loan and deposit as at the end of the day allowed banks to replenish shortages or invest surplus funds at the central bank. Along with improvement in the situation in financial markets, rising level of liquidity surplus in the banking sector and declining demand of banks for additional supply of zloty and FX liquidity from the central bank, the NBP in 2010 gradually limited the application of instruments introduced in October 2008 under the Confidence Package, i.e. repo operations and FX swap transactions.
6. The level of excess liquidity in the banking sector, measured as average annualised balance of operations carried out by the NBP (the total of money market bills issued by the NBP, repo transactions as well as standing facilities) in 2010 amounted to PLN 70,907 million and was by PLN 46,967 million higher as compared to the average level in 2009. The average level of money market bills issued by the NBP amounted to PLN 74,968 million, whereas of repo transactions – carried out under the so-called Confidence Package – PLN 5,097 million. On the other hand, the average balance of standing facilities amounted to PLN 1,036 million (advantage of deposit over lombard loan at the end of the day). The increased liquidity in the banking sector in 2010 resulted primarily from the factors beyond the control of the NBP. Out of these factors, the one with the most material effect was the purchase of foreign currency by the NBP – mainly from EU funds, as well as from operations of exchange of foreign currency funds for PLN in the NBP, carried out by the Ministry of Finance. A factor reducing liquidity surplus was an increased level of currency in circulation and increased level of banks' required reserve.
7. Pursuant to Article 3 (2.6) of the Act on the National Bank of Poland, the responsibilities of the NBP shall include "laying down the necessary conditions for the development of the banking system". The Polish central bank performs this responsibility on an ongoing basis by taking steps to maintain a stable and low level of inflation. In 2010, the NBP also focused on cooperation with institutions of the financial safety net (see point 8 of the *Summary*) and



activities aimed at advancing and safeguarding the liquidity of the payment system (see point 12 of the *Summary*). Moreover, the Bank participated in the development of legal provisions concerning the banking sector, conducted research on the stability of the financial system and cooperated with the Bank Guarantee Fund and the Polish Bank Association.

8. Actions for the stability of the financial system in 2010 included primarily: participation in meetings of the Financial Stability Committee, work within the EU on development of a new EU financial supervision system, based on macro- and micro-prudential pillars, as well as issuing opinions on legal acts material to the stability and development of the financial system in Poland. In 2010, the NBP published *Financial Stability Reports* and a report on *Financial System Development in Poland in 2009* and participated in a BIS survey concerning the development of global and national FX market and OTC derivatives.
9. The main goal of issue of currency by the NBP was to ensure safety and liquidity of cash transactions. At the end of December 2010, the value of currency in circulation (including bank vault cash) amounted to PLN 103,064.4 million, which represented an increase of 2.7% as compared to the end of 2009. In 2010, the NBP continued to issue collector coins. New arrangements were introduced to facilitate the purchase of collector items: sale via an online store and at registers of the NBP regional branches. The issue included 66.5 thousand pieces of gold coins and 1,050 thousand pieces of silver coins. Collector coins issued by the NBP received prestigious awards in international competitions.
10. In the management of foreign exchange reserves, the NBP seeks to maximise the return on the reserves while ensuring the safety and requisite liquidity of invested funds. The return on the reserves in 2010 was higher than in the preceding year, both when expressed in the currency of the instruments and in PLN terms (by 2.0% and 4.0%, respectively). Pursuant to the *Long-term Foreign Exchange Reserves Management Strategy of the National Bank of Poland*, the FX reserves were further diversified, taking into account market conditions, while methods to monitor investment risk were expanded.
11. The NBP – as part of its foreign exchange operations – maintained a register of bureaux de change, controlled foreign exchange transactions and issued decisions on foreign exchange matters. In 2010, 2,496 inspections of foreign exchange trading were carried out and a total of 39 decisions on foreign exchange were issued. As at 31 December 2010, 4,330 bureaux de change were operating in Poland.
12. With respect to the payment system, the NBP principally operated payment systems and carried out interbank settlements, handled cash settlements and supervised payment, authorisation and clearing systems as well as securities settlement systems. Also, work continued to prepare the transfer of all bank settlements from the SORBNET-EURO to the TARGET2 system. In addition, the NBP participated in work on the development of TARGET2-Securities system and promoted non-cash trading. The NBP continued its cooperation with the banking sector relating to the Polish payment system, primarily under the Payment System Council.
13. By maintaining central government accounts the National Bank of Poland contributes to the safety and liquidity of public fund settlements. In 2010, the NBP provided services to 4,237 account holders and maintained 19,215 accounts. Moreover, the central bank serviced foreign liabilities and receivables of the state budget, trade in Treasury securities, and cooperated with the Ministry of Finance in the management of the public debt.
14. Research conducted at the NBP referred to aspects of: monetary policy, inflation processes, economic standing of enterprises and households, labour and property market and Poland's participation in the Exchange Rate Mechanism II. Research conducted in 2010 included, in particular, projects concerning: the impact of the financial crisis on the mechanism of monetary policy transmission in Poland, boom-bust cycles during the accession to the euro area, shocks with distribution other than normal in linear DSGE models, the possibility of forecasting FX



rates, expert evaluations of uncertainty in macroeconomic surveys. The findings of these works were employed in particular in the construction and improvement of modelling tools used in forecasting and provided a premise for decisions made by the MPC and the Management Board of the NBP. In 2010, nine scientific publications of the NBP employees were included in the so-called Philadelphia list.

15. In 2010, the NBP participated in work related to statistics conducted at the ECB and other international institutions. Work on development of INTER-FIN investment funds reporting system was continued. Moreover, the NBP obtained the status of a full member of the European Committee of Central Balance Sheet Data Offices – before, the NBP was only an observer.
16. As a part of 2010 education and information activities, the NBP organised Open Days and implemented 264 educational projects. Further work was conducted on updating and expanding the NBP and NBPortal.pl websites. Once again, the number of users of e-learning courses increased. In connection with the final date for the exchange of the so-called old zlotys set for 31 December 2010, the NBP launched an information campaign entitled *Let's swap*. Thanks to its cooperation with Caritas Polska in this respect, more than PLN 250 thousand was collected for charity. Work continued on the establishment of the Money Centre. Also, 70 meetings dedicated to the NBP activities were held with journalists. The President of the NBP, members of the MPC and Management Board of the NBP gave approx. 240 interviews. Finally, the bank updated and expanded information available on its website on a regular basis.
17. The NBP representatives participated in meetings of the Committee of the Council of Ministers and the Committee on European Affairs. In 2010, the NBP participated in the work of numerous inter-departmental bodies and cooperated with state authorities, issuing opinions on draft legal acts relating to economic policy and banking system. As a member of the ESCB, the NBP commented on draft ECB opinions on Community projects and national legal acts within the scope of its competence as the central bank.
18. In 2010, NBP representatives participated in the activities of European bodies, including: ECB General Council, ESCB committees and working groups, ECOFIN Council (at informal meetings), EU Council and European Commission committees and working groups. These activities focused on issues related to the establishment of the European Systemic Risk Board, monitoring and analysis of the fiscal situation in EU countries and issuing opinions on draft Community laws. Moreover, the NBP cooperated with international institutions, i.e. OECD, the World Bank, IMF, EBRD and BIS. The NBP also participated in work which resulted in the Flexible Credit Line funds being put at Poland's disposal. The Bank issued opinions on documents concerning preparations for Poland's Presidency in the EU Council. Once again, the scope of technical aid provided to central banks was expanded. The NBP was also involved in the EU and IMF's aid undertakings for central banks of countries undergoing economic transformation.
19. In 2010, average annual employment level at the NBP amounted to 3,666.3 posts and was by 103.4 posts (2.7%) lower than in 2009. The decrease in employment resulted from restructuring and liquidation of the Medical Clinic and the organisational unit responsible for cleaning services at the NBP Head Office.
20. Pursuant to Article 69 (1) of the Act on the National Bank of Poland, the *NBP Financial Statements for 2010* have been reviewed by a certified auditor appointed by the Monetary Policy Council. The *Independent Auditor's Opinion and Condensed Financial Statements of the National Bank of Poland* is presented in chapter 15.
21. The financial result of NBP as at the end of 2010 amounted to PLN 6,529,118.7 thousand.

2010
Annual Report

NBP

GOVERNING BODIES
OF THE NBP

Pursuant to the Act on the National Bank of Poland of 29 August 1997¹, which took effect on 1 January 1998, the governing bodies of the NBP comprise the President of the National Bank of Poland, the Monetary Policy Council and the Management Board of the National Bank of Poland.

1.1. President of the National Bank of Poland

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

In 2010, the duties of the President of the National Bank of Poland were performed by:

- Sławomir S. Skrzypek – due to his tragic death, the term expired on 10 April 2010;
- Piotr Wiesiołek – acting President of the NBP between 10 April and 11 June 2010;
- Marek Belka – appointed on 10 June 2010 by the Sejm of the Republic of Poland, upon request of the Speaker of the Sejm, acting President of the Republic of Poland. The term began on 11 June 2010.

In 2010, while representing the National Bank of Poland and the Republic of Poland in liaising with foreign institutions, the President of the NBP attended the following meetings:

- meetings of the General Council of the European Central Bank in Frankfurt am Main;
- the annual meeting of the Board of Governors of the European Bank of Reconstruction and Development;
- the annual meeting of the Board of Governors of the World Bank and the International Monetary Fund;
- informal sessions of the ECOFIN Council;
- meetings of Governors of the Bank for International Settlements in Basel.

In 2010, the President of the NBP issued:

- 28 regulations, which primarily concerned: specification of the design, alloy, fineness, weight and mintage of coins and dates of their introduction into circulation; the manner of numbering banks and bank accounts as well as the manner and procedure for counting, sorting, packaging and marking packages of banknotes and coins and performing actions related to supplying banks with this currency;
- two announcements: on the balance sheet and the profit and loss account of the National Bank of Poland for 2008 as well as on the balance sheet and the profit and loss account of the National Bank of Poland for 2009.

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

¹ Journal of Laws of 2005 No 1, item 2, as amended.

1.2. Monetary Policy Council

In 2010, the Monetary Policy Council acted in accordance with the *Monetary Policy Strategy beyond 2003* and the *Monetary Policy Guidelines for 2010*.

In 2010, the MPC held 22 meetings and adopted 13 resolutions subsequently published in Monitor Polski (Official Gazette) and Dziennik Urzędowy NBP (Official Journal of the National Bank of Poland), as well as 3 non-normative resolutions.

In 2010, the MPC left NBP interest rates unchanged. Table 1 presents NBP interest rates as at the end of 2009 and 2010.

Table 1
NBP interest rates as at the end of 2009 and 2010 (in per cent)

Reference rate		Lombard loan		Deposit at the NBP		Bill of exchange rediscount		Bill of exchange discount*	
31 Dec 2009	31 Dec 2010	31 Dec 2009	31 Dec 2010	31 Dec 2009	31 Dec 2010	31 Dec 2009	31 Dec 2010	31 Dec 2009	31 Dec 2010
3.5	3.5	5.0	5.0	2.0	2.0	3.75	3.75	–	4.0

* On 23 December 2009, the MPC introduced a discount rate, starting from 1 January 2010, and specified its level at 4.0% per annum.

Source: NBP data.

Furthermore, the MPC passed resolutions, with the aim of:

- approving the *Annual Financial Statements of the National Bank of Poland*, presented as at 31 December 2009;
- approving the *Report on Monetary Policy Implementation in 2009*;
- evaluating the activities of the NBP Management Board as regards the implementation of the 2009 Monetary Policy Guidelines;
- approving the *Report on NBP Operations 2009*;
- amending the resolution on the reserve requirement ratio and the remuneration on the required reserves;
- setting the 2011 ceiling for liabilities arising from loans and credits drawn by the National Bank of Poland at foreign banking and financial institutions;
- determining monetary policy guidelines for 2011;
- approving the NBP financial plan for 2011;
- amending the accounting principles and the layout of assets and liabilities in the NBP balance sheet and the NBP profit and loss account;
- determining principles for creating and releasing the provision against the foreign exchange rate risk of the zloty at the National Bank of Poland;
- appointing a certified auditor to audit the annual financial statements of the NBP for the financial years 2010, 2011 and 2012.

As part of their responsibilities arising from Article 23 of the Act on the National Bank of Poland, the MPC adopted the following documents:

- *Balance of Payments of the Republic of Poland for 2009 Q3 and Q4 and for 2010 Q1 and Q2;*
- *International Investment Position of Poland in 2009;*
- *Forecast of Poland's Balance of Payments in 2011;*
- *Opinion on the 2011 Budget Bill.*

The Council adopted three reports on inflation (in February, June and October), which included an assessment of inflation outlook in the context of monetary policy.

On 31 March 2010, the Council held a meeting with the Prime Minister dedicated to Poland's economic situation against the background of developments observed in Europe and in the world. On 14 October 2010, the Council held its annual meeting with representatives of commercial banks. During the meeting, the *Monetary Policy Framework for 2011* was presented.

1.3. Management Board of the National Bank of Poland

Pursuant to the Act on the National Bank of Poland, the activities of the NBP are directed by the Management Board. The NBP Management Board adopts resolutions on matters which are not the exclusive competence of other governing bodies of the NBP, and implements the resolutions of the MPC. The Management Board of the NBP performed its basic responsibilities according to the *National Bank of Poland Plan of Activity 2010–2012* and the *Financial Plan of the National Bank of Poland for 2010*.

Pursuant to the Act on the NBP, the Management Board considered draft resolutions and materials to be discussed at the meetings of the MPC, concerning in particular:

- inflation projections;
- current macroeconomic developments, including the direction and strength of inflation processes, the position of public finance, the economic situation of enterprises and households, the developments in the labour, financial and credit markets;
- economic and formal determinants of Poland's accession to ERM II and the euro area;
- the stability of the financial system in Poland, including the assessment of the operation of the banking system and the perspectives for its development;
- the liquidity of the banking sector;
- the situation in the interbank market and open market operations.

Moreover, the Management Board of the NBP discussed:

- the management of official reserves, including the strategic allocation of assets;
- actions related to making the Flexible Credit Line available by the International Monetary Fund;



- operation of the Polish payment system;
- research and development activities of the NBP;
- improving the services related to the sale of collector values.

In 2010, the NBP Management Board held 73 meetings to adopt 84 normative resolutions, 29 non-normative resolutions and 557 decisions.

The Management Board of the NBP adopted resolutions primarily concerning the following matters:

- Amendment to the resolution on the procedure and detailed principles for submission by banks to the National Bank of Poland of data required for monetary policy determination and periodical evaluation of the state's monetary situation, as well as assessment of banks' financial situation and the risk of the banking sector.
- Introduction of *Regulations on Bank Refinancing with Lombard Loan and Intraday Credit by the National Bank of Poland*. The purpose of the draft resolution was to standardise the hitherto applicable regulations. Moreover, it expanded the list of securities eligible at the NBP to collateralize intraday credit by including debt securities deposited with the National Depository for Securities and issued by entities other than the State Treasury and the NBP.
- Types of bills of exchange accepted by the National Bank of Poland for discount and principles and procedures of discount. The aim of the resolution was to introduce a new instrument for bank refinancing, i.e. discount credit facility, which ensures financing of new loans, according to the concept adopted in the Pact for the Growth of Lending in Poland.
- Amendment to the resolution on terms and conditions of sale of coins, banknotes and numismatic items intended for collections and other purposes by the National Bank of Poland (see chapter *The issue of currency*).
- Criteria for participation by domestic banks, branches of foreign banks and branches of lending institutions in open market operations carried out by the National Bank of Poland. The resolution was adopted with a view to aligning the hitherto applicable regulations. As a result of the amendment, 21 banks (including banks performing the role of the Money Market Dealer) have been obliged to carry out extended reporting, including in the scope of operations in the money and currency market.
- Introduction of the *Securities Register Regulations*. The purpose of the resolution was to amend the hitherto applicable regulations in connection with the launch of the ELBON2 system.
- Purchase of a certain amount of foreign currencies in the interbank market in order to limit the exchange rate volatility and decelerate the appreciation of the zloty.

Moreover, the Management Board took decisions concerning, primarily, the following matters:

- adoption of *Information on the Current Stage of Preparation of the Financial Perspective of the European Bank for Reconstruction and Development for the Years 2011–2015 and its Consequences for Poland*;
- adoption of the report *Poland in the Face of the World Economic Crisis – Part 2: Conclusions from the Discussion*;

- approval of the *Opinion for the Convergence Programme – 2009 Update*;
- approval of the *National Certification Centre Certification Policy, version 2.2.*

1.4. Implementation of the *National Bank of Poland Plan of Activity 2010–2012*

On 23 December 2010, the NBP Management Board adopted an updated version of the *NBP Plan of Activity 2010–2012*. The crucial new tasks include primarily: improving the process of sale of collector values in Poland, introduction of new investment instruments to optimise asset allocation, implementation of the SORBNET2 system and of the launch of the NBP Money Centre.



2

MONETARY POLICY²

² Chapter *Monetary Policy* constitutes the *Report on Monetary Policy Implementation for 2010*, adopted by the Monetary Policy Council at its meeting held on 10 May 2011. Respective tasks are performed, inter alia, on the basis of art. 3 section 2 point 5, art. 12, art. 16, art. 17 section 3 point 1 and section 4 point 2, 4, art. 23–24 and provisions of Chapter 6 of the Act on the NBP.

In presenting the *Report on Monetary Policy Implementation*, the Monetary Policy Council acts in accordance with Article 227 of the Constitution of the Republic of Poland, which imposes an obligation on the Council to present a report on the implementation of monetary policy guidelines within 5 months following the end of the fiscal year. In accordance with Article 53 of the Act on the National Bank of Poland, the *Report on Monetary Policy Implementation* is published in the Official Gazette of the Republic of Poland, the *Monitor Polski*.

The *Report* presents the main elements of the implemented strategy of monetary policy, a description of macroeconomic conditions and decisions taken with respect to monetary policy in the reported year, as well as a description of the applied monetary policy tools. Moreover, the *Report* is accompanied by Appendices presenting the development of important macroeconomic variables, as well as by the *Minutes of the Monetary Policy Council decision-making meetings*³ and the voting records of the Council's members on motions and resolutions.

As emphasised in Chapter 2.1 of the *Report*, the decisions of monetary authorities affect the economy with considerable lags, with the strongest impact being observed after several quarters. Moreover, the economy is subject to macroeconomic shocks, which, while remaining in most cases outside the control of the domestic monetary policy, may to a large extent affect the economic situation and domestic inflationary processes in the short, and sometimes in the medium term.

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

2.1. Monetary policy strategy

In 2010, the Monetary Policy Council, henceforth the "MPC" or the "Council", implemented the *Monetary Policy Guidelines for 2010*, adopted on 30 September 2009. In the *Guidelines*, the main elements of the monetary policy strategy implemented in 2010 were presented as follows:

According to the Article 227 section 1 of the Constitution of the Republic of Poland "the National Bank of Poland shall be responsible for the value of Polish currency". The Act on the National Bank of Poland of 29 August 1997 states in Art. 3 section 1 that: "the basic objective of NBP activity shall be to maintain price stability, and it shall, at the same time, act in support of the Government's economic policies, insofar as this does not constrain the pursuit of the basic objective of the NBP".

Nowadays, central banks understand price stability in terms of inflation as low as not to negatively affect investment, savings and other important decisions taken by economic agents. Ensuring thus understood price stability is a fundamental way in which the central bank contributes, by means of its decisions, to high and sustainable economic growth. Central banks view price stability symmetrically, which means that they respond both to inflationary and deflationary threats.

The Monetary Policy Council bases its monetary policy on inflation targeting (IT). Having brought inflation down to a low level, in 2004 the MPC adopted a permanent inflation target of 2.5% with a symmetrical tolerance band for deviations of ± 1 percentage point. The MPC pursues IT under a floating exchange rate regime. However, the floating exchange rate regime does not rule out foreign exchange interventions should they turn out necessary to ensure domestic macroeconomic and financial stability, which is conducive to meeting the inflation target in the medium term.

³ Appendix *Minutes of the Monetary Policy Council decision-making meetings* was not attached to this *Report* due to its length. It is available in the source document and in *Inflation Reports* in printed version and on www.nbp.pl.

The experience of the National Bank of Poland, hereinafter the NBP, and other central banks shows that IT is an effective strategy to ensure price stability. Due to the global financial crisis and recession in the world economy since 2008, at present monetary policy is more than ever affected by factors related to financial system stability, crucial to ensure price stability in the longer term. IT enables monetary policy makers to take into account issues related to financial system stability. Therefore, while maintaining the core of its hitherto understanding of the inflation target and the way of its implementation, the Council supplements it in some respects:

- First, the notion of permanent inflation target means that it refers to inflation measured as a year-on-year change in prices of consumer goods and services in each month compared to the corresponding period of the preceding year. For a better understanding of inflation processes the use of quarterly and annual inflation indices is justified, such as those applied in the NBP's inflation projection, in the state budget and in the statistics of the European Union, hereinafter "the EU". An important role in the assessment of inflationary pressure is also played by core inflation indices.
- Second, the adopted solution means that monetary policy is unequivocally focused on maintaining inflation as close as possible to the target of 2.5% and not only within the tolerance band. This anchors inflation expectations and thus facilitates the pursuit of monetary policy, which in the case of shocks requires smaller and less frequent interest rate changes. Firm anchoring of inflation expectations also fosters lower volatility of long-term interest rates in the face of shocks affecting current inflation.
- Third, the occurrence of shocks in the economy is inevitable. Depending on the strength of the shock and the degree of inertia of inflation expectations, the scale and the duration of inflation deviation from the adopted target may differ. Generally, the central bank does not respond to deviations from the inflation target which it deems temporary and which lie within the tolerance band. In countries with a permanently low inflation, the central bank does not have to respond even when inflation leaves the tolerance band temporarily. In the case of shocks viewed as leading to a permanent deviation from the inflation target, the central bank adjusts its monetary policy accordingly.
- Fourth, monetary policy reaction to shocks also depends on their causes and nature. The reaction to demand shocks is a relatively minor issue, since in this case inflation and output move in the same direction. An interest rate increase weakens economic activity and, consequently, inflationary pressure. Supply shocks pose a more complex problem for monetary policy, as in this case output and inflation move in opposite directions. Inappropriate monetary policy response to such a shock may have far-reaching negative consequences for the economy. An attempt to fully neutralise the impact of a supply shock on inflation using monetary policy instruments may lead to an unnecessary plunge in output, as the supply shock itself already has a negative effect on consumption and investment. On the other hand, an attempt to fully accommodate – by pursuing an expansive monetary policy – the real effects of a supply shock resulting in an increase in inflation and a decrease in output usually leads to persistently higher inflation. This, in turn, requires a far more restrictive monetary policy in subsequent periods, bringing about a stronger deceleration in economic growth. Reaction of the central bank should depend on the assessment of the durability of the shock's effects.
- Fifth, most supply shocks are transitory and limited in scale. Thus, they do not require an immediate response. However, in the case of strong shocks even a temporary acceleration in price growth may bring about a relatively permanent rise in inflation expectations and, in turn, an increase in inflation due to the emergence of wage demands. In such a situation, monetary policy has to prevent the secondary effects of the supply shock (the so-called second-round effects). The risk of such effects is substantial in countries with a short history of low inflation. Core inflation indices, which help to distinguish, at least roughly, temporary effects from permanent changes in inflationary pressure are useful in analyzing supply shocks.

- Sixth, because of the time lags between the monetary policy actions and their effect on output and inflation, the impact of monetary policy on the current rate of inflation is limited. Current decisions of the monetary authorities affect price developments in the future just as the current rate of inflation is influenced by interest rate changes implemented several quarters ago. However, the length of these lags is not constant and, to a large extent, depends on structural and institutional changes in the economy. Changes in the monetary transmission mechanism result in a situation in which central banks can only approximately determine the time lag between an interest rate decision and its strongest observed impact on real variables (output, employment) and then on inflation. Turmoil in the financial system may constitute an additional factor disrupting the monetary transmission mechanism.
- Seventh, monetary policy affects the economy not only by changing interest rates but also by keeping them unchanged for a certain period of time. The decision to keep interest rates unchanged for several periods (months or quarters) has substantial consequences for the economy as well, because it leads to a gradual widening or narrowing of the output gap.
- Eighth, monetary policy is pursued under uncertainty. High uncertainty is due, among other things, to the fact that inflation projection models used by central banks may start to less adequately describe economic processes owing to the ongoing structural changes in the economy. This means that:
 - while making decisions it is necessary to take into account all available information, rather than the inflation projection only;
 - it is not possible to adopt a simple policy rule which could be known ex ante to market participants; and
 - forward-looking monetary policy has to be presented to the public as an attempt to achieve the inflation target under uncertainty, rather than an exercise of strict control over economic processes.
- Ninth, monetary policy should allow for the need to maintain financial stability which is indispensable to ensure price stability in the longer term and which enables effective operation of the monetary transmission mechanism. In this context, asset price developments are of importance. Excessive and long-term reduction in interest rates amidst low inflation and simultaneous fast economic growth may lead to rapid asset price growth, thus increasing the risk of the so-called speculative bubbles. Rapid asset price growth is accompanied by the rising likelihood of asset price deviation from the levels justified by fundamentals, which increases the risk of an abrupt and significant decline in asset prices in the future. This poses a threat to financial system stability, and consequently, in the longer term, to sustainable economic growth and price stability. Monetary policy supporting financial system stability is thus consistent, in the longer term, with the achievement of the basic objective of the central bank's activity i.e. ensuring price stability, although it may occasionally pose a risk of temporary deviation of inflation from the target. In order to maintain consistency between attempting to keep inflation at the target and supporting financial system stability, it may be, in certain conditions, necessary to lengthen the inflation target horizon. In assessing the risk of turmoil in the financial system and the inflation outlook in the longer run, it is useful to analyse monetary and credit aggregates as well as exchange rate developments.
- Tenth, in assessing the degree of monetary policy restrictiveness not only the level of real interest rates but also the level of the real exchange rate should be considered. Thus understood restrictiveness of monetary policy impacts, along with the implemented fiscal policy, the total restrictiveness of macroeconomic policy. An overly expansive fiscal policy is the most common reason that necessitates keeping the interest rates at a higher level.

- Eleventh, an important input into the monetary policy decision-making process is the balance of factors affecting the probabilities of future inflation running above or below the target. This balance is based on the inflation projection, the assessment of the actual economic developments, which may deviate from the scenario presented in the projection, as well as the development of variables and information not accounted for directly in the projection. While assessing the factors affecting future inflation, central banks take into consideration the path of inflation in the past since it has a bearing on the anchoring of inflation expectations at the inflation target. In this context it is important to consider the length of the period in which inflation remained in line with the target and the length of the period in which it deviated from the target.

If a binding decision is taken on the scheduled date of Poland joining the euro area and the related entry into the ERM II, the Council will make all necessary adjustments of the monetary policy strategy and – in consultation with the Council of Ministers – of the exchange rate policy to the conditions ensuing from the necessity of meeting the convergence criteria required for euro adoption. In the Council's opinion, Poland's accession to the euro area should take place at the earliest possible date i.e. after gaining the necessary political support for amendments in the Constitution of the Republic of Poland and defining the path of reducing the general government deficit to the level compliant with the Maastricht fiscal criterion.

The Council expresses its conviction that in the coming years economic policy in Poland should be conducted in such a way as to – by implementing structural reforms – enable the sustainable fulfillment of the Maastricht criteria, and in this way, maximise the benefits resulting from the euro area membership.

2.2. Macroeconomic conditions of NBP monetary policy in 2010

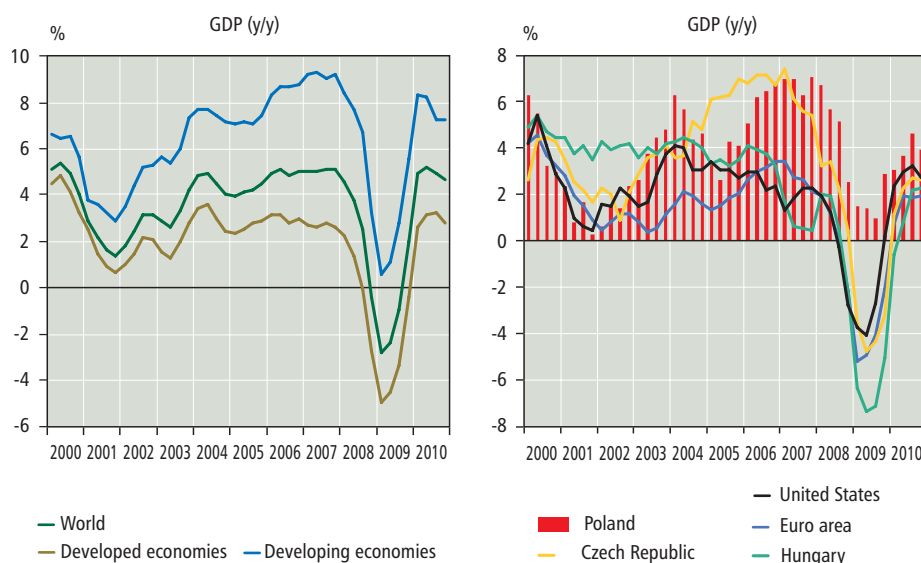
In 2010 recovery in the global economy continued, albeit at a somewhat slower pace in the second half of the year than in the first one. Pronounced differences in the level of business activity in various regions of the world persisted. Growth in many developed countries was dampened by uncertainty concerning the general economic outlook, trends in private and corporate sector demand and the situation in the banking sector. In some of these economies, high unemployment persisted. In emerging economies, mainly those of Asia and Latin America, business activity continued at a high level, which contributed to expanding international trade and boosted exports of some developed countries (amongst them the United States, Germany and Japan). The rise in exports in these countries supported a rebound in domestic demand. There was a marked improvement in business activity in Germany, Poland's largest export partner.

Central banks in major developed economies continued to pursue an expansionary monetary policy, quoting continued low inflationary pressure and high unemployment as a rationale for this course of action. In addition to keeping interest rates at historically low levels, central banks purchased financial assets, thus boosting liquidity supply in the financial markets. At the end of 2010, amidst concerns about sustainability of the economic recovery, the central banks of the United States and Japan decided to continue with quantitative easing of monetary policy. At the same time, monetary authorities in many emerging economies tightened their monetary policy in response to rising inflation and growing macroeconomic imbalances.

Most developed countries continued to record large fiscal deficits, with a view to their reduction in the subsequent years. In those of the European economies which were characterised by very high fiscal imbalance, the authorities undertook measures to curb the government deficit. Significant fiscal imbalance in many developed countries was a major factor of uncertainty about the global economic outlook. In the face of high government deficit in some euro area countries, coupled with rapidly growing public debt and hefty costs of providing capital to the banking sector

of some euro area countries, there are mounting concerns of a possible insolvency of those countries, especially as the impaired competitiveness of their exports renders the prospects of those countries returning on the path of sustainable economic growth uncertain. These concerns have led to a significant rise in risk premiums on the yields of Treasury bonds of those countries. Moreover, they gave rise to a temporary escalation of the turmoil in the international financial markets. Particularly strong tensions were observed in 2010 Q2 following the Greek government's difficulties in obtaining funds in the financial markets. In response to these developments, the European Union and the International Monetary Fund initiated an aid programme for Greece. At the end of the year, a similar programme was launched for Ireland. In addition, the European Central Bank purchased securities of the euro area countries facing insolvency in order to alleviate the tensions in the European financial market.

Figure 1
GDP growth in the global economy (left-hand graph) and in selected economies (right-hand graph)



Source: IMF, Reuters Ecowin, Eurostat data.

After a considerable slump during the financial crisis, in 2010 the inflow of capital to emerging economies increased again. One of its driving forces was faster economic growth observed in those economies than in the developed countries, combined with – notwithstanding the debt crisis-related turmoil in the financial markets of some euro area countries – lower risk aversion amidst expansionary monetary policy pursued by major central banks. This was reflected in rising prices of assets, especially financial ones, and an appreciation pressure on currencies of many emerging economies. Some emerging countries undertook measures aimed at countering these trends, including currency interventions. Intensive inflow of capital to emerging economies reduced the scale of interest rate hikes by their central banks.

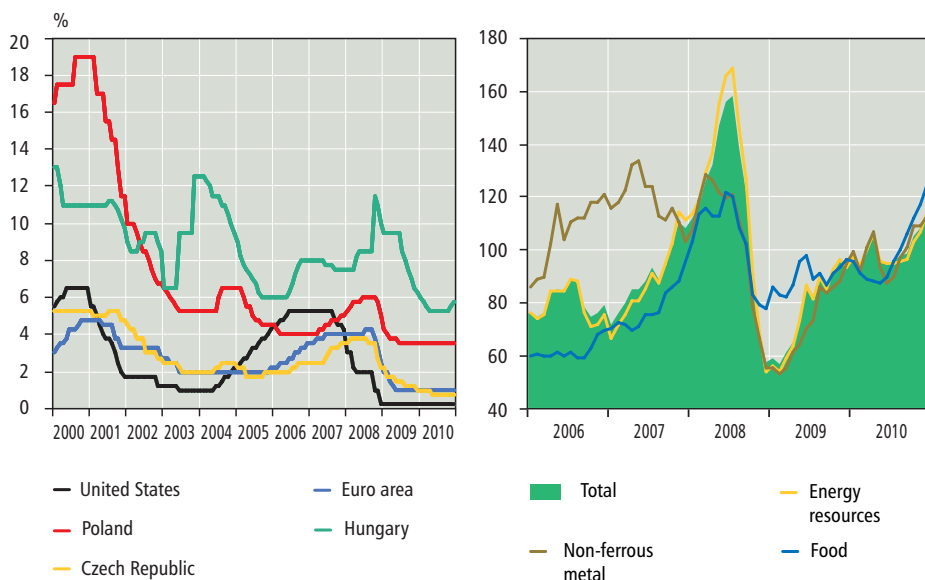
The recovery in the global economy, coupled with unfavourable weather conditions in some countries and ample liquidity supply in the global financial markets, all contributed to a rise in commodity prices, including prices of agricultural and energy commodities. The rise, particularly pronounced in the second half of 2010, translated into higher inflation in the world in the last months of the year.

With the recovery in the global economy, Poland's economic situation improved (Appendix 1). The rate of economic growth rose gradually, and stood at 3.8% in the whole of 2010 (as compared to 1.7% in 2009). After a decrease in 2009, domestic demand picked up, benefiting from an increase in individual consumption and re-building of corporate inventories, considerably



reduced during the global recession.⁴ At the same time, despite good⁵ financial results and a steady – but modest – rise in production capacity utilisation, firms continued to restrain investment. The reluctance to increase investment may have resulted from heightened uncertainty about future demand. The decrease in housing investment of households also continued. On the other hand, public investment rose rapidly. The global economic recovery, including rising demand for German exports, was reflected in a significant rise in Polish exports, after it had dropped in 2009. As a result of the concurrent revival of Polish imports supported by the rising domestic demand, the balance of foreign trade deteriorated (Appendix 3).

Figure 2
Interest rates of selected central banks (left-hand graph) and indices of commodity prices in the global markets (right-hand graph)



Source: Reuters Ecowin, Eurostat, HWWI data.

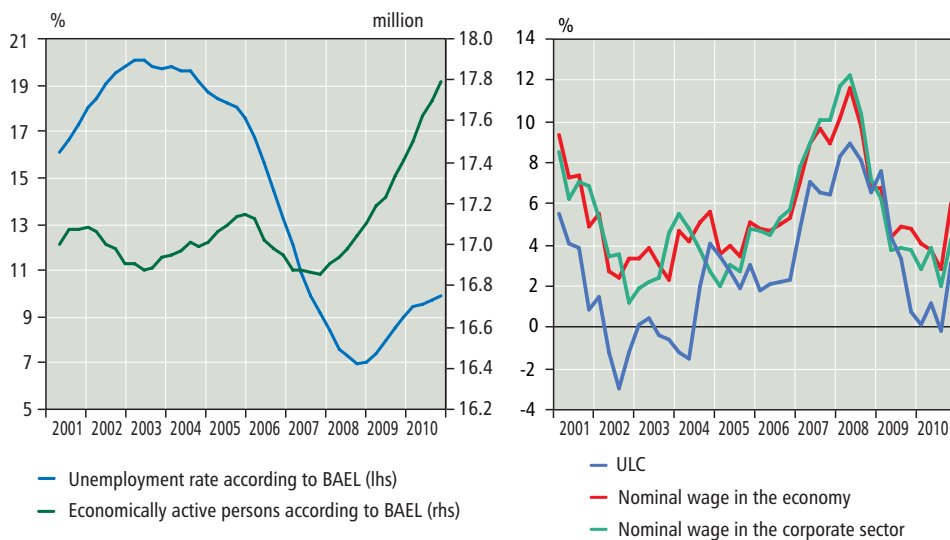
The revival in business activity in Poland was accompanied by a rise in labour demand and employment observed from 2010 Q2. At the same time, labour supply (i.e. the number of economically active persons) increased markedly in 2010. Since labour supply was rising faster than labour demand, unemployment rose, moderating wage growth. Yet, significant acceleration in wage growth was observed in the last quarter of 2010, driven, in part, by a sharp rise in wages in public administration ahead of their planned freezing in 2011. As labour productivity continued to rise at a relatively steady pace, the deceleration in wage growth until 2010 Q3 dampened growth in unit labour costs in this period.

In 2010, further rise was recorded in the public sector deficit (from 7.1% of GDP in 2009 to 7.9% of GDP). This resulted primarily from a significant deterioration in the public expenditure to GDP ratio (from 44.5% of GDP to 45.7% of GDP). Public expenditure rose in particular in intermediate goods and public investment category, which was connected with increasing utilization of EU funds and expenses on combating the effects of flooding. The situation of the public finance sector was also adversely affected by the slump in direct tax revenue, resulting, in particular, from businesses accounting for the losses incurred in the previous years. Throughout the

⁴ In the second half of the year the rise in domestic demand was partly boosted by one-off factors, such as: replacement purchases in the flooded areas of Poland, accelerated purchases ahead of the planned increases of most VAT rates as of 2011 and the abolishment of VAT discounts on purchases of cars with goods vehicle approval certificates as of 2011. The same factors added to imports, thus working towards a reduction in the contribution of net exports to GDP growth.

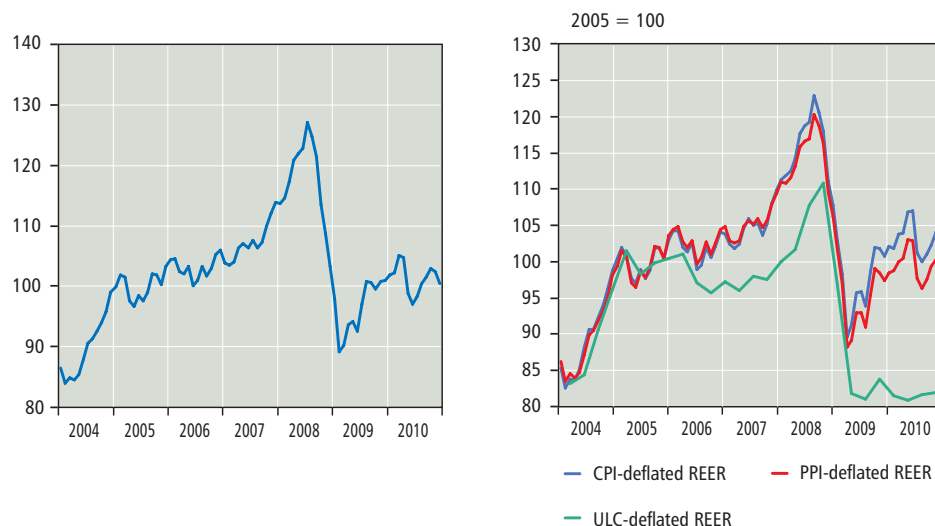
year, plans of adjustment activities were submitted, aimed at curbing the fiscal deficit in the subsequent years.⁵ Some of these measures were provided for in the Budget Act of 2011 and other legal acts adopted in the last quarter of 2010.

Figure 3
Labour market variables: the number of the economically active and unemployment rate – in seasonally adjusted terms (left-hand graph) and annual growth of wages and unit labour costs (right-hand graph)



Source: GUS data, NBP calculations.

Figure 4
Nominal effective exchange rate of the zloty (left-hand graph) and real effective exchange rate of the zloty (right-hand graph); increase denotes appreciation



Source: Bank of International Settlements, NBP and European Commission data.

Despite improvement in the economic situation, the value of bank loans extended to corporations decreased in 2010, partly in response to limited demand for corporate loans (Appendix 4). At the same time, there was a considerable slowdown in the expansion of consumer

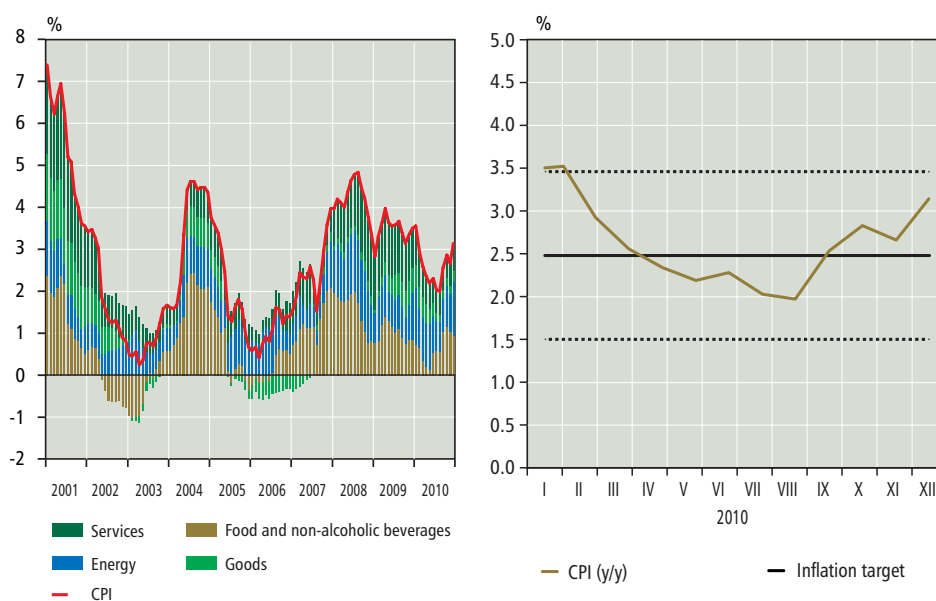
⁵ Finance Development and Consolidation Plan of January 2010, Convergence Programme Update of February and the Multi – year Plan for the Finances of the State of August 2010.



loans to households. Tightening of banks' lending policies, resulting from deteriorating quality of loan portfolio in this category of loans, as well as implementation of the so-called Recommendation T were among driving forces behind the slowdown. On the other hand, growth in housing loans accelerated. After a marked slump in 2009, the share of foreign currency denominated loans in the total of newly granted loans grew slightly.

Changes in the global financial markets had a significant impact on the developments in the domestic financial market. In the first months of 2010, improved sentiment in the international markets and optimistic data on the Polish economy resulted in rising prices of Polish financial assets and an appreciation of the zloty. In 2010 Q2, general risk aversion rose in the aftermath of the fiscal crisis in Greece. As a result, yields on Polish Treasury bonds experienced a temporary hike, while the zloty weakened. Despite another period of zloty depreciation at the end of the year, triggered by growing tensions in the financial markets following the sovereign debt crisis in Ireland, in 2010 the zloty strengthened as compared to 2009. Similarly, in spite of some fluctuations, 2010 saw an overall increase in the prices of shares listed on the Polish stock market. The rise in asset prices and the appreciation of the Polish currency was supported by considerable inflows of portfolio capital to Poland. Particularly strong inflows were recorded in the Polish Treasury bond market in the first three quarters of 2010. These inflows were reflected in the rise in non-residents' share in the Polish Treasury bond market.

Figure 5
Impact of the major groups on the annual growth in the prices of goods and services (left-hand graph) and the annual growth in the prices of consumer goods and services versus the inflation target (right-hand graph)



Source: GUS data, NBP calculations.

In 2010, the price index of consumer goods and services (CPI) fell by 0.9 percentage points on its 2009 figure, reaching 2.6% and thus running close to the NBP inflation target of 2.5%. In six months of 2010 the annual CPI growth was lower than or equal to the NBP target of 2.5%, while in the remaining six months it exceeded 2.5% (Appendix 2). In all months of 2010 CPI values remained within the tolerance band for deviations from the inflation target (2.5% ±1 percentage point).

Between January and August 2010, a steady decrease was observed in the annual CPI (from 3.5% in January to 2.0% in August 2010), including core inflation indices, benefiting from low demand pressures and a modest growth of unit labour costs in the economy combined with a gradual appreciation of the zloty observed till the beginning of April. However, starting from September, the annual CPI index increased (it rose from 2.5% in September to 3.1%

in December), which was fuelled mainly by climbing prices of agricultural and energy commodities in the global markets. At the same time, until November 2010, core inflation net of food and energy prices remained at a moderate level. Growing commodity prices in the global markets also triggered a gradual acceleration in the growth of producer prices (PPI), although, similarly to the CPI, in 2010 it decreased as compared to its 2009 figure (2.1% in 2010 versus 3.4% in 2009).

2.3. Monetary policy in 2010

In 2010, similarly to the previous years, in its monetary policy decisions the Council considered, on each occasion, the outlook for inflation in the medium term. The decisions of the Council were affected by the changing assessment of factors influencing the probabilities of future inflation running above or below the target. The assessment took into account the information on economic developments as well as the results of the forecasts developed by the NBP and other research centres.

In 2010, in view of the persisting limited inflationary and wage pressure in Poland and considerable uncertainty about the sustainability of the recovery in the global economy and acceleration of economic growth in Poland, as well as strong inflow of capital to emerging economies, the Council kept the NBP's interest rates unchanged, including the reference rate at the level of 3.5%. Nevertheless, taking into account that in 2010, the underlying causes of liquidity problems in the financial markets had expired, in October 2010, the Council decided to raise the reserve requirement ratio by 0.5 percentage points from 3.0% to 3.5%, thus bringing it back to the level recorded before the financial crisis.⁶ Raising the reserve requirement ratio was also supposed to indicate the Council's readiness to respond to growing inflationary pressures.

In 2010 Q1 the upswing in the global economy continued, which was supported by strongly expansionary macroeconomic policy pursued in many countries. The data released in this period showed a slow increase in the economic activity in the euro area, with a sharper economic upturn in the United States. Developed economies, however, saw a still unfavourable situation in the labour market and limited – despite some signs of improvement – bank lending. Yet, in the largest emerging economies, including China, acceleration of GDP growth was observed, accompanied by the increasing growth in bank lending and growing asset prices.

Major central banks continued to pursue an expansionary monetary policy keeping interest rates at historically low levels and continuing programs for quantitative easing of monetary policy. At the same time, monetary policy of banks of the Central and Eastern European countries remained accommodative (Czech Republic) and was eased further (Hungary, Romania).

During the analysed period, appreciation of the currencies of many emerging economies took place, including a marked appreciation of the zloty driven by a strong inflow of foreign capital to Poland. At the same time, the international financial markets saw increased level of uncertainty associated with the tight fiscal situation in some of euro area economies, in particular in Greece.

In Poland, GDP figures signaled a recovery in the economic activity in 2009 Q4, although growth in domestic demand remained low. Individual consumption growth continued at a low pace, and companies curbed their investment. The number of the employed in the economy continued on a downward trend, which, combined with increased workforce activity led to further unemployment growth. This was conducive to reducing wage pressure. Yet, stabilization of employment in the corporate sector in early 2010 signaled a slowdown of unfavourable trends in the labour market. Growth in bank lending to non-financial sector, in particular to the corporate sector, remained at a low level.

⁶ This decision applied to obligatory reserve requirement in force since 31 December 2010.

In the period January-March 2010, the annual CPI inflation, in line with the expectations of the Council, decreased markedly from 3.5% to 2.6%, and thus to the level close to the NBP inflation target of 2.5%. Also, core inflation declined. Low demand pressure, moderate growth in labour costs, considerable appreciation of the zloty, and the statistical base effects were factors conducive to curbing inflation. At the same time, the Council emphasised that the decline in inflation in 2010 may be limited by growing commodity prices in the global markets and rising administered prices.

At its meetings in the period January – March 2010, the Council assessed the probability of inflation in the medium term, running below or above the target to be balanced. At the beginning of the year, the Council emphasised that the improvement in global economic situation and the previously observed easing of monetary policy supported the economy's return to the potential growth path. An important source of uncertainty about future global economic growth and inflation, and, in consequence, also about domestic monetary policy, were the effects of the up-to-date stance as well as anticipated changes in expansionary macroeconomic policy abroad. In March, the Council assessed that moderate inflationary pressures within the monetary policy transmission horizon and the uncertainty about the outlook for economic growth in Poland and abroad, coupled with the hitherto observed appreciation of the zloty, justified keeping the NBP's interest rates unchanged. As a result, in 2010 Q1, the Council decided to leave the NBP's interest rates unchanged, including the reference rate at 3.5%.

The first months of 2010 were marked by strong foreign capital inflow to emerging countries, including Poland, which led to a significant appreciation of the zloty exchange rate. On 9 April 2010, the National Bank of Poland purchased a certain amount of foreign currency in the market. In the information from the meeting held on 27–28 April 2010, the Council confirmed that the transaction had been carried out in accordance with the *Monetary Policy Guidelines for 2010*.

In 2010 Q2, further signs of recovery in the global economy were observed, although differences remained significant as regards the scale of improvement in the economic activity across regions. In the United States, there were signs of improvement in the labour market situation. Yet, withdrawal of fiscal stimulus packages (in particular aimed to boost activity in the property market and consumer demand), coincided with the renewed weakening in economic recovery. In the euro area GDP increased slightly in 2010 Q1. Its rise was restrained by decline in consumption and investment. Unfavourable situation persisted in the labour market. The uncertainty about the short-term outlook for economic growth in this region was further increased by intensifying crisis in the public finance sector in Greece, and mounting concerns about fiscal situation of some other euro area economies. At the same time, emerging economies continued to witness a rapid economic growth.

Monetary policy in major developed economies remained expansionary. In the analysed period the Fed put an end to the emergency liquidity programs implemented in the years 2007–2009 to support credit markets, while maintaining the previously announced program of quantitative easing (involving the purchase of securities). In view of the tensions in the European financial markets the period during which the ECB maintained its interest rates at historically low levels was extended. Since May 2010, the ECB made sterilized purchases, in the secondary market, of government bonds of countries facing a debt crisis risk. Meanwhile, some developing countries, characterized by strong economic growth, embarked on a gradual tightening of macroeconomic policy. At the same time, central banks in the countries of Central and Eastern Europe continued to cut their interest rates (the Czech Republic, Hungary, Romania).

Due to the uncertainty related to the fiscal crisis in Greece, volatility of asset prices in international financial markets, particularly in the commodity markets, increased. There was a marked depreciation of the euro against the U.S. dollar. The increase in risk aversion contributed to the weakening of currencies of emerging economies, including the zloty. The scale of the turmoil in the financial markets declined in June. The fall in the prices of financial assets deemed more risky, slowed down. This was driven by measures undertaken by international institutions:

the aid program of the EU and the IMF for Greece, creation of the European Financial Stability Mechanism (EFSM) and the European Financial Stability Facility (EFSF), as well as the EBC's purchase of bonds of countries threatened by the debt crisis.

In Poland, there were further signs of a gradually improving economic situation. Growth was recorded, in the first place, in industrial output. There was also a slight increase in employment in the corporate sector, yet, in 2010 Q1 the number of the employed in the economy as a whole continued to decline. Persisting high levels of unemployment curbed growth in wages. Wage increases in corporate sector remained moderate. There was a further decline in wage growth in the economy. At the same time, there were no signs of recovery in corporate investment. The decline in corporate investment was driven by a relatively low, although gradually increasing, production capacity utilization and uncertainty about the outlook for demand. Low investment activity and a good financial situation of enterprises resulted in low demand for bank loans, despite gradual easing of loan granting criteria. At the same time, the growth rate of household loans stabilized at moderate levels.

During the analysed period, in line with the expectations of the Council, CPI inflation continued on a downward trend, running below the inflation target starting from April. The drop in CPI inflation over this period was driven by a decline in the annual growth in food prices and core inflation excluding food and energy prices. Low demand pressure, the previously observed appreciation of the zloty exchange rate and moderate growth in labour costs were conducive to the lowering of the annual inflation rate. Base effects were also factors behind its decline.

Given these conditions, in 2010 Q2 the Council assessed that low inflationary pressures over the monetary policy horizon and the uncertainty about the impact of the external environment on the Polish economy, including the outlook for economic growth in Poland and the developments in the zloty exchange rate, justified to keep the NBP's interest rates unchanged, including the reference rate at 3.5%. In April and May – as in the preceding months – the Council assessed the probability of inflation in the medium term, running below or above the inflation target, to be balanced. In June, the Council emphasised, however, that it had held a discussion on the factors which may strengthen inflationary pressure in the medium term.

In April 2010, the Council endorsed the motion of the Minister of Finance for an extension of Poland's access to a flexible credit line of the International Monetary Fund. In July, the International Monetary Fund granted Poland, once again, access to a flexible credit line of USD 20.4 billion. In accordance with the declarations of the authorities there was no intention to make use of these funds, yet the possibility to resort to this facility was treated as a security against possible negative effects of a renewed increase in uncertainty in the financial markets.

In August and September the data coming from the world economy pointed to a slowdown in 2010 Q2 in the growth observed in some of the largest economies and to a possible further weakening of the global recovery in the second half of the year. This was, in particular, the case of those developed countries in which growth was curbed due to cuts in the expenditure of households and businesses. The recovery was also restrained by the need for asset restructuring of financial institutions. The consequences of high fiscal imbalance in a significant part of these countries, and its announced reduction, as well as monetary expansion, including the unconventional measures undertaken by major central banks, were an additional source of uncertainty about the future economic situation. At the same time, positive signs were coming from Germany, Poland's main trading partner, where in 2010 Q2 the level of economic activity picked up markedly. Yet, the risk of weakening demand in the global markets was an uncertainty factor for Germany's recovery to continue in the subsequent quarters.

Weakening economic situations in the U.S. economy prompted the Fed to announce its intention to increase the scale of the securities purchase program while keeping up the announced intention to keep interest rates at historically low levels for a longer period. Also in the euro area, the period during which the ECB's interest rates were expected to be kept at historically low levels

was extended. At the same time, the largest developing economies continued gradual tightening of their macroeconomic policy. In the countries of the Central and Eastern Europe interest rates remained unchanged.

During this period, commodity prices in the global markets went up significantly. At the same time, an increase was noted in capital inflows to emerging economies, leading to an appreciation of currencies of those countries, including the strengthening of the zloty.

Data on GDP in Poland in Q2 point to a certain acceleration in consumer demand, coupled with persistently shrinking investment. Monthly data for Q3 signaled stabilization of economic growth. Further rapid growth was noted in industrial output and construction and assembly production and retail sales continued on an upward trend. Also production capacity utilization improved further. It was assessed that favourable data on retail sales in Q3 could be partly due to the temporary rise in demand associated with the replacement of durable goods in the flood-affected areas, increased purchases of cars driven by the announced abolition, scheduled for the end of 2010, of tax deductions for the purchase of cars with type approval for goods vehicle, and reallocation of some of expenditure due to increases in VAT rates at the beginning of 2011. Despite growth in employment, unemployment remained at a relatively high level. There were no signs of rising wage pressure. Until Q3, wage growth in the economy continued on a downward trend. At the same time, in July consumer confidence indicators began to deteriorate. Lending to businesses remained limited, which was largely driven by low demand for credit. Growth rate of housing loans to households picked up gradually. The annual growth rate of these loans markedly exceeded the growth rate of disposable income, achievable without the risk of rising inflation.

During the analysed period, the annual CPI inflation remained below the NBP's inflation target. At the same time, all core inflation measure declined. The Council pointed out, however, that although inflation was running well below the inflation target, the rise in food and energy prices, accelerating growth in PPI prices and announced change in VAT rates in 2011, boosting inflation expectations of individuals in August, might translate into a gradual rise in inflation in the coming months.

At its meetings in August – September, the Council decided that the moderate pace of economic growth and the accompanying limited wage and inflationary pressure, coupled with the risk of weakening global economic growth in the coming quarters, justified the maintenance of the current restrictive stance of monetary policy. Moreover, the Council assessed that increases in the NBP's interest rates could amplify the risk of a too rapid appreciation of the zloty. Considering the above factors, the Council decided to keep the NBP's interest rates unchanged, including the reference rate at 3.5%. At the same time, the Council emphasised that it would continue to examine the factors that might strengthen the inflationary pressure.

In 2010 Q4, economic activity in major developed countries was still constrained by high levels of unemployment and the ongoing adjustments in the balance sheets of economic agents. At the same time, further improvement was observed in the economic situation in Germany, where strong external demand had led to a gradual recovery in domestic demand. During this period, growth slowed down slightly in the largest emerging economies. This was driven by the tightening of economic policy in some of those economies, aimed to reduce the risk of growing macroeconomic imbalances. High degree of fiscal imbalances in many developed economies, as well as the effects of monetary expansion in view of unconventional measures undertaken by major central banks, remain an important source of uncertainty about future growth.

Major central banks continued their expansionary monetary policy. In November 2010, the Fed announced its decision to expand quantitative easing of monetary policy and the ECB increased in November and December the scale of government bonds purchases due to the escalation of tensions in the European financial markets. In Central and Eastern Europe, most central banks left interest rates unchanged (Czech Republic, Romania). Only Hungary, in November 2010, embarked on tightening its monetary policy.

Expectations of the increase in monetary expansion in the United States encouraged an improvement in the sentiment in the financial markets at the beginning of Q4. It contributed to an appreciation of exchange rates of emerging market currencies, including the zloty. In turn, in November, the intensification of budgetary problems in some euro area countries, notably in Ireland, were conducive to increased uncertainty in the financial markets, and – consequently – depreciation of the zloty at the end of 2010. Throughout the whole analysed period, the prices of oil and other commodities in the global markets increased.

Data on the Polish economy pointed to an increase in economic growth in the second half of 2010 as compared to the first half of the year. This was driven by accelerating consumption growth, supported by growing employment and, probably, the temporary factors discussed above. Production capacity utilization was growing steadily and good financial and liquidity situation of enterprises continued. Rapid growth was recorded in industrial output; also construction and assembly production continued on an upward trend. At the same time, despite continued rise in employment, unemployment rate was growing gradually. Wage growth in the economy in Q3 followed a downward trend, which led to a decline in unit labour costs in the economy in Q3. Lending to enterprises remained limited, while the growth in housing loans to households was stable and relatively high.

During the analysed period, CPI inflation increased above the inflation target. The rise in CPI inflation was mainly driven by rising growth in food and energy prices connected with growing commodity prices in the world markets. Majority of core inflation measures, on the other hand, remained at a moderate level, i.e. below 2.5%.

At its meetings in 2010 Q4, the Council decided that limited inflationary and wage pressure in the Polish economy, uncertainty about the recovery in the global economy, and additionally the persistent risk of increased inflow of capital to emerging economies, including to Poland, observed in October and November, amidst the extended period of expansionary monetary policy of major central banks, justified keeping interest rates unchanged till the end of 2010. As a result, the Council decided to keep the NBP's interest rates unchanged, including the reference rate at 3.5%. Nevertheless, in October–December, the Council emphasised that it would continue to analyze the signs of a possible rise in inflationary pressures.

In October 2010, the Council decided to increase the reserve requirement ratio by 0.5 percentage points from 3.0% to 3.5%, i.e. to the level observed before the financial crisis. The Council emphasised that the reserve requirement ratio had been lowered as part of anti-crisis measures during the period of strong liquidity tensions in the financial markets and as these tensions had come to an end it was justified to increase this ratio to its pre-crisis levels. The decision to raise the reserve requirement ratio was also a sign of the Council's readiness to respond to growing inflationary pressures.

An important element in the conduct of monetary policy based on inflation targeting was, as in the previous years, communication with the public, involving the Council's presentation of its assessment of the current condition of the economy and future path of economic processes. The most important instruments of communication in 2010 included the following cyclical publications: *Inflation Reports*, *Information from the meeting of the Monetary Policy Council* (with accompanying press conferences held after the Council's meetings), *Minutes of the Monetary Policy Council decision-making meetings*,⁷ as well as the annually published: *Report on Monetary Policy Implementation and Monetary Policy Guidelines*. In the *Monetary Policy Guidelines for 2011* the Council confirmed the main elements of the hitherto pursued monetary policy strategy of the NBP, introducing some amendments thereto.

⁷ *Minutes of the Monetary Policy Council decision-making meeting* present a more detailed discussion of the problems and arguments which had a significant impact on the decisions taken by the Council in 2010.

2.4. Monetary policy instruments in 2010

In 2010, the National Bank of Poland pursued the monetary policy by influencing the level of inflation through the interest rate channel. The Monetary Policy Council set the NBP's official interest rates which determined the yield on monetary policy instruments. In order to steer short-term market rates, the NBP had recourse to the following instruments: open market operations, lending and deposit operation (standing facilities) and reserve requirement. By influencing the market short-term rates, the Monetary Policy Council endeavoured to achieve such a level of market interest rates as would be consistent with the adopted inflation target.

Throughout 2010, in view of gradual improvement of the conditions in the financial markets, increase of liquidity surplus in the banking sector and disappearing banks' demand for supplementary central bank liquidity providing operations, the NBP gradually limited the use of the instruments introduced in October 2008 under the so-called Confidence Package, i.e. repo operations as well as foreign exchange swaps.

In April 2010, the NBP carried out – for the first time since 1998 – a single intervention in the foreign currency market.

2.4.1. Liquidity in the banking sector in 2010

In 2010, the NBP pursued its monetary policy in the situation of constantly rising liquidity surplus⁸ in the banking sector.

The average level of banking sector liquidity surplus amounted to PLN 70,907 million in 2010.⁹ Compared with 2009, such level increased by PLN 46,967 million – i.e. by 196%. The rise in the excess liquidity exceeded by PLN 37.5 billion the level envisaged in the *Monetary Policy Guidelines for 2010*.

The rise in excess banking sector liquidity in 2010 resulted mainly from factors independent from the NBP (the so-called autonomous factors). Among these factors, the greatest impact had purchases of foreign currencies by the NBP, mainly from EU funds, and by an exchange of foreign-currency funds into zloty performed by the Ministry of Finance at the NBP. A positive balance of currency purchases by the NBP (after taking into account sales of currencies by the NBP) generated excess liquidity equivalent to an average of PLN 40,330 million. The excess liquidity was further boosted by a payment of PLN 3,957 from the NBP profit to the State Budget and a payment of discounts on NBP bills in an average amount of PLN 2,610 million.

On the other hand, the greatest effect on liquidity limitation in 2010 had an increase in the volume of the currency in circulation, by an average of PLN 3,792 million, as well as a rise in the level of the required reserves, by an average of PLN 1,994 million.

The amount of the excess liquidity in the banking sector was monitored by the Monetary Policy Council on a day-to-day basis.

⁸ Liquidity surplus of the banking sector means funds retained by banks in excess of an average balance on their current accounts with the NBP, as determined by the reserve requirement ratio in the maintenance period. Liquidity surplus is reflected in the balance of basic operations (the NBP bills issues), fine-tuning operations (repo operations and the NBP bills issues), foreign exchange swaps and standing facilities (standing deposit facility and lombard credit).

⁹ The data on the overall excess liquidity as well as the respective monetary policy operations (discussed further in this chapter) are averages for the required reserve maintenance period.

2.4.2. Monetary policy instruments in 2010

In 2010, the set of monetary policy instruments applied by the NBP did not differ substantially from the one used in 2009. It included instruments which, on the one hand, addressed potential turmoil in the domestic financial markets – should the crisis in the global financial markets aggravate and affect the developments in the domestic market. On the other hand, the instruments anticipated the persisting surplus of liquidity in the banking sector.

As the situation in the domestic banking sector improved in the course of 2010, the NBP gradually phased out its non-standard operations performed between 2008 and 2010. This was done in response to banks' diminishing demand for zloty and foreign currency liquidity that was offered by the NBP through these operations.

2.4.2.1. Interest rate

In 2010, the principal NBP policy rate was the reference rate. Changes in the level of this rate set the direction of the monetary policy pursued. The reference rate determined the remuneration of the main open market operations, while, at the same time, affecting the level of short-term interest rates on the unsecured deposit interbank market.

The deposit rate and the interest rate on a lombard credit determined the corridor for overnight interest rate fluctuations in the interbank market. The rediscount rate, in turn, indirectly determined the interest paid on the required reserve holdings.

In 2010, the Council maintained the NBP interest rates at the level initially set on 25 June 2009. The reference rate amounted to 3.50%, the interest rate on a lombard credit – to 5.00%, the deposit rate – to 2.00% and the rediscount rate – to 3.75%.

Simultaneously, following a decision which introduced, as of 1 January 2010, a new instrument of monetary policy – the bill discount credit, the Council of the second term introduced the discount rate, setting it at 4.00%. This rate remained unchanged throughout 2010.

In approving the *Monetary Policy Guidelines for 2011*, the Council decided to discontinue the NBP's bill discount facility. Consequently, as of 1 January 2011, the Council no longer sets the discount rate.¹⁰

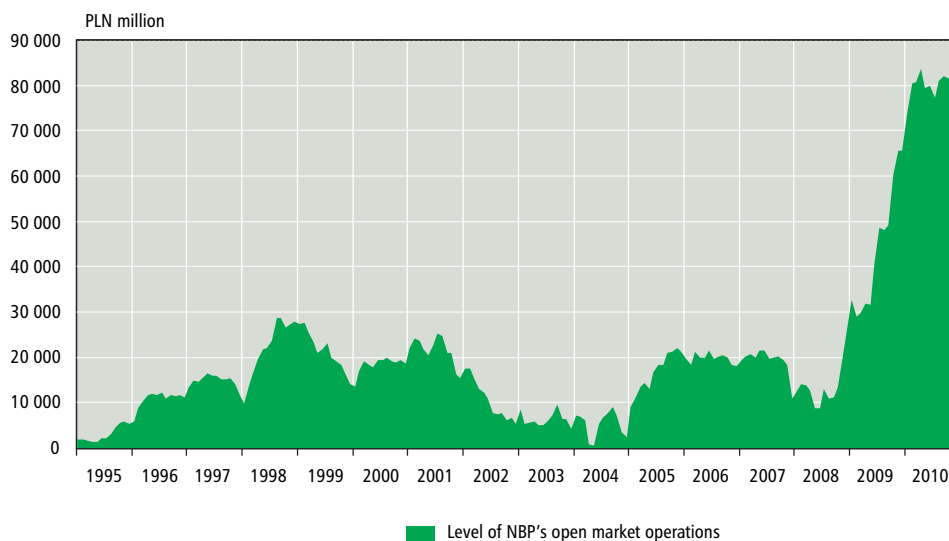
2.4.2.2. Open market operations

In 2010, the NBP strove to affect liquidity conditions in the banking sector through open market operations (particularly main ones) in a manner which would enable the POLONIA rate to run close to the NBP's reference rate.

Main open market operations were carried out on a regular basis, once a week, involving the issue of the NBP bills with a 7-day maturity. In 2010, the average volume of bills issued within main open market operations amounted to PLN 74,920 million and exceeded the 2009 level by PLN 43,047 million. The volume of bills issued in 2010 was increased in response to rising liquidity surplus in the banking sector.

¹⁰ Pursuant to Resolution 13/2010 of the Monetary Policy Council of 22 December 2010 amending the Resolution on the reference rate, interest rate on refinancing loans and interest rate on term deposits as well as rediscount and bill discount interest rate at the National Bank of Poland.

Figure 6
Average monthly balance of open market operations 1995–2010



Source: NBP data.

In 2010, the turmoil in the financial markets persisted, which influenced the effectiveness of open market operations conducted by the NBP. Due to these conditions, the Bank's capacity to maintain the POLONIA rate close to the NBP's reference rate was somewhat weakened.

This was manifested by the occurrence of the so-called underbidding. The underbidding resulted from commercial banks' increased vigilance in managing their own liquidity positions, reflected in their propensity to do it on an overnight basis. As a result, banks were reluctant to allocate all their surplus funds in the NBP bills with a longer (7-day) maturity, and chose to maintain a liquidity buffers.

Such bank's behaviour can also be explained by the fact that effective redistribution of liquid funds through the interbank market in 2010 was still prevented, as, among other things, banks continued to maintain relatively low lending ceilings, mutually lowered during the most acute phase of the crisis.

Another reason behind the underbidding was the increase in surplus funds at the disposal of the Ministry of Finance. These funds were mostly deposited with commercial banks, in large part as overnight deposits. Banks' uncertainty about the date of those deposits and their maturity increased their reluctance to participate in the operations carried out by the NBP.

Despite the above factors, a gradual improvement in the banking sector's liquidity situation was observed especially in the first half of 2010. This was reflected in banks' falling propensity to maintain excess liquidity (with an overnight term), a lower scale of the underbidding during the auctions of the main open market operations and a substantial decline in banks' use of the NBP's deposit facility. In the first half of 2010, the deviation of the POLONIA rate from the NBP's reference rate narrowed steadily and the volatility of the rate was gradually reduced. Significant falls in the POLONIA rate were only observed towards the end of the respective required reserve maintenance periods. This reflected banks' cautiousness regarding their involvement in the last main market operation during a specific maintenance period.

Yet, positive trends observed in the first half of 2010 lost momentum in the subsequent months. From July, banks manifested growing propensity to hold excess liquidity on accounts with the NBP in some of the maintenance periods. This was a consequence of rising risk aversion in the global financial markets following concerns about the fiscal situation in selected euro area countries, and was reflected in the re-emergence of frequent the underbidding and its increased scale.



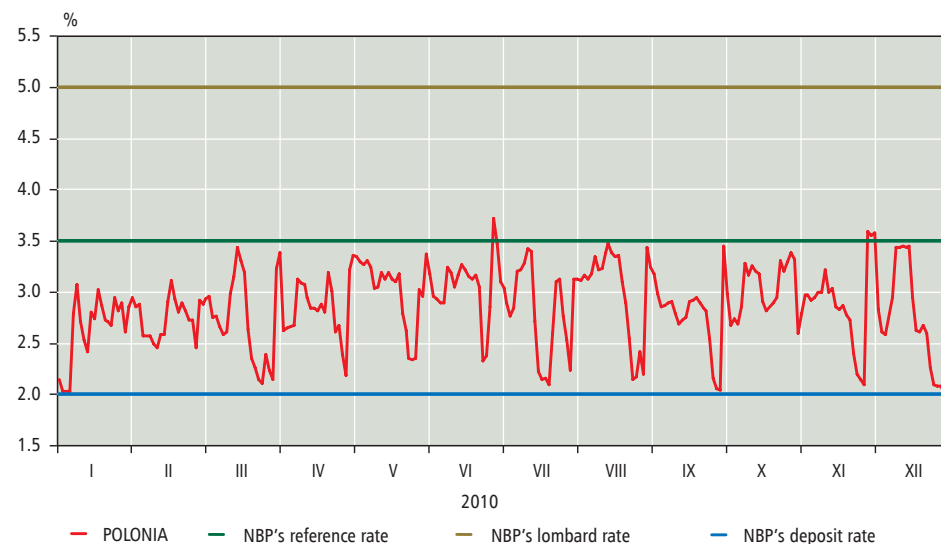
Growing gap between the POLONIA rate and the NBP's reference rate gave rise to two short-term fine-tuning operations designed to absorb liquidity, which were performed by the NBP in December 2010 in the form of the NBP bills issue. The first of these operations took place on 8 December, when 2-day bills were offered; the other one was conducted on 21 December, with a 3-day maturity.

Average deviation of the POLONIA rate from the NBP's reference rate in 2010 stood at 69 basis points, i.e. 20 basis points less than in 2009. However, average deviation remained elevated against its pre-crisis level, due to the factors described above, which maintained increased banks' propensity to hold the excess liquidity.

At the same time, volatility of the POLONIA rate, as measured by a standard deviation, decreased to 38 basis points, from 51 basis points in 2009.

Similar trends in overnight rates as well as commercial banks' approach to liquidity management were observed in the interbank markets in the euro area and in the Central and Eastern Europe, such as the Czech Republic or Hungary.

Figure 7
The NBP interest rates and POLONIA rate in 2010



Source: NBP data.

The remaining fine-tuning operations were performed with a view to supplying the banking sector with liquidity, in line with the objectives set forth in the Confidence Package. The operations were collateralised with the NBP-approved securities: Treasury bills, NBP bills, Treasury bonds, utility bonds, bonds issued by BGK and the EIB as well as mortgage bonds.

As the situation in the domestic financial markets improved, excess liquidity in the banking sector expanded and banks' interest in repo operations faded, the NBP gradually discontinued these operations in the course of 2010. From February 2010, started announcing the volume of supply. From April 2010, the Bank discontinued its 6-month repo operations. Starting from October 2010, by discontinuing its 3-month repo operations, the Bank finally abandoned such operations.

An average volume of repo operations in 2010 amounted to PLN 5,097 million and thus was 56% lower than in 2009, when it stood at PLN 11,456 million.



2.4.2.3. Reserve requirement

The requirement to maintain a certain amount of reserves on accounts with the NBP applied to banks, branches of credit institutions and branches of foreign banks operating in Poland. Required reserves were maintained in an averaged system, which means that banks were obliged to hold the average balance of funds on accounts with the NBP at a level not lower than the amount of reserve requirement.

Required reserves were calculated on the basis of banks' collected deposits and funds received on the sale of securities. Excluded from the reserve calculation were funds received from another domestic bank, acquired from abroad for the period of at least two years and deposited in credit and savings accounts of building societies and in individual pension funds. Required reserves were calculated and maintained in the Polish zloty. Banks reduced the amount of the calculated reserve requirement by an equivalent of EUR 500 thousand.

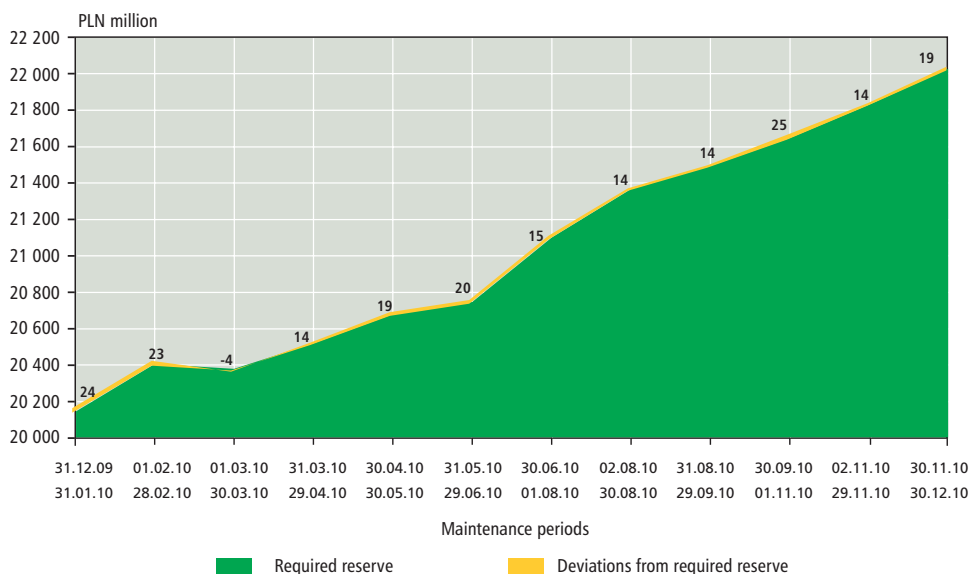
Until 30 December 2010, the reserve requirement ratio amounted to 3.0%. As of 31 December 2010, the MPC raised the basic reserve requirement ratio to 3.5% (MPC resolution 9/2010 of 27 October 2010). The decision restored the reserve requirement ratio to the level effective until 29 June 2009, thus indicating the Council's readiness to respond to mounting inflationary pressures.

The reserve requirement ratio on funds received in respect of the sale of securities under repurchase agreements did not change during 2010 and stood at 0.0%.

The amount of required reserves as at 31 December 2010 (after the ratio had been put up to 3.5%) amounted to PLN 25,948 million, showing an increase of PLN 3,922 million on the amount of reserves in the previous maintenance period (which had ended on 30 December 2010, and during which a ratio of 3.0% had been effective). At the same time, it exceeded the corresponding amount as at 31 December 2009 by PLN 5,799 (an increase of 28.8%).

The remuneration on the balances held by banks on accounts with the NBP was an equivalent to 0.9% of the NBP's rediscount rate. Thus, the remuneration of the required reserve holdings in 2010 amounted to 3.375%.

Figure 8
Changes in the required reserves level and deviations from the reserve requirement in 2010



Source: NBP data.

In 2010, the mean deviation of the average balances on banks' accounts with the NBP from the required level of reserves amounted to PLN 16 million (i.e. 0.08%) and was significantly lower than the mean deviation in 2009, which amounted to PLN 27 million. In all reserve maintenance periods except for March, average balances held by banks at the NBP remained slightly in excess of the required reserve level, which ranged from PLN 14 million (0.07%) in April to PLN 25 million (0.11%) in October.

In 2010, seven instances of infringement of the reserve requirement by banks were noted, out of which 6 concerned commercial banks, while one concerned a cooperative bank. In 2009 there had been no such infringements whatsoever; yet, such a situation occurred only once in the entire period since the introduction of the reserve requirement in 1989.

2.4.2.4. Standing facilities

Standing facilities (i.e. lombard credit and overnight deposit) were used to provide short-term liquidity to the banking sector or allowed banks to deposit their excess holdings for overnight periods at the NBP. These operations, conducted at the initiative of commercial banks, served also as instruments to stabilise the level of liquidity in the interbank market and the scale of overnight rate fluctuations. With the use of these instruments, the central bank was able to limit excessive fluctuations of interest rates in the interbank market. The lombard rate, determining the maximum cost of funds obtainable at the NBP, set a ceiling on fluctuations of interest rates in the interbank market, while the deposit rate constituted the floor.

In 2010 banks had little recourse to the lombard credit collateralized with securities in order to replenish their current liquidity on current accounts with the NBP. The total amount of the credit used in 2010 was PLN 182.4 million against PLN 5.0 billion in 2009. The average daily use of the lombard credit amounted to PLN 0.5 million as compared to PLN 13.8 million in 2009. All lombard credits extended in 2010 were repaid on time.

In 2010 banks placed, with the NBP, overnight deposits in the total amount of PLN 378.2 billion, 58% down of the previous year's figure. The total daily amount of the deposit ranged between PLN 0.2 million and PLN 20.1 billion. An average daily level of overnight deposits amounted to PLN 1,036.1 million as compared to PLN 2,460.6 million in 2009. The highest amounts were deposited by banks in the last days of the required reserve maintenance periods.

The list of collateral of the lombard credit accepted by the NBP, did not change in 2010. This meant that the central bank accepted a wider range of assets than before the onset of the financial crisis. Leaving an extended list of collaterals in place brought the national monetary policy operating system closer to the one used by major central banks (including the European Central Bank) and the central banks of the Central and Eastern European countries (e.g. the Czech National Bank, National Bank of Hungary). Acceptance of additional assets by the NBP can also provide incentives for the development of specific segments of the financial market.

The intraday credit facility in the PLN served as an instrument facilitating liquidity management during the business day, ensuring, at the same time, liquidity of interbank settlements at the NBP. It was a non-interest bearing credit, collateralized with debt securities, incurred and repaid during the same business day. In 2010 the daily injection of liquidity to banks using the intraday credit ranged between PLN 14.3 billion and PLN 28.0 billion. The use of the intraday credit facility rose by 29.4% as compared to 2009.

In 2010 the NBP extended the list of zloty denominated securities acceptable as collateral for the intraday credit facility to include securities deposited with the National Depository of Securities, other than Treasury debt securities. Therefore, the list of acceptable collaterals for the intraday credit facility was adjusted to the list applicable to the lombard credit.



The intraday credit in the euro served to ensure current liquidity in the SORBNET-EURO and TARGET2-NBP systems. It was collateralized with Treasury bonds, accepted by the ECB in advance. It was incurred and repaid during the same business day. In 2010 the daily injection of euro-denominated operational liquidity to banks ranged between EUR 2.3 million and EUR 3.5 million. The use of the intraday credit in the euro rose by 67.9% in relation to 2009.

In 2010, the NBP also offered to banks the possibility to obtain funds under bill discount credit, which was envisaged to finance new loans granted to businesses by banks. No bank applied to the NBP for this facility. While adopting the *Monetary Policy Guidelines for 2011*, the Council decided that the NBP should cease to offer such facility.

2.4.2.5. Foreign exchange swaps

By introducing foreign exchange swaps in October 2008 the Monetary Policy Council of the second term tried to achieve the objectives set forth in the Confidence Package. This operation resulted from a sudden deterioration of the situation in the domestic financial markets. By means of foreign exchange swap transactions, the NBP could purchase (or sell) the zloty with foreign currencies in the spot market while simultaneously reselling (or repurchasing) it on a forward transaction basis on a specified date.

Due to absence of banks' demand for foreign currency liquidity offered by the NBP, observed since October 2009, the central bank gradually withdrew from foreign exchange swap transactions. In January 2010 it discontinued swaps in the CHF/PLN currency pair. Starting from April 2010 it also ceased to offer this type of transaction in the USD/PLN and EUR/PLN currency pairs.

2.4.2.6. Foreign exchange interventions

On 9 April 2010, the National Bank of Poland purchased foreign currency in the market. This transaction was conducted in line with the *Monetary Policy Guidelines for 2010*.

2010
Annual Report

NBP



3

FINANCIAL SYSTEM¹¹

¹¹ Tasks in this field are fulfilled pursuant to Article 3 section 2 para. 6 and para. 6a of the Act on the NBP.



The National Bank of Poland promotes the stability and development of the domestic financial system as one of its core objectives. The Act on the NBP was amended by the Act on the Financial Stability Committee of 13 December 2008¹² – i.e. activities undertaken to support the stability of the domestic financial system were explicitly included in the NBP tasks.¹³ In particular, the Act imposed the obligation on the NBP Management Board to analyse the stability of the domestic financial system.

Preserving the stability of the financial system is essential for the implementation of the NBP's basic goal, i.e. maintaining price stability.

3.1. The NBP and the Financial Stability Committee

In accordance with the Act on the Financial Stability Committee, the Committee's tasks include the following:

- to assess the position of the domestic financial system and the conditions in international markets,
- to ensure appropriate information sharing among members of the Committee on vital events and trends which may potentially jeopardize the stability of the domestic financial system,
- to coordinate the actions of the Committee members should a direct threat to the stability of the domestic financial sector occur.

In 2010, the Committee held six meetings. Its members met to discuss issues related to the domestic financial system architecture as well as the deepening of the debt crisis in some European countries and its potential impact on Poland's financial sector.

Members of the Financial Stability Committee shared information and exchanged opinions on current developments in the financial system. Similarly as in 2009, no need arose to activate procedures involving cooperation between individual institutions in the event of a direct threat to the stability of the domestic financial system.

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

The following publications were released in 2010 under the implementation of the NBP statutory task to safeguard the stability of the financial system:

- *Financial Stability Report* (in June and December). The purpose of the *Reports* is to analyse the main areas of risk to stable operation of the financial system in Poland. The *Reports* focus, in particular, on the banking sector as it plays a dominant role in the domestic financial system. Last year's *Reports* showed that the situation in Poland's banking sector had improved. Banks' earnings were higher than in 2009 although remained below the pre-crisis levels. Banks increased their capital and maintained high capital adequacy ratios – no bank required capital increase with public funds. The condition of the world economy and developments in the financial markets (excessive deficits in some euro area countries, in particular) continued to represent risk factors.

¹² Journal of Laws No 209/2008, item 1317.

¹³ Journal of Laws No 209/2008, item 1317, Article 3 para. 1.



- *Financial System Development in Poland 2009*. This report describes major phenomena and developments in the financial system in 2009 in a comprehensive way, and presents trends and barriers to the development of financial institutions in Poland against the gradually weakening global financial crisis. Changes in the infrastructure and amendments to legislation relating to the financial sector were also examined in the report, as well as initiatives to integrate financial markets in the EU and enhance their security. In 2009, the importance of the financial system in Poland's economy grew – the relation of the financial system's assets to GDP amounted to 111%. Positive changes were also seen in the capital market – in the course of the year the WIG index rose by 46.9%, and capitalisation of domestic companies increased by 50%; at the end of the year its relation to GDP was 31.5%. The assets of financial institutions also registered an increase in value – they amounted to PLN 1,492.1 billion.
- *Bank Lending Practices and Credit Conditions* (quarterly senior loan officer opinion surveys). These surveys describe changes in lending policy, i.e. changes in lending standards and terms as well as changes in demand for loans in the Polish banking system. The year 2010 saw a tightening of the standards of granting loans to households. Corporate credit standards did not change significantly.

In addition, in 2010 the National Bank of Poland participated again in the Triennial Central Bank Survey of Foreign Exchange and OTC Derivatives Market Activity conducted by the Bank for International Settlements (BIS). The objective of the survey is to provide the most comprehensive and internationally consistent information¹⁴ on the liquidity and structure of the foreign exchange market (forwards, fx swaps, CIRS and currency options) and the OTC interest rate derivatives market (FRAs, IRS – including OIS – and interest rate options). The results of the 2010 survey are available on the BIS and NBP websites.

3.3. International cooperation for financial stability

Work on the creation of the new EU supervisory architecture was an important field of activity of the NBP in 2010. As member of the European System of Central Banks (ESCB), the NBP participated in the preparations aimed at creating in the EU of a new financial supervision model based on macro- and micro prudential supervision. The Polish central bank participated in issuing opinions on the ECB positions and on the positions of the Polish government relating to draft regulations establishing new European institutions. The legislative package providing for the establishment of the European System of Financial Supervisors – ESFS) was adopted and published in the Official Journal of the European Union of 15 December 2010. In line with the adopted regulations, the system comprises:

- the European Systemic Risk Board (ESRB),
- three European Supervisory Authorities – European Banking Authority (EBA), European Securities and Markets Authority (ESMA) and European Insurance and Occupational Pensions Authority (EIOPA),
- the Joint Committee of the European Supervisory Authorities (ESAs),
- national supervisory authorities.

¹⁴ Fifty three central banks and monetary authorities participated in the survey. The participating institutions collected data from 1,309 financial institutions, including 17 banks operating in Poland, on the value of transactions concluded in April 2010, on the foreign exchange market and on the OTC interest rate derivatives market.

From the National Bank of Poland's standpoint, the establishment of the ESRB as an EU body responsible for the macro-prudential oversight of the financial system within the EU is of utmost importance. The ESRB is responsible for the prevention or mitigation of systemic risks to financial stability in the European Union, taking into account macroeconomic developments. The ESRB is also to contribute to the smooth functioning of the European financial market and thereby ensure a sustainable contribution of the financial sector to EU's economic growth. Representatives of central banks play a major role in the work of the ESRB. The National Bank of Poland is represented in the ESRB by the President of the NBP, who is member of the General Board. NBP staff will also participate in the activities of ESRB advisory bodies.

In December 2010, the President of the NBP participated in the first informal meeting of the ESRB, which was held in the margins of a meeting of the General Council of the EBC. The meeting centred around the functioning and organisation of the ESRB and issues related to the pursuit of the macro-prudential policy at the EU level.

Moreover, in January 2011 the President of the NBP was elected to the ESRB's Steering Committee. The Steering Committee plays a key role in the new system of financial supervision as it assists in the decision-making process of the ESRB.

The establishment of the European Supervisory Authorities in 2010, including primarily the European Banking Authority, was also of importance. The institutions, which replaced Level 3 committees to date operating under the Lamfalussy process – CEBS, CEIOPS and CESR,¹⁵ are the lynchpin of the macro-prudential oversight in the EU. They will not exercise direct oversight of financial institutions but will be responsible for coordinating the implementation of supervisory standards in EU Member States and ensuring cooperation between their supervisory authorities. Poland is represented in the activities of the EBA by the Polish Financial Supervision Authority, while the NBP can participate as an observer without voting rights.

The National Bank of Poland also issued an opinion on the package reforming the regulations of the banking system (Basel III). The major outcomes of the reform include raising the minimum capital requirements for banks and introducing two capital buffers, i.e. a conservation buffer and a counter-cyclical buffer. The conservation buffer is additional capital that serves to absorb losses arising in the period of financial and economic disturbances. The counter-cyclical buffer is designed to be a macro-prudential instrument used in the course of excessive lending growth in a given country. These and other more detailed solutions will be included in the amended EU Capital Requirement Directive IV.¹⁶

3.4. Participation of the National Bank of Poland in bank resolution programs

In 2010, no funds of the NBP were involved in the implementation of the bank resolution programmes. As at 31 December 2010, no bank used the exemption from maintaining the reserve requirement.

¹⁵ CEBS – Committee of European Banking Supervisors; CEIOPS – Committee of European Insurance and Occupational Pensions Supervisors; CESR – Committee of European Securities Regulators.

¹⁶ The NBP positions on the draft amendments to the Capital Requirement Directive and CRD on the counter-cyclical buffer are available on the NBP website.

Highlights of 2010:

- participation in the work of the Financial Stabilisation Committee,
- participation in the BIS survey on Foreign Exchange and OTC Derivatives Market Activity,
- participation in the work aimed at creating the new EU supervisory architecture,
- issuing an opinion on the regulations relating to the banking system (Basel III).

2010
Annual Report

NBP



4

THE ISSUE OF CURRENCY¹⁷

¹⁷ Tasks in this field are fulfilled, among others, pursuant to Article 4 and Articles 31–37 of the Act on the NBP.

Pursuant to the Act on the NBP, the central bank holds the exclusive right to issue the currency of the Republic of Poland. By ensuring security, liquidity, and high quality of cash operations, the NBP has contributed to sustained monetary stability of the country.

4.1. Currency in circulation

The value of currency in circulation (including bank vault cash) as at 31 December 2010 amounted to PLN 103,064.4 million. This represents an increase in the value of currency by PLN 2,719.5 million, i.e. by 2.7% as compared to the figure as at 31 December 2009.

In 2010, manufacturers of legal tender delivered 325,120,000 pieces of notes and 565,138,500 pieces of coins to the NBP (as compared to 502,080,000 pieces of notes and 1,235,699,500 pieces of coins in 2009).

As at 31 December 2010, notes accounted for 97.0% of all zloty-denominated currency in circulation by value, whilst coins represented 3.0% (in 2009 – 97.0% and 3.0%, respectively). In terms of volume, notes accounted for 9.3% of all currency in circulation, whilst coins represented 90.7% (in 2009 – 11.6% and 88.4%, respectively).

In terms of face value, 100 zloty and 200 zloty notes accounted for the largest share of all notes in circulation at the end of 2010, totalling 66.8% and 22.0%, respectively (65.7% and 22.7% in 2009). In the case of coins, 5 zloty and 2 zloty coins held the largest share of all coins in circulation, accounting for 31.1% and 17.3% of the overall value of coins, respectively (32.6% and 28.2% in 2009).

In terms of volume, 100 zloty and 50 zloty notes held the largest share in the notes in circulation at the end of 2010, amounting to 58.2% and 14.7%, respectively (in 2009, their respective shares stood at 57.3% and 15.4%). With regard to coins, 1 grosz and 2 grosz denominated coins prevailed, with their respective shares at 36.2% (36.2% in 2009), and 18.2% (17.8% in 2009).

4.2. Issue of collector coins

The NBP issues collector coins and notes, primarily commemorating national or international events, important historical anniversaries and famous Poles. In 2010, 66.5 thousand pieces of gold collector coins and 1,050 thousand pieces of silver collector coins were issued (as compared to, respectively: 149.5 thousand and 1,542 thousand in 2009). The design elements covered 15 topics.

In 2010, 22 types of collector coins were issued (6 gold coins with face values of 200, 100, 30 and 25 zloty and 16 silver coins with face values of 20 and 10 zloty), including the following non-standard coins:¹⁸

- gold coin with the face value of 25 zloty (*25th Anniversary of the Establishment of the Constitutional Tribunal*);
- gold coin with the face value of 30 zloty (*Polish August of 1980*);

¹⁸ Standard NBP collector coins are gold coins with face values of 100 zloty (weight: 8.0 g) and 200 zloty (weight: 15.50 g), as well as silver coins with face values of 10 zloty (weight: 14.14 g) and 20 zloty (weight: 28.28 g).



- oxidised silver coin with the face value of 10 zloty (*70th Anniversary of the Katyń Crime*);
- silver pad-printed coins (*100th Anniversary of the Polish Scouting* with the face value of 10 zloty and two coins with a face value of 20 zloty (*Polish painters of the 19th and 20th Centuries – Artur Grottger, 90th Anniversary of the Battle of Warsaw*);
- silver coins in the shape of an ellipse (*Great Battles – Grunwald, Great Battles – Klushino*, both with the face value of 10 zloty);
- silver coin with a ceramic insert (*Cities and Towns in Poland – Krzeszów*, with the face value of 20 zloty).

The NBP continued to issue occasional general circulation coins with the face value of 2 zloty, struck in the Nordic Gold alloy, which accompanied each issue of collector coins. Coins commemorating six cities and towns were introduced as part of the *Cities and Towns in Poland* series: Trzemeszno, Warsaw, Kalwaria Zebrzydowska, Gorlice, Miechów and Katowice. In 2010, a total of 20 types of general circulation coins struck in the Nordic Gold alloy were issued.

The NBP also issued a collector banknote commemorating the 200th anniversary of the birth of Frederic Chopin, with a face value of 20 zloty and a circulation of 120,000 pieces.

Moreover, 3,000 pieces of gold bullion *White-tailed eagle* coins with face values of 200 and 500 zloty were issued (as compared to 8,000 pieces in 2009).

Collector coins issued by the NBP were recognised during prestigious international competitions in 2010. A silver coin with a face value of 10 zloty – *70th Anniversary of the Creation of the Polish Underground State* – was awarded in the category the “Most Inspirational Coin” in 2009 at the international Coin of The Year (COTY) competition, organised by Krause Publications. In the international COIN CONSTELLATION 2010 competition, Polish (square) collector coin with a face value of 10 zloty from the series *History of Polish Popular Music – Czesław Niemen* received a double award: 1st place in the Silver coin of the year category and 2nd place in the Successful artistic solution category.

4.3. Change in the principles for sale of collector values

In 2010, the principles for purchasing collector values were changed. Until November of the preceding year, these values were only available through online auctions in the Kolekcjoner (*The Collector*) system. The change involved an extension of the functionality of this system and introduction of the option of purchase via an online store. Moreover, the possibility to purchase collector banknotes and coins at registers of NBP regional branches was restored.

4.4. Withdrawal of unfit notes and coins

In 2010, 340.6 million pieces of notes and coins were withdrawn (as compared to 235.5 million pieces in 2009) due to unfitness or loss of counterfeit protection features.

4.5. Counterfeit Polish currency

The number of counterfeit Polish currency notes and coins of current issue decreased by 5.6% as compared to 2009.¹⁹ Table 2 presents the number and breakdown of counterfeit Polish notes and coins reported in 2010 in comparison with 2009.

Table 2
The number and breakdown of counterfeit Polish notes and coins

Counterfeit notes and coins	2009		2010		Change (in %)
	Number (pieces)	Breakdown (in %)	Number (pieces)	Breakdown (in %)	
Banknotes issued in 1994 the "Polish Monarchs" series	17,891	69.0	15,944	65.2	-10.9
Coins of current issue	8,023	31.0	8,519	34.8	6.2
Total	25,914	100.0	24,463	100.0	-5.6

Source: NBP data.

Moreover, 2010 saw the detection of:

- 968 pieces of authentic coins of the issue withdrawn from circulation in 1994, with face values of 10 and 20 zlotys, which were recognised as counterfeit coins due to the fact that they had been reshaped and used in coin-operated vending machines (1,077 in 2009);
- 173 pieces of counterfeit banknotes of old "Great Poles" issue (28 in 2009).

4.6. Supply of notes and coins to banks

In 2010, commercial banks purchased PLN 168.6 billion's worth of Polish notes and coins from the NBP (PLN 163.2 billion in 2009), of which PLN 96.4 billion, i.e. 57.2% of the total value, accounted for purchase transactions of notes and coins under agreements on storing and purchasing notes and coins deposited at the NBP²⁰ (56.2% in 2009), while PLN 72.2 billion, i.e. 42.8% of the total value, accounted for transactions of purchase concluded on the basis of agreements on the execution procedure for the agreements of sale-purchase of Polish currency notes and coins²¹ (43.8% in 2009).

4.7. Exchange of notes and coins which had ceased to be legal tender

Pursuant to the Act on the Redenomination of the Zloty of 7 July 1994,²² on 31 December 2010, the NBP and domestic banks providing cash services finished the exchange of notes and

¹⁹ These data concern only counterfeit notes and coins detected in circulation. Moreover, the data for 2009 differ from the data published last year, which also included counterfeit notes and coins detected outside circulation. This change resulted from the necessity to adapt the manner of data presentation to the one applied by other central banks.

²⁰ Pursuant to these agreements, banks keep in their vaults notes and coins which are the property of the NBP, with the option to redeem them.

²¹ I.e. agreement regulating the flow of notes and coins to/from banks from/to the NBP.

²² Journal of Laws of 1994 No 84, item 386, as amended.



coins issued prior to 1 January 1995 (see chapters 11 and 15). By the end of 2010, 99.8% of value of notes and coins issued before redenomination had been replaced.

Highlights in 2010:

- issuance of collector coins which were awarded during international competitions;
- completion of exchange of notes and coins issued before redenomination.

2010
Annual Report

NBP

FOREIGN EXCHANGE RESERVES MANAGEMENT²³

²³ Tasks in this field are performed pursuant to, i.a., Article 3 para. 2 point 2 and Article 52 of the Act on the NBP.



Pursuant to Article 52 para. 1 of the Act on the National Bank of Poland, the NBP performs the functions of a central foreign exchange authority by holding and managing foreign exchange reserves, carrying out banking operations and taking other measures to ensure the security of Poland's foreign exchange transactions and its payment liquidity.

The role of foreign exchange reserves is primarily to underpin the country's financial credibility and stability. The amount and composition of the reserves should enable the Bank to be able to conduct efficient monetary and exchange rate policy.

5.1. General principles for managing foreign exchange reserves

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

These objectives are reflected in the *Long-term Foreign Exchange Reserves Management Strategy*, aimed at maximising the long-term return on the reserves within the constraints of acceptable financial risk, through further currency diversification and extended range of investment instruments, coupled with development of methods to manage global asset allocation and investment risk. These objectives are specified in the resolution of the NBP Management Board which sets forth the principal terms and conditions for managing foreign exchange reserves, including the decision-making process, investment instruments to be used and principles of establishing the limits and criteria to select NBP counterparties.

As part of the approved decision-making procedure, the NBP Management Board determines, on an annual basis, the Strategic Allocation of Assets, through its decisions regarding:

- currency and instrument composition of the reserves;
- the level of modified duration, which illustrates the sensitivity of investment to changes in the yield on the instrument (interest rate risk);
- the scope of active investment policy.

The investment strategy under implementation is adjusted in line with medium- and short-term market expectations as part of the Bank's active investment policy (i.e. the Tactical Allocation of Assets determined by the Foreign Exchange Reserves Investment Committee, and the Management of Active Portfolio carried out by the Foreign Exchange Department).

5.2. Financial risk management in the foreign exchange reserves management process

A key element in the management of foreign exchange reserves is the management of investment risk. This is done through a system of investment ceilings and restrictions.

Table 3 presents the main types of financial risk in the foreign exchange reserves management process and the methods applied by the NBP to mitigate this risk.

Table 3

List of investment limits and restrictions applicable at the NBP in the financial risk management process

Risk	Mitigation methods
Credit risk	Limited share of deposit transactions and non-government securities Counterparty selection criteria and ongoing monitoring of their creditworthiness Counterparty limits on deposit and foreign currency transactions Minimum rating of securities Limits for issuers of securities Collateral in investment transactions with securities repurchase agreement
Foreign exchange risk	Benchmark currency composition Benchmark intervals of fluctuation of the FX structure
Interest rate risk	Maximum level of modified duration of the reserves Level of modified duration of benchmark portfolios Benchmark volatility intervals of modified duration of FX portfolios
Liquidity risk	Investments in currencies of countries with financial markets characterised by superior liquidity Limited share of deposit transactions Security selection criteria

Following a rapid increase in market risk at the height of the subprime crisis in 2008, the last two years have seen a reduced volatility of government bond yields and exchange rates, which indicates a gradual stabilisation of market conditions. In 2010, this trend was undermined by mounting fiscal problems in some countries of the euro area. At the end of 2010, the volatility of yields on short-term US government securities was on its pre-crisis level, whereas the volatility of long-term US bonds and German, UK and Australian securities remained elevated on the levels observed in mid-2007, just like the volatility of EUR/USD, GBP/USD, AUD/USD and EUR/NOK exchange rates.

In spite of a certain improvement in the condition of the global financial sector, credit risk in 2010 also remained elevated, which resulted primarily from a substantial exposure of financial institutions to assets of countries affected by the fiscal crisis. In effect, the share of deposits in FX reserves remained limited and the investment horizon for deposit transactions was shortened in order to enable a prompt response to a change in the financial situation of the counterparty. Stricter limits for counterparties in investment transactions were also maintained.

Data utilised in credit risk analyses extended to those relating to the financial standing of the counterparties, assessment by rating agencies and risk valuation reflected in market quotes.

5.3. Level of the official reserve assets²⁴

In 2010, the NBP official reserve assets increased:

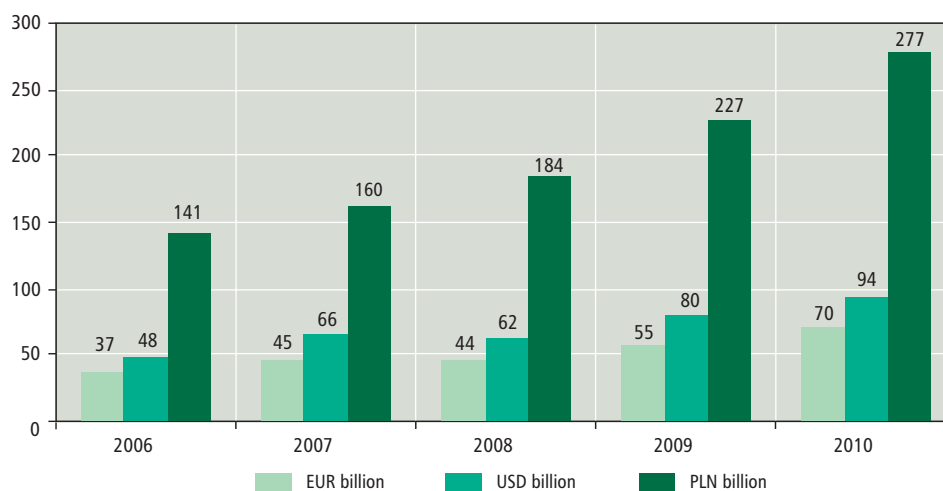
- in euro terms, by EUR 14.8 billion, to EUR 70.0 billion (i.e. by 26.7%);
- in US dollar terms, by USD 13.9 billion, to USD 93.5 billion (i.e. by 17.5%);

²⁴ According to the definition of the International Monetary Fund (IMF), the official reserve assets include easily disposable, liquid foreign assets held by the central bank. This category includes monetary gold, special drawing rights (SDR), IMF reserve position and foreign currency assets, mainly in the form of securities, deposits and cash.

– in zloty terms, by PLN 50.3 billion, to PLN 277.2 billion (i.e. by 22.2%).

Figure 9 presents the level of official reserve assets in the years 2006–2010.

Figure 9
Official reserve assets in the years 2006–2010



Source: NBP data.

The increase in the value of official reserve assets in 2010 resulted primarily from a positive balance of external flows, including, in particular, the inflow of funds from the European Union as well as the return on reserve investment.

In 2010, the euro-denominated official reserve assets increased most markedly due to a depreciation of EUR against other reserve currencies (the EUR/USD exchange rate decreased by 7.3%; the EUR/GBP exchange rate – by 3.5%; the EUR/AUD exchange rate – 18.1%, while the EUR/NOK exchange rate – by 6.0%). On the other hand, a more significant increase in the value of official reserve assets expressed in PLN terms as compared to USD terms resulted from a depreciation of PLN against AUD, USD and NOK (by 15.0%, 3.8% and 2.5%, respectively).

The increase in the price of gold (by 27.7%) in 2010 resulted in an increase in the value of monetary gold held by the NBP:

- by EUR 1.0 billion to EUR 3.5 billion – in euro terms;
- by USD 1.0 billion to USD 4.7 billion – in US dollar terms;
- by PLN 3.4 billion to PLN 13.8 billion – in PLN terms.

5.4. Foreign currency reserves management strategy

The rate of return on the invested foreign currency reserves depends on market conditions – fluctuations in exchange rates and prices of investment instruments. The parameters of the Strategic Allocation of Assets also have a significant impact.

Taking into account the results of the analysis of global macroeconomic outlook, the forecasts of developments in global financial markets and the optimisation analysis, the NBP

Management Board decided to restrict the share of USD (by 2 pp) and GBP (by 2 pp) in the foreign currency reserves composition and increase the share of AUD (by 3 pp) and NOK (by 1 pp). The modified duration of the reserves was decreased from 2.6 in 2009 to 1.8 in 2010. Table 4 presents the currency composition of the benchmark in the years 2006–2010.

Within the framework of *Long-term Foreign Exchange Reserves Management Strategy*, work continued on development of optimisation models used to determine the parameters of Strategic Allocation of Assets, facilitating, in particular, improved matching of rate of return distribution.

Table 4
Benchmark currency composition in years 2006–2010 (in %)

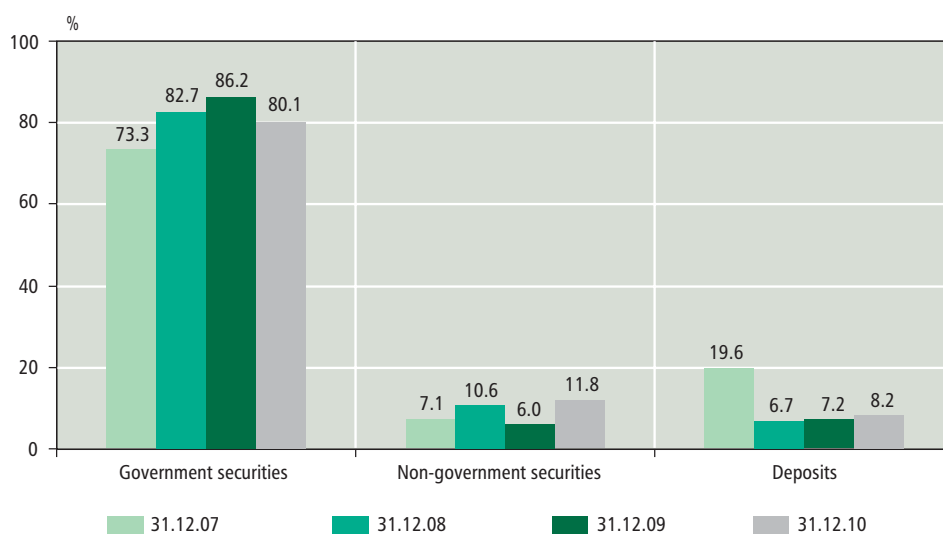
	Benchmark currency composition				
	USD	EUR	GBP	AUD	NOK
2006	45	40	15	0	0
2007	40	40	15	5	0
2008	40	35	15	5	5
2009	40	35	15	5	5
2010	38	35	13	8	6

Source: NBP data.

In the management of its foreign exchange reserves, the NBP invests in typical instruments used by other central banks. Government securities account for most of the foreign currency reserves. The NBP also invests in non-government securities, including instruments issued by international institutions and government agencies. Moreover, a small proportion of the reserves is held in deposits at banks with a high credit standing.

The diversification of the investment instruments applied, implemented under the *Long-term Foreign Exchange Reserves Management Strategy*, took account of the prevailing market conditions. The particular objective in 2010 was to extend the range of non-government securities in the investment portfolio.

Figure 10
The share of investment instruments in the NBP foreign currency reserves in the years 2007–2010 – as at 31 December 2010



Source: NBP data.

A further diversification in the instrument range and the development of methods to monitor risk on an ongoing basis will enable the Bank – after preparations carried out in 2010 – to expand the functionality of its IT system supporting foreign exchange reserve management.

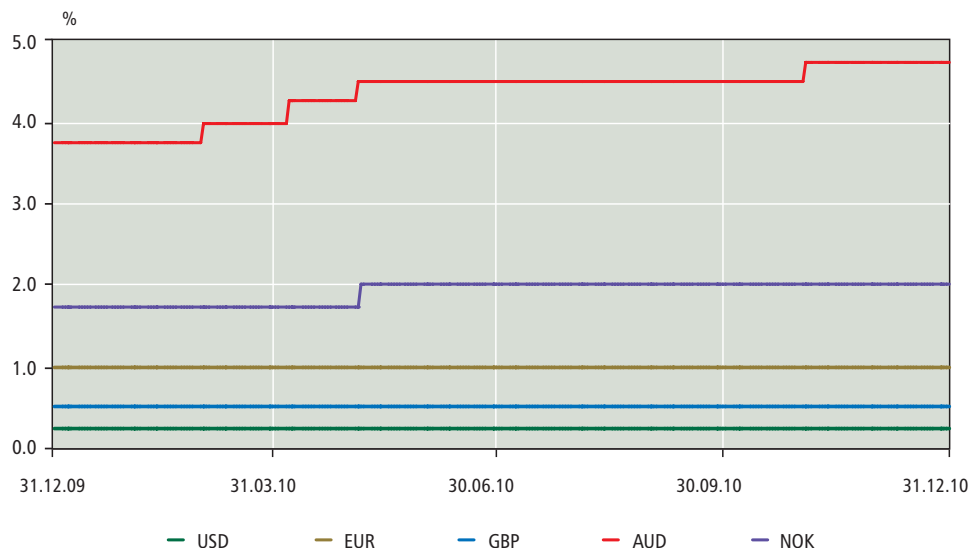
5.5. Market environment in 2010

In 2010, the situation in financial markets was primarily influenced by concerns about the condition of public finance in some euro area countries. The anxiety in financial markets subsided temporarily when aid was granted to Greece by the European Commission and the International Monetary Fund, a decision was made to establish the European Financial Stability Package, the European Central Bank purchased bonds of countries experiencing problems with debt financing and individual governments introduced reforms aimed at restoration of public finance. Later that year, concerns about the solvency of euro area countries escalated once again after the government of Ireland applied for international aid in connection with the deteriorating condition of the Irish banking sector and increased costs of debt financing.

In 2010, the Federal Reserve Bank (FED), the ECB and the Bank of England (BoE) maintained interest rates at previous, historically low levels and continued to take – albeit on a smaller scale than during the subprime crisis – non-standard measures in monetary policy, increasing the liquidity of the banking sector and capital markets. In November, the FED commenced the second round of quantitative easing (QEII), amounting to USD 600 billion, invoking the necessity to support American economic recovery and restoration of the desired level of inflation.

On the other hand, the Reserve Bank of Australia (RBA) and Norges Bank (NB) continued the cycle of monetary policy tightening commenced in October 2009 – the RBA increased the cash target rate by 100 bps to 4.75%, while NB increased the deposit rate by 25 bps to 2%.

Figure 11
Official interest rates in the US, the euro area, the UK, Australia and Norway



Source: NBP study based on Bloomberg.

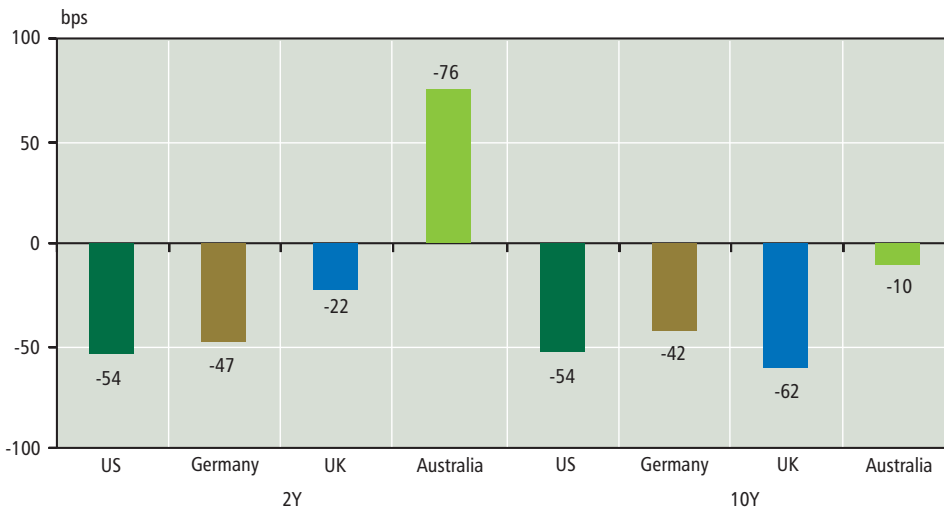
5.5.1. The US, German, UK and Australian government securities market

In 2010, declining yields prevailed in all analysed government securities markets.

In the sector of securities with 10-year maturity, the decrease in yields ranged from 62 bps in the UK market to 10 bps in the Australian market. Most markets also experienced a decrease in the yield on 2-year government securities, from 54 bps (American bonds) to 22 bps (UK bonds). The exception was the Australian market, where the yield on 2-year government securities increased by 76 bps.

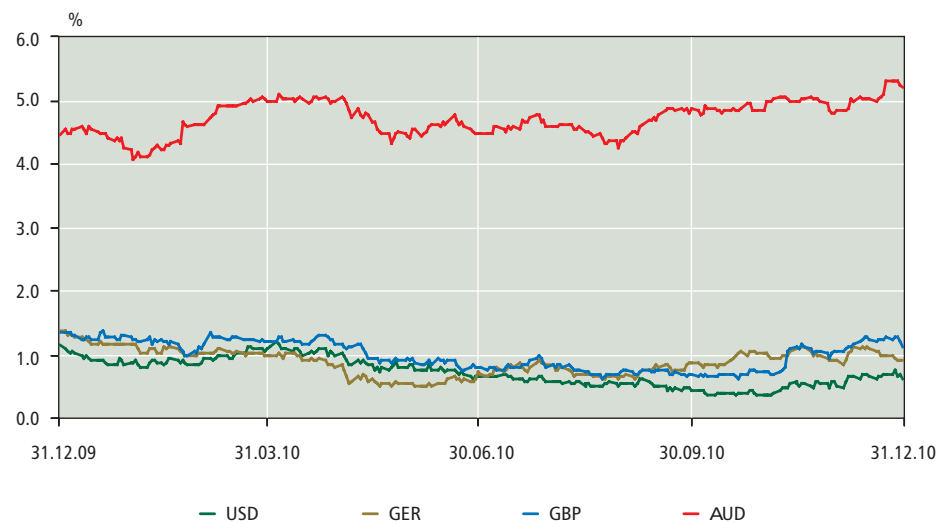
Yields on US, German and UK government bonds were suppressed by low expectations of a prompt monetary policy tightening by the FED, the ECB and the BoE.

Figure 12
Changes in yields on 2-year and 10-year government securities in the US, Germany, the UK and Australia



Source: NBP study based on Bloomberg.

Figure 13
Yields on 2-year US, German, UK and Australian government securities

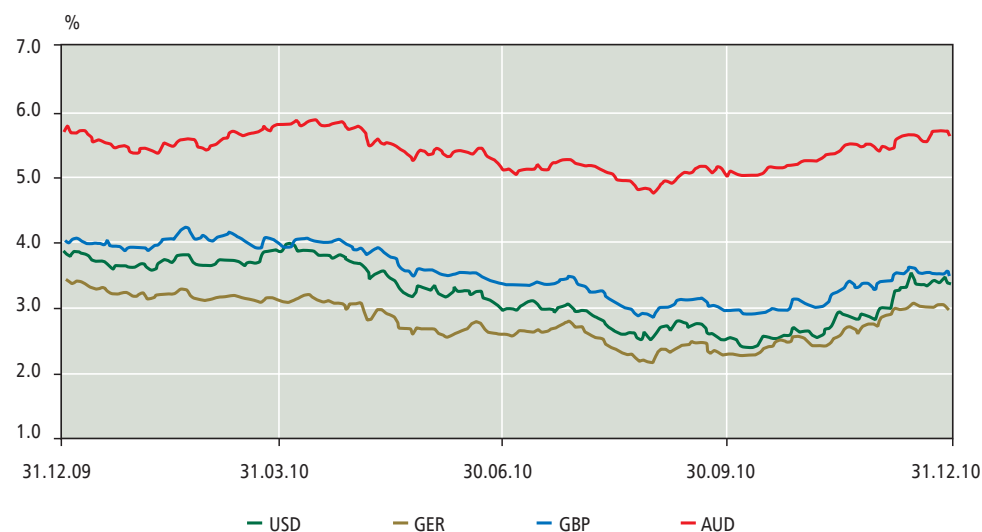


Source: NBP study based on Bloomberg.

In the first half of the year, the decrease in yields was materially affected by heightened risk aversion among investors caused by the fiscal problems in Greece and other euro area economies. The outflow of capital from markets of the countries affected by the debt crisis benefitted, in the first place, German Treasury securities, whose yield fell to the lowest level in history (for 2-year securities, to 0.455% at the end of the day on 8 June 2010).

Additional demand for government debt securities, traditionally perceived as the most secure, was generated by heightened investor concerns regarding a slow-down in the global economy, i.a. as a result of the expiry of programmes designed to spur the economy and the introduction of radical budget cuts.

Figure 14
Yields on 10-year US, German, UK and Australian government securities



Source: NBP study based on Bloomberg.

During the following months, in spite of declining risk aversion, decreases in yields on Treasury securities continued to prevail and were related, i.a., to concerns about a slow-down in US and UK economies as well as speculations regarding the possibility of a further relaxation of FED and BoE monetary policy. Yields on 2-year US and UK government securities reached the lowest level in history – 0.328% (on 4 November 2010) and 0.598% (on 24 August 2010), respectively.

In the last weeks of 2010, all the discussed markets saw rising yields, which resulted from an anticipated improvement in the condition of the global economy following the measures taken by the respective governments (deep structural reforms in euro area countries and in the UK, QEII and maintenance of tax reliefs in the US), as well as increased inflation expectations.

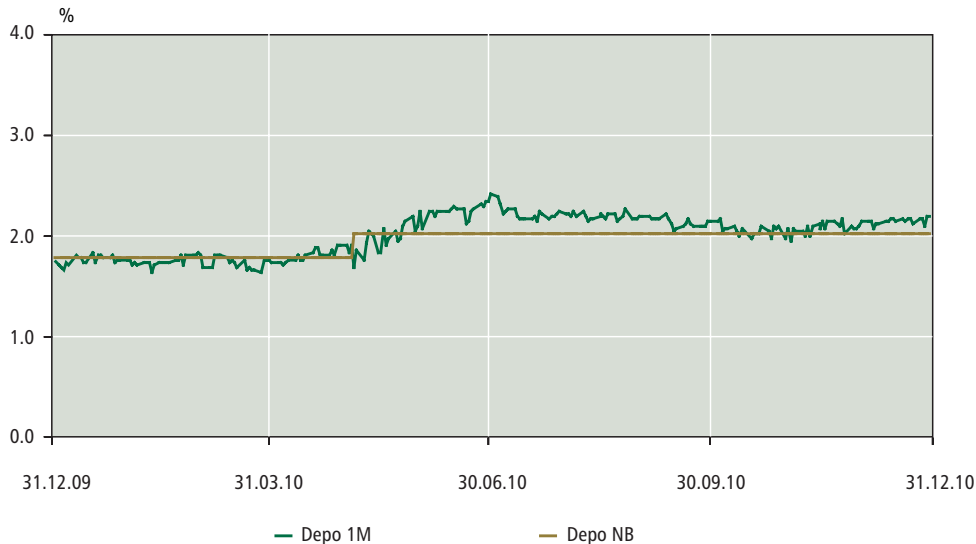
Yield on short-term government securities in the Australian market increased in 2010, which was related to an increase in the official interest rate by the RBA. A simultaneous decline in yields on long-term securities resulted from an anticipated deceleration of the tightening of the monetary policy in a long-term perspective.

5.5.2. Norwegian interbank deposit market

The interest rate on deposits in NOK reflected the changes in official interest rates and the market's expectations concerning NB's future monetary policy. In 2010, 1-month deposit rates

increased by 50 bps; in the first half of the year, these rates exhibited an upward trend, while in the second half – as the perspective of further increases in official interest rate became more distant – a downward trend.

Figure 15
The level of 1-month deposit rates as compared to NB deposit rate



Source: NBP study based on Bloomberg.

5.6. Return on foreign currency reserves

In 2010, the rate of return on foreign currency reserves calculated in the currency of the instruments²⁵ stood at 2.0%. This level, higher than in the preceding year (0.5%), resulted primarily from the decreasing yields on government bonds. Simultaneously, the return was lower than in previous years due to the yield remaining at a historically low level.

The aggregate return on reserves, calculated in the currency of the instruments since the introduction of the *Long-term Foreign Exchange Reserves Management Strategy of the National Bank of Poland* in early 2008, stood at 11.3%.

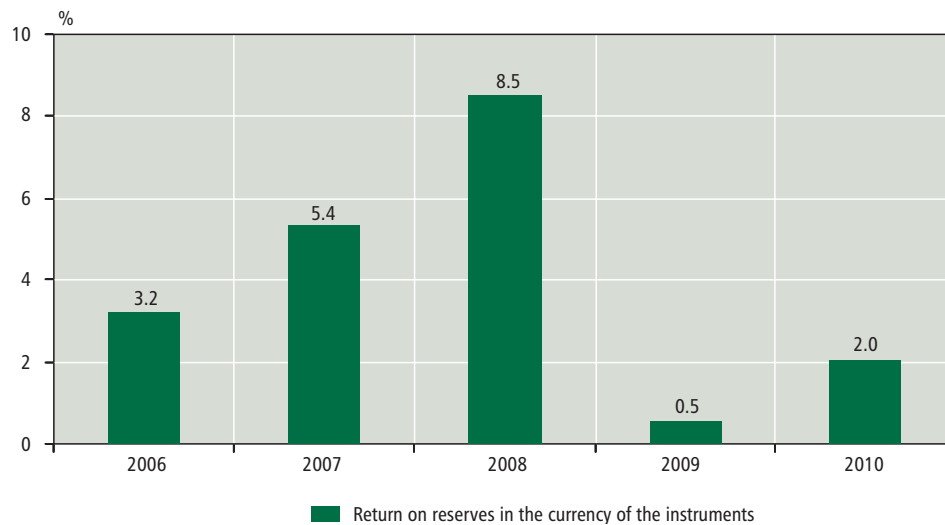
The return on the reserves calculated in PLN²⁶ stood at 4.0% in 2010 (Figure 17). It reflected both the rate of return on investment instruments and the appreciation of AUD, USD and NOK against PLN (Figure 18).

In the period from 1 January 2008 until 31 December 2010, the aggregate return on the reserves, calculated in PLN, stood at 28.7%.

²⁵ The rate of return on foreign exchange reserves in the currencies of individual investment portfolios is calculated on the basis of daily fluctuations in the market value of the instruments.

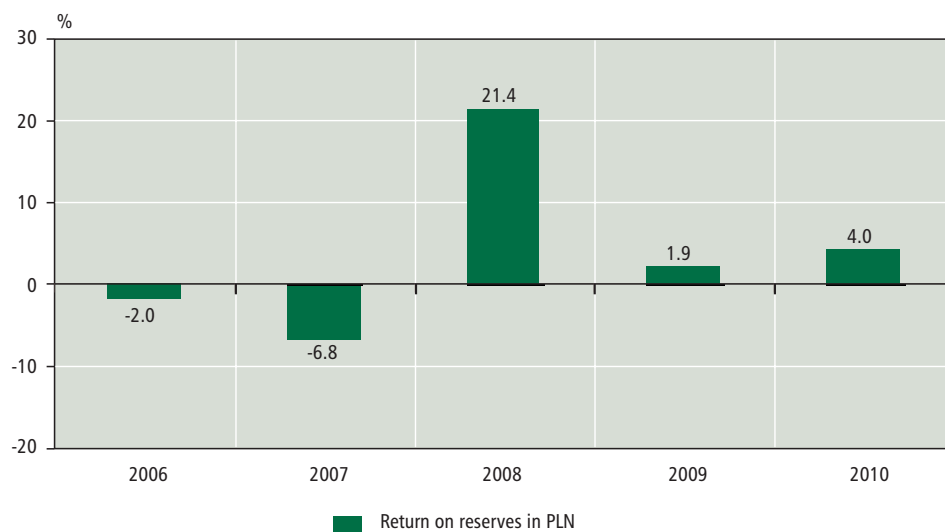
²⁶ The return on foreign currency reserves in PLN also includes the effect of fluctuations in the exchange rates of reserve currencies in relation to PLN.

Figure 16
Return on foreign currency reserves of the NBP in years 2006–2010 (excluding the effects of fluctuations of exchange rates)

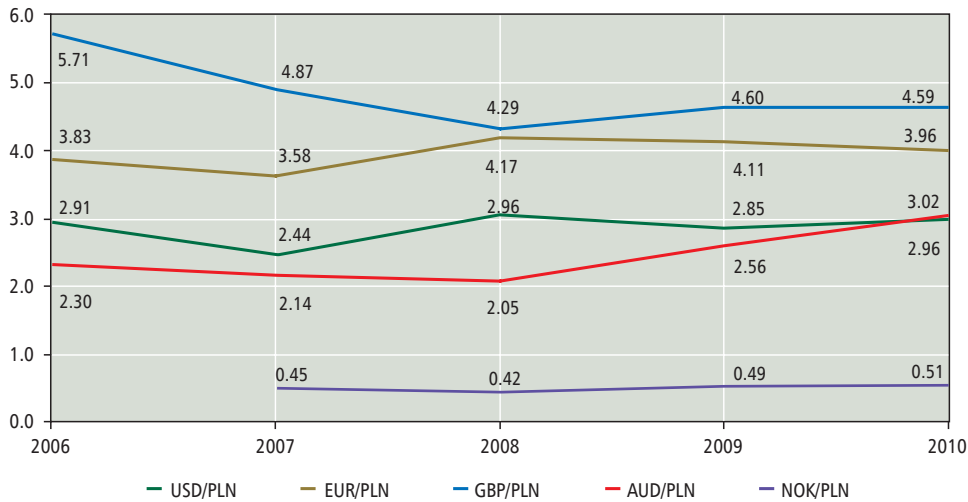


Source: NBP data.

Figure 17
Rate of return on foreign currency reserves in years 2006–2010 (including the effects of fluctuations of exchange rates)



Source: NBP data.

Figure 18**Exchange rates of reserve currencies in relation to PLN in years 2006–2010 (as at ends of periods)**

Source: NBP data.

5.7. Investment income

In 2010, income from investment activity related to the management of foreign currency reserves, excluding the exchange rate valuation effects, stood at PLN 4.5 billion (as compared to PLN 6.1 billion in 2009), which is an equivalent to EUR 1.1 billion²⁷ or USD 1.5 billion.²⁸

The balance of realised and unrealised exchange rate differences, recorded in the accounting books of the NBP, amounted to PLN 2.5 billion in 2010.

Highlights in 2010:

- implementation of investment policy resulting in a higher rate of return on reserves than in the preceding year, expressed both in the currency of the instruments and in PLN (by 2.0% and 4.0%, respectively);
- continuation of work on development of optimisation models for the needs of determining the parameters of Strategic Allocation of Assets;
- further diversification of reserves with consideration to market conditions;
- extension of the functionality of the IT system used in the reserve management process.

²⁷ Data in EUR and USD have been calculated on the basis of average annual EUR/PLN and USD/PLN exchange rates.

²⁸ In compliance with the prudence principle applied in accounting, investment income does not include positive, unrealised differences on valuation of assets and liabilities, recorded as obligations, arising in the context of increasing prices of securities. However, an increase in the market value of investment portfolios may substantially affect the rate of return on reserves. Such a situation was observed in 2010, when a rapid decrease in yields on securities substantially increased the rate of return on reserves. The principles of valuation of holdings in securities also influence the result of financial operations.

2010
Annual Report

NBP

FOREIGN EXCHANGE ACTIVITY²⁹

²⁹ Tasks in this field are fulfilled pursuant to, i.a., Article 3 para. 2 point 3 and Article 52 of the Act on the NBP and the provisions of the Foreign Exchange Act.

Foreign exchange operations involve primarily maintenance of a register of bureaux de change, issuance of decisions on foreign exchange matters and control of foreign exchange transactions. The purpose of this activity is to ensure security of foreign exchange transactions.

6.1. Register of bureaux de change

In 2010, 1,229 entries were made to the register of bureaux de change (as compared to 1,095 in 2009), of which 218 entries regarded new entities and the remainder regarded deletion of entities or updates. As at 31 December 2010, 4,330 bureaux de change were operating in Poland (as compared to 4,355 as at 31 December 2009).

6.2. Foreign exchange related decisions

In 2010, a total of 39 decisions on foreign exchange were issued (as compared to 282 in 2009). The reduced number of decisions was due to provisions liberalising foreign exchange, introduced in 2009.³⁰

6.3. Foreign exchange control

2010 saw entry into force of Regulation of the Minister of Finance of 23 October 2009 on submission to the NBP of data needed to prepare the balance of payments and international investment position. The new provisions resulted in a change in the range of entities subject to foreign exchange control: they limited the number of residents subject to reporting responsibilities and, at the same time, increased the scope of submitted data.

In 2010, a total of 2,496 inspections were conducted (as compared to 3,006 in 2009), including:

- 738 inspections concerning performance of the reporting responsibilities in respect of the balance of payments (2,069 inspections in 2009);
- 1,758 inspections regarding foreign exchange market operations (937 inspections in 2009).

888 inspections, i.e. 36% of all the conducted inspections, detected irregularities (as compared to 1,130, i.e. 38%, in 2009). In the case of the irregularities, post-inspection recommendations were submitted to the managers of the inspected units, committing the management unit to comply with the applicable regulations. In the case of bureau de change activity, administrative sanctions were applied and the entities were deleted, by way of decision,³¹ from the register of bureau de change activities.

³⁰ The Act of 23 October 2008 amending the Civil Code and the Foreign Exchange Law (Journal of Laws No 228, item 1506). The Act repealed Article 15 point 9 of the Act of 27 July 2002 – Foreign Exchange Law (Journal of Laws No 141, item 1178, as amended), which concerned restrictions regarding conclusion of agreements and performance of other legal actions, causing or likely to cause foreign exchange settlements between residents to be made in Poland, as well as restrictions regarding such settlements being made in Poland.

³¹ Six decisions (as compared to seven in 2009).



Highlights in 2010:

- 1,229 entries in the register of bureaux de change;
- issuance of 39 decisions concerning foreign exchange matters;
- 2,496 inspections concerning foreign exchange turnover.

THE PAYMENT SYSTEM³²

³² Tasks in this field are fulfilled pursuant to, i.a., Article 3 para. 2 points 1 and 6 of the Act on the NBP as well as pursuant to the Act on the finality of settlement in payment systems, security settlement systems and principles of oversight of these systems.



The activities of the National Bank of Poland with respect to the payment system include:

- operational tasks, including the maintenance of the payment systems and performance of interbank settlements;
- activities relating to payment system policy and development, including organisation of monetary settlements and preparation of appropriate legal regulations;
- activities relating to oversight of the respective systems within the payment system, including specific payment systems, authorisation and clearing systems as well as securities settlement systems.

In 2010, the focus was on current operation of SORBNET, SORBNET-EURO and TARGET2-NBP systems, activities for the development of non-cash transactions and the payment system as well as performance of oversight functions.

7.1. Implementation of operational tasks³³

7.1.1. Operation of accounts in the SORBNET system

As at the end of December 2010, accounts maintained in the SORBNET system included current accounts in PLN for 54 banks (as in 2009), as well as auxiliary accounts for the National Clearing House (KIR SA) and the National Depository for Securities (KDPW SA).

In 2010, two current accounts in PLN were opened for:

- Banco Espirito Santo de Investimento SA Branch in Poland;
- FM Bank SA.

During the same period, two current accounts were closed for:

- NOBLE Bank SA – due to its merger with Getin Bank SA;
- Commerzbank AG Branch in Poland – due to the liquidation of the Branch.

In 2010, about 2,166 thousand operations were performed on the banks' current accounts in PLN (1,795 thousand in 2009) for the total amount of PLN 38.9 trillion (PLN 31.4 trillion in 2009). This translates into an increase in the number of operations by 371 thousand (about 20.7%) and an increase in their total value by PLN 7.5 trillion (about 23.9%) as compared to 2009. The average value of transactions in 2010 increased by about 2.9%, to reach PLN 18.0 million (PLN 17.5 million in 2009).

Table 5 presents the breakdown of the turnover on banks' current accounts in PLN held in the SORBNET system, while Table 6 provides the breakdown of orders by main categories of operations performed on those accounts.

³³ The lack of appropriate summing up of data in some columns and rows in tables of sub-chapter 7.1 may result from approximations or the statistical method adopted.

Table 5
Breakdown of turnover in banks' current accounts in PLN in the SORBNET system in 2010

Types of current account transactions	Turnover (in PLN million)			Turnover breakdown (in %)	
	balance	of which:		debits	credits
		debits	credits		
Balance of funds in banks' accounts (in PLN million): – as at the beginning of the year: 36,109.3 – as at the end of the year: 36,414.4	–	–	–	–	–
Movement in balance of funds in banks' current accounts, of which:	305.1	38,934,621.8	38,934,926.9	100.0	100.0
1) customer transfer orders	392,822.4	20,850,582.1	21,243,404.5	53.6	54.6
2) interbank transactions	0.0	5,365,415.4	5,365,415.4	13.8	13.8
3) drawings on or repayments of NBP loans to banks	0.0	5,206,821.2	5,206,821.2	13.4	13.4
4) purchase (buyback) of securities from the NBP	-30,985.9	3,938,651.5	3,907,665.6	10.1	10.0
5) transactions and operations settled by the National Depository for Securities	4,847.5	2,217,632.2	2,222,479.7	5.7	5.7
6) exchange of transfer orders via the National Clearing House	-330,229.2	757,176.8	426,947.6	1.9	1.1
7) placings and returns of term deposits at the NBP	828.2	257,337.3	258,165.5	0.7	0.7
8) purchase or sale of cash at the NBP	-2 801.4	169052.2	166,250.7	0.4	0.4
9) purchase or redemption of Treasury securities	-21,131.0	122,429.0	101,298.0	0.3	0.3
10) open market operations	-14,227.2	19,661.0	5,433.8	0.1	0.0
11) interest paid or received by banks	460.9	364.4	825.3	0.0	0.0
12) purchase or sale of foreign currencies at the NBP	377.1	0.0	377.1	0.0	0.0
13) transactions in required reserve accounts	-27.8	192.0	164.2	0.0	0.0
14) other transactions	371.4	29,306.7	29,678.1	0.1	0.1

Source: NBP data.

Table 6
Number of transfer orders by principal types of operations performed in banks' current accounts in PLN in the SORBNET system in 2010

Item	Number of payment orders executed in current accounts			Order breakdown (in %)	
	in total	of which:		debits	credits
		debits	credits		
Total number of payment orders performed in banks' current accounts, of which:	2,166,361	2,006,611	2,064,238	100.0	100.0
1) customer transfer orders	1,851,653	1,803,025	1,836,420	89.9	89.0
2) interbank transactions	111,630	111,630	111,630	5.6	5.4
3) drawings or repayments of NBP loans to banks	27,221	9,234	17,987	0.5	0.9

4) purchase (buyback) of securities from the NBP	3,755	1,853	1,902	0.1	0.1
5) transactions and operations settled by the National Depository for Securities	39,364	20,070	21,817	1.0	1.1
6) exchange of transfer orders via the National Clearing House	38,564	17,755	20,809	0.9	1.0
7) placings and returns of term deposits at the NBP	2,335	1,183	1,152	0.1	0.1
8) purchase or sale of cash at the NBP	75,332	33,017	42,315	1.6	2.0
9) purchase or redemption of Treasury securities	3,722	1,358	2,364	0.1	0.1
10) open market operations	183	128	55	0.0	0.0
11) interest paid or received by banks	3,607	1,717	1,890	0.1	0.1
12) purchase or sale of foreign currencies at the NBP	55	0	55	0.0	0.0
13) transactions in required reserve accounts	112	75	37	0.0	0.0
14) other transactions	8,828	5,667	5,805	0.3	0.3

Source: NBP data.

7.1.2. Maintenance of accounts in the SORBNET-EURO system

As at the end of December 2010, accounts maintained in the SORBNET-EURO system included current accounts in EUR for 24 banks, i.e. four less than in 2009, as well as an account in EUR for KDPW SA.

In 2010, current accounts of four following banks were closed:

- Commerzbank AG Branch in Poland – due to the liquidation of the Branch;
- Bank Gospodarstwa Krajowego, Bank Millennium SA, Nordea Bank Polska SA – due to transition to direct settlement in the TARGET2-NBP system.

During the same period, no current accounts were opened for new members.

In 2010, about 226 thousand operations were performed on the banks' current accounts in EUR in the SORBNET-EURO system (226 thousand in 2009) for the total amount of EUR 22.6 billion (EUR 26 billion in 2009). This means no change in the number of operations and a decrease in their value by EUR 3.4 billion (about 15%) as compared to 2009. The average value of transactions amounted to approx. EUR 99.9 thousand (115.0 thousand in 2009), i.e. it decreased by EUR 15.1 thousand, i.e. by approx. 15.1%.

Table 7 presents the breakdown of the turnover on banks' current accounts in the SORBNET-EURO system, while Table 8 provides the breakdown of orders by main categories of operations performed on those accounts.

Table 7

Breakdown of turnover in banks' current accounts in EUR in the SORBNET-EURO system in 2010

Types of current account transactions	Turnover (in EUR thousand)			Turnover breakdown (in %)	
	balance	of which:		debits	credits
		debits	credits		
Balance of funds in banks' accounts (in EUR thousand): – as at the beginning of the year: 42,826.4 – as at the end of the year: 49,023.2	–	–	–	–	–
Movement in balance of funds in banks' current accounts, of which:	6,196.8	22,579,960.0	22,586,156.8	100.0	100.0
1) cross-border interbank payments	-10,300,867.0	17,798,305.7	7,497,438.7	78.8	33.2
2) exchange of the National Clearing House orders in Target2-NBP	2,853,428.4	3,187,671.9	6,041,100.3	14.1	26.7
3) cross-border customer payments	6,566,401.7	36,360.7	6,602,762.5	0.2	29.2
4) domestic operations on the interbank market	0.0	786,519.7	786,519.7	3.5	3.5
5) drawings on or repayments of the NBP intraday loans to banks	0.0	695,557.7	695,557.7	3.1	3.1
6) domestic customer orders	877,898.4	63,123.5	941,021.9	0.3	4.2
7) transactions and operations settled by the National Depository for Securities	9,414.9	890.0	10,304.9	0.0	0.0
8) interest paid or received by banks	-79.7	150.9	71.2	0.0	0.0
9) other transactions	-0.0	11,379.8	11,379.8	0.1	0.1

Source: NBP data.

Table 8

Number of transfer orders by principal types of transactions performed in banks' current accounts in EUR in the SORBNET-EURO system in 2010

Item	Number of payment orders executed			Order breakdown (in %)	
	in total	of which:		debits	credits
		debits	credits		
Total number of payment orders performed in banks' current accounts, of which:	226,284	15,946	211,470	100.0	100.0
1) cross-border interbank payments	46,814	8,036	38,778	50.4	18.3
2) exchange of the National Clearing House orders in Target2-NBP	9,966	2,439	7,527	15.3	3.6
3) cross-border customer payments	166,281	3,422	162,859	21.5	77.0
4) domestic operations on the interbank market	383	383	383	2.4	0.2
5) drawings or repayments of the NBP intraday loans to banks	652	326	326	2.0	0.2
6) domestic customer orders	1,228	811	1,166	5.1	0.6
7) transactions and operations settled by the National Depository for Securities	164	17	147	0.1	0.1

8) interest paid or received by banks	768	498	270	3.1	0.1
9) other transactions	28	14	14	0.1	0.0

Source: NBP data.

7.1.3. Maintenance of accounts in the TARGET2-NBP system

As at the end of December 2010, accounts maintained in the TARGET2-NBP system included accounts in EUR for 10 participants: NBP, eight commercial banks and KIR SA, i.e. four more than in 2009. This change resulted from opening accounts for four participants, i.e. Bank Gospodarstwa Krajowego, Bank Millennium SA and Nordea Bank Polska SA, which previously participated in the SORBNET-EURO system, as well as for Rabobank Polska SA.

Moreover, an additional RTGS account for the NBP was opened in the TARGET2-NBP system, intended for settlements with the European Automated Clearing House Association (EACHA) with relation to the inclusion of the EuroELIXIR system to payment exchange under EACHA.

In 2010, about 612 thousand operations were performed in the TARGET2-NBP system (554 thousand in 2009) for the total amount of EUR 381.5 billion (EUR 255.0 billion in 2009). This translates into an increase in the number of operations by 58 thousand (about 10.5%) and an increase in their total value by PLN 126.5 billion (about 49.6%) as compared to 2009. This is probably the effect of an increasing activity of participants during recovery from the financial crisis. The average value of transactions amounted to about EUR 0.6 million (EUR 0.1 million more than in 2009).

Table 9 presents the balance of funds, number and value of transactions carried out in banks' accounts in EUR in the TARGET2-NBP system.

Table 9
Balance of funds, number and value of orders performed in banks' accounts in EUR in the TARGET2-NBP system in 2010

No	Item	Name of unit	Total	Monthly average
1.	Balance of funds on the NBP account:			
1.1.	as at beginning of the year 64.4	EUR million	–	–
1.2.	as at the end of the year 83.4	EUR million	–	–
2.	Balance of funds on the banks' accounts:			
2.1.	as at beginning of the year 31.1	EUR million	–	–
2.2.	as at the end of the year 85.4	EUR million	–	–
3.	Total balance of funds (1+2)			
3.1.	as at beginning of the year 95.5	EUR million	–	–
3.2.	as at the end of the year 168.8	EUR million	–	–
4.	Number of executed orders:	pcs.	611,679	50,973
4.1.	domestic payments	pcs.	35,548	2,962
4.2.	cross-border payments sent	pcs.	188,959	15,747
4.3.	cross-border payments received	pcs.	387,172	32,264
5.	Value of executed orders:	EUR million	381,518.4	31,793.2
5.1.	domestic payments	EUR million	65,164.5	5,430.4
5.2.	cross-border payments sent	EUR million	158,140.3	13,178.4
5.3.	cross-border payments received	EUR million	158,213.6	13,184.5



6.	Average value of orders:	EUR million	–	0.6
6.1.	domestic payments	EUR million	–	1.8
6.2.	cross-border payments sent	EUR million	–	0.8
6.3.	cross-border payments received	EUR million	–	0.4

Source: NBP data.

7.2. Policy and development of the payment system

7.2.1. Regulatory activities

Regulatory activities with regard to the payment system were as follows:

- Resolutions were adopted concerning the inclusion of the EuroELIXIR system to payment exchange under European Automated Clearing House Association EACHA and the introduction of annual changes to the TARGET2 system, amending the principles of participation in the TARGET2-NBP and SORBNET-EURO systems.
- The President of NBP signed regulation No 15/2010 on the manner of numbering banks and bank accounts. The purpose of the regulation was to simplify the process of assigning numbers to banks, their organisational units and bank accounts, as well as to adjust the regulations to new market requirements.
- Opinion was issued on the draft act on payment services, developed by the Ministry of Finance, implementing Directive 2007/64/EC of the European Parliament and of the Council of 13 November 2007 on payment services in the internal market.
- The NBP developed and submitted to the Ministry of Finance a draft act amending the Act on the finality of settlement in payment systems, security settlement systems and principles of oversight of these systems as well as the Act – Bankruptcy and Rehabilitation Law, aimed at implementation of appropriate EU directives in the Polish law.
- An opinion was issued on Regulation of the European Parliament and of the Council establishing technical requirements for credit transfers and direct debits in euros and amending Regulation (EC) No 924/2009.
- The NBP cooperated with the Ministry of Finance in matters concerning the provisions of Directive 2009/110/EC of the European Parliament and of the Council of 16 September 2009 on the taking up, pursuit and prudential supervision of the business of electronic money institutions, amending Directives 2005/60/EC and 2006/48/EC and repealing Directive 2000/46/EC.

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

Since the transfer of settlements in EUR of all banks from the SORBNET-EURO system to the TARGET2 system is planned for November 2011, work concerning the preparation of a new application (NBP-PHA), which will replace the SORBNET-EURO system, was continued.

Moreover, work was commenced on a new version of the SORBNET system – the SORBNET2 system. SORBNET2 will be developed on a new technological platform (i.e. on the basis of Oracle Database Management System and using the SWIFT network to communicate with participants). The current system has been operating since 1996. According to plans, SORBNET2 will be launched in 2013 Q1.

7.2.3. Promotion of non-cash transactions

In 2010, as a part of inter-departmental and social agreements, work related to development and adoption of the *Scheme for Development of Non-Cash Transactions in Poland for the Years 2010–2013* in the form of a government document was continued.

The NBP participated in activities envisaged by the *Scheme* by conducting:

- educational and promotional activities (aimed at: promotion of non-cash payments, change of social attitudes in this area, developing confidence in non-cash money and non-cash payments, including through: NBPPortal, conversations with NBP experts in television shows, interviews and articles prepared or opined by NBP employees, cooperation with teachers under *Klub Impuls* initiative; organisation of a scientific seminar *Poles' Attitudes towards Non-cash Transactions* and a conference *How to Limit Financial Exclusion in Poland*);
- research (preparing reports on results of research conducted in 2009 on usage of banking services in Poland, mass payment methods in Poland and attitudes of Poles towards non-cash trading as well as conducting new research on barriers in using non-cash trading).

Moreover, the NBP took active part in works of the Coalition for Non-Cash Transactions and Micropayments.³⁴

7.2.4. Development of SEPA

In 2010, the implementation of Single Euro Payments Area (SEPA) continued.³⁵ The implementation of SEPA in Poland is coordinated by a body called SEPA Polska (SEPA PL), operating under the auspices of the Polish Bank Association. The NBP supports the activities of SEPA Polska, primarily through direct participation in the STEP2 SCT system (performing the function of the settlement bank for commercial banks) and participation of NBP's representatives in works of SEPA PL working groups.

Banks which have signed an appropriate agreement with the NBP can participate indirectly in the STEP2 SEPA Credit Transfer (SCT) system. As at 31 December 2010, 14 banks (four of which joined in 2010) participated in the SCT scheme through the NBP (as direct participants).

2010 saw a considerable increase in the number and value of SEPA transactions in the EuroELIXIR system – from 213 896 transactions valued EUR 1,122.83 million in January to 448,096 transactions valued EUR 2,602.07 million in December.

³⁴ The Coalition for Non-Cash Transactions and Micropayments comprises primarily: KIR SA (National Clearing House), card organisations (VISA and MasterCard), settlement agents, banks, representatives of local governments and mobile telephony providers.

³⁵ SEPA is an initiative of the European banking community (during the discussed period, 32 European countries participated in the project), aimed at creating conditions for non-cash payments in EUR, allowing for such payments to be carried out on common principles in the entire area of SEPA. At the European level, SEPA is coordinated by the European Payments Council – EPC and supported by EU authorities, including the ECB.

7.2.5. Development of securities clearing and settlement systems

The NBP monitored ECB's work aimed at creating the TARGET2-Securities (T2S) system. TARGET2-Securities will be a technical platform enabling centralised (at the level of the euro area) settlement of securities in the currency of the central bank, including currencies other than EUR. The essence of the project is the transfer of settlement functions hitherto performed by central depositories for securities (the National Depository for Securities in Poland) onto T2S platform. In cooperation with representatives of the Polish market, the NBP prepared an analysis of the availability of the zloty as one of settlement currencies in the T2S system and prepared proposals of terms and conditions for accession to T2S.

7.2.6. Payment System Council

The Payment System Council analyses and evaluates the Polish payment system and legal regulations applicable to it on an ongoing basis. It undertakes actions to integrate the activities of the banking sector relating to the payment system and offers solutions which seek to: adjust the Polish payment system to the EU requirements, minimise risk in the payment system, increase the efficiency of payment transactions and raise its security, as well as promote non-cash transactions. The meetings of the Payment System Council are attended by representatives of the NBP, the Ministry of Finance, the Polish Financial Supervision Authority, the ZBP, KIR SA, the National Depository of Securities, 5 commercial banks, Poczta Polska SA and First Data Polska SA.

In 2010, the Council discussed, inter alia: the operation of Polish payment system, the establishment of central counterparties (CCP) in Poland, planned changes in the SORBNET and SORBNET-EURO systems, *Scheme for Development of Non-Cash Transactions in Poland for the Years 2010–2013*, *National SEPA Implementation and Migration Plan*, the results of comparison of selected components of Polish payment system with systems of other EU countries, analyses of the amounts of fees and commissions related to cash settlements in the Polish banking sector, information about the inclusion of the EuroELIXIR system to payment exchange under EACHA and implementation of Directive 2007/64/EC of the European Parliament and of the Council of 13 November 2007 on payment services in the internal market.

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

Oversight of the abovementioned systems is aimed at minimising the risk related to possible interruptions in their operation and maintenance of financial stability.

7.3.1. Oversight of payment systems, authorisation and clearing systems

In 2010, the NBP:

- validated the introduction of changes by KIR SA in the EuroELIXIR system, related to introduction of the inter-system payment exchange option under EACHA;
- validated the introduction of changes in the principles of operation of the authorisation and settlement system maintained by eCard SA. The changes involved undertaking activity related to authorisation and settlement of transactions carried out at POS terminals;

- collected and analysed statistical data and information on the operation (including incidents and disruptions) of large value payment systems (SORBNET, SORBNET-EURO and TARGET2-NBP) as well as retail systems maintained by KIR SA (ELIXIR and EuroELIXIR);
- collected and analysed statistical data on payment cards, cash clearing and interbank settlement market, the market for intermediation in effecting domestic and international money transfers, as well as the market for intermediation in accepting payments to bank accounts.

7.3.2. Oversight of securities settlement systems

Since 2009, the President of the NBP has had competences³⁶ which enable him to assist the Polish Financial Supervision Authority in the oversight of securities clearing and settlement systems. In 2010, the President of the NBP submitted to the Polish Financial Supervision Authority opinions on amendments to regulations specifying the principles of operation of securities clearing and settlement systems, in particular in relating to the Regulations of the National Depository of Securities (KDPW SA) and issued a positive opinion on the application of Warsaw Commodity Clearing House for conducting the activity of a clearing and settlement house.

In 2010, the National Bank of Poland supervised the implementation of *Strategy of the National Depository of Securities for Years 2010–2013* by KDPW SA under ownership supervision with relation to the ownership of 33.3% of the company's shares.

Due to the fact that in 2009, the Governing Council of ESCB approved a recommendation for entities providing clearing and settlement services in the EU, prepared by a joint working group of ESCB-CESR,³⁷ the NBP initiated cooperation with the Polish Financial Supervision Authority in the scope of assessment of this recommendation by KDPW SA.

Highlights in 2010:

- commencement of work aimed at transfer of the SORBNET system to a new technological platform;
- enabling settlement between clearing participants of the EuroELIXIR system and participants of payment systems maintained by clearing chambers associated in the EACHA;
- propagation of non-cash transactions.

³⁶ Act of 4 September 2008 amending the Act of 29 July 2005 on Trading in Financial Instruments and several other Acts.

³⁷ CESR – Committee of European Securities Regulators.

SERVICES TO THE CENTRAL GOVERNMENT³⁸

³⁸ Tasks in this field are fulfilled pursuant to, i.a., Article 3 para. 2 point 4, Articles 49, 51 and 52 of the Act on the NBP, provisions of the Act on Public Finance and provisions of the Banking Act.

Tasks fulfilled by the National Bank of Poland as a part of services to the central government include: operating central government accounts, handling international liabilities and receivables of the state budget, trade in Treasury securities and public debt management, particularly with regard to the central government debt.

8.1. Bank accounts operated by the NBP

In 2010, the NBP operated bank accounts referred to in Article 196 of the Act on Public Finance of 27 August 2009, primarily including the central government current account, current accounts of the budgetary entities, including offices providing services for tax authorities, government special-purpose funds and auxiliary enterprises of budgetary entities, as well as accounts for permanent expenses of those units. The NBP also maintained term deposit accounts in PLN and foreign currencies for entities authorised to have accounts with the NBP.

By operating central government accounts, the NBP contributed to the safety and smooth processing of public fund settlements.

Moreover, pursuant to Article 51 para. 1 point 4 of the Act on the National Bank of Poland, the NBP operated, with the approval of the President of the NBP, accounts of other legal persons (primarily the Demographic Reserve Fund, the Social Insurance Institution, Export Credit Insurance Corporation SA, Agricultural Market Agency, Polish Agency for Enterprise Development, agricultural consultancy units, trade unions of the NBP employees, the Bank for International Settlements in Basel, the European Commission as well as central banks of: France, Hungary, Germany, and the Czech Republic.

8.1.1. Operating bank accounts

The NBP performed operations on central government accounts – in non-cash form, mainly in the *enbepe* Electronic Banking system, as well as in cash form. A cross-system B2B interface, combining the Integrated Accounting System of the NBP (ZSK) with the IT and accounting system of the Ministry of Finance is used for operating bank accounts of the State Budget Department and the Paying Authority Department in the Ministry of Finance.

2010 saw the continuation of work on introduction of new principles of central government services, carried out jointly with the Ministry of Finance.

8.1.2. Categories of accounts operated by the NBP

The NBP operates accounts in PLN and in foreign currencies, including accounts for handling funds coming from the EU budget.

In 2010,³⁹ the NBP provided services for 4,237 customers (in 2009 – 3,928), for whom regional branches operated 19,215 accounts (in 2009 – 17,728), of which 11,352 accounts were operated as part of a third-party external cashier service (in 2009 – 9,745).⁴⁰

³⁹ As at 31 December 2010.

⁴⁰ Third-part external cashier service is provided to those account holders whose registered offices are located outside the city in which the regional branch of the NBP is located.



An increase in the number of customers and accounts operated by regional branches resulted from the entry into force of Article 114 of the Act – Provisions Introducing the Act on Public Finance,⁴¹ which obliged state budget units to open and operate auxiliary accounts with the NBP or BGK.

8.2. Handling international liabilities and receivables of central government

Pursuant to the contracts of agency signed in previous years with the Minister of Finance, the NBP handled the central government liabilities and receivables arising from:

- 55 loans granted by international institutions and financial organisations to the government of the Republic of Poland;
- 55 foreign loans guaranteed by the government of the Republic of Poland, granted to domestic entities;
- two agreements on making loans available to domestic entities.

Acting as a depositary for the World Bank, its agencies and the European Bank for Reconstruction and Development, the NBP administered 17 promissory notes issued by the government of the Republic of Poland in connection with Poland's membership in those organisations.

8.3. Organisation of trade in Treasury securities

8.3.1. Treasury securities auctions

In 2010, similarly to previous years, the NBP, in its capacity of the issuing agent for Treasury securities, announced the following auctions:

- 35 Treasury bill auctions, where 39-, 48- and 52-week bills were sold. The total supply amounted to PLN 37.7 billion, the total amount bid – PLN 108.5 billion; bills worth PLN 35.0 billion were allotted. 52-week bills prevailed in the whole issue, representing 92.8% of all the bills allotted.
- 45 Treasury bond sale auctions, including 18 non-competitive auctions. The total supply amounted to PLN 98.7 billion, the total amount bid – PLN 220.8 billion; bills worth PLN 94.2 billion were allotted. The majority of bonds offered by the Ministry of Finance were zero-coupon bonds; their amount allotted constituted 57.0% of the total amount allotted.
- 12 Treasury bond swap auctions, where the Ministry of Finance bought back bonds worth PLN 32.6 billion and allotted bonds worth PLN 33.6 billion. Fixed-rate bonds represented the majority of bonds allotted on all swap auctions (62.2%).
- four Treasury bill redemption auctions – the Ministry of Finance bought back Treasury bills with the nearest maturity dates; altogether bills were bought back for PLN 6.2 billion.

⁴¹ Journal of Laws of 2009 No 157, item 1241.

No Treasury bond redemption auctions were held in 2010.

Moreover, three auctions were carried out (including two non-competitive ones) of bonds issued by BGK and secured by the State Treasury. Fixed-rate bonds were allotted on these auctions. The total supply amounted to PLN 6.0 billion, the total amount bid – PLN 10.3 billion; bills worth PLN 6.0 billion were allotted.

8.3.2. Treasury Securities Dealer system (DSPW)

The development of the Treasury Securities Dealer system (DSPW)⁴² is one of the tasks listed in the *Strategy of the Public Finance Sector Debt Management*.

Pursuant to the *Agreement on Cooperation with Regard to the Functioning of the Treasury Securities Dealer system*, concluded with the Ministry of Finance, the NBP performed the following responsibilities:

- submitted to the Ministry of Finance monthly and quarterly assessments of the activities of the DSPW banks and those seeking to be included, on the Treasury bill and bond primary and secondary markets, and on the derivative market;
- organised the Treasury securities fixing on the new electronic platform (Treasury BondSpot Poland), which was intended to improve the transparency of trading in securities;⁴³
- participated in periodical meetings of the Council of Market Participants, arranged by the Ministry of Finance.

In addition, within the framework of cooperation with the Ministry of Finance, the NBP examined and reviewed banks whose accounts and Treasury securities deposit accounts are maintained in the Securities Register.

8.4. Public debt management

Public debt management covers primarily the cooperation between the NBP and the Ministry of Finance within the Public Debt Management Committee. The objective of the cooperation is to exchange information in order to coordinate the Ministry of Finance's public debt management policy with the monetary and foreign exchange policy of the NBP. Duties of the Committee include development of a long-term public debt management strategy, minimising the cost of debt servicing and creating conditions for the development of financial markets.

⁴² The main aim of the system is to isolate a group of banks (the so-called primary dealers) which, in return for specific privileges, are obliged to provide liquidity, transparency and efficiency of the Treasury securities market.

⁴³ DSPW banks are committed to quote every day the purchase and sale prices of bonds specified by the issuer on the organised electronic market, to close transactions according to the price accepted on the platform, as well as to inform the market in real time on these quotations.



Highlights in 2010:

- operating 19,215 accounts for 4,237 customers;
- organising the fixing of Treasury securities.

2010
Annual Report

NBP



9

RESEARCH ACTIVITY⁴⁴

⁴⁴ The tasks in this field are implemented in particular on the basis of Article 59 of the Act on NBP.

In 2010, research activity addressed issues related to monetary policy, inflation processes, economic condition of enterprises and households and Poland's participation in the Exchange Rate Mechanism II. The impact of the global financial crisis on the performance of the world markets, the national and international economic climate, determinants of economic development and structural changes in the economy also came under review. Research projects concerned, most of all, the impact of the financial crisis on the mechanisms of monetary policy transmission in Poland, boom-bust cycles in the run up to euro area accession, shocks with non-standard distributions in the linear DSGE models, possibility to forecast exchange rates and expert opinions on uncertainty in the macroeconomic surveys.

The results of the research served to build and improve the modelling tools employed in forecast development. Furthermore, they fed into the decisions taken by the NBP Management Board and the Monetary Policy Council.

In 2010, well-renowned national periodicals and international scientific journals published 113 academic publications of the NBP employees, including 54 in Polish and 59 in English. 9 publications were included in on the so-called Philadelphia list (cf. Annex 5).

9.1. Research related to participation in the Exchange Rate Mechanism II (ERM II) and Poland's accession to the euro area

- Analysis of the degree of nominal convergence in the context of the prospective inclusion of the zloty in the ERM II.
 - Monthly information was drawn up on the degree of convergence in terms of monetary Maastricht criteria in selected European Union Member States.
 - Prospects for Poland meeting the Maastricht inflation criterion in 2010–2012 were assessed.
- Research of boom-bust cycles during euro area accession
 - A research project was completed to assess the probability of a boom occurring during euro area accession.
 - A study was carried out, looking into the possibilities to prevent booms of this type during Poland's euro area accession.

9.2. Studies of monetary policy, inflation processes and expectations

- Analyses and studies of monetary policy:
 - National and global macroeconomic situation was analysed with a view to drawing up *Inflation Reports*, the *Report on Monetary Policy Implementation in 2009* and *Monetary Policy Guidelines for 2011*.

- Other central banks' monetary policy and communication with the environment was monitored.
- Changes in the monetary policy strategy of the main central banks in the context of the international economic crisis were analysed.
- Analyses of effectiveness of monetary policy transmission mechanism
 - Disruptions to the functioning of the main channels of monetary policy transmission were analysed, as well as the efficiency of monetary policy transmission mechanism in the wake of the financial crisis.
 - A study of the significance of non-linearity in the interest rate transmission mechanism was launched.
- Analyses of inflation expectations

These aimed to:

- Study the quantification methods of inflation perception and expectations on the basis of quality surveys. Those methods were applied to measure private and corporate inflation expectations in Poland.
- Pursue systematic observations of inflation expectations in the main segments of the public (i.e. private individuals, businesses and financial sector analysts).
- A study was completed concerning expert opinions in macroeconomic surveys.⁴⁵
- Analyses and examinations of prices of consumer goods and services

These involved the following:

- Ongoing analyses and monitoring of inflation processes in the national economy and developing short-term inflation forecasts for selected categories of goods and services.
- Analysis of the impact of trends in the global commodity markets, including the markets of agricultural and food products and energy commodities, as well as the impact of globalisation on the developments in various price categories in the national economy.
- Conducting sectoral analyses with regard to the structure and performance of the markets of electricity as well as gas and liquid fuels.
- Conducting methodological, analytical and research work with regard to the measures of consumer price movements and core inflation measures.
- Monthly calculation and announcement of four core inflation measures.
- Study and analysis of the impact of changes in indirect tax rates and in regulated prices on inflationary processes in the economy, most specifically due to the amendments to VAT-related legislation.

⁴⁵ The results will be used in developing the *NBP Macroeconomic Survey*, to be launched in 2011.

9.3. Enterprise and household surveys

Analyses yield data on the interactions between monetary policy and the real economy. They are of a forecasting character and supplement the data obtained from the Central Statistical Office and other research centres. Further research into the corporate sector implies extending the subject areas analysed and implementing modern methods and solutions applied by major research centres and central banks.

- Survey studies of financial standing of enterprises
 - The research primarily addressed the present and forecast economic situation of enterprises, in particular demand, output, investment activity, envisaged changes in employment levels and average wages, business financing, as well as price generation mechanisms and changes in monopolistic margins.
 - Due to the persisting economic slowdown in the Polish corporate sector, issues such as investment outlook, directions of anticipated development and barriers to business expansion obtained a high priority in the research. The reasons for persistent ample liquidity prevailing in the corporate sector were studied – corporate financial strategies were analysed in the context of limited interest in bank financing. The research also addressed the implications of the spring floods and the scale of anticipated price hikes due to changes in VAT rates.
 - Work on determinants of export activity included examining the contribution of joint ventures operating in a given sector/region to improvement in domestic companies' capacity to sell abroad.
- Research on economic activity of enterprises
 - Work progressed with reference to privatisation processes and the resulting FDI and foreign ownership effects. The performance of joint ventures was analysed to assess their profitability, productivity and behaviour in the labour market. Separate analysis aimed to assess the impact of foreign investments on state-owned enterprise privatisation process.
 - The shape of the business cycle in Poland in the years 1997–2009 was studied by using the national account data, including those of structural nature. The applied filtration method allows to distinguish cyclical deviations from the trend and short-term fluctuations and to evaluate relations between the major macroeconomic aggregates for different frequency fluctuations. The course of the current economic slowdown was compared against profiles of past episodes of this kind.
 - Studies were carried out concerning the characteristic features and cyclical developments in levels of stock in the corporate sector.
- Research on households' situation
 - Cyclical analyses of the household sector conditions helped conduct NBP monetary policy. These addressed principally: the volume and structure of household income, consumption expenses and savings, accumulation and allocation of assets as well as consumer borrowing and sentiments.
 - Work progressed to estimate income elasticities of the main groups of household expenses (based on the data from Household Budget Surveys). The studies sought to explain the variability of elasticity over time, possible convergence implications and cyclical effects.

- A research project was conducted with a view to describing loan determinants. The aim was to determine what rate of lending growth is reasonable from the point of view of macroeconomic fundamentals, and whether lending growth does not challenge the stability of the financial system. The studies used a theoretical general equilibrium model with household heterogeneity and econometric regressions.

9.4. Other macroeconomic research

- Analysis of flows in the labour market
 - Research was carried out to address the empirical aspects of labour market flows, most specifically, the probability of changing one's labour market status (in accordance with BAEL data and registered unemployment figures). The analysis took account also of self-employment statistics.
 - Analytical and research work was commenced to identify and explain the reasons for the differences in the cyclicity of in- and outflows to/from particular branches of the economy (industry, construction and market services).
- Analysis of labour markets
 - A subsequent project was completed on the impact of employee migration from Poland to the UK, Ireland, the Netherlands and Germany on the supply-demand relations in the domestic labour market and the amount of resulting money transfers (in accordance with the surveys commissioned by the NBP and conducted among Polish migrants).
 - The first stage of work was completed on short-term model used to forecast the main labour market variables (average employment, persons working including employers, the self employed etc., wages). The combined forecast generated by the model is based on the DFM, VAR and BVAR methodologies.
 - Further studies progressed on regional labour markets. A related publication *Wages, Labour Productivity and Migrations* was prepared.
- Examination of real property prices in Poland

As part of this activity, the Bank carried out the following:

- Monitored, on a quarterly basis, the development of residential real property markets in 16 provincial cities. The NBP developed a system for monitoring residential property prices, including:
 - development of a hedonic housing price index for the 16 city markets, which provided a tool for a more accurate representation of home price trends
 - compilation of the *Report on the housing market situation in Poland 2002–2009*, in collaboration with NBP regional branches
 - launch of an online publication on the NBP website posting quarterly information on flat prices and the situation in the Polish housing market.
- The major international markets were monitored in terms of threats and consequences of the crises on real property markets.

- Analysis and studies of the public finance sector

These comprised:

- Ongoing analyses and forecasts of the condition of the state budget and other units of the public finance sector. They served primarily to underpin the NBP's official opinions on fiscal policy.
- Studies on public finance situation in EU member states and fiscal exit strategies, with a particular emphasis on the countries experiencing the debt crisis.
- Studies on macroeconomic implications of fiscal policy tightening and on public expenditure efficiency.

- Analysis and studies of the external sector of the Polish economy

These included:

- Ongoing analyses and forecasts of Poland's balance of payment, which also addressed the impact of the global financial crisis.
- Studies of external imbalance.
- Monitoring of the zloty effective exchange rate, as a factor to assess the competitiveness of the Polish economy.

- Analysis and studies of the global economy

Activities in this area comprised:

- Ongoing analyses of the economic situation in CEE countries, with a special emphasis on the factors affecting their recovery pace.
- Comparative analyses of the Polish economy *vis-à-vis* other countries of the region.
- Work on modelling and forecasting long-term interest rates in the USA and other developed economies.

- Research into the impact of the financial turmoil on the economy

This included:

- Implementation of a research project aiming to verify how financial market imperfections modify standard recommendations for monetary policy in an open economy. The research found that an imperfect operation of financial markets has serious consequences for the policy which strives to maximise the utility of households within the DSGE model.
- Implementation of a research project with the aim to compare the features of the most popular DSGE models taking account of financial market imperfections. The project showed that the introduction of financial frictions to the models results in a better match between the model and the data. However, standard methods of introducing frictions also result in undesired effects.
- Implementation of a project aiming to examine the impact of the financial crisis on Polish enterprises. The study proved joint ventures to be more resilient to the crisis.

9.5. Forecasting and research

This included:

- Re-specification of some equations of the main forecasting model (NECMOD) and reestimation of its parameters with the use of the complete data for 2009.
- Research to verify whether the results of short-term forecasting should be used to correct inflation and GDP projections in accordance with the main forecasting model (NECMOD).
- Further work on implementation of short-term forecasting models to forecast GDP components.
- Completion of work on a dynamic stochastic model of general equilibrium estimated on the Polish data by means of Bayesian techniques (model DSGE-SOE PL-2009).
- Research to assess the possibilities of introducing shocks with distributions other than normal to DSGE models.
- Implementation of a project whose objective was to explore the possibility of forecasting the exchange rate. The accuracy of a forecast derived by means of non-linear one-dimensional models was compared against the nominal exchange rate of the zloty *vis-à-vis* various currencies.

9.6. Activity of the NBP Economic Research Committee

As part of the first competition for the research projects to be carried out by NBP employees and outside researchers, the NBP Economic Research Committee selected 14 projects for implementation in 2010. Within the framework of the second competition, which ended in November 2010, 9 projects were selected for implementation.

9.7. Research related to full membership in the third stage of the Economic and Monetary Union

In 2010 the list of publications on monetary integration included, i.a., the following:

- Further work on the processes unfolding in the economies of the euro area (*Euro Area Review III, Euro Area Review IV*),
- *Problems of Poland's Fiscal Policy on the Way towards the Euro Area in the Context of Local Conditions and Experience of Other Countries*,
- *Report on Recent Developments in the International Monetary System*,
- *Impact of the Developments in Greece on the Functioning of Currency Markets*,
- *Euro as an International Currency*,

- *Assessment of Competitiveness of the Polish Economy against other EU countries, with a Special Emphasis on the Market of Goods and Services,*
- *Estimates of CHEER and BEER Exchange Rate Equilibrium January 2000 – September 2010.*

9.8. Poland in the face of the world economic crisis report

In 2010, the NBP developed the second part of a report *Poland in the Face of the Global Economic Crisis – discussion and conclusions*. The supplement attached to the document outlines long-term challenges for the economic policy in Poland. These are: establishing foundations for an economy of innovation, increasing the importance of human capital, active combat against structural unemployment and changes to the tax system. It also enumerates conclusions pertaining to the long-term stability of banking system.

9.9. Academic conferences and seminars organised by the NBP

In 2010, the NBP held the following international conferences:

- 26 May 2010 – *Shaping the Future of the International Monetary System*. The conference was dedicated to defining the impact of the international currency system on the global economy. Conference participants discussed the current developments in the international currency system and new regional currency agreements.
- 10–11 June 2010 – *Heterogeneous Nations and Globalized Financial Markets: New Challenges for Central Banks*. The conference was organised jointly by the NBP, Westfälische Wilhelms-Universität Münster and Viessmann European Research Centre at Wilfrid Laurier University.
- 21 June 2010 – workshops of the ESBC Working Group for Public Finance which discussed the findings of the latest research on fiscal policy pursued at EU central banks. The conference discussed, i.a. the following topics: estimation of the extraordinary tax income resulting from speculative bubbles, analysis of the long-term stability of public finance via the methodology of generational accounts, analysis of the public debt impact on the tax on wages from paid employment, model of contagion in the government bond market of the euro area.

Moreover, 26 open-to-public academic seminars were organised. Their list is presented in Annex 7.

Highlights in 2010:

- 113 research papers published by NBP employees in well-renowned national and international periodicals;
- 23 projects, selected in competitions launched by the NBP Economic Research Committee, forwarded for implementation;
- a number of changes launched into forecasting tools and processes;
- 2 international conferences and 26 open scientific seminars.

⁴⁶ Tasks in this field are fulfilled pursuant to, i.a., Article 3 para. 2 point 7, Article 17 para. 4 point 13 and Article 23 of the Act on the NBP and the Act on Public Statistics.

Planning and implementation of monetary policy requires a broad range of high-quality statistical data. The data published by the NBP is also used by external recipients. The NBP submits reports to domestic and international institutions, including, in particular, the European Central Bank, on a regular basis.

Finally, statistical data is also used to monitor risk in the financial sector. This aspect was particularly crucial during the recent global financial crisis.

10.1. Standard tasks performed by the NBP with respect to statistics

As part of its regular statistical tasks, the NBP performed the following:

- collected, validated, processed and conducted ongoing analysis of data regarding:
 - the balance of payments, external debt and international investment position;
 - balance-sheets of banks and credit unions;
 - interest rates applied by banks;
 - supervisory and prudential reports (FINREP, COREP);
 - assets and liabilities of investment funds and securitisation entities;
- interpreted monetary developments and balance of payments operations for the purpose of ongoing monitoring of monetary developments;
- processed and analysed information on the financial situation of enterprises;
- developed the methodology for compiling monetary and financial statistics, the balance of payments, financial accounts, the general government statistics as well as statistics of investment funds and securitisation entities;
- created and modified the concept framework for the IT systems used to collect and process statistical data.

The publications containing the data were addressed to both internal and external recipients. The most important of them included:

- quarterly reports on the balance of payments and the annual report *International Investment Position of Poland*;
- quarterly figures on Poland's external debt and international investment position;
- monthly balance of payments data;
- monthly consolidated balance sheet of MFIs, including key monetary aggregates (M3 money supply and its counterparts);
- monthly data on average interest rate of bank deposits and loans;
- quarterly financial accounts.

Statistical information was forwarded to domestic institutions such as: the Sejm, the Council of Ministers, the Central Statistical Office and to academic institutes. It was also submitted to the ECB and other international organisations, such as the IMF, the World Bank, the OECD, the BIS and the Eurostat.

Moreover, in 2010, the NBP performed the following:

- carried out a research project on the construction of parallel business cycle index, based on second-generation dynamic factor models;
- participated in the activities of Eurostat task group appointed to develop Guidelines on Common Revision Policy, and submitted an own project in this area;
- participated in the work of a new ECB task group (Task Force on Seasonal Adjustment of National HICPs), whose objective is, among other things, to prepare recommendations concerning seasonal adjustment of HICP⁴⁷ and its components;
- carried out research in cooperation with Forschungszentrum Generationenverträge Research Centre at the University of Freiburg; the cooperation resulted in a publication containing pilot generation calculi for Poland;
- continued cooperation with the BIS aimed at creation of a joint statistical database for central banks;
- commenced methodological and analytical work related to the so-called enterprise sector demography.

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

In 2010, the NBP participated in work on statistics conducted by the ECB and other international institutions. The tasks were fulfilled, i.a., by participation in the work of the ECB Statistics Committee and its expert and task groups, Eurostat working groups, as well as the Committee on Monetary, Financial and Balance of Payments Statistics, the Committee of European Banking Supervisors and the European Commission.

The work related to monetary and financial statistics, financial accounts, the general government sector, the real sector, the balance of payments, as well as the supervisory and prudential statistics.

10.2.1. Monetary and financial statistics

The NBP provides the ECB with cyclical harmonised data on the consolidated balance sheet of Monetary Financial Institutions (MFIs),⁴⁸ as well as interest rate statistics.⁴⁹ In 2010, the ECB modified the scope of reporting obligations in these areas. In connection with this, the NBP amended the Resolution of the Management Board of the NBP regulating submission of data by

⁴⁷ Harmonised Index of Consumer Prices.

⁴⁸ Regulation No 25/2009 of the European Central Bank of 19 December 2008 concerning the balance sheet of the monetary financial institutions sector (ECB/2008/32).

⁴⁹ Regulation No 63/2002 of the European Central Bank of 20 December 2001 concerning statistics on interest rates applied by monetary financial institutions to deposits and loans vis-à-vis households and non-financial corporations (ECB/2001/18), amended by Regulation No 290/2009 of 31 March 2009 (ECB/2009/7).

banks to the NBP.⁵⁰ Moreover, the amendment aimed to eliminate from WEBIS reports⁵¹ the supervisory data which are currently collected in FINREP and COREP reports and to extend the scope of the resolution on the data on financial market operations, obtained hitherto on the basis of individual agreements with Money Market Dealers and banks applying for this function.

The NBP also participated in ECB work on development of new reporting areas as a part of Working Group on Monetary and Financial Statistics. In 2010, preparatory work began on the developing a framework for security holder statistics. These data are particularly important to the activities of the European Systemic Risk Board (ESRB) (see chapter *Financial system*). In collaboration with selected banks and brokerage houses, the NBP carried out a research on the costs of the new reporting.

The NBP continued to develop a reporting system for investment funds. Work on gathering data from investment funds through the PEGAZ system was completed. Moreover, an IT tool was developed to transmit these data from the PEGAZ system to the INTER-FIN system, currently under construction.

10.2.2. Financial accounts statistics

Since 2009, the NBP has regularly published quarterly financial accounts, prepared in accordance with the principles of the European System of Accounts 1995 (ESA 95) and taking into consideration the requirements of the European Central Bank. The calculations employ data both from the IT systems of the NBP and external institutions (mainly the Central Statistical Office – GUS – and the Polish Financial Supervision Authority).

In 2010, the annual financial accounts submitted to Eurostat in respect of the previous year were for the first time drawn up in compliance with the requirements specified in the ESA Transmission Programme. The fact that the NBP took the above obligation over from the GUS as a result of arrangements made by managements of both institutions helped to retain coherence of quarterly and annual financial accounts submitted, respectively, to the ECB and Eurostat.

10.2.3. General government sector statistics

The Working Group on General Government Statistics, appointed by the GUS President, conducted further work on adjusting the methodology for determining the revenues and expenditure of the sector to the EU standards. As a result, the GUS published a manual describing the principles for developing general government sector statistics according to the EU standards.

10.2.4. Real sector statistics

In 2010, the National Bank of Poland obtained the status of a full member, acting within the European Commission, of the European Committee of Central Balance-Sheet Data Offices (ECCBSO). Prior to that, the NBP had had the status of an observer.

⁵⁰ Resolution No 2/2010 of the Management Board of the National Bank of Poland of 18 February 2010, amending the resolution on the procedure and detailed principles of transmission by banks to the National Bank of Poland of data needed to determine the monetary policy guidelines and to periodically evaluate the monetary standing of the state, as well as to assess the financial situation of banks and the banking sector risk.

⁵¹ WEBIS – IT system for collecting banking reporting data for the purposes of monetary policy.

⁵² FINREP and COREP – reporting standards (formats) based on a reporting standard designed by the CEBS (Committee of European Banking Supervisors). COREP – prudential reporting applicable after implementation of the New Capital Accord; FINREP – financial reporting.

Obtaining full membership resulted from the recognition of hitherto cooperation, including the contribution to the activities of the Committee's working group – BACH-ESD (Working Group on Bank for the Accounts of Companies Harmonised-European Sectoral Database).⁵³

Moreover, the NBP commenced transmission of index data on Polish enterprises to the ESD.

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

The NBP completed work on the development of the PEGAZ system for data collection and processing for the purposes of balance of payments statistics and investment funds statistics (see *Report on NBP operations in 2009*). In 2010, tests were completed and the system was launched; in the process, numerous meetings with reporting entities were held.

Another research was conducted on Poles' income from work abroad. The scope of the research was extended by adding two countries (Germany and the Netherlands besides the hitherto examined UK and Ireland). The findings of the research, which was unique on the national scale, are used to compile the balance of payments and other analyses.

10.2.6. Supervisory and prudential statistics

2010 saw the introduction of:

- modifications to FINREP and COREP reports in the prudential reporting system – SIS⁵⁴ (the changes also resulted in the need to redefine reports prepared for the Ministry of Finance and the ECB, BIS and OECD);
- changes in the FINREP package related to the amendment to the Regulation of the Ministry of Finance on special accounting principles for banks;
- changes in the instruction manual to the COREP system, resulting from the resolutions of the Polish Financial Supervision Authority – numerous changes were introduced in the calculation of banks' equity and of capital requirement for credit risk;
- modifications of the SIS system, aimed at supporting the data control process;
- modifications involving an increase in the frequency of consolidated data collection for the needs of the European Systemic Risk Board (ESRB) which is currently being established; the NBP submitted to the ECB the first semi-annual report in this area;
- changes in the scope of data posted on the NBP website – the publication has been supplemented with information from the FINREP package.

⁵³The tasks of BACH-ESD Working Group include: technical work on improvement of comparability of data concerning the enterprise sector, received from different countries; designing databases (the scope of variables and cross-section structure); administration of the BACH-ESD base and specification of principles of making data available. BACH-ESD (Bank for the Accounts of Companies Harmonised – European Sectoral Database) is – apart from commercial databases – one of the main sources of balance-sheet statistics for the enterprise sector in the EU. Currently, the database is managed by the Bank of France. The database contains harmonised annual balance-sheet data of non-financial enterprises and distributions of financial indices. The data come from 11 EU states, Japan and the US. The database was created in 1987 and is available free-of-charge for registered users. The data in the base are aggregated according to the enterprise size and PCA sections.

⁵⁴An IT system for collecting and making available financial and prudential data from the financial sector.

Highlights in 2010:

- launch of a statistics system for foreign economic relations (PEGAZ);
- introduction of extended ECB reporting requirements with respect to MFI balance-sheet statistics, interest rate and securitisation operations statistics;
- continuation of work on the INTER-FIN investment fund reporting system;
- increase in the frequency of submission of banks' consolidated data to the ECB;
- submission of annual financial accounts in compliance with the requirements specified in ESA Transmission Programme to Eurostat.

EDUCATION AND INFORMATION

Pursuant to Article 59 of the Act on the National Bank of Poland, the central bank carries out publishing and promotional activity. Within its scope, the Bank implements educational and informational projects designed to enhance the transparency of the NBP's activities and the understanding amongst the general public of the functioning of the central bank, the banking system and the market economy. The projects also aim to disseminate knowledge about the EMU and the euro both amongst the public and in the banking sector.

11.1. Education

In 2010, the NBP implemented 264 projects aimed at raising the general economic awareness among the public and encourage mature and stable behaviour patterns in the financial system.

11.1.1. Economic education programme

According to the *Strategy for Economic Education for the Years 2010–2012*, educational tasks carried out by the central bank target the following areas:

- increasing public awareness of the NBP's role as the central bank and its mission in the economy;
- enhancing the understanding of economic issues amongst the public and raising general awareness in this area;
- disseminating knowledge about the Economic and Monetary Union;
- increasing public awareness of the national economic heritage.

The NBP's educational activity targets two key groups of recipients: indirect (leaders who can influence the public opinion – economic experts, journalists and teachers) and direct ones (consumers and financial instrument holders, social groups with low economic awareness, persons who deal with economic issues in their work as well as students and pupils).

The majority of projects implemented in 2010 picked up on the initiatives launched in preceding years. The following projects were continued under schemes for schools, students, journalists and other circles: *Moje finanse* ("My Finances"), *Ekonomia na co dzień* ("Day-to-day Economics"; in total, over 290,000 students and 5,150 teachers participated in these two programmes), essay competition for junior-high and high school pupils (745 texts were submitted), Entrepreneurship Olympics, Olympics of Knowledge on Finance, Olympics of Economic Knowledge (approx. 42,000 pupils across Poland took part in this competition), Economic education web service at the Opoka portal (visited by 105,000 users), Władysław Grabski Memorial Award (54 authors submitted their work for the competition), Postgraduate Study in Central Banking and Monetary Policy (completed by 37 graduates), postgraduate studies in basic entrepreneurship for teachers (100 graduates), scholarship programme for persons eligible to be granted the Polish Charter ("Karta Polaka"; more than 60 fellows), bridge scholarship programme for youth from rural areas and small towns who are willing to take up studies related to banking, finance or economics (263 scholarships in total) and a pilot project *Ekonomiczny Uniwersytet Dzieci* ("Children's Economic University"; 1,350 children participated in the programme). The Mechanisms of Euro Area Functioning postgraduate studies, launched for the second time at 17 best universities throughout the country (900 graduates), are especially noteworthy among the new projects.

2010 saw the launch of new educational initiatives: Postgraduate studies in banking law (200 graduates in total), training courses for trade union leaders (460 participants in total), training sessions in central banking and the euro area for fellows of bridge scholarships (200 persons in total).

Moreover, the following shows were broadcast in cooperation with the media: *Nasza kasa II* ("Our Money II") (nearly 6 million viewers), *Jak uniknąć pułapki kredytowej* ("How to Avoid the Credit Trap") (television and radio broadcast – more than 1 million viewers and approx. 450 thousand listeners), placement of economic information in *Matysiakowie* radio show (700 thousand listeners).

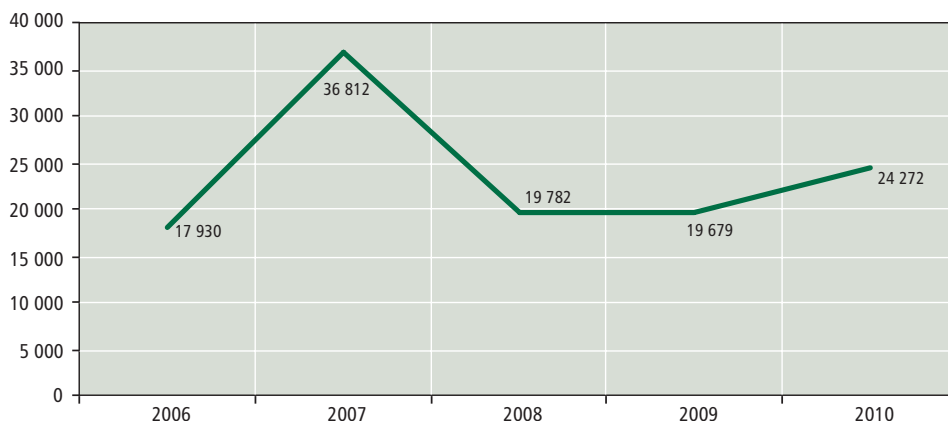
The NBP's educational projects are assessed primarily on the basis of readership, viewing and listening indices as well as the number of visitors. In 2010, work was carried out to select, by way of public procurement, a third-party contractor of research on public opinion in the scope of educational activity of the NBP.

11.1.2. Economic Education Portal – NBPortal.pl

In 2010 the following activities were carried out:

- the structure of the portal was redesigned and aligned;
- new e-learning courses and new multi-media presentations were launched;
- approx. 70 articles were published, explaining economic mechanisms in a simple language;
- a new section, *Entrepreneurship*, was created. The section contains teaching aids for high school teachers and materials for students to do with entrepreneurship.

Figure 19
Number of users of e-learning courses at NBPortal in the years 2006–2010



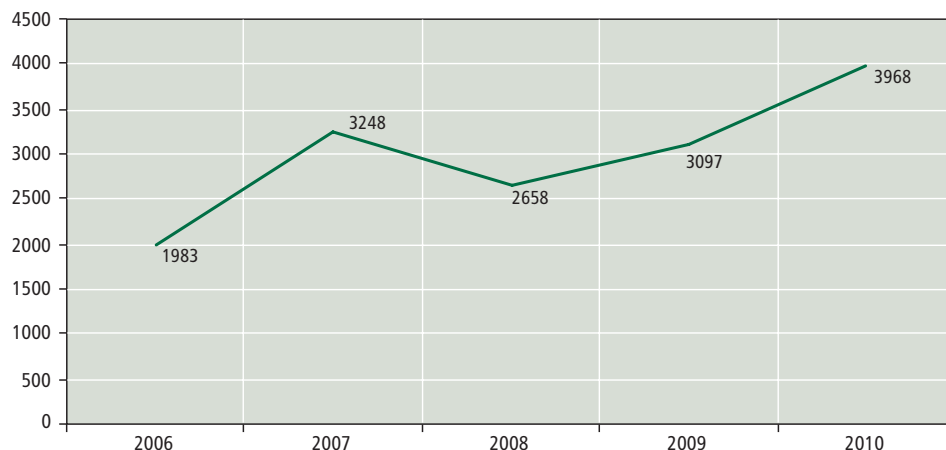
Source: NBP data.

In 2010, the Economic Educational Portal recorded more than 1 million unique users (approx. 170 thousand less than in 2009) and approx. 7 million views (approx. 1.3 million less than in 2009).

The number of users of e-learning courses increased, as compared to 2009, by 4.6 thousand, amounting to more than 24 thousand. The number of completed courses also increased, to approx. 4 thousand.⁵⁵

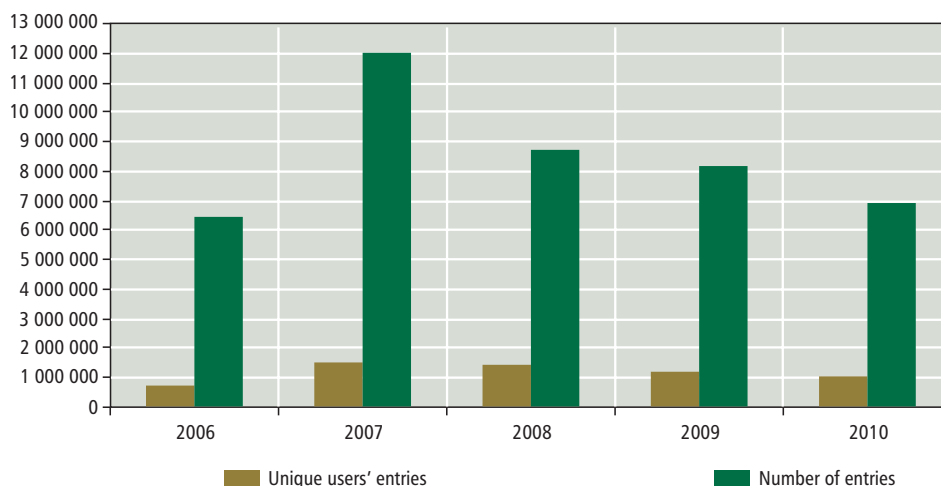
⁵⁵ Measures of effectiveness of NBPortal include own statistics, maintained using Gemius software tools and Lotus Learning Space statistics, concerning e-learning courses.

Figure 20
Number of completed e-learning courses at NBPortal in the years 2006–2010



Source: NBP data.

Figure 21
Number of entries of NBPortal users in the years 2006–2010



Source: NBP data.

11.2. NBP Money Centre

In 2010, work continued at the National Bank of Poland to establish an educational facility presenting the history of money, the history of commercial and central banking as well as general mechanisms governing the economy.

In 2010 the following activities were carried out:

- collections stored by the NBP (coins, documents and historical objects of practical use) were catalogued; further exhibits were sought for the purpose of arrangement of the respective exhibition modules;
- the Centre's educational strategy was developed (taking account of different age/special needs groups);



- a competition was announced to develop the concept of the exhibition at the NBP Money Centre, in accordance with the Public Procurement Law.

According to plans, the NBP Money Centre will open in 2012.

11.3. Promotion

In 2010, the NBP continued promotional activities concerning the issue of collector coins and notes (22 themes) – in cooperation with local, regional and national media. More than 15 thousand people participated in events dedicated to individual issues. Promotion of a coin of the series: *History of Polish Popular Music – Krzysztof Komeda* was particularly noteworthy: an official concert was held on this occasion.

Moreover, the NBP participated in the 16th Polish Financial Forum *Your Money* (at the Coin Expo fair). The NBP stand was visited by more than 1,000 people.

For the seventh time, the NBP organised Open Days, during which the Head Office and regional branches were visited by a total of 57 thousand people. This indicates that interest in the activities of the central bank remains high.

11.4. Publishing

In 2010 – as in previous years – the NBP's publishing activity included periodic publications, i.e.: the *Annual Report*, *Report on NBP Operations*, *Monetary Policy Guidelines*, *Report on Monetary Policy Implementation*, *Financial System Development in Poland*, *Monetary Policy Instruments*, *International Investment Position of Poland*, *Inflation Report*, *Balance of Payments of the Republic of Poland*, *Bank i Kredyt* (Bank and Credit) bimonthly magazine (with an educational insert for 2010, entitled: *Derivatives in the global economy from A to Z*), *Information Bulletin* and *Preliminary Information*.

Most publications are issued in two language versions – Polish and English – with a circulation of around 900 copies per each version.

In addition, in cooperation with the European Central Bank, the NBP published quarterly editions of the ECB *Monthly Bulletin* in Polish. The NBP also published a number of studies from the *Materiały i Studia* (NBP Working Paper) series, in Polish and English (for a 2010 detailed list, see Appendix 5).

Other book releases include:

- *An Outline History of Polish Central Banking*;
- *Report on the Situation in the Residential Real Estate Market in Poland in the Years 2002–2009*;
- The study *Poland in the Face of the World Economic Crisis — part 2: Conclusions from the Discussion*;
- *Report on the Research of the Labour Market in Silesian Province in May 2010*.

11.5. Information

11.5.1. Campaign concerning the exchange of "old" zlotys

In connection with its statutory obligation, the NBP conducted, at the end of 2010, an information campaign *Let's swap*, alerting the public to the final deadline for the exchange of the old currency, issued before the redenomination of 1995, and informing about the ways to exchange it.

Moreover, the NBP cooperated in this respect with Caritas Polska. The objective of joint activities was to provide the public with an opportunity to donate notes and coins to charity – the *Wings* scheme, supporting children from the poorest families. Thanks to widespread promotion of the campaign in the media (television, press, radio and the Internet), more than PLN 250,000 was collected. These funds were allocated for 300 scholarships.

11.5.2. Information concerning the EMU and the euro

The NBP carried out information activity concerning the EMU and euro. During the Open Days, the NBP prepared, in cooperation with the European Central Bank and the European Commission, a stand dedicated to Poland's preparations for the introduction of the euro. Moreover, an exhibition about the euro was organised at the NBP's Regional Branch in Warsaw, presenting the appearance and protection features of euro banknotes and coins as well as the general history of money. The exhibition was visited by approx. 43,000 people.

The NBP promoted a website dedicated to information about the Economic and Monetary Union: www.nbp.pl/euro.

Moreover, information materials were distributed, including two new publications: *The Euro. The Currency for Europe* and *The Euro in Poland: What Will Change?* To increase the security of trading in the euro, the NBP distributed, among banks and bureaux de change, as well as among the public, materials presenting the protection features of euro coins and notes, which facilitate the detection of counterfeit currency.

11.5.3. Liaising with the media and market analysts

In 2010, more than 70 meetings with journalists were held, including: press conferences after MPC meetings, presentations of *Inflation Reports*, interviews during international science conferences, visits of representatives of international institutions and official delegations at the NBP. Meetings with the media were also organised on the occasion of the introduction of collector coins to circulation. Approx. 240 interviews were conducted with the President of the NBP, members of the MPC and the Management Board of the NBP.

11.5.4. NBP website

In 2010, the www.nbp.pl website had approx. one million visitors per month (approx. 900 thousand in 2009). The NBP Website was systematically expanded and updated, in particular in terms of statistical data, studies and economic analyses. A special section dedicated to the information campaign: *Let's swap* – concerning the end of redenomination – was created.



2010 was the first full year of operation of the web portal Obserwator Finansowy ("The Financial Observer"). The website is dedicated to current economic events in Poland and in the world. It provides a forum for an economic debate with contributions from renowned Polish and foreign economists. More than 1,200 articles, blogs and video files by NBP and third-party experts were published in 2010.

11.5.5. Consideration of petitions, complaints, applications and letters

In 2010, 5,985 cases addressed to the NBP were considered (6,297 in 2009), including 5,847 letters (6,118 in 2009) and 138 complaints and applications (179 in 2009).

Out of the submitted cases, 5,649 were resolved at the NBP, whilst 336 (5.6%) were handed over, according to subject-matter, to banks and other institutions.

Cases considered at the NBP concerned primarily: the availability of collector coins, granting financial support, access to archive information and statistical data.

Correspondence directed by the NBP to banks and other institutions concerned primarily banking services, including irregularities in the provision of services and loan extension, collection of receivables, performance of transfers and settlement of payments made with payment cards. The remaining cases concerned, among other things, bonds issued before 1939, assistance in determining legal successors of banks (liquidated or transformed) as well as information about banking products.

11.6. NBP Central Library

NBP Central Library is a research library. The Library's collections are made available to all interested persons in the reading room which seats 29 people or *via* lending. The Library lends publications to NBP employees and to other interested parties – as a part of interlibrary lending on the principles specified in the Act on Libraries.

Table 10
NBP Central Library's collection

Type of publication	31.12.2006	31.12.2007	31.12.2008	31.12.2009	31.12.2010
Non-serial publication	103,574 volumes	108,017 volumes	112,630 volumes	116,421 volumes	121,145 volumes
Serial publication	38,500 volumes	39,000 volumes	40,300 volumes	41,500 volumes	31,000 volumes
Current magazines	525 titles	505 titles	505 titles	505 titles	400 titles

Source: NBP data.

In 2010, 8,348 persons used the Library, borrowing 13,776 books. The reading room was visited by 3,902 persons, to whom a total of 15,579 books were made available.⁵⁶ 77 institutions used interlibrary lending. In total, the collections were used by 12,250 persons, to whom 29,355 books were made available.

⁵⁶ The statement does not include publications constituting the reference library.

Highlights in 2010:

- conducting information campaign: *Let's swap*;
- continuation of work on the launch of the NBP Money Centre;
- implementation of numerous educational projects.

LEGISLATIVE ACTIVITY⁵⁷

⁵⁷ Tasks in this field are fulfilled pursuant to, i.a., Article 7, Article 12, Article 16 para. 3, Article 17 para. 3 point 2 and para. 4 of the Act on the NBP, as well as pursuant to the provisions in compliance with delegations, included in them, for NBP governing bodies to adopt legal acts.

12.1. Legislation by NBP governing bodies

In 2010, the governing bodies of the NBP issued 125 normative legal acts, including 28 by the President of the NBP, 13 by the MPC and 84 by the Management Board of the NBP. Of all the legal acts issued by the governing bodies of the NBP, 28 were published in Monitor Polski (the Official Gazette of the Republic of Poland), and 24 were published in the Official Journal of the National Bank of Poland.

12.2. The NBP contribution to legislative activity by state authorities with respect to normative and non-normative acts

Pursuant to the Act on the National Bank of Poland, the NBP cooperated with the state authorities by issuing opinions on draft normative and non-normative acts which concerned economic policy and were relevant to the banking system. By participating in this process, the NBP contributed to the stability of the financial system and the safety and development of the banking system.

In 2010, the NBP issued opinions on:

- 203 documents received in the course of inter-ministerial consultations;
- 940 documents received prior to their examination by the Committee of the Council of Ministers.

The key draft legal acts on which the NBP issued opinions in 2010 and which do not pertain directly to the banking sector (legal acts on the banking sector are discussed in detail in section 12.3), include:

- Act of 12 February 2010 Amending the Act on Computerisation of Activities of Entities Performing Public Tasks and Certain Other Acts (Journal of Laws No 40, item 230);
- Act of 9 April 2010 Amending the Act on Investment Funds (Journal of Laws No 106, item 670);
- Act of 29 April 2010 Amending the Act – Provisions Introducing the Act on the National Court Register (Journal of Laws No 106, item 671);
- Act of 29 April 2010 Amending the Act on Commercialisation and Privatisation and Act – Provisions Introducing the Act on Public Finance (Journal of Laws No 108, item 685);
- Act of 5 August 2010 on Protection of Classified Information (Journal of Laws No 182, item 1228);
- Act of 26 November 2010 Amending Certain Acts Related to Implementation of the Budget Act (Journal of Laws No 238, item 1578);
- Act of 16 December 2010 Amending the Act on Public Finance and Certain Other Acts (Journal of Laws No 257, item 1726);



- Parliamentary Bill Amending the Act – Bankruptcy and Reorganisation Law (parliamentary document No 3311);
- government Bill on Consumer Loan (parliamentary document No 3596);
- government Bill on Electronic Signature (parliamentary document No 3629);
- parliamentary Bill Amending the Act on Electronic Signature, the Act on Goods and Services Tax, Act – Civil Code and Act on Population Registration and Identity Cards (parliamentary document No 3768);
- government Bill Amending the Act on Promulgation of Normative Acts and Certain Other Legal acts (parliamentary document No 3673);
- parliamentary Bill Amending the Act – Public Procurement Law (parliamentary document No 3677);
- parliamentary Bill on Consumer Bankruptcy (parliamentary document No 3799);
- Bill on Public Finance (parliamentary document No 1181) and Bill – Provisions Introducing the Act on Public Finance (parliamentary document No 1182).

Moreover, the NBP presented comments on 30 out of approximately 1,900 documents received in connection with the activities of Committee for European Affairs. The key documents included:

- draft regulation on OTC derivatives, central counterparties and trade repositories;
- draft regulation on short selling and certain aspects of CDS transactions;
- draft amendment to Directive 94/19/EC on deposit guarantee schemes;
- draft amendment to Directive 2006/48/EC and 2006/49/EC (so-called CRD);
- draft legal acts concerning establishment of new EU financial supervision structure;
- the European Commission communications on bank resolution funds and future EU framework for crisis management in the financial sector;
- position of the Government of the Republic of Poland on the legislative package of the European Commission concerning a reform of economic governance in the EU;
- drafts of Final Reports of the Task Force for Economic Governance.

Moreover, the NBP submitted to the Prime Minister the opinion on the document: *Convergence Programme. 2009 Update*.

In 2010, NBP employees participated in 13 consultative conferences and legal committees, as well as in 60 meetings of Sejm committees and subcommittees, and meetings of Senate committees.

The NBP also cooperated in the development of solutions regarding major areas of the state's operation by participating in the activities of the following bodies:

- the Polish Financial Supervision Authority;

- the Financial Stability Committee;
- the Polish Accounting Standards Committee;
- the Export Insurance Policy Committee;
- the Financial Market Development Council;
- the Trilateral Commission for Social and Economic Affairs.

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

The NBP issued opinions on:

- Bills which subsequently became:
 - Act of 12 February 2010 on Recapitalisation of Certain Financial Institutions (Journal of Laws No 40, item 226);
 - Act of 21 May 2010 Amending the Act on the National Bank of Poland (Journal of Laws No 109, item 709);⁵⁸
 - Act of 10 June 2010 Amending the Act on the Bank Guarantee Fund (Journal of Laws No 140, item 943);
 - Act of 25 June 2010 Amending the Act – Banking Law, the Act on Insurance Activity, the Act on Investment Funds, the Act on Trading in Financial Instruments and the Act on Financial Market Supervision (Journal of Laws No 126, item 853);
 - Act of 16 December 2010 Amending the Act on the Bank Guarantee Fund and Certain other Acts (Journal of Laws No 257, item 1724);
 - Act of 5 January 2011 Amending the Act on Bank Gospodarstwa Krajowego and Certain other Acts (Journal of Laws No 28, item 143);
 - Act of 1 February 2011 Amending the Act on Provision of State Treasury Support to Financial Institutions and the Act on Recapitalisation of Certain Financial Institutions (Journal of Laws No 38, item 196).
- Bills under consideration:
 - presidential Bill Amending the Constitution of the Republic of Poland (document No 3598);⁵⁹
 - parliamentary Bill on Building Societies and State Support to Saving for Housing Purposes (parliamentary document No 3674);

⁵⁸ The amendment involves adding a new Article 9a to the Act on the NBP, aimed at a more detailed regulation for replacement of the President of the NBP in case of an expiry of a term of the President of the NBP as a result of circumstances mentioned in Article 9 para. 4 of the Act on NBP.

⁵⁹ The Bill provides for abolishment of constitutional liability of the President of the NBP, resulting from Article 198 (1) of the Constitution of the Republic of Poland, abolishment of the Monetary Policy Council and subject matter limitation concerning the Supreme Audit Office (NIK) audits.

- government Bill on Payment Services;
- parliamentary Bill on Tax on Certain Financial Institutions;
- draft government assumptions for the following Bills: amending the Act – Banking Law, the Act on Trading in Financial Instruments and the Act on Financial Market Supervision; amending the Act – Banking Law (the Bill concerns the problems of outsourcing); amending the Act – Banking Law (the Bill concerns the issue of bank enforcement titles); on reverse mortgage loan; amending the Act on Bonds.

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

In 2010, the NBP participated in issuing opinions on 94 draft legislative acts which had received a draft opinion by the ECB.⁶⁰ The task of the NBP was to take a stance on the opinion of the European Central Bank on a given act.

The NBP presented its position in relation to the following draft opinions of the ECB regarding Community laws:

- draft Regulation of the European Parliament and of the Council amending Regulation (EC) No 1060/2009 on Credit Rating Agencies;
- draft Commission Regulation stipulating detailed principles of execution of Council Regulation (EC) No 2494/95 concerning harmonized indices of consumer prices (HICP) and repealing Commission Regulation (EC) No 2454/97;
- draft Directive of the European Parliament and of the Council, amending Directive 2006/48/EC and 2006/49/EC regarding capital requirements for the trading book and securitisation and supervisory review of remuneration policy;
- draft Council Regulation amending Regulation (EC) No 479/2009 regarding quality of statistical data in the context of the excessive deficit procedure;
- draft Directive of the European Parliament and of the Council amending Directives 1998/26/EC, 2002/87/EC, 2003/6/EC, 2003/41/EC, 2003/71/EC, 2004/39/EC, 2004/109/EC, 2005/60/EC, 2006/48/EC, 2006/49/EC and 2009/65/EC with respect to competences of the European Banking Authority, the European Insurance and Occupational Pensions Authority and the European Securities and Markets Authority;
- three draft Regulations of the European Parliament and of the Council establishing the European Banking Authority, the European Insurance and Occupational Pensions Authority and the European Securities and Markets Authority.

Moreover, the NBP presented its position in relation to draft opinions of the ECB regarding draft Polish acts⁶¹ (for the majority of drafts listed in section 12.3).

⁶⁰ According to the provisions of the Treaty of Lisbon and the Statutes of the ESCB and the ECB, the ECB is entrusted with the task of issuing opinions on Member State – and Community – level draft legislative acts concerning the issue of currency, legal tenders, the status and activities of national central banks, the monetary statistics, payment systems and financial institutions.

⁶¹ Titles of opinions to individual draft Polish legal acts, available at the ECB website, refer to the technical content of a given draft and differ from the titles of the source draft, e.g. Opinion of the European Central Bank of 7 May 2010 on an amendment to the rules securing the continuation of office of the President of the National Bank of Poland (CON/2010/37) pertains to the Bill amending the Act on the National Bank of Poland.

Moreover, the NBP presented comments on the draft opinion of the ECB on draft Resolution of the Monetary Policy Council amending Resolution on the principles for creating and releasing the provision against the foreign exchange rate risk of the zloty at the National Bank of Poland.⁶²

Consultations also concerned numerous drafts adopted with relation to the ongoing financial crisis and aimed at restoring financial stability in the respective countries (in particular, the provisions of Greek, Hungarian, Irish, Swedish and Romanian law).

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

The National Bank of Poland participated in the work of Cross-institutional Task Forces for the Euro Adoption by the Republic of Poland, established in November 2009.⁶³ It includes: the National Euro Coordination Committee, the Coordination Council and thematic working teams. It also provides for the possibility to establish task groups.

The plenipotentiary of the Management Board of the NBP for euro introduction co-chairs the National Euro Coordination Committee and the Coordination Council. Representatives of the NBP participate in the work of seven out of eight working teams, performing such functions as:

- the chairperson – in the Working Team for Introduction of Euro Notes and Coins;
- deputy chairpersons – in the Working Team for Macroeconomic Issues, Working Team for the Financial Sector and Working Team for Communication Strategy.

Highlights in 2010:

- participation in work on statutory amendments regarding continuity of the office of the President of the National Bank of Poland;
- issuing opinions on draft Acts from EU states experiencing financial crisis, aimed at restoration of financial stability;
- participation in work of Cross-institutional Task Forces for the Euro Adoption by the Republic of Poland.

⁶² Opinion on an amendment to the rules governing the National Bank of Poland's provision against foreign exchange rate risk (CON/2010/32).

⁶³ Journal of Laws No 195, item 1505.

INTERNATIONAL ACTIVITY⁶⁴

⁶⁴ Tasks in this field are fulfilled pursuant to, i.a., Article 5, Article 11 (2) and (3), Article 23 (7) of the Act on NBP, as well as pursuant to the provisions of the Statutes of the ECB and the ESCB.

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

13.1.1. Co-operation within the European System of Central Banks

NBP representatives participated in the work of the ESCB to the extent resulting from the status of the central bank of a EU Member State which remains outside the euro area.

In 2010, the President of the NBP participated in quarterly meetings of the ECB General Council (the decision-making body of the ECB). As part of its remit, the General Council: issues opinions on legislative acts adopted by the ECB Governing Council, contributes to the performance of statistical reporting responsibilities and participates in determining irrevocable exchange rates in countries joining the euro area.

The ECB General Council's meetings addressed primarily issues concerning: the macroeconomic situation of the EU Member States, financial stability, ERM II, monitoring of central banks with regard to the so-called prohibition on monetary financing of the public sector with central bank funds⁶⁵ and prohibition of privileged access,⁶⁶ work on appointing the European Systemic Risk Board (ESRB).⁶⁷ In May 2010, the ECB General Council adopted the cyclical *Convergence Report* concerning economic and legal convergence of nine EU Member States outside the euro area.

The NBP representatives, as members of 12 Committees of the ESCB and numerous work groups and task forces of the ESCB, discussed and developed solutions concerning:

- current fiscal situation in the EU countries and in global financial markets;
- work on the TARGET2-Securities and new version of TARGET2 Simulator software, using Internet connections;
- issues related to establishment of the ESRB, i.e.: statistical support, changes in the structure of the ECB related to the appointment of the ESRB Secretariat, and increase in ECB analytical activity related to EU financial stability;
- work on the introduction of new statistical standards for the balance of payments statistics and national financial and non-financial accounts statistics from 2014.

In 2010, the NBP organised two off-site sessions of the ESCB committees: ESCB International Relations Committee and Legal Committee.

13.1.2. Collaboration with other Community bodies

In 2010, NBP representatives participated in activities related to the operation of the following EU bodies:

- ECOFIN (informal meetings);

⁶⁵ Which follows from Article 123 of the Treaty on the Functioning of the European Union.

⁶⁶ Which follows from Article 124 of the Treaty on the Functioning of the European Union.

⁶⁷ The NBP was involved in the intense legislative works on establishment of EU financial supervision framework in 2010. Establishment of ESRB will mean broadening of the scope of international cooperation in which NBP participates.

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

13.1.3. Preparations for the Polish Presidency in the Council of the European Union

The NBP participated in preparations for the Polish Presidency in the Council of the EU in the second half of 2011, coordinated by the Ministry of Foreign Affairs. The NBP issued opinions on documents related to the preparations, including *Principles of Organisation of Scheduled Meetings during the Polish Presidency of the EU Council in 2011* and *The European Commission Work Programme for 2011*.

Moreover, the NBP cooperated with the Ministry of Finance and the Ministry of Foreign Affairs in the organisation of an unofficial meeting of the Economic and Financial Affairs Council (ECOFIN).

13.2. Collaboration with international economic and financial institutions

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

In connection with the performance of tasks resulting from Poland's membership in the OECD, the National Bank of Poland cooperated with the National Coordinator of Cooperation between Poland and the OECD, the Ministry of Economy, the Ministry of Finance and Poland's Permanent Delegation to the OECD.

In February 2010, NBP representatives participated in a meeting to summarise the 11th Review of the Polish Economy as a part of works of the OECD Economic and Development Review Committee. The review focused on globalisation.

Moreover, NBP representatives participated in:

- meetings of the Inter-Ministerial Team for the Organisation for Economic Cooperation and Development (OECD) at the Ministry of Economy;
- meetings of committees and working groups of the OECD (including the Economic Policy Committee, Working Group on Short-term Economic Prospects, Working Group on Macroeconomic and Structural Policy Analysis, Committee on Financial Markets, Working Group on International Investments Statistics and Working Group on Financial Statistics);
- conferences and meetings of the Working Group under the OECD International Network on Financial Education initiative.

13.2.2. The World Bank Group and the International Monetary Fund

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

- Spring Meetings of the Boards of Governors of the World Bank and the International Monetary Fund. The meetings were primarily dedicated to a reform of votes and shares in the WB Group and actions in support of the recovery from the global financial crisis. A compromise was adopted regarding the 2nd stage of the reform in order to increase the voting power of developing countries and countries undergoing transformation.

- Annual Meetings of the Boards of Governors of the WB and the IMF. The most crucial topics of the discussion were: the condition of the global economy (including a relatively high resistance of developing countries to the crisis) and evaluation of WB Group reforms.

- Four negotiation meetings held as a part of the 16th Replenishments of funds of the International Development Association (IDA). As a result of these arrangements, Poland maintained the percentage contribution at the level of the previous Replenishment.

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

- work which resulted in IMF placing SDR 13,690,000 thousand at the disposal of Poland under the Flexible Credit Line;
- meetings with IMF representatives during the Fund's mission in Poland under Article IV;
- consultations related to participation in the following IMF surveys: *IEO Survey for the Evaluation of Research at the IMF, Information System for Instruments of Monetary Policy, Access to and Use of Financial Services, Financial Stability and Macroeconomic Policy*.

Moreover, the President of the NBP attended a meeting with Director General of the IMF. They discussed, in particular, the economic situation in Central Europe in the context of the global economic crisis and issues related to Poland's cooperation with the IMF.

13.2.3. The European Bank for Reconstruction and Development

In 2010, the 19th Annual Meeting of the Board of Governors of the European Bank for Reconstruction and Development (EBRD) was held in Zagreb. During the meeting, a decision was made to increase the statutory share capital of the EBRD.

Moreover, the NBP:

- organised two conferences dedicated to presentations of EBRD cyclical publications: *Transition Report 2009*, entitled: *Transition in Crisis?* and *Transition Report 2010*, entitled: *Recovery and Reform*;
- participated in consultations regarding EBRD's future actions in Central European countries, including EBRD's involvement in these countries after formal completion of operational activity (so-called graduation and post-graduation policy).



13.2.4. Cooperation with international financial institutions

The third meeting, convened on the initiative of the NBP at the NBP Head Office, between the representatives of the Republic of Poland to international financial institutions (WB, EBRD) and the representatives of the Ministry of Finance, the Ministry of Foreign Affairs and the NBP. The meeting focused on Poland's preparations to preside in the Council of the EU with regard to the operation of international financial institutions.

13.2.5. The Bank for International Settlements (BIS)

In 2010, the NBP representatives participated in six meetings of BIS governors and annual meetings of deputy governors of emerging economies. The meetings took place in Basel.

The annual General Meeting of BIS Shareholders on 28 June 2010 adopted the 80th *Annual Report* and approved the balance sheet of the Bank as at 31 March 2010. The profit and loss account, which indicated a net profit of SDR 1,859.8 million, was also approved. The NBP received a dividend amounting to SDR 5.48 million.

13.2.6. International Bank for Economic Cooperation (IBEC)

In 2010, the representatives of the NBP, together with representatives of the Ministry of Finance, participated in the meetings of the IBEC Council and in working meetings, organised in Moscow.

13.3. Technical and training assistance

Technical assistance offered by the NBP under Technical Cooperation for Transition initiative enjoyed great interest of central banks in countries undergoing economic transformation.

According to the *Strategy for the Development of Technical Assistance Offered by the National Bank of Poland in the Years 2010–2012*, adopted in 2009, aid was provided in the first place to countries which are beneficiaries of the Eastern Partnership, i.e. Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine. Circles of beneficiaries of NBP's technical assistance was expanded in 2010 by Central Bank of Afghanistan and Central Bank of Kosovo. To date, 30 central banks have benefited from NBP's technical assistance.

In 2010, the NBP organised technical and training assistance for 208 employees⁶⁸ from central banks of 25 countries, including:

- 18 study visits (for central banks of: Afghanistan, Armenia, Azerbaijan, Belarus, Egypt, Kazakhstan, Kyrgyzstan, Moldova, Serbia, Tajikistan and Ukraine);
- 20 expert visits (to central banks of: Armenia, Azerbaijan, Belarus, Kenya, Kyrgyzstan, Russia, Tajikistan and Vietnam);
- four seminars (including one in cooperation with the National Bank of Switzerland and one in cooperation with Polish Security Printing Works) and six thematic workshops.

⁶⁸ Excluding experts' trips.

Moreover, in 2010, the NBP became involved in other assistance undertakings:

- Twinning project of the European Commission with the participation of the National Bank of Poland, Deutsche Bundesbank and the National Bank of Ukraine, entitled *Strengthening NBU Potential through Approximation to EU Standards of Central Banking*. The NBP provides expert assistance to the Ukrainian central bank, in particular with regard to: budgeting and operational planning, foreign operations, liberalisation of capital flows, the payment system and legal regulations.
- The ECB support programme for the National Bank of Serbia. The NBP's role is to provide expert assistance regarding two issues: *Financial Services and Consumer Protection* – jointly with central banks of France, Spain, Ireland and Portugal and *EU Accession Support* – jointly with central banks of Austria, Bulgaria, Romania and the ECB.
- The assistance mission of the International Monetary Fund for the National Bank of the Kyrgyz Republic. The NBP's assistance concerned financial stability.

Highlights in 2010:

- participation in work on creating the European Systemic Risk Board (ESRB);
- participation in preparations for the Polish Presidency in the Council of the European Union;
- provision of technical and training assistance to 25 central banks.

INTERNAL DEVELOPMENT OF THE NBP⁶⁹

⁶⁹ Tasks in this field are fulfilled pursuant to, i.a., Articles 7–8, 10–11, Article 17 para. 1, para. 3 point 2 and para. 4 as well as Articles 56–57 of the Act on the NBP.

14.1. Human resources management

14.1.1. NBP employment level

In 2010, average employment level at the NBP amounted to 3,666.3 full-time posts and declined by 103.4 posts (2.7%) as compared to 2009. The decrease in employment resulted from decisions, made in the preceding years, to restructure regional branches and the NBP Head Office and to liquidate the Medical Clinic and the Cleaning Services Section in the Support Services Office (see section 14.2. *Organisational changes*). Tables 11 and 12 present changes in the NBP average employment level in the years 2006–2010.

In 2010, remuneration expenses, along with related provisions and payroll tax expenses decreased by 0.5% on the 2009 figure.

Table 11
Changes in the NBP average employment level in the years 2006–2010 (including the GINB employees)

	2006	2007	2007–2006	2008	2008–2007	2009	2009–2008	2010	2010–2009	2010–2006
Total	4,481.2	4,424.0	-57.2	3,968.4	-455.6	3,769.7	-198.7	3,666.3	-103.4	-814.9
Head Office	1,999.0	1,997.0	-2.0	1,603.8	-393.2	1,638.1	34.3	1,690.2	52.1	-308.8
Regional branches	2,209.0	2,156.0	-53.0	2,100.9	-55.1	1,842.0	-259.0	1,719.9	-122.1	-489.1
Support Services Office	273.2	271.0	-2.2	263.7	-7.4	289.6	25.9	256.2	-33.4	-17.0

Source: NBP data.

Table 12
Changes in the NBP average employment level in the years 2006–2010 (excluding the GINB employees)

	2006	2007	2007–2006	2008	2008–2007	2009	2009–2008	2010	2010–2009	2010–2006
Total	4,045.4	3,991.3	-54.1	3,968.4	-22.9	3,769.7	-198.7	3,666.3	-103.4	-379.1
Head Office	1,563.2	1,564.3	1.1	1,603.8	39.5	1,638.1	34.3	1,690.2	52.1	127.0
Regional branches	2,209.0	2,156.0	-53.0	2,100.9	-55.1	1,842.0	-259.0	1,719.9	-122.1	-489.1
Support Services Office	273.2	271.0	-2.2	263.7	-7.4	289.6	25.9	256.2	-33.4	-17.0

Source: NBP data.

14.1.2. Developing staff qualifications

The purpose of training activity at the NBP is to help achieve the NBP's strategic objectives⁷⁰ by ensuring the competence and reliability of the staff and by preparing the employees for operation within the ESCB structures.

⁷⁰ See the *National Bank of Poland Plan of Activity 2010–2012*, available from the website: www.nbp.pl.

In 2010, every employee participated in, on average, 3.2 training events (the same number as in 2009).

The National Bank of Poland carries out regular evaluations of the effectiveness of the training sessions held at home and collects reports on training sessions abroad.

14.2. Organisational changes

On 15 March 2010, the Public Procurement Department was added to the organisational structure of the NBP Head Office. The department is responsible, in particular, for performing tasks of the Head Office and the Support Services Office related to the preparation and conduct of procedures for the award of public contracts. The tasks of the Public Procurement Department also include planning, coordination and supervision of the contract award process at the NBP, relevant reporting as well as representing the NBP before the National Appeal Chamber and common courts in cases related to public procurement.

Moreover, measures were taken to increase the effectiveness and efficiency of service processes aimed to support NBP core functions. In 2010, the following developments took place in this area:

- the Medical Clinic within the NBP structure was liquidated and medical services for the NBP staff were entrusted to an external company;
- cleaning and maintenance services at the NBP Head Office were outsourced.

14.3. Strategic management

In 2010, strategic management introduced in 2008, i.e. a systemic approach to the process of managing the organisation, was further developed. The process involves: strategic analysis, development and implementation of the strategy as well as monitoring of the implementation. In this regard, measures were taken to introduce strategic controlling, process- and project-based approach, through:

- implementation of operating plans and monitoring of their implementation;
- preparation of draft principles for describing processes and launch of activities related to pilot description of selected processes;
- implementation of a new *Project Management Methodology at the NBP*.

14.4. Operational risk management

2010 saw the continuation of activities aimed at limiting operating risk, i.e. minimising the probability of adverse events stemming from poor management or unreliable operation of the bank's resources (IT systems, property, staff, etc.). The level of operating risk was assessed on a cyclical basis and the findings were discussed with the Risk Management Commission. Moreover, measures were taken to curb risk level, in particular in the area of IT. Furthermore:

- changes in the methodologies to manage operating risk were prepared in order to, in particular, enable an estimation of reputational impact of such events;
- *Policy for the Management of Technological Risk of Buildings and Movable Equipment at the NBP* was developed and implemented;
- tests regarding the Business Continuity Plan (BCP) at the NBP were continued and the existing contingency plans were expanded on.

14.5. Investment and renovation

14.5.1. Investment

In 2010, expenditure on the implementation of investment tasks and purchases amounted to PLN 91.9 million (PLN 41.7 million in 2009).⁷¹

PLN 47.2 million was spent on construction projects (51.3% of total expenditure). The key projects included:

- modernisation of office space formerly occupied by the Polish Academy of Sciences – PLN 35.9 million;
- construction of a facility for the needs of a (remote) Main Computer Centre in Zalesie Górne – PLN 2.3 million;
- adaptation of vaults to the statutory requirements at the Regional Branch in Zielona Góra – PLN 2.9 million
- renovation of the facade of the main building at the Regional Branch in Łódź – PLN 0.9 million;
- expansion of the access control system at the NBP Head Office at Świętokrzyska Street 11/21 – PLN 0.6 million.

Thanks to the investments, facilities of NBP regional branches and Head Office were modernised in terms of technical and communication security features, vaults were adapted to statutory requirements and an improvement in the technical condition of the bank's facilities was achieved.

PLN 39.6 million was spent on investments and purchases related to IT and communication (43.1% of total expenditure). The key tasks in this area include:

- corporate communication network – PLN 6.9 million;
- application software – PLN 6.2 million;
- servers – PLN 4.9 million;

⁷¹ Expenditure in 2010 increased primarily in the construction investment group and concerned payments for construction work performed during the modernisation of NBP Head Office building (former Polish Academy of Sciences facility).

- microcomputers and accessories – PLN 4.7 million;
- mass memories and SAN network – PLN 4.7 million;
- tool and administration software – PLN 3.8 million;
- backup copies of operational data – PLN 3.7 million.

The investments enabled the NBP, in particular, to: adapt its IT system to the requirements resulting from the implementation of long-term tasks, ensure a requisite level of system security, replace worn communication infrastructure whose further utilisation would not be cost-efficient, as well as maintain a high level of service to NBP customers.

PLN 5.1 million was spent on purchases of off-the-shelf tangible assets (5.6% of total expenditure). Key items included:

- purchase of three special-purpose vehicles – bank vehicles – PLN 2.4 million;
- purchase of office devices, printing equipment as well as technical and communication security devices – PLN 2.5 million.

14.5.2. Renovation

In 2010, expenditure on renovation and maintenance of the NBP's property amounted to PLN 40.9 million (PLN 44.3 million in 2009). These costs included: facility renovations (PLN 4.6 million) and maintenance (PLN 36.3 million).

14.6. IT support for the banking system and the NBP

In 2010, the following information technology activities were carried out:

- Work commenced on migration of the SORBNET system to a new database; work on the NBP-PHA system continued under the SORBNET-EURO 2012 project (see chapter *The payment system*).
- A new version of Kolekcjoner system was implemented, enabling the use of an internet store.
- The process of transfer of IT systems to the Office of Polish Financial Supervision Authority was completed (in connection with the handover of tasks relating to banking supervision from the NBP to the FSA on 1 January 2008).
- The following IT projects were completed: SZRON (development of an IT system to support operating risk management), PEGAZ (see chapter *Statistics*) and Wallstreet Suite (a system supporting foreign exchange reserve management).
- Performance of further IT work relating to the ZSK system was gradually taken over from the Sygnity company pursuant to the agreement of 2009 (see *Report on the NBP Operations in 2009*). The database and system of the Bank's General Ledger (ZSK-KG) were migrated to a newer version.

- The migration process of the system ZSK – C/O, ZSK – KG, ZSK – BE, PIN to newer versions of applications and databases was completed (Oracle 10i).
- Work was performed on improvement of IT systems at the NBP; for example, the SOA (Service Oriented Architecture) project was commenced, new servers were purchased, HP Blade servers were expanded, the environment for making backup copies for Windows and Unix was expanded, the infrastructure of Cisco active devices was modernised, mass memory was expanded, SAN network was reconstructed, convergence telephony service was launched.

14.7. Internal audit

In 2010, 32 audits were carried out⁷² (43 in 2009) and one advisory task was performed (as in 2009), covering a total of 27 topics (35 in 2009). Work of 13 organisational units of the Head Office and nine regional branches of the NBP was inspected. The audits resulted in recommendations aimed at improvement of applied organisational solutions.

14.8. Safety and security

In 2010, work was conducted on maintenance of an adequate level of security at the NBP. The activities in this are regarded, in particular: IT systems security management, protection of classified information and personal data, provision of cryptographic and certification services,⁷³ security of facilities, persons and money and ensuring business continuity.

14.9. Services

As in preceding years, in 2010, tasks in the scope of services performed by the Support Services Office included in particular: office service, printing service and transport service, including transport of money.

Highlights in 2010:

- decrease in employment level by 2.7%.

⁷² Including two audits upon order of the ESCB Internal Audit Committee (one in 2009).

⁷³ The NBP provides certification services to users of NBP IT systems. Additionally, it operates the National Certification Centre, i.e. the superior certification office in Polish qualified public key infrastructure. As a part of this activity, the NBP issues certificates for the so-called qualified entities providing certification services (i.e. companies issuing qualified certificates).

INDEPENDENT AUDITOR'S OPINION AND CONDENSED
FINANCIAL STATEMENTS OF THE NATIONAL BANK
OF POLAND AS AT 31 DECEMBER 2010⁷⁴

⁷⁴ The responsibilities in this field are exercised, i.a., in pursuance with Chapter 10 (Art. 60–70) of the Act on the NBP.

15.1. Independent auditor's opinion



TO THE MONETARY POLICY COUNCIL
OF THE NATIONAL BANK OF POLAND

**INDEPENDENT REGISTERED AUDITOR'S OPINION
ON THE CONDENSED FINANCIAL STATEMENTS**

PricewaterhouseCoopers Sp. z o.o.
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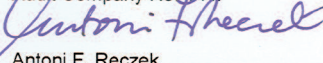
The attached condensed financial statements of Narodowy Bank Polski (hereinafter called "the NBP"), with its registered office at 11/21 Świętokrzyska Street, in Warsaw, were prepared by the Management Board of the NBP based on the audited financial statements of the NBP for the year ended 31 December 2010 ("the financial statements"). The financial statements as at 31 December 2010 have been prepared on the basis of the provisions of the Act on Narodowy Bank Polski of 29 August 1997 (*Journal of Laws* of 2005 No. 1, item 2 with subsequent amendments), hereinafter referred to as "the NBP Act"; the Resolution No. 16/2003 of the Monetary Council Policy of 16 December 2003 on the accounting principles, format of the balance sheet and the profit and loss account of the National Bank of Poland (*NBP Official Journal* of 2003, No. 22, item 38 with subsequent amendments); Resolution No. 63/2008 of the Management Board of the National Bank of Poland of 11 December 2008 on the manner of performing accounting tasks in the area of accounting at the National Bank of Poland (with subsequent amendments); Resolution No. 12/2010 of Monetary Policy Council dated 14 December 2010 on principles for the creation and release of the provisions against foreign exchange rate risk of the zloty at the National Bank of Poland (*NBP Official Journal* of 2010, No. 17, item 19); Resolution No 29/2007 of the Management Board of the National Bank of Poland of 25 October 2007 on the management of fixed assets at the National Bank of Poland, with subsequent amendments.

We have audited the financial statements of the NBP, from which the condensed financial statements were derived, in accordance with the provisions of Chapter 7 of the Accounting Act of 29 September 1994 (*Journal of Laws* of 2009, No. 152, item 1223 with subsequent amendments); national standards on auditing issued by the National Chamber of Registered Auditors in Poland and International Standards on Auditing. On 24 March 2011 we issued an unqualified audit opinion on the financial statements.

In our opinion, the condensed financial statements presented in Chapter 15 "The Independent Registered Auditor's Opinion and the condensed financial statements of the NBP as at 31 December 2010" are consistent, in all material respects, with the financial statements of NBP from which they were derived.

For a better understanding of the NBP's financial position and the results of its operations for the year ended 31 December 2010, the condensed financial statements should be read in conjunction with the financial statements from which they were derived and our opinion and audit report thereon.

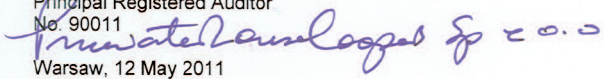
Conducting the audit on behalf of PricewaterhouseCoopers Sp. z o.o., Registered Audit Company No. 144:


Antoni F. Reczek

President of the Management Board

Principal Registered Auditor

No. 90011


Warsaw, 12 May 2011

PricewaterhouseCoopers Sp. z o.o. wpisana jest do Krajowego Rejestru Sądowego prowadzonego przez Sąd Rejonowy dla m. st. Warszawy, pod numerem KRS 000044655, NIP 526-021-02-28. Kapitał zakładowy wynosi 10.363.900 złotych. Siedzibą Spółki jest Warszawa, Al. Armii Ludowej 14.

15.2. Condensed financial statements of the National Bank of Poland as at 31 December 2010

The financial statements of the National Bank of Poland were drawn up as at 31 December 2010.

15.2.1. Legal principles for maintaining accountancy records at the NBP

The financial statements of the NBP were drawn up on the basis of the accounting books, kept in compliance with the following regulations:

- the Act on the National Bank of Poland of 29 August 1997, as amended;
- 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 the National Bank of Poland, as amended;
- Resolution No. 63/2008 of the NBP Management Board of 11 December 2008 on the manner of performing tasks in the area of accounting at the National Bank of Poland, 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 the National Bank of Poland;
- Resolution No. 29/2007 of the NBP Management Board of 25 October 2007 on the management of fixed assets in the National Bank of Poland, as amended;

15.2.2. Basic accounting principles of the NBP

Pursuant to Article 67 of the Act on the NBP, the NBP accounting principles should conform to the standards applied in the European System of Central Banks. The basic accounting principles adhered to at the NBP include:

The true and fair view principle

The NBP applies accounting principles so as to ensure a true and fair view of the economic and financial standing and financial performance, in accordance with the true nature and economic significance of economic events.

The going concern principle

Pursuant to Article 58 of the Act on the NBP, the NBP cannot be declared bankrupt.

The prudence principle

Valuation of assets and liabilities as well as recognition of revenues as part of the profit and loss account is performed prudently. In accordance with this principle, unrealised gains are not recognised as income in the profit and loss account, but are recorded as revaluation differences in the liabilities side of the balance sheet. At the same time, unrealised losses are taken at year-end to the profit and loss account. Unrealised losses related to a respective holding of debt securities,



foreign currency or gold are not netted with unrealised gains on another holding of debt securities, foreign currency or gold.

The materiality principle

A simplified method for grouping economic operations on accounts, for the valuation of assets and liabilities and for the recognition of income and expense may be applied at the NBP, provided that this does not adversely affect the true and fair view of the economic and financial standing and does not significantly affect financial performance.

The comparability principle

Accounting principles are applied throughout. In subsequent financial years, the grouping of economic operations on accounts, the valuation of assets and liabilities, the determination of the financial result, and the drawing up of financial statements are similar, so that the information included therein is comparable. The value of assets and liabilities shown in accounting books as at the end of the year is recognised in the same amount in accounting books that are opened for the subsequent financial year.

The accrual basis/economic approach

All economic events in a given financial year are recognised in accounting books for that year:

- foreign currencies and gold purchased or sold in a spot transaction or a forward transaction as well as debt securities purchased or sold in a forward transaction, are recognised on the trade date;
- debt securities purchased or sold in a spot transaction, and cash received or deposited by the NBP subject to repayment are recognised on the settlement date;
- interest, discount and premium on assets and liabilities and off-balance sheet instruments are taken to the profit and loss account at the end of each operating day.⁷⁵

Events after the balance sheet date

The balance sheet and the profit and loss account recognise the events of which the information was obtained after the balance sheet date and prior to the approval of the annual financial statements, if such events materially influence their content.

Principles for the recognition of assets, liabilities, income and expense

Assets, liabilities, income and expense are recognised in accounting books when:

- it is probable that any future economic benefits will flow in or liabilities will be settled,
- risks or benefits related to an asset or liability were transferred to the NBP,
- the value of an asset or liability and income or expense may be estimated in a reliable manner.

⁷⁵ Except for interest on balances maintained on nostro accounts, interest on the required reserve payment (interest payment date) as well as interest on assets and liabilities related to the Bank's internal operations (at the end of the reporting period, not later than at the end of the month).

All income and expense regarding a given fiscal year are recognised in the financial result of that financial year. The following rules are followed:

- unrealised gains are not recognised in the profit and loss account,⁷⁶
- unrealised losses are recognised in the financial result as at the balance sheet date,⁷⁷
- deferred income or expense is recognised in assets or liabilities.

Provisions for future liabilities are recognised in accounting books, where the NBP is liable from past events or identified risk and, the performance of this liability or occurrence of identified risk are likely to diminish economic benefits at the NBP, provided that the amount of the liability and the amount of identified risk to be covered may be assessed in a reliable manner.

Provisions for future liabilities are created, revalued and released at the end of the reporting period, not later than at the end of a month, except for provisions for future liabilities to the employees, which are established, revalued and released on the balance sheet day.

Provisions for future liabilities not used due to the cessation, either in whole or in part – of the liability or risk which explained the creation thereof are released and included into the profit and loss account.

Outstanding issues

Outstanding issues not set out in the NBP accounting regulations are resolved as provided for, at the date of drawing up the financial statements, in:

- provisions of other legal acts of the NBP bodies,
- guidelines of the European Central Bank on the legal framework for accounting and financial reporting in the European System of Central Banks,
- reports and decisions of the Accounting and Monetary Income Committee (AMICO), operating within the ECB,
- preparatory work to ECB guidelines,
- practices applied in other central banks of the European System of Central Banks,
- international accounting standards,

in order to ensure reliability and correctness of the financial statements.

15.2.3. Information about significant events after the balance sheet date, unrecorded in the NBP financial statements

Amendments to accounting principles in the financial year 2011

Amendments to accounting principles introduced pursuant to Resolution No. 11/2010 of the Monetary Policy Council of 14 December 2010 amending Resolution No. 16/2003 of the Monetary

⁷⁶ Except for income due to a decrease in gold revaluation account.

⁷⁷ Except for unrealised losses related to debt securities, not qualified as held-to-maturity, taken to the profit and loss account on the day of reclassification of these items to held-to-maturity securities.



Policy Council of 16 December 2003 on the accounting principles, format of the balance sheet and the profit and loss account of the National Bank of Poland are primarily related to:

- the expansion of the investment instruments in 2011, planned by the NBP, with the following financial instruments:
 - futures,
 - interest rate swaps,
 - forward rate agreements,
 - forward transactions in securities,
- amendments to the ECB guidelines with regard to the definition of SDR holding and the approach for the recognition of transactions resulting in the change of balance of this currency,
- recognition and valuation of intangible assets generated internally by the NBP.

Settlement of withdrawn issue

Pursuant to the Act of 7 July 1994 on the Redenomination of the Zloty (Journal of Laws of 1994 No. 84, item 386, and of 1995 No. 16, item 79) banknotes and notes in circulation before 1 January 1995 were, without limitation, subject to exchange until 31 December 2010 in NBP branches and in other banks obliged to carry out this activity by the NBP President. Banknotes and coins with the value of PLN 172,093.0 thousand not returned until this date were recognised by the NBP as income on 1 January 2011, thus diminishing the item "Banknotes and coins in circulation".

Increase of quota of the Republic of Poland in the International Monetary Fund

On 28 April 2008, the Board of Governors of the IMF adopted Resolution No. 63-2 on the Reform of Quota and Voice in the IMF, pursuant to which selected countries, including the Republic of Poland, are entitled to increase their quotas in the Fund. According to this Resolution, no increase in quota shall become effective before entry into force of the Resolution's proposed amendment of the IMF Articles of Agreement, i.e. as of the date on which the Fund certifies that 3/5 of the members, having 85% of the total voting power, have accepted this amendment.

Acting on the basis of the Council of Ministers' authorisation, on 28 October 2008, the Minister of Finance notified the Fund of the Republic of Poland's consent to the increase in the quota in the IMF. Due to the above, the Republic of Poland's quota in the Fund's capital will increase from SDR 1,369,000.0 thousand to SDR 1,688,400.0 thousand.

As a result of entry into force – as at 3 March 2011 – of the amendments set forth in Resolution No. 63-2, the NBP's payment in the amount equivalent to SDR 319,400.0 thousand was scheduled for March 2011.

15.2.4. Certified auditor and its selection

The NBP annual financial statements drawn up as at 31 December 2010 are subject to examination and assessment by a certified auditor, PricewaterhouseCoopers Sp. z o.o. with its



principal place of business in Warsaw. The certified auditor was selected by the Monetary Policy Council in 2010, pursuant to the Act on the NBP. The selection was made by unlimited tender, pursuant to the Act of 29 January 2004 – Public Procurement Law⁷⁸ for the period of three years (auditing the financial statements for 2010, 2011 and 2012).

15.2.5. Other issues influencing the correct understanding of the NBP's economic and financial situation

NBP's share in the subscribed capital of the ECC

In accordance with Article 28 of the Statute of the European System of Central Banks and the European Central Bank, the national central banks shall be the sole subscribers to the ECB capital. The ECB capital is subscribed according to the key determined in Article 29 of the Statute, i.e. the shares of the NCBs in the ECB capital are expressed in percentage and weighted according to the shares of the respective Member States in the total population and the combined gross domestic product of the European Union, in equal consideration. Non-euro area central banks are obliged to cover only the minimum percentage of the ECB capital subscribed by them, prescribed by the ECB General Council, as their contribution to the ECB's operating costs.

On 29 December 2010, the subscribed capital of the European Central Bank was increased by EUR 5,000,000.0 thousand from EUR 5,760,652,402.58 to EUR 10,760,652,402.58. Therefore, the minimum percentage of the ECB capital subscribed by the NBP, that the NBP as a non-euro area central bank is obliged to pay to the ECB, was reduced from 7% to 3.75%. As a result, on 29 December 2010, the NBP paid EUR 13,648.22 (PLN 54,374.51), to the ECB, thereby adjusting the hitherto paid-in contributions to the new minimum percentage. Once Poland joins the euro area, the NBP shall be required to pay the remaining 96.25% of an increased ECB capital subscribed by it, i.e. EUR 507,022,841.06.

Provision for exchange rate risk

On 14 December 2010, the MPC adopted Resolution No. 12/2010 on the principles for creating and releasing the provision against the foreign exchange rate risk of the zloty at the National Bank of Poland, which replaced Resolution No. 9/2006 of the MPC of 19 December 2006, as amended. The amendment was aimed at specifying the principles for estimation, creation and release of the provision against the foreign exchange rate risk of the zloty.⁷⁹

According to Resolution No. 12/2010, the provision for the foreign exchange rate risk of the zloty is equal to an estimated amount that would cover the potential change in the value of foreign currency due to identified foreign exchange rate risk of the zloty, diminished by estimated unrealised gains arising from changes in the foreign exchange rate of the zloty. The amount of provision is estimated based on generally accepted and consistently methods of financial risk assessment applied by the NBP. The estimated provision may not be lower than the amount of uncovered accumulated loss from previous years, arising from changes in the foreign exchange rate of the zloty. The provision is created as expense and may not lead to a negative financial result of current year for the NBP. If the amount of provision estimated as at the balance sheet date is lower than the amount of provision created as at the balance sheet date of the previous financial year, the excess of provision is released and recognised as income, when it is higher – the difference is supplemented as expense. If unrealised losses arising from changes in the foreign exchange rate of the zloty as at the end of the financial year could result in a loss, the provision is

⁷⁸ Consolidated text – Journal of Laws of No. 223/2007, item 1655, as amended.

⁷⁹ Pursuant to provisions of Resolution No. 12/2010, the provision against the foreign exchange rate risk of the zloty was estimated, as at 31 December 2010, in the amount of PLN 12.6 billion. As at 31 December 2009, the estimated amount of the provision was PLN 16.4 billion. Had the provisions of Resolution No. 12/2010 been applicable on 31 December 2009, the amount of the provision would have amounted to PLN 15.6 billion on that date.

released as income in the amount of unrealised losses that could result in a loss. If an increase in the provision, as at the balance sheet date, by the difference between the estimated provision and the amount of the provision created at the balance sheet of the preceding financial year could result in a loss, the provision is increased as expense by the amount that does not lead to a negative financial result.

Flexible Credit Line

Flexible Credit Line (FCL) is an IMF instrument designed for countries with sound fundamentals and positive macroeconomic outlook. In the case of Poland, this arrangement is a precautionary facility.

On 2 July 2010, the Executive Board of the International Monetary Fund approved the request of Poland's authorities for a renewed access to the FCL arrangement in the amount of SDR 13,690,000.0 thousand (1,000 percent of the Republic of Poland's quota in the IMF). The IMF instrument was made available to the Republic of Poland for a period of 12 months. The Government of the Republic of Poland was an authorising entity of the FCL, while the NBP serviced it as the financial agency of the Government.⁸⁰

15.2.6. Amendments to accounting principles in the financial year 2010

Amendments to the accounting principles in the financial year 2010 were implemented by Resolution No. 14/2009 of the MPC of 15 December 2009 amending Resolution No. 16/2003 on accounting principles, format of the balance sheet and the profit and loss account of the National Bank of Poland. These amendments are related with the development by a group of central banks of the ESCB (including the NBP) of common practices in the scope of accounting solutions for financial instruments.

In order to mandate the abovementioned solutions, on 1 January 2010, the NBP introduced amendments to the provisions on accounting of quoted currency and the internal rate of return:

- transactions of purchase of sale of one foreign currency for another foreign currency are converted into domestic currency according to the value of the quoted foreign currency (until 31 December 2009, they were converted according to the value of foreign currency sold); the quoted currency means a currency in which the price of a unit of another currency is specified;
- discount and premium on all debt securities purchased by the NBP are settled according to internal rate of return (IRR) (till 31 December 2009, the IRR method was required only for debt securities bearing no interest on the coupon with maturity of over one year; in other cases the straight-line method was used).

According to the NBP estimates, if the quoted currency exchange rate rather than the sold currency exchange rate had been used in the NBP in 2009 to convert transactions of sale of one foreign currency for another foreign currency into domestic currency, the financial result for 2009 would have been lower by PLN 69.2 million. On the other hand, if discount and premium on debt securities held by the NBP in 2009 had been settled according to the IRR method rather than the straight-line method, the financial result of the NBP in the period of holding thereof would have been lower by around PLN 44.3 million. Due to the fact that the above mentioned amendments

⁸⁰ On 21 January 2011, IMF Executive Board cancelled the Line extended to Poland on 2 July 2010 and granted access to a successor two-year (until 20 January 2013) arrangement under new principles; the amount was increased to SDR 19,166,000.0 thousand (1,400% of the Republic of Poland's quota in the IMF). Also in this case, the Government of the Republic of Poland is an authorising entity of the new FCL, while the NBP acts as the government's financial agency.

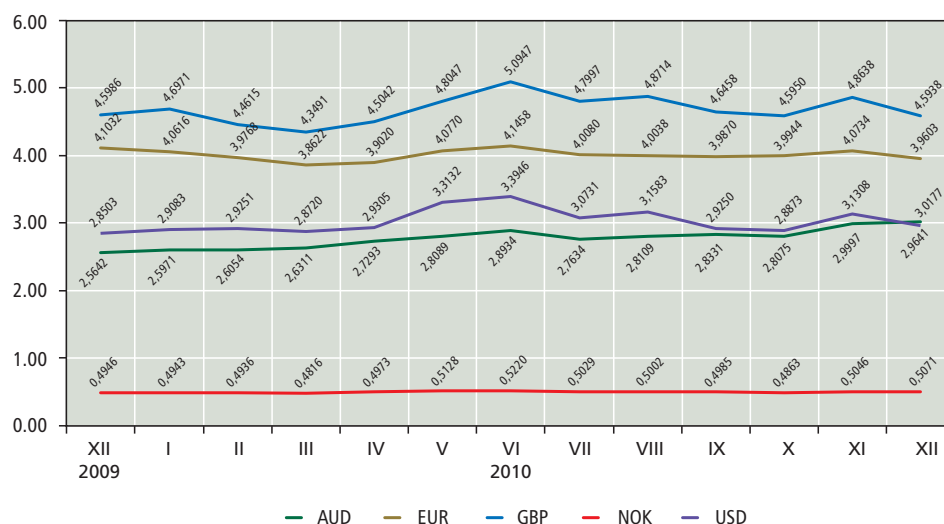
to accounting principles would not have had a significant impact on the asset/economic and financial situation of the NBP and on its financial result, financial data presented in the financial statements for 2009 are treated as comparable with the financial data for 2010.

15.2.7. Changes in balance sheet items

The balance sheet total of the National Bank of Poland as at 31 December 2010 stood at 279,340,384.8 thousand, which represented an increase by PLN 35,315,907.1 thousand (14.5%) compared to the balance sheet as at 31 December 2009. On the asset side, the increase in the balance sheet was primarily stimulated by the growth in the volume of foreign exchange currency reserves of the NBP, whereas on the liability side – by the rise in liabilities related to monetary policy operations.

The balance sheet total was also affected by quotations of the Polish currency *vis-à-vis* reserve currencies. Figure 22 shows developments in the average NBP exchange rate for five foreign currencies, USD, EUR, GBP, AUD and NOK, in 2010.

Figure 22
Average NBP exchange rate for foreign currencies in 2010



Source: NBP data.

When 31 December 2010 is compared to 31 December 2009, AUD, USD and NOK gained in value *vis-à-vis* the Polish zloty by 17.7%, 4.0% and 2.5%, respectively, whereas EUR and GBP lost in value against PLN by 3.6% and 0.1%, respectively.

Balance sheet items which amounted to PLN 0.00 as at 31 December 2009 and 31 December 2010 are not addressed in the further part of this report.

15.2.7.1. Assets

Table 13
Assets

Item		Balance as at		Movement	
		31.12.2009	31.12.2010	31.12.2009–31.12.2010	
		PLN thousand			%
1		2	3	4 = 3–2	5 = 4/2*100
1.	Gold and gold receivables	10 411 718.9	13 831 663.5	3 419 944.6	32.8
2.	Claims on non-residents denominated in foreign currency	216 485 462.7	263 380 105.3	46 894 642.6	21.7
2.1.	<i>Receivables from the IMF</i>	7 256 617.6	7 505 332.2	248 714.6	3.4
2.2.	<i>Balances with foreign institutions, debt securities, loans granted and other foreign assets</i>	209 228 845.1	255 874 773.1	46 645 928.0	22.3
3.	Claims on residents denominated in foreign currency	930.9	448.7	-482.2	-51.8
4.	Claims on non-residents denominated in domestic currency	0.0	0.0	0.0	–
5.	Claims on other domestic monetary financial institutions related to monetary policy operations denominated in domestic currency	14 627 195.7	0.0	-14 627 195.7	-100.0
5.1.	<i>Main refinancing operations</i>	0.0	0.0	0.0	–
5.2.	<i>Long-term refinancing operations</i>	0.0	0.0	0.0	–
5.3.	<i>Fine-tuning operations</i>	14 627 195.7	0.0	-14 627 195.7	-100.0
5.4.	<i>Structural operations</i>	0.0	0.0	0.0	–
5.5.	<i>Marginal lending facility</i>	0.0	0.0	0.0	–
6.	Other claims on other domestic monetary financial institutions denominated in domestic currency	1 101 497.8	728 945.8	-372 552.0	-33.8
7.	Debt securities of residents denominated in domestic currency	0.0	0.0	0.0	–
8.	Claims on general government denominated in domestic currency	0.0	0.0	0.0	–
9.	Items in the course of settlement	0.0	0.0	0.0	–
10.	Other assets	1 397 671.7	1 399 221.5	1 549.8	0.1
10.1.	<i>Tangible and intangible fixed assets</i>	884 085.7	885 615.4	1 529.7	0.2
10.2.	<i>Other financial assets</i>	180 032.4	178 323.0	-1 709.4	-0.9
10.3.	<i>Off-balance sheet instruments' revaluation differences</i>	485.6	2 919.3	2 433.7	501.2
10.4.	<i>Accruals and prepaid expenses</i>	44 075.3	60 231.3	16 156.0	36.7
10.5.	<i>Sundry</i>	288 992.7	272 132.5	-16 860.2	-5.8
	TOTAL ASSETS	244 024 477.7	279 340 384.8	35 315 907.1	14.5

Source: NBP data.

The share of main assets in the balance sheet total as at 31 December 2009 and 31 December 2010 is presented in Table 14.

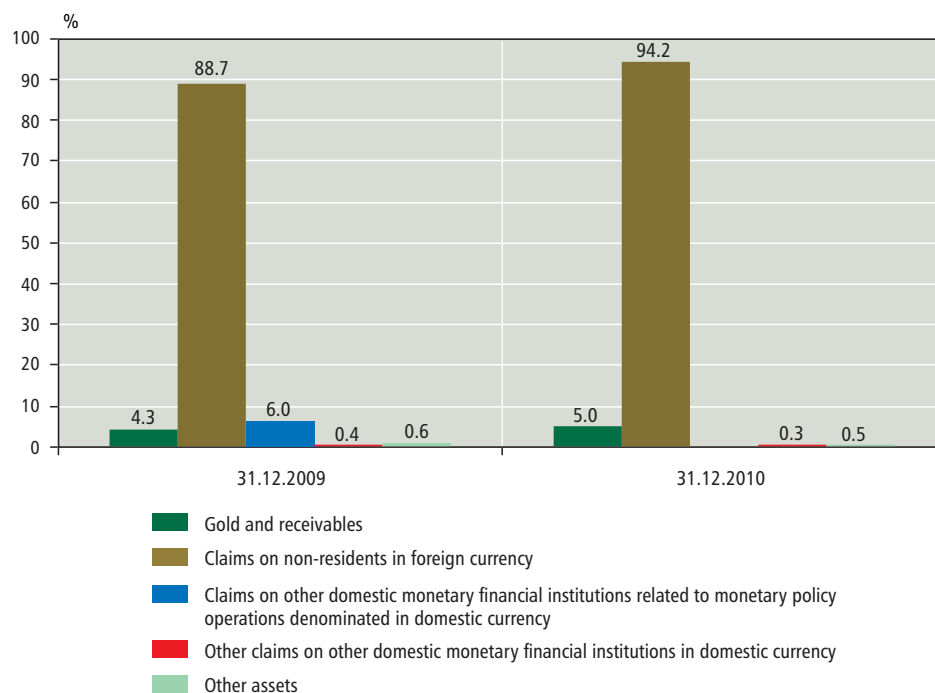
Table 14
Structure of assets

Item		Balance at:		Movement
		31.12.2009	31.12.2010	31.12.2009–31.12.2010
		%		p.p.
1		2	3	4 = 3 – 2
1.	Gold and gold receivables	4.3	5.0	0.7
2.	Claims on non-residents denominated in foreign currency	88.7	94.2	5.5
2.1.	<i>Receivables from the IMF</i>	3.0	2.7	-0.3
2.2.	<i>Balances with foreign institutions, debt securities, loans granted and other foreign assets</i>	85.7	91.5	5.8
3.	Claims on residents denominated in foreign currency	0.0	0.0	0.0
4.	Claims on non-residents denominated in domestic currency	0.0	0.0	0.0
5.	Claims on other domestic monetary financial institutions related to monetary policy operations denominated in domestic currency	6.0	0.0	-6.0
5.1.	<i>Main refinancing operations</i>	0.0	0.0	0.0
5.2.	<i>Long-term refinancing operations</i>	0.0	0.0	0.0
5.3.	<i>Fine-tuning operations</i>	6.0	0.0	-6.0
5.4.	<i>Structural operations</i>	0.0	0.0	0.0
5.5.	<i>Marginal lending facility</i>	0.0	0.0	0.0
6.	Other claims on other domestic monetary financial institutions denominated in domestic currency	0.4	0.3	-0.1
7.	Debt securities of residents denominated in domestic currency	0.0	0.0	0.0
8.	Claims on general government denominated in domestic currency	0.0	0.0	0.0
9.	Items in the course of settlement	0.0	0.0	0.0
10.	Other assets	0.6	0.5	-0.1
10.1.	<i>Tangible and intangible fixed assets</i>	0.4	0.3	-0.1
10.2.	<i>Other financial assets</i>	0.1	0.1	0.0
10.3.	<i>Off-balance sheet instruments' revaluation differences</i>	0.0	0.0	0.0
10.4.	<i>Accruals and prepaid expenses</i>	0.0	0.0	0.0
10.5.	<i>Sundry</i>	0.1	0.1	0.0
	TOTAL ASSETS	100.0	100.0	–

Source: NBP data.

The share of assets in NBP balance sheet total of the NBP in 2009 and 2010 is shown in Figure 23.

Figure 23
Structure of NBP assets in 2009 and 2010



Source: NBP data.

“Claims on non-residents denominated in foreign currency” – item 2 and “Gold and gold receivables” – item 1 were the main assets both at the end of 2009 and at the end of 2010. The total share of these items in the balance sheet total increased by 6.2 percentage points, from 93.0% to 99.2%.

“Balances with foreign institutions, debt securities, loans granted and other foreign assets” – item 2.2 accounted for the largest share in item 2. The share of other items in the balance sheet total in 2010 decreased as compared to 2009.

15.2.7.1.1. Gold and gold receivables

As at 31 December 2010, the NBP held 3,308,913.829 ounces of gold, kept in the NBP vault and deposited in an account with a foreign bank. The change in the PLN equivalent resulted primarily from the rise in the market price of gold.

Table 15
Gold and gold receivables

Item	Balance as at		Movement	
	31.12.2009	31.12.2010	31.12.2009–31.12.2010	
	PLN thousand			%
1	2	3	4 = 3 – 2	5 = 4/2*100
1. Gold and gold receivables	10 411 718.9	13 831 663.5	3 419 944.6	32.8

Source: NBP data.

15.2.7.1.2. Claims on non-residents denominated in foreign currency

This item comprises assets denominated in foreign currency, which constitute the main item of the official reserve assets of the NBP⁸¹. As at the end of 2010, the balance of the NBP official reserve assets rose by the equivalent of EUR 14,770.1 million. This increase was primarily a result of the positive balance of net flows related to the servicing of State Treasury debt and European Union funds (settled *via* the TARGET2 system) and the investment activities of the NBP.

The item comprises primarily debt securities in foreign currency, NBP (current and term) accounts with international institutions and receivables from the International Monetary Fund.

Table 16
Claims on non-residents denominated in foreign currency

Item		Balance as at		Movement		Structure	
		31.12.2009	31.12.2010	31.12.2009–31.12.2010		31.12.2009	31.12.2010
		PLN thousand			%		
1		2	3	4 = 3 – 2	5 = 4/2*100	6	7
2.	Claims on non-residents denominated in foreign currency	216 485 462.7	263 380 105.3	46 894 642.6	21.7	100.0	100.0
2.1.	Receivables from the IMF	7 256 617.6	7 505 332.2	248 714.6	3.4	3.4	2.8
2.2.	Balances with foreign institutions, debt securities, loans granted and other foreign assets	209 228 845.1	255 874 773.1	46 645 928.0	22.3	96.6	97.2

Source: NBP data.

15.2.7.1.3. Claims on residents denominated in foreign currency

The item includes receivables from National Clearing House arising from coverage of a portion of costs incurred by the NBP in relation to participation in the TARGET2 system.

Table 17
Claims on residents denominated in foreign currency

Item		Balance as at		Movement		
		31.12.2009	31.12.2010	31.12.2009–31.12.2010		
		PLN thousand			%	
1		2	3	4 = 3 – 2	5 = 4/2*100	
3.	Claims on residents denominated in foreign currency	930.9	448.7	-482.2	-51.8	

Source: NBP data.

15.2.7.1.4. Claims on other domestic monetary financial institutions related to monetary policy operations denominated in domestic currency

The item includes the Bank's claims related to monetary policy operations conducted with domestic banks. In the course of 2010, they included mainly fine-tuning repo operations (deposits

⁸¹ The official assets of the NBP denominated in foreign currency include: reserve tranche in the IMF, current accounts and deposits denominated in foreign currency abroad, foreign securities, deposits (loans granted) in foreign currency under debt securities reverse repo transactions, foreign currency stock and monetary gold.

in domestic currency under securities reverse repo transactions) temporarily providing liquidity to the banking sector. The average level of repo operations in 2010 was PLN 5,057,427.6 thousand.

In view of the quick growth of excess liquidity of the banking sector, a gradual improvement in the domestic financial markets and fading demand for liquidity-providing instruments on part of the banks, this item amounted to PLN 0.00 as at 31 December 2010.

Table 18
Claims on other domestic monetary financial institutions related to monetary policy operations denominated in domestic currency

Item	Balance as at		Movement		Structure	
	31.12.2009	31.12.2010	31.12.2009– 31.12.2010	31.12. 2009	31.12. 2010	
	PLN thousand			%		
1	2	3	4 = 3 – 2	5 = 4/2*100	6	7
5. Claims on other domestic monetary financial institutions related to monetary policy operations denominated in domestic currency	14 627 195.7	0.0	-14 627 195.7	-100.0	100.0	–
5.1. Main refinancing operations	0.0	0.0	0.0	–	0.0	–
5.2. Long-term refinancing operations	0.0	0.0	0.0	–	0.0	–
5.3. Fine-tuning operations	14 627 195.7	0.0	-14 627 195.7	-100.0	100.0	–
5.4. Structural operations	0.0	0.0	0.0	–	0.0	–
5.5. Marginal lending facility	0.0	0.0	0.0	–	0.0	1

Source: NBP data.

15.2.7.1.5. Other claims on other domestic monetary financial institutions denominated in domestic currency

The item includes the Bank's claims arising from operations with banks and are unrelated to monetary policy. Its main component is the refinancing credit granted for central investments. The decrease in the balance results from quarterly repayments of instalments of this credit together with interest.

Table 19
Other claims on other domestic monetary financial institutions denominated in domestic currency

Item	Balance as at		Movement		
	31.12.2009	31.12.2010	31.12.2009–31.12.2010		
	PLN thousand			%	
1	2	3	4 = 3 – 2	5 = 4/2*100	
6. Other claims on other domestic monetary financial institutions denominated in domestic currency	1 101 497.8	728 945.8	-372 552.0	-33.8	

Source: NBP data.

15.2.7.1.6. Other assets

Tangible and intangible fixed assets owned by the NBP are the prime component of this item. NBP's shares and stocks in domestic and foreign entities are also presented in this item as

"Other financial assets". In addition, the item "Other assets" comprises, among others, accruals and prepaid expenses, off-balance sheet instruments revaluation differences, and precious metals.

Table 20
Other assets

Item		Balance as at		Movement		Structure	
		31.12.2009	31.12.2010	31.12.2009– 31.12.2010		31.12.2009	31.12.2010
		PLN thousand			%		
1	2	3	4 = 3 – 2	5 = 4/2*100	6	7	
10.	Other assets	1 397 671.7	1 399 221.5	1 549.8	0.1	100.0	100.0
10.1	Tangible and intangible fixed assets	884 085.7	885 615.4	1 529.7	0.2	63.3	63.3
10.2	Other financial assets	180 032.4	178 323.0	-1 709.4	-0.9	12.9	12.7
10.3	Off-balance sheet instruments' revaluation differences	485.6	2 919.3	2 433.7	501.2	0.0	0.2
10.4	Accruals and prepaid expenses	44 075.3	60 231.3	16 156.0	36.7	3.1	4.3
10.5	Sundry	288 992.7	272 132.5	-16 860.2	-5.8	20.7	19.5

Source: NBP data.

15.2.7.2. Liabilities

Table 21
Liabilities

Item		Balance as at		Movement	
		31.12.2009	31.12.2010	31.12.2009–31.12.2010	
		PLN thousand			%
1	2	3	4 = 3 – 2	5 = 4/2*100	
1.	Banknotes and coins in circulation	100 344 808.8	103 064 357.1	2 719 548.3	2.7
2.	Liabilities to other domestic monetary financial institutions related to monetary policy operations denominated in domestic currency	78 536 967.1	111 703 477.5	33 166 510.4	42.2
2.1.	<i>Current accounts (including minimum reserve requirement accounts)</i>	36 223 474.3	36 562 970.1	339 495.8	0.9
2.2.	<i>Deposit facility</i>	1 329 072.8	500 827.4	-828 245.4	-62.3
2.3.	<i>Fixed-interest deposits</i>	0.0	0.0	0.0	–
2.4.	<i>Other monetary policy operations</i>	40 984 420.0	74 639 680.0	33 655 260.0	82.1
3.	Other liabilities to other domestic monetary financial institutions denominated in domestic currency	57 511.2	71 135.0	13 623.8	23.7
4.	Liabilities to other residents denominated in domestic currency	11 131 978.4	6 961 633.8	-4 170 344.6	-37.5
4.1.	<i>Liabilities to general government</i>	11 114 582.7	6 938 331.2	-4 176 251.5	-37.6
4.2.	<i>Other liabilities</i>	17 395.7	23 302.6	5 906.9	34.0
5.	Liabilities to non-residents denominated in domestic currency	1 335 084.6	471 511.8	-863 572.8	-64.7
6.	Liabilities to residents denominated in foreign currency	13 400 160.5	7 480 666.7	-5 919 493.8	-44.2
7.	Liabilities to non-residents denominated in foreign currency	8 145 431.9	13 982 819.8	5 837 387.9	71.7
8.	Liabilities to the IMF	5 841 288.9	5 995 355.5	154 066.6	2.6

9.	Items in the course of settlement	0.0	0.0	0.0	-
10.	Other liabilities	303 421.9	299 341.2	-4 080.7	-1.3
10.1.	<i>Off-balance sheet instruments' revaluation differences</i>	518.2	44 199.7	43 681.5	8 429.5
10.2.	<i>Accruals and deferred income</i>	218 237.9	204 510.8	-13 727.1	-6.3
10.3.	<i>Sundry</i>	84 665.8	50 630.7	-34 035.1	-40.2
11.	Provisions for future liabilities	112 545.1	99 659.9	-12 885.2	-11.4
12.	Revaluation accounts	14 215 672.2	19 830 056.2	5 614 384.0	39.5
12.1.	<i>Revaluation account</i>	1 618 023.2	1 618 023.2	0.0	0.0
12.2.	<i>Differences on exchange rate valuation of assets, liabilities and off-balance sheet instruments in foreign currency</i>	10 840 211.6	16 681 166.6	5 840 955.0	53.9
12.3.	<i>Assets and liabilities price revaluation differences</i>	1 757 437.4	1 530 866.4	-226 571.0	-12.9
13.	Capital and reserves	17 891 964.4	14 309 163.3	-3 582 801.1	-20.0
13.1.	<i>Statutory fund</i>	1 500 000.0	1 500 000.0	0.0	0.0
13.2.	<i>Reserve fund</i>	0.0	208 277.7	208 277.7	-
13.3.	<i>Reserves</i>	16 391 964.4	12 600 885.6	-3 791 078.8	-23.1
14.	Financial result	-7 292 357.3	-4 928 793.0	2 363 564.3	-32.4
14.1.	<i>Financial result for the current year</i>	4 165 554.4	6 529 118.7	2 363 564.3	56.7
14.2.	<i>Loss of previous years</i>	-11 457 911.7	-11 457 911.7	0.0	0.0
	TOTAL LIABILITIES	244 024 477.7	279 340 384.8	35 315 907.1	14.5

Source: NBP data.

The share of the main liabilities in the balance sheet total as at 31 December 2009 and 31 December 2010 is presented in Table 22.

Table 22
Structure of liabilities

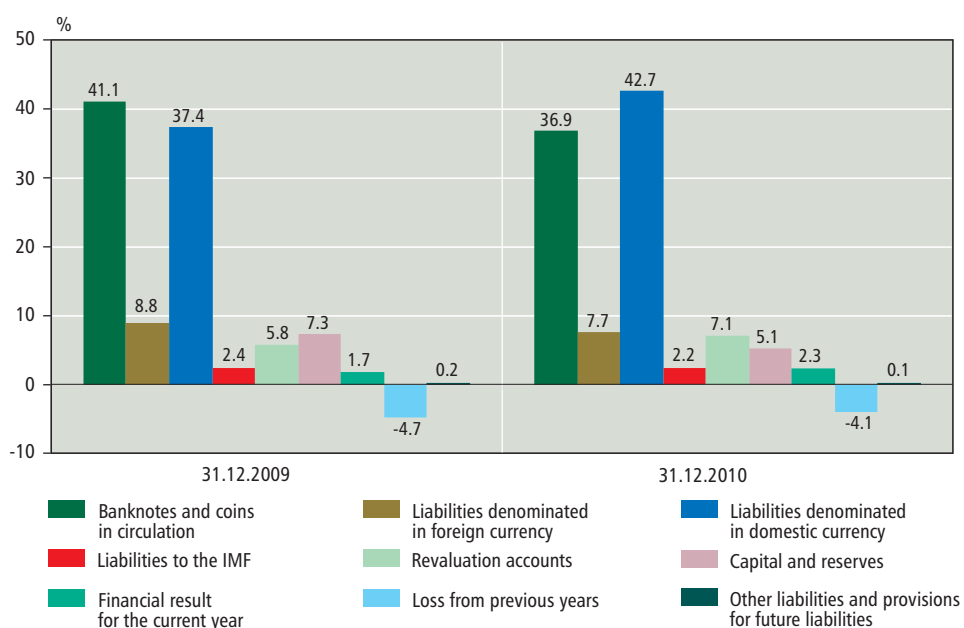
Item	Balance as at		Movement
	31.12.2009	31.12.2010	31.12.2009-31.12.2010
	%		p.p.
1	2	3	4 = 3 - 2
1. Banknotes and coins in circulation	41.1	36.9	-4.2
2. Liabilities to other domestic monetary financial institutions related to monetary policy operations denominated in domestic currency	32.2	40.0	7.8
2.1. <i>Current accounts (including minimum reserve requirement accounts)</i>	14.8	13.1	-1.7
2.2. <i>Deposit facility</i>	0.6	0.2	-0.4
2.3. <i>Fixed-interest deposits</i>	0.0	0.0	0.0
2.4. <i>Other monetary policy operations</i>	16.8	26.7	9.9
3. Other liabilities to other domestic monetary financial institutions denominated in domestic currency	0.0	0.0	0.0
4. Liabilities to other residents denominated in domestic currency	4.6	2.5	-2.1
4.1. <i>Liabilities to general government</i>	4.6	2.5	-2.1
4.2. <i>Other liabilities</i>	0.0	0.0	0.0
5. Liabilities to non-residents denominated in domestic currency	0.6	0.2	-0.4

6.	Liabilities to residents denominated in foreign currency	5.5	2.7	-2.8
7.	Liabilities to non-residents denominated in foreign currency	3.3	5.0	1.7
8.	Liabilities to the IMF	2.4	2.2	-0.2
9.	Items in the course of settlement	0.0	0.0	0.0
10.	Other liabilities	0.1	0.1	0.0
10.1.	<i>Off-balance sheet instruments' revaluation differences</i>	0.0	0.0	0.0
10.2.	<i>Accruals and deferred income</i>	0.1	0.1	0.0
10.3.	<i>Sundry</i>	0.0	0.0	0.0
11.	Provisions for future liabilities	0.1	0.0	-0.1
12.	Revaluation accounts	5.8	7.1	1.3
12.1.	<i>Revaluation account</i>	0.7	0.6	-0.1
12.2.	<i>Differences on exchange rate valuation of assets, liabilities and off-balance sheet instruments in foreign currency</i>	4.4	6.0	1.6
12.3.	<i>Assets and liabilities price revaluation differences</i>	0.7	0.5	-0.2
13.	Capital and reserves	7.3	5.1	-2.2
13.1.	<i>Statutory fund</i>	0.6	0.5	-0.1
13.2.	<i>Reserve fund</i>	0.0	0.1	0.1
13.3.	<i>Reserves</i>	6.7	4.5	-2.2
14.	Financial result	-3.0	-1.8	1.2
14.1.	<i>Financial result for the current year</i>	1.7	2.3	0.6
14.2.	<i>Loss of previous years</i>	-4.7	-4.1	0.6
	TOTAL LIABILITIES	100.0	100.0	-

Source: NBP data.

Figure 24 compares the share of liabilities in the balance sheet total of the NBP in 2009 and 2010.

Figure 24
Structure of NBP liabilities in 2009 and 2010



Source: NBP data.

As at the end of 2010, "Liabilities in domestic currency" represented the largest item of liabilities.

The following items increased their share in the structure of liabilities:

- liabilities to other domestic monetary financial institutions related to monetary policy operations denominated in domestic currency (item 2) – by 7.8 percentage points, from 32.2% to 40.0%,
- liabilities to non-residents denominated in foreign currency (item 7) – by 1.7 percentage points, from 3.3% to 5.0%,
- revaluation accounts (item 12) – by 1.3 percentage points, from 5.8% to 7.1%,
- financial result (item 14) – by 1.2 percentage points, from -3.0% to -1.8% (in 2010, the NBP posted a profit).

The shares of the following items in the balance sheet total decreased in 2010 as compared to 2009:

- banknotes and coins in circulation (item 1) – by 4.2 percentage points, from 41.1% to 36.9%,
- liabilities to residents denominated in foreign currency (item 6) – by 2.8 percentage points, from 5.5% to 2.7%,
- capital and reserves (item 13) – by 2.2 percentage points, from 7.3% to 5.1%,
- liabilities to other residents denominated in domestic currency (item 4) – by 2.1 percentage points, from 4.6% to 2.5%,
- liabilities to non-residents denominated in domestic currency (item 5) – by 0.4 percentage points, from 0.6% to 0.2%,
- liabilities to the IMF (item 8) – by 0.2 percentage points, from 2.4% to 2.2%,
- provisions for future liabilities (item 11) – by 0.1 percentage point, from 0.1% to 0.0%.

The share of the remaining items of liabilities in the balance sheet total in 2010 did not change compared to 2009.

15.2.7.2.1. Banknotes and coins in circulation

As at 31 December 2010, banknotes and coins in circulation amounted to PLN 103,064,357.1 thousand, and increased by PLN 2,719,548.3 thousand (2.7%) as compared to the end of 2009. In the course of 2010, banknotes and coins in circulation averaged PLN 101,164.5 million.

Table 23
Banknotes and coins in circulation

Item	Balance as at		Movement	
	31.12.2009	31.12.2010	31.12.2009–31.12.2010	
	PLN thousand			%
1	2	3	4 = 3 – 2	5 = 4/2*100
1. Banknotes and coins in circulation	100 344 808.8	103 064 357.1	2 719 548.3	2.7

Source: NBP data.

15.2.7.2.2. Liabilities to other domestic monetary financial institutions related to monetary policy operations denominated in domestic currency

This item comprises liabilities from monetary policy operations, among others, primarily:

- current account balances of domestic banks (including in minimum reserve requirement accounts),
- liabilities from the issue of NBP money bills (indicated in the item “Other monetary policy operations”).

In 2010, the issue of NBP money bills was the main instrument of open market operations, used to influence market interest rates.

Table 24**Liabilities to other domestic monetary financial institutions related to monetary policy operations denominated in domestic currency**

Item	Balance as at		Movement		Structure	
	31.12.2009	31.12.2010	31.12.2009–31.12.2010		31.12.2009	31.12.2010
	PLN thousand			%		6	7
1	2	3	4 = 3 – 2	5 = 4/2*100	6	7
2. Liabilities to other domestic monetary financial institutions related to monetary policy operations denominated in domestic currency	78 536 967.1	111 703 477.5	33 166 510.4	42.2	100.0	100.0
2.1. Current accounts (including minimum reserve requirement accounts)	36 223 474.3	36 562 970.1	339 495.8	0.9	46.1	32.7
2.2. Deposit facility	1 329 072.8	500 827.4	-828 245.4	-62.3	1.7	0.5
2.3. Fixed-interest deposits	0.0	0.0	0.0	–	0.0	0.0
2.4. Other monetary policy operations	40 984 420.0	74 639 680.0	33 655 260.0	82.1	52.2	66.8

Source: NBP data.

15.2.7.2.3. Other liabilities to other domestic monetary financial institutions denominated in domestic currency

This item principally reflects the balance of settlements in the national payment system KIR which results from NBP customers' payment orders not settled by KIR SA and outstanding as at 31 December 2010.

Table 25**Other liabilities to other domestic monetary financial institutions denominated in domestic currency**

Item	Balance as at		Movement	
	31.12.2009	31.12.2010	31.12.2009–31.12.2010	
	PLN thousand		%	
1	2	3	4 = 3 – 2	5 = 4/2*100
3. Other liabilities to other domestic monetary financial institutions denominated in domestic currency	57 511.2	71 135.0	13 623.8	23.7

Source: NBP data.

15.2.7.2.4. Liabilities to other residents denominated in domestic currency

This item comprises mainly liabilities to general government (including state specific purpose funds and social security funds).

Table 26
Liabilities to other residents denominated in domestic currency

Item	Balance as at		Movement		Structure	
	31.12.2009	31.12.2010	31.12.2009–31.12.2010		31.12.2009	31.12.2010
	PLN thousand			%		
1	2	3	4 = 3 – 2	5 = 4/2*100	6	7
4. Liabilities to other residents denominated in domestic currency	11 131 978.4	6 961 633.8	-4 170 344.6	-37.5	100.0	100.0
4.1. Liabilities to general government	11 114 582.7	6 938 331.2	-4 176 251.5	-37.6	99.8	99.7
4.2. Other liabilities	17 395.7	23 302.6	5 906.9	34.0	0.2	0.3

Source: NBP data.

These liabilities include primarily current accounts, auxiliary accounts and term deposit accounts denominated in domestic currency operated by the NBP. In the analysed period, there was a decline in this item, which mainly resulted from a decrease in funds in current accounts and term deposit accounts of the State budget, and a simultaneous increase in funds on its auxiliary accounts.

15.2.7.2.5. Liabilities to non-residents denominated in domestic currency

This item consists primarily of funds held in the current accounts of international financial and non-financial organisations and central banks for which the NBP operates current accounts in domestic currency. The decrease in this item as at the end of 2010, as compared to the previous year, was mainly a consequence of a decrease in funds in the current accounts of the European Commission and the World Bank Group.

Table 27
Liabilities to non-residents denominated in domestic currency

Item	Balance as at		Movement	
	31.12.2009	31.12.2010	31.12.2009 – 31.12.2010	
	PLN thousand		%	
1	2	3	4 = 3 – 2	5 = 4/2*100
5. Liabilities to non-residents denominated in domestic currency	1 335 084.6	471 511.8	-863 572.8	-64.7

Source: NBP data.

15.2.7.2.6. Liabilities to residents denominated in foreign currency

This item mainly concerns funds accumulated in the current accounts in foreign currency of general government entities. The main reason for a decrease in this item was a decrease in funds in the current accounts of the State budget (including in structural funds accounts).

Table 28**Liabilities to residents denominated in foreign currency**

Item	Balance as at		Movement	
	31.12.2009	31.12.2010	31.12.2009–31.12.2010	
	PLN thousand		%	
1	2	3	4 = 3 – 2	5 = 4/2*100
6. Liabilities to residents denominated in foreign currency	13 400 160.5	7 480 666.7	-5 919 493.8	-44.2

Source: NBP data.

15.2.7.2.7. Liabilities to non-residents denominated in foreign currency

Liabilities to non-residents denominated in foreign currency are mainly composed of term deposits received in foreign currency under debt securities repo transactions concluded with foreign financial institutions.

Table 29**Liabilities to non-residents denominated in foreign currency**

Item	Balance as at		Movement	
	31.12.2009	31.12.2010	31.12.2009–31.12.2010	
	PLN thousand		%	
1	2	3	4 = 3 – 2	5 = 4/2*100
7. Liabilities to non-residents denominated in foreign currency	8 145 431.9	13 982 819.8	5 837 387.9	71.7

Source: NBP data.

15.2.7.2.8. Liabilities to the IMF

The item "Liabilities to the IMF" comprises SDR allocation liabilities. SDR allocation was implemented in the second half of 2009, when the Republic of Poland received a total of SDR 1,304,639.7 thousand under the so-called general and special allocation. The increase in this item in zloty terms as at the end of 2010 compared to the previous year results from an increase in accrued interest and changes in the average SDR exchange rate.

Table 30**Liabilities to the IMF**

Item	Balance as at		Movement	
	31.12.2009	31.12.2010	31.12.2009–31.12.2010	
	PLN thousand		%	
1	2	3	4 = 3 – 2	5 = 4/2*100
8. Liabilities to the IMF	5 841 288.9	5 995 355.5	154 066.6	2.6

Source: NBP data.

15.2.7.2.9. Other liabilities

This item mainly comprises accruals and prepaid expenses. The slight decrease in other liabilities mainly results from a decline in liabilities from financial operations in domestic currency related primarily to the purchase of banknotes, precious metals (silver) and coins (item 10.3) as well as deferred income (item 10.2) and a parallel increase in off-balance sheet instruments' revaluation differences (item 10.1).

Table 31
Other liabilities

Item		Balance as at		Movement		Structure	
		31.12.2009	31.12.2010	31.12.2009–31.12.2010		31.12.2009	31.12.2010
		PLN thousand			%		
1	2	3	4 = 3 – 2	5 = 4/2*100	6	7	
10.	Other liabilities	303 421.9	299 341.2	-4 080.7	-1.3	100.0	100.0
10.1.	Off-balance sheet instruments revaluation differences	518.2	44 199.7	43 681.5	8 429.5	0.2	14.8
10.2.	Accruals and deferred income	218 237.9	204 510.8	-13 727.1	-6.3	71.9	68.3
10.3.	Sundry	84 665.8	50 630.7	-34 035.1	-40.2	27.9	16.9

Source: NBP data.

15.2.7.2.10. Provisions for future liabilities

Provisions for future liabilities to employees is the main element of this item of liabilities. As at 31 December 2010, they included, in particular, provisions for liabilities due to retirement and disability severance payments, jubilee awards and provisions created for liabilities due to unused leave. In 2010, the decrease in this item was primarily the result of the use of the above provisions and use and release of provisions for statutory severance payments, and provisions for additional monetary benefits for employees laid off under the employment optimisation plan.

Table 32
Provisions for future liabilities

Item		Balance as at		Movement		
		31.12.2009	31.12.2010	31.12.2009–31.12.2010		
		PLN thousand			%	
1	2	3	4 = 3 – 2	5 = 4/2*100		
11.	Provisions for future liabilities	112 545.1	99 659.9	-12 885.2	-11.4	

Source: NBP data.

15.2.7.2.11. Revaluation accounts

The main components of this item are gains on exchange rate valuation of assets, liabilities and off-balance sheet instruments denominated in foreign currency. Moreover, this item includes gold revaluation account and gains on debt securities price valuation. The increase in this item can be mainly traceable to the rise in gold prices and the depreciation of PLN *vis-à-vis* the AUD and USD (calculated on a year-on-year basis).

Table 33
Revaluation accounts

Item		Balance		Movement		
		31.12.2009	31.12.2010	31.12.2009–31.12.2010		
		PLN thousand			%	
1	2	3	4 = 3 – 2	5 = 4/2*100		
12.	Revaluation accounts	14 215 672.2	19 830 056.2	5 614 384.0	39.5	

Source: NBP data.

15.2.7.2.12. Capital and reserves

The item comprises statutory fund, reserve fund and a provision for the foreign exchange rate risk of the zloty created pursuant to Resolution No. 12/2010. The decrease in the item in the analysed period resulted from the adjustment of the provision (in the amount of PLN 3,791,078.8 thousand) and a parallel increase in the reserve fund arising from contribution from profit for 2009 (in the amount of PLN 208,277.7 thousand).

Table 34
Capital and reserves

Item	Balance as at		Movement	
	31.12.2009	31.12.2010	31.12.2009–31.12.2010	
	PLN thousand		%	
1	2	3	4 = 3 – 2	5 = 4/2*100
13. Capital and reserves	17 891 964.4	14 309 163.3	-3 582 801.1	-20.0

Source: NBP data.

15.2.7.2.13. Financial result

This item comprises uncovered loss of previous years in the amount of PLN 11,457,911.7 thousand and the financial result for the current year of PLN 6,529,118.7 thousand.

Table 35
Financial result

Item	Balance as at			Movement	Structure	
	31.12.2009	31.12.2010		31.12.2009–31.12.2010	31.12.2009	31.12.2010
	PLN thousand			%		
1	2	3	4 = 3 – 2	5 = 4/2*100	6	7
14. Financial result	-7 292 357.3	-4 928 793.0	2 363 564.3	-32.4	100.0	100.0
14.1. Financial result for the current year	4 165 554.4	6 529 118.7	2 363 564.3	56.7	-57.1	-132.5
14.2. Loss of previous years	-11 457 911.7	-11 457 911.7	0.0	0.0	157.1	232.5

Source: NBP data.

15.2.7.3. Off-balance sheet items

The most significant elements of off-balance-sheet items are receivables and liabilities denominated in foreign and domestic currency.

Balances as at 31 December 2009 and 31 December 2010 related solely to spot transactions.⁸² The increase in value of individual items results from spot transactions concluded by the NBP at the end of the year under foreign exchange currency reserves management and concluded with the Bank's clients.

Furthermore, the value of collateral received by the NBP (no off-balance sheet items relative to collateral granted occurred as at 31 December 2010), the amount of conditional receivables claimed by the NBP and foreign exchange accepted for collection are recognised in off-balance-sheet items.

⁸² In the course of the financial year, the NBP also concluded foreign exchange forward transactions that were settled before the balance sheet date.

Table 36
Off-balance sheet items – receivables and liabilities arising from spot transactions and forward transactions

Item		Balance as at		Movement	
		31.12.2009	31.12.2010	31.12.2009–31.12.2010	
		PLN thousand			%
1		2	3	4 = 3 – 2	5 = 4/2*100
1.	Receivables denominated in foreign currency arising from spot transactions and forward transactions	45 268.0	1 220 969.7	1 175 701.7	2 597.2
2.	Liabilities denominated in foreign currency arising from spot transactions and forward transactions	44 122.9	1 813 568.1	1 769 445.2	4 010.3
3.	Receivables denominated in domestic currency arising from spot transactions and forward transactions	0.0	595 560.0	595 560.0	–
4.	Liabilities denominated in domestic currency arising from spot transactions and forward transactions	1 145.1	2 961.6	1 816.5	158.6

Source: NBP data.

Table 37
Other off-balance sheet items

Item		Balance as at		Movement	
		31.12.2009	31.12.2010	31.12.2009–31.12.2010	
		PLN thousand			%
1		2	3	4 = 3 – 2	5 = 4/2*100
1.	Received collaterals	15 785.6	18 413.3	2 627.7	16.6
2.	Conditional receivables	269.0	271.2	2.2	0.8
3.	Foreign currency accepted for collection	0.3	0.0	-0.3	-100.0

Source: NBP data.

Interest from Bank Handlowo-Kredytowy SA in liquidation, accrued after the date of bank liquidation (from 1 April 1992), amounts to PLN 1,183,103.7 thousand. Its balance remained unchanged in comparison with the preceding reporting period.

15.2.8. Changes in the NBP profit and loss account

The basic components of the financial result of the NBP are:

- result from investment activity in foreign exchange currency reserves, which is affected by:
 - level of foreign exchange currency reserves (in 2010, the NBP posted an average annual increase of 34% in foreign exchange currency reserves that generate income and expenses: from EUR 42,925.4 million to EUR 57,501.7 million, i.e. by EUR 14,576.3 million),
 - investment and currency structure of foreign exchange currency reserves dependent on the strategic benchmark and investment policy,

- changes in interest rate and prices of investment instruments,
- changes in foreign exchange rates,
- result from of monetary policy pursued by the NBP, comprising mainly the costs of issue of bills; in 2010, the NBP also conducted fine-tuning repo operations,
- the operating costs of the NBP which primarily comprise costs of salaries and social contributions, administrative expenses and issue of banknotes and coins expense.

Table 38
Profit and loss account in 2009–2010

Item	Data for		Movement	
	2009	2010		
	PLN thousand		%	
1	2	3	4 = 3 – 2	5 = 4/2*100
Total profit/loss	4 165 554.4	6 529 118.7	2 363 564.3	56.7
1. Net interest, discount and premium income/expense	2 989 740.8	517 233.1	-2 472 507.7	-82.7
1.1. <i>Interest, discount and premium income</i>	6 675 900.8	6 197 387.4	-478 513.4	-7.2
1.2. <i>Interest, discount and premium expense</i>	3 686 160.0	5 680 154.3	1 993 994.3	54.1
2. Net income/expense on financial operations	2 321 140.5	6 982 656.6	4 661 516.1	200.8
2.1. <i>Income on financial operations</i>	18 117 051.9	6 772 009.6	-11 345 042.3	-62.6
2.2. <i>Expense on financial operations</i>	980 316.8	2 114 850.7	1 134 533.9	115.7
2.3. <i>Unrealised losses</i>	563 281.0	1 465 581.1	902 300.1	160.2
2.4. <i>Transfer from provisions against risk and income on financial assets revaluation charges</i>	16.7	3 791 078.8	3 791 062.1	22 700 970.7
2.5. <i>Transfer to provisions against risk and expense on financial assets revaluation charges</i>	14 252 330.3	0.0	-14 252 330.3	-100.0
3. Net income/expense from fees and commissions	-127 532.9	-65 062.2	62 470.7	-49.0
4. Income on shares/equities	12 309.9	27 853.2	15 543.3	126.3
5. Other income	204 996.5	151 589.9	-53 406.6	-26.1
6. Salaries and social contributions	413 695.3	411 819.5	-1 875.8	-0.5
7. Other administrative expenses	266 530.3	256 691.7	-9 838.6	-3.7
8. Depreciation	88 575.2	81 312.3	-7 262.9	-8.2
9. Issue of banknotes and coins expense	429 360.9	308 249.2	-121 111.7	-28.2
10. Other expenses	36 938.7	27 079.2	-9 859.5	-26.7

Source: NBP data.

In 2010, the NBP posted a profit of PLN 6,529,118.7 thousand, which mainly resulted from gains on financial operations, in particular, NBP's realised gains on transactions in foreign exchange currency reserves (realised foreign exchange and price gains) and income on release of the provision for the foreign exchange rate risk of the zloty.

In 2010, net interest, discount and premium income/expense amounted to PLN 517,233.1 thousand which represented a decrease by PLN 2,472,507.7 thousand (82.7%) as compared to 2009. This was the result of an increase in expense by PLN 1,993,994.3 thousand (54.1%) and a fall in revenues by PLN 478,513.4 thousand (7.2%).



The increase in net interest, discount and premium expenses was principally due to an increase in expense related to securities (by a total of PLN 2,100,576.5 thousand, i.e. 81.5%), both issued by the NBP and held it, i.e.:

- increase by PLN 1,480,973.7 thousand (125.5%) in discount expense on NBP money bills resulting from an increase in the issue thereof under banking sector liquidity absorbing open market operations,
- increase by PLN 645,596.1 thousand (47.1%) in premium expense on foreign securities, mainly as a result of a higher share of securities settled together with the premium in the stock of interest-bearing securities purchased by the NBP, at a time when foreign exchange currency reserve grew and yields on securities declined.

At the same time, in 2010 there was a decrease by PLN 91,456.6 thousand (8.5%) in net interest expense on accounts operated by the NBP, which was influenced by:

- lower net interest expense on accounts in domestic currency – a decline by PLN 132,233.7 thousand (13.5%), mainly as a result of a lower interest on funds in these accounts, primarily in the reserve requirement accounts,
- higher net interest expense on accounts in foreign currency – growth by PLN 40,777.1 thousand (41.9%), mainly as a result of a higher exposure to securities reverse repo and repo transactions in foreign currency and a simultaneous reduction in interest expense on term deposits and current and auxiliary accounts in foreign currency.

The decrease in interest, discount and premium income resulted primarily from:

- decrease by PLN 303,580.7 thousand (5.3%) in net interest and discount income from foreign securities, which was mainly a consequence of the decline in the average rate of return on certain foreign currency debt securities portfolios held by the NBP and a decline in average annual exchange rates of the zloty *vis-à-vis* foreign currencies,
- reduction by PLN 143,620.7 thousand (18.3%) of income from funds held in bank accounts, mainly due to:
 - decrease by PLN 316,260.6 thousand (61.7%) in income from deposits (loans granted) in domestic currency under the debt securities reverse repo transactions,
 - increase by PLN 109,611.4 thousand (58.9%) in income from interest on term deposits which was influenced by a growth in average annual interest on investment transactions and the accompanying growth in foreign exchange currency reserves,
 - increase by PLN 67,597.6 thousand (99.8%) in income from deposits (loans granted) in foreign currency under debt securities reverse repo transactions, mainly due to a higher involvement in debt securities reverse repo and repo transactions and a rise in the average rate of return on deposits denominated in AUD.

An income/expense on financial operations in 2010 amounted to PLN 6,982,656.6 thousand and was higher than in the previous year by PLN 4,661,516.1 thousand (200.8%). The result was mainly influenced by:

- realised foreign exchange gains and positive price differences in the amount of PLN 4,657,152.7 thousand which was lower by PLN 12,479,584.4 thousand compared to 2009,
- unrealised losses in the amount of PLN 1,465,581.1 thousand (including unrealised assets and liabilities revaluation losses in foreign currency – PLN 990,173.8 thousand and



unrealised losses on price valuation – PLN 475,407.3 thousand), higher by PLN 902,300.1 thousand than in 2009,

- gains on the revaluation of the provision for exchange rate risk in the amount of PLN 3,791,078.8 thousand (in 2009, the NBP incurred the cost of creating the provision for the foreign exchange rate risk of the zloty in the amount of PLN 14,252,330.3 thousand).

In 2010, the NBP posted a loss on fees and commissions in the amount of PLN 65,062.2 thousand, which was lower by PLN 62,470.7 thousand (49.0%) compared to the previous year. The lower loss was mainly related to lower cost borne by the NBP in 2010 of the fee for the Flexible Credit Line extended to Poland by the IMF in 2009.

Income from shares/equities in 2010 amounted to PLN 27,853.2 thousand and was higher by PLN 15,543.3 thousand (126.3%) than in 2009. The change was mainly due to a rise in proceeds from the dividend on investment in the Bank for International Settlements in Basel held by the NBP.

Other income amounted to PLN 151,589.9 thousand and was lower by PLN 53,406.6 thousand (26.1%) than in 2009. The source of the decline was primarily a decrease in revenues from the sale of collector banknotes and coins.

In 2010, employee salaries and social contributions amounted to PLN 411,819.5 thousand and were lower by PLN 1,875.8 thousand (0.5%) compared to 2009. The factor that contributed to this was mainly the decline in the cost of creating provisions for future liabilities to employees (jubilee awards, retirement and disability severance payments and provisions created for liabilities due to unused leave), accompanied by a rise in wage expense in line with the adopted human resources and payroll policy.

Administrative expenses for 2010 amounted to PLN 256,691.7 thousand and were lower by PLN 9 838.6 thousand (3.7%) than in 2009, which was mainly caused by a decline in employee benefits, outsourced services expense, business travel expense and expenses related to educational activity.

Depreciation amounted to PLN 81,312.3 thousand and was by PLN 7,262.9 thousand (8.2%) lower than in 2009. The decline in expense related to both fixed assets and intangible assets depreciation.

In 2010, the issue of coins and banknotes expense amounted to PLN 308,249.2 thousand and was lower by PLN 121,111.7 thousand (28.2%) than in 2009. The decline was related to the reduction by the NBP in orders for the supply of banknotes and coins which, in turn, resulted from the forecast of a smaller increase in cash in circulation and rationalisation of the inventory of banknotes and coins.

Other expenses amounted to PLN 27,079.2 thousand and were lower by PLN 9,859.5 thousand (26.7%) compared to the previous year. This decline was mainly related to a reduction in "Other operating expense", in particular, in the nominal value of collector coins and banknotes, taken to expense at the date of sale and, at the same time, an increase in other assets revaluation charges.

Figure 25 presents changes in the NBP income structure in 2010.

Both in 2009 and 2010, income on financial operations and interest, discount and premium income, which in total amounted to, respectively, 99.1% and 98.7% of total income, accounted for the largest share of income. The decline by 10.2 percentage points in the share of, income on financial operations in 2010 as compared to the previous year (from 72.4% in 2009 to 62.2% in 2010) was accompanied by an increase in the share of interest, discount and premium income by

9.8 percentage points (from 26.7% in 2009 to 36.5% in 2010). This change was related to exchange rate gains which were lower in 2010 than in 2009, and to the revaluation of the provision for the foreign exchange rate risk of the zloty in 2010, which resulted in income.

Figure 26 presents changes in the NBP expense structure in 2009 and 2010.

Figure 25
Changes in NBP income structure in 2009 and 2010

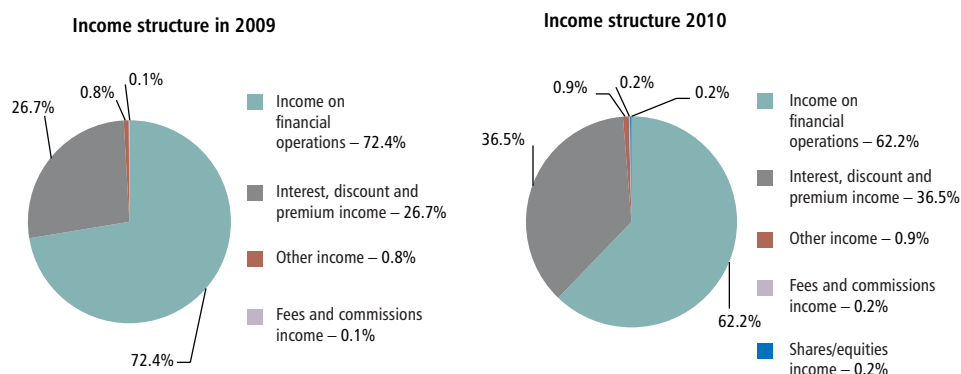
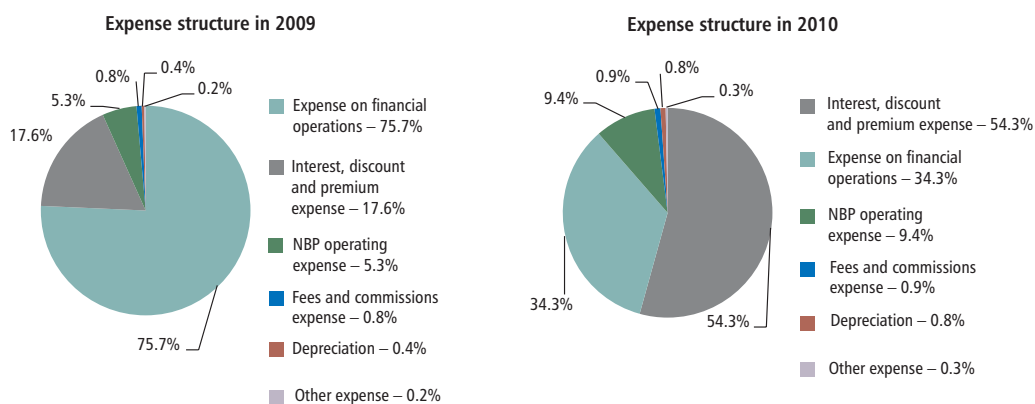


Figure 26
Changes in NBP expense structure in 2009 and 2010



As regards the expense structure, the most significant change related to a decline in the share of expense on financial operations by 41.4 percentage points (from 75.7% in 2009 to 34.3% in 2010). At the same time, the share of interest, discount and premium expense increased by 36.7 percentage points (from 17.6% in 2009 to 54.3% in 2010) and NBP operating expense – by 4.1 percentage points (from 5.3% in 2009 to 9.4% in 2010). The shift in the expense structure was primarily related to the cost of creating a provision for the foreign exchange rate risk of the zloty.



APPENDICES

Appendix 1

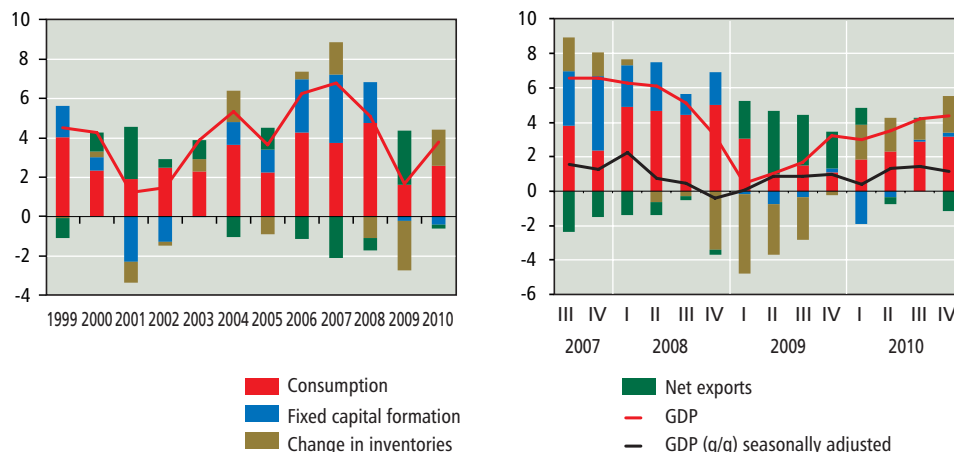
GDP and aggregate demand

In 2010, real GDP rose significantly (by 3.8% versus 1.7% in the preceding year), as domestic demand expanded by 4.3% (compared to a fall of 1% in the preceding year).⁸³ Stronger growth in domestic demand was supported by a rise, on the one hand, in total consumption (from 2% in 2009 to 3.4% in 2010) and in gross capital formation on the other hand (by 8.2% as opposed to a fall of 11.4% in 2009). Stronger growth in consumption resulted, in turn, from increasing individual consumption (from 2.1% in 2009 to 3.2% in 2010) and public consumption (from 2.0% in 2009 to 4.0% in 2010). Accelerated capital formation in 2010 was driven by inventory rebuild (contribution from the change in inventories stood at 1.9 percentage points in 2010, versus -2.5 percentage points in 2009), while investment once again decreased slightly (by 1.2% as compared to a fall of 1.1% in 2009). Imports in 2010 rose somewhat faster than exports, rendering a negative contribution from net exports to the GDP growth (-0.5 percentage point as opposed to 2.8 percentage points in 2009).

Gross value added grew at 3.4% in 2010, as compared to 1.8% a year before.⁸⁴ This stronger growth in 2009 resulted from a sharp rise in value added in industry (by 9.2% versus a fall of 0.3% in 2009) and a slightly accelerated growth of value added in market services (1.5% in 2010 as compared to 0.9% in 2009). However, value added in construction rose less robustly than in the preceding year (dropping from 9.9% in 2009 to 3.8% in 2010).

Individual consumption in 2010 expanded by 3.2%, as compared to 2.1% a year before. Rising consumer demand was fuelled by a relatively high growth in household disposable income (of approx. 4% at constant prices). Households' financial savings rate decreased from 3.8% in 2009 to 3.1% in 2010.⁸⁵

Figure 27
Contribution of aggregate demand components to GDP growth



Source: NBP calculations based on GUS data.

⁸³ All the numerical data on percentage changes in economic variables quoted in the text of this Appendix represent annual growth rates.

⁸⁴ Gross Domestic Product equals gross value added increased by taxes on products (including import duties) and reduced by product subsidies.

⁸⁵ Households' financial savings rate is a relation of net liabilities to gross disposable income.

In 2010, gross fixed capital formation contracted by 1.2% y/y as compared to a fall of 1.1% y/y in the preceding year. One of the contributing factors was weaker investment in the corporate sector which resulted from slowdown in economic growth following crises in the international financial markets and global recession. Enterprises were curbing investment in spite of good financial results in 2010. This coincided with a slump in housing investment by households. However, weaker investment in the economy was partially offset by an increased investment activity of the public sector.

Following a fall in 2009, external trade rebounded strongly in 2010. Both Polish imports and exports rose significantly. However, with imports rising slightly faster than exports, the contribution of net exports to GDP growth proved negative and amounted to -0.5 percentage point.

Table 39
GDP and domestic demand 2002–2010

	2002	2003	2004	2005	2006	2007	2008	2009	2010
Growth rate of GDP and its components at constant prices (%)									
GDP	1.4	3.9	5.3	3.6	6.2	6.8	5.1	1.7	3.8
Domestic demand	1.0	2.8	6.2	2.5	7.3	8.7	5.6	-1.0	4.3
Consumption	3.0	2.7	4.3	2.7	5.2	4.6	6.1	2.0	3.4
Individual consumption	3.4	2.1	4.7	2.1	5.0	4.9	5.7	2.1	3.2
Capital formation	-7.2	3.3	14.7	1.4	16.1	24.3	4.0	-11.4	8.2
Gross fixed capital formation	-6.3	-0.1	6.4	6.5	14.9	17.6	9.6	-1.1	-1.2
Exports	4.8	14.2	14.0	8.0	14.6	9.1	7.1	-6.8	10.1
Imports	2.8	9.6	15.8	4.7	17.3	13.7	8.0	-12.4	11.5
Contribution of net exports to GDP growth (percentage points)	0.5	1.0	-1.0	1.1	-1.1	-2.1	-0.6	2.8	-0.5
Structure of GDP at current prices (%)									
GDP	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Domestic demand	103.5	102.7	102.4	100.7	101.8	102.9	104.0	99.9	100.8
Consumption	84.8	83.9	82.3	81.5	80.8	78.4	80.1	79.5	80.0
Individual consumption	65.9	64.8	63.7	62.5	61.6	59.6	60.7	60.2	60.5
Capital formation	18.6	18.7	20.1	19.3	21.1	24.4	23.9	20.4	20.7
Gross fixed capital formation	18.7	18.2	18.1	18.2	19.7	21.6	22.3	21.2	19.6
Exports	28.6	33.3	37.5	37.1	40.4	40.8	39.9	39.5	41.4
Imports	32.1	36.0	39.8	37.8	42.2	43.6	43.9	39.4	42.1
Net exports	-3.5	-2.7	-2.4	-0.7	-1.8	-2.9	-4.0	0.1	-0.8

Source: NBP calculations based on GUS data.

Appendix 2

Prices of consumer goods and services

Price index of consumer goods and services

In 2010, the average annual price index of consumer goods and services (CPI) decreased to 2.6%, after two years of running significantly above the NBP's inflation target of 2.5%, i.e. was close to the inflation target of 2.5%.

All the monthly CPI values remained within the tolerance limit for deviations from the inflation target (1.5–3.5%). Until August, the index was falling steadily (from 3.5% in January to 2.0%), to subsequently pick up and reach 3.1% in December. Following a gradual decrease in the first half of the year, core inflation index net of food and energy prices – stabilised at 1.2% in the period from July to November, but rose to 1.6% at the end of the year. The first months of 2010 saw a decline in the growth of prices of food and non-alcoholic beverages. However, between June and October 2010, the annual growth rate of these prices went up and remained elevated until the end of the year, in spite of a slight drop in the last months of 2010. This was accompanied by a relatively high growth in energy prices.

The rebound in inflation observed in the latter half of 2010 was driven primarily by an accelerated growth in prices of food, non-alcoholic beverages and energy. This reflected the impact of weather conditions, which were unfavourable to agriculture, and rising world prices of agricultural and energy commodities, i.e. factors beyond the impact of domestic monetary policy.

Prices of food and non-alcoholic beverages

Until May 2010, the growth in prices of food and alcoholic beverages decreased steadily pace (from 3.0% in January to 0.6%), which was related to improved supply conditions in the market for pork and favourable supply trends in the remaining markets. This decline was also due to a negative base effect, driven by a considerable rise in food and beverages prices in the corresponding period of 2009. The fact that food prices went up faster in the subsequent months can be put down to the adverse effect of weather conditions on supply of fruit, vegetable and cereal, as well as a sharp rise in the prices of agricultural produce in the world markets.

Energy prices

The annual growth of energy prices decreased from 8.9% in January to 4.6% in July and August, to re-embark on an upward trend in September and reach 7.9% in December. This was caused primarily by a fall (from 22.3% in January to 5.8% in July), and a subsequent rise (to 14.4% in December) in the annual growth of prices of fuels sold to private vehicle owners. Slower pace of annual fuel price growth in mid-year resulted from a negative base effect due to a sharp rise in these prices in the corresponding period of the preceding year. The acceleration in these prices towards the end of the year was, in turn, spurred by rising world prices of oil.

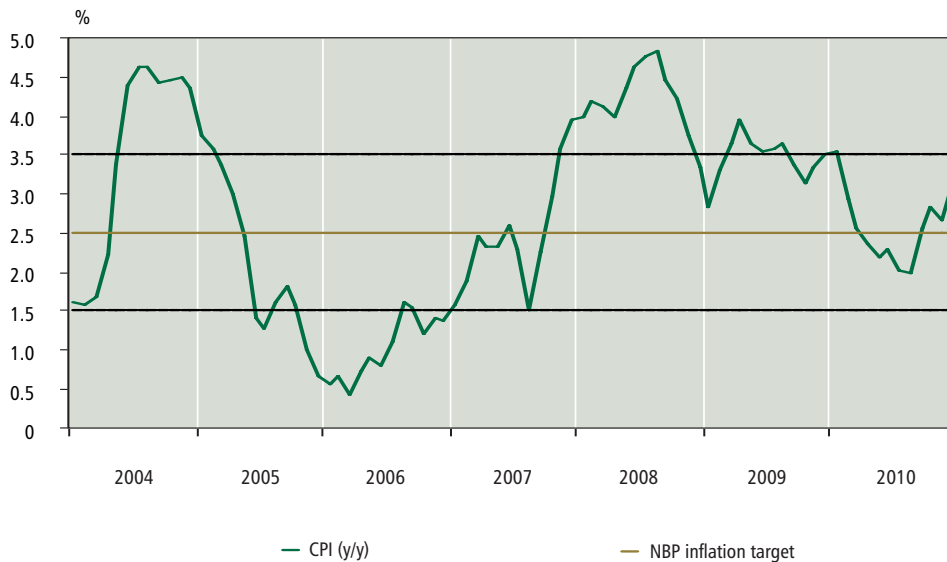
From March 2010, growth rate of prices of energy products rose steadily, which, in part, resulted from a positive base effect due to a fall in these prices in the corresponding period of 2009; this included a reduction in the prices of natural gas for households in June 2009, which were raised again in June and October 2010. At the same time, in the latter half of 2010 the prices of heating fuels (mainly coal) embarked on an upward path.



Inflation net of food and energy prices (core inflation)

The annual growth in prices of consumer goods and services net of food and energy fell gradually until July, when it stabilised at 1.2%, to pick up again in December 2010 to 1.6%. The significant deceleration in the price trend in this period concerned both goods and services. With respect to goods, the strongest reduction was observed in the growth of excise goods prices, due to a negative base effect resulting from a significant rise in these prices in 2009, the effect of amendments to excise tax regulations and rises of excise tax on these goods.⁸⁶ Another factor with a mitigating effect on the growth of prices was the weakening upward trend in the prices of vehicles (passenger cars). Growth in the prices of services was mainly diminished by a slower rise in the prices of home maintenance services. Throughout 2010, there was also a steady and significant reduction in the growth rate of prices in the “hotels and restaurants” category as well as prices of cultural and recreational services. The increase in the annual service price index, and consequently core inflation index net of food and energy in December 2010 was connected mainly with a positive base effect resulting from a sharp fall in the Internet service prices in the corresponding period of the preceding year.

Figure 28
Annual change in consumer goods and services prices as compared to inflation target



Source: GUS data, NBP calculations.

⁸⁶In 2009 excise tax on alcoholic beverages and tobacco products was raised. At the same time, new regulations regarding excise tax were introduced as of July 2009, pursuant to which tobacco products labelled with excise stamps in the previous years were recalled from the market. Tobacco products which were legally traded from July 2009 had to be provided with excise stamps of 2009 and thus taxed at the new rate. The increases in excise tax rates resulted from the harmonization of the national legislation to the minimum excise tax rate allowed in the EU.

Table 40
Changes in the prices of consumer goods and services in 2009–2010

	CPI	Food and non-alcoholic beverages	Energy	of which:		Inflation net of food and energy prices	of which:					
				energy carriers	fuels		goods	excise products (alcohol, tobacco)	other goods	services	home maintenance	other services
% structure of weights in CPI basket												
2009	100.0	24.6	15.3	11.0	4.3	60.1	32.0	5.6	26.4	28.1	6.1	22.0
2010	100.0	24.1	15.8	11.6	4.2	60.1	31.4	5.7	25.7	28.7	6.3	22.4
Change in relation to the corresponding period of the previous year (%)												
I 2009	2.8	3.1	4.9	14.8	-18.8	2.2	0.2	7.8	-1.4	4.5	8.4	3.4
II	3.3	3.4	6.9	14.4	-12.1	2.4	0.4	8.3	-1.3	4.7	8.4	3.7
III	3.6	4.8	6.3	13.9	-12.5	2.5	0.6	9.2	-1.2	4.7	8.5	3.6
IV	4.0	5.6	6.6	13.8	-11.4	2.6	1.0	9.8	-0.8	4.5	8.5	3.4
V	3.6	5.2	4.6	11.1	-11.5	2.8	1.2	10.0	-0.6	4.5	8.5	3.4
VI	3.5	4.7	5.0	10.6	-8.5	2.7	1.3	10.2	-0.5	4.3	8.3	3.2
VII	3.6	4.0	5.3	10.1	-6.0	2.9	1.8	12.1	-0.3	4.2	8.1	3.1
VIII	3.7	4.5	5.2	9.8	-6.0	2.9	1.7	10.3	-0.2	4.3	7.9	3.2
IX	3.4	3.6	5.0	8.9	-4.9	2.9	1.7	9.4	0.1	4.1	7.8	3.1
X	3.1	3.0	4.2	7.5	-4.6	2.9	1.9	8.9	0.4	4.1	7.6	3.1
XI	3.3	3.4	5.3	5.9	3.7	2.8	1.8	8.3	0.4	3.9	7.5	2.9
XII	3.5	3.4	7.4	5.8	12.3	2.6	1.8	8.0	0.5	3.4	7.4	2.2
I 2010	3.5	3.0	8.9	4.5	22.3	2.4	1.8	7.5	0.5	3.1	5.6	2.4
II	2.9	2.8	5.8	2.8	14.5	2.2	1.7	7.4	0.4	2.8	5.4	2.1
III	2.6	1.4	6.4	3.2	15.6	2.0	1.6	7.7	0.3	2.4	5.0	1.7
IV	2.4	0.7	6.8	3.2	17.0	1.9	1.4	7.2	0.2	2.3	4.8	1.6
V	2.2	0.6	6.9	3.3	16.9	1.6	1.2	7.0	-0.1	2.1	4.5	1.5
VI	2.3	2.2	5.6	4.1	9.8	1.5	1.0	6.2	-0.2	2.0	4.3	1.3
VII	2.0	2.4	4.6	4.1	5.8	1.2	0.6	3.6	-0.1	1.9	4.1	1.2
VIII	2.0	2.3	4.6	4.1	5.9	1.2	0.5	3.6	-0.2	1.9	4.0	1.3
IX	2.5	4.3	5.0	4.2	7.1	1.2	0.6	3.3	0.0	1.8	4.0	1.2
X	2.8	4.8	6.2	5.0	9.5	1.2	0.6	3.3	0.0	1.8	4.0	1.2
XI	2.7	4.3	5.7	5.2	7.2	1.2	0.6	3.8	-0.1	1.8	4.0	1.2
XII	3.1	3.9	7.9	5.5	14.4	1.6	0.8	4.1	0.0	2.4	3.9	2.0
I-XII 2009	3.5	4.1	5.5	10.4	-6.9	2.7	1.3	9.4	-0.4	4.3	8.1	3.2
I-XII 2010	2.6	2.7	6.2	4.1	11.9	1.6	1.0	5.3	0.1	2.2	4.5	1.6
Share in CPI (in p.p.)												
I 2009	2.8	0.8	0.7	1.6	-0.8	1.3	0.1	0.4	-0.4	1.3	0.5	0.8
II	3.3	0.8	1.0	1.6	-0.5	1.4	0.1	0.5	-0.3	1.3	0.5	0.8
III	3.6	1.2	1.0	1.5	-0.5	1.5	0.2	0.5	-0.3	1.3	0.5	0.8
IV	4.0	1.4	1.0	1.5	-0.5	1.6	0.3	0.5	-0.2	1.3	0.5	0.8
V	3.6	1.3	0.7	1.2	-0.5	1.6	0.4	0.5	-0.2	1.3	0.5	0.7
VI	3.5	1.2	0.8	1.2	-0.4	1.6	0.4	0.6	-0.1	1.2	0.5	0.7
VII	3.6	1.0	0.8	1.1	-0.3	1.8	0.6	0.7	-0.1	1.2	0.5	0.7
VIII	3.7	1.1	0.8	1.1	-0.3	1.8	0.5	0.6	0.0	1.2	0.5	0.7
IX	3.4	0.9	0.8	1.0	-0.2	1.7	0.6	0.5	0.0	1.2	0.5	0.7



X	3.1	0.7	0.6	0.8	-0.2	1.7	0.6	0.5	0.1	1.1	0.5	0.7
XI	3.3	0.8	0.8	0.7	0.2	1.7	0.6	0.5	0.1	1.1	0.5	0.6
XII	3.5	0.8	1.1	0.7	0.5	1.5	0.6	0.5	0.1	1.0	0.5	0.5
I 2010	3.5	0.7	1.4	0.5	0.8	1.5	0.6	0.4	0.1	0.9	0.4	0.6
II	2.9	0.7	0.9	0.3	0.6	1.3	0.5	0.4	0.1	0.8	0.3	0.5
III	2.6	0.3	1.0	0.4	0.6	1.2	0.5	0.4	0.1	0.7	0.3	0.4
IV	2.4	0.2	1.1	0.4	0.7	1.1	0.5	0.4	0.0	0.7	0.3	0.4
V	2.2	0.1	1.1	0.4	0.7	1.0	0.4	0.4	0.0	0.6	0.3	0.3
VI	2.3	0.5	0.9	0.5	0.4	0.9	0.3	0.3	0.0	0.6	0.3	0.3
VII	2.0	0.6	0.7	0.5	0.3	0.7	0.2	0.2	0.0	0.5	0.3	0.3
VIII	2.0	0.5	0.7	0.5	0.3	0.7	0.2	0.2	-0.1	0.5	0.3	0.3
IX	2.5	1.0	0.8	0.5	0.3	0.7	0.2	0.2	0.0	0.5	0.3	0.3
X	2.8	1.1	1.0	0.6	0.4	0.7	0.2	0.2	0.0	0.5	0.3	0.3
XI	2.7	1.0	0.9	0.6	0.3	0.7	0.2	0.2	0.0	0.5	0.3	0.3
XII	3.1	0.9	1.3	0.6	0.6	0.9	0.2	0.2	0.0	0.7	0.3	0.4
I-XII 2009	3.5	1.0	0.8	1.2	-0.3	1.6	0.4	0.5	-0.1	1.2	0.5	0.7
I-XII 2010	2.6	0.7	1.0	0.5	0.5	1.0	0.3	0.3	0.0	0.6	0.3	0.4

Source: GUS data, NBP calculations.

Appendix 3

Balance of payments⁸⁷

Following a decline in 2009, the current account deficit of the balance of payments amidst the global crisis and a slowdown in economic growth in Poland, rebounded in 2010. In 2010 it amounted to EUR 12.0 billion (as compared to EUR 6.7 billion in 2009). The current account deficit to GDP ratio went up from 2.1% in 2009 to 3.4% in 2010. The main driving force behind the deepening of the current account deficit was a rise in the deficit on trade in goods. At the same time, for the second consecutive year growth was recorded in the income account deficit. Furthermore, the surplus in trade in services and, to a lesser extent, the surplus in current transfers narrowed.

The revival in international trade (after a decline of 13% in 2009, the volume of global trade in 2010 increased by 15.1%⁸⁸) supported the rebound in Poland's foreign trade. Recovery in Polish exports, after a strong collapse in the first half of 2009, occurred in the wake of the boom in German exports. At the same time, however, stronger import growth led to a deepening of Poland's foreign trade deficit.

According to preliminary GUS estimates, the deficit in Polish foreign trade rose from EUR 9.3 billion in 2009 to EUR 13.5 billion in 2010.⁸⁹ Deficit in trade with the former Soviet Union countries and with developing countries (in particular, China) deepened further. At the same time, the surplus in trade with the EU-15 and the so-called new EU Member States increased (the surplus in trade with the EU countries rose from EUR 11.7 to EUR 15.2 billion).

In 2010, the value of Polish exports increased by 19.5% (after a fall of 15.5% in 2009). The strongest rise among all categories of goods exported from Poland was recorded in the exports of intermediate goods, partially due to a revival in exports of the EU-15 and intensified trade between subsidiaries of foreign companies in the countries of Central and Eastern Europe (CEE), driven by the recovery in exports to non-EU economies. Due to a slow rebound in consumption and investment demand in the EU countries, exports of final goods from Poland grew at a much slower pace. The EU-15 countries were Poland's only major trading partners to which exports from Poland reached the 2008 level. Exports to the former Soviet Union countries were rebuilding relatively slowly.

In 2010, the value of imports to Poland grew by 21.7%. Faster growth in imports than that in exports was mainly related to the increase in fuel prices, while the growth of imports of other categories of goods was close to export growth.⁹⁰ As compared to other categories of goods, the rise in imports of intermediate goods was high, which was driven by a strong demand of the export sector in Poland. The geographical structure of imports saw a persistently growing share of imports from China, which is due to the ongoing process of production being shifted to this country from the developed economies.

In 2010, the value of net errors and omissions amounted to EUR 13.6 billion as compared to EUR 15.2 billion in 2009.⁹¹ The National Bank of Poland is now carrying out works aimed to

⁸⁷ If not specified otherwise, all the data analysed in Appendix 3 refer to values denominated in EUR.

⁸⁸ According to CPB Netherlands Bureau for Economic Policy Analysis estimates.

⁸⁹ The increase in foreign trade deficit was the effect of both higher growth in the volume of imports than that of exports as well as faster rise in import transaction prices than in export transaction prices. In 2010 the volume of imports went up by 11.1% (y/y), while the volume of exports increased by 10.4%. Import transaction prices expressed in EUR climbed by 9.5%, while export transaction prices stepped up by 8.3%.

⁹⁰ The value of imports of oil increased in 2010 by 53.9%, which was driven by a rise in oil prices expressed in EUR by 47.6%. Crude oil excluded, the value of imports to Poland rose by 19.8%.

⁹¹ Net errors and omissions are part of balance of payments and occur in balance of payments statistics in all countries. This item is an effect of discrepancies resulting from lack of information on type of flows which occurred between a country and abroad. The negative values of net errors and omissions have been reported in Poland since 2004.

identify the reasons for such a significant scale of net errors and omissions.⁹² The revised balance of payments data for the period since 2004 will be released along with the publication of the balance of payments data for 2011 Q1.⁹³

In 2010 the average nominal zloty exchange rate appreciated by 8.4% against the euro and by 3.4% against the US dollar as compared with 2009. However, due to lower growth of unit labour costs in manufacturing in Poland than that registered by Poland's trading partners, the real effective exchange rate (deflated by the index of unit labour costs in manufacturing; REER) depreciated in 2010 by 0.9% as compared to 2009.

In 2010, most indicators of external imbalances of the Polish economy deteriorated. Growing utilization of EU funds in 2010 (classified on the capital account) did not offset the increase in the current account deficit. As a result, both current account deficit to GDP ratio as well as current and capital account deficit to GDP ratio rose. In 2010, the inflow of foreign direct investment declined as compared to 2009. However it was a result of a one-off transaction of a direct investor who sold assets in Poland. This transaction excluded, the level of the inflow of foreign direct investment to Poland in 2010 was close to the one recorded in 2009. The current account deficit was in approximately 31% financed by the inflow of foreign capital in the form of direct investment (as compared to 92% in the previous year). The total external debt to GDP ratio as at the end of December 2010 was 66.1%, which means that it deteriorated by 4.6 percentage points as compared to 2009. The reserve assets to imports ratio improved slightly. The short-term external debt⁹⁵ to official reserve assets ratio, which shows how much of the central bank foreign reserves would be allocated to repay short-term external debt as at the end of December 2010 stood at 78.2% and showed an improvement of 9.8 percentage points as compared to 2009.

Table 41
Selected indicators of external imbalances (in %)

Indicators of external imbalances	2004	2005	2006	2007	2008	2009	2010
Current account balance/GDP	-4.0	-1.2	-2.7	-4.7	-4.8	-2.1	-3.4
Current and capital account balance/GDP	-3.5	-0.9	-2.1	-3.6	-3.7	-0.5	-1.6
Balance on trade in goods/GDP	-2.2	-0.9	-2.0	-4.0	-4.9	-1.0	-1.7
Current account balance/current account inflows	-9.4	-2.9	-5.9	-10.1	-10.6	-4.9	-7.4
Direct investment/current account balance	116.1	184.4	115.8	90.0	40.6	91.6	31.4
Foreign debt/GDP	46.5	45.9	47.3	51.0	48.0	62.7	66.1
Officially reserve assets expressed in terms of monthly imports of goods and services	4.0	4.7	3.9	3.9	3.3	5.4	5.6
Short-term debt/ total foreign debt	19.1	20.4	20.4	26.0	26.9	24.9	23.4
Short-term debt/official reserve assets	67.5	63.6	71.3	92.6	106.0	88.0	78.2

Source: NBP calculations based on GUS and NBP data.

⁹²The driving forces behind this phenomenon include most probably: understatement of imports of used cars from the EU, revisions of transfers in other sectors, revision of the so-called branding strategy, hypotheses concerning the financial account and settlement of derivatives, or revision of the volume of foreign assets held by the non-financial sector entities.

⁹³Revised balance of payments data will be published on 29 June 2011.

⁹⁴Indicators taking account of changes in production costs are good measures of changes in the competitive position of domestic producers in foreign markets. Due to the predominant share of manufacturing products in trade, the real exchange rate deflated by unit labour costs in manufacturing was used to assess changes in the competitive position of Polish exports. Calculations are based on quarterly data on unit labour costs in 2010, whereas Q4 data are estimates.

⁹⁵Short-term foreign debt are debt instruments with maturity less than one year. They include primarily funds held on current and fixed deposit accounts and commercial loan debt (including commercial loans from shareholders).

Appendix 4

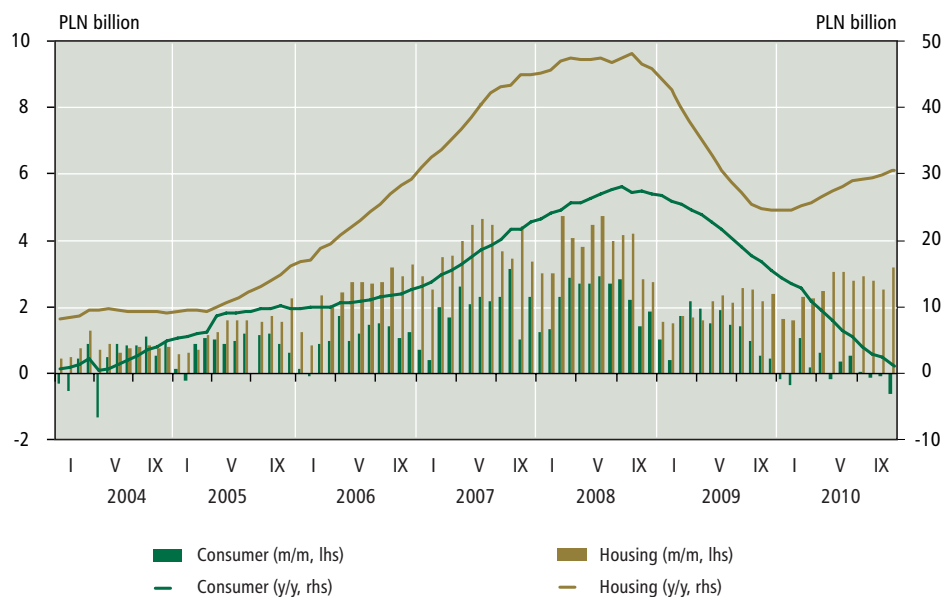
Money and credit

Loans to households

The nominal value of household debt at banks increased in 2010 by PLN 37.1 billion (against PLN 46 billion in 2009). The growth rate of household loans decreased from 12.4% in December 2009 to 8.9% y/y in December 2010.

The slowdown of the annual growth in household loans resulted from a significant fall in consumer credit growth – from 12.8% y/y in December 2009 to 1.8% y/y in December 2010. The increase in consumer loans in 2010 reached PLN 1.3 billion, i.e. markedly less than in 2009 and in the record high in this respect year of 2008, when consumer loan debt rose to PLN 15.5 billion and PLN 27.1 billion respectively. The results of the survey studies conducted by the NBP indicate that a significant drop in consumer credit growth in 2010 resulted primarily from the reduced supply of consumer loans, coupled with a slight decrease in the demand for consumer loans.⁹⁶ Banks have limited the supply of consumer loans in view of the risk of the anticipated economic situation and an increasing share of bad loans in their loan portfolio. Tightening of banks' lending policy could have also partly stemmed from the need to implement by the end of 2010 the T Recommendation requirements.⁹⁷

Figure 29
Year-on-year and month-on-month changes in household loans



Source: NBP data.

⁹⁶ Senior loan officer opinion survey on credit market. www.nbp.pl.

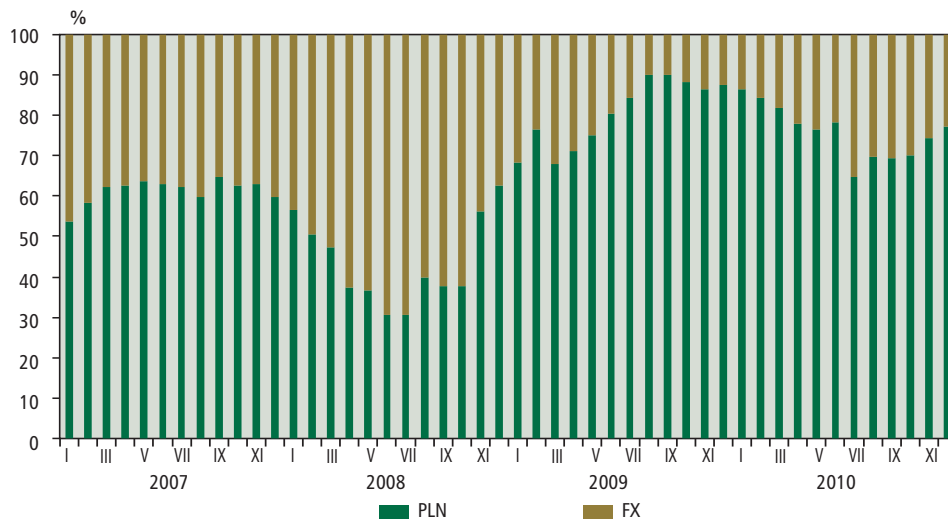
⁹⁷ Provisions of T Recommendation were aimed, *inter alia*, to standardize creditworthiness assessment procedures, curb aggressive competition among banks and guarantee transparency of banking procedures to borrowers.



In contrast to the situation in the consumer loan market, the housing loan market in 2010 reported a recovery.⁹⁸ The value of housing loans in 2010 amounted to PLN 30.5 billion against PLN 24.5 billion a year before. In the first half of 2010, the growth rate in housing loans showed a slightly upward trend, and then stabilized at around 14% y/y.

Similarly to 2009, also in 2010 the majority of new housing loans were zloty denominated loans. Their share in the structure of newly granted loans initially followed a downward trend and decreased from 88% in December 2009 to 65% in July 2010, then gradually increased to nearly 77% in December 2010.

Figure 30
Currency structure of newly granted housing loans to households



Source: NBP data.

Calculations are based on the information obtained for interest rate purposes from the sample of 20 selected banks whose share in the market of loans to non-financial sector accounts for approximately 75%.

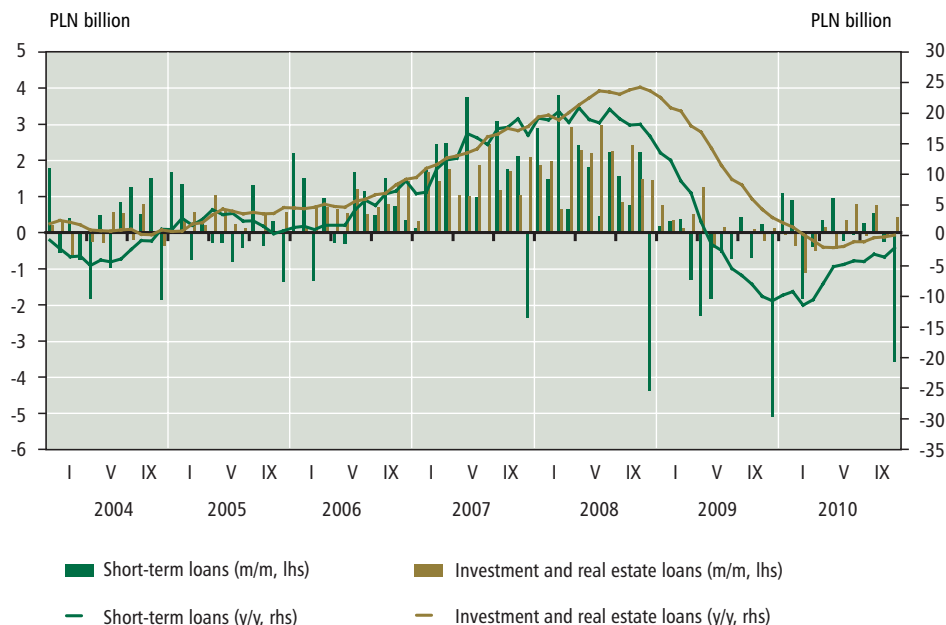
Loans to enterprises

Improved economic situation of enterprises and gradually increasing production capacity utilization did not have any material impact on the change in demand for corporate loans. The nominal value of corporate debt decreased in 2010 by PLN 1.9 billion as compared to a decline of PLN 7.8 billion in 2009. The annual growth of corporate loans was negative throughout 2010, although followed a gradual upward trend starting from May 2010.

The drop in corporate debt was primarily driven by a decrease in current loans and long-term real property loans. Corporate debt resulting from current loans fell in 2010 by PLN 2.3 billion (against a fall of PLN 10.9 billion in 2009), while the annual growth rate of these loans followed a gradual upward trend in the second half of 2010, increasing from an average of approx. -9.0% in the first half of 2010 to -2.5% in December 2010. The decline in this loan category was driven, on the one hand, by further tightening of banks' lending policy, mainly towards small and medium sized businesses and, on the other hand, with a relatively good liquidity situation of enterprises, reducing their demand for this type of loans.

⁹⁸ The implementation in August 2010 of some of the provisions of T Recommendation did not have, at the end of 2010, any significant impact on the level of lending in the housing market. In practice, some banking institutions did not have to introduce any changes in their credit offer, as they had already met the requirements of T Recommendation before. Moreover, relevant provisions regarding the admissible ratio of expenditure related to the service of credit and financial commitments to customer's income took effect only as of 23 December 2010.

Figure 31
Year-on-year and month-on-month changes in loans to enterprises



Source: NBP data.

The year 2010 also saw continued low demand for long-term real property loans. The value of this category of corporate debt declined in 2010 by PLN 2 billion (against an increase of PLN 1.8 billion in 2009). At the same time, the annual growth in this category of loans decreased gradually (to -7.8% in December 2010 as compared to 3.7% in December 2009).

The year 2010 brought, on the other hand, an increase in the value of long-term investment loans (an increase of PLN 1.8 billion against an increase of PLN 0.9 billion in 2009), used by companies to finance new or extend the already existing production and service capacity. Despite some recovery in investment loans throughout the year, own funds of enterprises remained the main source of investment of financing which was supported by good sales results reflected in a rapid growth in corporate deposits.

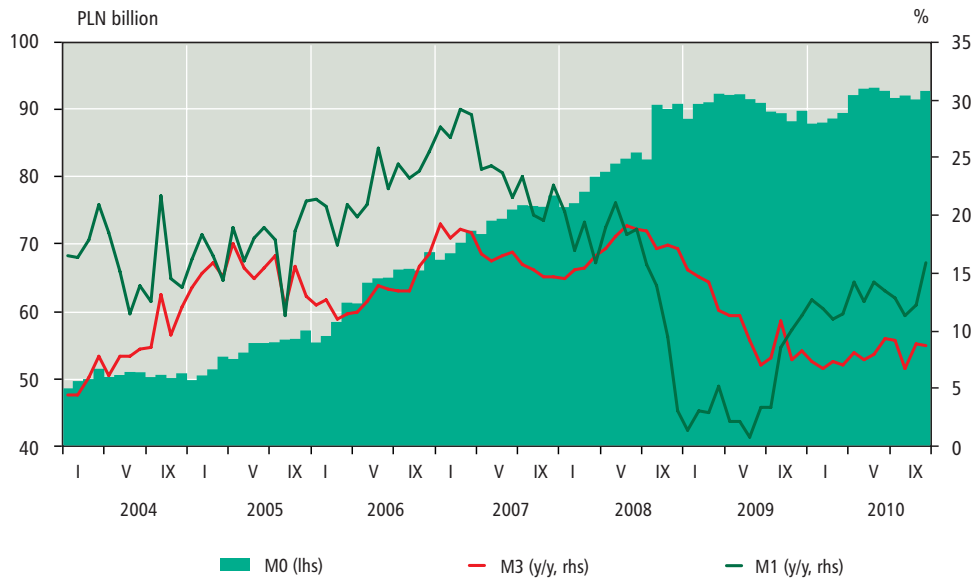
Deposits and monetary aggregates

In 2010 M3 monetary aggregate increased by PLN 63.3 billion as compared to an increase of PLN 55.1 billion a year before. The growth rate of M3 monetary aggregate was relatively stable and reached an average level of 8% y/y.

Slower growth was recorded in broad money than in more liquid money components (M1 aggregate) (on average of around 13% y/y). Current deposits of households and enterprises increased significantly. Their value rose by the total of PLN 54.8 billion in 2010 (21% y/y). The second component of M1 money – currency in circulation – increased during this period by PLN 2.9 billion. Its annual growth rate increased gradually, from -1.1% in December 2009 to 3.3% in December 2010. The share of other components of broad money (M3-M1), primarily fixed-term deposits with a maturity less than 2 years increased slightly – by PLN 1.6 billion and in December 2010 it was higher than a year before by 0.5%. As a result of the above changes, liquidity ratio of M3, measured by the share of cash and current liabilities in M3, grew in 2010 by 3.5 percentage points to approximately 57%.



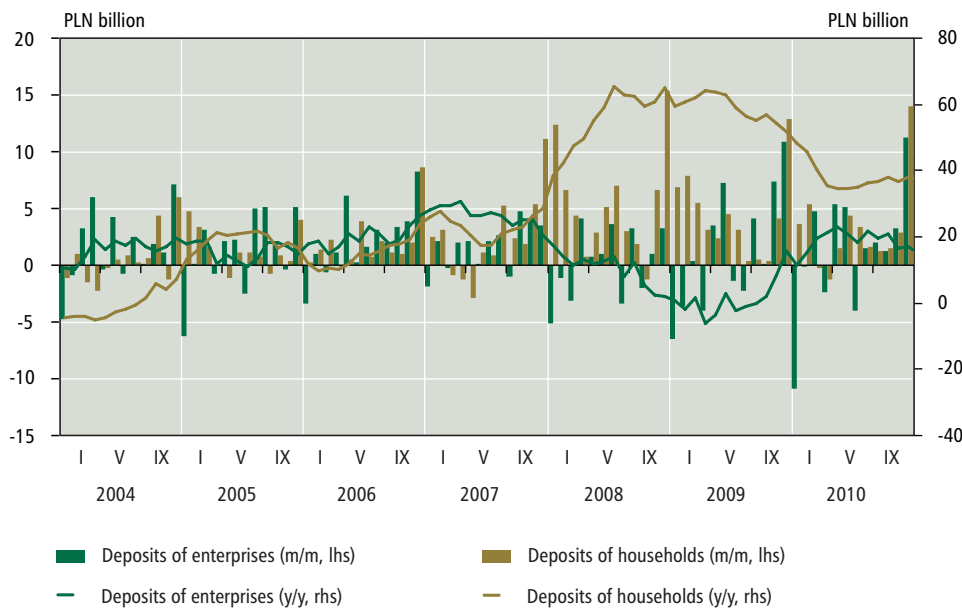
Figure 32
Annual changes in M3 and M1 aggregates and currency in circulation



Source: NBP data.

Household deposits grew in 2010 by PLN 38 billion against an increase of PLN 51.5 billion one year earlier. Following a regular decline in the growth rate from a very high level of around 25% y/y, since the second quarter of 2010 the growth rate of household deposits has stabilized at around 10% y/y. Growth of household deposits persisting at a nearly two-digit level was the result of rapid growth in current deposits (at a rate exceeding 20% y/y), driven by growing popularity of overnight deposits and savings deposits with daily capitalization of interest. However, deposits with maturity less than 2 years decreased in 2010 by PLN 3.9 billion (-2% y/y).

Figure 33
Year-on-year and month-on-month changes in household and corporate deposits



Source: NBP data.

An alternative to fixed-term deposits, limiting the growth of M3 in 2010, were investments in investment fund units, shares or insurance policies. In 2010, the value of investment fund assets increased by PLN 18.6 billion, nearly half of which were new net contributions (in 2009 new net contributions to the fund amounted to approximately PLN 2 billion). As compared to investments in investment funds, the scale of investment in shares or insurance policies was significantly lower and was estimated in both cases to slightly exceed PLN 6 billion.

The value of corporate deposits increased in 2010 by PLN 17.1 billion (against an increase of PLN 15.9 billion a year earlier). In the first half of 2010, the growth rate of deposits increased gradually to around 16% in May 2010, then began to fall to around 10% in December 2010. According to the NBP survey studies, liquidity situation of the enterprise sector was in 2010 relatively good and stable.⁹⁹ At the same time, respondents declared an investment growth, which in nearly 50% was supposed to be financed from their own resources.

⁹⁹ *Information on the Condition of the Enterprise Sector, Including the Economic Climate in 2010 Q3 and Forecasts for 2010 Q4 – results of the NBP surveys, www.nbp.pl.*

Appendix 5

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

In 2010, 26 open-to-public academic seminars were organised:

- Determinants of Wage-to-Labour Productivity Relation: Evidence from a Panel of Firms
- Financial Frictions and Optimal Monetary Policy in an Open Economy
- Financial Crisis and Monetary Transmission Mechanism in the Context of Information Complexity and Asymmetry
- Mechanism of Endogenous Growth as Source of Medium-Term Fluctuations in the Labour Market – Application to US Economy
- Social Self-regulation of a Banking Crisis
- The Role of the Central Bank in the Financial System – Past Experience
- Poles' Attitudes towards Non-Cash Transactions
- Businesses in Times of Global Recession. Foreign Ownership and Access to External Financing
- Anti-crisis Measures by Selected Central Banks in 2007–2010
- Monetary Policy Committees: Meetings and Outcomes
- The Price of Liquidity: Bank Characteristics and Market Conditions
- Fair Value According to GAAP and its Significance for the Financial Sector in the USA
- A Fiscal Outlook for Poland Using Generational Accounts
- Crisis Exit Strategies Applied in Advanced Countries: Effectiveness and Consequences
- Do MPC Voting Records Help Predicting Policy Rate Changes?
- Incomplete Markets, Optimal Portfolios and the Consumption Correlation Puzzle
- The Problem of Redefining Public Debt in the European Union and in Poland
- Modelling Overconfidence in Banks
- Temporary Migrations and the Boom-Bust Cycle
- Technology, Utilization and Inflation: Re-assessing the New Keynesian Fundament
- Inevitable Appreciation? Medium- and Short-term Determinants of the PLN/EUR Exchange Rate in a Floating Exchange Regime

- The Shape of the Aggregate Output Function: Conclusions from Estimates of the Global Technology Limit
- How to Prevent Unstable Booms during Euro Area Accession?
- Stabilizing Intermediation: Re-engineering Financial Flows
- Measuring Apartment Prices and the Inflation Index in Poland
- Flows in the Polish Labour Market – What Do Monthly Data on Registered Unemployment Tell Us?

In 2010, the following publications by NBP employees were included in the so-called Philadelphia list (ISI Master Journal List):

- Jakub Growiec, *Knife-edge conditions in the modeling of long-run growth regularities*, *Journal of Macroeconomics*, 32(4), pp. 1143–1154, 2010
- Jakub Growiec, *Human capital, aggregation, and growth*, *Macroeconomic Dynamics*, 14(2), pp. 189–211, 2010
- Jakub Growiec, Katarzyna Growiec, *Social capital, well-being, and earnings: theory and evidence from Poland*, *European Societies* 12(2), pp. 231–255, 2010
- Jan Hagemeyer, Joanna Tyrowicz, *Not all that glitters. FDI and privatisation in transition*, *Eastern European Economics*
- Marcin Kolasa, Martin Bijsterbosch (ECB), *FDI and productivity convergence in central and eastern Europe: An industry-level investigation*, *Review of World Economics*, 145(4), pp. 689–712, 2010
- Joanna Tyrowicz, Luke Emeka Okafor, *Saving less when there is more? Foreign debt and domestic savings in developing countries*, *Journal of Economic Policy Review*
- Ewa Wróbel, Jan Przystupa, *Asymmetry of the exchange rate pass-through: An exercise on the Polish data, July/August 2010*, *Eastern European Economics*
- Dobromił Serwa, *Larger crises cost more: Impact of banking sector instability on output growth*, *Journal of International Money and Finance*, 29(8), December 2010, s. 1463–1481
- Jolanta Zięba, Kazimierz Łaski, Jerzy Osiatyński, *Czynniki wzrostu PKB w Polsce i w Czechach w 2009 r.*, *Ekonomista* 6/2010, December 2010

In the series *Materiały i Studia* the following articles were published in 2010 (in Polish):

- Wiesław Gumuła, Adrian Gucwa, Zbigniew Opióła, Witold Nalepa, *Rynek pracy w Polsce (wynagrodzenia, produktywność pracy i migracje w listopadzie 2009 r. – na tle badań panelowych w latach 2006–2009)*
- Kazimierz Łaski, Jerzy Osiatyński, Jolanta Zięba, *Mnożnik wydatków państwowych i szacunki jego wielkości dla Polski*
- Marta Widłak, *Dostosowanie indeksów cenowych do zmian jakości. Metoda wyznaczania hedonicznych indeksów cen i możliwości ich zastosowania dla rynku mieszkaniowego*

- Tomasz Sikora, *Analiza wyników funduszy inwestycyjnych w Polsce z wykorzystaniem wnioskowania bayesowskiego*
- Paweł Błaszczyk, *Stabilność cen – sposoby definicji oraz wyzwania dla polityki pieniężnej*
- Wiesław Gumuła, Adrian Gucwa, Witold Nalepa, Zbigniew Opiola, *Rynek pracy w Polsce. Wynagrodzenia, produktywność pracy i migracje w maju 2010 r. – na tle panelowych badań opinii pracodawców i bezrobotnych w latach 2006–2009*
- Grzegorz Grabek, Bohdan Kłos, Grzegorz Koloch, *SOEPL-2009 – Model DSGE małej otwartej gospodarki estymowany na danych polskich*

In 2010, the following papers were published in the series *National Bank of Poland Working Paper*:

- Łukasz Woźny, Jakub Growiec, *Intergenerational interactions in human capital accumulation*
- Giuseppe Ferrero, Alessandro Secchi, *Central bank's macroeconomic projections and learning*
- Jakub Growiec, *On the measurement of technological progress across countries*
- N. Kundan Kishor, *The superiority of greenbook forecasts and the role of recessions*
- Michał Brzoza-Brzezina, Krzysztof Makarski, *Credit crunch in a small open economy*
- Geert Bekaert, Campbell R. Harvey, Christian T. Lundblad, Stephan Siegel, *What segments equity markets?*
- Marcin Kolasa, Michał Rubaszek, Daria Taglioni, *Firms in the great global recession: The role of foreign ownership and financial dependence*
- Michał Jurek, *The fall of the vanishing interim regime hypothesis: towards a new paradigm of the choice of the exchange rate regimes*

Appendix 6

Voting records of Monetary Policy Council members on motions and resolutions in 2010

Date	Subject matter of motion or resolution	Decision of the MPC	Voting of the MPC members	
			For:	Against:
16 March 2010	Resolution No. 1/RPP/2010 on the stance of the Monetary Policy Council on Poland's participation in a temporary increase in the assets of the International Monetary Fund.		S. Skrzypek E. Chojna-Duch Z. Gilowska A. Glapiński A. Kaźmierczak	A. Bratkowski J. Hausner A. Rzońca J. Winiński A. Zielińska-Głębocka
30 March 2010	Resolution No. 1/2010 changing the resolution on the principles for creating and unwinding provisions against the foreign exchange risk of the zloty against foreign currencies at the National Bank of Poland.		A. Bratkowski E. Chojna-Duch J. Hausner A. Rzońca J. Winiński A. Zielińska-Głębocka	S. Skrzypek Z. Gilowska A. Glapiński A. Kaźmierczak
20 April 2010	Resolution No. 2/2010 changing the resolution on the principles for creating and unwinding provisions against the foreign exchange risk of the zloty against foreign currencies at the National Bank of Poland.		A. Bratkowski E. Chojna-Duch J. Hausner A. Rzońca J. Winiński A. Zielińska-Głębocka	P. Wisiółek Z. Gilowska A. Glapiński A. Kaźmierczak
20 April 2010	Stance of the Monetary Policy Council on the way of interpretation by the Management Board of the National Bank of Poland of the MPC Resolution No. 9/2006 of 19 December 2006 on the principles for creating and unwinding provisions against the foreign exchange risk of the zloty against foreign currencies at the National Bank of Poland		A. Bratkowski E. Chojna-Duch J. Hausner A. Rzońca J. Winiński A. Zielińska-Głębocka	P. Wisiółek Z. Gilowska A. Glapiński A. Kaźmierczak
27 April 2010	Resolution No. 3/2010 on approving the Annual Financial Report of the National Bank of Poland prepared as of 31 December 2008.		P. Wisiółek E. Chojna-Duch Z. Gilowska A. Glapiński A. Kaźmierczak	A. Bratkowski J. Hausner A. Rzońca J. Winiński A. Zielińska-Głębocka
28 April 2010	Resolution No. 2/RPP/2010 on the stance of the Monetary Policy Council on the IMF Flexible Credit Line.		A. Bratkowski E. Chojna-Duch J. Hauser A. Rzońca J. Winiński A. Zielińska-Głębocka	P. Wisiółek Z. Gilowska A. Glapiński A. Kaźmierczak
18 May 2010	Resolution No. 4/2010 on approving the report on monetary policy implementation in 2009.		P. Wisiółek E. Chojna-Duch Z. Gilowska A. Glapiński J. Hausner A. Kaźmierczak <i>A. Bratkowski, A. Rzońca and J. Winiński did not participate in the voting. A. Zielińska-Głębocka was absent.</i>	



Date	Subject matter of motion or resolution	Decision of the MPC	Voting of the MPC members	
			For:	Against:
18 May 2010	Resolution No. 5/2010 on the evaluation of the activities of the NBP Management Board as regards the implementation of the monetary policy guidelines for the year 2009.		P. Wiesiołek E. Chojna-Duch Z. Gilowska A. Glapiński J. Hausner A. Kaźmierczak <i>A. Bratkowski, A. Rzońca and J. Winiecki did not participate in the voting.</i> <i>A. Zielińska-Głębocka was absent.</i>	
24 May 2010	Resolution No. 6/2010 on approving the report on the operations of the National Bank of Poland in 2009.		P. Wiesiołek E. Chojna-Duch Z. Gilowska A. Glapiński A. Kaźmierczak	J. Hausner A. Rzońca J. Winiecki A. Zielińska-Głębocka
30 June 2010	Motion to preserve the current formulation in the Information referring to the informal monetary policy bias, that is to keep the following wording: "The Council assesses the probability of inflation running below and above the inflation target in the medium term to be similar."	Motion did not pass.	E. Chojna-Duch Z. Gilowska A. Glapiński A. Kaźmierczak	M. Belka A. Bratkowski J. Hausner A. Rzońca J. Winiecki A. Zielińska-Głębocka
30 June 2010	Motion to change the informal monetary policy bias from neutral to tightening, in line with the proposed wording: "The Council assesses the probability of inflation running above the inflation target in the medium term to be higher than the probability of its running below the target."	Motion did not pass.	A. Bratkowski J. Hausner A. Rzońca	M. Belka E. Chojna-Duch Z. Gilowska A. Glapiński A. Kaźmierczak J. Winiecki A. Zielińska-Głębocka
30 June 2010	Proposal to rephrase the fragment concerning the informal monetary policy bias and include the following wording in the Information: "The Council assesses that the probability of inflation running above the inflation target in the medium term is rising."	Motion did not pass.	A. Bratkowski E. Chojna-Duch J. Hausner A. Rzońca	M. Belka Z. Gilowska A. Glapiński A. Kaźmierczak J. Winiecki A. Zielińska-Głębocka
30 June 2010	Proposal to replace the current wording of the Information presenting the assessment of the probability of inflation running above or below the inflation target with the following sentence: "The Council discussed the factors which may be reinforcing inflationary pressures in the medium term."	Motion was passed.	M. Belka A. Bratkowski Z. Gilowska A. Glapiński J. Winiecki A. Zielińska-Głębocka	E. Chojna-Duch J. Hausner A. Kaźmierczak A. Rzońca
23 August 2010	Resolution No. 3/DOR/2010 to appoint a certified auditor to audit NBP annual financial statement for business years 2010, 2011 and 2012.		M. Belka A. Bratkowski Z. Gilowska A. Glapiński J. Hausner A. Kaźmierczak	E. Chojna-Duch A. Rzońca J. Winiecki A. Zielińska-Głębocka

Date	Subject matter of motion or resolution	Decision of the MPC	Voting of the MPC members	
			For:	Against:
24 August 2010	Motion to raise the required reserve rate from 3% to 3.5%.	Motion did not pass.	Z. Gilowska A. Glapiński A. Kaźmierczak	M. Belka A. Bratkowski E. Chojna-Duch J. Hausner A. Rzońca J. Winięcki A. Zielińska-Głębocka
24 August 2010	Motion to raise the NBP interest rates by 0.50 percentage point.	Motion did not pass.	A. Bratkowski Z. Gilowska A. Glapiński A. Rzońca	M. Belka E. Chojna-Duch J. Hausner A. Kaźmierczak J. Winięcki A. Zielińska-Głębocka
28 September 2010	Resolution No. 8/2010 on setting the ceiling for liabilities arising from loans and credits drawn by the NBP at foreign banking and financial institutions.		M. Belka A. Bratkowski E. Chojna-Duch Z. Gilowska A. Glapiński J. Hausner A. Kaźmierczak A. Rzońca J. Winięcki A. Zielińska-Głębocka	
29 September 2010	Resolution No. 7/2010 on adopting <i>Monetary Policy Guidelines for 2011</i> .		M. Belka A. Bratkowski E. Chojna-Duch J. Hausner A. Rzońca J. Winięcki A. Zielińska-Głębocka	Z. Gilowska A. Glapiński A. Kaźmierczak
29 September 2010	Motion to raise the NBP interest rates by 0.50 percentage point.	Motion did not pass.	A. Bratkowski J. Hausner A. Rzońca J. Winięcki A. Zielińska-Głębocka	M. Belka E. Chojna-Duch Z. Gilowska A. Glapiński A. Kaźmierczak
27 October 2010	Motion to raise the NBP interest rates by 0.50 percentage point.	Motion did not pass.	A. Bratkowski J. Hausner A. Rzońca J. Winięcki A. Zielińska-Głębocka	M. Belka E. Chojna-Duch Z. Gilowska A. Glapiński A. Kaźmierczak
27 October 2010	Resolution No. 9/2010 amending the resolution on the required reserve rate and the required reserve rate.	The MPC raised the required reserve rate from 3.0% to 3.5%.	M. Belka E. Chojna-Duch Z. Gilowska A. Glapiński A. Kaźmierczak	A. Bratkowski J. Hausner A. Rzońca J. Winięcki A. Zielińska-Głębocka
17 November 2010	Resolution No. 10/2010 on approving the Financial Plan of the National Bank of Poland for 2011.		M. Belka A. Bratkowski E. Chojna-Duch Z. Gilowska A. Glapiński J. Hausner A. Kaźmierczak	



Date	Subject matter of motion or resolution	Decision of the MPC	Voting of the MPC members	
			For:	Against:
			A. Rzońca J. Winiecki A. Zielińska-Głębocka	
23 November 2010	Motion to raise the NBP interest rates by 0.50 percentage point.	Motion did not pass.	J. Hausner A. Rzońca J. Winiecki A. Zielińska-Głębocka	M. Belka A. Bratkowski E. Chojna-Duch Z. Gilowska A. Glapiński A. Kaźmierczak
23 November 2010	Motion to raise the NBP interest rates by 0.25 percentage point.	Motion did not pass.	J. Hausner A. Rzońca J. Winiecki A. Zielińska-Głębocka	M. Belka A. Bratkowski E. Chojna-Duch Z. Gilowska A. Glapiński A. Kaźmierczak
14 December 2010	Resolution No. 11/2010 amending the resolution No. 16/2003 from 16 December 2003 on accounting principles, the layout of balance sheet assets and liabilities and profit and loss of the National Bank of Poland.		M. Belka A. Bratkowski E. Chojna-Duch Z. Gilowska A. Glapiński J. Hausner A. Kaźmierczak A. Rzońca J. Winiecki A. Zielińska-Głębocka	
14 December 2010	Resolution No. 12/2010 on the principles for creating and releasing provision against the foreign exchange rate risk of the zloty at the National Bank of Poland.		M. Belka A. Bratkowski E. Chojna-Duch Z. Gilowska A. Glapiński J. Hausner A. Kaźmierczak A. Rzońca A. Zielińska-Głębocka <i>J. Winiecki did not participate in the voting.</i>	
22 December 2010	Motion to raise the NBP interest rates by 0.25 percentage point.	Motion did not pass.	A. Bratkowski A. Rzońca J. Winiecki A. Zielińska-Głębocka <i>J. Hausner was absent.</i>	M. Belka E. Chojna-Duch Z. Gilowska A. Glapiński A. Kaźmierczak
22 December 2010	Resolution No. 13/2010 amending the resolution on the level of the reference rate, lombard rate, deposit rate and rediscount rate of the National Bank of Poland.		M. Belka A. Bratkowski E. Chojna-Duch Z. Gilowska A. Glapiński A. Kaźmierczak A. Rzońca J. Winiecki A. Zielińska-Głębocka <i>J. Hausner was absent.</i>	



STATISTICAL ANNEX

TABLE I

Basic economic data

Period	1. Industrial output			2. Construction output			3. Consumer Price Index			4. Producer Price Index	
	current prices	constant prices		current prices	constant prices		the same month previous year = 100	previous month = 100	December previous year = 100	the same month previous year = 100	previous month = 100
		the same month previous year = 100	previous month = 100		the same month previous year = 100	previous month = 100					
	million zloty	%	%	million zloty	%	%	%	%	%	%	%
1	2	3	4	5	6	7	8	9	10	11	
XII 2009	71 090.4	107.4	94.6	9 788.6	103.2	141.0	103.5	100.0	103.5	102.1	99.8
I 2010	67 008.0	108.5	94.6	3 048.1	84.7	31.1	103.5	100.6	100.6	100.2	100.4
II	68 678.6	109.2	103.1	3 170.3	75.3	104.2	102.9	100.2	100.9	97.6	99.9
III	81 494.0	112.5	119.1	4 322.7	89.1	136.2	102.6	100.3	101.2	97.4	99.8
IV	74 673.4	109.7	90.8	5 094.6	93.7	117.8	102.4	100.4	101.6	99.6	101.4
V	76 869.0	113.5	101.6	5 994.8	102.3	117.5	102.2	100.3	101.9	101.9	102.0
VI	82 655.0	114.3	106.8	7 468.8	109.6	124.5	102.3	100.3	102.2	102.1	101.0
VII	78 608.2	110.5	94.1	7 240.8	100.8	97.0	102.0	99.8	102.0	103.8	100.1
VIII	77 306.7	113.6	98.2	7 726.9	108.4	106.7	102.0	99.6	101.5	104.0	99.8
IX	86 461.3	111.8	113.1	8 570.9	113.4	111.0	102.5	100.6	102.1	104.3	100.1
X	85 403.3	108.0	98.4	8 896.5	109.4	103.8	102.8	100.5	102.6	103.9	100.0
XI	84 511.0	110.0	98.6	7 926.3	114.2	89.2	102.7	100.1	102.8	104.7	100.4
XII	82 301.7	111.4	95.8	11 010.1	112.3	138.7	103.1	100.4	103.1	106.2	101.2

Period	12. Corporate financial performance												
	revenues		operating costs		pre-tax profit/loss	statutory deductions	net profit/loss	cost to sales ratio	net margin	quick liquidity ratio	total current assets	accounts receivable and associated claims	accounts payable
	total	of which: sales of goods & services	total	of which: costs of sales									
	million zloty	million zloty	million zloty	million zloty	million zloty	million zloty	million zloty	%	%	%	million zloty	million zloty	million zloty
22	23	24	25	26	27	28	29	30	31	32	33	34	
XII 2009	1 932 978.3	1 131 435.3	1 837 000.3	1 149 117.5	95 914.5	17 049.1	78 865.4	95.0	4.1	102.2	606 843.1	224 184.5	222 340.2
I 2010	.	.	.	.	.	.	.	.	.	.	.	.	.
II	.	.	.	.	.	.	.	.	.	.	.	.	.
III	457 778.6	268 942.1	434 978.4	273 449.5	22 827.2	4 546.8	18 280.4	95.0	4.0	105.0	597 602.1	224 946.8	208 732.2
IV	.	.	.	.	.	.	.	.	.	.	.	.	.
V	.	.	.	.	.	.	.	.	.	.	.	.	.
VI	956 711.8	563 770.3	906 115.1	571 447.9	50 575.7	8 767.3	41 808.4	94.7	4.4	103.6	636 761.2	244 024.8	229 222.3
VII	.	.	.	.	.	.	.	.	.	.	.	.	.
VIII	.	.	.	.	.	.	.	.	.	.	.	.	.
IX	1 472 871.0	872 624.0	1 391 377.5	881 423.3	81 117.1	13 582.7	67 534.4	94.5	4.6	105.7	645 961.1	250 086.0	232 911.1
X	.	.	.	.	.	.	.	.	.	.	.	.	.
XI	.	.	.	.	.	.	.	.	.	.	.	.	.
XII	2 029 730.8	1 200 633.1	1 922 051.9	1 217 468.1	107 488.5	18 043.1	89 445.5	94.7	4.4	105.5	663 259.1	248 204.4	243 430.4

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
XII 2009	99.3	100.0	5 418	5 255	1 892.7	12.1	3 652.40	274 183.5	298 028.5	-5 288.7					
I 2010	99.3	99.8	5 474	5 301	2 052.5	12.9	3 231.13	22 137.5	26 916.7	-9 588.6					
II	99.4	99.9	5 468	5 293	2 101.5	13.2	3 288.29	38 207.1	55 042.7	-18 648.4					
III	99.5	100.0	5 478	5 294	2 076.7	13.0	3 493.42	57 022.1	79 729.7	-13 931.5					
IV	99.7	100.1	5 495	5 308	1 973.8	12.4	3 398.67	79 877.6	106 834.6	-14 655.9					
V	100.0	100.1	5 505	5 320	1 907.9	12.1	3 346.61	96 870.8	128 917.0	-21 447.7					
VI	100.1	100.1	5 523	5 336	1 843.9	11.7	3 403.65	114 451.2	151 019.9	-25 114.6					
VII	100.2	99.9	5 533	5 350	1 812.8	11.5	3 433.32	139 685.2	174 555.5	-22 448.9					
VIII	100.2	100.0	5 537	5 352	1 800.2	11.4	3 407.26	160 144.3	197 120.2	-24 446.2					
IX	100.2	100.0	5 550	5 364	1 812.6	11.5	3 403.68	181 363.2	220 898.7	-26 235.7					
X	100.1	100.0	5 556	5 375	1 818.6	11.5	3 440.22	204 350.2	246 240.4	-27 872.0					
XI	100.0	100.0	5 568	5 381	1 858.3	11.7	3 525.67	226 867.2	269 480.3	-23 904.5					
XII	100.0	100.1	5 548	5 379	1 954.7	12.3	3 847.91	250 302.4	294 893.7	-13 353.7					

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			Total	of which:	
	%	%	%	%	%	%	%	%	%	%	%	million zloty	million zloty	declared vault cash
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
XII 2009	3.50	5.00	2.00	3.75	.	3.0	3.0	3.0	3.0	0.0	0.9 *	20 148.4	20 148.4	.
I 2010	3.50	5.00	2.00	3.75	4.00	3.0	3.0	3.0	3.0	0.0	0.9 *	20 148.4	20 148.4	.
II	3.50	5.00	2.00	3.75	4.00	3.0	3.0	3.0	3.0	0.0	0.9 *	20 409.0	20 409.0	.
III	3.50	5.00	2.00	3.75	4.00	3.0	3.0	3.0	3.0	0.0	0.9 *	20 517.1	20 517.1	.
IV	3.50	5.00	2.00	3.75	4.00	3.0	3.0	3.0	3.0	0.0	0.9 *	20 681.8	20 681.8	.
V	3.50	5.00	2.00	3.75	4.00	3.0	3.0	3.0	3.0	0.0	0.9 *	20 746.4	20 746.4	.
VI	3.50	5.00	2.00	3.75	4.00	3.0	3.0	3.0	3.0	0.0	0.9 *	21 102.0	21 102.0	.
VII	3.50	5.00	2.00	3.75	4.00	3.0	3.0	3.0	3.0	0.0	0.9 *	21 102.0	21 102.0	.
VIII	3.50	5.00	2.00	3.75	4.00	3.0	3.0	3.0	3.0	0.0	0.9 *	21 495.2	21 495.2	.
IX	3.50	5.00	2.00	3.75	4.00	3.0	3.0	3.0	3.0	0.0	0.9 *	21 649.0	21 649.0	.
X	3.50	5.00	2.00	3.75	4.00	3.0	3.0	3.0	3.0	0.0	0.9 *	21 649.0	21 649.0	.
XI	3.50	5.00	2.00	3.75	4.00	3.0	3.0	3.0	3.0	0.0	0.9 *	22 025.1	22 025.1	.
XII	3.50	5.00	2.00	3.75	4.00	3.5	3.5	3.5	3.5	0.0	0.9 *	25 947.6	25 947.6	.

* Rediscount rate.

Period				Face value of bills offered for sale						Demand declared by bidders (at face value)					
	52-week	Bills outstanding from tender sales at month end (purchase prices)	Number of tenders during month	Total	of which:					Total	of which for:				
					2-day	3-day	6-day	7-day	8-day		2-day	3-day	6-day	7-day	8-day
	%	million zloty		million zloty	million zloty	million zloty	million zloty	million zloty	million zloty	million zloty	million zloty	million zloty	million zloty	million zloty	million zloty
	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45
XII 2009	0.00	41 940.16	5	290 000.00	0.00	0.00	59 000.00	174 000.00	57 000.00	253 646.14	0.00	0.00	59 736.51	152 925.21	40 984.42
I 2010	3.92	42 468.36	4	264 500.00	0.00	0.00	0.00	264 500.00	0.00	269 612.62	0.00	0.00	0.00	269 612.62	0.00
II	3.85	41 170.42	4	277 500.00	0.00	0.00	0.00	277 500.00	0.00	273 665.15	0.00	0.00	0.00	273 665.15	0.00
III	3.92	42 636.77	4	288 500.00	0.00	0.00	0.00	288 500.00	0.00	279 537.94	0.00	0.00	0.00	279 537.94	0.00
IV	3.80	39 918.43	5	377 400.00	0.00	0.00	0.00	377 400.00	0.00	378 468.02	0.00	0.00	0.00	378 468.02	0.00
V	3.80	37 384.57	4	302 900.00	0.00	0.00	0.00	302 900.00	0.00	299 639.06	0.00	0.00	0.00	299 639.06	0.00
VI	3.99	34 737.31	4	305 000.00	0.00	0.00	0.00	305 000.00	0.00	312 558.88	0.00	0.00	0.00	312 558.88	0.00
VII	4.02	34 506.04	5	396 300.00	0.00	0.00	0.00	396 300.00	0.00	377 899.62	0.00	0.00	0.00	377 899.62	0.00
VIII	3.96	36 545.95	4	328 000.00	0.00	0.00	0.00	328 000.00	0.00	327 410.66	0.00	0.00	0.00	327 410.66	0.00
IX	3.91	34 126.40	4	336 500.00	0.00	0.00	0.00	336 500.00	0.00	325 629.65	0.00	0.00	0.00	325 629.65	0.00
X	4.00	33 727.66	5	413 900.00	0.00	0.00	0.00	413 900.00	0.00	405 067.04	0.00	0.00	0.00	405 067.04	0.00
XI	0.00	33 727.66	4	339 000.00	0.00	0.00	0.00	339 000.00	0.00	326 417.31	0.00	0.00	0.00	326 417.31	0.00
XII	0.00	26 730.48	7	444 000.00	10 000.00	11 000.00	0.00	423 000.00	0.00	404 511.81	3 636.11	3 430.00	0.00	397 445.70	0.00

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		
		Total	of which:			Total	of which for:			Total	of which:			Total	of which on:			
			39-week	48-week	52-week		39-week	48-week	52-week		39-week	48-week	52-week		39-week	48-week		
	million zloty	million zloty	million zloty	million zloty	million zloty	million zloty	million zloty	million zloty	million zloty	million zloty	million zloty	million zloty	million zloty	%	%	%		
15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30			
XII 2009	0	0.00	0.00	.	0.00	0.00	0.00	.	0.00	0.00	0.00	.	0.00	0.00	0.00			
I 2010	3	2 700.00	0.00	.	2 700.00	11 383.05	0.00	.	11 383.05	2 638.00	0.00	.	2 638.00	3.92	0.00			
II	4	5 200.00	0.00	.	5 200.00	13 765.38	0.00	.	13 765.38	5 042.44	0.00	.	5 042.44	3.85	0.00			
III	5	6 700.00	1 200.00	.	5 500.00	15 646.19	2 653.45	.	12 992.74	6 670.83	1 150.00	.	5 520.83	3.89	3.76			
IV	4	3 300.00	0.00	.	3 300.00	14 962.57	0.00	.	14 962.57	2 865.00	0.00	.	2 865.00	3.80	0.00			
V	4	3 900.00	0.00	1 400.00	2 500.00	9 649.55	0.00	3 613.55	6 036.00	3 330.00	0.00	1 360.00	1 970.00	3.81	0.00			
VI	4	5 600.00	0.00	0.00	5 600.00	11 813.95	0.00	0.00	11 813.95	5 017.54	0.00	0.00	5 017.54	3.99	0.00			
VII	3	3 900.00	0.00	0.00	3 900.00	14 098.60	0.00	0.00	14 098.60	3 900.00	0.00	0.00	3 900.00	4.02	0.00			
VIII	4	4 000.00	0.00	0.00	4 000.00	10 729.39	0.00	0.00	10 729.39	3 580.29	0.00	0.00	3 580.29	3.96	0.00			
IX	2	1 200.00	0.00	0.00	1 200.00	4 588.60	0.00	0.00	4 588.60	1 180.40	0.00	0.00	1 180.40	3.91	0.00			
X	2	1 200.00	0.00	0.00	1 200.00	1 837.85	0.00	0.00	1 837.85	822.55	0.00	0.00	822.55	4.00	0.00			
XI	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00			
XII	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00			

Period	4. Tenders for NBP money-market bills													Bills outstanding from tender sales at month end (purchase prices)	Number of tenders	face value of securities allotted for sale
	Total	Face value of bills sold					Yield on bills purchased, weighted average									
		of which:					of which on:									
		2-day	3-day	6-day	7-day	8-day	2-day	3-day	6-day	7-day	8-day					
	million zloty	million zloty	million zloty	million zloty	million zloty	million zloty	%	%	%	%	%	million zloty	million zloty			
46	47	48	49	50	51	52	53	54	55	56	57	58	59	60		
XII 2009	252 909.63	0.00	0.00	59 000.00	152 925.21	40 984.42	3.50	0.00	0.00	3.50	3.50	3.50	40 952.58	0	0.00	
I 2010	263 132.43	0.00	0.00	0.00	263 132.43	0.00	3.50	0.00	0.00	0.00	3.50	0.00	62 385.32	0	0.00	
II	269 328.50	0.00	0.00	0.00	269 328.50	0.00	3.50	0.00	0.00	0.00	3.50	0.00	67 246.19	0	0.00	
III	279 537.94	0.00	0.00	0.00	279 537.94	0.00	3.50	0.00	0.00	0.00	3.50	0.00	76 922.94	0	0.00	
IV	371 966.36	0.00	0.00	0.00	371 966.36	0.00	3.50	0.00	0.00	0.00	3.50	0.00	74 949.00	0	0.00	
V	297 174.06	0.00	0.00	0.00	297 174.06	0.00	3.50	0.00	0.00	0.00	3.50	0.00	76 113.25	0	0.00	
VI	302 551.23	0.00	0.00	0.00	302 551.23	0.00	3.50	0.00	0.00	0.00	3.50	0.00	75 499.86	0	0.00	
VII	375 961.62	0.00	0.00	0.00	375 961.62	0.00	3.50	0.00	0.00	0.00	3.50	0.00	78 134.39	0	0.00	
VIII	323 805.64	0.00	0.00	0.00	323 805.64	0.00	3.50	0.00	0.00	0.00	3.50	0.00	83 713.63	0	0.00	
IX	325 629.65	0.00	0.00	0.00	325 629.65	0.00	3.50	0.00	0.00	0.00	3.50	0.00	83 110.50	0	0.00	
X	401 522.95	0.00	0.00	0.00	401 522.95	0.00	3.50	0.00	0.00	0.00	3.50	0.00	70 916.40	0	0.00	
XI	326 417.31	0.00	0.00	0.00	326 417.31	0.00	3.50	0.00	0.00	0.00	3.50	0.00	87 799.46	0	0.00	
XII	404 380.70	3 636.11	3 430.00	0.00	397 314.59	0.00	3.50	3.49	3.49	0.00	3.50	0.00	74 588.93	0	0.00	

TABLE II

Financial market – basic information

Period	5. Outright sales of securities by NBP			6. Data on trading sessions of Warsaw Stock Exchange										
	face value of bids submitted by ranks	face value of bids accepted	value of bids accepted	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	million zloty		million zloty								million zloty	%
	61	62	63	64	65	66	67	68	69	70	71	72	73	74
XII 2009	0.00	0.00	0.00	380	421 178.5	37.0	2 388.7	2 370.6	2 346.1	2 340.9	11 090.9	11 070.9	28 204.5	2.2
I 2010	0.00	0.00	0.00	380	428 346.1	42.1	2 382.6	2 439.0	2 314.1	2 380.8	11 513.8	11 481.3	29 252.6	44.9
II	0.00	0.00	0.00	380	411 266.8	22.6	2 265.0	2 254.4	2 304.8	2 284.0	11 559.2	11 431.3	26 244.1	42.4
III	0.00	0.00	0.00	378	449 711.7	20.8	2 495.6	2 425.4	2 496.2	2 429.6	12 429.6	12 092.6	35 615.1	47.3
IV	0.00	0.00	0.00	379	456 698.7	21.0	2 547.5	2 553.1	2 548.4	2 527.8	12 489.7	12 460.0	30 618.4	43.9
V	0.00	0.00	0.00	382	468 519.8	15.6	2 433.8	2 392.1	2 471.9	2 435.1	11 696.0	11 729.6	45 046.7	65.7
VI	0.00	0.00	0.00	380	450 180.0	14.6	2 271.0	2 354.5	2 373.8	2 423.1	10 980.5	11 379.9	31 840.8	43.6
VII	0.00	0.00	0.00	386	483 656.9	15.6	2 474.7	2 389.6	2 496.3	2 439.1	11 692.1	11 415.4	31 175.4	39.6
VIII	0.00	0.00	0.00	385	484 512.5	14.9	2 431.1	2 474.6	2 510.0	2 493.7	11 808.0	11 810.1	28 118.0	34.3
IX	0.00	0.00	0.00	380	519 031.5	17.7	2 615.2	2 545.2	2 653.5	2 578.5	12 103.2	12 077.6	39 933.9	47.7
X	0.00	0.00	0.00	380	526 126.5	18.4	2 651.3	2 642.6	2 768.4	2 703.0	12 003.8	11 992.2	38 054.5	46.2
XI	0.00	0.00	0.00	380	520 597.7	16.9	2 611.6	2 683.9	2 693.7	2 747.9	11 730.9	11 951.4	43 390.9	53.8
XII	0.00	0.00	0.00	400	542 646.1	17.5	2 744.2	2 751.6	2 805.3	2 796.3	12 219.9	11 990.6	34 423.5	37.4

TABLE III

PLN/USD and PLN/EUR daily exchange rates

Days	December 2009			January 2010			February 2010			March 2010		
	NBP average exchange rates		USD/EUR	NBP average exchange rates		USD/EUR	NBP average exchange rates		USD/EUR	NBP average exchange rates		USD/EUR
	PLN/USD	PLN/EUR		PLN/USD	PLN/EUR		PLN/USD	PLN/EUR		PLN/USD	PLN/EUR	
	1	2	3	4	5	6	7	8	9	10	11	12
1	2.7392	4.1264	1.5064	2.8503	4.1082	1.4413	2.8787	4.0035	1.3907	2.8891	3.9403	1.3639
2	2.7185	4.1044	1.5098	2.8503	4.1082	1.4413	2.8603	3.9849	1.3932	2.9152	3.9324	1.3489
3	2.7093	4.0954	1.5116	2.8503	4.1082	1.4413	2.8321	3.9690	1.4014	2.8782	3.9270	1.3644
4	2.7166	4.0946	1.5073	2.8465	4.0924	1.4377	2.9071	4.0250	1.3845	2.8670	3.9141	1.3652
5	2.7166	4.0946	1.5073	2.8264	4.0794	1.4433	2.9915	4.0921	1.3679	2.8568	3.8848	1.3598
6	2.7166	4.0946	1.5073	2.8493	4.0950	1.4372	2.9915	4.0921	1.3679	2.8568	3.8848	1.3598
7	2.7479	4.0660	1.4797	2.8631	4.1109	1.4358	2.9915	4.0921	1.3679	2.8568	3.8848	1.3598
8	2.7435	4.0725	1.4844	2.8683	4.1084	1.4323	2.9896	4.0916	1.3686	2.8372	3.8774	1.3666
9	2.7966	4.1266	1.4756	2.8683	4.1084	1.4323	2.9673	4.0779	1.3743	2.8577	3.8837	1.3590
10	2.8168	4.1437	1.4711	2.8683	4.1084	1.4323	2.9463	4.0595	1.3778	2.8531	3.8750	1.3582
11	2.8050	4.1390	1.4756	2.7983	4.0595	1.4507	2.9503	4.0548	1.3744	2.8561	3.9006	1.3657
12	2.8050	4.1390	1.4756	2.8167	4.0814	1.4490	2.9428	4.0035	1.3604	2.8312	3.8923	1.3748
13	2.8050	4.1390	1.4756	2.8009	4.0615	1.4501	2.9428	4.0035	1.3604	2.8312	3.8923	1.3748
14	2.8248	4.1410	1.4659	2.7930	4.0534	1.4513	2.9428	4.0035	1.3604	2.8312	3.8923	1.3748
15	2.8635	4.1667	1.4551	2.7973	4.0339	1.4421	2.9548	4.0227	1.3614	2.8449	3.9010	1.3712
16	2.8891	4.2028	1.4547	2.7973	4.0339	1.4421	2.9428	4.0168	1.3650	2.8393	3.8870	1.3690
17	2.9105	4.1818	1.4368	2.7973	4.0339	1.4421	2.9007	3.9878	1.3748	2.8083	3.8684	1.3775
18	2.9038	4.1806	1.4397	2.8042	4.0312	1.4376	2.9350	3.9855	1.3579	2.8285	3.8723	1.3690
19	2.9038	4.1806	1.4397	2.7974	4.0190	1.4367	2.9658	4.0031	1.3498	2.8673	3.8909	1.3570
20	2.9038	4.1806	1.4397	2.8296	4.0143	1.4187	2.9658	4.0031	1.3498	2.8673	3.8909	1.3570
21	2.9268	4.1862	1.4303	2.8928	4.0661	1.4056	2.9658	4.0031	1.3498	2.8673	3.8909	1.3570
22	2.9232	4.1857	1.4319	2.8785	4.0742	1.4154	2.9166	3.9711	1.3616	2.8953	3.9136	1.3517
23	2.9293	4.1729	1.4245	2.8785	4.0742	1.4154	2.9040	3.9630	1.3647	2.8804	3.8963	1.3527
24	2.8955	4.1654	1.4386	2.8785	4.0742	1.4154	2.9570	4.0015	1.3532	2.8975	3.8766	1.3379
25	2.8955	4.1654	1.4386	2.8688	4.0609	1.4155	2.9601	3.9933	1.3490	2.9163	3.8902	1.3340
26	2.8955	4.1654	1.4386	2.9068	4.0969	1.4094	2.9251	3.9768	1.3595	2.9062	3.8856	1.3370
27	2.8955	4.1654	1.4386	2.9082	4.0878	1.4056	2.9251	3.9768	1.3595	2.9062	3.8856	1.3370
28	2.8910	4.1606	1.4392	2.8957	4.0630	1.4031	2.9251	3.9768	1.3595	2.9062	3.8856	1.3370
29	2.8791	4.1550	1.4432	2.9083	4.0616	1.3966				2.8864	3.8929	1.3487
30	2.8725	4.1244	1.4358	2.9083	4.0616	1.3966				2.8748	3.8765	1.3484
31	2.8503	4.1082	1.4413	2.9083	4.0616	1.3966				2.8720	3.8622	1.3448
Average monthly rate	2.8352	4.1427	X	2.8518	4.0720	X	2.9385	4.0155	X	2.8672	3.8919	X

TABLE III

PLN/USD and PLN/EUR daily exchange rates

Days	April 2010			May 2010			June 2010			July 2010		
	NBP average exchange rates		USD/EUR	NBP average exchange rates		USD/EUR	NBP average exchange rates		USD/EUR	NBP average exchange rates		USD/EUR
	PLN/USD	PLN/EUR		PLN/USD	PLN/EUR		PLN/USD	PLN/EUR		PLN/USD	PLN/EUR	
	13	14	15	16	17	18	19	20	21	22	23	24
1	2.8506	3.8467	1.3494	2.9305	3.9020	1.3315	3.3953	4.1208	1.2137	3.3773	4.1529	1.2297
2	2.8426	3.8515	1.3549	2.9305	3.9020	1.3315	3.3601	4.1056	1.2219	3.3152	4.1448	1.2502
3	2.8426	3.8515	1.3549	2.9305	3.9020	1.3315	3.3601	4.1056	1.2219	3.3152	4.1448	1.2502
4	2.8426	3.8515	1.3549	2.9928	3.9310	1.3135	3.3542	4.0967	1.2214	3.3152	4.1448	1.2502
5	2.8426	3.8515	1.3549	3.1014	4.0215	1.2967	3.3542	4.0967	1.2214	3.2824	4.1170	1.2543
6	2.8618	3.8356	1.3403	3.1802	4.0773	1.2821	3.3542	4.0967	1.2214	3.2636	4.1110	1.2597
7	2.8675	3.8378	1.3384	3.2808	4.1770	1.2732	3.4916	4.1688	1.1940	3.2851	4.1268	1.2562
8	2.8975	3.8526	1.3296	3.2808	4.1770	1.2732	3.4772	4.1502	1.1935	3.2259	4.0823	1.2655
9	2.8634	3.8405	1.3412	3.2808	4.1770	1.2732	3.4513	4.1230	1.1946	3.2124	4.0733	1.2680
10	2.8634	3.8405	1.3412	3.0667	3.9998	1.3043	3.4301	4.1338	1.2052	3.2124	4.0733	1.2680
11	2.8634	3.8405	1.3412	3.1888	4.0441	1.2682	3.3761	4.0909	1.2117	3.2124	4.0733	1.2680
12	2.8373	3.8673	1.3630	3.1356	3.9900	1.2725	3.3761	4.0909	1.2117	3.2511	4.0861	1.2568
13	2.8596	3.8834	1.3580	3.1473	3.9591	1.2579	3.3761	4.0909	1.2117	3.2499	4.0775	1.2547
14	2.8325	3.8659	1.3648	3.1860	3.9852	1.2508	3.3390	4.0838	1.2231	3.1925	4.0605	1.2719
15	2.8491	3.8641	1.3563	3.1860	3.9852	1.2508	3.3397	4.0765	1.2206	3.1750	4.0600	1.2787
16	2.8573	3.8725	1.3553	3.1860	3.9852	1.2508	3.3064	4.0653	1.2295	3.1608	4.0920	1.2946
17	2.8573	3.8725	1.3553	3.2770	4.0244	1.2281	3.3095	4.0811	1.2331	3.1608	4.0920	1.2946
18	2.8573	3.8725	1.3553	3.2284	4.0038	1.2402	3.2864	4.0732	1.2394	3.1608	4.0920	1.2946
19	2.9009	3.9010	1.3448	3.3595	4.0898	1.2174	3.2864	4.0732	1.2394	3.1825	4.1272	1.2968
20	2.8868	3.8958	1.3495	3.3171	4.1157	1.2408	3.2864	4.0732	1.2394	3.1754	4.1243	1.2988
21	2.8790	3.8662	1.3429	3.3143	4.1428	1.2500	3.2463	4.0300	1.2414	3.2017	4.1145	1.2851
22	2.8822	3.8653	1.3411	3.3143	4.1428	1.2500	3.2912	4.0535	1.2316	3.1945	4.1007	1.2837
23	2.9148	3.8804	1.3313	3.3143	4.1428	1.2500	3.3054	4.0587	1.2279	3.1383	4.0633	1.2947
24	2.9148	3.8804	1.3313	3.3047	4.1067	1.2427	3.3295	4.0877	1.2277	3.1383	4.0633	1.2947
25	2.9148	3.8804	1.3313	3.4190	4.1735	1.2207	3.3643	4.1405	1.2307	3.1383	4.0633	1.2947
26	2.9068	3.8766	1.3336	3.3520	4.1366	1.2341	3.3643	4.1405	1.2307	3.1373	4.0472	1.2900
27	2.9158	3.8965	1.3363	3.3440	4.1004	1.2262	3.3643	4.1405	1.2307	3.0861	4.0125	1.3002
28	3.0038	3.9514	1.3155	3.2545	4.0479	1.2438	3.3270	4.1148	1.2368	3.0756	4.0006	1.3008
29	2.9591	3.9175	1.3239	3.2545	4.0479	1.2438	3.4157	4.1649	1.2193	3.0618	3.9993	1.3062
30	2.9305	3.9020	1.3315	3.2545	4.0479	1.2438	3.3946	4.1458	1.2213	3.0731	4.0080	1.3042
31				3.3132	4.0770	1.2305				3.0731	4.0080	1.3042
Average monthly rate	2.8799	3.8704	X	3.2137	4.0521	X	3.3571	4.1025	X	3.1950	4.0818	X

Days	August 2010			September 2010			October 2010			November 2010			December 2010		
	NBP average exchange rates		USD/EUR	NBP average exchange rates		USD/EUR	NBP average exchange rates		USD/EUR	NBP average exchange rates		USD/EUR	NBP average exchange rates		USD/EUR
	PLN/USD	PLN/EUR		PLN/USD	PLN/EUR		PLN/USD	PLN/EUR		PLN/USD	PLN/EUR		PLN/USD	PLN/EUR	
	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39
1	3.0731	4.0080	1.3042	3.1285	3.9922	1.2761	2.8772	3.9465	1.3716	2.8873	3.9944	1.3834	3.0753	4.0205	1.3074
2	3.0494	3.9852	1.3069	3.0952	3.9659	1.2813	2.8772	3.9465	1.3716	2.8297	3.9519	1.3966	3.0282	3.9928	1.3185
3	3.0143	3.9875	1.3229	3.0895	3.9635	1.2829	2.8772	3.9465	1.3716	2.8010	3.9339	1.4045	3.0172	3.9968	1.3247
4	3.0448	4.0200	1.3203	3.0895	3.9635	1.2829	2.8922	3.9577	1.3684	2.7449	3.9142	1.4260	3.0172	3.9968	1.3247
5	3.0268	3.9860	1.3169	3.0895	3.9635	1.2829	2.8838	3.9742	1.3781	2.7648	3.9190	1.4175	3.0172	3.9968	1.3247
6	3.0246	3.9881	1.3186	3.0450	3.9279	1.2900	2.8422	3.9378	1.3855	2.7648	3.9190	1.4175	3.0057	3.9974	1.3299
7	3.0246	3.9881	1.3186	3.0943	3.9495	1.2764	2.8401	3.9655	1.3963	2.7648	3.9190	1.4175	2.9955	4.0078	1.3379
8	3.0246	3.9881	1.3186	3.1170	3.9494	1.2671	2.8660	3.9860	1.3908	2.8178	3.9258	1.3932	3.0558	4.0415	1.3226
9	2.9997	3.9871	1.3292	3.0991	3.9421	1.2720	2.8660	3.9860	1.3908	2.8278	3.9334	1.3910	3.0508	4.0330	1.3219
10	3.0147	3.9727	1.3178	3.0867	3.9316	1.2737	2.8660	3.9860	1.3908	2.8220	3.8964	1.3807	3.0458	4.0376	1.3256
11	3.0606	3.9992	1.3067	3.0867	3.9316	1.2737	2.8525	3.9754	1.3937	2.8220	3.8964	1.3807	3.0458	4.0376	1.3256
12	3.1215	4.0134	1.2857	3.0867	3.9316	1.2737	2.8802	3.9711	1.3788	2.8865	3.9377	1.3642	3.0458	4.0376	1.3256
13	3.1053	3.9941	1.2862	3.0745	3.9407	1.2817	2.8327	3.9587	1.3975	2.8865	3.9377	1.3642	3.0445	4.0240	1.3217
14	3.1053	3.9941	1.2862	3.0637	3.9493	1.2891	2.7697	3.8992	1.4078	2.8865	3.9377	1.3642	2.9708	3.9911	1.3434
15	3.1053	3.9941	1.2862	3.0347	3.9361	1.2970	2.7717	3.9074	1.4097	2.8915	3.9430	1.3637	2.9978	3.9877	1.3302
16	3.1297	4.0030	1.2790	3.0131	3.9345	1.3058	2.7717	3.9074	1.4097	2.8937	3.9348	1.3598	3.0125	3.9896	1.3243
17	3.0810	3.9707	1.2888	3.0079	3.9545	1.3147	2.7717	3.9074	1.4097	2.9217	3.9510	1.3523	2.9840	3.9837	1.3350
18	3.0713	3.9535	1.2872	3.0079	3.9545	1.3147	2.8297	3.9254	1.3872	2.8871	3.9386	1.3642	2.9840	3.9837	1.3350
19	3.0848	3.9506	1.2807	3.0079	3.9545	1.3147	2.8268	3.9317	1.3909	2.8749	3.9381	1.3698	2.9840	3.9837	1.3350
20	3.1110	3.9719	1.2767	3.0156	3.9506	1.3101	2.8714	3.9700	1.3826	2.8749	3.9381	1.3698	3.0396	3.9998	1.3159
21	3.1110	3.9719	1.2767	3.0053	3.9458	1.3129	2.8193	3.9533	1.4022	2.8749	3.9381	1.3698	3.0370	3.9944	1.3152
22	3.1110	3.9719	1.2767	2.9636	3.9427	1.3304	2.8616	3.9734	1.3885	2.8591	3.9292	1.3743	3.0322	3.9909	1.3162
23	3.1354	3.9850	1.2710	2.9853	3.9813	1.3336	2.8616	3.9734	1.3885	2.9020	3.9443	1.3592	3.0323	3.9735	1.3104
24	3.1737	4.0104	1.2636	2.9704	3.9747	1.3381	2.8616	3.9734	1.3885	2.9808	3.9695	1.3317	3.0196	3.9640	1.3128
25	3.1492	3.9946	1.2684	2.9704	3.9747	1.3381	2.8119	3.9464	1.4035	2.9881	3.9747	1.3302	3.0196	3.9640	1.3128
26	3.1452	3.9927	1.2695	2.9704	3.9747	1.3381	2.8207	3.9351	1.3951	3.0363	4.0248	1.3256	3.0196	3.9640	1.3128
27	3.1304	3.9810	1.2717	2.9425	3.9582	1.3452	2.8567	3.9446	1.3808	3.0363	4.0248	1.3256	3.0215	3.9763	1.3160
28	3.1304	3.9810	1.2717	2.9645	3.9773	1.3416	2.8728	3.9725	1.3828	3.0363	4.0248	1.3256	3.0112	3.9840	1.3231
29	3.1304	3.9810	1.2717	2.9227	3.9710	1.3587	2.8873	3.9944	1.3834	3.0441	4.0278	1.3231	3.0383	3.9913	1.3137
30	3.1226	3.9755	1.2731	2.9250	3.9870	1.3631	2.8873	3.9944	1.3834	3.1308	4.0734	1.3011	2.9979	3.9704	1.3244
31	3.1583	4.0038	1.2677				2.8873	3.9944	1.3834				2.9641	3.9603	1.3361
Average monthly rate	3.0894	3.9872	X	3.0318	3.9558	X	2.8482	3.9562	X	2.8913	3.9531	X	3.0197	3.9959	X

TABLE IV

Average MFI interest rates on outstanding amounts,
PLN denominated

	Sector	Category	Original maturity, period of notice	No	December 2009	January	February	March	April	May	
Deposits in PLN	households and non-profit institutions serving households	with agreed maturity	overnight	1	1.7	1.7	1.8	1.9	1.8	1.8	
			up to 2 years	2	4.8	5.0	4.9	4.7	4.4	4.4	
			over 2 years	3	2.5	2.7	2.7	2.9	3.0	3.2	
			total	4	4.8	5.0	4.8	4.6	4.4	4.4	
	non-financial corporations	with agreed maturity	overnight	5	1.2	1.3	1.3	1.4	1.4	1.5	
			up to 2 years	6	3.8	3.9	3.8	3.7	3.7	3.7	
			over 2 years	7	2.6	2.8	2.8	2.8	2.8	3.0	
			total	8	3.8	3.9	3.8	3.7	3.7	3.7	
	total, overnight excluded			9	4.5	4.6	4.5	4.3	4.1	4.1	
Loans in PLN	households and non-profit institutions serving households	bank overdraft	for consumption	10	11.6	11.7	12.1	12.4	12.3	12.2	
			credit cards	up to 1 year maturity	11	16.1	16.0	15.0	16.1	16.0	16.2
				up to 1 year maturity	12	12.1	12.1	12.6	12.3	12.2	12.2
				over 1 and up to 5 years maturity	13	14.3	14.3	14.8	14.6	14.5	14.4
				over 5 years maturity	14	14.1	14.1	14.6	14.3	14.1	13.9
			total	up to 5 years maturity	15	14.5	14.4	14.7	14.7	14.6	14.5
				up to 5 years maturity	16	6.8	6.8	6.8	6.9	6.9	7.1
				total	17	6.0	5.9	6.2	6.1	6.1	5.9
			for house purchases	up to 5 years maturity	18	6.0	6.0	6.2	6.1	6.1	5.9
				up to 1 year maturity	19	7.3	7.3	7.4	7.5	7.4	7.4
				over 1 and up to 5 years maturity	20	7.9	8.0	8.0	8.2	8.2	8.2
			for other purposes	up to 5 years maturity	21	7.3	7.3	7.4	7.5	7.3	7.3
				total	22	7.5	7.5	7.5	7.7	7.6	7.5
	total, overdraft excluded	23		9.9	9.8	10.0	9.9	9.8	9.7		
	non-financial corporations	bank overdraft	credit cards	24	5.9	6.1	6.1	6.2	6.1	6.2	
			credit cards	25	-	-	-	-	-	-	
			up to 1 year maturity	26	6.5	6.5	6.6	6.6	6.4	6.5	
			over 1 and up to 5 years maturity	27	6.2	6.3	6.4	6.5	6.6	6.6	
			over 5 years maturity	28	5.6	5.6	5.7	5.6	5.6	5.6	
total, overdraft excluded			29	5.9	6.0	6.0	6.1	6.0	6.0		
total, overdraft excluded			30	8.4	8.4	8.6	8.5	8.5	8.4		

June	July	August	September	October	November	December
1.8	1.7	1.7	1.8	1.7	1.7	1.7
4.3	4.2	4.2	4.2	4.4	4.2	4.1
3.2	3.2	3.2	3.3	3.4	3.4	3.4
4.3	4.2	4.2	4.1	4.3	4.2	4.1
1.5	1.5	1.5	1.5	1.6	1.5	1.5
3.6	3.6	3.6	3.7	3.7	3.7	3.6
2.9	3.2	3.2	3.3	3.4	3.6	3.3
3.6	3.6	3.6	3.7	3.7	3.7	3.6
4.0	4.0	4.0	4.0	4.1	4.0	3.9
12.2	12.3	12.2	12.3	12.4	12.5	12.3
15.0	15.1	15.8	15.6	15.8	16.0	15.7
12.4	12.4	12.6	12.5	12.5	12.6	12.3
14.7	14.5	14.6	14.7	14.6	14.8	14.7
14.4	14.2	14.1	14.3	14.1	14.3	14.1
14.6	14.5	14.6	14.7	14.6	14.8	14.6
6.7	7.4	7.2	7.3	7.1	7.2	7.0
5.9	5.8	5.9	5.9	5.9	6.0	5.9
6.0	5.9	5.9	6.0	5.9	6.1	5.9
8.1	7.4	7.3	7.4	7.3	7.4	7.5
8.0	7.9	8.1	8.1	8.1	8.3	8.1
7.2	7.2	7.3	7.3	7.3	7.4	7.3
7.5	7.4	7.5	7.5	7.4	7.6	7.5
9.6	9.5	9.5	9.5	9.4	9.6	9.4
6.2	6.1	6.0	6.0	6.0	5.9	5.9
4.3	5.0	5.6	6.2	5.6	5.5	5.6
6.1	6.1	5.9	5.8	5.9	6.0	5.9
6.5	6.5	6.6	6.7	6.7	6.8	6.6
5.6	5.5	5.5	5.6	5.6	5.7	5.6
6.0	5.9	5.9	6.0	6.0	6.1	6.0
8.4	8.2	8.3	8.3	8.2	8.4	8.2

TABLE V

Average MFI interest rates on new business,
PLN denominated (per cent)

	Sector	Category	Original maturity, initial rate fixation	No	December 2009	January	February	March	April	
Deposits in PLN	households and non-profit institutions serving households	with agreed maturity	up to 1 month	1	2.9	2.7	2.7	2.8	2.8	
			over 1 and up to 3 months	2	4.9	4.6	4.6	4.7	4.4	
			over 3 and up to 6 months	3	5.0	4.8	4.8	4.6	4.6	
			over 6 months and up to 1 year	4	4.6	4.3	4.3	4.4	4.4	
			over 1 year	5	3.7	4.1	4.4	4.7	4.6	
			total	6	4.0	3.9	3.8	3.9	3.9	
	non-financial corporations	with agreed maturity	up to 1 month	7	2.8	2.7	2.7	2.8	2.8	
			over 1 and up to 3 months	8	4.5	4.1	4.1	3.9	3.8	
			over 3 and up to 6 months	9	4.8	4.7	4.4	4.4	4.3	
			over 6 months and up to 1 year	10	4.7	4.6	4.6	4.5	4.3	
			over 1 year	11	4.6	4.1	4.7	3.3	4.2	
			total	12	3.0	2.9	2.9	2.9	3.0	
			total	13	3.2	3.1	3.1	3.1	3.2	
Loans in PLN	households and non-profit institutions serving households	for consumption	floating rate and up to 3 months initial rate fixation	14	16.4	16.1	16.1	16.2	16.0	
			over 3 months and up to 1 year initial rate fixation	15	10.8	11.5	11.2	11.0	12.5	
			over 1 year initial rate fixation	16	14.3	15.7	15.7	16.0	16.3	
			total	17	15.1	15.6	15.6	15.6	15.8	
		the annual percentage rate of charge (APRC)	18	21.8	22.3	21.8	21.4	21.7		
			for house purchases	floating rate and up to 3 months initial rate fixation	19	7.0	7.0	7.0	6.9	7.0
				over 3 months and up to 1 year initial rate fixation	20	6.9	6.8	6.8	6.6	6.5
				over 1 year initial rate fixation	21	7.9	7.8	8.0	7.2	8.0
				total	22	7.0	7.0	7.0	6.9	6.9
		the annual percentage rate of charge (APRC)	23	7.8	7.8	7.7	7.7	7.4		
			for sole pro- prietors and unincorporated partnerships	floating rate and up to 3 months initial rate fixation	24	8.5	8.4	8.7	8.7	8.4
				over 3 months and up to 1 year initial rate fixation	25	8.8	8.7	8.9	8.9	8.6
		over 1 year initial rate fixation		26	13.0	11.9	12.9	12.3	13.0	
		total	27	8.6	8.5	8.9	8.7	8.5		
		for other purposes	floating rate and up to 3 months initial rate fixation	28	8.5	8.6	9.0	8.5	8.8	
			over 3 month and up to 1 year initial rate fixation	29	7.6	7.8	7.1	6.7	7.8	
			over 1 year initial rate fixation	30	13.7	16.4	16.8	16.2	6.1	
			total	31	8.9	9.3	9.8	9.3	8.6	
	total	32	12.5	12.8	13.0	12.9	12.8			
	non-financial corporations	contracts up to PLN 1 million, overdraft excluded	floating rate and up to 3 months initial rate fixation	33	6.5	6.6	6.3	6.7	6.8	
			over 3 months and up to 1 year initial rate fixation	34	7.0	6.3	6.6	6.4	6.5	
			over 1 year initial rate fixation	35	6.4	6.9	7.5	7.0	7.2	
			total	36	6.5	6.6	6.3	6.7	6.7	
		floating rate and up to 1 year initial rate fixation, with original maturity over 1 year*	37	-	-	-	-	-		
			contracts over PLN 1 million up to 4 million, overdraft exclude	floating rate and up to 3 months initial rate fixation	38	-	-	-	-	-
				over 3 months and up to 1 year initial rate fixation	39	-	-	-	-	-
				over 1 year initial rate fixation	40	-	-	-	-	-
				total	41	-	-	-	-	-
			floating rate and up to 1 year initial rate fixation, with original maturity over 1 year*	42	-	-	-	-	-	
		contracts over PLN 4 million, overdraft excluded		floating rate and up to 3 months initial rate fixation	43	6.4	6.6	6.6	6.7	6.6
			over 3 months and up to 1 year initial rate fixation	44	7.5	7.0	7.4	6.5	6.4	
			over 1 year initial rate fixation	45	6.8	7.3	7.2	7.1	7.2	
total			46	6.5	6.6	6.6	6.7	6.6		
floating rate and up to 1 year initial rate fixation, with original maturity over 1 year*	47	-	-	-	-	-				
	total	48	6.5	6.6	6.6	6.7	6.6			
total	49	9.7	10.0	10.1	10.1	9.9				

*Category "floating rate and up to 1 year initial rate fixation, with original maturity over 1 year" comprises contracts from categories "floating rate and up to 3 months initial rate fixation" & "over 3 months and up to 1 year initial rate fixation", but only those which original maturity is over 1 year.

May	June	July	August	September	October	November	December
2.9	2.9	2.8	2.7	2.8	2.7	2.7	2.7
4.4	4.3	4.2	4.1	4.1	4.0	4.1	4.2
4.4	4.3	4.2	4.2	4.1	4.2	4.2	4.3
4.4	4.4	4.3	4.3	4.2	4.2	4.2	4.2
4.5	4.5	4.0	3.9	3.9	3.1	3.9	4.3
3.8	3.7	3.6	3.5	3.5	3.5	3.6	3.6
2.9	3.0	2.8	2.9	3.0	3.0	2.9	2.9
3.8	3.8	3.8	3.8	4.0	3.9	4.1	4.1
4.1	4.1	4.2	4.2	4.3	4.5	4.3	4.4
4.2	4.2	4.4	4.1	4.3	4.6	4.4	4.4
4.3	4.8	4.5	4.8	3.8	4.9	4.4	4.2
3.1	3.1	2.9	3.0	3.1	3.1	3.1	3.1
3.2	3.2	3.0	3.1	3.2	3.2	3.1	3.1
16.2	16.1	15.6	15.5	15.2	14.8	14.9	15.0
13.0	13.2	13.0	12.7	12.1	11.9	11.5	11.6
16.6	16.6	16.5	16.3	16.1	16.1	15.9	15.7
16.0	16.0	15.6	15.5	15.2	14.9	14.9	14.9
22.0	22.2	21.9	21.9	21.4	21.0	21.0	21.3
6.7	6.7	6.6	6.4	6.4	6.4	6.3	6.2
6.3	6.2	6.0	6.0	5.8	5.8	5.8	5.9
7.3	-	2.0	-	2.0	-	3.4	7.8
6.7	6.7	6.6	6.4	6.3	6.3	6.2	6.1
7.2	7.2	7.0	6.9	6.8	6.6	6.6	6.6
8.5	8.3	8.5	8.1	8.4	8.3	8.0	8.1
8.3	7.3	7.0	8.7	8.3	8.4	8.5	8.7
10.7	6.6	6.3	6.0	6.1	6.7	-	9.7
8.6	8.1	8.3	8.1	8.4	8.3	8.1	8.2
8.4	7.9	7.9	8.7	8.7	8.4	8.1	8.1
7.3	7.2	6.9	7.1	7.1	6.8	7.0	7.0
6.3	8.6	10.0	11.0	4.8	6.3	5.1	6.4
8.1	7.8	7.8	8.5	8.4	8.0	8.0	8.0
12.7	11.1	11.0	10.6	10.6	10.3	10.3	10.0
6.5	6.5	6.5	6.5	6.4	6.2	6.2	6.1
6.0	6.1	6.0	6.3	6.1	6.0	6.0	5.8
7.0	6.8	6.2	6.8	6.0	6.4	6.3	8.7
6.5	6.5	6.4	6.4	6.3	6.2	6.2	6.1
-	6.8	6.7	6.5	6.5	6.3	6.4	6.6
-	6.4	6.6	6.8	6.7	6.3	6.1	6.0
-	6.4	6.4	6.3	6.7	6.4	6.4	5.7
-	5.8	6.7	-	-	5.7	6.1	5.9
-	6.4	6.6	6.8	6.7	6.3	6.2	6.0
-	6.7	6.7	7.0	6.6	6.4	6.4	6.3
6.5	5.7	5.6	5.8	5.4	5.6	5.3	5.7
6.3	7.4	7.7	7.8	6.1	6.9	7.5	6.6
6.9	7.3	6.7	5.1	5.0	5.6	6.1	6.0
6.4	6.1	6.1	6.3	5.7	6.0	5.7	5.8
-	6.7	6.8	7.2	6.6	6.7	6.4	6.5
6.4	6.2	6.2	6.3	5.9	6.1	5.9	5.9
9.9	8.4	8.5	8.2	7.6	8.0	8.1	7.5

TABLE VI

Average MFI interest rates on new business,
EUR denominated (per cent)

	Sector	Category	Original maturity, initial rate fixation	No	December 2009	January	February	March	April
Deposits in EUR	households and non-profit institutions serving households	overnight*		1	0.3	0.3	0.4	0.3	0.3
		with agreed maturity	up to 1 month	2	0.6	0.5	0.5	0.4	0.5
			over 1 and up to 3 months	3	1.2	1.0	1.0	1.1	0.9
			over 3 and up to 6 months	4	1.5	1.5	1.4	1.2	1.0
			over 6 months and up to 1 year	5	1.6	1.5	1.5	1.4	1.5
			over 1 year	6	1.9	2.1	2.1	2.2	1.8
			total	7	1.0	0.9	0.8	0.8	0.8
	non-financial corporations	overnight*		8	0.1	0.1	0.1	0.1	0.1
		with agreed maturity	up to 1 month	9	0.4	0.3	0.3	0.3	0.3
			over 1 and up to 3 months	10	1.1	0.7	0.9	0.9	0.8
			over 3 and up to 6 months	11	1.3	1.1	1.4	1.1	0.9
			over 6 months and up to 1 year	12	2.6	1.1	1.4	1.3	1.3
			over 1 year	13	0.7	1.9	2.0	0.5	1.4
			total	14	0.4	0.4	0.4	0.3	0.3
		total		15	0.5	0.4	0.4	0.4	0.4
Loans in EUR	households and non-profit institutions serving households	bank overdraft*		16	3.4	3.8	3.5	3.4	4.8
		for consumption	total	17	7.6	8.3	6.6	6.6	5.9
			the annual percentage rate of charge (APRC)	18	7.8	8.4	6.6	6.9	6.0
		for house purchases	total	19	4.9	4.2	4.3	4.2	3.9
			the annual percentage rate of charge (APRC)	20	5.3	5.2	5.1	4.9	4.6
		non-financial corporations	for other purposes		21	4.2	3.5	5.7	4.8	5.1
	total, overdraft excluded		22	4.8	4.0	4.5	4.3	4.0	
	bank overdraft*		23	2.8	3.1	3.0	3.0	2.7	
	contracts up to EUR 1 million		24	3.0	3.1	3.1	3.0	3.4	
	contracts over EUR 1 million		25	3.8	3.6	3.0	3.3	3.5	
	total, overdraft excluded		26	3.8	3.5	3.0	3.2	3.5	
	total		27	3.8	3.5	3.2	3.4	3.6	

* Category calculated on a basis of an outstanding amounts. Excluded from "total" average.

May	June	July	August	September	October	November	December
0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
0.5	0.5	0.5	0.5	0.5	0.6	0.6	0.6
1.0	0.8	1.1	1.1	0.9	1.1	1.1	1.0
1.2	1.0	1.3	1.3	1.2	1.4	1.3	1.3
1.4	1.4	1.4	1.4	1.5	1.4	1.5	1.4
2.0	1.3	1.9	1.6	1.7	1.5	1.7	1.9
0.8	0.7	0.9	0.9	0.8	0.9	0.9	0.9
0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
0.3	0.3	0.4	0.4	0.4	0.5	0.5	0.4
0.8	0.8	0.7	0.9	0.8	0.9	0.9	0.9
1.1	0.8	1.1	1.5	1.3	1.3	2.1	1.2
1.0	1.6	1.5	1.1	1.7	1.8	0.9	1.1
-	1.5	1.4	1.5	0.6	1.9	1.2	1.6
0.3	0.3	0.4	0.4	0.4	0.6	0.5	0.5
0.4	0.4	0.5	0.5	0.5	0.6	0.6	0.5
3.6	3.7	4.0	4.3	4.0	4.1	4.1	3.8
7.6	6.1	5.7	5.8	4.6	4.9	5.5	4.7
7.7	7.2	6.3	6.6	4.7	5.6	6.0	5.4
3.8	3.9	4.0	4.1	4.1	4.2	4.1	4.1
4.6	4.5	4.3	4.5	4.5	4.5	4.5	4.5
4.9	4.8	4.7	5.0	4.7	4.5	4.2	3.9
3.9	4.0	4.1	4.2	4.1	4.2	4.1	4.1
2.7	2.8	2.7	3.0	2.9	2.9	2.9	2.5
3.2	3.1	3.0	3.1	2.9	2.9	3.2	3.0
2.9	3.4	3.7	3.4	3.4	3.0	3.6	4.1
3.0	3.3	3.6	3.4	3.3	3.0	3.5	3.9
3.3	3.6	3.8	3.7	3.6	3.5	3.7	3.9

TABLE VII

Aggregated balance sheet of other monetary financial institutions
(million zloty)
ASSETS

Period	Loans to domestic residents	Monetary financial institutions	General government	Other domestic residents*	Holdings of securities other than shares issued by domestic residents	Monetary financial institutions	General government	Other domestic residents*	Money Market Fund Shares/Units
	1	2	3	4	5	6	7	8	9
XII 2009	787 687.9	75 343.8	43 889.9	668 454.2	203 245.6	46 170.3	153 243.9	3 831.4	377.0
I 2010	776 217.3	66 039.5	42 273.9	667 903.9	228 845.9	67 323.5	157 808.0	3 714.4	398.1
II	772 813.9	63 250.7	41 613.6	667 949.6	233 351.3	72 054.1	157 445.7	3 851.5	411.5
III	769 254.4	61 385.4	41 642.1	666 226.9	247 143.5	82 080.2	161 261.1	3 802.2	419.0
IV	779 084.1	72 911.9	41 460.1	664 712.1	243 594.2	79 552.1	160 434.1	3 608.0	422.9
V	789 127.1	65 725.7	41 914.9	681 486.5	247 262.3	81 283.2	162 329.6	3 649.5	433.6
VI	814 678.9	66 640.9	43 930.6	704 107.4	246 521.1	80 731.8	162 003.2	3 786.1	422.0
VII	800 317.0	62 345.9	45 909.7	692 061.4	249 640.7	83 292.9	161 687.7	4 660.1	458.6
VIII	821 770.1	67 301.8	48 842.3	705 626.0	249 532.2	88 621.4	156 162.4	4 748.4	456.8
IX	829 382.5	71 465.7	50 150.2	707 766.6	255 513.3	87 947.1	162 911.1	4 655.1	450.6
X	838 445.6	78 576.0	52 391.2	707 478.4	246 163.1	75 446.7	166 365.9	4 350.5	456.0
XI	851 177.6	70 121.2	55 219.8	725 836.6	258 102.5	92 199.4	161 118.2	4 784.9	464.8
XII	865 010.9	82 546.9	58 343.1	724 120.9	234 415.8	79 123.8	150 069.4	5 222.6	492.6

* Non-monetary financial institutions and non-financial sector.

** Excluding financial fixed assets, included in column 10.

TABLE VII

Aggregated balance sheet of other monetary financial institutions (million zloty)
LIABILITIES

Period	Deposits of domestic residents	Monetary financial institutions	Central government	Other domestic residents*	overnight	with agreed maturity	redeemable at notice	repurchase agreements	Money Market Fund Shares/Units
	1	2	3	4	5	6	7	8	9
XII 2009	715 491.4	53 784.9	26 245.8	635 460.7	297 083.4	335 205.1	78.5	3 093.7	915.0
I 2010	719 122.0	59 222.4	31 717.8	628 181.8	292 188.6	333 155.2	80.2	2 757.8	915.0
II	721 947.4	60 873.6	28 152.0	632 921.8	294 228.6	336 675.4	82.9	1 934.9	915.0
III	732 530.4	56 538.2	38 032.1	637 960.1	299 899.9	331 785.4	83.9	6 190.9	915.0
IV	735 662.9	55 949.9	42 678.8	637 034.2	298 182.5	333 583.4	85.7	5 182.6	925.1
V	739 350.6	49 374.3	38 756.2	651 220.1	315 887.5	330 115.4	86.6	5 130.6	925.1
VI	742 404.8	46 508.0	40 681.9	655 214.9	321 497.0	330 155.9	83.8	3 478.2	925.1
VII	735 257.8	40 025.0	39 568.9	655 663.9	320 477.2	328 942.2	86.6	6 157.9	925.1
VIII	753 155.4	47 474.8	43 289.4	662 391.2	327 440.5	327 225.9	86.8	7 638.0	995.4
IX	762 709.9	47 856.9	47 844.4	667 008.6	326 805.6	334 665.4	87.1	5 450.5	995.4
X	757 052.5	44 422.0	42 564.6	670 065.9	327 160.4	337 339.7	86.9	5 478.9	995.4
XI	766 822.9	50 264.8	38 947.5	677 610.6	336 466.5	335 125.9	87.4	5 930.8	995.4
XII	769 603.6	42 292.6	32 679.2	694 631.8	354 908.3	334 463.2	91.5	5 168.8	995.4

* Non-monetary financial institutions, local government, social security funds and non-financial sector.

Holdings of shares/other equity issued by domestic residents	Monetary financial institutions		External assets	Fixed assets**	Remaining assets	Total assets
	11	12				
10	11	12	13	14	15	16
8 410.0	3 212.7	5 197.3	47 841.9	39 882.9	37 264.7	1 124 710.0
11 520.3	6 142.5	5 377.8	43 104.0	37 977.4	38 566.9	1 136 629.9
11 193.2	5 819.4	5 373.8	45 758.3	37 957.3	38 718.7	1 140 204.2
11 316.1	6 190.9	5 125.2	49 099.6	38 093.6	37 889.4	1 153 215.6
8 314.1	3 254.9	5 059.2	45 340.7	40 037.3	38 782.4	1 155 575.7
8 416.6	3 288.4	5 128.2	54 750.2	40 085.1	40 381.5	1 180 456.4
8 843.9	3 445.2	5 398.7	51 590.1	40 152.1	39 670.0	1 201 878.1
9 307.1	3 469.6	5 837.5	48 503.0	40 066.7	40 900.6	1 189 193.7
9 448.6	3 825.7	5 622.9	48 426.5	40 119.0	41 314.7	1 211 067.9
9 512.6	4 009.0	5 503.6	43 806.5	40 206.9	39 539.9	1 218 412.3
9 606.5	4 035.7	5 570.8	43 810.3	40 332.7	41 302.2	1 220 116.4
11 406.0	5 675.6	5 730.4	43 385.1	38 491.1	39 681.5	1 242 708.6
11 156.5	5 674.3	5 482.2	49 180.1	39 147.0	37 381.1	1 236 784.0

Debt securities issued	Capital and reserves				External liabilities	Remaining liabilities	Total liabilities
	Tier-1 capital	Tier-2 capital	Reserves				
10	11	12	13	14	15	16	17
23 804.2	149 125.0	94 593.3	1 478.4	53 053.3	191 098.8	44 275.6	1 124 710.0
24 118.2	151 130.8	94 844.5	2 681.9	53 604.4	190 238.6	51 105.3	1 136 629.9
23 978.0	152 927.4	95 876.2	2 444.2	54 607.0	188 156.2	52 280.2	1 140 204.2
23 968.3	154 731.9	96 029.4	3 185.7	55 516.8	187 700.2	53 369.8	1 153 215.6
23 611.7	158 170.3	99 392.0	2 189.7	56 588.6	184 716.6	52 489.1	1 155 575.7
26 587.1	159 822.5	99 448.8	2 551.3	57 822.4	200 227.0	53 544.1	1 180 456.4
29 789.2	161 405.0	100 702.2	2 201.7	58 501.1	209 758.0	57 596.0	1 201 878.1
29 411.2	165 019.5	103 665.8	2 407.1	58 946.6	201 966.8	56 613.3	1 189 193.7
29 731.3	165 945.6	103 565.7	2 563.4	59 816.5	203 360.1	57 880.1	1 211 067.9
29 185.8	166 367.3	103 735.5	2 433.2	60 198.6	203 223.0	55 930.9	1 218 412.3
28 995.2	166 785.5	103 542.3	2 250.6	60 992.6	205 906.3	60 381.5	1 220 116.4
29 277.6	167 417.8	103 615.5	2 171.2	61 631.1	219 180.1	59 014.8	1 242 708.6
29 146.9	166 860.7	103 886.4	2 080.3	60 894.0	214 605.2	55 572.2	1 236 784.0

TABLE VIII

Balance sheet of the National Bank of Poland (million zloty)
ASSETS

Period	Loans to domestic residents	Other monetary financial institutions	General government	Other domestic residents*	Holdings of securities other than shares issued by domestic residents	Other monetary financial institutions	General government	Holdings of shares/other equity issued by domestic residents	Other monetary financial institutions	Other domestic residents*	External assets	Fixed assets**	Remaining assets	Total assets
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
XII 2009	15 655.4	15 630.0	0.0	25.4	0.0	0.0	0.0	53.9	0.0	53.9	232 466.0	2 091.3	382.4	250 649.0
I 2010	14 832.3	14 807.6	0.0	24.7	0.0	0.0	0.0	53.8	0.0	53.8	253 042.5	2 090.5	394.2	270 413.3
II	14 915.1	14 890.7	0.0	24.4	0.0	0.0	0.0	53.8	0.0	53.8	254 622.2	2 090.4	2 118.3	273 799.8
III	11 753.6	11 729.4	0.0	24.2	0.0	0.0	0.0	53.8	0.0	53.8	250 339.5	2 091.9	4 426.4	268 665.2
IV	6 177.9	6 153.6	0.0	24.3	0.0	0.0	0.0	53.8	0.0	53.8	265 107.7	2 092.2	2 740.0	276 171.6
V	6 035.3	6 010.4	0.0	24.9	0.0	0.0	0.0	53.8	0.0	53.8	291 583.4	2 093.9	509.5	300 275.9
XII	4 376.0	4 350.7	0.0	25.3	0.0	0.0	0.0	53.8	0.0	53.8	295 098.4	2 099.9	416.2	302 044.3
VII	1 779.2	1 753.6	0.0	25.6	0.0	0.0	0.0	53.8	0.0	53.8	291 253.1	2 101.4	910.6	296 098.1
VIII	1 538.0	1 512.9	0.0	25.1	0.0	0.0	0.0	53.8	0.0	53.8	298 952.9	2 110.4	784.0	303 439.1
IX	1 023.5	998.2	0.0	25.3	0.0	0.0	0.0	53.8	0.0	53.8	293 506.7	2 113.8	1 022.8	297 720.6
X	984.5	959.2	0.0	25.3	0.0	0.0	0.0	53.8	0.0	53.8	292 912.8	2 112.7	1 041.1	297 104.9
XI	896.7	871.6	0.0	25.1	0.0	0.0	0.0	53.8	0.0	53.8	307 318.8	2 138.6	718.9	311 126.8
XII	754.4	728.9	0.0	25.5	0.0	0.0	0.0	53.8	0.0	53.8	282 191.9	2 151.3	345.9	285 497.3

* Non-monetary financial institutions and non-financial sector.

** Excluding financial fixed assets, included in column 8.

TABLE IX

Consolidated balance sheet of monetary financial institutions
(million zloty)
ASSETS

Period	Loans to domestic residents	General government	Other domestic residents*	Holdings of securities other than shares issued by domestic residents	General government	Other domestic residents*	Holdings of shares/other equity** issued by other domestic residents*	External assets	Fixed assets***	Remaining assets****	Total assets
	1	2	3	4	5	6	7	8	9	10	11
XII 2009	712 369.5	43 889.9	668 479.6	157 075.3	153 243.9	3 831.4	5 251.2	280 307.9	41 974.2	27 470.7	1 224 448.8
I 2010	710 202.5	42 273.9	667 928.6	161 522.4	157 808.0	3 714.4	5 431.6	296 146.5	40 067.9	30 135.6	1 243 506.5
II	709 587.6	41 613.6	667 974.0	161 297.2	157 445.7	3 851.5	5 427.6	300 380.5	40 047.7	32 377.9	1 249 118.5
III	707 893.2	41 642.1	666 251.1	165 063.3	161 261.1	3 802.2	5 179.0	299 439.1	40 185.5	33 534.3	1 251 294.4
IV	706 196.5	41 460.1	664 736.4	164 042.1	160 434.1	3 608.0	5 113.0	310 448.4	42 129.5	31 623.5	1 259 553.0
V	723 426.3	41 914.9	681 511.4	165 979.1	162 329.6	3 649.5	5 182.0	346 333.6	42 179.0	31 323.4	1 314 423.4
XII	748 063.3	43 930.6	704 132.7	165 789.3	162 003.2	3 786.1	5 452.5	346 688.5	42 252.0	30 855.7	1 339 101.3
VII	737 996.7	45 909.7	692 087.0	166 347.8	161 687.7	4 660.1	5 891.3	339 756.1	42 168.1	32 647.5	1 324 807.5
VIII	754 493.4	48 842.3	705 651.1	160 910.8	156 162.4	4 748.4	5 676.7	347 379.4	42 229.4	32 906.8	1 343 596.5
IX	757 942.1	50 150.2	707 791.9	167 566.2	162 911.1	4 655.1	5 557.4	337 313.2	42 320.7	31 518.1	1 342 217.7
X	759 894.9	52 391.2	707 503.7	170 716.4	166 365.9	4 350.5	5 624.6	336 723.1	42 445.4	32 943.2	1 348 347.6
XI	781 081.5	55 219.8	725 861.7	165 903.1	161 118.2	4 784.9	5 784.2	350 703.9	40 629.7	31 082.0	1 375 184.4
XII	782 489.5	58 343.1	724 146.4	155 292.0	150 069.4	5 222.6	5 536.0	331 372.0	41 298.3	27 774.9	1 343 762.7

* Non-monetary financial institutions and non-financial sector.

** Including units in investment funds and financial fixed assets.

*** Excluding financial fixed assets, incorporated in column 7.

**** Including rights issues.

TABLE VIII

Balance sheet of the National Bank of Poland (million zloty)
LIABILITIES

Period	Currency in circulation	Deposits of domestic residents	Other monetary financial institutions	Central government	Other domestic residents*	Debt securities issued	Capital and reserves	Tier-1 capital	Reserves	External liabilities	Remaining liabilities	Total liabilities
XII 2009	99 954.1	61 972.3	37 856.2	22 632.2	1 483.9	40 984.4	2 745.2	1 500.0	1 245.2	20 701.1	24 291.9	250 649.0
I 2010	96 693.8	60 249.1	21 148.1	37 888.7	1 212.3	62 427.8	2 750.6	1 500.0	1 250.6	21 819.9	26 472.1	270 413.3
II	96 483.1	58 713.4	18 361.4	39 177.8	1 174.2	67 292.0	2 757.1	1 500.0	1 257.1	21 703.7	26 850.5	273 799.8
III	97 415.9	43 259.3	17 638.6	24 570.0	1 050.7	76 975.3	2 762.4	1 500.0	1 262.4	23 692.5	24 559.8	268 665.2
IV	99 350.7	41 708.3	20 342.7	20 685.1	680.5	75 000.0	2 767.5	1 500.0	1 267.5	28 998.2	28 346.9	276 171.6
V	101 672.3	43 935.4	20 546.5	22 361.0	1 027.9	76 165.0	2 773.2	1 500.0	1 273.2	29 918.1	45 811.9	300 275.9
VI	102 275.9	42 828.6	22 101.4	20 030.7	696.5	75 551.2	2 778.6	1 500.0	1 278.6	25 264.8	53 345.2	302 044.3
VII	102 349.6	51 534.7	21 861.0	28 815.3	858.4	78 187.6	2 990.1	1 708.3	1 281.8	28 659.0	32 377.1	296 098.1
VIII	101 934.8	47 229.6	20 349.5	26 015.2	864.9	83 770.6	2 996.2	1 708.3	1 287.9	29 592.0	37 915.9	303 439.1
IX	100 714.2	52 268.8	23 108.4	28 426.1	734.3	83 167.1	3 002.3	1 708.3	1 294.0	30 170.1	28 398.1	297 720.6
X	101 425.0	69 026.1	30 323.5	37 734.1	968.5	70 964.7	3 005.8	1 708.3	1 297.5	26 502.4	26 180.9	297 104.9
XI	100 793.9	49 248.7	19 535.9	28 831.5	881.3	87 859.2	3 007.8	1 708.3	1 299.5	30 457.1	39 760.1	311 126.8
XII	102 663.1	51 473.4	37 596.3	12 167.5	1 709.6	74 639.7	3 003.7	1 708.3	1 295.4	25 303.2	28 414.2	285 497.3

* Non-monetary financial institutions, local government, social security funds and non-financial sector.

TABLE IX

Consolidated balance sheet of monetary financial institutions
(million zloty)
LIABILITIES

Period	Currency in circulation	Deposits of central government	Deposits of other domestic residents*	overnight	with agreed maturity	redeemable at notice	repurchase agreements	Money Market Fund Shares/Units	Debt securities issued	Capital and reserves	External liabilities	Remaining liabilities	Excess of inter-MFI liabilities	Total liabilities
XII 2009	89 777.6	48 878.0	636 944.6	298 567.3	335 205.1	78.5	3 093.7	538.0	18 618.3	148 657.5	211 799.9	68 567.6	667.3	1 224 448.8
I 2010	87 868.3	69 606.5	629 394.1	293 400.9	333 155.2	80.2	2 757.8	516.9	19 222.5	147 738.9	212 058.5	77 577.4	-476.6	1 243 506.5
II	88 024.0	67 329.8	634 096.0	295 402.8	336 675.4	82.9	1 934.9	503.5	19 215.9	149 865.1	209 859.9	79 130.7	1 093.6	1 249 118.5
III	88 634.4	62 602.1	639 010.8	300 950.6	331 785.4	83.9	6 190.9	496.0	18 863.4	151 303.4	211 392.7	77 929.6	1 062.0	1 251 294.4
IV	89 451.8	63 363.9	637 714.7	298 863.0	333 583.4	85.7	5 182.6	502.2	19 059.6	157 682.9	213 714.8	80 836.0	-2 772.9	1 259 553.0
V	92 104.7	61 117.2	652 248.0	316 915.4	330 115.4	86.6	5 130.6	491.5	21 468.9	159 307.3	230 145.1	99 356.0	-1 815.3	1 314 423.4
VI	93 045.4	60 712.6	655 911.4	322 193.5	330 155.9	83.8	3 478.2	503.1	24 608.6	160 738.4	235 022.8	110 941.2	-2 382.2	1 339 101.3
VII	93 185.9	68 384.2	656 522.3	321 335.6	328 942.2	86.6	6 157.9	466.5	24 305.9	164 540.0	230 625.8	88 990.4	-2 213.5	1 324 807.5
VIII	92 742.9	69 304.6	663 256.1	328 305.4	327 225.9	86.8	7 638.0	538.6	24 880.5	165 116.1	232 952.1	95 796.0	-990.4	1 343 596.5
IX	91 669.6	76 270.5	667 742.9	327 539.9	334 665.4	87.1	5 450.5	544.8	24 405.8	165 360.6	233 393.1	84 329.0	-1 498.6	1 342 217.7
X	92 024.9	80 298.7	671 034.4	328 128.2	337 340.4	86.9	5 478.9	539.4	24 513.2	165 755.6	232 408.7	86 562.4	-4 789.7	1 348 347.6
XI	91 475.5	67 779.0	678 491.9	337 347.4	335 126.3	87.4	5 930.8	530.6	24 937.4	164 750.0	249 637.2	98 774.9	-1 192.1	1 375 184.4
XII	92 711.0	44 846.7	696 341.4	356 617.9	334 463.2	91.5	5 168.8	502.8	24 662.8	164 190.1	239 908.4	83 986.4	-3 386.9	1 343 762.7

* Non-monetary financial institutions, local government, social security funds and non-financial sector.

TABLE Xa

M3 and counterparts (million zloty)
M3

Period	Currency in circulation			Overnight deposits and other liabilities	Households		Non-monetary financial institutions	Non-financial corporations	Non-profit institutions serving households	Local government	Social security funds	M1
	(excluding vault cash)	(including vault cash)	Cash in banks vaults		of which individuals							
	1	2	3	4	5	6	7	8	9	10	11	12
XII 2009	89 777.6	99 954.1	10 176.5	298 567.2	185 076.2	159 389.2	10 369.9	75 991.9	7 252.4	17 535.9	2 340.9	388 344.9
I 2010	87 868.3	96 693.8	8 825.5	293 400.9	187 812.7	164 431.2	11 850.7	70 503.0	6 593.3	13 989.3	2 651.8	381 269.2
II	88 024.0	96 483.1	8 459.1	295 402.8	191 503.5	169 072.5	11 715.1	68 945.6	6 665.8	14 928.3	1 644.4	383 426.8
III	88 634.5	97 415.9	8 781.5	300 950.7	193 342.6	171 675.5	11 615.0	72 809.6	6 787.7	14 820.9	1 574.9	389 585.1
IV	89 451.8	99 350.7	9 898.9	298 863.1	197 412.5	176 755.9	11 826.9	67 619.4	7 028.6	13 727.2	1 248.4	388 314.9
V	92 104.8	101 672.3	9 567.6	316 915.4	202 693.6	181 892.9	13 997.3	75 320.4	7 555.1	15 597.8	1 751.2	409 020.2
VI	93 045.4	102 275.9	9 230.5	322 193.5	207 066.0	185 726.1	10 877.1	80 660.8	7 608.3	14 636.2	1 345.1	415 238.9
VII	93 185.9	102 349.6	9 163.6	321 335.6	207 881.7	186 401.6	12 863.1	76 326.8	8 011.2	14 443.6	1 809.3	414 521.5
VIII	92 742.8	101 934.8	9 191.9	328 305.4	209 334.7	187 181.4	12 472.9	81 881.7	8 143.3	14 889.5	1 583.3	421 048.2
IX	91 669.7	100 714.2	9 044.6	327 539.9	209 878.5	187 947.6	12 375.1	80 133.7	8 227.2	15 149.5	1 775.9	419 209.6
X	92 024.9	101 425.0	9 400.1	328 128.2	210 144.2	187 817.5	13 493.2	78 235.9	8 347.6	15 498.7	2 408.6	420 153.2
XI	91 475.4	100 793.9	9 318.4	337 347.5	212 374.6	189 644.5	14 524.6	84 786.7	8 492.8	15 983.8	1 185.1	428 822.9
XII	92 711.0	102 663.1	9 952.1	356 617.9	226 839.4	199 641.5	13 069.5	88 335.8	8 302.9	17 155.6	2 914.8	449 328.9

TABLE Xb

M3 and counterparts (million zloty)
M3 counterparts

Period	Net external assets			Credit to other domestic residents	Loans to other domestic residents		Non-monetary financial institutions	Non-financial corporations	Non-profit institutions serving households	Local government	
	External assets	External liabilities			Households	of which individuals					
	1	2	3	4	5	6	7	8	9	10	11
XII 2009	68 507.9	280 307.9	211 800.0	710 348.1	696 723.7	420 974.1	361 572.2	28 223.2	216 564.4	2 718.0	24 484.0
I 2010	84 087.9	296 146.4	212 058.6	707 911.8	694 075.1	422 817.4	363 323.6	25 188.6	217 165.5	2 757.1	24 536.4
II	90 520.6	300 380.4	209 859.9	707 280.3	693 358.8	421 838.2	361 756.2	26 442.9	216 944.8	2 748.0	23 774.8
III	88 046.4	299 439.1	211 392.7	704 948.5	691 308.0	425 341.5	364 470.5	25 280.9	212 889.9	2 738.8	23 446.8
IV	96 733.5	310 448.4	213 714.9	703 251.9	689 824.9	429 539.2	367 875.7	20 400.0	212 056.8	2 740.4	23 478.5
V	116 188.5	346 333.6	230 145.1	720 270.2	706 617.5	441 926.1	379 168.1	20 938.9	215 876.6	2 769.7	23 596.0
VI	111 665.7	346 688.5	235 022.8	743 917.2	729 832.9	459 541.3	395 976.8	24 302.1	217 459.8	2 829.4	24 190.2
VII	109 130.3	339 756.1	230 625.8	734 390.2	718 668.8	454 054.2	390 140.6	20 145.2	214 985.3	2 902.3	25 071.3
VIII	114 427.3	347 379.4	232 952.1	748 831.4	733 104.5	465 422.6	401 048.0	21 364.2	215 865.8	2 998.5	25 943.3
IX	103 920.1	337 313.2	233 393.1	752 296.3	736 238.3	463 505.9	398 825.0	24 844.3	216 354.9	3 086.8	26 936.4
X	104 314.6	336 723.2	232 408.6	753 096.4	737 156.9	463 120.1	398 159.8	23 455.7	217 728.0	3 199.9	28 143.2
XI	101 066.7	350 703.9	249 637.2	774 887.8	758 091.6	477 773.3	412 288.8	26 092.4	218 697.7	3 298.1	29 577.4
XII	91 463.6	331 372.0	239 908.4	775 020.3	757 446.3	479 797.6	415 256.9	26 346.7	214 589.4	3 412.7	33 299.8

Deposits and other liabilities with agreed maturity up to 2 years and blocked deposits	of which issued by:							Deposits redeemable at notice up to 3 months	M2	Repurchase agreements	Debt securities issued with maturity up to 2 years	Money market fund shares	M3
	Households	of which individuals	Non-monetary financial institutions	Non-financial corporations	Non-profit institutions serving households	Local government	Social security funds						
13	14	15	16	17	18	19	20	21	22	23	24	25	26
326 391.1	198 518.3	193 918.0	22 094.7	88 887.4	6 885.1	4 386.7	5 618.9	21.9	714 757.8	3 093.7	1 843.0	538.0	720 232.5
324 057.2	199 418.2	195 368.5	20 640.0	83 379.0	7 544.4	8 125.2	4 950.5	19.6	705 346.0	2 757.8	2 408.4	517.0	711 029.2
327 567.6	200 751.8	196 765.7	19 909.0	84 538.9	7 610.7	9 126.5	5 630.6	19.7	711 014.1	1 934.9	2 138.3	503.5	715 590.9
323 157.2	197 985.4	194 186.8	19 455.1	84 761.5	7 657.3	8 896.5	4 401.3	19.2	712 761.5	6 190.9	2 056.5	496.0	721 504.9
324 731.8	193 008.1	189 281.5	21 442.8	87 835.5	7 728.6	10 317.5	4 399.2	20.3	713 066.9	5 182.6	2 474.1	502.2	721 225.8
321 107.4	191 352.2	187 759.4	21 166.2	86 702.1	7 376.8	9 922.4	4 587.7	20.1	730 147.7	5 130.6	2 082.1	491.5	737 851.9
321 120.2	191 916.4	188 303.1	22 032.2	86 955.3	7 356.2	8 886.6	3 973.3	16.6	736 375.6	3 478.2	2 407.2	503.2	742 764.2
319 836.0	192 786.4	189 158.7	19 790.2	86 216.2	7 265.5	9 393.4	4 384.5	18.5	734 376.0	6 157.9	2 271.5	466.5	743 271.9
317 977.6	193 232.4	189 701.0	21 336.2	82 189.0	7 481.5	8 647.4	5 091.1	17.5	739 043.4	7 638.0	2 343.5	538.7	749 563.6
325 265.4	193 011.9	189 293.7	24 120.4	85 538.9	7 197.0	8 393.3	7 003.9	16.8	744 491.8	5 450.5	2 379.2	544.9	752 866.4
328 019.0	194 173.8	190 345.5	23 604.4	88 673.4	6 933.9	9 144.3	5 489.2	14.9	748 187.1	5 478.9	2 346.3	539.4	756 551.7
325 800.0	196 093.6	192 341.1	24 744.6	86 074.9	6 636.2	8 354.3	3 896.4	14.8	754 637.7	5 930.8	2 251.0	530.7	763 350.1
325 466.2	194 469.7	190 333.6	23 576.7	92 942.7	6 565.4	4 439.6	3 472.2	16.8	774 811.9	5 168.8	2 049.6	502.9	782 533.2

Social security funds	Holdings of securities other than shares	of which issued by:			Holdings of shares/other equity	of which:		Credit to central government, net
		non-monetary financial institutions	non-financial corporations	local government		non-monetary financial institutions	non-financial corporations	
12	13	14	15	16	17	18	19	20
3 760.1	8 373.2	524.7	3 306.8	4 541.8	5 251.2	3 377.1	1 874.1	115 470.0
1 610.1	8 405.1	403.2	3 311.2	4 690.7	5 431.6	3 492.6	1 939.1	99 638.2
1 610.1	8 493.8	400.9	3 450.6	4 642.3	5 427.6	3 483.3	1 944.3	101 702.3
1 610.1	8 461.5	278.1	3 524.1	4 659.3	5 179.0	3 286.7	1 892.3	110 584.8
1 610.1	8 313.9	212.3	3 395.7	4 706.0	5 113.0	3 276.4	1 836.6	108 735.8
1 510.1	8 470.7	267.7	3 381.8	4 821.2	5 182.0	3 351.3	1 830.7	113 200.0
1 510.1	8 631.8	266.3	3 519.8	4 845.7	5 452.5	3 499.0	1 953.6	114 675.3
1 510.5	9 830.0	268.6	4 391.5	5 169.9	5 891.4	4 006.2	1 885.2	107 461.5
1 510.1	10 050.2	240.9	4 507.5	5 301.8	5 676.7	3 713.5	1 963.2	102 944.9
1 510.1	10 500.6	222.3	4 432.8	5 845.5	5 557.5	3 511.7	2 045.7	102 498.9
1 510.1	10 314.8	302.5	4 048.0	5 964.4	5 624.6	3 601.8	2 022.8	102 840.7
2 652.6	11 012.0	266.1	4 518.9	6 227.0	5 784.3	3 725.3	2 058.9	110 102.0
0.1	12 037.9	324.1	4 898.5	6 815.3	5 536.1	3 474.0	2 062.1	123 450.6

TABLE Xb

M3 and counterparts (million zloty)
M3 counterparts

Period	Credit to central government	of which:		Deposits of central government	Longer-term financial liabilities	Deposits with agreed maturity over 2 years and deposits redeemable at notice over 3 months	Households	of which individuals	Non-monetary financial institutions
		loans	debt securities issued						
		21	22							23	24	25	26	27	28	29
XII 2009	164 348.0	979.5	148 702.2	48 878.1	174 303.4	8 870.6	4 002.5	3 977.8	3 207.8
I 2010	169 244.7	961.8	153 117.3	69 606.5	173 711.6	9 158.6	4 107.0	4 082.2	3 258.8
II	169 032.1	772.0	152 803.4	67 329.8	176 113.7	9 171.0	4 139.0	4 113.9	3 276.8
III	173 187.0	727.2	156 601.7	62 602.2	176 803.2	8 692.9	4 259.8	4 232.4	2 683.9
IV	172 099.7	718.7	155 728.1	63 363.9	183 185.4	8 917.1	4 391.0	4 363.8	2 747.5
V	174 317.2	742.4	157 508.4	61 117.1	187 768.6	9 074.5	4 510.7	4 475.9	2 701.1
VI	175 387.9	832.4	157 157.6	60 712.6	192 042.8	9 103.0	4 594.7	4 562.9	2 676.2
VII	175 845.7	873.7	156 517.8	68 384.2	195 748.8	9 174.4	4 584.1	4 556.3	2 686.2
VIII	172 249.5	997.0	150 860.6	69 304.6	196 970.5	9 317.5	4 644.1	4 616.9	2 730.6
IX	178 769.4	987.1	157 065.6	76 270.4	196 857.4	9 470.3	4 756.7	4 729.9	2 839.6
X	183 139.4	979.3	160 401.5	80 298.7	197 315.8	9 393.4	4 723.3	4 693.2	2 736.2
XI	177 881.1	961.8	154 891.2	67 779.0	196 835.2	9 398.9	4 721.9	4 685.4	2 702.7
XII	168 297.4	713.2	143 254.1	44 846.8	195 874.8	9 071.7	4 722.8	4 692.0	2 663.8

TABLE XI

Reserve money and counterparts (million zloty)

Period	External assets, net	Official reserve assets	Refinancing credit	Rediscount credit	Lombard credit	Credit for rehabilitation programmes	Credit for central government investment projects	Other credit	Overdue credit
	1	2	3	4	5	6	7	8	9
XII 2009	211 764.8	226 859.2	1 101.5	0.0	0.0	0.0	1 101.5	0.0	0.0
I 2010	231 222.6	247 458.5	1 101.5	0.0	0.0	0.0	1 101.5	0.0	0.0
II	232 918.5	249 053.9	1 101.5	0.0	0.0	0.0	1 101.5	0.0	0.0
III	226 646.1	244 786.6	1 008.4	0.0	0.0	0.0	1 008.4	0.0	0.0
IV	236 109.4	259 574.2	1 008.4	0.0	0.0	0.0	1 008.4	0.0	0.0
V	261 665.3	286 569.5	1 008.4	0.0	0.0	0.0	1 008.4	0.0	0.0
VI	269 833.5	290 100.0	915.2	0.0	0.0	0.0	915.2	0.0	0.0
VII	262 594.1	286 269.9	915.2	0.0	0.0	0.0	915.2	0.0	0.0
VIII	269 360.9	293 965.0	915.2	0.0	0.0	0.0	915.2	0.0	0.0
IX	263 336.6	288 523.1	822.1	0.0	0.0	0.0	822.1	0.0	0.0
X	266 410.5	287 926.4	822.1	0.0	0.0	0.0	822.1	0.0	0.0
XI	276 861.7	302 321.6	822.1	0.0	0.0	0.0	822.1	0.0	0.0
XII	256 888.6	277 186.1	728.9	0.0	0.0	0.0	728.9	0.0	0.0

Non-financial corporations	Non-profit institutions serving households	Local government	Social security funds	Debt securities issued with maturity over 2 years	Capital and reserves	Fixed assets (excluding financial fixed assets)	Other items (net)
30	31	32	33	34	35	36	37
1 525.2	125.0	8.5	1.6	16 775.3	148 657.4	41 974.2	-41 764.3
1 626.8	155.6	8.2	2.2	16 814.2	147 738.8	40 067.9	-46 965.0
1 591.0	154.4	7.6	2.2	17 077.6	149 865.0	40 047.7	-47 846.3
1 584.9	156.3	6.1	1.8	16 806.9	151 303.4	40 185.4	-45 457.1
1 611.6	159.2	6.2	1.6	16 585.5	157 682.8	42 129.5	-46 439.5
1 698.3	156.6	6.2	1.6	19 386.8	159 307.4	42 179.0	-66 217.2
1 671.8	151.1	7.6	1.7	22 201.4	160 738.3	42 252.0	-77 703.2
1 737.5	157.0	8.1	1.6	22 034.5	164 540.0	42 168.1	-54 129.4
1 772.4	162.3	6.4	1.6	22 536.9	165 116.1	42 229.4	-61 898.9
1 704.4	161.1	6.8	1.7	22 026.5	165 360.6	42 320.7	-51 312.2
1 763.6	161.5	7.1	1.7	22 166.8	165 755.6	42 445.4	-48 829.5
1 801.6	163.9	7.2	1.7	22 686.4	164 749.9	40 629.7	-66 500.8
1 517.3	159.0	7.1	1.7	22 613.1	164 190.0	41 298.2	-52 824.6

Open market operations (net)	auction credit	auction deposits	NBP bills	Credit to central government, net	Other items (net)	Central bank reserve money	Currency in circulation (including vault cash)	Bank current accounts	Reserve requirements accounts
10	11	12	13	14	15	16	17	18	19
-26 455.9	14 528.5	0.0	-40 984.4	-22 632.2	-26 271.6	137 506.6	99 954.1	37 438.3	114.1
-48 721.7	13 706.1	0.0	-62 427.8	-37 888.7	-28 109.4	117 604.3	96 693.8	20 798.3	112.2
-53 502.8	13 789.2	0.0	-67 292.0	-39 177.8	-26 762.5	114 576.9	96 483.1	17 973.0	120.7
-66 254.2	10 721.1	0.0	-76 975.3	-24 570.0	-22 054.4	114 775.8	97 415.9	17 242.1	117.8
-69 854.8	5 145.2	0.0	-75 000.0	-20 685.1	-27 267.8	119 310.1	99 350.7	19 835.3	124.1
-71 163.0	5 002.0	0.0	-76 165.0	-22 361.0	-47 226.6	121 923.1	101 672.3	20 121.7	129.1
-72 115.8	3 435.5	0.0	-75 551.2	-20 030.7	-54 509.2	124 093.1	102 275.9	21 686.3	131.0
-77 349.2	838.4	0.0	-78 187.6	-28 815.3	-33 411.8	123 933.0	102 349.6	21 453.6	129.9
-83 172.9	597.7	0.0	-83 770.6	-26 015.2	-39 093.9	121 994.0	101 934.8	19 920.6	138.7
-82 990.9	176.1	0.0	-83 167.1	-28 426.1	-29 236.8	123 504.9	100 714.2	22 659.5	131.2
-70 827.6	137.1	0.0	-70 964.7	-37 734.1	-27 405.9	131 265.1	101 425.0	29 707.0	133.0
-87 809.7	49.5	0.0	-87 859.2	-28 831.5	-41 064.5	119 978.1	100 793.9	19 060.1	124.1
-74 639.7	0.0	0.0	-74 639.7	-12 167.5	-31 083.5	139 726.8	102 663.1	36 915.2	148.6

METHODOLOGICAL NOTES

TABLE I
Basic economic data

Information contained in Table I is derived from the "Statistical Bulletin" of the Central Statistical Office [GUS]. Definitions of the categories presented in the Table can be found in the GUS publications.

1. Data presented in 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, manufacturing; electricity, water and gas production and supply; construction; wholesale and retail trade; repair of motor vehicles, motorcycles as well as personal and household goods; hotels and restaurants; transport, storage and communication; real estate renting and related business activities, renting machines and equipment without an operator and of personal and household goods; computer and related activities; other business activities; sewage and refuse disposal, sanitation management and other sanitation services; recreational, cultural, sporting and other services.

3. According to the Polish Statistical Classification of Economic Activities [PKD], the notion of "industry" applies to the following sections: "mining", "manufacturing" and "electricity, gas and water production and supply".

4. Data on the sold production of industry (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 on commission in Poland by the business entities of the construction sector, i.e. classified under "construction" according to the PKD.

7. Information on the sold production of industry (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 civilian population i.e. total of employed and unemployed persons over 15 years of age.

10. Revenues from privatisation do not constitute the current revenues of the state budget; instead they finance the budget deficit (pt. 11).

11. Data on financial results of enterprises (pt. 12) are presented as prescribed by the amended Accounting Act dated 29 September 1994 (uniform text Journal of Laws 2002 No. 76, item 694, with later amendments).

TABLE II Financial market – basic information

Information comprised in Table II has been derived from the National Bank of Poland (save for the data in pt. 6, supplied by the Warsaw Stock Exchange).

1. Interest rates in Table II are presented on an annual basis at the level which was binding on the last day of a given month. The average monthly interest rate has been given only for the weighted average yield on purchased T-bills or the NBP money-market bills.

2. As at 1 January 2010 the NBP has introduced a central bank discount rate (pt. 1 col. 5). Discount rate refers to interest on discount loan extended by the National Bank of Poland.

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. 32) comprises data from tenders conducted within one month. The average yield on bills purchased is weighted by the share of the sales of bills with different maturities in the total value of bills purchased. The stock of bills in circulation at month end has been determined on the basis of the agreed maturity, calculated from the day after the tender which resulted in the sale of the bill. The above stock does not include bills in circulation which do not stem from tenders.

5. Information on tenders for the NBP money-market bills (pt. 4, except for the stock of bills in circulation at month end – col. 58) 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 indices presentation on the main stock market of the Warsaw Stock Exchange (WSE) is composed of the following set of indices:

- **WIG20 index** has been calculated since April 16, 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 1000 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.

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 December 31, 1997 and comprises 40 medium size companies listed at WSE. The initial value of index was 1000 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.

- **sWIG8 index** is successor of WIRR index that has been calculated since December 31, 1994 and comprised 1% of smaller companies listed at WSE. The initial value of index was 1000 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 the National Bank of Poland.

1. The NBP average exchange rate is the official exchange rate used for statistical and accounting purposes.

2. The average PLN/USD and PLN/EUR exchange rates and the USD/EUR ratio were calculated as the arithmetic average of the NBP average exchange rates for a month (based on daily exchange rates).

SECTORAL CLASSIFICATION

- Financial sector comprises the following sub-sectors:
 - monetary financial institutions¹⁰⁰ (including the central bank and other monetary financial institutions). In Poland, the concept of other monetary financial institutions applies to banks, credit unions (SKOK) and money market funds;
 - insurance corporations and pension funds;
 - other financial intermediaries (including financial leasing companies, factoring companies, brokerage offices, investment funds, without money market funds, and financial companies created for securitization);

¹⁰⁰ In accordance with the ECB definition, monetary financial institutions (MFIs) comprise financial institutions whose business is to receive deposits and/or close substitutes for deposits from entities other than MFIs and, for their own account, to grant credits and/or to make investments in securities.

- financial auxiliaries (including bureaux de change, bourses, hire purchase institutions).
- Non-financial sector comprises the following sub-sectors:
 - state-owned corporations;
 - private corporations and co-operatives;
 - individual entrepreneurs;¹⁰¹
 - farmers;
 - individuals;
 - non-profit institutions serving households.

In the publications of the National Bank of Poland, claims and liabilities of banks to the non-financial sector will be presented in accordance with the EU standards, i.e. sub-divided into three sectors:

- households – comprising:
 - individuals;
 - farmers;
 - individual entrepreneurs:
- non-financial corporations – comprising:
 - state-owned corporations;
 - private corporations and co-operatives (including: individual entrepreneurs with more than 9 employees);
 - non-profit institutions serving households: (separate legal entities, which serve households. Their principal resources, apart from those derived from occasional sales, are derived from voluntary contributions in cash or in kind from households, from payments made by general governments and from property income).
- General government comprises the following sub-sectors:
 - central government (including public governing bodies, government administration bodies, state control and law protection bodies, courts and tribunals, state universities, state institutions of culture and welfare etc.);
 - local government (including local administrative offices [at gmina and powiat level], local parliaments, public elementary schools, institutions of culture financed by local governments, welfare institutions, etc.);
 - social security funds (comprise the Social Insurance Institution and the Agricultural Social Insurance Fund and the funds they manage, and the healthcare funds).

¹⁰¹ Natural persons conducting business activities on their own account, with a maximum of 9 employees.

TABLE IV
Average MFI interest rates on outstanding amounts, zloty denominated

Data on zloty denominated businesses refer to all businesses at the end of the reporting month, these concluded prior to the reporting month and still binding as well as new businesses. This interest rate is a quotient of interest on average zloty denominated business by average volume of businesses per reporting month, commissions and other charges excluded.

The interest rate is calculated based on data received from the following banks:

1. Powszechna Kasa Oszczędności Bank Polski SA
2. Bank Polska Kasa Opieki SA
3. Bank BPH SA
4. Bank Handlowy w Warszawie SA
5. ING Bank Śląski SA
6. Kredyt Bank SA
7. Bank Zachodni WBK SA
8. BRE Bank SA
9. Bank Millennium SA
10. Bank Gospodarki Żywnościowej SA
11. Raiffeisen Bank Polska SA
12. BRE Bank Hipoteczny SA
13. Krakowski Bank Spółdzielczy
14. Bank Spółdzielczy w Brodnicy
15. Bank Gospodarstwa Krajowego
16. Bank Ochrony Środowiska SA
17. FORTIS BANK POLSKA SA
18. LUKAS Bank SA
19. AIG Bank Polska SA

At the end-December 2010, the above banks held 74.9% of deposits of residents and 70.3% of credit to households and non-financial corporations.

TABLE V
Average MFI interest rates on new business, zloty denominated

Information refers to agreements carried out in a given reporting month. Appendices to existing agreements shall be deemed new businesses.

Interest rates in the statistics on new businesses differ from those in Table IV. The formula is applied to statistical information on new businesses, also known as Narrowly Defined Effective Rate (NDER). The concept of Narrowly Defined Effective Rate was coined as an opposite to widely understood effective interest rate or Real Interest Rate (RIR). The NDER included, the new business statistics provides RIR for the second category of consumer and house purchase loans. As opposed to the NDER, which covers for interest costs of capital the real interest rate incorporates all charges paid by the borrower. These charges are most of all commissions (brokers included) but also compulsory loan insurance premiums against death or unemployment of the borrower.

The Table IV sample of banks applies.

TABLE VI
Average MFI interest rates on new business, euro denominated

General rule of calculating interest rate are the same as for Table IV (see star-matched lines) and Table V. The Table IV and V sample of banks applies as well.

GENERAL COMMENTS ON TABLES VII, VIII, IX

1. The figures refer to the end of each reporting month and have been derived from balance sheets received from the banks within the framework of the "Banking Reporting Information System (BIS)" and from the balance sheet of the National Bank of Poland and credit unions (SKOK) and money market funds.

2. The presentation is structured in accordance with the ECB standards.

3. Assets in Tables VII, VIII and IX are shown gross of provisions, accumulated depreciation and write downs (except for securities presented at a market price).

4. Apart from external assets/liabilities debt securities issued and partly capital and reserves, all categories reflect operations with residents.

TABLE VII
Aggregated balance sheet of other monetary financial institutions – assets and liabilities

1. Credits, loans and other claims to domestic residents (assets col. 1) include current accounts, reserve requirements, open market operations, deposits, loans and credits, debt purchased, realised guarantees and sureties, other claims, interest due and claims on securities purchased under repurchase agreements.

2. Debt securities issued by domestic residents (assets col. 5) held by other monetary financial institutions.

3. Money Market Funds participation units purchased by other MFIs (assets col. 9).

4. Securities and other shares and other equity issued by domestic residents (assets col. 10) include shares, investment fund participation units, investment certificates and fixed financial assets (shares).

5. External assets (assets col. 13) include all assets of non-residents denominated in zloty and foreign currencies.

6. Fixed assets (assets col. 14) include total fixed assets except for financial fixed assets.

7. Other assets (assets col. 15) include vault cash i.e. cash and other cash equivalents held at other monetary financial institutions, as well as other claims and interest due and not due from all sectors, settlement accounts, claims on various debtors, deferred income and expenditure, other financial assets, value adjustments, rights issue, other assets, other operations, interest on securities purchased under repurchase agreement.

8. Deposits and other liabilities to domestic residents (liabilities col. 1) represent overnight deposits, deposits with agreed maturities, blocked deposits, deposits redeemable at notice, received credit and loans, including refinancing, auction (open market operations) and claims from cash collateral (classified to "with agreed maturities"), other liabilities and claims on repurchase agreements, subordinated claims save for those in securities issued.

9. Money Market Funds participation units issued by the MMF (liabilities col. 9).

10. Debt securities issued (liabilities col. 10) are liabilities on own debt securities issued by other monetary financial institutions and subordinated claims in securities issued (purchased by residents and non-residents).

11. Capital and reserves (liabilities col. 11) are divided into:

a) core fund comprising share paid-in capital, called-up capital unpaid, own shares, accumulated reserves, general risk provisions, reserve capital and retained earnings;

b) supplementary funds, i.e. revaluation reserves and other supplementary funds specified in the Banking Act (assigned both to residents and non-residents) other components of equity capital;

c) provisions, including specific provisions, impairment allowances, mortgage notes reserves (resident, non-resident), specific provisions for off-balance liabilities (resident, non-resident), general risk provisions (resident, non-resident).

12. External liabilities (liabilities col. 15) include all liabilities of non-residents denominated in zloty and foreign currencies, except for reserves included in point 11, which comprise residents and non-residents as well as issue of debt securities and subordinated claims in securities purchased by non-residents.

13. Other liabilities (liabilities col. 16) include interest on the above-mentioned liabilities, settlement accounts, liabilities to creditors, deferred income and expenditure, suspended revenue, other liabilities from financial instruments, other liabilities, exchange rate fluctuations resulting from the conversion of subordinated liabilities, reserves for risk and expenditures not associated with the basic activities of the reporting bank, subordinated liabilities, other operations, interest on subordinated liabilities, value adjustments profit/loss during approval procedures, current year profit/loss.

TABLE VIII

Balance sheet of the National Bank of Poland – assets and liabilities

1. The item credits, loans and other claims to domestic residents (assets col. 1) comprises receivables from granted loans, including rediscount, lombard, refinancing for central investments, loans granted from foreign credit facilities, open market operations, other loans and receivables from current and fixed term deposits.

2. Debt securities issued by domestic residents (assets col. 5) are securities held by the National Bank of Poland.

3. Securities and other shares and other equity issued by domestic residents (assets col. 8) – at the moment in the case of the NBP they include only fixed financial assets (equity).

4. External assets (assets col. 11) include all assets of non-residents denominated in zloty and foreign currencies.

5. Fixed assets (assets col. 12) include total fixed assets except for financial fixed assets.

6. Other assets (assets col. 13) include interest due and not due on the above-listed operations, deferred costs, inter-branch settlements and other assets excluding fixed assets.

7. Deposits of domestic residents (liabilities col. 2) represent liabilities on overnight deposits, deposits with agreed maturity, reserve requirements, auction deposits (open market operations), separated funds and other deposits.

8. Debt securities issued (liabilities col. 6) represent liabilities on the NBP debt securities issued by the NBP.

9. Capital and reserves (liabilities col. 7) in the case of the NBP it comprises equity i.e. authorised capital, as well as reserve fund and provisions, which include specific provisions, accumulated depreciation and valuation allowances.

10. External liabilities (liabilities col. 10) include all liabilities of non-residents denominated in zloty and foreign currencies.

11. Other liabilities (liabilities col. 11) include interest on the above-mentioned categories of liabilities, deferred income, inter and intra-MFI settlements, other liabilities and financial performance.

TABLE IX

Consolidated balance sheet of monetary financial institutions – assets and liabilities

1. Table IX comprises a consolidated balance sheet of monetary financial institutions.

2. In the assets and liabilities of the above-mentioned balance sheet, domestic inter-MFI operations have been netted out.

3. Other assets (assets col. 10) and currency in circulation (liabilities col. 1) were decreased by cash in vaults of other monetary financial institutions.

LIST OF THE MOST IMPORTANT ABBREVIATIONS

BFG	Bank Guarantee Fund (Bankowy Fundusz Gwarancyjny)
BIS	Bank for International Settlements
EBA	European Banking Authority
EBRD	European Bank for Reconstruction and Development
ECB	European Central Bank
ECOFIN	Economic and Financial Affairs Council
EIOPA	European Insurance and Occupational Pensions Authority
EMU	Economic and Monetary Union
ERM II	Exchange Rate Mechanism II
ESCB	European System of Central Banks
ESFS	European System of Financial Supervisors
ESMA	European Securities and Markets Authority
ESRB	European Systemic Risk Board
EU	European Union
GDP	Gross Domestic Product
GINB	General Inspectorate of Banking Supervision (Generalny Inspektorat Nadzoru Bankowego)
GUS	Central Statistical Office (Główny Urząd Statystyczny)
IDA	International Development Association
IMF	International Monetary Fund
KIR SA	National Clearing House (Krajowa Izba Rozliczeniowa)
KDPW SA	National Depository for Securities (Krajowy Depozyt Papierów Wartościowych)
KNF	Polish Financial Supervision Authority (Komisja Nadzoru Finansowego)
KSF	Financial Stability Committee (Komitet Stabilności Finansowej)
MF	Ministry of Finance
MPC	Monetary Policy Council
NBP	National Bank of Poland
OECD	Organisation for Economic Co-operation and Development

SDR	Special Drawing Rights
SEPA	Single Euro Payments Area
SIS	Reporting Information System (System Informacji Sprawozdawczej)
SORBNET	Real-Time Gross Settlement System [RTGS] at the NBP Head Office
SORBNET-EURO	Real-Time Gross Settlement System [RTGS] in Euro at the NBP Head Office
STEP2 SCT	STEP2 SEPA Credit Transfer
TARGET, TARGET2	Trans-European Automated Real-Time Gross Settlement Express Transfer System
UN	United Nations
ZBP	Polish Bank Association (Związek Banków Polskich)
ZSK	Integrated Accounting System (Zintegrowany System Księgowy)

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