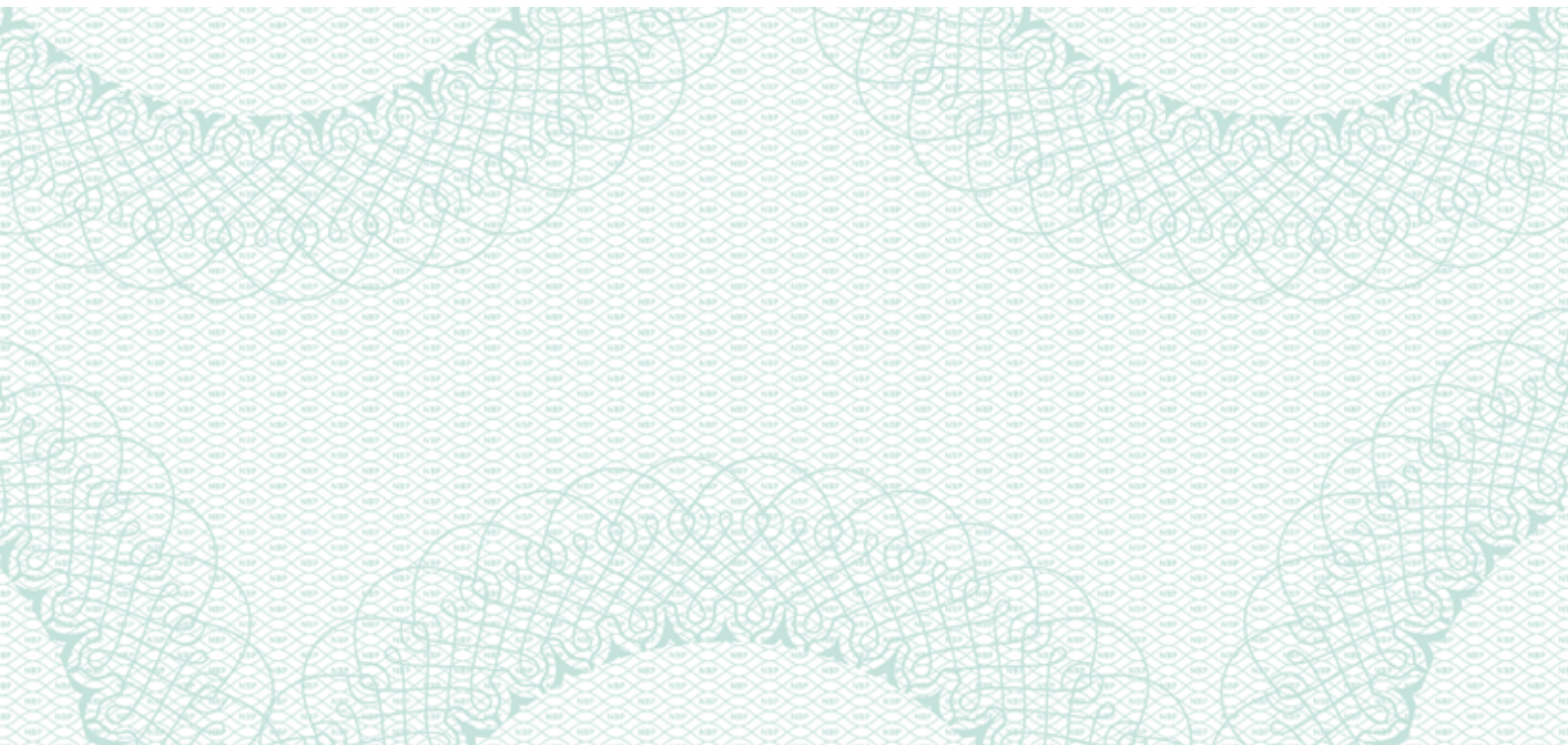


NBP

Narodowy Bank Polski

Annual Report 2016



Annual Report 2016

Warsaw 2017

Compiled on basis of NBP materials

Photo of the President of NBP
Piotr Małecki

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

ISSN 1427-0277

© Copyright Narodowy Bank Polski, 2017

Contents

Foreword by the President of Narodowy Bank Polski	7
Monetary Policy Council	9
NBP Management Board	9
Organisation chart of Narodowy Bank Polski	10
Summary	11
Chapter 1 Governing bodies of NBP	19
1.1 President of Narodowy Bank Polski	20
1.2 Monetary Policy Council	21
1.3 Management Board of Narodowy Bank Polski	22
1.4 Narodowy Bank Polski Plan of Activity	24
Chapter 2 Monetary policy	25
2.1 Monetary policy strategy in 2016	26
2.2 Monetary policy and macroeconomic developments in 2016	27
2.3 Monetary policy instruments in 2016	31
Chapter 3 Financial system	37
3.1 Macroprudential supervision	38
3.2 Cooperation with financial safety net institutions	39
3.3 Analyses and research for the needs of the financial system	39
3.4 International cooperation for financial stability	41
3.5 NBP operational activities aimed at maintaining financial stability	42
Chapter 4 The issue of currency	43
4.1 Currency in circulation	44
4.2 Issue of collector coins and notes	44
4.3 Introduction into circulation of modernised and new banknotes	45
4.4 Withdrawal of banknotes and coins from circulation due to wear and tear or damage	46
4.5 Counterfeit of Polish currency	46
4.6 Supply of notes and coins to banks	46
4.7 Activities aimed at streamlining cash transactions	46

Contents

Chapter 5 Foreign exchange reserves management	49
5.1 Level of the official reserve assets	50
5.2 Foreign currency reserves management strategy	51
5.3 Financial risk management in the foreign exchange reserves management process	52
5.4 Rate of return on foreign currency reserves	53
5.5 Investment income	55
Chapter 6 Foreign exchange activity	57
6.1 Register of bureaux de change	58
6.2 Foreign exchange-related decisions	58
6.3 Foreign exchange control	58
Chapter 7 Payment system oriented activities	61
7.1 Performance of operational tasks	62
7.2 Policy measures and development of the payment system	63
7.3 Oversight of payment systems and post-trade infrastructure of the financial market	65
7.4 NBP as the shareholder of domestic legal persons providing services for financial institutions	66
Chapter 8 Services to the State Treasury	69
8.1 Bank accounts operated by NBP	70
8.2 Handling international liabilities and claims of the State Budget	71
8.3 Organisation of trade in Treasury securities	71
8.4 Cooperation with the Ministry of Finance within the Public Debt Management Committee	72
Chapter 9 Analytical and research activities	75
9.1 Studies of monetary policy, inflation processes and inflation expectations	76
9.2 Enterprise and household surveys	77
9.3 Other macroeconomic research	78
9.4 Forecasting and research work	80
9.5 Conferences and seminars organized by NBP	80
9.6 Research cooperation with the scientific community	81

Chapter 10 Statistics	83
10.1 Core tasks with respect to statistics	84
10.2 Statistical tasks deriving from NBP participation in the European System of Central Banks and in other international institutions	85
Chapter 11 Education and information	89
11.1 Education	90
11.2 Information and promotion	92
11.3 Publishing and Library	93
11.4 Petitions, complaints, requests and letters	94
Chapter 12 Legislative activity	95
12.1 Legislation by the NBP governing bodies	96
12.2 NBP contribution to legislative activity by state authorities with respect to draft normative acts	96
12.3 Draft legislation related to the operation of the banking system	97
12.4 Consulting the European Central Bank's draft opinions on draft Community laws and draft national legislation of the EU Member States by NBP	98
Chapter 13 International activity	101
13.1 Duties resulting from Poland's membership in the European Union	102
13.2 Collaboration with international economic and financial institutions	103
Chapter 14 Internal development of NBP	109
14.1 Human resources management	110
14.2 Operational risk management	111
14.3 Investment activity of NBP	111
14.4 IT support for the banking system and NBP	112
14.5 Internal audit	112
14.6 Activity of NBP regional branches	113
14.7 Safety and security	113
Appendix 1 Economic developments abroad	115
Appendix 2 Gross domestic demand	119
Appendix 3 Consumer prices	123
Appendix 4 Balance of payments	129
Appendix 5 Money and credit	133
Appendix 6 The list of open-to-public academic seminars and selected publications of NBP	137

Contents

Appendix 7 Voting records of the Monetary Policy Council members on motions and resolutions	143
Appendix 8 Condensed financial statements of Narodowy Bank Polski as at 31 December 2016	147
Statistical annex	221
Methodological notes	244
List of the most important abbreviations	253



Adam Glapiński
President of Narodowy Bank Polski

Dear Readers,

I present to you the Annual Report of Narodowy Bank Polski, which summarises the activities of the central bank in 2016. In it we present the activities undertaken by NBP aimed at implementing its key statutory tasks along with NBP's condensed financial statements for 2016. I hope that the report will help you to familiarise yourselves with the activities of the central bank as well as assess the effects of the tasks that have been undertaken and accomplished.

As in the previous years, in 2016 Narodowy Bank Polski focused on maintaining price stability, financial system stability, and supporting sustainable economic growth. Protection of the value of the Polish currency is the overriding goal of the central bank, because price stability is the basic determinant of sustainable development of Poland's economy. Narodowy Bank Polski has implemented this task for many years by using the

strategy of an inflation target set at the level of 2.5% with a symmetrical tolerance band of +/- 1 percentage point.

The current monetary policy carried out by the bank requires a flexible approach to the inflation target due to the shocks, mainly of a temporary nature, which appear in the economic environment of Poland. These include changes in energy commodity prices in the global markets. In such conditions, rapidly bringing inflation to the target could be associated with economic costs and the growth of risks for macroeconomic and financial stability. For this reason, NBP allows a temporary deviation from the inflation target if it contributes to the maintenance of sustainable economic growth.

In 2016, the GDP growth rate in Poland was 2.7%, compared to 3.8% in the previous year, and thus it was close to the growth of potential product. This was supported by growing consumer demand, in turn driven by higher household income resulting from the recovery in the labour market and also the increased child benefits under the "Family 500 plus" programme.

Stable economic growth was accompanied by low, but rising, price growth – in December 2016 it stood at 0.8% y/y against -0.9% y/y in January 2016. The deflation, which persisted for most of the year, was mainly caused by the earlier sharp fall in energy commodity prices in the global markets. However, it did not have a negative impact on the economic situation in Poland. Therefore, the Monetary Policy Council kept interest rates unchanged throughout the whole of last year, including the reference rate at 1.5%. The Council's decisions were guided, on the one hand, by the external and temporary nature of the factors holding back price growth, and on the other hand, by the sustainable economic growth rate, improvement in the labour market and the steady growth in lending.

I would also like to draw your attention to the measures that NBP undertook in

order to ensure financial system stability. These measures consisted in conducting regular studies and analyses of the financial sector. NBP also cooperates with institutions which form the financial safety net, i.e. the Ministry of Finance, the Financial Supervisory Authority and the Bank Guarantee Fund, in creating legal regulations and undertaking other measures that support the maintenance of financial stability. It should be mentioned that 2016 was the first full year of the work of the Financial Stability Committee in its extended formula, which allows for the exercise of macroprudential supervision of the financial system in Poland. Within the work of the committee several important initiatives were undertaken which support financial system stability, including the creation of conditions that would allow the voluntary restructuring of FX housing loans.

In summary, it should be stressed that the past year was another good period for the Polish economy, which was characterised by stable growth. The monetary policy conducted by NBP supported the maintenance of sustainable economic growth while maintaining the stability of the financial system, and in particular of the banking sector.

Let me assure you that the central bank under my leadership will continue to take all the necessary measures that will lead to the effective fulfilment of its constitutional and statutory duties.



MONETARY POLICY COUNCIL*

Chairperson

Adam Glapiński

Membres:

Grażyna Ancyparowicz

Eugeniusz Gatnar

Łukasz Hardt

Jerzy Kropiwnicki

Eryk Łon

Jerzy Osiatyński

Rafał Sura

Kamil Zubelewicz

Jerzy Żyżyński

NBP MANAGEMENT BOARD*

Chairperson

Adam Glapiński

Vice President, First Deputy President of NBP

Piotr Wiesiołek

Vice President of NBP

Anna Trzecińska

Members:

Jacek Bartkiewicz

Andrzej Kaźmierczak

Ryszard Kokoszczyński

Paweł Samecki

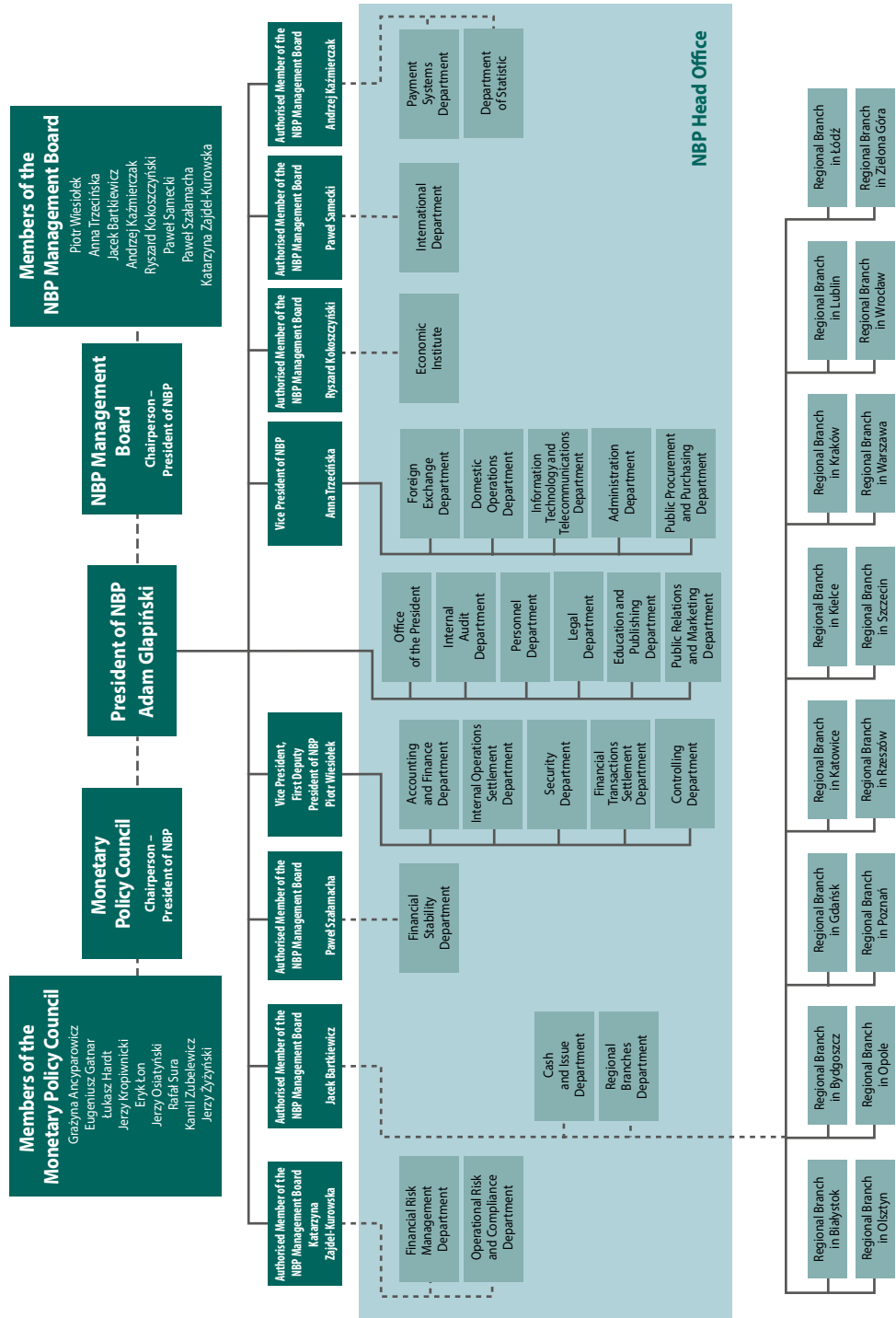
Paweł Szalamacha

Katarzyna Zajdel-Kurowska

- In 2016, the term of office of the following MPC members ended: on 20 January 2016 – Andrzej Bratkowski and Elżbieta Chojna-Duch; on 24 January 2016 – Jerzy Hausner, Andrzej Rzońca and Jan Winięcki; on 9 February 2016 – Anna Zielińska-Głębocka; on 19 February 2016 – Adam Glapiński and Andrzej Kaźmierczak.
- In 2016, the following MPC members were appointed for a six-year term of office: on 25 January 2016 – Marek Chrzanowski (following his resignation as an MPC member, he was recalled from the MPC on 6 October 2016), Eugeniusz Gatnar and Jerzy Kropiwnicki; on 9 February 2016 – Grażyna Ancyparowicz and Eryk Łon; on 20 February 2016 – Łukasz Hardt and Kamil Zubelewicz; on 30 March 2016 – Jerzy Żyżyński; on 16 November 2016 – Rafał Sura.
- In 2016, the following persons ceased to be members of the NBP Management Board: on 22 January 2016 – Eugeniusz Gatnar (recalled after his resignation as a member of the NBP Management Board); on 7 September 2016 – Andrzej Raczek (after his term of office came to an end).
- Mr Adam Glapiński was a member of the NBP Management Board from 1 March 2016 to 9 June 2016.
- In 2016, the following were appointed members of the NBP Management Board: on 16 July 2016 – Andrzej Kaźmierczak; on 6 October 2016 – Paweł Szalamacha.

* As at 31 December 2016.

Organisation chart of Narodowy Bank Polski as at 31 December 2016



Summary



Summary

- 1 Pursuant to Article 227(1) of the Constitution of the Republic of Poland, “The central bank of the State shall be Narodowy Bank Polski. It shall have the exclusive right to issue money as well as to formulate and implement monetary policy. Narodowy Bank Polski shall be responsible for the value of Polish currency”. The basic responsibilities of NBP are stipulated in the Act on Narodowy Bank Polski and in the Banking Act, as well as in the Treaty on the Functioning of the European Union and in the Statute of the European System of Central Banks and of the European Central Bank. In 2016, NBP conducted its activities pursuant to the *Monetary Policy Guidelines for 2016 and Narodowy Bank Polski Plan of Activity for 2016–2018*.
- 2 This *Report* describes the performance of the statutory responsibilities of NBP in 2016 with regard to the following areas: monetary policy, pursuit of financial system stability, issue of currency, foreign exchange reserves management, foreign exchange activities, the payment system, services to the State Treasury, analysis and research, statistics, education and information and international co-operation. The *Report* also presents the Bank’s legislative activity and its internal development as well as the condensed financial statements of NBP as at 31 December 2016, together with the opinion of an independent certified auditor on summary financial statements of NBP.
- 3 According to the Constitution of the Republic of Poland and the Act on Narodowy Bank Polski, the governing bodies of NBP comprise: the President of Narodowy Bank Polski, the Monetary Policy Council and the Management Board of Narodowy Bank Polski. In 2016, the NBP organisational structure comprised the Head Office and 16 organisational units.
- 4 In 2016, monetary policy was conducted in accordance with the *Monetary Policy Guidelines for 2016*. As in previous years, the main aim of monetary policy was to maintain price stability, while at the same time supporting sustainable economic growth and the stability of the financial system. In the conduct of monetary policy, NBP continued to apply the strategy of direct inflation targeting. Since 2004, the medium-term permanent inflation target has been set at the level of 2.5% with a symmetrical tolerance band for deviations of ± 1 percentage point. In 2016 the economic situation in Poland was favourable. Real GDP growth stood at 2.7% and – despite a certain decline compared to the previous year – remained close to potential output growth. The main driver of growth was growing consumer demand, which was supported by an acceleration in disposable household income growth related to the ongoing recovery in the labour market and also the increase in child benefits. The recovery in the labour market contributed to steady growth in employment and a fall in the unemployment rate to the lowest level since 1991. This was accompanied by stable growth in lending and a recovery in the real estate market. The slowdown in GDP in 2016 was caused mainly by the fall in investment related to the end of the EU financial framework 2007–2013. Stable economic growth in Poland’s main trading partners and improved competitiveness of Polish products were conducive to an acceleration in Polish exports, which – along with steady growth in imports – resulted in an increased surplus in foreign trade. Thus, the current account deficit decreased to the lowest level since 1995, and the combined current and capital account balance remained positive. Steady economic growth was

accompanied by low, albeit rising, price growth – in December 2016 it stood at 0.8% y/y against -0.9% y/y in January 2016. The negative price growth, which persisted for most of the year, was mainly due to the sharp fall in global energy commodity prices at the end of 2015 and the beginning of 2016, amid limited domestic demand pressure. Lower energy commodity prices had a favourable impact on the economic situation of most economic agents, and as a result, deflation did not have a negative impact on the business climate in Poland. In particular, households did not postpone purchases in expectation of further falls in prices, and enterprises indicated that persistent deflation did not have a significant impact on their financial situation and investment plans. Deflation expectations did not appear among economic agents. In view of such conditions, in 2016 the Monetary Policy Council kept the NBP interest rates unchanged, including the reference rate at 1.5%. In its decisions, the Council pursued the inflation target strategy in a flexible manner, as indicated in the *Monetary Policy Guidelines for 2016*. Therefore, the Council took into consideration, on the one hand, the external and temporary nature of the factors limiting price growth, and on the other hand, the sustainable economic growth rate, gradual improvement in the labour market, and the steady growth in lending. Keeping interest rates unchanged was conducive to price stability, and also to maintaining macroeconomic balance and financial sector stability.

- 5 In 2016, NBP conducted its monetary policy using a set of instruments provided for by the Monetary Policy Council in the *Monetary Policy Guidelines for 2016*. An instrument of key significance for the conduct of monetary policy in 2016 was the NBP reference rate. This rate determined the yields on open market operations and influenced the interest rate on short-term money market instruments, in particular, unsecured interbank deposits. The operational goal of monetary policy in 2016 was to allow the POLONIA rate to run close to the NBP reference rate. This was achieved mainly by means of open market operations. With the use of open market operations, the central bank strived to reach the optimal, from the point of view of the NBP operational objective, liquidity conditions in the banking sector. The main open market operations were conducted on a regular basis, once a week, in the form of issuance of NBP bills with a 7-day maturity. These operations helped to absorb funds of the banking sector in excess of the level of the required reserve requirement. Fine-tuning operations served the ad hoc balancing of liquidity in the banking sector. All the fine-tuning operations applied in 2016 had the character of sterilising liquidity and were used more frequently on the last business day of the required reserve maintenance period. NBP also used the reserve requirement system to pursue the adopted operational goal of monetary policy, thus contributing to the stabilisation of short-term market interest rates. This resulted from its averaged basis, allowing entities to freely determine the amount of holdings at the central bank during the required reserve maintenance period, provided that the average balances held at NBP in the required reserve maintenance period were at least equal to the required reserve level. Moreover, the obligation to maintain the required reserve limited the volume of the NBP open market operations. In 2016 banks also had the possibility to replenish shortages of cash and deposit surpluses of funds in the central bank using the NBP standing (lending and deposit) facilities. Alongside the reserve requirement system, these instruments played a complementary role in relation to open market operations in the pursuit of the operational goal of monetary policy. Yields on deposits and loans (the NBP deposit rate and the Lombard rate) determined the range of fluctuations of unsecured overnight deposits placed in the interbank market. The set of monetary policy instruments applied by NBP and the method of managing liquidity

of the banking sector allowed the POLONIA rate to run close to the NBP reference rate. In 2016, the average absolute deviation of the POLONIA rate from the NBP reference rate amounted to 16 bps.

- 6 The level of short-term liquidity in the banking sector, measured as average annualised balance of operations carried out by NBP (the total of money market bills issued by NBP and standing facilities) in 2016 amounted to PLN 73,206 million. This represents a liquidity decline of PLN 16,386 million on the average level seen in 2015. In 2016, the average issue of NBP bills amounted to PLN 72,438 million. Out of this amount, 98.3%, i.e. PLN 71,175 million, were bills sold as part of the main operations, and PLN 1,263 million were fine-tuning operations. The average level of standing facilities amounted to PLN 768 million. The decrease in excess liquidity in 2016 resulted from a higher number of cash transactions and a rise in the minimum required reserve. The increase in excess liquidity was primarily fuelled by the surplus of foreign currency purchased by NBP over its sale.
- 7 Pursuant to Article 3(2)(6) of the Act on Narodowy Bank Polski, the responsibilities of NBP shall include “laying down the necessary conditions for the development of the banking system”. The Polish central bank performs this responsibility on an ongoing basis by acting to maintain a stable and low level of inflation. In 2016, NBP cooperated with the financial safety net institutions, i.e. the Ministry of Finance (MF), the Polish Financial Supervision Authority (KNF) and the Bank Guarantee Fund (BFG), and undertook activities aimed at the development of the payment system and safeguarding its smooth functioning. Moreover, the Bank participated in the development of legal provisions concerning the banking sector, conducted research on the national financial system and cooperated with the Polish Bank Association.
- 8 The activities for the stability of the financial system in 2016 included primarily research and analysis of the stability and development of the domestic financial system. The results of the research were published, among others, in: *Financial Stability Reports, a publication entitled Financial System in Poland 2015*, and reports entitled *Senior loan officer opinion survey on bank lending practices and credit conditions* and *Report on the situation in the Polish residential and commercial real estate market in 2015*. In 2016 Narodowy Bank Polski participated in the work of the Financial Stability Committee (FSC). NBP also prepared a document entitled *Macroprudential supervision in Poland – institutional and functional framework* and periodical publications which are the basis for the publication by the FSC of quarterly recommendations on the level of the countercyclical buffer. As part of its activities on the international arena, NBP participated in the work of the European Systemic Risk Board (ESRB).
- 9 The main goal of currency issue by NBP was to ensure the safety and smoothness of cash transactions. The value of currency in circulation (including bank vault cash) increased by 14.9%, amounting to PLN 187,574.8 million as at the end of December 2016. In 2016, NBP put into circulation banknotes of the face value of 200 zł with modernised security features and prepared the issue of a banknote with the face value of 500 zł. Moreover, NBP implemented revised regulations aimed at streamlining cash transactions. In 2016, NBP issued collector items: 11.2 thousand pieces of gold coins and 312 thousand pieces of silver coins as well as 35 thousand pieces of collector notes.

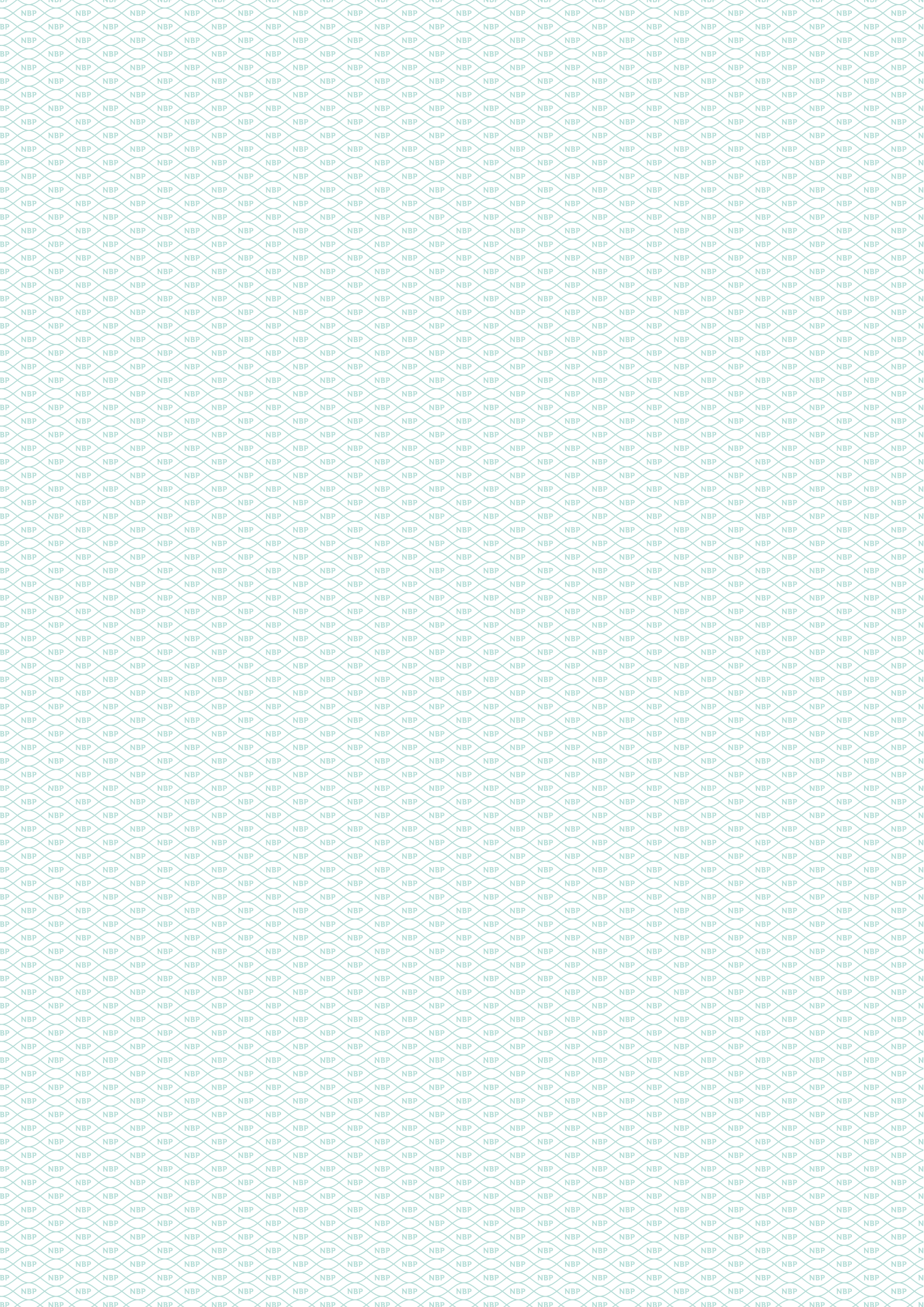
- 10 In the management of foreign exchange reserves, NBP seeks to ensure the safety and necessary liquidity of the invested funds. At the same time, while observing these criteria, it also undertakes measures aimed at raising the yield on reserves. In 2016, the income on investment activity related to the management of foreign exchange reserves, excluding realised and unrealised exchange rate differences, amounted to PLN 3.3 billion. The change in the currency composition of foreign exchange reserves, introduced in 2016, had a positive impact on the return on reserves.
- 11 The foreign exchange activity of NBP involved maintaining a register of bureaux de change, issuing decisions on foreign exchange matters, and carrying out inspections: of bureaux de change (including observance of the responsibilities imposed on them by the Act on counteracting money laundering and terrorism financing), of granted individual foreign exchange permits, and of the performance of the reporting responsibilities for the needs of the balance of payments. In 2016, a total of 1,645 inspections relating to foreign exchange trading were carried out and 14 decisions on foreign exchange matters were issued. As at 31 December 2016, 4,990 bureaux de change operated in Poland.
- 12 The activities of Narodowy Bank Polski with respect to the payment system consisted mainly in the operation of the payment systems and the performance of interbank settlements, the organisation of monetary settlements, the oversight of payment systems and the post-trade infrastructure of the financial market. In 2016, NBP worked on adaptation of the TARGET2-NBP system to cooperate with the TARGET2-Securities platform and to allow the provision of auto-collateralisation services by NBP. Moreover, NBP gained new competence in matters of oversight of payment schemes and participated in the implementation of the government programme “From paper-based to digital Poland” (in the part regarding increasing non-cash payments).
- 13 The maintenance of bank accounts by NBP contributed to ensuring the safety and smoothness of settlements of the public finance sector. In 2016, the transfer of the service of the NBP-operated accounts to the new NBP electronic banking system (NBE) was completed. In 2016, NBP operated 14,364 accounts for 3,075 clients. NBP organised Treasury bond and bill sales, swap and redemption auctions and cooperated with the Ministry of Finance under the framework of the Public Debt Management Committee.
- 14 The economic research activities conducted by NBP in 2016 focused on the areas indicated in *Ramowy plan badań ekonomicznych NBP na lata 2013–2016* (Framework plan of NBP economic research for 2013–2016), i.e. on macroeconomic stability, financial stability and quantitative research methods. In 2016, prediction tools were improved and a number of model works were carried out, as were analyses and research on the processes observed in the national and global economy. Five international scientific conferences and 28 open scientific seminars were organised. In 2016, 17 academic papers by NBP staff were published in journals of the so-called Philadelphia list.¹
- 15 In 2016, NBP performed statistical tasks consisting in the collection, processing and ongoing analysis of statistical data, as well as work on the development of methodology for gathering and presenting data in accordance with international standards. In 2016,

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

NBP continued the development of the new monetary statistics reporting system MONREP, started (in cooperation with the Polish Financial Supervision Authority) to acquire new reporting data from insurance undertakings and data concerning statistics on holdings of securities. Moreover, NBP implemented new reporting requirements, set forth by an amended Commission Regulation (EU) No. 680/2014, under the reporting information system (SIS).

- 16 As part of education and information activities carried out in 2016, NBP participated in the implementation of 170 education projects addressed to a wide audience. The NBP information campaigns *Safe Money* and *Don't let yourself be cheated. Check before you sign* were continued. Moreover, the exposition and educational facility, the Sławomir S. Skrzypek NBP Money Centre was opened and made accessible to the public free of charge.
- 17 In 2016, NBP participated in the activities of the Committee of the Council of Ministers and the Committee on European Affairs and other inter-departmental bodies, and also cooperated with government bodies, issuing opinions on bills relating to economic policy and the banking system. As part of cooperation with the European Central Bank, NBP issued opinions on drafts of the ECB's opinions on draft acts of the EU and of the EU member states, including acts related to bank resolution, deposit guarantees, and payment services.
- 18 In 2016, NBP representatives participated in the activities of the following EU bodies: the ECB General Council, the ESRB General Board, the ESCB and the ESRB committees and working groups, the ECOFIN Council (at informal meetings), the EU Council and the European Commission committees and working groups. The activities focused on issues related to the banking union, including the implementation of the Bank Recovery and Resolution Directive, the Deposit Guarantee Scheme Directive as well as initiatives related to the creation of a Capital Markets Union. Moreover, in 2016 NBP cooperated with international institutions, such as: the World Bank, the International Monetary Fund (IMF), the European Bank for Reconstruction and Development (EBRD), the Bank for International Settlements (BIS), the Organisation for Economic Co-operation and Development (OECD), and the newly created Asian Infrastructure Investment Bank. In 2016, NBP hosted the annual meeting of representatives of the EU-11, where cooperation of the EBRD with this group of countries was discussed, and co-organised (in collaboration with the ECB) a Polish contemporary art exhibition at the ECB's premises in Frankfurt am Main.
- 19 In 2016, the average employment level at NBP was lower by 91 full-time posts than in 2015, and amounted to 3,296 full-time posts. The reduction in headcount was a result of the Programme of Employment Optimisation implemented in NBP as well as the centralisation of the servicing of account holders and the concentration of banknote counting and sorting in the regional branches.
- 20 Pursuant to Article 69(1) of the Act on Narodowy Bank Polski, the *NBP Financial Statements for 2016* were reviewed by a certified auditor appointed by the Monetary Policy Council. The *Summary financial statements of NBP as at 31 December 2016* and the *Auditor's report on the summary financial statements* constitute Annex 8.

- 21 The financial result of NBP as at the end of 2016 amounted to PLN 9.2 billion. The profit was mainly as a result of the positive result on exchange rate gains and the positive result on the management of foreign exchange reserves decreased by the costs of the monetary policy conducted by NBP, its operating expenses and depreciation.



Chapter 1

Governing bodies of NBP



Governing bodies of NBP

According to the Constitution of the Republic of Poland and the Act on Narodowy Bank Polski (NBP), the governing bodies of NBP comprise the President of Narodowy Bank Polski, the Monetary Policy Council (MPC) and the Management Board of Narodowy Bank Polski.

1.1 President of Narodowy Bank Polski

The term of office of President of Narodowy Bank Polski Marek Belka ended on 11 June 2016. He was acting President of NBP on 12–20 June 2016 until the swearing-in of a new President of NBP.

On 10 June 2016, Adam Glapiński was appointed President of NBP by the Sejm of the Republic of Poland and took office on 21 June 2016.

In 2016, as part of his responsibilities, the President of NBP chaired the meetings of the Monetary Policy Council and the NBP Management Board, and the Financial Stability Committee in its macroprudential capacity, and also participated in the meetings of international banking and financial institutions. Additionally, while representing Narodowy Bank Polski and the Republic of Poland in liaising with foreign institutions, the President of NBP attended:

- meetings of the General Council of the European Central Bank (ECB),
- the annual meeting of the Board of Governors of the European Bank for Reconstruction and Development (EBRD),
- annual meetings of the Board of Governors of the World Bank (WB) and the International Monetary Fund (IMF),¹
- the informal session of the ECOFIN,
- meetings of the European Systemic Risk Board and its Steering Committee,
- meetings of Governors of the Bank for International Settlements (BIS) in Basel.

In 2016, the President of NBP issued:

- 33 ordinances on, in particular: the scope, procedure and timelines applicable to notifications provided by banks participating in the mandatory deposit insurance scheme to the Bank Guarantee Fund (BFG); on the manner and procedure for counting, sorting, packaging and marking packages of banknotes and coins and activities related to supplying banknotes and coins to banks; amending the ordinance on the detailed rules and mode of withdrawing currency, which as a result of wear and tear or damage ceases to be legal tender in the Republic of Poland;
- 2 announcements concerning: the announcement of the balance sheet and the profit and loss account of Narodowy Bank Polski for 2015; the publication of the uniform text of the resolution of the Management Board of Narodowy Bank Polski on the terms and conditions of sale by Narodowy Bank Polski of coins, banknotes and numismatic items for collection and other purposes.

¹ The meeting of the Board of Governors in April 2016 was attended by the President of NBP Marek Belka, and the NBP delegation at the annual meeting of the Board of Governors in October 2016 was chaired by Member of the NBP Management Board Ryszard Kokoszcyński, who deputised for the President of NBP Adam Glapiński.

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

1.2 Monetary Policy Council

In 2016, the Monetary Policy Council acted in accordance with the *Monetary Policy Guidelines for 2016*. In 2016, the MPC held 22 meetings (including 11 decision-making ones) and adopted 6 normative resolutions. They were published in *Monitor Polski* (Official Gazette) and *Dziennik Urzędowy* (Official Journal of Narodowy Bank Polski).

In 2016, the MPC did not adopt any resolutions on the reference rate, the interest rate on refinancing loans, the interest rate on term deposits and the rediscount rate at Narodowy Bank Polski nor did it adopt any resolutions on the required reserve rates of banks, credit unions and the National Association of Credit Unions or the remuneration on the required reserve.²

Table 1.1 NBP interest rates as at the end of 2015 and 2016 (%)

Reference rate		Lombard rate		Deposit rate		Bills of exchange rediscount rate	
31.12.2015	31.12.2016	31.12.2015	31.12.2016	31.12.2015	31.12.2016	31.12.2015	31.12.2016
1.50	1.50	2.50	2.50	0.50	0.50	1.75	1.75

Source: NBP data.

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

	Level (%)	Applicable from
The required reserve ratio on funds in Polish zloty and funds in foreign currency accumulated in bank accounts and on funds received in respect of the issue of securities	3.50	31 December 2010
The required reserve ratio on funds received from repo and sell-buy-back transactions	0.00	1 January 2012
Remuneration on the required reserve balances*	1.35	5 March 2015

* 0.9 of the NBP reference rate – in force since 9 October 2014.

Source: NBP data.

² Description of the monetary policy pursued by the MPC in 2016 is contained in Chapter 2 *Monetary policy*.

The MPC-adopted resolutions in 2016 pertained to:

- approval of the *Report on Monetary Policy Implementation in 2015*,
- evaluation of the activities of the NBP Management Board regarding the implementation of the monetary policy guidelines for 2015,
- setting of the monetary policy guidelines for 2017,
- approval of the *Annual Financial Statements of Narodowy Bank Polski as at 31 December 2015*,
- approval of the *Financial Plan of Narodowy Bank Polski for 2017*,
- approval of the *Report on the Operations of Narodowy Bank Polski in 2015*.

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

- *Balance of Payments of the Republic of Poland for 2015 Q3 and Q4 and for 2016 Q1 and Q2*,
- *International Investment Position of Poland in 2015*,
- *Forecast of the Balance of Payments of the Republic of Poland for 2017*,
- *Opinion on the 2017 Draft Budget Act*.

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

In 2016, members of the MPC participated in:

- meetings with the presidents and governors of central banks of the countries holding the presidency in the Council of the European Union (Dutch National Bank and National Bank of Slovakia),
- a meeting with the Minister of Economic Development and Finance,
- a meeting with representatives of the Polish Financial Supervision Authority to discuss the *Report on the condition of banks in 2015*,
- meetings with IMF missions visiting Poland,
- meetings with market analysts,
- conferences and seminars organised by NBP and international institutions and central banks.

1.3 Management Board of Narodowy Bank Polski

In accordance with the Act on Narodowy Bank Polski, the activity of NBP is directed by its Management Board. The Management Board adopts resolutions on matters which are not the exclusive competence of other bodies of NBP and implements the MPC-adopted resolutions. In 2016, the NBP Management Board performed its basic responsibilities in accordance with the *Monetary Policy Guidelines for 2016*, *Narodowy Bank Polski Plan of Activity for 2016–2018* and the *Financial Plan of Narodowy Bank Polski for 2016*.

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

- inflation and GDP projections,
- current macroeconomic developments in Poland, including the course of inflation processes, the position of public finance, the economic situation of enterprises and households, developments in the labour, real estate, financial, credit and foreign exchange markets,

- the current situation in the world financial markets, including the euro area financial markets and the financial markets of Central and Eastern European countries,
- financial system stability in Poland, including the assessment of the functioning of the banking system and the outlook for its development,
- banking sector liquidity and monetary policy instruments,
- the situation in the interbank market and the conduct of open market operations.

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

In 2016, the NBP Management Board held 54 meetings. It adopted 121 resolutions (including 73 normative and 48 non-normative resolutions) and 203 management resolutions.

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

- the organisational rules of Narodowy Bank Polski,
- the procedure and detailed rules for banks submitting to Narodowy Bank Polski the data necessary for determining the monetary policy and periodic assessments of the monetary situation of the state and the assessment of the financial situation of banks and risks to the banking sector,
- the procedure and detailed rules for banks transferring to Narodowy Bank Polski the data necessary for the compilation of the balance of payments and the international investment position,
- the rules of maintenance by Narodowy Bank Polski of bank accounts and model bank account agreements,
- the rules of maintenance by Narodowy Bank Polski of bank accounts and the provision of e-banking services and model bank account agreements,
- bank fees and commissions charged by NBP,
- the rules of maintenance by NBP of deposit accounts and sub-accounts for Treasury bills and NBP bills in the SKARBNET4 system and of conducting transactions in securities in this system,
- the management of official reserves,
- the continuation of the process of concentration of banknote counting and sorting,
- the issue policy for general circulation coins and banknotes,
- cooperation with international organisations, including the accession of NBP to the Official Monetary and Financial Institutions Forum and World Economic Forum as an institutional member,
- the research rules at Narodowy Bank Polski.

The management resolutions adopted by the NBP Management Board in 2016 concerned, in particular:

- a bilateral loan agreement between NBP and the IMF,
- granting Poland access to the Flexible Credit Line (FCL) for a subsequent period,
- an extension of the agreement between NBP and the National Bank of Ukraine on a zloty/hryvnia currency swap line,
- setting a framework for the granting by NBP of short-term loans to the Bank Guarantee Fund for the payment of guaranteed funds,
- work on the reduction of cash operations performed at NBP regional branches.

1.4 Narodowy Bank Polski Plan of Activity

In 2016, the *Narodowy Bank Polski Plan of Activity for 2016–2018*, adopted by the NBP Management Board on 1 October 2015, was implemented. The *Plan* includes NBP's goals for the next three years and tasks aimed at their attainment.

In accordance with the rules for planning activity at the central bank, the NBP Management Board adopted the *Narodowy Bank Polski Plan of Activity for 2017–2019*, effective as of 1 January 2017.

Chapter 2

Monetary policy



Monetary policy¹

In presenting the *Report on monetary policy*, the Monetary Policy Council acts in accordance with Article 227 of the Constitution of the Republic of Poland, which imposes on the Council the obligation to present to the Parliament 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 Narodowy Bank Polski, the *Report on monetary policy* is published in the Official Gazette of the Republic of Poland, the *Monitor Polski*. The *Report* presents the main elements of the monetary policy strategy, a description of macroeconomic conditions and decisions taken with respect to monetary policy in the reported year, as well as a description of the applied monetary policy tools.

The *Report on monetary policy in 2016* 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*² and *Voting records of the members of the Monetary Policy Council on the motions and resolutions* in the year the *Report* encompasses.

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

2.1 Monetary policy strategy in 2016

In 2016, the Monetary Policy Council, hereinafter referred to as “the Council”, conducted monetary policy in line with the *2016 Monetary Policy Guidelines*, adopted in September 2015. As in previous years, the main objective of monetary policy was to maintain price stability while supporting sustainable economic growth and financial system stability. In this way, the Council pursued the basic objectives of Narodowy Bank Polski set out in the Constitution of the Republic of Poland (Official Journal 1997, item 482, as amended) and in the Act on Narodowy Bank Polski of 29 August 1997 (Official Journal 2013, item 908, as amended). According to Article 227 Section 1 of the Constitution of the Republic of Poland “Narodowy Bank Polski shall be responsible for the value of Polish currency.” The Act on Narodowy Bank Polski, hereinafter referred to as “NBP”, of 29 August 1997 states in Article 3 Section 1 that “the basic objective of the activity of NBP shall be to maintain price stability, while supporting the economic policy of the Government, insofar as this does not constrain the pursuit of the basic objective of NBP.”

¹ The Chapter *Monetary policy* presents the *Report on monetary policy in 2016* adopted by the Monetary Policy Council at its meeting on 17 May 2017. The responsibilities in this field are exercised in pursuance with Article 3 (2)(5), Article 12, Article 16, Article 17 (3)(1) and (4)(2), Article 23–24 and the provisions of Chapter 6 of the Act on NBP.

² The Appendix *Minutes of the Monetary Policy Council decision-making meetings* has not been attached to the *Report* due to its length. It is available in the source document and the NBP website.

The Council pursues the price stability objective within the inflation targeting framework. Since 2004, the Council has pursued a medium-term inflation target of 2.5%, with a band of deviations of ± 1 percentage point. The medium-term orientation of the target means that shocks affecting the economy might cause inflation to temporarily deviate from the target. The monetary policy response to shocks and the resulting deviations of inflation from the target depend on the underlying cause and character of these shocks, as well as the assessment of the sustainability of their effects, including their impact on price developments and inflation expectations. The Council flexibly determines the time necessary for inflation to return to the target depending on the character of the shock, its persistence and the overall assessment of risks posed by the shock to both price stability and broadly understood macroeconomic stability in the medium term.

The analysis of the causes of the global financial crisis has led to a partial modification of views on the appropriate way of conducting monetary policy. Nowadays, it is generally accepted that stabilising inflation at a low level is an extremely important, yet insufficient condition to keep the economy in equilibrium. In order to ensure macroeconomic stability, monetary policy has to be pursued in a manner which, while striving to stabilise inflation at the target in the medium term, simultaneously contains the risk of imbalances building up in the economy, especially in the financial system. Hence, the Council conducts monetary policy in such a way as to support the stability of the financial system, which is necessary to ensure price stability in the longer term and which enables a smooth functioning of the monetary policy transmission mechanism. Therefore, in its decisions, the Council takes into account the prices of assets, especially prices of real estate, and growth in lending. In order to support the stability of the financial system it may be necessary, in certain conditions, to extend the horizon of achieving the inflation target.

The Council pursues inflation targeting under the floating exchange rate regime. However, the floating exchange rate regime does not rule out foreign exchange interventions when these prove necessary to ensure macroeconomic and financial stability of the country, which is conducive to meeting the inflation target in the medium-term.

2.2 Monetary policy and macroeconomic developments in 2016

In 2016, economic developments in Poland were broadly favourable. Real GDP grew by 2.7%. Thus, it continued to expand in line with the potential output growth, yet somewhat slower than in the previous year. Consumer demand remained the main driver of growth, supported by faster rise in household disposable income related to improving labour market conditions and newly introduced child benefits. Labour market recovery was reflected in rising employment as well as a fall in the unemployment rate, which reached the lowest level since 1991. At the same time, lending growth was stable and recovery in the real estate market continued. Lower GDP growth in 2016 mainly resulted from a fall in investment following the completion of the EU financial framework 2017–2013.

Polish exports were rising at a faster pace than a year before, supported by stable economic growth in Poland's main trading partners and improving the competitiveness of Polish products. This, along with steady import growth, led to higher foreign trade surplus.

In consequence, current account deficit narrowed to the lowest level since 1995 and the joint current and capital account remained in surplus.

Stable economic growth was accompanied by low, albeit rising, price growth. In December 2016, consumer prices rose by 0.8% y/y compared with a fall of 0.9% y/y in January 2016. Deflation persisted over most of the year, mainly due to a sharp fall in the global prices of energy commodities in late 2015 and early 2016, with still limited domestic demand pressure. However, deflation did not affect adversely economic conditions in Poland. Lower energy commodity prices had a positive impact on financial standing of most economic agents. Moreover, households did not delay spending in anticipation of a fall in prices and enterprises indicated that deflation did not significantly affect their financial positions or investment plans. In addition, no deflation expectations were recorded among economic agents.

In view of such conditions, in 2016 the Council kept the NBP interest rates unchanged, including the reference rate at 1.5%. The Council was acting in line with the flexible inflation targeting framework, as indicated in the Monetary Policy Guidelines. The Council took into consideration the external and temporary nature of factors holding back price growth on the one hand, and balanced economic growth, solid improvement in labour market conditions and steady lending growth on the other. Keeping the interest rates unchanged was supportive of price stability as well as maintaining macroeconomic stability and stability of the financial sector.

Monetary policy decision-making environment over the course of 2016 is presented below, divided into six-month periods.

Data released in the first half of 2016 pointed to further moderate global economic growth. The euro area, Poland's main trading partner, continued to recover, though deteriorating conditions in the emerging market economies exerted some negative impact on this economy. At the same time, in the United States, GDP growth decelerated, mainly on the back of a fall in investment, mostly in the extraction sector, amid falling prices of oil. The drop in oil prices also contributed to weaker activity of its exporters, including Russia, which remained in recession. In China, GDP growth was slower than in previous years, yet with signs of stabilising economic conditions. Weak growth in the emerging market economies translated into a decline in global trade turnover, and, in consequence, weaker industrial output growth in many countries.

Prices of oil and other commodities were markedly lower than in previous years in spite of a gradual increase in the first half of 2016. As a result, the euro area and most Central and Eastern European economies experienced a deflation.

Monetary policy of the major central banks was still highly expansionary. The European Central Bank (ECB) reduced its interest rates, including the deposit rate to a more negative level, and, in addition, it enlarged the scale of its asset purchases. At the same time, the Federal Reserve (Fed) was keeping its interest rates stable after increasing them in December 2015, while continuing to reinvest maturing debt securities purchased during the successive rounds of quantitative easing.

Against this backdrop, the government bond yields in the euro area and other European economies decreased significantly in the first half of 2016, reaching negative values in some

countries. At the same time, share prices in the global markets declined and some emerging market currencies, including the zloty, depreciated. This was driven by elevated risk aversion stemming from concerns about a possible further economic growth slowdown in emerging market economies, most notably in China.

In Poland, economic growth was stable, albeit somewhat slower than in previous quarters. The slowdown resulted from a decline in investment related to lower inflow of EU funds after the completion of the previous EU financial framework. Despite the slowdown, GDP was growing at a rate close to its potential, driven mainly by steadily rising private consumption, supported by improving labour market conditions. In particular, employment continued to increase at a considerable pace and the unemployment rate fell to the lowest level since 1991. Against this background, wage growth picked up, yet remained moderate. Consumption growth was also helped by improving household sentiment and, starting from 2016 Q2, new child benefit payments disbursed under the “Family 500 plus” programme. Moreover, loans, both to households and enterprises, were rising steadily, while housing investment growth picked up. At the same time, Polish export growth was higher than in previous years, in spite of a decline in the global trade turnover.

In the first half of 2016, price growth in Poland remained negative, which, however, resulted mainly from the fall in global commodity prices in late 2015 and early 2016. Price growth was also contained by a lack of demand pressure and still moderate wage growth. However, deflation had no adverse impact on decisions taken by economic agents. In particular, financial results of enterprises remained good, and households did not delay spending in anticipation of a fall in prices. Inflation expectations of enterprises and households were very low, yet positive. Nevertheless, as a result of deflation lasting longer than previously anticipated, inflation forecasts for 2016 were revised downwards. That notwithstanding, it was expected that in 2017 inflation would be markedly positive, supported by dissipating effects of the earlier fall in global commodity prices.

Given the sustainable economic growth on the one hand, and a lack of negative impact of deflation on economic activity on the other, the Council recognised that the interest rates should remain unchanged. Another reason for keeping the interest rates unchanged was the external and temporary nature of deflation. In particular, the Council took into account that inflation would rise to a markedly positive level, aided by waning effects of the previous fall in commodity prices. In its decisions, the Council also considered a stable increase in lending and residential real estate investment.

In the second half of 2016, global economic growth remained moderate, but its outlook improved. GDP growth in the euro area was stable, in spite of a decline in some EU member states, including Germany, amid slower investment growth and subdued increase in exports. At the same time, in the United States, economic growth accelerated notably. Emerging market economies experienced first signs of improving economic conditions. In China, GDP growth was stable, and even accelerated somewhat in 2016 Q4. Incoming data from Russia indicated the end of recession in this country.

Improving global economic outlook was translating into rising oil prices. Another factor supportive of oil prices was the agreement on oil production cuts reached in late 2016 by key exporters of this commodity. Prices of many agricultural commodities also increased significantly. Both fed through to stronger price growth in many countries.

Under these conditions, major central banks kept their interest rates unchanged over most of the second half of the year. In addition, the ECB continued its asset purchase programme, and the Fed reinvested maturing debt securities. In late 2016, the ECB prolonged its asset purchases, yet reduced their monthly scale. The Fed, in turn, raised its interest rates, signalling further tightening in the coming years, which led to an increase in the government bond yields, appreciation of the US dollar and weakening of some emerging market currencies, including the zloty. At the same time, improved global economic outlook was reflected in a further rise in prices of financial assets, mostly shares, particularly in advanced economies.

In Poland, economic growth in the second half of 2016 was lower than in previous quarters. Like in most Central and Eastern European economies, the slowdown was caused mainly by a fall in investment resulting from the completion of the previous EU financial framework. At the same time, GDP growth was supported by an increase in private consumption, which was accelerating, driven by labour market recovery, reflected in growing employment and wages. Consumption growth was also underpinned by child benefit payments and improving household sentiment. Similarly to previous quarters, economic growth was additionally propped up by a steady rise in both lending and housing investment. This was accompanied by still relatively high growth in exports.

As prices of commodities, most notably oil, were higher than a year before, price growth in Poland increased considerably, turning positive in late 2016. Core inflation, however, remained low amid still negative output gap and moderate wage growth. Macroeconomic projections indicated further rise in inflation in the following year, while inflation expectations picked up somewhat.

Taking the above into consideration, the Council kept interest rates unchanged in the second half of 2016. The decision to stabilise the NBP interest rates was justified by the temporary nature of the slowdown in the second half of 2016, as the Council expected an improvement in economic conditions in the coming quarters. More specifically, the Council judged that in 2017 consumer demand growth would remain stronger than in previous years, while investment would recover on the back of higher absorption of EU funds. In addition, the Council recognised that while price growth had risen over the second half of 2016, available forecasts were pointing to rather moderate inflation in coming quarters.

Like in the previous years, communication with the public played an important role in the conduct of monetary policy within the inflation targeting framework in 2016. Thus, the Council informed about its decisions and provided an assessment of economic developments behind them. The key communication instruments used in 2016 included the cyclical publications: *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*,³ *Inflation Reports*, as well as the *Report on monetary policy implementation in 2015 and Monetary Policy Guidelines for 2017*.

³ The *Minutes of the Monetary Policy Council decision-making meetings* contain a more detailed coverage of issues and arguments with an impact on the decisions made by the Council in 2016.

2.3 Monetary policy instruments in 2016

In pursuing its monetary policy in 2016, NBP employed the range of instruments adopted by the Monetary Policy Council in the *Monetary Policy Guidelines for 2016*.

Liquidity of the banking sector in 2016

In 2016, surplus liquidity conditions continued to prevail in the banking sector.⁴ The amount of liquidity surplus averaged PLN 73,206 million during the year,⁵ thus being PLN 16,386 million, or 18.3% lower than in 2015. The level of excess liquidity fluctuated over the year. Between the beginning of the year and the end of July, it diminished from PLN 86,504 million in January to PLN 66,079 million in July. In the following three months excess liquidity remained stable. In November, following the purchase of a considerable amount of foreign currency from the Ministry of Finance, the liquidity surplus increased to PLN 76,969 million. In December, it remained at a similar level, i.e. PLN 76,944 million. As a result, the average level of liquidity surplus in December 2016 was lower than in December 2015 by PLN 10,720 million (i.e. 12.2%).

Changes in currency in circulation had the biggest impact on the banking sector liquidity level in 2016, accounting for its fall of PLN 24,190 million during the year. Excess liquidity in the banking sector was also curbed by an increase in the required reserve holdings – amounting to an average of PLN 2,984 million.

The most significant factors increasing the banking sector liquidity level in 2016, was NBP FX transactions involving the purchase of foreign currency from the Ministry of Finance. The surplus of foreign currency purchases over their sales by NBP in 2016 led to a rise of PLN 6,042 million in banking sector liquidity.

Liquidity was additionally boosted by the payment of the NBP profit to the state budget, amounting to PLN 7,862 million.

NBP interest rates

The instrument of the key significance for the monetary policy implementation in 2016 was the NBP reference rate. By determining the yields on open market operations, this rate influenced the interest on short-term money market instruments, in particular unsecured interbank deposits.

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

⁴ The liquidity surplus of the banking sector are the funds held by the banking sector in excess of the required reserve. Liquidity surplus is measured by the combined balance of the NBP open market operations and standing facility operations.

⁵ During the required reserve maintenance period.

Open market operations

In 2016, as in the previous year, the operational target of monetary policy was to keep the POLONIA rate running close to the NBP reference rate. This was achieved mainly by open market operations (main and fine-tuning ones), carried out on the initiative of the central bank. The central bank used these instruments to manage the liquidity of the banking sector. The implementation of the operational goal of monetary policy was supported by the required reserve system and the standing facilities offered by the central bank.

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

Figure 2.1 Average monthly balance of open market operations 1995–2016

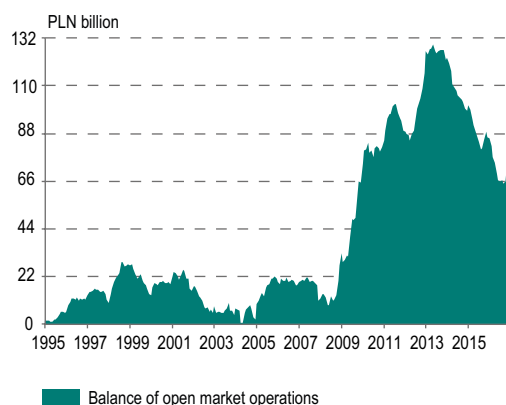
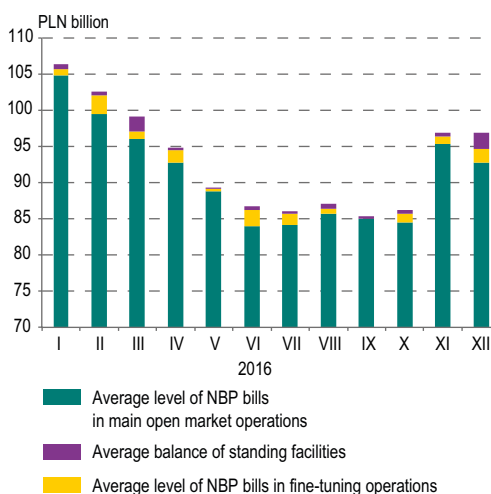


Figure 2.2 Liquidity absorbing instruments in the respective months of 2016



Source: NBP data.

Source: NBP data.

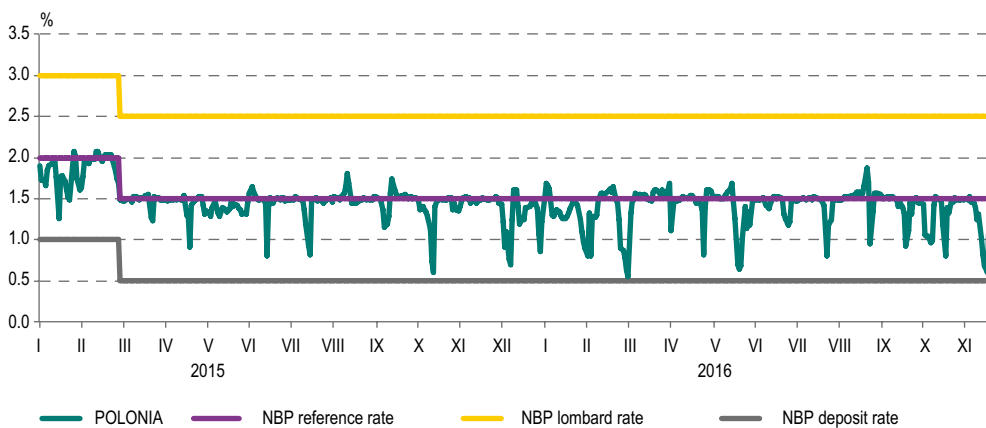
In 2016, the main open market operations were carried out on a regular weekly basis, in the form of issuance of NBP bills with a 7-day maturity. By using the main open market operations, the central bank sterilised the majority of the surplus liquidity in the banking sector. In 2016, the average volume of the NBP bill issue categorised as main open market operations amounted to PLN 71,175 million and exceeded the 2015 level by PLN 16,809 million.

Apart from the main open market operations, in 2016, NBP also conducted fine-tuning open market operations, which played a complementary role in achieving the operational target of monetary policy. Fine-tuning operations were aimed to ensure that banks had a possibility to balance their liquidity positions throughout the reserve maintenance periods. Yields on those operations were equal to the NBP reference rate, and they affected the price of money in the interbank market in a similar manner as the main operations.

In 2016, NBP carried out 11 fine-tuning operations on the last day of the required reserve maintenance period. In addition, NBP conducted four fine-tuning operations in the required reserve maintenance period. Within the framework of the fine-tuning operations, central bank issued the NBP bills with maturities of 1, 2, 3 and 4 days, i.e. shorter than in the case of the main operations. The average issue of NBP fine-tuning operations amounted to PLN 1,263 million and exceeded the 2015 level by PLN 155 million.

Managing the banking sector liquidity primarily by conducting open market operations and the possibility of using the averaged required reserve system ensured conditions in which banks were able to balance their own liquidity positions effectively in the required reserve maintenance period. The liquidity management by NBP enabled the banks to effectively balance their liquidity positions in the required reserve maintenance period as reflected in the highly successful implementation of the central bank’s operational monetary policy target. The POLONIA rate was running close to the NBP reference rate in 2016. The average absolute spread between the POLONIA rate and the NBP reference rate was 16 bps in 2016, compared with 12 bps in 2015.⁶

Figure 2.3 NBP interest rates and the POLONIA rate in 2015–2016



Source: NBP data.

Reserve requirement

The system of required reserves supported the implementation of the operational target of monetary policy, thus contributing to the stability of short-term market interest rates. The averaged character of the required reserve system enabled entities to freely determine the amount of holdings at the central bank during the reserve maintenance period, provided that the average holdings at NBP in the reserve maintenance period were at least equal to the required reserve level. Moreover, the obligation to maintain the required reserve limited the scale of the NBP open market operations necessary to sterilise the excess liquidity prevailing in the banking sector in 2016.

⁶ The quoted index has been computed as the average absolute daily deviation of the POLONIA rate from the NBP reference rate (the average module of the differential) based on a 365-day year.

In 2016, the following entities were subject to the obligation to maintain the required reserve maintenance: banks, branches of credit institutions, branches of foreign banks operating in Poland, credit unions and the National Association of Credit Unions.

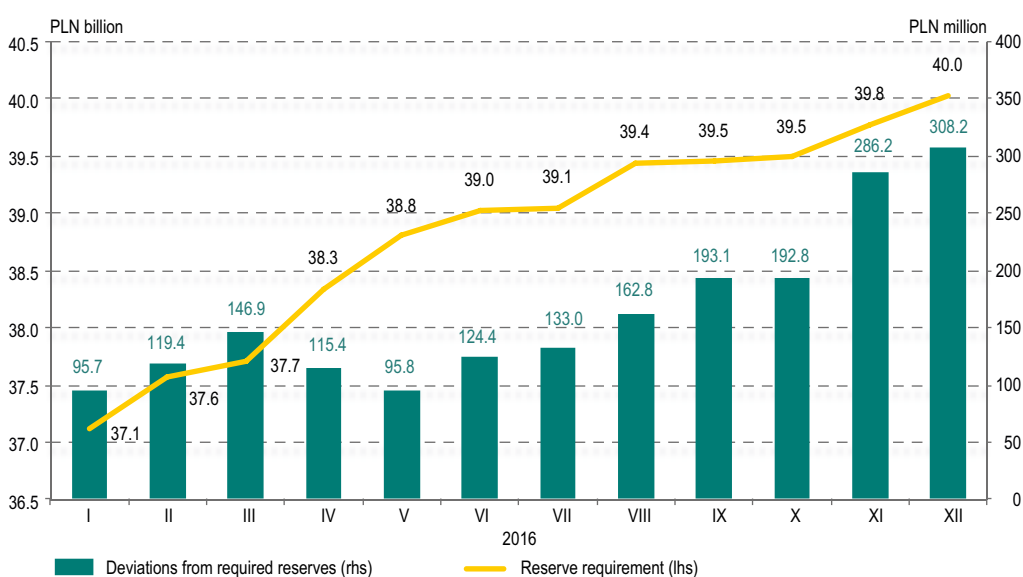
In 2016, the basic reserve requirement ratio amounted to 3.5% on all liabilities, except for funds received from the sale of securities in repo and sell-buy-back transactions, on which the reserve requirement ratio stood at 0.0%.

The amount of required reserves as of 31 December 2016 stood at PLN 40,033 million, including the required reserve of commercial banks of PLN 39,712 million (of which PLN 2,438 million were the required reserves of cooperative banks), and that of the National Association of Credit Unions of PLN 321 million. This represents an increase of PLN 2,918 million, or 7.86%, on the level recorded on 31 December 2015. The main factor responsible for the rise in the total amount of the required reserve holdings in 2016 were the rising deposits of the banking sector, on which the required reserve was calculated.

The remuneration on reserve balances in 2016 was equivalent to 0.9 of the NBP reference rate. This means that on average it was equal to 1.35%, compared with 1.43% in 2015.

In all the required reserve maintenance periods in 2016, entities' average holdings at NBP remained above the required level. The surplus ranged from the lowest point (of PLN 95.7 million) observed in January to a peak (of PLN 308.2 million) in December. The average funds in excess of the required reserves holdings in 2016 amounted to PLN 164.5 million and accounted for 0.42% of the average level of the required reserves.

Figure 2.4 Changes in required reserves level and deviations from the reserve requirement in 2016



Source: NBP data.

Four instances of failure to maintain the required reserve level were observed in 2016, including two by commercial banks, 1 by cooperative banks and 1 by credit unions. The reasons for these failures included miscalculations and technical problems related to internal computer systems of the relevant entities.

In 2016, the NBP Management Board exempted one cooperative bank, in which a restructuring procedure was in progress, from the obligation to maintain the required reserve.

Standing facilities

Standing facilities (overnight deposit facility and lombard credit) acted as a tool for stabilising the level of liquidity in the interbank market and overnight rates. These operations were conducted at the initiative of banks. These entities used them to supplement their liquidity needs for the term of 1 day, or to place surplus funds with NBP for the same period.

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

In 2016, like in previous years, banks used the lombard credit only occasionally. The total drawing on this credit in 2016 (set for the days of using this instrument) was PLN 1,349.5 million, compared to PLN 10.9 million in 2015. The average daily drawing on the lombard credit stood at PLN 3,667.2 thousand (compared with PLN 29.9 thousand in 2015).

In 2016, banks placed overnight deposits totalling PLN 284.2 million at NBP (calculated for the period of their holding), i.e. 55.6% higher than in the previous year (PLN 182.5 million). The total amount of overnight deposits fluctuated between PLN 40.0 million and PLN 17,052.5 million. In 2016 the average daily overnight deposit amounted to PLN 772.3 million, as against PLN 500.3 million in 2015. Banks deposited the highest amounts with NBP on the last days of the required reserve maintenance periods.

Foreign exchange swaps

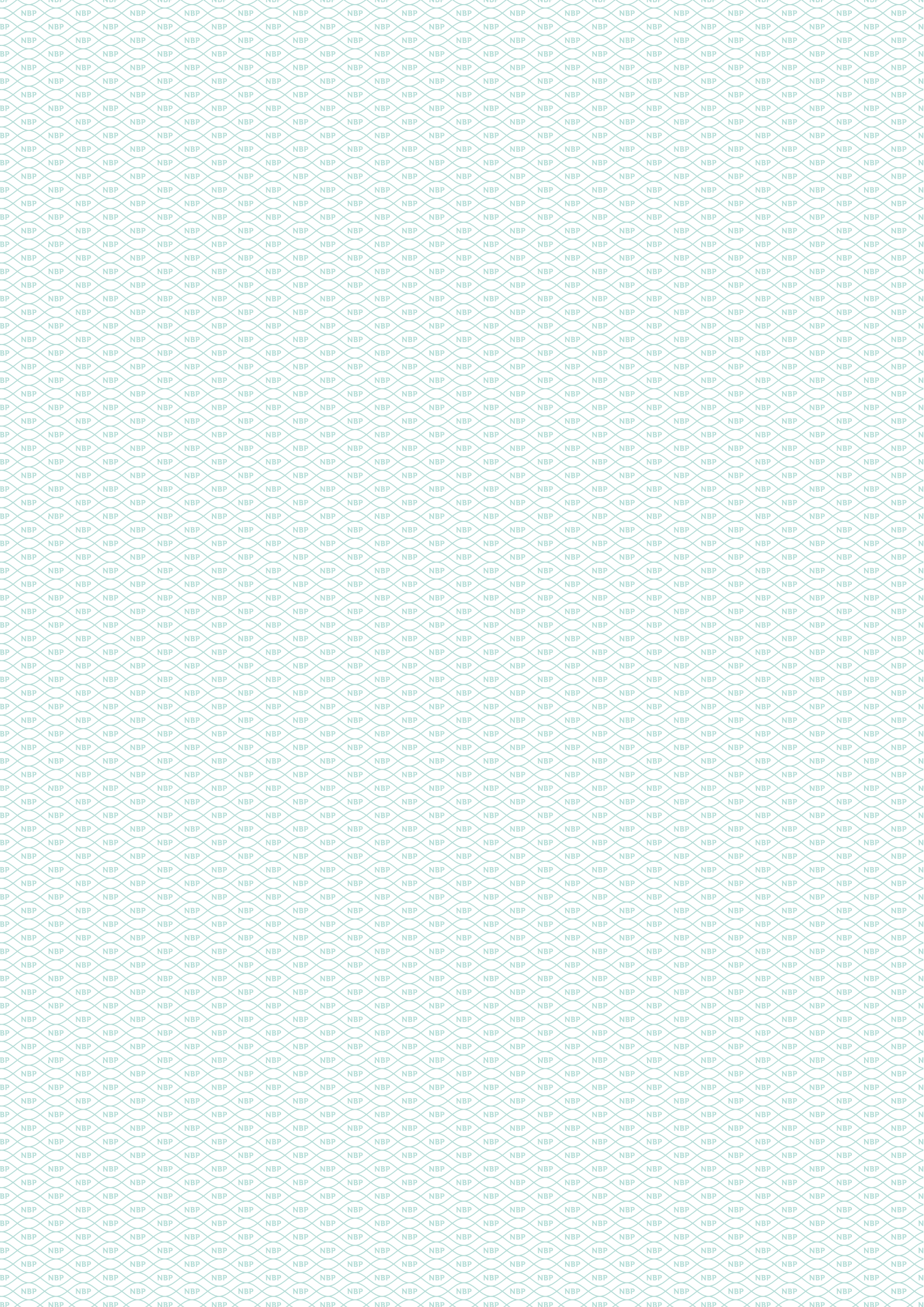
By using a foreign exchange swap, NBP could purchase (or sell) the Polish zloty against foreign currency in the spot market, with a simultaneous sale (repurchase) in a fixed-date forward transaction.

In 2016, the central bank did not conclude any such operations.

Foreign exchange interventions

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

In 2016, the central bank did not conclude any such operations.



Chapter 3

Financial system



Financial system¹

Promoting financial stability is one of the main statutory tasks of Narodowy Bank Polski. Preserving the stability of the financial system is essential for the implementation of NBP's basic goal, i.e. maintaining price stability.

3.1 Macroprudential supervision

In 2016, Narodowy Bank Polski implemented tasks arising from Articles 30a and 30b of the Act on NBP related to providing support to the Financial Stability Committee in its macroprudential capacity (FSC-M). In 2016, the Committee held four meetings.

As part of FSC-M work in 2016, Narodowy Bank Polski:

- Provided analyses, studies and opinions on systemic risk assessment, including NBP's regular reports, i.e. *Financial Stability Report* and *Report on Macroeconomic Stability of the Polish Economy*.
- Drafted the document on *Macroprudential supervision in Poland – institutional and functional framework*, which was adopted at a meeting of the Financial Stability Committee on 13 May 2016, and then uploaded on the NBP website.
- Prepared periodical studies that provide the basis for delivering, on a quarterly basis, a recommendation on the level of the countercyclical buffer. The studies used the methodology for determining the countercyclical buffer developed at NBP.²
- Operated an Internet service on macroprudential supervision to communicate to the public information on the activity of FSC-M, including resolutions adopted by the Committee, press releases after its meetings and analytical documents.

A representative of NBP chairs the Permanent Working Group established by the FSC to exchange opinions on systemic risk assessment, develop proposals of macroprudential measures and present proposed macroprudential instruments. On the initiative of the President of NBP, in August 2016 the Committee appointed the Working Group on the Risk of FX Housing Loans, chaired by NBP, which comprises representatives of the member institutions of the FSC. The aim of the group is to develop draft FSC recommendations with solutions aimed at restructuring the portfolio of FX housing loans on the basis of a voluntary agreement between banks and their clients.

¹ Tasks in this area are fulfilled pursuant to Article 3(2) (6) and (6a) of the Act on Narodowy Bank Polski (Journal of Laws of 2013, item 908, as amended).

² The methodology has been described in the document *Antycykliczny bufor kapitałowy i modele wczesnego ostrzeżenia przed kryzysami bankowymi* [Countercyclical capital buffer and models of early warning against banking crises], available on the NBP website.

3.2 Cooperation with financial safety net institutions

In 2016, NBP participated in FSC work in its crisis management capacity. A total of five meetings were held. The meetings discussed the situation in the sector of cooperative banks and the credit unions sector as well as supervisory measures taken, changes in the set of restructuring instruments arising from the adoption of the Act of 10 June 2016 on the Bank Guarantee Fund, the Deposit Guarantee Scheme and Compulsory Restructuring,³ and also the issue of introducing changes to contributions in favour of the BGF.

In 2016, NBP participated in the work of the Working Group for the Situation of the Credit Unions Sector, established as part of the Financial Stability Committee. One of the group's tasks was to prepare draft solutions that would adapt the Act on Credit Unions⁴ to the judgement of the Constitutional Tribunal of 31 July 2015. In the judgement, the Tribunal ruled the provision of Article 60 of the Act unconstitutional since it did not diversify the legal supervisory measures used by the Polish Financial Supervision Authority (KNF) towards credit unions, depending on their size and scope of deposit taking and lending activity. The solutions drafted by MPs, consisting in amending the said Act and including recommendations contained in the judgement, were submitted to the Speaker of the Sejm in December 2016.

In addition to the above, in 2016 NBP cooperated with:

- the Polish Financial Supervision Authority, including via membership in the KNF of an NBP Management Board member delegated by the President of NBP,⁵
- the Office of the Polish Financial Supervision Authority – under the statutory authorisation regarding the rules for submitting information,
- the Bank Guarantee Fund – two representatives delegated by the President of NBP were members of the BFG Council.⁶

3.3 Analyses and research for the needs of the financial system

Narodowy Bank Polski regularly analyses each financial market sector in Poland, and presents the analysis results in cyclical studies.

In 2016, the following analyses were published:

- *Financial Stability Report* (February, December 2016). The subject of the reports is an analysis of the main areas of risk to the functioning of the financial system in Poland, with particular emphasis on the situation of its most important segment – the banking sector. The analyses showed that in 2016 the situation in the banking sector remained good; nevertheless, its capacity to absorb adverse shocks worsened somewhat, which is confirmed by the results of stress tests performed by NBP on a regular basis. The high share of FX loans in banks' portfolios remained a problem. Unfavourable trends in the

³ Journal of Laws of 2016, item 996.

⁴ Act of 5 November 2009 on Credit Unions (Journal of Laws of 2016, item 1910, as amended).

⁵ Pursuant to Article 5(2)(3) of the Act of 21 July 2006 on Financial Market Supervision (Journal of Laws of 2016, item 174, as amended).

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

banking sector, negatively affecting the profitability and resilience of banks, and mounting uncertainty both domestically (regulatory risk) and in the external environment of the economy, especially in European Union countries, represented a challenge. Both reports contained NBP's recommendations aimed at improving the resilience and stability of the Polish financial system and mitigating systemic risk.

- *Financial System in Poland 2015* (November 2016). The report discusses the development of financial markets and institutions operating in Poland. Changes in infrastructure and legal regulations related to the financial system were analysed as well as initiatives aimed at integrating and enhancing the safety of the financial market in the EU. At the end of 2015, Polish financial system assets amounted to PLN 2.207 trillion and were PLN 100 billion (or 5.2%) higher than a year earlier. The value of assets of investment funds rose significantly (by over 24%) and the value of banking sector assets also increased. On the other hand, the value of assets of open pension funds declined (on the back of changes implemented in the system of open pension funds) as did the value of assets of credit unions. Thus, the ratio of Polish financial system assets to GDP increased by 1.4% percentage points when compared to the end of 2014 and amounted to 122.8% at the end of December 2015. The ratio in the domestic banking sector was 89% of GDP. The level of financial intermediation remained relatively low in Poland (as in other Central and Eastern European countries) compared with the ratio's average level in the euro area countries. The size and structure of the financial system were rated as optimal from the point of view of having an impact on economic growth.
- *Senior loan officer opinion survey on bank lending practices and credit conditions* (January, April, July and October 2016). This study, based on quarterly questionnaire surveys, addressed to the chairpersons of banks' credit committees, presents changes in the lending policy of banks and an assessment of demand for each type of loan. In 2016, banks did not change substantially the standards of granting consumer loans and the majority of various types of corporate loans. Banks tightened lending policy in the segment of housing loans to households, mainly due to regulatory factors. The demand for specific loans varied depending on the client group: it fell for loans to large enterprises, grew moderately in the segment of consumer loans and remained unchanged for loans to small and medium-sized enterprises. In early 2016, banks reported a significant increase in demand for housing loans (triggered by big interest in the "Flat for the Young" programme), and later in the year – a fall in demand.
- *Turnover in FX and OTC derivatives markets in Poland* (September 2016). In 2016, NBP again participated in the survey on the development of the world and domestic foreign exchange and over-the-counter derivatives markets. The survey is carried out triennially by the Bank for International Settlements. The aim of the survey was to collect comprehensive and internationally comparable information on the liquidity and structure of the FX and OTC interest rate derivatives markets. The survey results for Poland are available on the NBP website in the document *Turnover in the Domestic Foreign Exchange and OTC Derivatives Markets in April 2016*.
- *Report on the situation in the Polish residential and commercial real estate market in 2015* (September 2016). The analyses showed that in 2015 the housing situation in Poland improved and housing prices in the primary and secondary markets were stable. The growth in demand and supply was observed in the primary market. Demand for

residential housing was high because household wages grew, interest rates remained at a historically low level, the “Flat for the Young” programme was implemented, and it was announced that after 2018 it would be discontinued. 2016 was another year that saw growing imbalances in the commercial real estate market, especially in the office space market.

3.4 International cooperation for financial stability

In 2016, Narodowy Bank Polski participated in the work of European institutions responsible for the monitoring and protection of financial system stability in the European Union. These activities mainly included the participation of the President of NBP as a member of the General Board of the European Systemic Risk Board (ESRB) and participation of NBP representatives in the work of ESRB bodies.

In 2016, the ESRB discussed, among others, issues related to:

- systemic risk assessment, including the impact of the residential and commercial real estate market on financial stability in the EU,
- preparation of shock scenarios for stress tests for the banking sector and the pension fund sector and the functioning of the institution of central counterparty – CCP),
- systemic threats and macroprudential policy in the sector of non-bank financial institutions,
- the concept of creating safe assets – securities collateralized by the government bonds of the euro area countries,
- an assessment of the experience gained from the implementation of macroprudential policy in various EU countries,
- a review of the CRD IV/CRR⁷ and institutional determinants related to macroprudential supervision in the EU.

Moreover, in 2016 NBP representatives participated in:

- the work of the task force group of the Advisory Technical Committee of the ESRB, the Advisory Scientific Committee of the ESRB and the Financial Stability Committee of the ECB, which evaluated the impact of the low interest rate environment (LIRE) on the stability of the EU financial system and its segments (NBP co-chaired the group),
- meetings of the Board of Supervisors of the European Banking Authority (EBA),
- the work of resolution colleges set up for cross-border European banking groups; although NBP does not exercise oversight of credit institutions, it participates in the work of the colleges at the invitation of the Office of the Polish Financial Supervision Authority; this is compliant with the Bank Recovery and Resolution Directive.⁸

⁷ Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms and Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms.

⁸ Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36 EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No. 1093/2010 and (EU) No. 648/2012, of the European Parliament and of the Council.

3.5 NBP operational activities aimed at maintaining financial stability

In 2016, the NBP Management Board exempted one cooperative bank from the obligation to maintain the required reserve during the implementation of the recovery proceedings.

Highlights of 2016:

- development of analyses on financial stability and financial system development in Poland,
- participation in the work of the Financial Stability Committee, including the preparation of the document on *Macroprudential supervision in Poland – institutional and functional framework* and preparation of cyclical studies that form the basis for delivering, on a quarterly basis, a recommendation on the level of the countercyclical buffer rate,
- participation in the work of the ESRB.

Chapter 4

The issue of currency



The issue of currency¹

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

4.1 Currency in circulation

The value of currency in circulation (including bank vault cash), as at 31 December 2016, amounted to PLN 187,574.8 million. This represents an increase in the value of currency by PLN 24,349 million, i.e. 14.9% more compared to 31 December 2015.

In 2016, manufacturers of legal tender delivered to NBP 331,615.2 thousand pieces of notes and 847,464.4 thousand pieces of coins. In relation to the deliveries in 2015 (485,215 thousand pieces and 981,597.1 thousand pieces, respectively), this represented a decrease of 153,599.8 thousand (31.7%) in the number of notes and 134,132.7 thousand (13.7%) in the number of coins.

As at 31 December 2016, notes accounted for 97.6% of all zloty-denominated currency in circulation by value, while coins represented 2.4% (97.4% and 2.6% – in 2015, respectively). In terms of volume, zloty-denominated notes accounted for 10.4% of all currency in circulation, whilst coins represented 89.6% (10.0% and 90.0% – in 2015 respectively).

In terms of face value of notes in circulation, as at the end of 2016, the following denominations had the biggest share: 100 zł – 65.2% (66.9% – in 2015) and 200 zł – 27.6% (24.7% – in 2015), whereas among coins the following prevailed: 5 zł – 36.4% (35.6% – in 2015) and 2 zł – 29.5% (30.0% – in 2015).

In terms of volume, the following notes had the biggest share in circulation as at the end of 2016: 100 zł – 62.6% (62.2% – in 2015) and 200 zł – 13.2% (11.5% – in 2015). As regards coins, the following denominations prevailed: 1 gr – 37.5% (37.5% – in 2015) and 2 gr – 17.6% (17.8% – in 2015).

4.2 Issue of collector coins and notes

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

In 2016, under 16 topics of commemorative coins 11.2 thousand pieces of gold coins, 312 thousand pieces of silver coins as well as 35 thousand of collector notes were issued

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

(in 2015, respectively: 9.45 thousand gold coins and 285.5 thousand silver coins and 30 thousand collector notes).

In 2016, 22 types of collector coins and one collector note were issued.

The following topics of issues are worth mentioning:

- *1050th Anniversary of the Baptism of Poland*: a collector note with a face value of 20 zł with the image of Mieszko I and Dobrawa, his wife, modelled on portraits painted by Jan Matejko;
- *NBP Money Centre in memory of Sławomir S. Skrzypek*: a collector silver coin with a face value of 10 zł, with an image of one of the sections of the Money Centre exhibition, made in selective gold plating technology;
- *100th Anniversary of Regaining Independence by Poland – Józef Haller*: a silver coin with a face value of 10 zł and a gold coin with a face value of 100 zł,²
- *35th Anniversary of the Pacification of the “Wujek” Coal Mine*: a silver coin with a face value of 10 zł.

In 2016, Narodowy Bank Polski continued to issue 5 zł coins with a commemorative image in the circulation standard. These coins are issued twice a year, under the *Discover Poland* series.

Narodowy Bank Polski also continued to issue gold bullion investment coins, *White-tailed Eagle* coins with a face value of 500 zł.

A silver 10 zł collector coin, commemorating the centenary of the birth of Jan Karski won the Most Inspirational Coin category at the prestigious numismatic competition Coin of the Year 2016.

4.3 Introduction into circulation of modernised and new banknotes

In February 2016, modernised 200 zł banknotes were put into circulation.

In addition, in 2016, NBP carried out preparation activities aimed at introducing into circulation notes with a face value of 500 zł in February 2017.

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

In 2016, 210.9 million pieces of notes and coins were withdrawn, including 200.2 million pieces of notes and 10.7 million pieces of coins (200.8 million pieces – in 2015, including 194.3 million pieces of notes and 6.5 million pieces of coins) due to wear, tear and damage or loss of counterfeit protection features.

² The silver coins issued by NBP within this series in 2015–2018 will form a unique composition.

4.5 Counterfeit of Polish currency

In 2016, the number of disclosed counterfeit Polish currency notes and coins decreased by 16.73%, as compared to 2015. The number of all counterfeit banknotes and coins per million of currency pieces³ in circulation amounted to 2.68 pieces, having decreased by 0.86 pieces as compared to 2015.

Data on the number of counterfeit notes and coins, disclosed in 2013–2016 are presented in Table 4.1.

Table 4.1 The number of counterfeit Polish notes and coins in circulation in the years 2013–2016

Counterfeits	2013	2014	2015	2016
Banknotes	9,010	11,549	7,803	6,919
Coins	5,390	4,250	2,296	1,490
Total	14,400	15,799	10,099	8,409

Source: NBP data.

4.6 Supply of notes and coins to banks

In 2016, commercial banks and entities with statutory authority to withdraw and lodge Polish currency notes and coins from/in NBP, purchased at NBP Polish notes and coins worth PLN 197.8 billion (PLN 189.7 billion in 2015), of which:

- PLN 94.1 billion in a deposit system (PLN 77.2 billion – in 2015),
- PLN 103.7 billion in the main system (PLN 112.5 billion – in 2015).⁴

4.7 Activities aimed at streamlining cash transactions

In 2016, NBP implemented changes in cash transaction performance.⁵ New regulations consist in implementation of:

- requirements for banks to report on sorted and re-counted notes,
- criteria for assessment of fitness of banknotes for circulation,
- requirements to be met by equipment used in cash transactions (including for banknote classification), and obligation to carry out tests of such equipment.

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

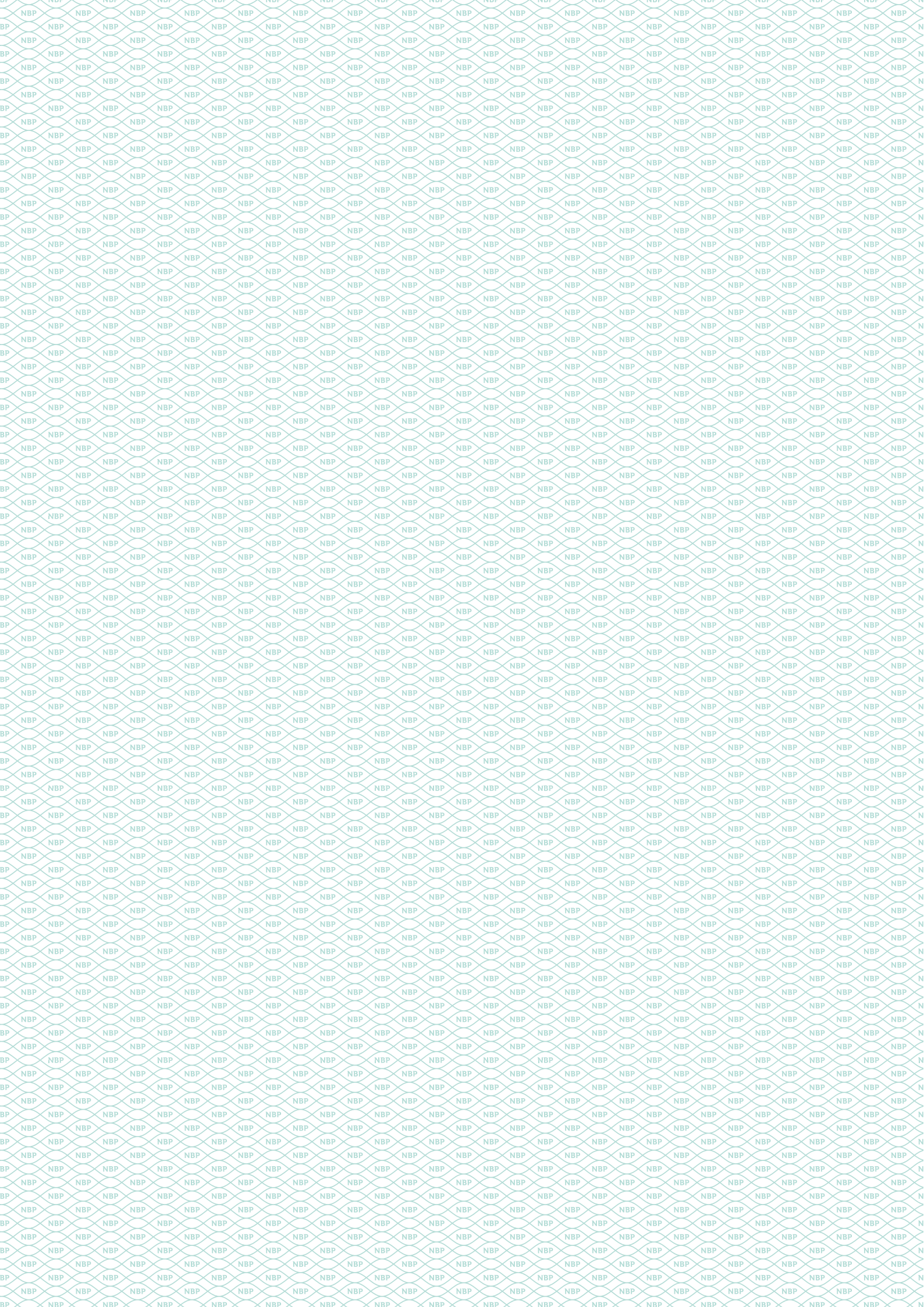
⁴ In the main system, Polish currency is collected from vaults located in NBP regional branches, after funds are transferred to NBP for this purpose; in the deposit system Polish currency is owned by NBP but kept in vaults of commercial banks. It is collected after the funds are transferred to NBP for this purpose. In both cases Polish currency is collected based on concluded agreements.

⁵ Ordinance No. 19/2016 of the President of NBP on the method and procedure to be used in counting, sorting, packaging and labelling packages of banknotes and coins, and in conducting activities related to the supply of banknotes and coins to the banks.

The amended regulations enable NBP to acquire new data on cash transactions, including the scale of notes and coins recycling outside NBP, thus they allow for better planning of the volume of orders for notes and coins. In addition, the aim of the new regulations is to improve the quality of notes in circulation and eliminate counterfeit banknotes from circulation more efficiently.

Highlights of 2016:

- introduction into circulation of a 200 zł banknote with modernised security features,
- preparations aimed at introduction into circulation of banknotes with a face value of 500 zł,
- implementation of new regulations enabling streamlining of cash transactions.



Chapter 5

Foreign exchange reserves management



Foreign exchange reserves management¹

Pursuant to Article 52(1) of the Act on Narodowy Bank Polski (hereinafter the Act on NBP), NBP holds and manages foreign exchange reserves and takes measures to ensure the safety of Poland's foreign exchange operations in terms of payment liquidity. In the context of a floating exchange rate, the role of foreign exchange reserves is primarily to enhance the country's financial credibility, thereby reducing the cost of financing in the global markets and volatility of the zloty exchange rate, as well as to mitigate the risk of a sudden outflow of capital. Only incidentally, may these reserves be used to support the stability of financial markets or the banking sector in the event of significant disturbances in their functioning.

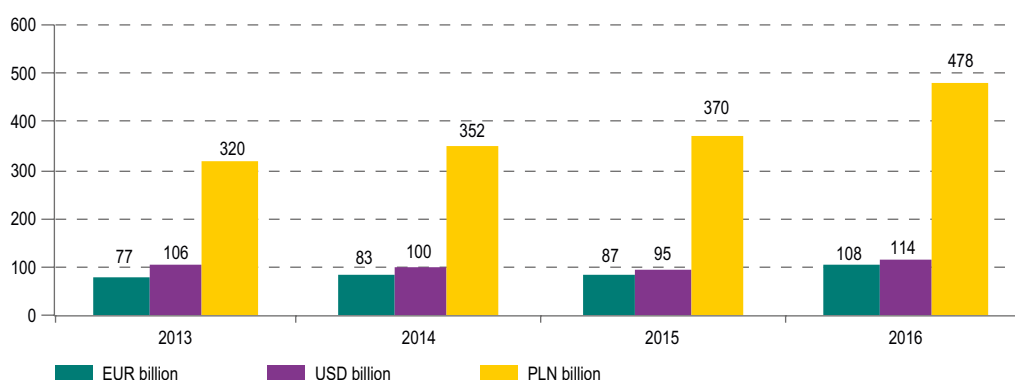
5.1 Level of the official reserve assets

In 2016, the NBP official reserve assets² increased:

- in euro terms – by EUR 21.2 billion (24.4%), to EUR 108.1 billion,
- in dollar terms – by USD 19.5 billion (20.5%), to USD 114.4 billion,
- in zloty terms – by PLN 107.8 billion (29.1%), to PLN 478.1 billion.

This was mainly the result of a higher exposure to reverse repo transactions concluded at the same time as the repo ones, performed with the aim of increasing yield on reserves. The positive balance of external flows also contributed to the increase of official reserve assets.

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



Source: NBP data.

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

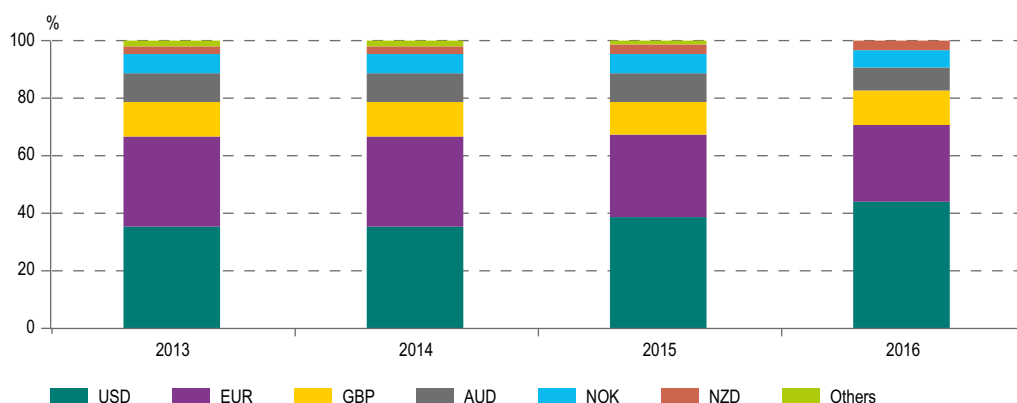
² According to the definition of the International Monetary Fund (IMF), the official reserve assets include readily available, liquid foreign assets held by the central bank. This category includes monetary gold, special drawing rights (SDR), IMF reserve position and foreign currency assets, mainly in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

5.2 Foreign currency reserves management strategy³

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

Taking into account analyses of the global macroeconomic prospects, forecasts of the situation in the global financial markets and results of the optimisation and simulation analysis, the NBP Management Board decided to limit in 2016 the share of EUR (by 2 percentage points, to 27%), AUD (by 2 percentage points, to 8%) and NOK (by 1 percentage point, to 6%) in the currency composition, while increasing its exposure to USD (by 5 percentage point, to 44%). In addition, the Bank stopped investing in Brazilian and Mexican government securities. Modified duration⁴ of the reserves was maintained at a level close to the one applicable in 2015 (1.9 as compared to 2.0).

Figure 5.2 Currency composition of reserves in 2013–2016

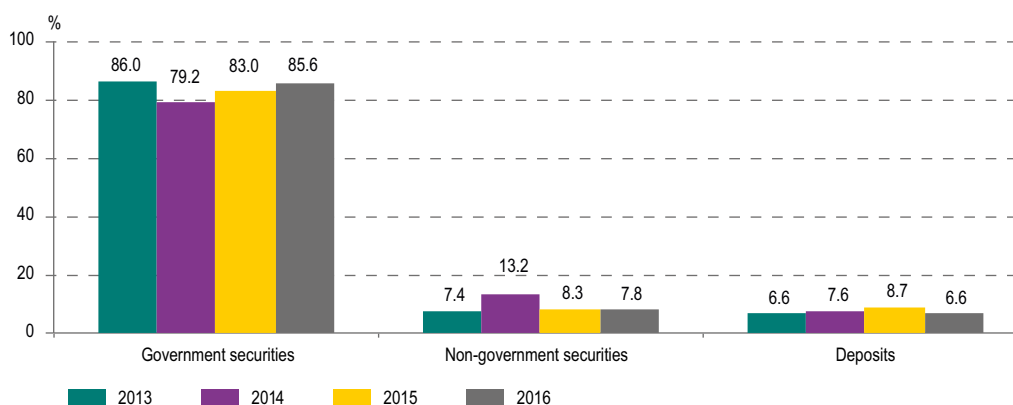


Source: NBP data.

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

³ Excluding funds held on the foreign currency accounts operated by NBP for the Ministry of Finance.

⁴ Modified duration is a measure of interest rate risk, representing the sensitivity of investment portfolios to fluctuations in yields on financial instruments.

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

Source: NBP data.

5.3 Financial risk management in the foreign exchange reserves management process

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

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

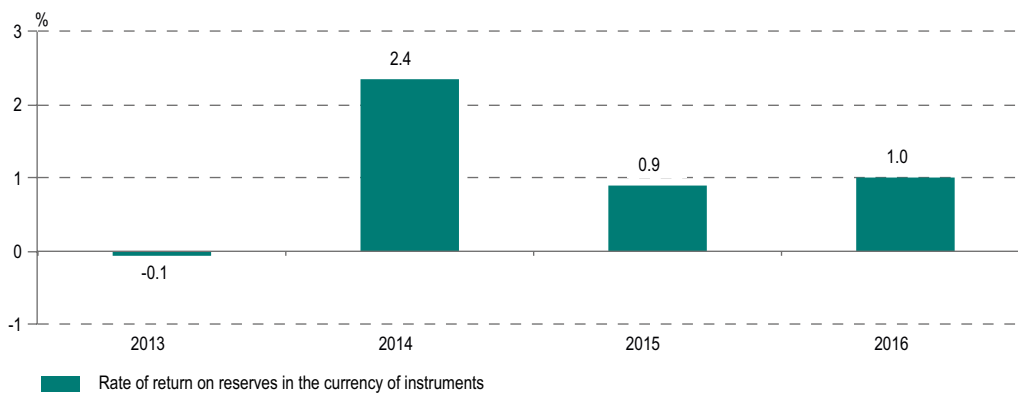
Risk	Mitigation methods
Credit risk	Limited share of deposit transactions and non-government securities Counterparty selection criteria and ongoing monitoring of a counterparty's creditworthiness Counterparty limits on deposit and foreign exchange transactions Limited maturity of deposit transactions Minimum accepted rating of securities Limits for issuers of securities Collateral in reverse repo transactions
Foreign exchange risk	Currency composition of the Strategic Asset Allocation along with fluctuation ranges determining the scope of active investment policy
Interest rate risk	Level of modified duration of the Strategic Asset Allocation along with fluctuation ranges determining the scope of active investment policy
Liquidity risk	Investments in the most liquid financial markets Limited share of deposit transactions Securities selection criteria

Source: NBP data.

5.4 Rate of return on foreign currency reserves

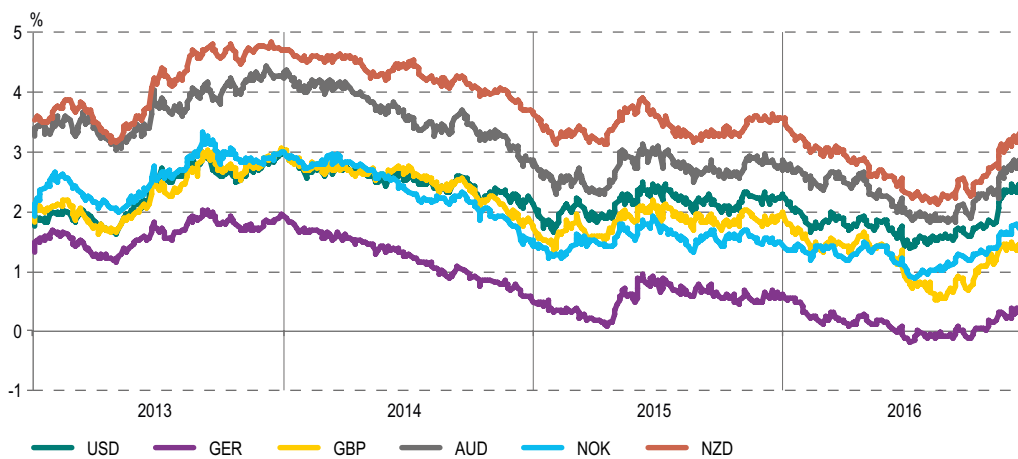
The rate of return on the invested foreign currency reserves depends, most of all, on market conditions: yields on investment instruments, changes in their prices as well as currency exchange rates.

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



Source: NBP data.

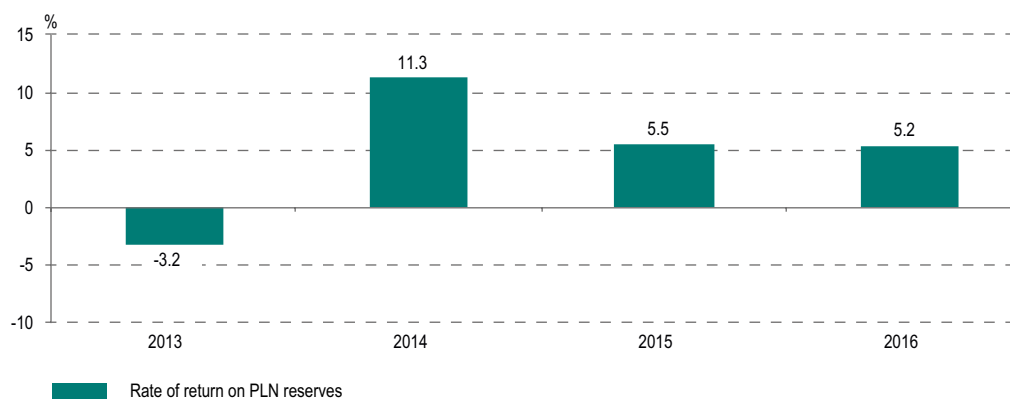
Figure 5.5 Yields on 10-year government securities in major markets



Source: calculations based on Bloomberg data.

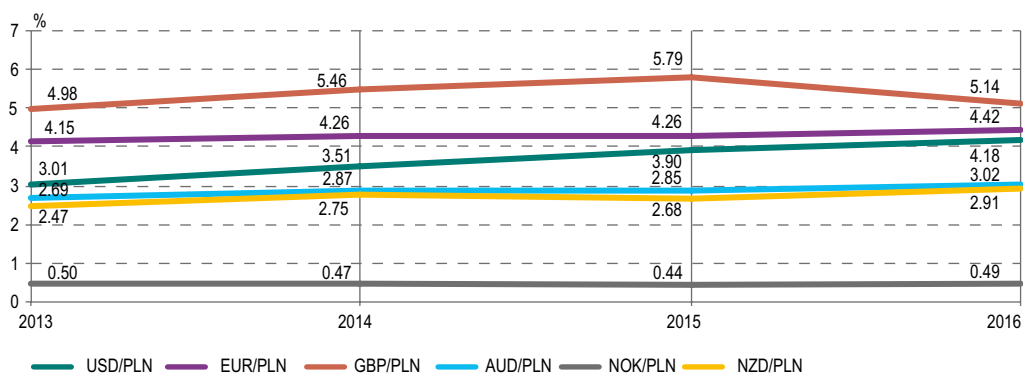
In 2016, the rate of return on the foreign currency reserves, denominated in the currency of instruments,⁵ was 1.0%, amidst relatively low yields on government securities,⁶ which resulted from low inflation rate, moderate global economic growth and expansive monetary policy of the majority of central banks.⁷

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



Source: NBP data.

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



Source: NBP data.

⁵ The rate of return on foreign currency reserves in the currency of individual investment portfolios is calculated on the basis of fluctuations in the market value of instruments.

⁶ As at 31 December 2016, the yields on 10-year US government bonds amounted to 2.45%, German government securities – 0.21%, UK government – 1.24%, Australian government – 2.77%, Norwegian government – 1.65%, and New Zealand government – 3.33%. In 2016, the yields on 10-year government bonds decreased in the markets of Germany, UK, Australia and New Zealand (from 12 basis points in Australia to 72 basis points in the UK), and slightly rose in American and Norwegian markets (to 18 and 17 basis points, respectively).

⁷ In 2016, the central banks in the UK, Norway, Australia and New Zealand, as well as the ECB reduced their official interest rates. In addition, the ECB and the Bank of England purchased assets under their quantitative easing policy. FED, in contrast, increased its interest rate to a lesser extent, however, than expected by market participants.

In 2016, the rate of return on the reserves as expressed in PLN⁸ amounted to 5.2%. Higher rate of return on the reserves as expressed in PLN than in the currency of the instrument was a result of the appreciation of all reserve currencies against PLN, excluding GBP.⁹

5.5 Investment income

In 2016, the income on investment related to foreign currency reserves management, excluding the realised and unrealised exchange rate effects, amounted to PLN 3.3 billion (as compared to PLN 4.1 billion in 2015).

The realised foreign exchange gains amounted to PLN 9.32 billion in 2016, whereas unrealised foreign exchange losses amounted to PLN 1.17 billion.¹⁰

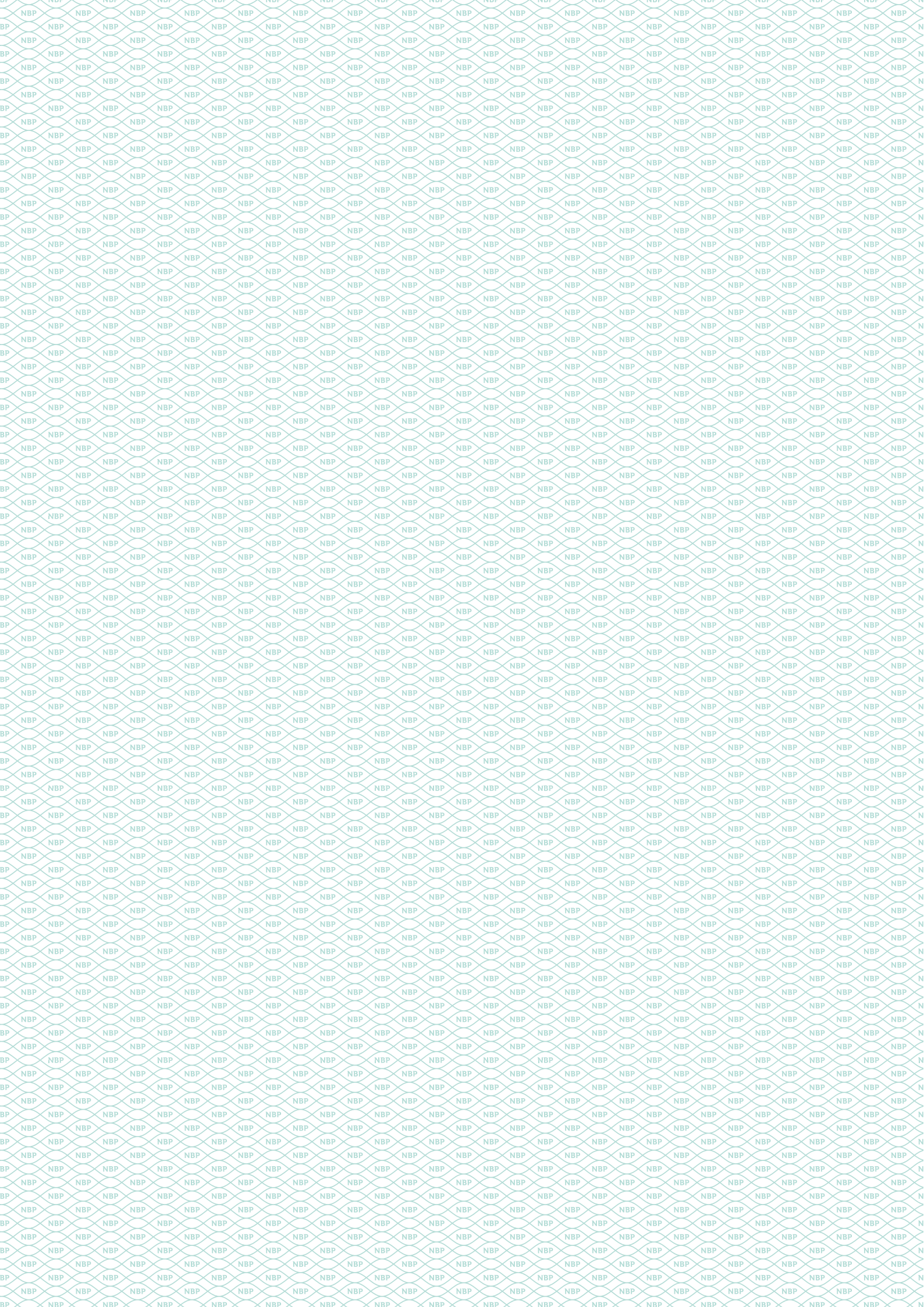
Highlights of 2016:

- Changes in the composition of foreign currency reserves had a positive impact on their rate of return in 2016.

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

⁹ Increase in the exchange rates: USD/PLN – by 7.1%, EUR/PLN – by 3.8%, AUD/PLN – by 5.7%, NOK/PLN – by 9.9% and NZD/PLN – by 8.6%; drop in GBP/PLN exchange rate to 11.1% (NBP fixing).

¹⁰ According to the NBP accounting principles, unrealised foreign exchange gains do not affect the NBP profit and loss account but are recognised as liabilities on the NBP balance sheet. Unrealised foreign exchange losses, in contrast, diminish the NBP financial result (similarly as realised foreign exchange losses).



Chapter 6

Foreign exchange activity



Foreign exchange activity¹

Foreign exchange activity primarily involves maintaining a register of bureaux de change, issuing decisions on foreign exchange matters and controlling the activities of bureaux de change (including as regards the fulfilment of the obligations imposed on them by the Act on Counteracting Money Laundering and Terrorism Financing), individual foreign exchange permits granted and the performance of reporting responsibilities for the needs of the balance of payments. The purpose of this activity is to ensure security of foreign exchange transactions.

6.1 Register of bureaux de change

In 2016, 836 entries were made to the register of bureaux de change (as compared to 873 in 2015), of which 194 entries concerned new entities (as compared to 168 in 2015); the remaining ones concerned the deletion of entities or data updates in the register.

As at 31 December 2016, 4990 bureaux de change were operating in Poland (as at 31 December 2015 there were 5022).

6.2 Foreign exchange-related decisions

In 2016, a total of 14 decisions on foreign exchange were issued, including 12 permits and 2 other decisions (in 2015 – 28 decisions were issued). The permits were granted for the waiver of restrictions on foreign exchange transactions conducted with non-residents from countries that are not members of the EU, the OECD and the EEA. The decisions concerned the discontinuation of the proceedings (due to their being groundless) and an increase in the amount of transfer abroad.

6.3 Foreign exchange control

Foreign exchange control by the President of NBP in 2016 included inspections of residents who were subject to the mandatory submission to NBP of data necessary for the compilation of the balance of payments and the international investment position, and inspections of operators of bureaux de change.

In 2016, a total of 1645 inspections were carried out (in comparison to 1707 in the year 2015), including:

¹ Tasks in this field are performed pursuant to Article 3 section 2 para. 3 and Article 52 section 2 of the Act on NBP, Article 21 section 3 para. 1 of the Act of 16 November 2000 on Counteracting Money Laundering and Terrorism Financing (Journal of Laws of 2016 item 299, as amended) and the provisions of the Act of 27 July 2002 – the Foreign Exchange Law (Journal of Laws of 2012, item 826 as amended).

- 951 inspections concerning the performance of the reporting obligation for the needs of the balance of payments (in 2015 – 885),
- 692 inspections regarding bureaux de change activity (in 2015 – 822),
- 2 inspections of individual foreign exchange permits (in 2015 – 1).

Irregularities were detected in the course of 662 inspections, i.e. 40% of all inspections conducted (in 2015 – 44%), including:

- during 404 inspections concerning the fulfilment of the reporting obligation for the needs of the balance of payments (in 2015 – 399),
- in 258 inspections regarding bureaux de change activity (in 2015 – 360).

If such irregularities occurred, post-inspection recommendations were submitted to the managers of the inspected units. In 640 cases, NBP notified the competent financial authorities of the infringement of legal standards. Having conducted the appropriate proceedings, tax offices informed NBP of penalties imposed on 120 entities and 349 cases of submission of the so-called active repentance². The results of all inspections as regards the fulfilment of responsibilities of bureaux de change operators laid down by the Act on Counteracting of Money Laundering and Terrorism Financing were forwarded to the General Inspector of Financial Information.

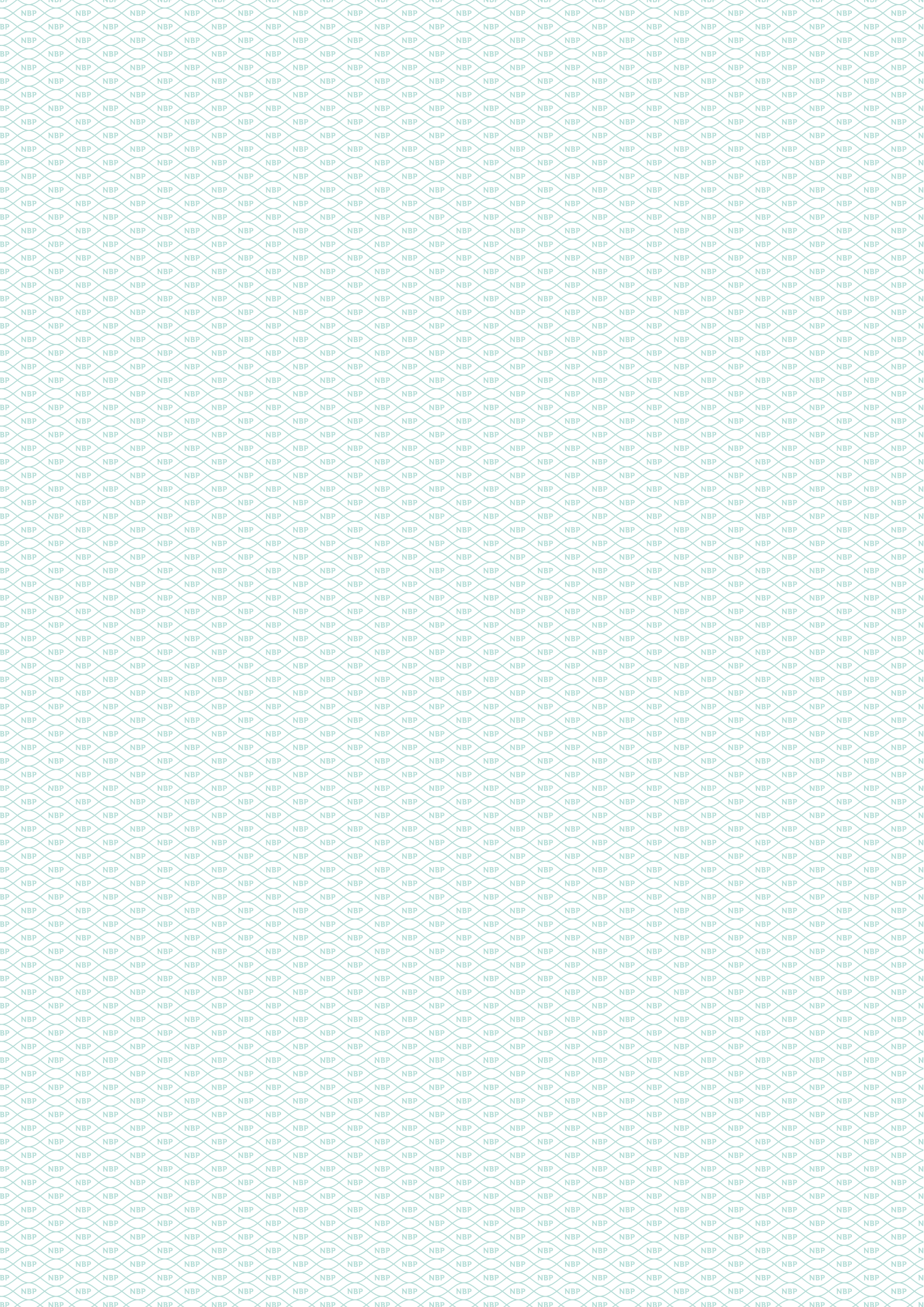
Inspections carried out by NBP ensure:

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

Highlights of 2016:

- 1645 inspections performed, 14 foreign exchange decisions issued.

² Pursuant to Article 16 para. 1 of the Act of 10 September 1999 – Penal Fiscal Code (Journal of Laws of 2016 item 2137, as amended), the offender who, after committing the offence, notified the prosecution authority thereof, disclosing the significant circumstances of such an act, in particular, accomplices therein shall not be prosecuted for fiscal crime or fiscal offence.



Chapter 7

Payment system oriented activities



Payment system oriented activities¹

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

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

7.1 Performance of operational tasks

7.1.1 Operation of accounts in the SORBNET2 system

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

As at 31 December 2016, accounts operated by the SORBNET2 system included current accounts in PLN for 45 banks (in 2015 – 44) as well as accounts for the National Clearing House (KIR SA), the National Depository for Securities (KDPW SA) and the clearing house KDPW_CCP SA. In 2016 one current account in PLN was opened – for Bank Spółdzielczy in Brodnica.

In 2016, about 3,924 million payment orders were executed (in 2015 – 3,655 million), totalling PLN 71.0 trillion (PLN 72.2 trillion in 2015). This represents an increase in the number of executed payment orders by 296 thousand (7.4%) and a decrease in their total value by PLN 1.3 trillion (1.7%) as compared to 2015. In 2016, the average value of a single payment order dropped by about 8.6% to reach PLN 18.1 million (PLN 19.8 million in 2015).

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

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

As at 31 December 2016, the TARGET2-NBP system operated accounts in EUR for 23 participants: NBP, KIR SA, KDPW SA and KDPW_CCP SA and 19 commercial banks.²

¹ Tasks in this field are performed pursuant to Article 3(2)(1) and 3(2)(6) of the Act on NBP as well as pursuant to the Act on the Finality of Settlement in Payment Systems, Securities Settlement Systems and Principles of Oversight of These Systems (Journal of Laws of 2016, item 1224 as amended).

² In 2016, the account of BPH SA was closed (on 4 November 2016) and two accounts were opened for: Raiffeisen Bank Polska SA (on 4 July 2016) and Bank Gospodarstwa Krajowego (on 25 July 2016).

In 2016, almost 1.4 million transactions were carried out in the TARGET2-NBP system for the total amount of EUR 839 billion. As compared to 2015, there was an increase in the number of completed transactions by around 18.4 thousand (1.4%) and a rise in the value of transactions by around EUR 73.4 billion (9.6%). The average value of transactions amounted to EUR 611.2 thousand and increased by 8.1% as compared to 2015 (EUR 565.4 thousand in 2015).

7.2 Policy measures and development of the payment system

7.2.1 Regulatory activities

Under regulatory activities concerning the payment system, NBP participates in work on drafting legal regulations. In 2016 these related to:

- Requirements concerning transactions made with the use of payment cards in the territory of the European Union, mainly as concerns the maximum amount of interchange fees allowed in transactions made using payment cards. In Poland the interchange fees (with some exceptions) amount to 0.2% of the value of transactions made with debit cards and 0.3% for transactions with credit cards. In accordance with the act amending the payment services act and some other regulations³ NBP was appointed as the Polish authority competent to check the correctness of application of interchange fees.⁴ The act has also introduced the system oversight by the President of NBP of the payment schemes operating in the territory of Poland (see also 7.3).
- Rules of consumer access to a payment account with basic features. As a rule, it offers free-of-charge use of a guaranteed number of payment transactions.⁵
- A lowering of the upper limit of the amount of single cash transactions between enterprises from EUR 15 thousand to PLN 15 thousand.⁶

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

In 2016, the following activities were undertaken with the purpose of development of domestic large value payment systems:

- The new version of the SORBNET2 payment system was launched. It introduces improvements designed in NBP and suggested by the system participants.

³ The Act of 30 November 2016 Amending the Act on Payment Services and Some Other Acts (Journal of Laws of 2016, item 1997).

⁴ Regulation of the European Parliament and the Council No. 2015/751 of 29 April 2015 on OTC derivatives, central counterparties and trade repositories (OJ EU L 123 of 19 May 2015, p. 1).

⁵ Directive of the European Parliament and the Council No. 2014/92/EU of 23 July 2014 on the transparency and comparability of fees related to operating payment accounts, payment account switching and access to payment accounts with basic features (OJ EU L 257/214 of 28 August 2014).

⁶ The Act of 13 April 2016 Amending the Act on Personal Income Tax, the Act on Corporate Income Tax and the Act on Freedom of Economic Activity (Journal of Laws of 2016, item 780).

- Work continued on adjusting NBP infrastructure, i.e. TARGET2_NBP component, to cooperation with TARGET2-Securities platform⁷ and on preparing NBP to offer a fully-fledged auto-collateralisation service. Work under the T2S-NBP project, which was approved by the Management Board of NBP on 18 February 2016, is under way. The activities are scheduled to be completed by the end of April 2017.

7.2.3 Popularisation of non-cash transactions

In 2016, as part of popularisation of non-cash transactions in Poland, NBP undertook the following activities:

- It continued to implement the multi-annual promotional and educational programme called Accessible Finance Academy [Akademia Dostępne Finanse], to popularise non-cash transactions and reduce financial exclusion through raising the general public awareness of financial services, in particular among elderly people. In 2016, 367 meetings were held attended by 12 thousand persons.
- It continued to develop a comprehensive concept of education and promotion activities targeting young people.
- It participated in the Coalition for Non-cash Payments and Micropayments, joining, among others, the “Day free of cash payments” promotion campaign (5 April 2016) and conducted – in cooperation with the e-Chamber – a survey of payment habits of Poles in domestic and cross-border transactions in the e-commerce market.
- It participated in the government programme “From paper-based to digital Poland” – as regards the expansion of non-cash payments.

7.2.4 Actions on the development of SEPA

In 2016, activities continued aimed at the implementation of a Single Euro Payments Area (SEPA).

Following the period of adaptation by the payment services providers to the European regulations on technical and business requirements for credit transfer in euro,⁸ starting from 1 November 2016, these entities execute all credit transfers and direct debits in euro in compliance with SEPA standards.

⁷ TARGET2-Securities (T2S) is a pan-European platform for securities settlement which was launched on 22 June 2015.

⁸ These stem from the Regulation of the European Parliament and of the Council (EU) establishing technical and business requirements for credit transfers and direct debits in euro and amending Regulation (EC) No. 924/2009.

In 2016, NBP continued to provide banks interested in the participation in the pan-European STEP2 clearing house with the intermediary services enabling them to clear credit transfers in euro in the SEPA Credit Transfer (SCT) system.⁹ Moreover, at the request of KIR SA, NBP analysed the possibility to offer its intermediary services in the process of clearing direct debits in euro in the SEPA Direct Debit (SDD) scheme.

7.2.5 Payment System Council activity

The Payment System Council, the opinion-giving and advisory body acting at the Management Board of NBP, analyses and evaluates the Polish payment system on an on-going basis and promotes the development of this system. In 2016, the Council primarily discussed:

- the issue of promoting e-payments in the public sector,
- the functioning of the Polish system of mobile payments BLIK (a year after its launch),
- the advancement of work on the implementation of a Polish payment cards system (called Schemat Krajowy – Domestic Scheme),
- the advancement of activities fostering the development of instant payment systems in Poland,
- the outlook for payment cards market from the point of view of key card organisations active on the Polish market,
- a document called Vision 2020, which describes the development of the European financial market infrastructure from the vantage point of the Eurosystem,
- selected projects in the deposit and settlement infrastructure of the KDPW Capital Group in the context of transposition of EU regulations into Polish law as well as the expansion and standardisation of services for the Polish financial market.

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

Oversight of payment system and post-trade infrastructure of the financial market seeks to minimise the risk related to the possible disruptions in the operations of the system, in the clearings and settlements of securities and provision of the acquiring services by domestic payment institutions. It also serves maintaining financial stability.

The amendments to the Act on Payment Services¹⁰ adopted in 2016 include extension of the oversight competence of NBP in this respect, that is the oversight of payment schemes operating in the territory of Poland (including those managed by the global payment organisations) and the extended system oversight of payment systems and post-trade infrastructure of financial market was conferred to the President of NBP. Furthermore, the amended act specified further the oversight competence of the President of NBP in the area of the acquiring services.

⁹ By the end of December 2016, 20 banks used these intermediation services.

¹⁰ The Act of 30 November 2016 Amending the Act on Payment Services and Some Other Acts (Journal of Laws of 2016, item 1997).

7.3.1 Oversight of payment systems

In 2016, NBP analysed the statistical data and other information on the overseen systems on an on-going basis. NBP also assessed incidents disruptive to the systems' operations and undertook actions aimed at ensuring their secure and efficient functioning. In 2016, the President of NBP issued 5 decisions on the authorisation of modifications to the payment systems rules of operation.

In 2016, the NBP-operated SORBNET2 system was assessed against its compliance with the Principles for financial market infrastructures. Procedure was also launched to carry out assessment of the card payment system called Krajowy System Rozliczeń, operated by First Data Polska SA.

7.3.2 Oversight of the acquiring payment service

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

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

As participant of the oversight college acting under the Polish Financial Supervision Authority, in September 2016 NBP cooperated in the publication of a positive decision concerning the KDPW_CCP SA's application to extend its clearing services authorisation to include transactions in financial instruments concluded in euro both in the organised market and over-the-counter.

In 2016, the President of NBP issued, in the form of decisions, 6 opinions on changes to the rules of operation of securities settlement and clearing systems.

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

In 2016, NBP held stocks and shares in the following domestic entities:¹¹

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

¹¹ In accordance with Article 5 item 2 of the Act on Narodowy Bank Polski, NBP may act as the shareholder or partner of other legal persons that provide services to financial institutions or the State Treasury, or have significant importance for NBP in the scope of activity aimed at stability of the national financial system.

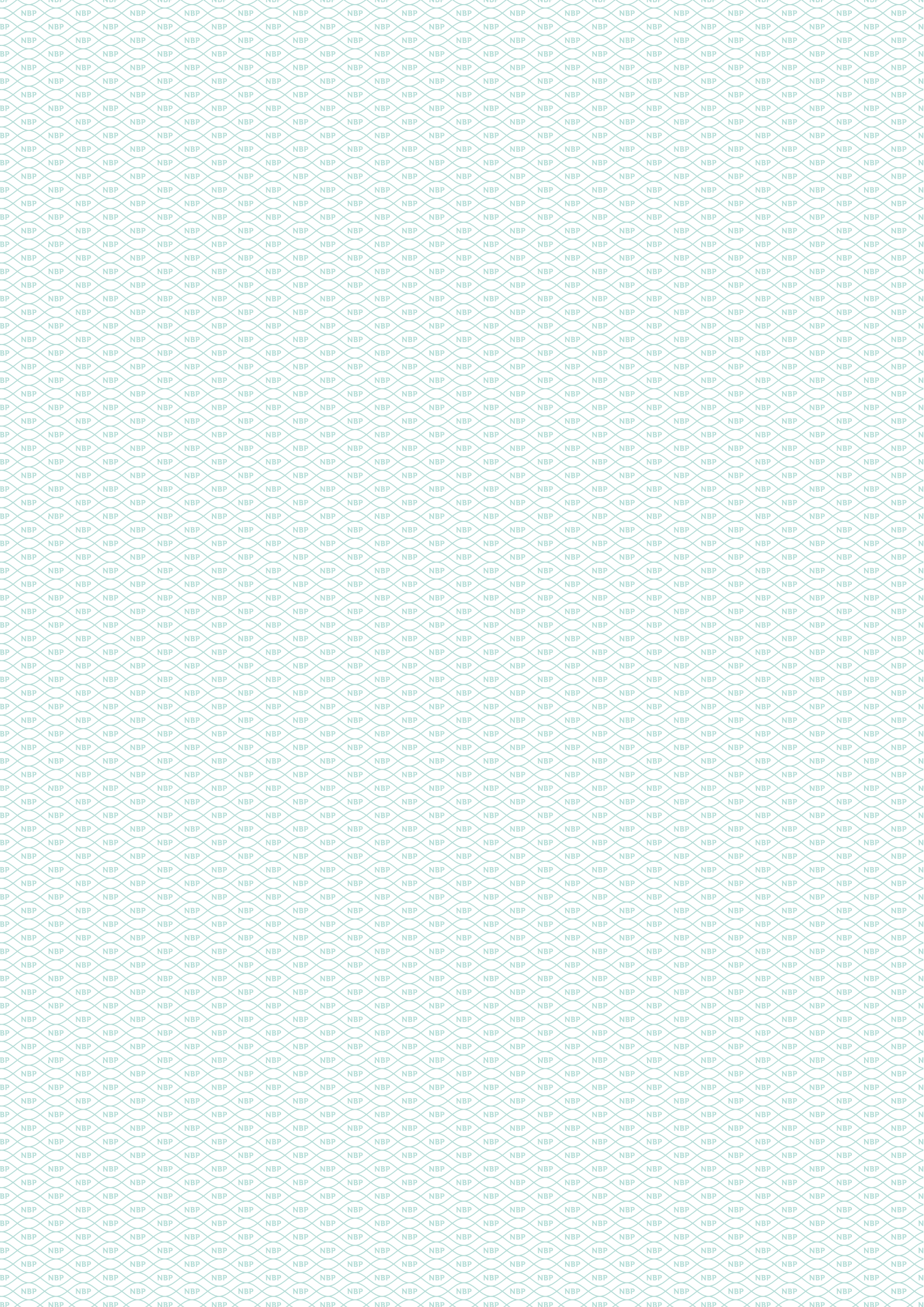
Table 7.1 Specification of stocks and shares held by NBP in companies acting under the Polish commercial law as at 31 December 2016

Name of entity	Share capital (PLN)	Number of stocks/shares held by NBP	NBP interest in share capital
KDPW SA	21,000,000	7,000	33.33%
KIR SA	5,445,000	3,750	34.44%
BSB sp. z o.o.	10,000,000	1,000	100.00%

Source: NBP data.

Highlights of 2016:

- work on adapting the TARGET2-NBP system so that it interoperates with TARGET2-securities platform and enables NBP to provide the auto-collateralisation service,
- Narodowy Bank Polski obtained competences in the oversight of payment schemes,
- participation in the government programme “From paper-based to digital Poland” – as regards expansion of non-cash payments.



Chapter 8

Services to the State Treasury



Services to the State Treasury¹

Tasks performed by NBP as a part of services to the State Treasury include: operating accounts of the State Budget, handling international liabilities and claims of the State Budget, trading in Treasury securities and activities supporting public debt management, in particular, with regard to the State Treasury debt.

8.1 Bank accounts operated by NBP

In 2016, NBP operated bank accounts referred to in Article 196 of the Act on Public Finance of 27 August 2009, primarily including the central current account of the State Budget, current accounts of the budgetary entities, including offices providing services to tax authorities, as well as the budgetary entities accounts for permanent appropriations. NBP also maintained term deposit accounts in PLN and foreign currencies for entities authorised to hold accounts with NBP.

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

8.1.1 Operating bank accounts

Narodowy Bank Polski performed operations on the State Budget bank accounts – in non-cash form, mainly in the enbepe system (Electronic Banking system), as well as in cash form. Bank accounts of some customers (State Budget Department of the Ministry of Finance, common courts) were serviced via B2B cross-system interface which enables a technologically advanced method of communication with NBP and ensures high security of transferred data.

As the Department of Tax Administration of the Ministry of Finance continued the process of centralising tax administration clearings, in 2016 works on development of an interface to e-Podatki system were carried out.

In 2016, the process of moving the accounts operated by NBP to a new NBP electronic banking system (NBE) – which replaced the enbepe system in operation since 2002 – was completed. The NBE system was also made available to account holders who had not accessed banking services via electronic system before.

In 2016, NBP continued to prepare for providing new services to account holders. As a result of carried out analyses, the NBP Management Board took a decision on the implementation of solutions which enabled streamlining and reducing the number of cash operations performed by account holders at NBP.

¹ Tasks in this area are performed pursuant to Article 3(2)(4), Article 49, 51 and 52 of the Act on NBP, the Act of 27 August 2009 on Public Finance (Journal of Laws of 2016, item 1870, as amended) and the Act of 29 August 1997 – the Banking Law (Journal of Laws of 2016, item 1988, as amended).

8.1.2 Categories of accounts operated by NBP

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

As at 31 December 2016, NBP provided services for 3075 clients (3,111 – in 2015), for whom the NBP regional branches operated 14,364 accounts (14,371 – in 2015), of which 6,754 accounts were operated as a part of third-party substitution cash services (6,863 – in 2015).²

8.2 Handling international liabilities and claims of the State Budget

Pursuant to the agency agreement signed in previous years with the Minister of Finance and the agreement of 18 November 2016, concluded with the Minister of Development and Finance, NBP handled the State Budget external liabilities and claims arising from:

- 58 loans granted by international institutions and financial organisations to the government of the Republic of Poland;
- 74 foreign loans guaranteed by the government of the Republic of Poland, granted to domestic entities;
- 1 agreement on making funds available to domestic entities under the loan granted;
- Poland's contributions to international financial institutions.

While acting as a depository of the World Bank Group, NBP administered 16 promissory notes issued by the government of the Republic of Poland in connection with Poland's membership in institutions of that financial group.

8.3 Organisation of trade in Treasury securities

8.3.1 Treasury securities auctions

Narodowy Bank Polski acts as an issuing agent for the Treasury securities. Therefore, it is committed to organise sale and redemption auctions of Treasury bills, as well as sale, redemption and swap auctions of Treasury bonds. In 2016, the following auctions were organised:

- 5 Treasury bill sale auctions, including 2 non-competitive complementary auctions. The total supply amounted to PLN 6.8 billion, the total amount bid was PLN 19.6 billion, bills worth PLN 6.5 billion were allotted;
- 16 Treasury bond sale auctions, including 9 non-competitive complementary auctions. The total supply amounted to PLN 118.0 billion, the total amount bid was PLN 184.2 billion, bonds worth PLN 114.3 billion were allotted. The majority of bonds offered by the Ministry of Finance were fixed-rate bonds; their amount allotted constituted 61.6% of the total amount allotted;

² Substitution cash services are provided for the account holders seated outside the cities where NBP branches are located.

- 4 Treasury bond swap auctions, where the Ministry of Finance redeemed bonds worth PLN 28.9 billion, and allotted bonds worth PLN 30.7 billion; the value of purchase of bonds for cash amounted to PLN 4.6 billion. The majority of bonds allotted at auctions (41.8%) were fixed-rate bonds.

In 2016, 1 redemption auction of US dollar-denominated Treasury bonds was organised; the supply amounted to USD 1.0 billion, bid – USD 651.0 million, redemption – USD 650.0 million.

8.3.2 Treasury Securities Dealer System (DSPW)

In 2016, as in the previous years, NBP performed tasks associated with the Treasury Securities Dealer System (DSPW).³ Under the agreement concluded with the Ministry of Finance, NBP:

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

In addition, within the framework of cooperation with the Ministry of Finance, NBP examined and reviewed the banks whose accounts and Treasury securities deposit accounts are operated in the SKARBNET4 system.

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

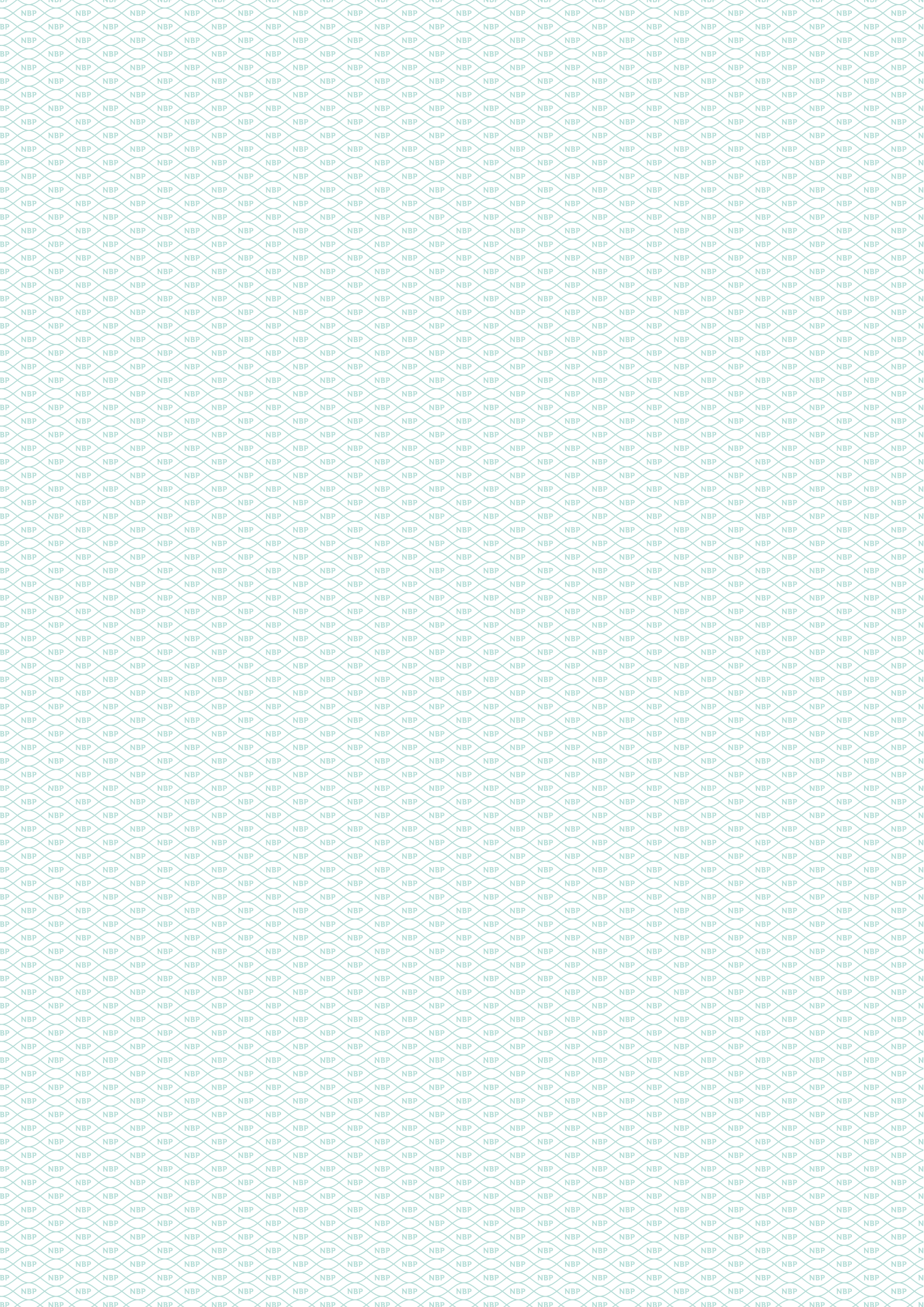
In 2016, NBP cooperated with the Ministry of Finance within the Public Debt Management Committee. The objective of the cooperation is to exchange information in order to harmonize the public debt management policy of the Ministry of Finance with the NBP's monetary and foreign exchange policies.

³ The main aim of the system is to distinguish primary dealers. This is a group of banks which in return of a privilege of exclusive submission of bids at the Treasury securities auctions (SPW) and exclusiveness or privilege in the area of conduction individual operations with the Ministry of Finance, are obliged to participate on regular basis in SPW sale auctions, SPW fixings, SPW quoting (in particular, the baseline issue on the electronic market), undertake measures for expansion of the SPW investor base, fulfil the obligations arising from their participation in deposit systems in a reliable manner, and promote the SPW market. Those measures are aimed at the implementation of the public finance sector debt management strategy, in particular, the enhancement of the liquidity, efficiency and transparency of the SPW market.

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

Highlights of 2016:

- completion of moving the service of the NBP operated accounts to the new NBP electronic banking system (NBE),
- organisation of the total of 26 sale, redemption and swap auctions of Treasury securities.



Chapter 9

Analytical and research activities



Analytical and research activities¹

Economic research conducted in 2016 at Narodowy Bank Polski related to areas outlined in the *Framework Programme for NBP Economic Research for 2013–2016*, such as macroeconomic stability, financial stability and methods of quantitative research. The research provided background information for the decisions made by the Monetary Policy Council and the Management Board of NBP.

In 2016, altogether 109 research papers by the NBP staff were published in renowned national and international journals, including 36 publications in Polish and 73 publications in English. Seventeen publications were posted on the ISI Master Journal list (see Appendix 6).

9.1 Studies of monetary policy, inflation processes and inflation expectations

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

- NBP monitored and analysed other central banks' monetary policy and their communication with the environment.
- A study was conducted of the relationship between long-term interest rates and the term premium in Poland and the euro area in the context of the conventional monetary policy of NBP versus the ECB's quantitative easing.

9.1.2 Analytical, research and modelling work on the monetary policy transmission mechanism and its evolution

- A report entitled *Monetary policy transmission mechanism in Poland. What do we know in 2015?* presenting the latest estimates of the impact of the NBP monetary policy on the Polish economy was published.
- NBP economists conducted research on issues such as: the effectiveness of monetary policy in the individual phases of the business cycle, the impact of monetary policy on lending and deposit rates, the criteria and conditions for granting loans to non-financial corporations and the lending volume.

9.1.3 Analyses and research of the prices of consumer goods and services

- Research and analyses of inflation processes in the national economy were continued; short-term forecasts of the consumer price index and its components were developed.

¹ The tasks in this area are carried out under Article 59 of the Act on NBP.

- Analytical and research work on core inflation measures was conducted.
- Research on the frequency of price changes in the Polish economy was continued.
- NBP staff analysed the impact of price developments on global commodity markets (including agricultural and food product markets and energy commodity markets) and the impact of globalization on changes in different price categories in the national economy.

9.1.4 Analysis of inflation expectations in Poland

- Comparative analyses were conducted of probabilistic forecasts by external forecasters versus the macroeconomic projections developed at NBP.
- NBP economists investigated the mechanism by which different groups of economic agents formed inflation expectations and how it changed during the financial crisis and the period of low inflation.
- The relationship between inflation expectations and consumers' saving and purchasing behaviour was analysed.

9.2 Enterprise and household surveys

9.2.1 Economic situation of enterprises

- NBP continued to conduct the quarterly NBP Quick Monitoring Surveys, concerning, among others, firms' decisions on output, employment, investment, finance and prices and their relations with the banking system. Additional analysis addressed selected aspects of deflation and its impact on processes in the real economy, as well as the perception of uncertainty and its impact on employment and investment decisions of enterprises.
- The *NBP Annual Survey* was conducted, focusing on long-term development trends in the corporate sector. Particular attention was paid to the effects of a potential volatility of the zloty exchange rate, the size and specific character of the financial gap and factors affecting the currently observed changes in the economic situation of companies, including changes in the legislative environment.
- NBP conducted further periodic analyses of the financial situation of the corporate sector, its investment and employment activities, firms' sources of business financing as well as their solvency and liquidity. The particular focus of the analyses was the impact of legislative changes on the situation of retailers, the influence of developments in the Russian economy on the situation of road transport, and the assessment of the effects of declining investment in the enterprise sector from the point of view of the construction sector and companies offering investment goods.

- NBP conducted a comprehensive analysis of the impact of deflation processes on the real economy in Poland, including the impact on the financial performance of enterprises and consumption decisions of consumers.
- A study was carried out, aimed at determining the direct and indirect impact of changes in commodity and energy prices on producer prices.
- Research on technological progress in enterprises and the process of internationalization of enterprises was conducted together with the World Bank.
- Under the Competitiveness Research Network (CompNet) a microeconomic database was developed that enables international comparisons of the behaviour and economic performance of enterprises.

9.2.2 Surveys of the condition of households

- Regular analyses of the financial situation of the household sector were performed, addressing such issues as sources of income and decisions on the level of consumption and savings, as well as accumulation of financial assets and liabilities of households.
- A study was conducted into the impact of demographic and educational changes on the situation of Polish households.

9.3 Other macroeconomic research

9.3.1 Labour market research

- Regular analyses of labour market developments were carried out, including a study of factors leading to changes in employment and unemployment, wages and their determinants, as well as the phenomenon of – and changes in – migration.
- NBP staff developed methods of measuring the size of labour resources and the impact of demographic factors and educational structure on economic growth; the influence of changes in legal regulations on labour supply and wages was also investigated.
- Another edition of the Labour Market Survey was completed, along with a report on the findings, investigating the operation of the Polish labour market, also against the background of international experience.
- Narodowy Bank Polski participated in the international ECB research project *Wage Dynamics Network*. A report of the study was published, summarizing research conducted in 2009–2013 addressing wage and employment adjustments in the corporate sector in response to changes in demand, financing and labour market regulations.

- The impact of deflation on wage decisions (the wage-price spiral) and the pass-through of the minimum wage growth in the economy was analysed, and research on the growth in employment of immigrants in Polish companies was conducted.

9.3.2 Analyses and research of the public finance sector

- NBP performed analyses and forecasts of the performance of the state budget and the general government sector entities.
- The use of funds from the EU budget and its impact on key macroeconomic aggregates was also studied.

9.3.3 Analyses and research on the external sector of the Polish economy

- Analyses of the competitiveness of the Polish economy were performed.
- Structural changes in the trade in foreign goods and services were investigated.
- NBP drew up forecasts of Poland's balance of payments on a regular basis (three times a year) along with an assessment of the stability of the indicators of external balance of the Polish economy.

9.3.4 Analyses and studies of the global economy

- NBP analysed developments in global economic conditions, including the current and forecast situation in the world's major economies and the Central and Eastern European countries.
- NBP analysed the economic situation and economic policies of selected countries for the purpose of preparing a position for IMF documents.
- Macrofinancial variables used in foreign exchange reserve management were forecast for selected economies of the world, and economic prospects of countries where NBP invests its foreign exchange reserves were assessed.
- Risks associated with the changes observed in the Chinese economy and their implications for the global economy were assessed.
- NBP analysed the impact of the planned exit of the United Kingdom from the European Union on the situation of Poland's main trading partners.
- Factors influencing the export competitiveness of EU countries were investigated.
- The institutional reforms planned and implemented in the Economic and Monetary Union were monitored and analysed.

- The consequences of the accession of Estonia, Slovakia and Slovenia to the euro area were looked into.

9.4 Forecasting and research work

- NBP completed the development of a system combining short-term forecasts of basic macroeconomic variables. The system is probabilistic in nature. The aggregate forecast and the component forecasts are represented by the whole predictive distribution. The components used in the system are subject to evaluation. The system also allows for the introduction of new specifications, as well as a modification of the combination methods.
- Some equations of the basic forecasting model (NECMOD) were re-specified. In particular, household financial assets were included in the demand module to order to increase the role of the financial sector. The change improved the forecasting and simulation properties of the model.
- Selected equations were re-specified and the entire SoePL model was re-estimated in order to improve the quality of the mapping of economic processes. Forecasting techniques and procedures specific to this class of model were developed and applied in the forecasting work. Moreover, work on the overall reconstruction of the model was commenced.
- A variant of the SoePL model was used to examine the correlation between the fiscal and monetary policy.
- NBP economists looked into the effectiveness of anti-cyclical regulation of the LTV for mortgage loans in a heterogeneous monetary union continued. In particular, the possibility of applying such policies to prevent bubbles in the housing market and external imbalances in the euro area peripheral countries was explored.
- The effectiveness of the DSGE class models in real and nominal exchange rate forecasting was examined.
- NBP commenced works exploring the possibility of using models with heterogeneous households in the analysis of monetary policy.
- Research was conducted to determine how the development of the residential rental market affects real estate price volatility and activity in the construction sector.

9.5 Conferences and seminars organized by NBP

In 2016, NBP organized the following international conferences:

- 19–20 May 2016: *Transformation of Central Banking*. Conference co-organized with the National Bank of Ukraine. The purpose of the conference, held in Kiev, was to create

a platform for the exchange of views between decision-makers, renowned economists and academics on monetary policy, unconventional monetary policy instruments and the interaction between monetary and fiscal policy.

- 22–24 June 2016: *5th NBP Summer Workshop*. The annual meeting of Polish economists conducting research on macroeconomics and finance in major foreign and domestic centres.
- 15–16 September 2016: *International Trade and Macroeconomic Interdependence in the Age of Global Value Chains*. The conference addressing global value chains, organized jointly with the National Bank of Lithuania, the Center for Economic Policy Research (CEPR) and the Central Bank Research Association (CEBRA).
- 14 October 2016: *Central Europe's Growth Perspectives in a "New Normal" World*. Another conference in the series of NBP's annual conferences devoted to the future of the European economy. The conference discussed the ways to overcome development constraints stemming from the new economic situation in the world economy, marked by lower economic growth and a slowdown in labour productivity growth.
- 21–22 November 2016: *NBP Workshop on Forecasting*. The workshop was aimed to exchange knowledge and experience on the methods of forecasting key macroeconomic variables (e.g. inflation, output, GDP) at central banks and other forecasting institutions.

In addition, 28 open-to-public academic seminars were held, covering a wide range of issues related to monetary policy, economy, financial system and other aspects of economic policy. Their list is presented in Appendix 6.

9.6 Research cooperation with the scientific community

In 2016, under the NBP Visiting Researcher Program, the total of 10 foreign researchers selected in the competition were hosted by NBP.

In 2016, reports from 6 research projects carried out during competitions for NBP research projects to be implemented by NBP staff and other persons were accepted. In 2016, for the eighth time, the NBP competition for research projects was announced. It will give rise to further projects.

Highlights of 2016:

- improvement of the forecasting tools, and completion of numerous modelling, analytical and research projects devoted to developments observed in the Polish and in the global economy,
- publication of 109 research papers by NBP staff, with 17 appearing in journals comprised by the ISI Master Journal list,
- 5 international scientific conferences and 28 open-to-public scientific seminars.

Chapter 10

Statistics



Statistics¹

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

10.1 Core tasks with respect to statistics

The core tasks of NBP relating to statistics include the collection, processing and ongoing analysis of statistical data and the development of methodology for gathering and presenting data in accordance with international standards.

In 2016, NBP continued the ongoing development and provision of statistical compilations, analytical materials and publications addressed to both internal recipients at the bank and external recipients. The most important of these include:

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

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

Moreover, in 2016 NBP:

- Conducted research concerning sectoral risk within the framework of Risk Assessment Working Group of the European Commission.²

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

² Risk Assessment Working Group – a working group operating within ECCBSO (The European Committee of Central Balance-Sheet Data Offices) operating under the auspices of the European Commission.

- Jointly with the National Bank of the Republic of Belarus carried out a research project concerning the methodology for seasonal adjustment of time series of key economic indicators.
- Continued analyses of the propensity of households in Poland to save.

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

In 2016, NBP continued cooperation in statistics with international institutions, predominantly with the ECB, the European Commission, in particular with Eurostat, the Committee on Monetary, Financial and Balance of Payments Statistics (CMFB), the European Banking Authority (EBA), and the European Systemic Risk Board (ESRB).

10.2.1 Monetary and financial statistics

In 2016, NBP provided the ECB with harmonised data on the consolidated balance sheet of monetary financial institutions (MFIs), as well as interest rate statistics and investment funds statistics.

Moreover, in 2016 NBP:

- Continued the development of the new monetary statistics reporting system MONREP, including drafting regulations concerning the scope and procedure of reporting data submission to NBP³ via the new system (the launch of the system is scheduled in July 2017).
- Participated in the work of the ECB's Working Group on Monetary and Financial Statistics, including the work related to the preparation of the regulation concerning the statistical reporting requirements in relation to pension funds and in the work related to establishing the European Reporting Framework, as well as in the activities of the Working Group on Analytical Credit Datasets, related to the project on construction of a harmonised database of single credits.
- In cooperation with the Office of the Polish Financial Supervision Authority, started the acquisition of new reporting data from insurance undertakings.
- Continued to develop cooperation with the ECB and central banks of the EU as regards enhancing the subject scope of the Register of Institutions and Affiliates Database (RIAD) kept by the ECB.

³ Resolution No. 71/2016 of the NBP Management Board of 22 December 2016 on the manner, detailed scope and deadlines of reporting to NBP data necessary for monetary policy purposes, periodical evaluation of the state's monetary situation and assessing the financial situation of banks as well as banking sector risk.

10.2.2 Prudential statistics

In 2016, in the area of prudential statistics, NBP:

- Under the reporting information system (SIS), implemented new reporting requirements defined in the amendment to the Commission Regulation (EU) No. 680/2014, comprising data on the liquidity coverage ratio 2 (LCR2) and additional liquidity monitoring metrics (ALMM). A significant modification of the scope of data concerning the leverage ratio (LR) was also performed.
- Cooperated with the European Banking Authority (EBA). Participated in the peer review of the quality of reporting processes conducted by the EBA in each of the EU member states subject to reporting obligations arising from the Commission Implementing Regulation (EU) No. 680/2014. Participated in the activities of the Standing Committee on Accounting, Reporting and Auditing (SCARA) operating within the EBA, and its subgroups: Subgroup on Reporting, Subgroup on XBRL and Subgroup on Liquidity, operating within the Standing Committee on Regulation and Policy.
- Participated in the activities of ECB working groups: Working Group on Supervisory Statistics and Expert Group on Data Quality.
- Continued submission of reports to ECB in the scope of financial reporting and capital adequacy (Consolidated Banking Data).

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

In 2016, NBP:

- Participated in the activities of international working groups: Working Group on External Statistics at the ECB, Working Group on Balance of Payments Statistics at Eurostat and Working Group on International Investment Statistics at OECD.
- Participated in the work related to the implementation, on the EU level, of the integrated reporting by non-financial corporations for the needs of balance of payments statistics.
- Continued surveys on the economic situation of Poles working in the EU countries.
- Published a report of the survey prepared in cooperation with the Centre of Migration Research concerning the citizens of Ukraine working in Poland.

10.2.4 Other statistics

Other key statistical activities covered the following areas:

- Financial accounts statistics: NBP participated in the activities of the Working Group on Financial Accounts operating within the ECB and in the works related to quality assurance

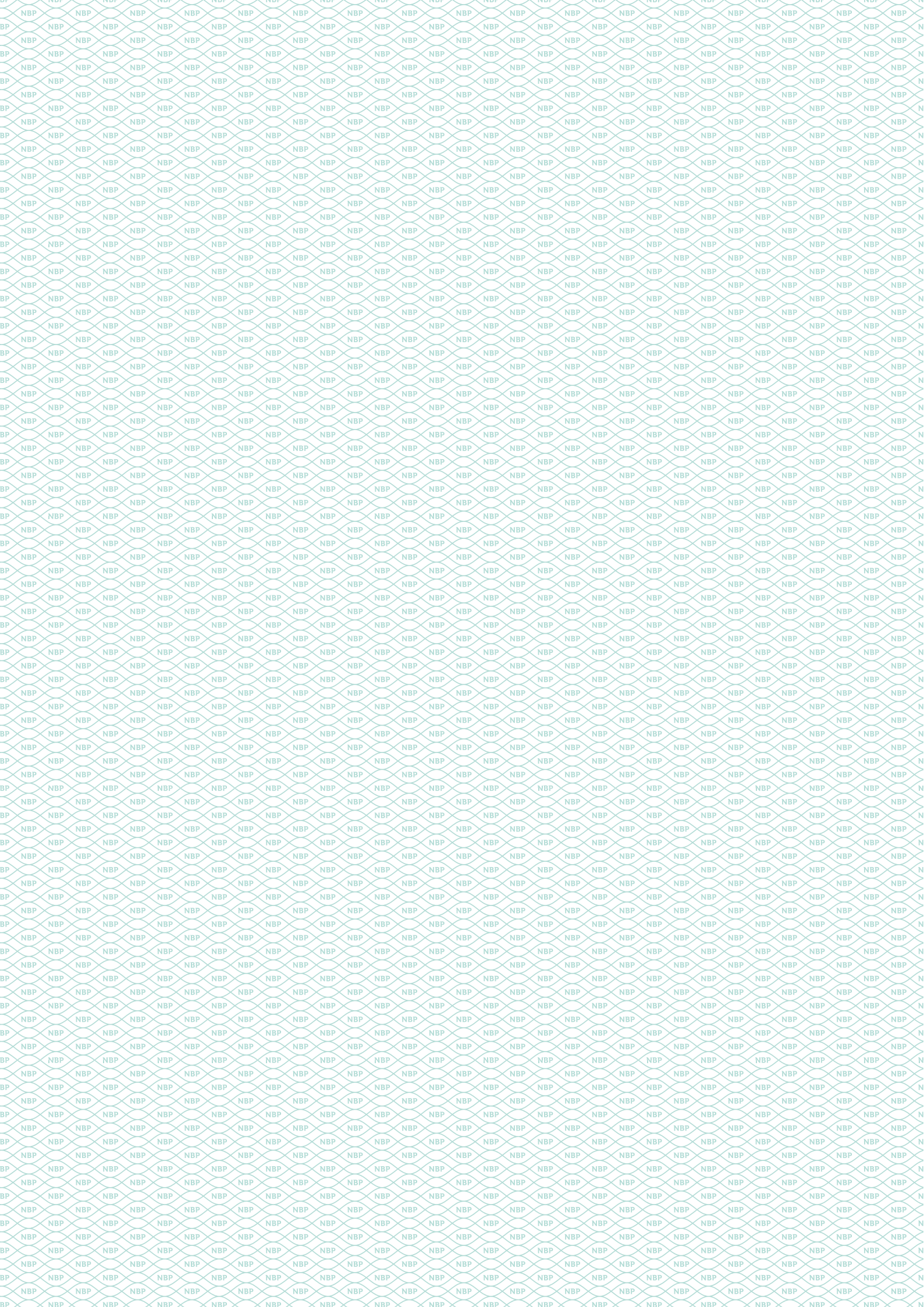
of data used in the procedure of macroeconomic imbalances in the EU, carried out within the Committee for Monetary, Financial and Balance of Payments Statistics (CMFB).

- General government sector statistics: NBP participated in the work of the Working Group on General Government Statistics appointed by the President of the Central Statistical Office as well as in the work of the Working Group on Government Finance Statistics at the ECB.
- Real sector statistics: NBP continued to cooperate within the BACH working group,⁴ in particular, in the scope of data analysis and quality improvement. In 2016, NBP prepared and presented a design of a modern tool for visualisation of data from the BACH database.
- Statistics on securities investments: NBP started gathering reporting data on securities investments in from banks, continued work related to the possibility of gathering such data from other investment firms and participated in the work of the Working Group on Securities Statistics at the ECB.

Highlights of 2016:

- continuation of construction of a new monetary statistics reporting system MONREP,
- commencement of gathering new scope of data from insurance undertakings, in cooperation with the Office of the Polish Financial Supervision Authority,
- implementation of new reporting requirements set forth by the Commission Regulation (EU) No. 680/2014, under the reporting information system (SIS),
- commencement of data gathering in the scope of investment in securities.

⁴ Working Group on Bank for the Accounts of Companies Harmonised – the working group operating within the European Committee of Central Balance-Sheet Data Offices (ECCBSO).



Chapter 11

Education and information



Education and information

The educational activity of NBP is related to the tasks specified in Article 59 of the Act on Narodowy Bank Polski, pursuant to which the central bank carries out publishing and promotional activities. As part of these, the bank runs projects which aim to increase the transparency of the Bank's activities and to raise public awareness about the principles of operation of the central bank, the banking system and a market economy.

11.1 Education

11.1.1 Economic Education Programme

As part of NBP's educational activity, projects are implemented which aim to popularise knowledge on the principles of functioning of a financial market, develop attitudes fostering its stability and growth, enhance knowledge of economic issues, including in the scope of the role and mission of the central bank as well as develop entrepreneurship-friendly behaviours, counteract financial exclusion and popularise knowledge concerning the economic heritage, history of money and new trends in economics.

In 2016, NBP organised competitions for the NBP President Award for the best MA dissertation, PhD and post-doctoral thesis in the scope of economic sciences as well as distinguished books in the field of banking and finance, and competitions for essays for the youth from upper secondary schools concerning personal finance management.¹

Moreover, NBP subsidised 170 educational projects addressed to various social groups, including schools,² university students, seniors and persons exposed to financial exclusion.

Narodowy Bank Polski finances educational projects on the basis of opinions issued by collective bodies established for this purpose. Opinions on projects with the value exceeding PLN 30 thousand are issued by the Council for Economic Education, the opinion-making and advisory body at the Management Board of NBP. It comprises representatives of social and professional communities associated with the educational and scientific activity, social communication and financial policy. In 2016, co-financing was granted to 37 educational projects which received the opinion of the Council. Projects with the value below PLN 30 thousand, usually of local nature, are evaluated by the Commission for the Support of Social Educational Initiatives established at NBP. In 2016, co-financing was granted to 133 educational projects which received the opinion of the Commission.

All educational projects implemented in 2016 were evaluated. NBP employees as well as external research agencies selected under a tendering procedure participate in the evaluation. The Council for Economic Education and the Commission for the Support of

¹ The topics of the works include: *Czy tylko skarbonka?* ["Is it only a money-box?"], *Jak oszczędzać pieniądze, których nie widać?* ["How to save money which is invisible?"] and *Mądre i odpowiedzialne zadłużanie się – jak unikać pułapek kredytowych?* ["Wise and responsible borrowing – how to avoid credit traps?"].

² The activities covered 200 thousand students and 3.6 thousand teachers.

Social Educational Initiatives play a significant role in the evaluation process, formulating conclusions and recommendations providing basis for the evaluation of projects.

In 2016, NBP carried out a social survey diagnosing the status of economic knowledge and awareness of students in Poland. It will allow for updating their educational needs in this scope.

11.1.2 Sławomir S. Skrzypek NBP Money Centre

In 2016, an exposition and educational facility, the Sławomir S. Skrzypek NBP Money Centre was launched. Its main task is to bring the history of money and its role in the social and economic policy of Poland and the world closer to the public. The Centre offers modern interactive exhibitions, approx. 10 thousand exhibits and educational programmes addressed mainly to young people from schools and universities. Visiting the exhibition and use of educational activity of the NBP Money Centre is free of charge.

The opening ceremony of the facility was held on 20 April 2016 and it was opened to visitors on 14 May 2016. In 2016, the total of 25 thousand people visited the Centre (approx. 13.5 thousand individually and approx. 11.5 thousand within school groups).

The NBP Money Centre received the *Facility without barriers* certificate issued by the Integration Foundation, confirming the availability of the exhibition to persons with various forms of disability.

In 2016, digitisation of the collections was started, the website and Facebook profile were launched and evaluation surveys among visitors were conducted.

11.1.3 Economic Education Portal – NBPortal.pl

NBPortal.pl is one of the longest operating education services in Poland. It is addressed mainly to the students of lower and upper secondary schools, university students and teachers. The portal objectives include promoting knowledge of economy, market mechanisms and running a business activity, on the functioning of banks and financial markets.

NBPortal.pl currently offers extended and technologically-upgraded educational materials, including presentations and multimedia games, crosswords, strip cartoons, quizzes, articles, reviews and lesson scenarios.

In 2016, NBPortal.pl was visited by 385 thousand Internet users (in 2015 – 228 thousand).

11.1.4 IMPULS Club of Entrepreneurial Teachers

As part of NBPortal.pl, the IMPULS Club of Entrepreneurial Teachers operates, bringing together over 700 teachers from lower and upper secondary schools from all over Poland.

In 2016, IMPULS Club members had the opportunity to participate in 18 educational projects and competitions and 11 workshops in the area of economics, finance and entrepreneurship.

11.2 Information and promotion

11.2.1 Information and promotion campaigns

In 2016, NBP carried out the following information and promotion campaigns:

- *Bezpieczne pieniądze* ["Safe Money"]. NBP prepared a nationwide information campaign on the introduction into circulation in February 2016 of the banknote with the face value of 200 zł with modernised security features.
- *Nie daj się nabrać. Sprawdź, zanim podpiszesz* ["Don't let yourself be cheated. Check before you sign"]. NBP continued activities aimed at drawing public attention to the risks associated with concluding certain financial agreements, including agreements on so-called easy loans, and concluded with financial institutions that are not subject to special state oversight.

In 2016, NBP was also preparing to the nationwide information campaign on the issue of the banknote with the face value of 500 zł in February 2017.

11.2.2 Presentation of NBP's activity on the Internet

In 2016, seeking to present NBP's activity on the Internet, the following was provided:

- The live broadcasting (streaming with simultaneous interpretation) of the press conferences of the MPC and international conferences organised by NBP continued.
- The NBP Internet channel (NBPTv on YouTube) and NBP Facebook and Twitter websites were run.
- The ObserwatorFinansowy.pl Internet portal (version in English: FinancialObserver.eu) was edited; collaboration with the academic and school community (including through participation in the organisation of the annual Conference of Finance Departments and the competition called: *Gdyby to zależało ode mnie, to...* ["If it were up to me..."]) and with the community of economic experts was continued; the Spot On charge-free mobile application was still developed, containing selected publications of the portal.

In 2016, the NBP.pl website was visited by more than 6.94 million Internet users (in 2015 – 6.8 million).

11.2.3 Liaising with the media and market analysts

While liaising with the media in 2016, NBP:

- informed of reports and analyses prepared at the Bank, including reports on monetary policy, financial system (in particular, macroprudential supervision), payment system and the development of the macroeconomic situation,
- presented the current activity of NBP, including activities related to issue of banknotes and coins,
- organised the 14th edition of the Władysław Grabski competition,
- organised meetings with journalists and press conferences, including those following the Monetary Policy Council meetings and the publication of the most important NBP reports.

11.2.4 Other information and promotion activities

Other information and promotion activities of NBP in 2016 included the following:

- promotion of collector coins and notes via nationwide and regional press and radio campaigns, as well as special events (ceremonial presentations, numismatic exhibitions),
- organisation of the 13th edition of the NBP Open Days (under the slogan: Poznaj NBP – “Get to Know NBP”) which attracted more than 22 thousand persons (in 2015 – also 22 thousand),
- further work to implement a comprehensive NBP visual identification system.

11.3 Publishing and Library

In 2016, the following periodic and non-periodic publications were issued: *Report on the Operations of Narodowy Bank Polski in 2015*, *Narodowy Bank Polski Plan of Activity for 2017–2019*, *Annual Report 2015*, *Banking Sector Liquidity Report*, *Monetary Policy Instruments*, *Monetary Policy Guidelines for 2017*, *Report on Monetary Policy Implementation in 2015*, *Financial System in Poland in 2015*, *Inflation Report – March, July and November 2015*, *International Investment Position of Poland in 2015*, *Alternative Monetary Policy Strategies*, *Household Wealth and Debt Survey*. Moreover, the following publications were issued: *Bank i Kredyt (Bank and Credit)*, *Bankoteka*, *Information Bulletin*, *Preliminary Information*, *Perspektywy rozwoju obrotu bezgotówkowego* [“Development Outlook of Non-Cash Transactions”], *Bankowy zawrót głowy* [“A banking vertigo”], *Dobre rady Pani Róży* [“Good advice of Ms Róża”], *Karty płatnicze – co warto o nich wiedzieć* [“Payment cards – What you should know”], *Bezpieczne pieniądze* [“Safe money”], publication of *Materiały i Studia* and *NBP Working Papers* series (for a detailed list of publications in 2016, see Appendix 6). Most publications are in two language versions: Polish and English. Moreover, as part of cooperation with the European Central Bank, NBP published quarterly summaries of the *ECB Economic Bulletin* on the NBP website.

In 2016, the NBP Central Library was visited by approximately 10 thousand readers. A total of 13 thousand books and periodicals were made available. The collection of the NBP Central Library comprises over 143.5 thousand book volumes (in 2016, the collection expanded by 3.5 thousand books). In 2016, the library premises were modernised, among others, by adapting them to the needs of the disabled.

11.4 Petitions, complaints, requests and letters

In 2016, NBP dealt with 4,533 queries (4,356 in 2015), of which 4,368 came in the form of letters (4,232 in 2015) and 165 as complaints and applications for making public information available (124 in 2015).

Out of all these cases, 4,098 were examined directly at NBP, whilst 435 were handed over to banks and other institutions, in line with their remit and areas of responsibility.

Similar to 2015, the cases handled at NBP concerned many issues, including: commercial banks' credit and deposit activity, historical information on the activity of commercial banks and financial institutions, indication of the legal successors of liquidated banks, interpretation of legal regulations, cash and issue and collector issues, HR and social issues, applications for NBP patronage, statistical data and making publications or NBP data available.

Highlights of 2016:

- making the exposition and educational facility, the NBP Money Centre, available to visitors,
- continuation of NBP information campaigns "Safe Money" and "Don't let yourself be cheated. Check before you sign".

Chapter 12

Legislative activity



Legislative activity¹

12.1 Legislation by the NBP governing bodies

In 2016, the governing bodies of NBP issued 162 legal acts, including 35 by the President of NBP, 6 by the Monetary Policy Council, and 121 by the Management Board of NBP. Out of the legal acts issued by the governing bodies of NBP, 29 were published in *Monitor Polski* (the Official Gazette of the Republic of Poland) and 12 in the Official Journal of Narodowy Bank Polski.

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

Pursuant to the Act on Narodowy Bank Polski, NBP cooperated with the state authorities by issuing opinions on draft normative acts regarding economic policy and with relevance to the banking system. Through these activities NBP sought to ensure the stability of the financial system and the safety and development of the banking system.

In 2016, NBP received:

- 930 documents as part of the work of the Committee of the Council of Ministers and 237 documents as part of inter-ministerial consultations,²
- approximately 1200 documents as part of the work of the Committee for European Affairs,
- 64 draft acts from the Chancellery of the Sejm, the Chancellery of the Senate and the Chancellery of the President.

In 2016, NBP representatives participated in 19 consultative conferences, 12 legal committees, as well as in 53 meetings of Sejm and Senate committees and subcommittees.

The most important draft legal acts on which NBP issued opinions in 2016, which do not directly regard the banking sector (the most important legal acts on the banking sector are discussed in detail in Section 12.3), include:

- Bills which subsequently became:
 - the Act of 31 March 2016 amending the Act on Investment Funds and Some Other Acts (Journal of Laws of 4 May 2016, item 615),
 - the Act of 13 April 2016 amending the Act on Personal Income Tax, the Act on Corporate Income Tax and the Act on Freedom of Economic Activity (Journal of Laws of 4 June 2016, item 780),

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

² Among these documents 218 are bills.

- the Act of 6 July 2016 on Retail Sales Tax (Journal of Laws of 1 August 2016, item 1155, as amended),
 - the Act of 5 September 2016 on Trust Services and Electronic Identification (Journal of Laws of 29 September 2016, item 1579),
 - the Act of 21 October 2016 amending the Act on Old-Age and Disability Pensions Paid from the Social Security Fund (Journal of Laws of 15 December 2016, item 2036).
- Bills which subsequently became:
 - government Bill amending the Act – the Code of Civil Procedure and Some Other Acts,
 - government Bill on Insurance Distribution,
 - government Bill on the Principles of Management of State Property with the Bill,
 - provisions implementing the Act on the Principles of Management of State Property,
 - government Bill on Real Property Rental Market Companies,
 - government Bill amending the Act – the Code of Administrative Procedure and Some Other Acts,
 - government Bill on the National Housing Fund and Transfer of State-Owned Land for Housing Construction Purposes.

In 2016, NBP participated in the works of the Committee of European Affairs, in particular, by issuing opinions on draft national legislation (including The Act on Mortgage Loans and Supervision Over Mortgage Brokers) and draft official positions of the Government of the Republic of Poland concerning proposals of EU documents and legislation.

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

- the Bank Guarantee Fund,
- the Polish Financial Supervision Authority,
- the Financial Stability Committee,
- the Polish Accounting Standards Committee,
- the Export Insurance Policy Committee,
- the Financial Market Development Council,
- the Social Dialogue Council.

12.3 Draft legislation related to the operation of the banking system

Narodowy Bank Polski issued opinions on:

- Bills which subsequently became:
 - the Act of 11 March 2016 amending the Act on the Bank Guarantee Fund and the Act on the Operation of Cooperative Banks, their Associations and Associating Banks (Journal of Laws of 22 March 2016, item 381),
 - the Act of 10 June 2016 on the Bank Guarantee Fund, the Deposit Guarantee Scheme and Compulsory Restructuring (Journal of Laws of 8 July 2016, item 996),
 - the Act of 30 November 2016 amending the Act on Payment Services and Some Other Acts (Journal of Laws of 9 December 2016, item 1997).

- Bills which subsequently became:
 - government Bill amending the Act – the Banking Law and Some Other Acts,
 - Bill of the President of the Republic of Poland on Rules of Reimbursement of Certain Payables Arising From Loan and Credit Agreements,
 - parliamentary Bill on Particular Principles for Foreign Currency Mortgage Loan Restructuring due to the Alteration of Exchange Rate of Foreign Currencies to Polish Currency,
 - government Bill on Building Societies and State Support to the Saving for Housing Purposes,
 - government Bill on Mortgage Loans and Supervision Over Mortgage Brokers,
 - government Bill amending the Act – the Penal Code and Some Other Acts,
 - government Bill Amending the Act – the Civil Code.

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

In 2016, NBP participated in assessing 61 proposals for legislative acts on which the ECB issued opinions.³ The ECB opinions on draft Community laws related to:

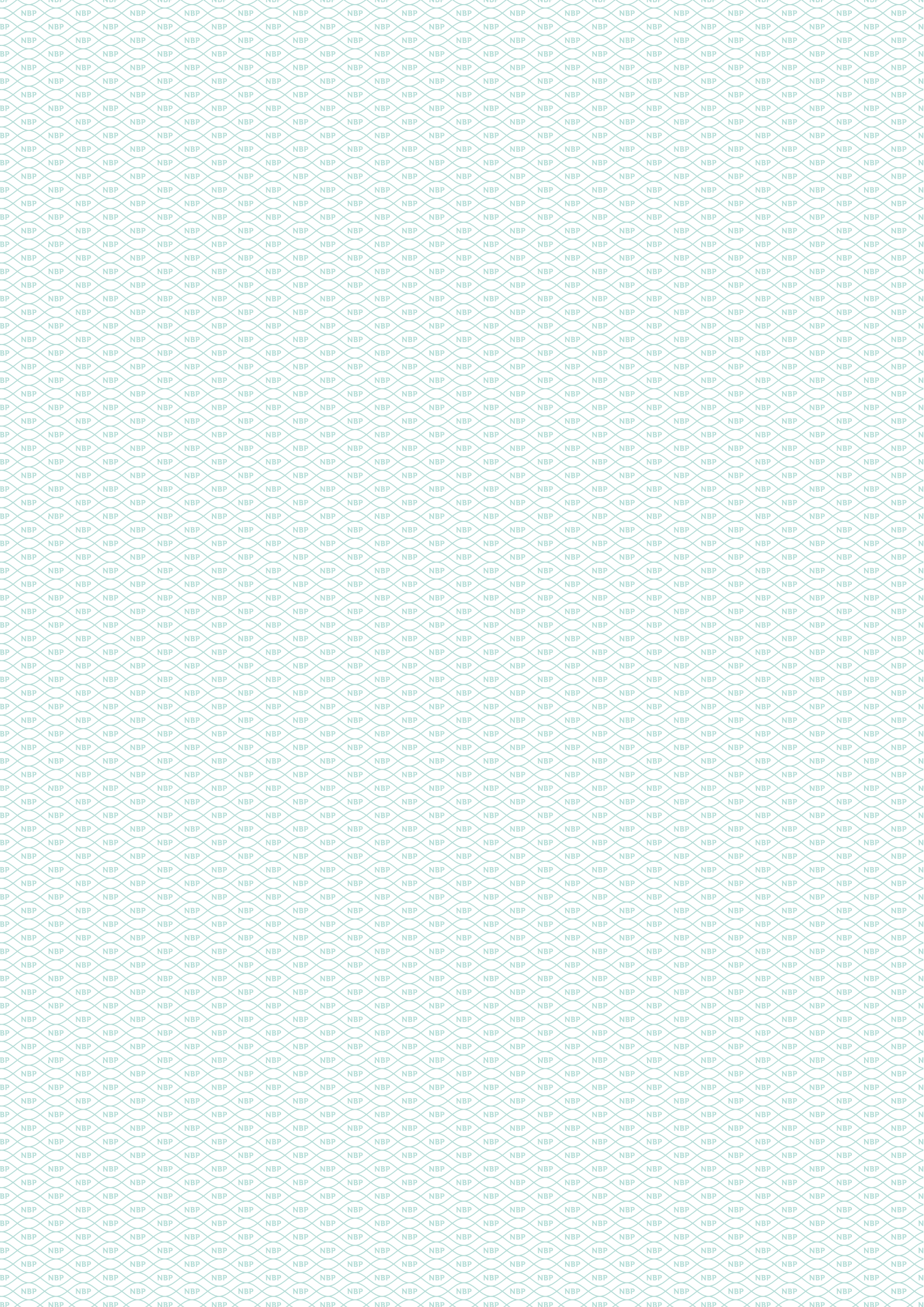
- a proposal for a regulation amending Regulation (EU) No. 575/2013 on prudential requirements for credit institutions and investment firms,
- a proposal for a regulation of the European Parliament and of the Council laying down common rules on securitisation and creating a European framework for simple, transparent and standardised securitisation,
- a proposal for a regulation of the European Parliament and of the Council amending Regulation (EU) No. 806/2014 in order to establish a European Deposit Insurance Scheme,
- a proposal for a regulation amending Regulation (EU) No. 600/2014 on markets in financial instruments, Regulation (EU) No. 596/2014 on market abuse and Regulation (EU) No. 909/2014 on improving securities settlement in the European Union and on central securities depositories as regards certain dates, and a proposal for a directive amending Directive 2014/65/EU on markets in financial instruments as regards certain dates,
- a proposal for a regulation of the European Parliament and of the Council amending Regulation (EU) No. 345/2013 on European venture capital funds and Regulation (EU) No. 346/2013 on European social entrepreneurship funds,
- a proposal for a directive of the European Parliament and of the Council amending Directive (EU) 2015/849 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing and amending Directive 2009/101/EC.

Consultations also concerned numerous national draft acts of EU Member States, including Polish draft acts set out in item 12.2 and 12.3. They regulate, among other things, the issues related to financial transactions, deposit guarantee schemes, and the implementation of the Bank Recovery and Resolution Directive.

³ According to the provisions of the Treaty on the Functioning of the European Union and the Statutes of the ESCB and the ECB, the 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.

Highlights in 2016:

- participation in the work of the state authorities concerning draft acts with relevance to the banking system,
- issuing opinions on proposals of EU legislation and draft acts from EU Member States, including those related to bank recovery and resolution, protection of deposits and payment services.



Chapter 13

International activity



International activity¹

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

In 2016, NBP representatives participated in the activities of EU bodies, including: the General Council of the ECB, the General Council of the ESRB, committees and working groups of the ESCB and ESRB, the Council of ECOFIN (informal meetings), committees and working groups of the Council of the European Union and the European Commission. The focus was on issues related to the banking union, including the implementation of the Bank Recovery and Resolution Directive (BRRD), the Deposit Guarantee Scheme Directive (DGSD) as well as initiatives related to building the capital markets union.

13.1.1 Cooperation within the European System of Central Banks

NBP representatives participated in the work of the ESCB to the extent resulting from the status of the central bank of a Member State which remains outside the euro area. In 2016, the President of NBP participated in quarterly meetings of the ECB General Council (the decision-making body of the ECB). As part of its remit, the General Council issues opinions on legislative acts adopted by the ECB Governing Council, contributes to the performance of statistical reporting responsibilities and participates in determining irrevocable exchange rates in countries joining the euro area.

The ECB General Council's meetings primarily addressed issues relating to the macroeconomic situation of the EU Member States, monetary policy of the countries outside the euro area, stress tests and the monitoring of central bank activities with regard to the prohibition of monetary financing of the public sector with central bank funds² and prohibition of privileged access.³

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

- the macroeconomic situation in EU countries,
- potential economic consequences of the United Kingdom's exit from the UE,
- the agreement between the ECB and Eurostat concerning quality assurance of data used in the procedure related to research on the EU macroeconomic imbalances procedure (MIP),
- the common code of good practice (*Global FX Code*) related to the activity in the foreign exchange market,
- building of the harmonised database of single credits (AnaCredit), for the purpose of data collection and processing with the use of national borrowers' registers,

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

² This follows from Article 123 of the Treaty on the Functioning of the European Union.

³ This follows from Article 124 of the Treaty on the Functioning of the European Union.

- the TARGET2-Securities platform,
- accounting and financial reporting of central banks of the ESCB,
- euro banknote counterfeiting.

Moreover:

- In June 2016 the meeting of Counterfeit Experts' Group was held in Warsaw – a working group operating under the ESCB Banknote Committee (BANCO), dealing with the protection of euro banknotes against counterfeiting.
- Upon the invitation of the European Central Bank, NBP was a co-organiser of the Polish modern art exhibition on the ECB's premises in Frankfurt am Main. The exhibition was a part of the cycle of exhibitions devoted to the contemporary arts of EU member states and lasted from May to June 2016.

13.1.2 Collaboration with other EU bodies

In 2016, NBP representatives participated in the activities of the following EU bodies:

- Council of ECOFIN (informal meetings),
- the Economic and Financial Committee of the Council of the EU,
- committees and working groups of the European Commission,
- the Committee for Monetary, Financial and Balance of Payments Statistics (CMFB) and working groups of the Eurostat.

13.2 Collaboration with international economic and financial institutions

13.2.1 The World Bank Group

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

- Spring and Annual Meetings of the Boards of Governors of the World Bank (WB) and the International Monetary Fund (IMF) in Washington (in April and in October); during the October meeting, the works concerning the formula for calculating membership quota in the WB were finished (to be used during the review of the quota in 2017);
- the meeting of representatives of member states of the WB constituent (where Poland is a member), organised in Kazakhstan;
- negotiation meetings in the framework of the works concerning the 18th Replenishment of the International Development Association (IDA). Within the negotiations, the decision was made to increase the IDA's budget to USD 75 billion. The funds will be allocated, among others, to the implementation of institutional reforms (including those related to prevention of financial fraud) and projects addressed to countries facing crisis, including the situation associated with the inflow of refugees. In the scope of the 18th Replenishment, Poland will provide a support of EUR 17.3 million to IDA (the amount is twice as high as before; the funds come from the state budget).

13.2.2 The International Monetary Fund (IMF)

As part of cooperation with the International Monetary Fund in 2016, NBP:

- participated in meetings with IMF representatives, including, during the IMF's mission to Poland, held pursuant to article IV of the Agreement of the IMF,
- jointly with the Ministry of Finance, took part in issuing opinions on documents assessed by the Executive Board of the IMF,⁴
- was a co-organiser of the presentation of the IMF report devoted to the development outlook of the world economy (*World Economic Outlook*).

As part of increasing membership quota in the IMF,⁵ Poland took up new shares in the Fund (NBP paid for the quota on 2 February 2016). Consequently, the quota of our country in the IMF increased from the level of SDR 1 billion 688.4 million to SDR 4 billion 95.4 million.

Narodowy Bank Polski continues the activities aimed at temporary increase of financial resources of the IMF:

- In November 2011, NBP joined New Arrangements to Borrow (NAB).⁶
- In March 2013, NBP concluded a bilateral loan agreement with the IMF for the maximum amount of EUR 6.27 billion. Due to the approaching term of expiry of individual loan agreements in the second half of 2016, the IMF carried out talks with all signatories (including NBP) concerning a possible extension of the agreements. Pursuant to the resolution of the NBP Management Board of October 2016, the term of the agreement was extended for the subsequent period, for the same amount. The agreement is effective until the end of 2019 and may be extended by one year, subject to NBP's approval.

The funds made available by NBP to the IMF both under NAB, and under the bilateral loan agreement will retain their status as foreign reserves. Until the end of 2016, the IMF did not use the bilateral agreement whereas funds were disbursed under NAB: as at the end of 2016, the IMF used the equivalent of SDR 225.15 million.⁷

Moreover, in 2016 NBP, jointly with the Ministry of Finance, carried out works related to Poland's access to the Flexible Credit Line (FCL).⁸ On 13 January 2017, the IMF Executive Board decided to grant Poland access to the FCL for the consecutive two years. In accordance with the request of the Polish authorities, the level of funds made available under the FCL

⁴ In November 2016, a representative of Poland took the chairmanship of the IMF constituent of which Poland is a member (the chairmanship has a rotational character).

⁵ As a result of entry into force on 26 January 2016 of the 2010 Resolution of the IMF Board of Governors concerning the increase of membership quota under the 14th General Review of Quotas and the reform of the IMF Executive Board.

⁶ NBP stands ready to extend to the IMF an interest-bearing loan up to the amount corresponding to SDR 1.29 billion. Upon NBP's joining the NAB in 2011, this limit amounted to SDR 2.53 billion. In connection with the payment of the new membership quota in the IMF by NBP, as of 2 February 2016, the limit was reduced to the current level of SDR 1.29 billion (limits of other NAB members were also decreased). In February 2017, the Management Board of NBP approved the continuation of NBP participation in the NAB until November 2022 at the current aforementioned level of financial commitment.

⁷ In 2011–2016, NBP granted loans to the IMF under the NAB in the total amount of SDR 451.2 million and received the repayment of the loan in the total amount of SDR 226.05 million.

⁸ NBP operates the FCL as the financial agent of the Government of the Republic of Poland, under Article 52(3) of the Act on NBP.

was reduced by half,⁹ currently amounting to SDR 6.5 billion (approximately USD 8.8 billion according to the average exchange rate of NBP as at 12 January 2017).

13.2.3 The European Bank for Reconstruction and Development (EBRD)

In 2016:

- The 25th annual meeting of the Board of Governors of the European Bank for Reconstruction and Development was held in Tbilisi. During the meeting, 25 years of the EBRD activity were summarised and the former president, Suma Chakrabarti was elected for the next, four-year term of office.¹⁰
- NBP organised the annual meeting of representatives of EU-11,¹¹ where cooperation of the EBRD with this group of countries was discussed.
- In the NBP office, a meeting was held organised in cooperation with the Ministry of Foreign Affairs and the Warsaw Resident Office of the EBRD – it was another in a series of seminars for Polish entrepreneurs, devoted to the possibility to participate in EBRD projects outside Poland.

13.2.4 The Bank for International Settlements (BIS)

In 2016, NBP representatives participated in six Governors' meetings of BIS. In June 2016, the annual General Meeting of BIS Shareholders was held, which approved the BIS 86th Annual Report and the balance sheet of the Bank as at 31 March 2016. The profit and loss account posted a net profit of SDR 413 million, of which SDR 120 million was allocated for the payment of the dividend. Narodowy Bank Polski received a dividend amounting to SDR 1.72 million.

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

In 2016, NBP experts participated in meetings of committees and working groups of the OECD and in the activities under the OECD International Network on Financial Education.

In February 2016, the summary of the 14th Economic Survey of Poland was held with the participation of NBP representatives. The subjects discussed at the meeting included, in particular: migration, upgrading employee competence and development of infrastructural investment.

⁹ On 14 January 2015, the IMF Executive Board decided to grant Poland access to the FCL in the amount of SDR 15.5 billion (approx. USD 22.1 billion). As part of the mandatory periodical review (January 2016), on the request of the Polish authorities addressed to the IMF, the amount of access to the FCL was reduced to SDR 13 billion (approx. USD 17.6 billion).

¹⁰ The Polish candidate for this position was Marek Belka, President of NBP in 2010–2016.

¹¹ EU-11 is a group of 11 European Union member states comprising: Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, Slovenia, Croatia.

In November 2016, NBP representatives attended meetings with the members of the review mission by OECD Secretariat, which was preparing the next, 15th Economic Survey of Poland.

13.2.6 The International Bank for Economic Cooperation (IBEC)

In 2016, representatives of NBP, together with representatives of the Ministry of Finance, participated in meetings of the IBEC Council and working meetings related to the activities of the Bank.

13.2.7 The Asian Infrastructure Investment Bank (AIIB)

As of 15 June 2016, Poland joined the Asian Infrastructure Investment Bank. Our country took up shares in this bank and NBP launched the cooperation with the Ministry of Finance involving issuing opinions on documents concerning the AIIB policy and planned infrastructural projects.

Due to the fact that a representative of NBP acts in the capacity of the Deputy Governor at the AIIB,¹² NBP representatives also participated in:

- the meeting of the AIIB Board of Governors in Beijing in January 2016 during which the operations of the bank were launched,
- the annual meeting of the AIIB Board of Governors in Beijing in June 2016, during which the performance of the bank in the first six months of its operations was evaluated.

13.2.8 Other activities on the international arena

As part of its activity on the international arena, NBP takes part in the organisation of international conferences and carries out activities of technical assistance offered to central banks.

In 2016, NBP organised or co-organised, together with international and domestic institutions, 18 international conferences (besides scientific conferences), including:

- conferences related to presentations of two World Bank reports (i.e. *World Bank Global Economic Prospects* and *Credit at Crossroads: Risks and Returns. Managing Financial Trade-Offs for Inclusive Growth in ECA*),
- a conference organised jointly with the World Bank on *Global Development and the Role of Multilateral Development Banks*,
- the second meeting of economists organised jointly by NBP and the Official Monetary and Financial Institutions Forum (OMFIF),
- a series of international conferences entitled *NBP Biannual EU Presidency Lecture*, in the form of lectures by presidents and governors of central banks of the countries holding the Presidency of the Council of the European Union; in 2016 lectures were delivered by the Governors of the Bank of the Netherlands (DNB) and the National Bank of Slovakia.

¹² The Minister of Economic Development and Finance acts in the capacity of the Governor.

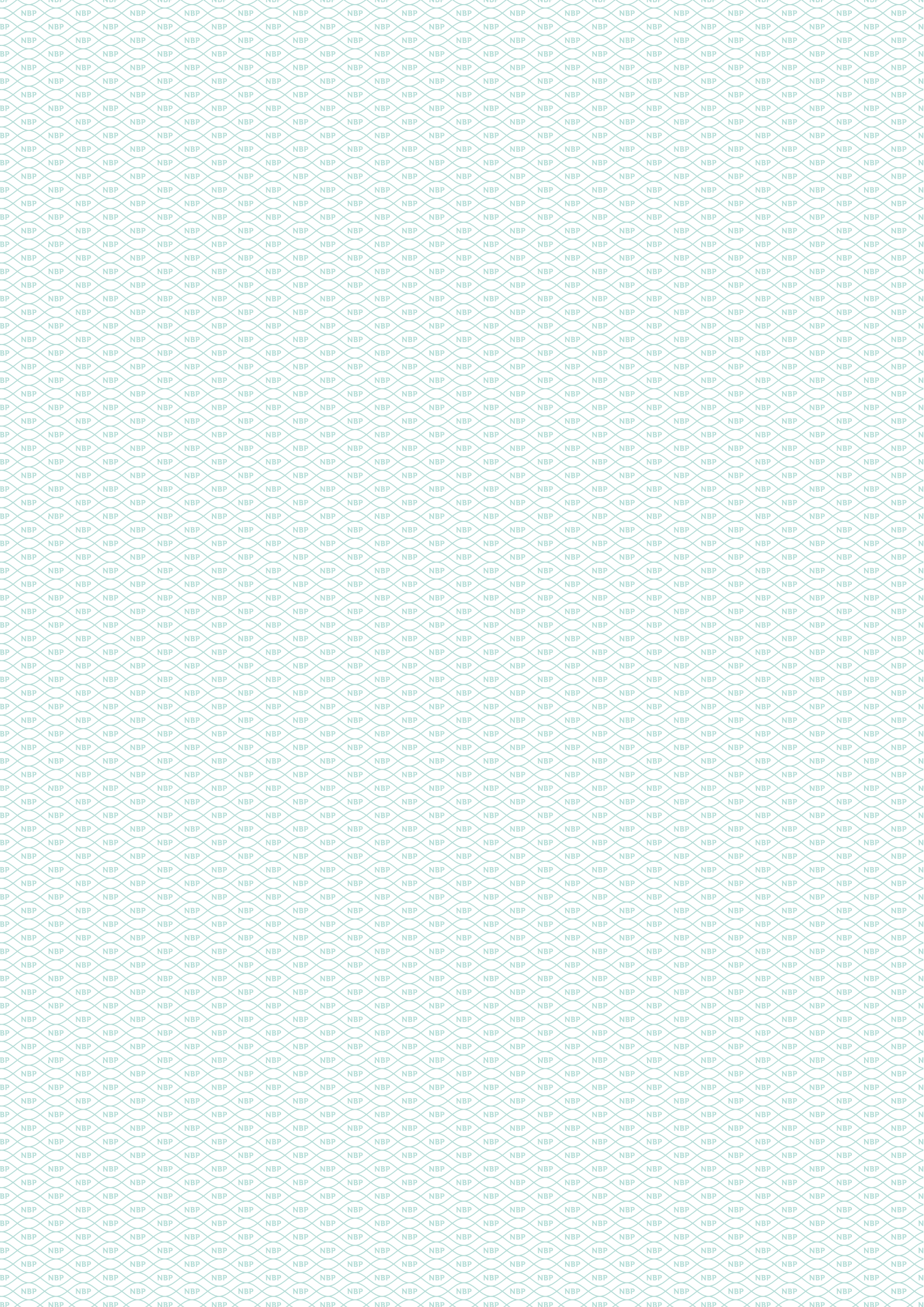
In the framework of the technical cooperation with central banks and institutions from developing countries performing tasks corresponding to those carried out by NBP, Narodowy Bank Polski carried out a total of 64 projects, including:

- 22 study visits, 24 expert visits and 3 internships,
- 7 seminars – including one in cooperation with the Swiss National Bank and one in cooperation with the Polish Security Printing Works (PWPW SA) and the Polish Mint (Mennica Polska SA), – devoted to macroprudential policy, the payment system and non-cash settlements, cash transactions, production of coins and banknotes, counteracting money counterfeiting, the public procurement procedure, ICT security management, human resources management and international collaboration of NBP,
- 8 workshops related to: DSGE modelling, Bayesian econometrics, financial risk management, statistical data analysis and seasonal adjustment of time series, monetary policy tools, monetary transmission modelling and methods of presentation of data related to direct foreign investment.

A total of 230 persons from 23 central banks took part in those projects.

Highlights of 2016:

- participation in the activities of EU bodies related to the banking union, including the implementation of the Bank Recovery and Resolution Directive (BRRD), the Deposit Guarantee Scheme Directive (DGSD) as well as initiatives related to building the capital markets union,
- co-organisation, jointly with the ECB, of a Polish modern art exhibition at the ECB's premises in Frankfurt am Main,
- organisation of the annual meeting of representatives of EU-11 states in Poland, related to the cooperation with the EBRD.



Chapter 14

Internal development of NBP



Internal development of NBP

14.1 Human resources management

14.1.1 NBP head count

In 2016, the average head count at NBP was 91 full-time posts lower than in 2015, amounting to 3,296 full-time posts. The reduction in the head count was the effect of the implementation of the Programme of Employment Optimisation at NBP¹ and the introduction of centralisation of services to account holders and concentration of banknote counting and sorting in the NBP regional branches.

Expenses related to the remuneration of NBP employees, along with the related provisions and payroll tax expenses in 2016, were 2.6% higher than in 2015 and, including provisions for future liabilities to employees, they went up by 2.8%.

The change in the NBP average head count in 2013–2016 is presented in Table 14.1.

Table 14.1 Change in the NBP average head count in 2013–2016

Specification	2013	2014	2015	2016	2016–2015
Total	3,642	3,622	3,387	3,296	-91
NBP Head Office and Support Services Office (ZUG)*	1,933	1,983	1,926	1,934	8
Regional branches	1,709	1,639	1,461	1,362	-99

* ZUG – a former organisational unit of NBP, separate from the NBP Head Office, liquidated on 31 December 2014.

Source: NBP data.

14.1.2 Developing NBP staff qualifications

The purpose of the NBP training activity is to ensure the competence and efficiency of the staff. In 2016, every employee participated, on average, in 3.8 training events (3.3 in 2015). The evaluation by NBP of the effectiveness of training sessions continued to be very high and reached 4.8 (on a scale from 1 to 5).

In 2016, the NBP Management Development Programme was continued, and measures to support new employee adaptation were undertaken.

¹ Under the programme, 541 employees ceased their employment at NBP in 2014–2016.

Moreover, in 2016:

- NBP took part in the organisation of international training events within the European System of Central Banks.
- The third edition of the programme of Internships of the NBP President for university graduates was carried out. During this edition, seven graduates were admitted and six of them completed the internship. All the participants who completed the internship received an offer of employment at NBP and accepted it. Thirteen graduates qualified for the next edition of the internship programme launched in September 2016.
- Internships for 75 students of Polish universities and 15 students of foreign universities were organised. The programme is intended for students working on their theses in finance and banking.

14.2 Operational risk management

In 2016, NBP monitored the operational risk level and pursued activities aimed at minimising the probability of the materialisation of adverse events of the nature of operational risk, arising from improper management and unreliable operation of NBP's resources or caused by external events.

In 2016, training activities increasing the awareness of risk and threats to NBP were continued, the IT system supporting operational risk management was expanded and new regulations were adopted to improve operational risk management in NBP.

Narodowy Bank Polski applies the Code of Ethics for NBP Employees in order to promote the principles of respectable, honest and professional conduct.

14.3 Investment activity of NBP

In 2016, expenditure on investment purchases of NBP amounted to PLN 119.0 million (compared to PLN 95.9 million in 2015). The increase in expenditure on investment compared to 2015 (by PLN 23.1 million) was mainly a result of higher expenditure on investment in the areas of ITC and cash and treasury activities. In turn, expenditure on construction investment declined.

Expenditure on investment in ITC in 2016 concerned mainly the replacement of servers, expansion of IT security systems, modernisation of network infrastructure as well as the implementation of new software and IT applications or the upgrading of the existing ones.

A key investment task related to cash and treasury activities was the purchase of high-performance banknote sorting machines and supplementary equipment for these machines.

The most important construction investments included the following multiannual tasks: the construction of the NBP Money Centre, the refurbishment and modernisation of the building of the NBP Regional Branch in Kraków, and the programme of modernisation of technical security systems at NBP.

14.4 IT support for the banking system and NBP

In 2016, the Electronic Procurement System (SEZ) was implemented at NBP. Thanks to the new solution, it was possible to shorten the circulation time of documents related to public procurement and to introduce the electronic order form. NBP is one of the first public institutions in Poland to have introduced this method of contract processing.

In addition, a new Bank Registration System (EWIB 2.0) and an integrated system of NBP internal and external users' identity management (ZSZT) were implemented.

Moreover, IT systems and solutions related to statistics, the payment system, monetary policy, cash-and-issue activities, services to the State Treasury and accounting were upgraded and extended.

Numerous works were carried out with a view to strengthening the protection measures against cyber threats, including preparation for the establishment of the Security Operations Centre at NBP (see 14.7).

14.5 Internal audit

In 2016, 27 audits² were conducted, including one advisory task (in 2015 – 33 audits and two advisory tasks). The audits covered most of the activities of NBP, including in particular cash-and-issue activities, IT, accounting, actions for the financial system, maintenance of accounts and deposit accounts of securities issued by NBP and the State Treasury as well as issues concerning charging fees for foreign exchange transactions. The programme of modernisation of the technical protection systems at NBP as well as educational activities, international cooperation, administration and internal organisation were also audited.

The internal audit covered 17 departments of the NBP Head Office and seven NBP regional branches. The audits resulted in instructions and recommendations aimed at removing irregularities, increasing the efficiency of operations and improving the organisational solutions used.

² The audit comprised two tasks commissioned by the ESCB Internal Auditors Committee.

14.6 Activity of NBP regional branches

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

In 2016, work was completed on changes in the structure and principles of operation of the branches, including:

- standardisation of customer service desks where holders of accounts at NBP are served,
- centralisation of cash operations servicing to be handled by one employee – a teller,
- deformalisation of the rules of placing orders related to cash depositing,
- concentration of banknote counting and sorting in regional branches,
- implementation of a new electronic banking system (NBE).

These changes resulted in shortened processing time of cash transactions at NBP, facilitated day-to-day cooperation and communication between NBP and account holders, and contributed to employment optimisation in regional branches.

In 2016, efforts were also made to improve the effectiveness of administrative and cash and treasury tasks. Moreover, pursuant to the statutory provisions,³ the electronic handling of bank account attachment for the enforcement of claims, based on the IT system Ognivo EZ, was introduced.

14.7 Safety and security

In 2016, activities aimed at assuring and maintaining an adequate level of security at NBP were carried out, including, in particular:

- expansion of the cyber protection system, for example, through the decision to establish the Security Operations Centre at NBP,
- introduction of changes strengthening protection against unauthorised persons accessing NBP facilities,
- continuation of technical security modernisation at NBP,
- adjustment of NBP cryptographic systems to the new regulations on trust services⁴ and to the binding European regulations on cryptography,⁵
- preparation of the NBP security system for the implementation of tasks arising from the provisions of the Anti-Terrorism Act.⁶

³ Act of 10 July 2015 amending the Act on the Civil Code, the Act on the Code of Civil Procedure and Some Other Acts (Journal of Laws of 2015, item 1311).

⁴ The Act of 5 September 2016 on Trust Services and Electronic Identification (Journal of Laws, item 1579), the Regulation of the Minister of Digital Affairs of 5 October 2016 on the national public key infrastructure (Journal of Laws, item 1632).

⁵ Regulation (EU) No. 910/2014 of the European Parliament and of the Council of 23 July 2014 on electronic identification and trust services for electronic transactions in the internal market and repealing Directive 1999/93/EC (OJ EU L 257 of 28 August 2014, p. 73). Commission Implementing Decision (EU) 2015/1505 of 8 September 2015 laying down technical specifications and formats relating to trusted lists pursuant to Article 22(5) of Regulation (EU) No. 910/2014 of the European Parliament and of the Council on electronic identification and trust services for electronic transactions in the internal market.

⁶ The Act of 10 June 2016 on Anti-Terrorism Actions (Journal of Laws, item 904) and Regulation of the Council of Ministers of 25 July 2016 on the scope of measures undertaken at particular alert levels and cyber alert levels (CRP) (Journal of Laws, item 1101).

Highlights in 2016:

- implementation of the electronic public procurement system at NBP,
- efforts aimed at strengthening protection against cyber threats,
- completion of work on the changes in the structure and principles of operation of the NBP regional branches, relating to the service of NBP account holders and clients.

Appendix 1

Economic developments abroad



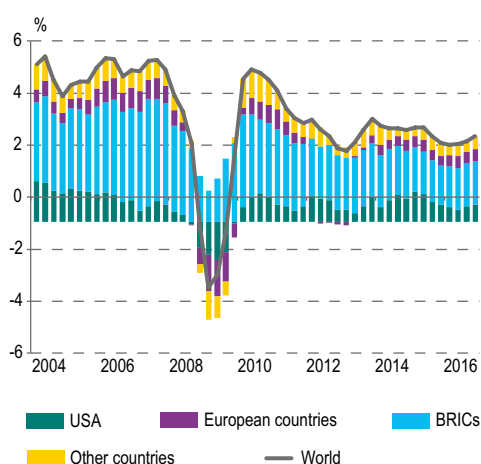
Economic developments abroad

In 2016, economic growth continued at a moderate pace, with signs of recovery observed in the second half of the year (Figure A1.1). Price growth in the external environment of the Polish economy remained low throughout most of the year and did not rise markedly until late 2016.

In the euro area, Poland's main trading partner, GDP growth was stable in 2016 (Figure A1.2), driven primarily by expanding domestic demand, supported by improving labour market conditions. Growth in the euro area was also supported by expansionary monetary policy of the ECB, which translated into stronger household and corporate financing conditions, as well as very low – or even negative – interest rates and government bond yields (Figure A1.5). However, over most of the year, GDP growth in the euro area was hampered by weak export momentum, related to the subdued global trade performance. In most Central and Eastern European economies, GDP growth was slightly slower than in previous years. This was mainly due to a fall in investment resulting from the completion of the 2007–2013 EU financial framework.

In the United States, favourable economic conditions continued in 2016, although GDP growth slowed down temporarily in the first half of the year, mostly on the back of lower activity in the extraction sector amid a decline in prices of oil as compared with previous years. In the largest emerging market economies, economic conditions were still weak.

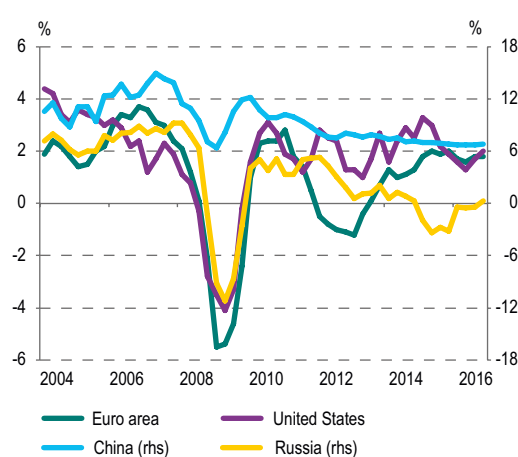
Figure A1.1 Annual global economic growth in 2004–2016 by county groups



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

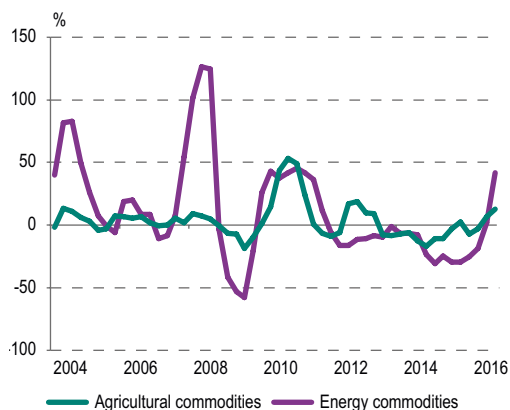
Source: Bloomberg, Eurostat, IMF data, NBP calculations.

Figure A1.2 Annual GDP growth in major developed economies in 2004–2016



Source: Bloomberg data.

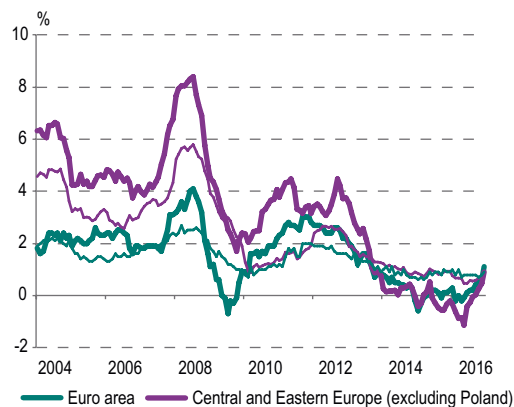
Figure A1.3 Annual growth in global energy and agricultural prices in USD in 2004–2016



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

Source: Bloomberg data, NBP calculations.

Figure A1.4 Annual consumer price growth in the environment of the Polish economy in 2004–2016



HICP and core inflation (HICP inflation excluding the prices of unprocessed food and energy; marked with thinner line). The indices for Central and Eastern Europe are the GDP-weighted averages for the following countries: Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Romania, Slovakia and Slovenia.

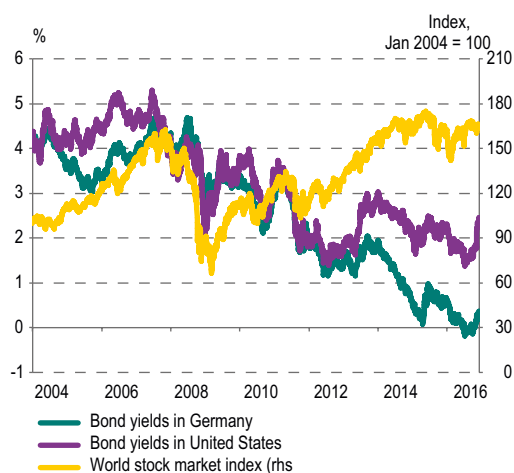
Source: Bloomberg data, NBP calculations.

In China, GDP growth was expanding at a slower pace compared to previous years, yet it picked up somewhat in late 2016. In Russia, in turn, recession continued, although its scale was gradually diminishing (Figure A1.2).

Commodity prices were significantly lower than in previous years, yet they grew steadily over the course of the year. As a result, the annual commodity price growth was negative in the first half of the year, while in the second half it turned positive (Figure A1.3).¹ These developments in commodity prices largely determined changes in global consumer price growth. In the first half of the year, deflation continued both in the euro area and Central and Eastern European economies. As prices of commodities, most notably oil, rose in the second half of the year, the annual consumer price growth in both the euro area and Central and Eastern European economies moved into positive territory (Figure A1.4). At the same time, amid the persistently weak demand pressure, core inflation in the euro area and in Central and Eastern Europe continued to run markedly below its long-term average.

¹ Between December 2015 and December 2016, oil prices rose by 41.2%, coal prices by 64.8%, gas prices by 10% and agricultural commodity prices by 10.8%. At the same time, the prices of oil, gas and agricultural commodities were lower than their 10-year averages by 35%, 25% and 13%, respectively.

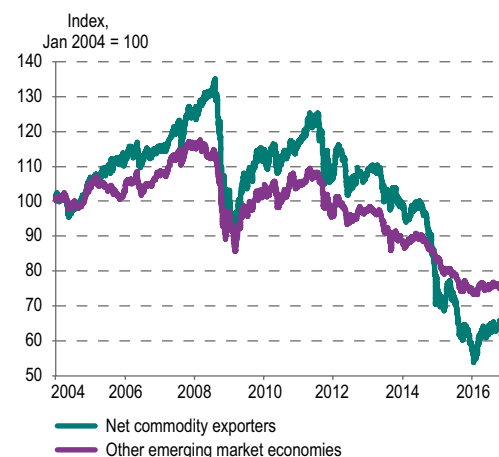
Figure A1.5 10-year German and US government bond yields and the world stock market index in 2004–2016



The world stock market index denotes the MSCI (Morgan Stanley Capital International) World Index.

Source: Bloomberg data, NBP calculations.

Figure A1.6 Exchange rates of emerging market currencies in 2004–2016



GDP-weighted indices of emerging market currencies against the US dollar. Net commodity exporters: Brazil, Chile, Colombia, Mexico, Peru, Russia and South Africa. Other emerging market economies: India, Indonesia, Hungary, Korea, Malaysia, the Philippines, Poland, Romania, Singapore, Taiwan, Thailand, Turkey and Ukraine. Increase denotes appreciation.

Source: Bloomberg and IMF data, NBP calculations.

Under these conditions, the ECB embarked on a more expansionary monetary policy. In particular, in the first half of 2016, the ECB reduced its interest rates, including the deposit rate, to a more negative level. Moreover, it expanded the asset purchase programme in terms of both its duration and scale. In the second half of the year, despite a rise in inflation in the euro area, the ECB once again extended the programme, yet reduced its monthly scale. At the same time, amid a slowdown of economic activity in the United States in the first half of 2016, the Fed was keeping its interest rates unchanged after raising them in December 2015. As economic conditions improved and inflation resumed to rise, the Fed increased its interest rates in December 2016, pointing to further tightening in the coming years.

Amid a gradual improvement in economic conditions in some emerging market economies and in the United States, as well as highly expansionary monetary policies of most central banks, global stock indices rose somewhat in 2016 (Figure A1.5). At the same time, monetary policy tightening in the United States resulted in an increase in government bond yields, both in this country and several emerging market economies, as well as a depreciation of some emerging market currencies. However, rising commodity prices led to appreciation in exchange rates of the net commodity exporters (Figure A1.6).

Appendix 2

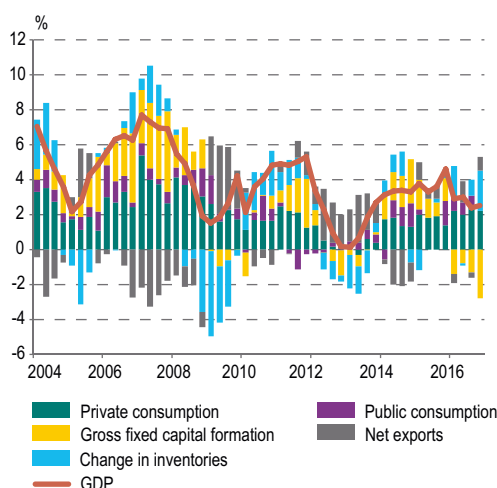
Gross domestic product



Gross domestic product

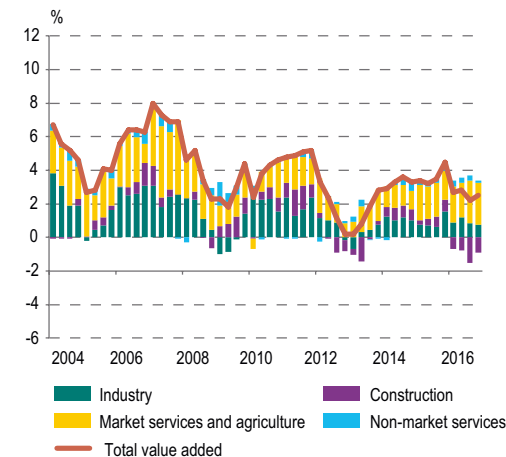
In 2016, real GDP growth amounted to 2.7%, compared to 3.8% a year earlier (Figure A2.1; Table A2.2). Consumer demand, rising more sharply than in the previous year, was the main growth driver. The weaker GDP growth in 2016 mainly resulted from a decline in investment, which was related to the completion of the 2007–2013 EU financial framework. Despite the weakening, economic growth remained close to its potential rate.

Figure A2.1 Annual GDP growth and its components in 2004–2016



Source: GUS data.

Figure A2.2 Annual value added growth and its components in 2004–2016



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

Non-market services comprise categories O–Q of the PKD classification: public administration, education, compulsory social security, health and social work.

Source: GUS data, NBP calculations.

Steeper private consumption growth in 2016 was in large part accounted for by improving labour market conditions, reflected in increases in wages and employment, and the launch of child benefit payments under the “Family 500 plus” programme. Consumption growth also benefited from rising consumer sentiment and interest on loans being lower than in previous years.

Like in other Central and Eastern European economies (see also Appendix 1 *Economic developments abroad*), the decline in gross fixed capital formation primarily resulted from a temporary fall in the absorption of EU funds after the completion of the 2007–2013 EU financial framework.

As the inflow of EU funds subsided, public and corporate investment diminished. This was, however, accompanied by a rise in housing investment, driven by increasing disposable income of households, high availability of credit, and lower lending rates than in previous years.

Table A2.1 Table GDP and its components in 2008–2016

	Current prices PLN bn	per- cent GDP	Annual growth at the previous year's prices (in %)													
			2016	2008	2009	2010	2011	2012	2013	2014	2015	2016	2016			
													Q1	Q2	Q3	Q4
GDP	1 851.2	100.0	4.2	2.8	3.7	5.0	1.6	1.4	3.3	3.8	2.7	2.9	3.0	2.4	2.5	
Domestic demand	1 779.2	96.1	5.4	-0.1	4.2	4.2	-0.5	-0.6	4.7	3.3	2.4	3.5	1.9	2.7	1.7	
Consumption	1 416.4	76.5	6.2	3.6	2.8	2.0	0.5	0.8	2.8	2.8	3.6	3.6	3.5	4.0	3.1	
Private consumption	1 072.3	57.9	6.8	3.6	2.5	3.3	0.8	0.3	2.6	3.0	3.8	3.4	3.4	4.1	4.5	
Capital formation	362.8	19.6	2.7	-12.6	9.7	12.8	-3.9	-5.8	12.8	4.9	-1.8	2.9	-5.0	-2.2	-1.6	
Gross fixed capital formation	334.3	18.1	8.8	-2.7	-0.4	8.8	-1.8	-1.1	10.0	6.1	-7.9	-9.8	-4.5	-6.7	-9.8	
Exports	967.8	52.3	7.1	-5.9	12.9	7.9	4.6	6.1	6.7	7.7	9.0	7.1	11.8	7.8	9.3	
Imports	895.9	48.4	9.5	-12.4	14.0	5.5	-0.3	1.7	10.0	6.6	8.9	8.7	10.1	8.7	8.2	
Value added	1 637.5	88.5	4.2	3.1	3.5	5.0	1.7	1.5	3.3	3.7	2.6	2.7	2.8	2.2	2.5	
Industry	433.6	23.4	6.3	0.3	8.4	7.9	2.8	0.9	4.5	3.8	3.6	3.2	5.0	3.6	2.7	
Construction	112.3	6.1	2.5	10.1	4.9	13.5	-4.0	-5.0	9.0	6.4	-12.0	-12.7	-9.6	-16.7	-9.6	
Market services and agriculture	851.3	46.0	3.3	2.6	2.1	3.5	2.2	3.2	2.5	3.7	4.6	4.3	3.8	4.8	5.3	
Non-market services	240.2	13.0	3.1	5.3	-0.3	1.1	0.1	0.9	1.7	2.0	1.8	2.0	2.2	2.3	0.9	
			Contribution to GDP growth at the previous year prices (in percentage points)													
Domestic demand	-	-	5.5	-0.3	4.3	4.3	-0.5	-0.6	4.7	3.2	2.4	3.4	1.8	2.7	1.7	
Consumption	-	-	4.9	2.9	2.3	1.6	0.4	0.6	2.2	2.2	2.8	3.0	2.7	3.1	2.2	
Private consumption	-	-	4.1	2.2	1.7	2.0	0.5	0.2	1.5	1.8	2.3	2.2	2.0	2.5	2.2	
Capital formation	-	-	0.6	-3.0	1.9	2.7	-0.9	-1.2	2.5	1.0	-0.4	0.4	-0.9	-0.4	-0.5	
Gross fixed capital formation	-	-	1.9	-0.6	0.0	1.8	-0.4	-0.2	1.9	1.2	-1.6	-1.4	-0.8	-1.3	-2.8	
Net exports	-	-	-1.3	3.2	-0.5	0.9	2.1	2.0	-1.4	0.6	0.3	-0.5	1.2	-0.3	0.8	
Industry	-	-	1.5	-0.1	2.1	1.9	0.4	0.1	1.2	1.0	0.9	0.9	1.2	0.8	0.8	
Construction	-	-	-0.1	0.9	0.5	0.8	-0.2	-0.4	0.7	0.5	-1.0	-0.7	-0.7	-1.5	-0.9	
Market services and agriculture	-	-	2.2	1.4	1.0	1.4	1.4	1.4	1.2	1.9	2.4	2.1	2.0	2.5	2.5	
Non-market services	-	-	0.2	0.7	0.1	0.1	0.0	0.1	0.3	0.3	0.3	0.3	0.3	0.3	0.1	

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

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

Source: GUS data, NBP calculations.

In 2016, the contribution of net exports to GDP growth was slightly positive, although smaller than a year before, as import growth exceeded that of exports. The acceleration in import growth was related to higher consumer demand growth. In turn, steeper export growth was supported by stable economic activity in the euro area and rising price competitiveness of Polish products due to the zloty being weaker than a year earlier.

Decomposition of the gross value added growth by sectors of the economy indicates that rising activity in services was the main driver of economic growth in 2016. Industry also contributed positively to value added growth, while value added in construction decreased (Figure A2.2; Table A2.1).

Appendix 3

Consumer prices



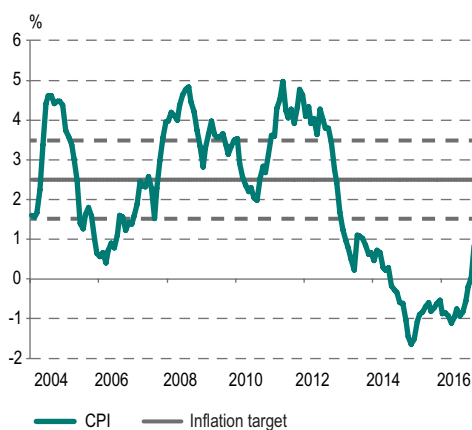
Consumer prices

Average consumer price growth stood at -0.6% in 2016 (as compared with -0.9% a year before), turning positive at the end of the year (Figure A3.1; Table A3.1).

In 2016, price developments in Poland, like in other European economies, were determined primarily by changes in global energy commodity prices (Figure A3.2). In the first half of the year, these prices were lower than in previous years, and hence their annual growth was negative (see Appendix 1 *Economic developments abroad*), while in the second half of the year they rebounded. This was reflected in a gradual acceleration in energy price growth, which, however, turned positive only at the end of the year. Energy price growth was contained by reductions in the regulated natural gas and electrical energy prices charged to households,¹ as well as lower prices of heating fuels.

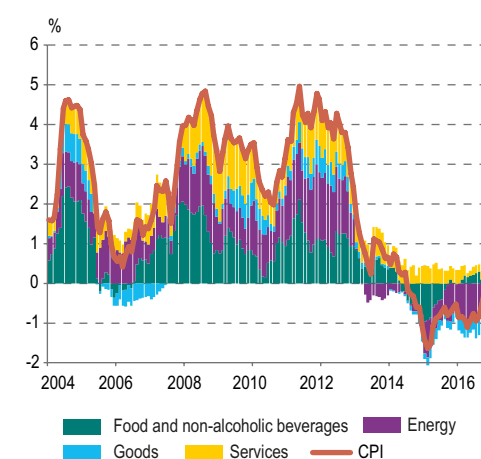
Lower energy prices translated also into weaker cost pressure, which, together with low inflation abroad, contained prices of goods, which were falling throughout the entire 2016, dampening the overall price growth in Poland. At the same time, prices of goods were supported by weaker zloty exchange rate in relation to the previous year.

Figure A3.1 Annual change in CPI and the inflation target in 2004–2016



Source: GUS data.

Figure A3.2 Consumer price growth and its components in 2004–2016

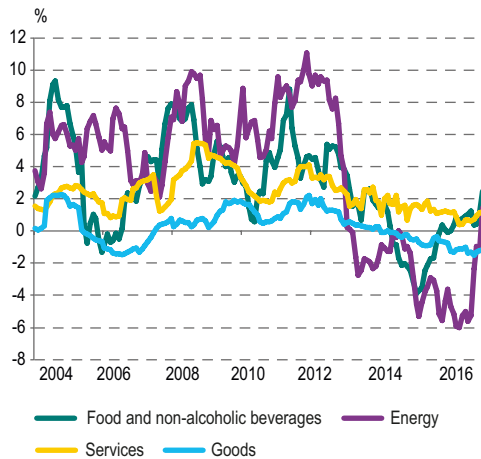


Source: GUS data, NBP calculations.

Prices of food and services were rising over the entire year, thereby adding to higher annual CPI growth compared to a year before (Figure A3.2, Figure A3.3). Over most of the year, the rise in food prices resulted from an increase in global prices of many agricultural commodities (i.a. the prices of pork, dairy products, sugar, coffee, citrus fruit, and, towards the end of the year, also vegetables). In addition, food prices were under influence of domestic factors.

¹ Energy tariffs were reduced in January 2016, and natural gas tariffs – in January, April and July.

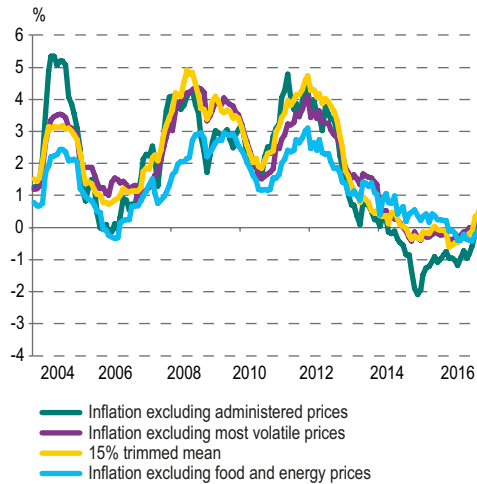
Figure A3.3 Annual growth in the prices of food and non-alcoholic beverages, energy, goods and services in 2004–2016



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

Source: GUS data, NBP calculations.

Figure A3.4 Core inflation indices in 2004–2016 (y/y)



Source: GUS data, NBP calculations.

Above all, lower vegetable and fruit supply at home due to a drought in 2015 put an upward pressure on the prices of these goods in the first half of 2016. In addition, reduced headcount of livestock, caused by low profitability of production, triggered a steeper growth in meat and dairy product prices.

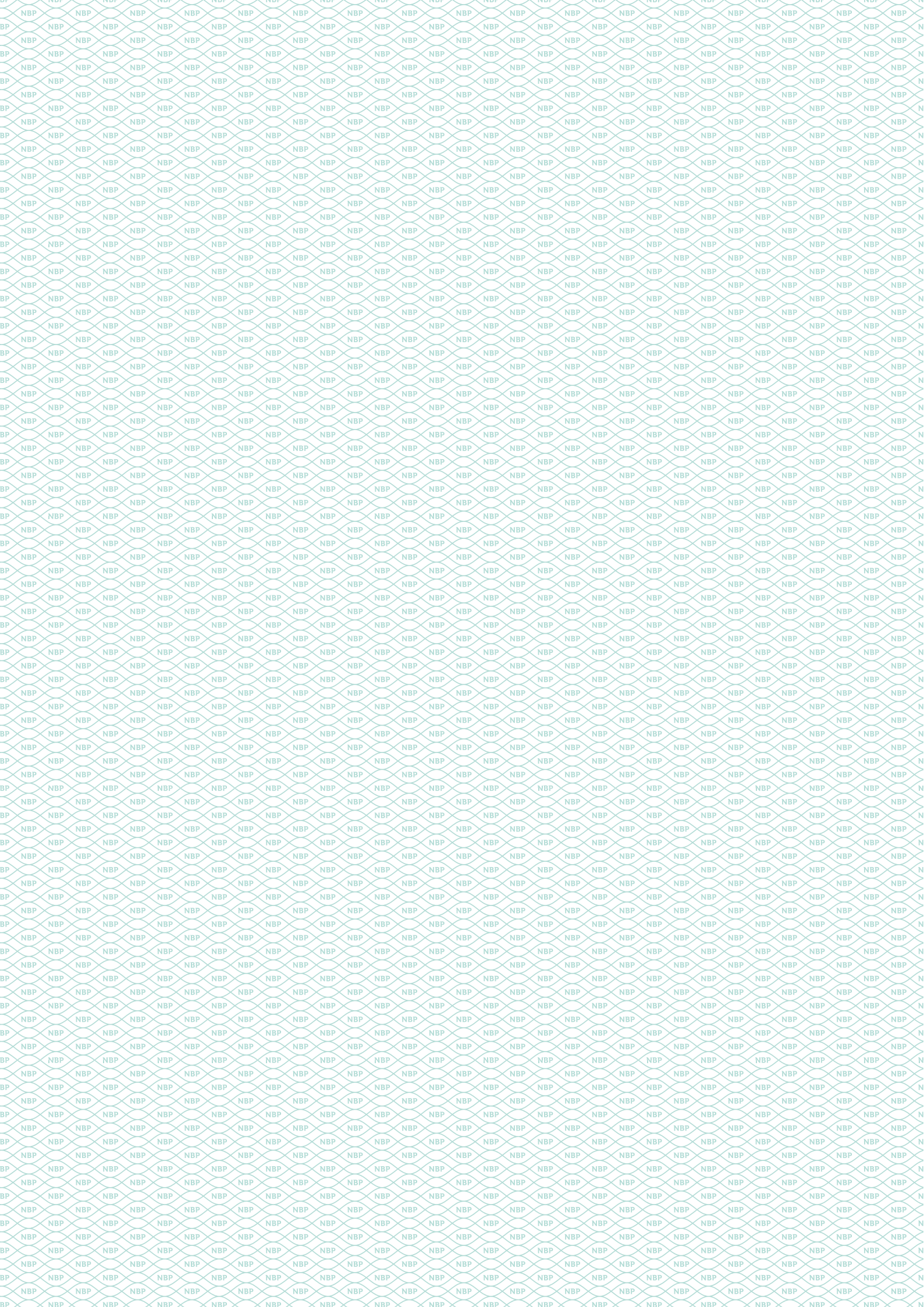
In turn, the rise in prices of services was attributable to the accelerated consumption growth. It was supported by a rise in employment and wages, disbursement of child benefits under the “Family 500 plus” programme, as well as strong consumer sentiment and a stable rise in lending. Higher prices of services also resulted from an increase in home maintenance charges and a rise in the insurance of motor vehicles.

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

	Weights 2016, in %	Change (y/y, in %)												Annual average
		2016												
		I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII	
CPI	100.0	-0.9	-0.8	-0.9	-1.1	-0.9	-0.8	-0.9	-0.8	-0.5	-0.2	0.0	0.8	-0.6
Core inflation	58.9	-0.1	-0.1	-0.2	-0.4	-0.4	-0.2	-0.4	-0.4	-0.4	-0.2	-0.1	0.0	-0.2
Goods	30.2	-1.3	-1.3	-1.2	-1.1	-1.1	-1.0	-1.4	-1.3	-1.5	-1.3	-1.2	-1.1	-1.2
Services	28.6	1.2	1.2	0.9	0.4	0.4	0.7	0.7	0.6	0.7	0.9	1.1	1.2	0.8
Food and non-alcoholic beverages	24.0	0.0	0.4	0.8	0.6	0.8	0.9	1.0	1.2	0.4	0.4	1.2	2.5	0.8
Processed	13.1	-1.0	-0.7	-0.6	-0.5	-0.4	-0.2	-0.1	0.3	0.6	1.2	1.7	2.1	0.2
Unprocessed	11.0	1.2	1.6	2.4	1.9	2.1	2.2	2.4	2.3	0.1	-0.5	0.5	2.9	1.6
– meat	6.3	-2.0	-2.1	-1.9	-2.1	-1.0	-0.6	0.7	1.3	1.2	1.6	2.3	3.1	0.0
– vegetables	2.4	5.2	4.4	6.9	7.9	10.1	7.9	5.2	2.8	-5.7	-7.5	-5.6	0.9	2.8
– fruit	1.4	9.3	13.6	14.5	8.6	1.9	4.1	4.6	4.6	2.3	-1.1	0.4	4.1	5.5
Energy	17.1	-4.7	-5.2	-5.9	-6.0	-5.3	-5.0	-5.6	-5.3	-2.4	-0.9	-1.2	1.5	-3.9
Energy carriers	12.0	-2.5	-2.7	-2.7	-3.3	-3.3	-3.2	-3.1	-3.1	-2.3	-2.1	-2.0	-1.6	-2.6
Fuels	5.1	-9.8	-11.3	-13.4	-12.3	-9.9	-9.0	-11.1	-10.2	-2.5	1.8	0.7	8.9	-6.7
		According to 12 COICOP groups												
Food and non-alcoholic beverages	24.0	0.0	0.4	0.8	0.6	0.8	0.9	1.0	1.2	0.4	0.4	1.2	2.5	0.8
Alcoholic beverages and tobacco products	6.6	0.9	0.6	0.3	0.5	0.6	0.5	0.6	0.6	0.6	0.8	0.9	1.0	0.7
Clothing and footwear	5.5	-4.6	-4.5	-3.5	-3.9	-4.3	-4.1	-4.7	-4.8	-4.9	-4.6	-4.7	-4.7	-4.4
Home maintenance and energy carriers	21.0	-0.6	-0.6	-0.7	-1.0	-1.1	-1.0	-1.0	-1.0	-0.5	-0.4	-0.4	-0.1	-0.7
Home equipment and household maintenance	5.0	-0.5	-0.4	-0.6	-0.2	-0.2	-0.2	0.0	0.2	0.2	0.4	0.0	0.3	-0.1
Health	5.4	0.1	0.0	-0.1	0.1	0.3	0.4	-1.2	-1.4	-2.1	-2.1	-1.8	-1.6	-0.8
Transportation	8.7	-6.4	-7.3	-8.4	-8.0	-6.8	-6.0	-7.1	-6.9	-2.5	0.3	-0.2	4.3	-4.6
Telecommunications	5.3	-0.2	0.0	-0.3	-1.6	-1.1	-0.4	-1.4	-1.4	-1.2	-0.8	-0.7	-0.7	-0.8
Recreation and culture	6.6	-0.7	-0.5	-2.0	-2.9	-3.1	-3.0	-2.3	-2.3	-2.1	-1.8	-1.2	-0.8	-1.9
Education	1.0	0.8	0.8	0.8	0.8	0.8	0.8	0.7	0.7	0.9	0.7	0.7	0.7	0.8
Restaurants and hotels	5.0	1.1	1.2	1.2	1.2	1.3	1.3	1.3	1.4	1.7	1.7	1.6	1.6	1.4
Other goods and services	5.8	0.3	0.3	0.6	0.9	1.3	1.7	1.7	2.0	1.8	2.4	3.0	2.9	1.6
		Contribution to CPI (in pps)												
		2016												
		I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII	
CPI	100.0	-0.9	-0.8	-0.9	-1.1	-0.9	-0.8	-0.9	-0.8	-0.5	-0.2	0.0	0.8	-0.6
Core inflation	58.9	-0.1	0.0	-0.1	-0.2	-0.2	-0.1	-0.2	-0.2	-0.2	-0.1	0.0	0.0	-0.1
Goods	30.2	-0.4	-0.4	-0.4	-0.3	-0.3	-0.3	-0.4	-0.4	-0.5	-0.4	-0.4	-0.3	-0.4
Services	28.6	0.3	0.3	0.3	0.1	0.1	0.2	0.2	0.2	0.2	0.3	0.3	0.4	0.2
Food and non-alcoholic beverages	24.0	0.0	0.1	0.2	0.1	0.2	0.2	0.2	0.3	0.1	0.1	0.3	0.6	0.2
Processed	13.1	-0.1	-0.1	-0.1	-0.1	0.0	0.0	0.0	0.0	0.1	0.2	0.2	0.3	0.0
Unprocessed	11.0	0.1	0.2	0.3	0.2	0.2	0.2	0.3	0.3	0.0	-0.1	0.1	0.3	0.2
– meat	6.3	-0.1	-0.1	-0.1	-0.1	-0.1	0.0	0.0	0.1	0.1	0.1	0.1	0.2	0.0
– vegetables	2.4	0.1	0.1	0.2	0.2	0.2	0.2	0.1	0.1	-0.1	-0.2	-0.1	0.0	0.1
– fruit	1.4	0.1	0.2	0.2	0.1	0.0	0.1	0.1	0.1	0.0	0.0	0.0	0.1	0.1
Energy	17.1	-0.8	-0.9	-1.0	-1.0	-0.9	-0.9	-1.0	-0.9	-0.4	-0.2	-0.2	0.2	-0.7
Energy carriers	12.0	-0.3	-0.3	-0.3	-0.4	-0.4	-0.4	-0.4	-0.4	-0.3	-0.2	-0.2	-0.2	-0.3
Fuels	5.1	-0.5	-0.6	-0.7	-0.6	-0.5	-0.5	-0.6	-0.5	-0.1	0.1	0.0	0.4	-0.3

	According to 12 COICOP groups													
Food and non-alcoholic beverages	24.0	0.0	0.1	0.2	0.1	0.2	0.2	0.2	0.3	0.1	0.1	0.3	0.6	0.2
Alcoholic beverages and tobacco products	6.6	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.0
Clothing and footwear	5.5	-0.3	-0.2	-0.2	-0.2	-0.2	-0.2	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.2
Home maintenance and energy carriers	21.0	-0.1	-0.1	-0.1	-0.2	-0.2	-0.2	-0.2	-0.2	-0.1	-0.1	-0.1	0.0	-0.1
Home equipment and household maintenance	5.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Health	5.4	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	0.0
Transportation	8.7	-0.6	-0.6	-0.7	-0.7	-0.6	-0.5	-0.6	-0.6	-0.2	0.0	0.0	0.4	-0.4
Telecommunications	5.3	0.0	0.0	0.0	-0.1	-0.1	0.0	-0.1	-0.1	-0.1	0.0	0.0	0.0	0.0
Recreation and culture	6.6	0.0	0.0	-0.1	-0.2	-0.2	-0.2	-0.2	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1
Education	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Restaurants and hotels	5.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Other goods and services	5.8	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.1

Source: GUS data and NBP calculations based on GUS data.



Appendix 4

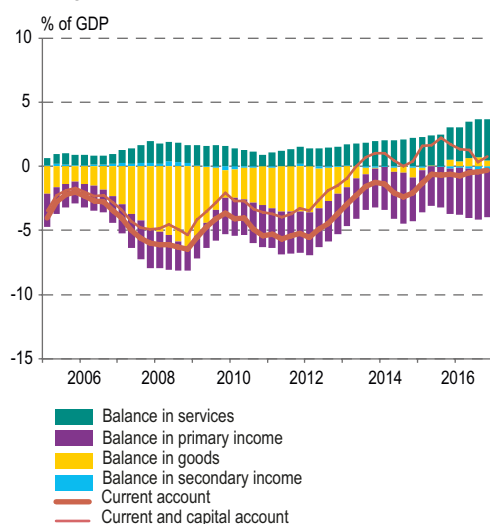
Balance of payments



Balance of payments

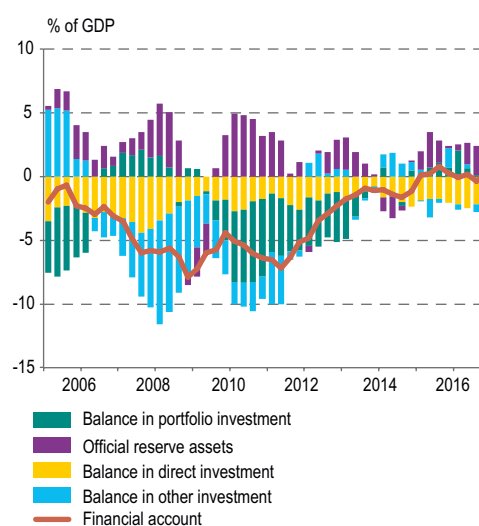
In 2016, current account deficit in Poland reached an all-time low of 0.3% of GDP (compared with 0.6% in 2015 and 3.5%, on average, during the years 2004–2016, Figure A4.1, Figure A4.2). The deficit resulted mainly from a deficit on income, while being reduced by an increase in the trade surplus, supported mainly by a higher surplus on trade in services.

Figure A4.1 Current and capital account balance and its decomposition (4 quarters rolling window) in 2005–2016



Source: NBP and GUS data.

Figure A4.2 Financial account balance and its decomposition (4 quarters rolling window) in 2005–2016



Source: NBP and GUS data.

The surplus on trade in goods and services was supported by stable economic growth in the neighbouring economies, especially in the euro area, as well as improving price competitiveness of Polish products, both conducive to higher exports. This notwithstanding, in the second half of 2016, the surplus in goods declined compared to the corresponding period of 2015 on the back of higher crude oil prices and a temporary slowdown in exports in 2016 Q3 related to weaker activity in the global industry.

Like in previous years, the current account balance was curbed by a relatively high primary income deficit and a slight secondary income deficit. The primary income deficit was mainly attributable to high income of foreign direct investors resulting from good financial standing of foreign companies operating in Poland and high income of non-residents on portfolio investment.

In 2016, the capital account surplus declined, yet remained positive (at 1.1% of GDP against 2.4% in 2015). Lower capital account surplus, particularly in 2016 Q2 and Q3, was a result of a lower inflow of EU funds following the completion of EU 2007–2013 financial framework,

Table A4.1 Main items on the balance of payments (PLN million) in 2008–2016¹

Balance of payments	2008	2009	2010	2011	2012	2013	2014	2015	2016
Current account	-85 780	-54 261	-77 770	-81 497	-60 477	-21 039	-35 655	-11 232	-5 501
Balance of trade in goods	-82 538	-33 187	-43 677	-54 790	-34 128	-1 345	-13 633	9 326	8 536
Balance of services	17 983	21 715	13 174	21 073	25 145	32 070	37 922	45 625	59 785
Balance of primary income	-24 209	-38 603	-47 108	-50 914	-50 874	-50 016	-58 369	-62 553	-69 189
Balance of secondary income	2 984	-4 186	-159	3 134	-620	-1 748	-1 575	-3 630	-4 633
Capital account	14 241	22 097	25 705	30 618	35 711	37 857	41 990	42 510	19 700
Financial account	-100 814	-60 189	-92 927	-80 229	-37 275	-18 673	-19 558	5 332	3 883
Direct investment: assets	10 027	19 262	28 075	12 944	4 237	-10 502	21 297	15 702	36 772
Direct investment: liabilities	34 131	43 754	53 939	53 575	23 929	2 809	62 025	52 997	56 178
Portfolio investment: assets	-6 017	4 270	-488	-2 796	1 395	6 891	17 603	41 781	-24 524
Portfolio investment: liabilities	-14 023	47 935	87 130	47 426	65 455	7 289	9 964	29 457	-9 486
Other investment: assets	-15 369	-17 026	11 878	11 060	7 179	5 286	12 751	20 146	8 894
Other investment: liabilities	62 174	25 254	39 230	18 944	-11 669	11 064	1 098	-10 592	60 455
Derivative financial instruments	2 727	5 850	1 789	525	-8 942	-2 200	-62	-3 551	620
Official reserve assets	-9 900	44 398	46 118	17 983	36 571	3 014	1 940	3 116	89 268
Balance of errors and omissions	-29 275	-28 025	-40 862	-29 350	-12 509	-35 491	-25 893	-25 946	-10 316

¹With regard to the financial account, the presented figures should be interpreted as follows: a positive (negative) value of residents' investment abroad (items: direct investment: assets, portfolio investment: assets, other investment: assets, official reserve assets) denotes an increase (decrease) in Polish assets abroad. Conversely, a positive (negative) value of non-residents' investment in Poland (items: direct investment: liabilities, portfolio investment: liabilities, other investment: liabilities) means an increase (decrease) in Polish liabilities against non-residents.

Source: NBP data.

Table A4.2 Selected external stability indicators in 2008–2016

	2008	2009	2010	2011	2012	2013	2014	2015	2016
Current account balance / GDP (%)	-6.7	-4.0	-5.4	-5.2	-3.7	-1.3	-2.1	-0.6	-0.3
Current and capital account balance / GDP (%)	-5.6	-2.4	-3.6	-3.2	-1.5	1.0	0.4	1.7	0.8
Balance of trade in goods / GDP (%)	-5.1	-0.8	-2.1	-2.2	-0.6	1.9	1.4	3.1	3.7
Official reserve assets in terms of monthly imports of goods and services	4.0	5.2	5.5	5.7	5.5	5.2	5.3	5.3	6.4
Foreign debt / GDP (%)	56.8	58.7	65.5	70.8	70.2	69.8	72.7	71.6	75.8
Net international investment position / GDP (%)	-56.0	-57.8	-65.1	-62.4	-65.4	-69.0	-69.1	-62.5	-62.0

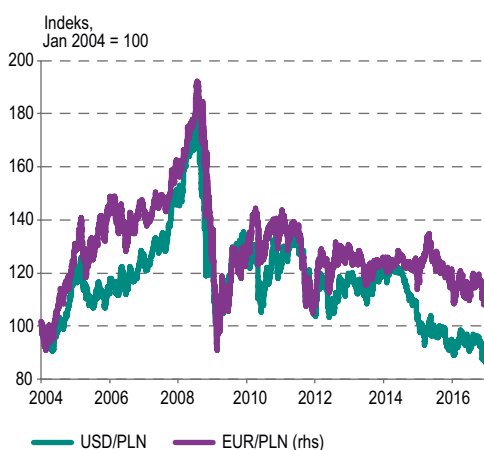
Source: NBP and GUS data, NBP calculations.

accompanied with virtually no inflow of funds from 2014–2020 framework. As the inflow of funds under the current financial framework picked up in 2016 Q4, the capital account surplus resumed to rise, reaching a level comparable to previous years.

The capital account surplus in 2016, though lower than in previous years, was higher than the current account deficit. As a result, the total current and capital account balance remained positive, which was reflected in positive financial account balance and narrowing in Poland's negative net investment position. The financial account surplus resulted mainly from an

increase in NBP foreign exchange reserves,¹ which translated into a rise in Polish foreign assets. Another factor supportive of financial account surplus was higher inflow of foreign direct investment, mostly reinvestment of profits gained in Poland, reflected in a rise in foreign liabilities.

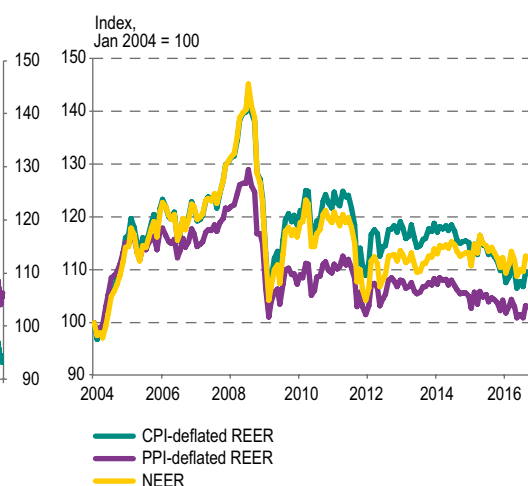
Figure A4.3 Nominal effective zloty exchange rate against major currencies in 2004–2016



Increase denotes appreciation.

Source: Bloomberg data.

Figure A4.4 Real and nominal effective exchange rate in 2004–2016



Increase denotes appreciation.

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

As a result of the above mentioned changes, Poland's external imbalance indicators remained favourable. In particular, both the balance of trade in goods and the current account balance in relation to GDP remained at record highs (Table A4.2).

In 2016, the nominal effective exchange rate was weaker than in 2015 (Figure A4.4), which supported the price competitiveness of Polish exports, and hence the surplus in Polish foreign trade, as well as contributing to the increase in consumer price growth by propping up import prices. The exchange rate was driven largely by external factors. Depreciation of the exchange rate in the first half of 2016 resulted mainly from uncertainty about the global economic outlook, yet, at the same time, it was curbed by anticipated further monetary policy easing by the ECB. In the second half of the year, the weakening of the nominal effective exchange rate of the zloty was mainly driven by expected interest rate increases in the United States, which translated into higher Treasury bond yields in the United States, as well as an appreciation of the US dollar (Figure A4.3).

¹ The increase in NBP foreign exchange reserves was accompanied by an increase in NBP liabilities in the form of other investment. These changes resulted to a large extent from the repo transactions carried out by NBP in managing foreign exchange reserves.

Appendix 5

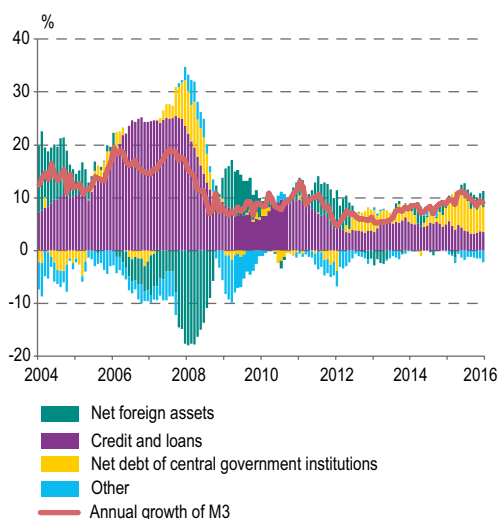
Money and credit



Money and credit

In 2016, the M3 aggregate expanded at a faster rate than in the previous year (9.7% y/y and 8.2% y/y, respectively¹). This was underpinned by a rise in deposits, particularly current ones, as well as cash. The main source of broad money creation in 2016 was the steeper growth of banks' claims on central government (37.7% y/y against 10.0% y/y in 2015, Figure A5.1).² Another source of money creation was the sustained rise in lending to the remaining sectors of the economy, above all households and enterprises. Lending to the non-monetary entities of the continued to rise steadily (by 4.3% y/y,³ against 5.2% y/y in the previous year, Figure A5.2).

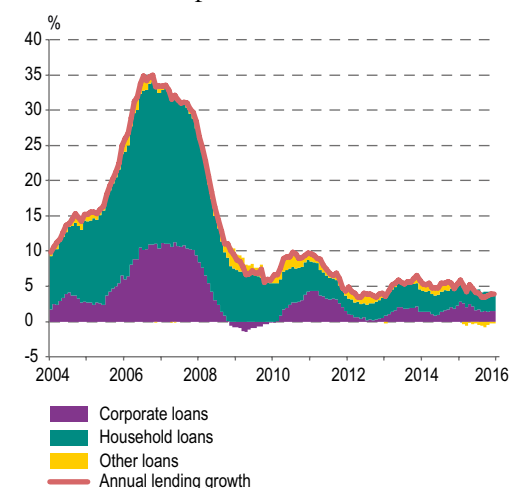
Figure A5.1 Annual growth rate of corporate loans and contribution of main components in 2005–2016



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

Source: NBP data.

Figure A5.2 Annual growth rate of loans to the non-monetary sector and contribution of the main components in 2005–2016



The category Other loans covers: non-monetary financial institutions, non-profit institutions serving households, local government units and social security funds.

Source: NBP data.

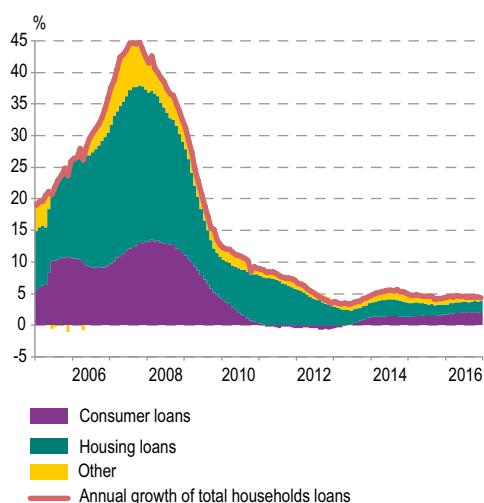
¹ The growth rates discussed in this appendix refer to the average annual changes in transactions settled in a given period.

² The increased banking sector holdings of government securities can be partially attributed to the Act of 15 January 2016 on tax on certain financial institutions, which came into force in February 2016 and which excludes government bonds from the tax base.

³ The sector of non-monetary entities comprises households, non-monetary financial institutions, non-financial corporations, enterprises, non-profit institutions serving households, local government units and social security funds.

Lending to households in 2016 continued to grow at a stable pace, mainly fuelled by the slightly faster growth in consumer loans and the steady rise in housing loans, despite a tightening of lending terms and conditions in case of the latter (Figure A5.3).⁴ Growth in lending to this sector was supported by improving financial standing of households related to favourable labour market conditions and the payments of child benefit. Another factor supportive of these loans included low interest rates relative to previous years⁵ as well as, particularly in the case of consumer loans, the easing of lending policy by banks.

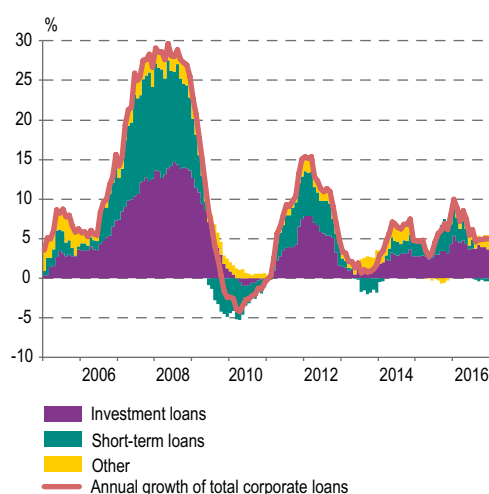
Figure A5.3 Annual growth of household loans and contribution of main components in 2005 – 2016



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

Source: NBP data.

Figure A5.4 Annual growth of corporate loans and contribution of main components in 2005 – 2016



The category Other covers, among others, loans for the purchase of securities or export loans.

Source: NBP data.

⁴ In line with the requirements of Recommendation S of the Polish Financial Supervision Authority, in recent years banks have been obliged to reduce each year the loan value to real estate value ratio (LtV ratio). In 2016, this ratio was lowered to 85% against 90% in 2015.

The average growth rate of consumer loans in 2016 stood at 8.2% y/y against 6.3% y/y in the previous year, while that of housing loans was 2.8% y/y and 3.1% y/y, respectively. As in the previous year, in 2016 the zloty-denominated housing loans were growing at a rapid pace (of 10.6% y/y against 10.8% y/y in 2015), while foreign currency-denominated loans were declining (at a rate of -6.5% y/y in both 2015 and 2016).

In 2016, lending to the households was fuelled by the “Flat for the Young” programme, though its positive impact was observed in the first half of the year only. Due to the depletion of the funds allocated for 2016, the allocation of funds planned for 2017 began already in 2016 Q1. These funds were, however, used up in early 2016, thus in the second half of the year, the programme was no longer supporting mortgage lending activity.

⁵ The interest rates on consumer loans to households averaged 7.9% in 2016 compared to 8.6% in the previous year. In turn, the average interest rate on housing loans did not change compared to the previous year and stood at 4.4%.

Another significant source of lending growth in 2016 was higher corporate loan growth relative to the previous year (Figure A5.4).⁶ This was propped up predominantly by a rise in investment loans, observed despite the rather weak investment activity of firms in 2016. The rise in investment loans could be attributed to high availability of and relatively low interest on corporate loans. At the same time, high financial liquidity of enterprises and tighter lending terms and conditions, primarily with respect to non-interest costs of credit, increased the propensity of enterprises to finance their current activity with own funds.⁷ These factors curbed short-term lending, which slowed down significantly in 2016, and even turned negative in the second half of the year.

⁶ The average annual growth rate of corporate loans in 2016 amounted to 6.5% y/y against 5.1% y/y in the previous year. Corporate investment loans grew at a steady average rate of 8.2% y/y against 6.0% y/y in 2015, while short-term loans rose by 2.6% y/y and 5.2% y/y respectively.

The higher growth of corporate loans compared with the previous year may in part result from the one-off transaction made by one entity at the beginning of 2016, which involved conversion of its foreign debt into domestic debt, amounting to PLN 3.2 billion. This transaction accounted for approximately 18% of the total annual growth of corporate debt due to investment loans. The fading of its effects at the beginning of 2017 was reflected in lower growth in this category of loans.

⁷ This is indicated, among others, by the gradually declining percentage of enterprises applying for loans.

Appendix 6

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



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

- In 2016, NBP 28 open-to-public academic seminars were held at NBP¹
- *Can Europe rely on large primary surpluses to solve its debt problem?*, Ugo Panizza, The Graduate Institute of International and Development Studies (Genewa), CEPR.
- *Relationship lending through the cycle: What can we learn from three decades of research?*, Paola Bongini, University of Milan Bicocca.
- *Międzyplciowa luka płacowa w Polsce. Nowe szacunki w oparciu o zharmonizowane dane dotyczące wynagrodzeń*, Aleksandra Majchrowska, Narodowy Bank Polski, University of Łódź; Paweł Strawiński, University of Warsaw.
- *U źródeł „zielonej wyspy”. Polski rynek pracy po 2008 r. w świetle badań WDN3*, Paweł Strzelecki, Narodowy Bank Polski, Warsaw School of Economics; Robert Wyszynski, Narodowy Bank Polski.
- *Can demography affect inflation and monetary policy?*, Előd Takáts, Bank of International Settlements.
- *The tale of two great crises*, Michele Fratianni, Indiana University, Università Politecnica delle Marche.
- *Regime change and recovery in 1930s Britain*, Tadeusz Gwiazdowski, University of Manchester.
- *Economic growth and external financing in Central and Eastern Europe*, Karsten Staehr, Tallinn University of Technology, Bank of Estonia.
- *Modern finance and aggregate demand: a new analytical framework for policy*, Amit Bhaduri, Jawaharlal Nehru University.
- *Job displacement and the cost of business cycles*, Karl Walentin, Sveriges Riksbank.
- *Does interbank market matter for business cycle fluctuation? An estimated DSGE model with financial frictions for the euro area*, Federico Giri, Università Politecnica delle Marche.
- *Interest rate dynamics, variable-rate loans, and the business cycle*, Patrick A. Pintus, Banque de France.
- *Monetary policy when households have debt: new evidence on the transmission mechanism*, James Cloyne, Bank of England.

¹ The title of the seminar is followed by the name(s) and affiliation of the speaker(s).

- *Debt, inequality, and credit stagnation*, Steve Keen, Kingston University London.
- *Fundamentals and exchange rate forecastability with machine learning methods*, Tomasz Michalski, HEC Paris.
- *Using federal minimum wages to identify the impact of minimum wages on employment and earnings across the U.S. States*, Yona Rubinstein, London School of Economics and Political Science.
- *Czy handel (światowy) napędza globalny wzrost gospodarczy?*, Leon Podkaminer, Wiener Institut für Internationale Wirtschaftsvergleiche.
- *Transparency of monetary policy in the post-crisis world*, Petra Geraats, Cambridge University.
- *The costs of deflations: a historical perspective*, Boris Hofmann, Bank of International Settlements.
- *Zawiłe relacje między demografią a polityką pieniężną*, Michał Gradzewicz, Narodowy Bank Polski, Warsaw School of Economics.
- *The shocks matter: improving our estimates of exchange rate pass-through*, Ida Hjortsoe, Bank of England.
- *Models, assumptions and their assessment: some hopefully useful hair-splitting*, Uskali Mäki, Centre of Excellence in the Philosophy of the Social Sciences (TINT), University of Helsinki.
- *How revolutionary is the digital revolution? What consequences for growth and employment*, John Zysman, University of California, Berkeley.
- *Rozwój sektora finansowego a nierówności majątkowe – teoretyczny model dla USA*, Hanna Szyborska, University of Leeds.
- *What drives pension reforms?*, Ward Romp, University of Amsterdam.
- *The welfare effects of trade with incomplete markets*, Lawrence Uren, University of Melbourne.
- *Shadow banking, a macroeconomic perspective*, Eugenio Caverzasi, Università Politecnica delle Marche.
- *The pricing of financial products in retail banking: competition, geographic proximity and credit limits*, Santiago Carbo-Valverde, Bangor University.

In 2016, the following publications by NBP employees were included in the ISI Master Journal List:

- Piotr Bańbuła, Małgorzata Iwanicz-Drozdowska, *The systemic importance of banks – name and shame seems to work*, “Finance Research Letters”, vol. 18, 297–301.

- Paweł Baranowski, Paweł Gajewski, *Credible enough? Forward guidance and perceived National Bank of Poland's policy rule*, "Applied Economics Letters", vol. 23, issue 2, 89–92.
- Paweł Baranowski, Mariusz Górajski, Maciej Malaszewski, Grzegorz Szafranski, *Inflation in Poland under State-Dependent Pricing*, "Ekonomický Časopis", No. 64 (10), 937–957.
- Anna Białek-Jaworska, Natalia Nehrebecka, *The role of trade credit in business operations*, "Argumenta Oeconomica", vol. 2 (37), 189–231.
- Marcin Bielecki, Karolina Goraus, Jan Hagemeyer, Joanna Tyrowicz, *Decreasing fertility vs increasing longevity: Raising the retirement age in the context of ageing processes*, "Economic Modelling", vol. 52, part A, 125–143.
- Michał Brzoza-Brzezina, *Amplification of shocks at the zero lower bound in a small open and large closed economy*, "Applied Economics Letters", vol. 23, issue 14, 1029–1033.
- James Bullard, Jacek Suda, *The stability of macroeconomic systems with Bayesian learners*, "Journal of Economic Dynamics and Control", vol. 62, 1–16.
- Gonzalo Camba-Méndez, Dobromił Serwa, *Market perception of sovereign credit risk in the euro area during the financial crisis*, "The North American Journal of Economics and Finance", vol. 37, 168–189.
- Gonzalo Camba-Méndez, Konrad Kostrzewa, Anna Marszał, Dobromił Serwa, *Pricing sovereign credit risk of Poland: evidence from the CDS market*, "Emerging Markets Finance and Trade", vol. 52, issue 12, 2687–2705.
- Michele Ca' Zorzi, Jakub Mućk, Michał Rubaszek, *Real exchange rate forecasting and PPP: this time the random walk loses*, "Open Economies Review", vol. 27, issue 3, 585–609.
- Aleksandra Hałka, Karol Szafranek, *Whose inflation is it anyway? Inflation spillovers between the euro area and small open economies*, "Eastern European Economics", vol. 54, issue 2, 109–132.
- Małgorzata Iwanicz-Drozdowska, Paweł Smaga, Bartosz Witkowski, *Bank restructuring in the EU: Which way to go?*, "Journal of Policy Modeling", vol. 38, issue 3, 572–586.
- Małgorzata Iwanicz-Drozdowska, Paweł Smaga, Bartosz Witkowski, *Financial development. Have post-communist countries converged?*, "Transformations in Business and Economics", vol. 15, no. 2A (38A), 389–414.
- Juliusz Jabłecki, *The financial crisis in retrospect: A case of misunderstood interdependence*, "Critical Review", vol. 28, issue 3–4, 287–334.
- Juliusz Jabłecki, Dariusz Gątarek, *Modeling joint defaults in correlation-sensitive instruments*, "Journal of Credit Risk", vol. 12, No. 3, 15–42.
- Aleksandra Kolasa, Michał Rubaszek, *The effect of ageing on the European economies in a life-cycle model*, "Economic Modelling", vol. 52, part A, 50–57.

- Tomasz Łyziak, *Survey measures of inflation expectations in Poland: Are they relevant from the macroeconomic perspective?*, "Baltic Journal of Economics", vol. 16, issue 1, 33–52.

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

- Marcin Wagner, *Rynek nieruchomości mieszkaniowych w strefie euro*.
- Mariusz Kapuściński, Andrzej Kocięcki, Halina Kowalczyk, Tomasz Łyziak, Jan Przystupa, Ewa Stanisławska, Anna Sznajderska, Ewa Wróbel, *Mechanizm transmisji polityki pieniężnej w Polsce. Co wiemy w 2015 roku?*
- Bohdan Kłos, *Interakcje między polityką monetarną i fiskalną w DSGE SoePL*.
- Adam Czerniak, Michał Rubaszek, *Znaczenie prywatnego rynku najmu nieruchomości dla stabilności makroekonomicznej krajów strefy euro*.
- Adam Czerniak, Bartosz Witkowski, *Model wczesnego ostrzegania przed bańkami cenowymi na rynku mieszkaniowym*.

In 2016, the following papers were published in the NBP Working Paper series:

- Michał Brzoza-Brzezina, *Why may large economies suffer more at the zero lower bound?*
- Michał Brzoza-Brzezina, Marcin Kolasa, Krzysztof Makarski, *Crisis, contagion and international policy spillovers under foreign ownership of banks*.
- Aleksandra Hałka, Jacek Kotłowski, *Global or domestic? Which shocks drive inflation in European small open economies?*
- Paweł Strzelecki, Robert Wyszyński, *Poland's labour market adjustment in times of economic slowdown – WDN3 survey results*.
- Tomasz Łyziak, *Do inflation expectations matter in a stylised New Keynesian model? The case of Poland*.
- Tomasz Łyziak, *The impact of financial crisis and low inflation environment on short-term inflation expectations in Poland*.
- Marcin Kolasa, *On the limits of macroprudential policy*.
- Mariusz Górajski, Dobromił Serwa, Zuzanna Wośko, *Measuring expected time to default under stress conditions for corporate loans*.
- Halina Kowalczyk, Ewa Stanisławska, *Are experts' probabilistic forecasts similar to the NBP projections?*
- Karol Szafranek, *Linking excessive disinflation and output movements in an emerging, small open economy. A hybrid New Keynesian Phillips Curve perspective*.

- Aleksandra Masłowska-Jokinen, Anna Matysek-Jędrych, *“One size does not fit all” – institutional determinants of financial safety net effectiveness.*
- Paweł Pońsko, Bartosz Rybaczyk, *Fan chart – a tool for NBP’s monetary policy making.*
- Grzegorz Wesołowski, *Do long term interest rates drive GDP and inflation in small open economies? Evidence from Poland.*
- Conference papers, *The Narodowy Bank Polski Workshop: Recent trends in the real estate market and its analysis – 2015 edition.*
- Milena Kabza, Konrad Kostrzewa, *Prudential measures in dealing with capital flows – case of Poland.*
- Mariusz Kapuściński, *The role of bank balance sheets in monetary policy transmission. Evidence from Poland.*
- Dobromił Serwa, Piotr Wdowiński, *Macro-financial linkages in the Polish economy: combined impulse-response functions in SVAR models.*
- Mariusz Kapuściński, Ewa Stanisławska, *Interest rate pass-through in Poland since the global financial crisis.*
- Beata K. Bierut, Kamila Kuziemska-Pawlak, *Competitiveness and export performance of CEE countries.*
- Mariusz Kapuściński, Andrzej Kocięcki, Halina Kowalczyk, Tomasz Łyziak, Jan Przystupa, Ewa Stanisławska, Anna Sznajderska, Ewa Wróbel, *Monetary policy transmission mechanism in Poland. What do we know in 2015?*
- Michał Brzoza-Brzezina, Jacek Kotłowski, *The nonlinear nature of country risk and its implications for DSGE models.*
- Leon Podkaminer, *Has trade been driving global economic growth?*
- Arkadiusz Florczak, Janusz Jabłonowski, *Consumption over the life cycle in Poland.*
- Jacek Rothert, Amanda Michaud, *Inequality, fiscal policy, and business cycle anomalies in emerging markets.*

Appendix 7

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



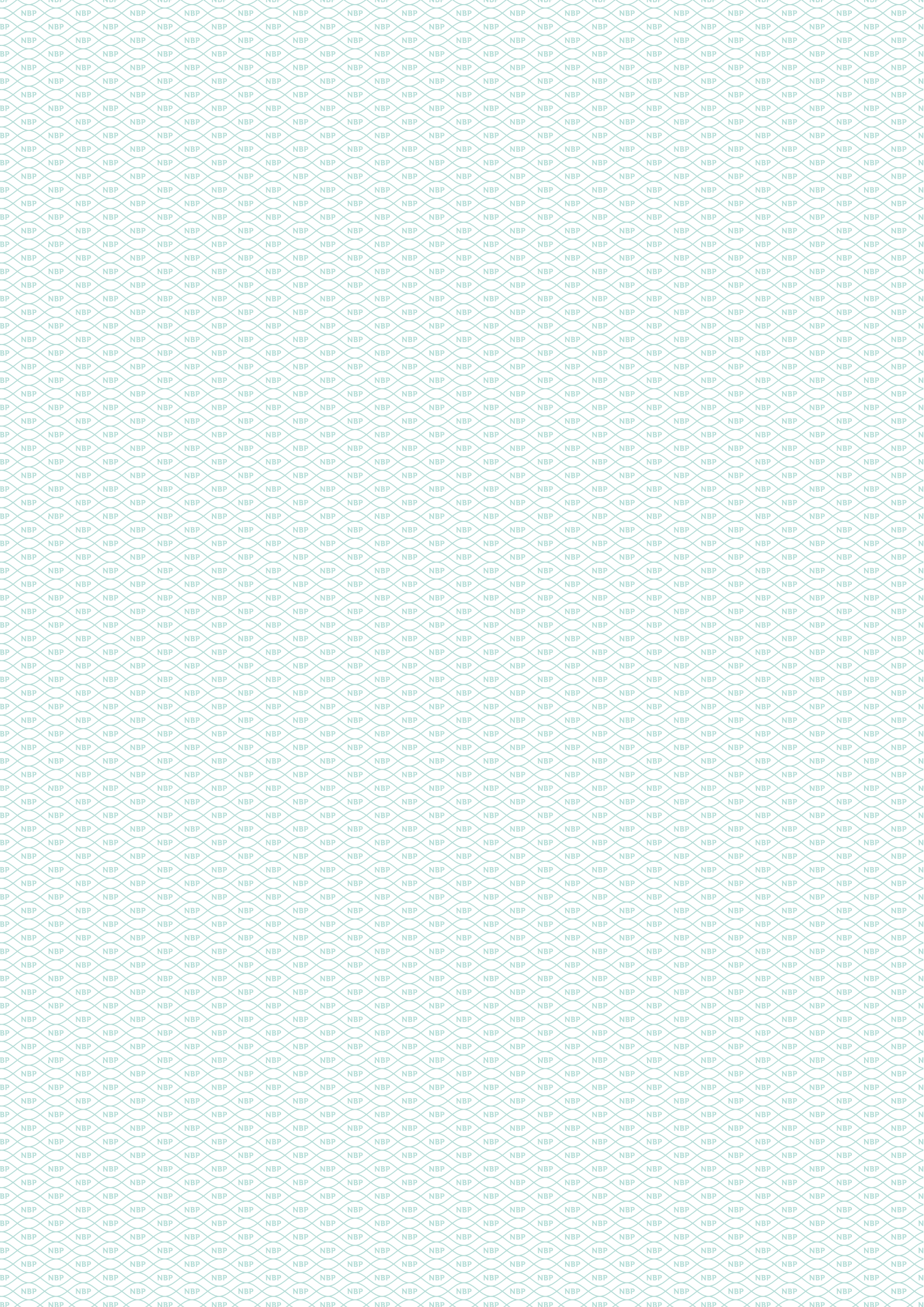
Voting records of the Monetary Policy Council members on motions and resolutions

Voting records of the Monetary Policy Council members on motions and resolutions in 2016 are presented below.

Date	Subject matter of motion or resolution	Voting of the MPC members:	
		For	Against
5 April 2016	Resolution No. 1/2016 of 5 April 2016 on approving the Annual Financial Report of Narodowy Bank Polski prepared as of 31 December 2016.	M. Belka G.M. Ancyparowicz M. Chrzanowski E. Gatnar Ł.J. Hardt J.J. Kropiwnicki E.M. Łon E.J. Osiałyński K. Zubelewicz J. Żyżyński	
5 May 2016	Resolution No. 2/2016 of 5 May 2016 on approving the report on monetary policy implementation in 2015.	M. Belka G.M. Ancyparowicz M. Chrzanowski E. Gatnar Ł.J. Hardt J.J. Kropiwnicki E.M. Łon K. Zubelewicz J. Żyżyński	
		E.J. Osiałyński was absent.	
5 May 2016	Resolution No. 3/2016 of 5 May 2016 on the evaluation of the activities of the NBP Management Board as regards the implementation of monetary policy guidelines in 2015.	M. Belka G.M. Ancyparowicz M. Chrzanowski E. Gatnar Ł.J. Hardt J.J. Kropiwnicki E.M. Łon K. Zubelewicz J. Żyżyński	
		E.J. Osiałyński was absent.	
24 May 2016	Resolution No. 4/2016 of 24 May 2016 on approving the report on the operations of Narodowy Bank Polski in 2015.	M. Belka G.M. Ancyparowicz E. Gatnar Ł.J. Hardt J.J. Kropiwnicki E.M. Łon K. Zubelewicz J. Żyżyński	
		M. Chrzanowski and E.J. Osiałyński were absent.	

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

Date	Subject matter of motion or resolution	Voting of the MPC members:	
		For	Against
7 September 2016	Resolution No. 5/2016 of 7 September 2016 on approving the report on monetary policy implementation in 2017.	A. Glapiński G.M. Ancyparowicz M. Chrzanowski E. Gatnar Ł.J. Hardt J.J. Kropiwnicki E.M. Łon E.J. Osiatyński J. Zzyński	K. Zubelewicz
20 December 2016	Resolution No. 6/2016 of 20 December 2016 on approving the Financial Plan of the National Bank of Poland for 2017.	A. Glapiński G.M. Ancyparowicz E. Gatnar Ł.J. Hardt E.M. Łon R. Sura J. Zzyński	E.J. Osiatyński K. Zubelewicz
		J.J. Kropiwnicki was absent	



Appendix 8

**Condensed financial statements
of Narodowy Bank Polski
as at 31 December 2016**



Balance sheet of NBP as at 31 December 2016

Assets	Note	31.12.2015	31.12.2016
		<i>PLN thousand</i>	
1. Gold and gold receivables	1	13,713,371.9	16,035,770.9
2. Claims on non-residents denominated in foreign currency		356,610,371.8	463,246,904.8
2.1. <i>Receivables from the IMF</i>	2	7,742,741.0	4,394,707.8
2.2. <i>Balances with foreign institutions, securities, loans granted and other foreign assets</i>	3	348,867,630.8	458,852,197.0
3. Claims on residents denominated in foreign currency		0.0	0.0
4. Claims on non-residents denominated in domestic currency		0.0	0.0
5. Claims on other domestic monetary financial institutions related to monetary policy operations denominated in domestic currency		0.0	0.0
5.1. <i>Main refinancing operations</i>		0.0	0.0
5.2. <i>Long-term refinancing operations</i>		0.0	0.0
5.3. <i>Fine-tuning operations</i>		0.0	0.0
5.4. <i>Structural operations</i>		0.0	0.0
5.5. <i>Marginal lending facilities</i>		0.0	0.0
6. Other claims on other domestic monetary financial institutions denominated in domestic currency	4	181,000.9	424.0
7. Securities of residents denominated in domestic currency		0.0	0.0
8. Claims on general government denominated in domestic currency		0.0	0.0
9. Items in course of settlement		0.0	0.0
10. Other assets		1,667,611.9	1,605,404.8
10.1. <i>Tangible and intangible fixed assets</i>	5	884,890.1	916,396.1
10.2. <i>Other financial assets</i>	6	272,239.2	278,268.3
10.3. <i>Off-balance-sheet instruments revaluation differences</i>	7	325,079.1	52,667.6
10.4. <i>Accruals and prepaid expenses</i>	8	39,896.4	29,917.4
10.5. <i>Sundry</i>	9	145,507.1	328,155.4
Total assets		372,172,356.5	480,888,504.5

Liabilities	Note	31.12.2015	31.12.2016
		PLN thousand	
1. Banknotes and coins in circulation	10	163,225,778.0	187,574,849.5
2. Liabilities to other domestic monetary financial institutions related to monetary policy operations denominated in domestic currency	11	123,346,018.8	114,553,118.7
2.1. Current accounts (incl. the required minimum reserve accounts)		48,666,911.2	25,878,583.9
2.2. Deposit facilities		558,107.6	7,366,064.8
2.3. Fixed-interest deposits		0.0	0.0
2.4. Other monetary policy operations		74,121,000.0	81,308,470.0
3. Other liabilities to other domestic monetary financial institutions denominated in domestic currency	12	132,707.9	468,823.0
4. Liabilities to other residents denominated in domestic currency	13	5,942,232.8	4,980,569.3
4.1. Liabilities to general government		5,917,451.3	4,962,840.1
4.2. Other liabilities		24,781.5	17,729.2
5. Liabilities to non-residents denominated in domestic currency	14	2,245,968.9	4,369,292.4
6. Liabilities to residents denominated in foreign currency	15	10,056,776.7	27,269,408.7
7. Liabilities to non-residents denominated in foreign currency	16	12,043,802.7	77,748,365.9
8. Liabilities to the IMF	17	7,057,646.7	7,401,999.6
9. Items in course of settlement		0.0	0.0
10. Other liabilities		573,365.8	367,570.5
10.1. Off-balance-sheet instruments revaluation differences	18	50,463.8	114,071.4
10.2. Accruals and deferred income	19	126,864.6	131,628.2
10.3. Sundry	20	396,037.4	121,870.9
11. Provisions for future liabilities	21	133,267.4	133,314.0
12. Revaluation accounts	22	36,645,364.5	44,312,771.7
13. Capital and reserves	23	13,701,557.1	13,315,346.1
13.1. Statutory fund		1,500,000.0	1,500,000.0
13.2. Reserve fund		993,645.5	1,007,434.5
13.3. Reserves		11,207,911.6	10,807,911.6
14. Financial result	24	-2,932,130.8	-1,606,924.9
14.1. Financial result for the current year		8,275,780.8	9,200,986.7
14.2. Loss of previous years		-11,207,911.6	-10,807,911.6
Total liabilities		372,172,356.5	480,888,504.5

Director of the Accounting
and Finance Department
of Narodowy Bank Polski:
/-/ Krzysztof Kruszewski

Management Board
of Narodowy Bank Polski:

/-/ Adam Glapiński
/-/ Piotr Wiesiołek
/-/ Anna Trzecińska
/-/ Jacek Bartkiewicz
/-/ Andrzej Kaźmierczak
/-/ Ryszard Kokoszczczyński
/-/ Paweł Samecki
/-/ Paweł Szalamacha
/-/ Katarzyna Zajdel-Kurowska

Warsaw, 24 March 2017

Profit and loss account of NBP for the year ended 31 December 2016

	Note	2015	2016
		PLN thousand	
1. Net result on interest, discount and premium		1,050,878.0	867,087.6
1.1. Interest, discount and premium income	29	6,288,696.5	6,240,080.7
1.2. Interest, discount and premium expenses	30	5,237,818.5	5,372,993.1
2. Net result on financial operations		8,233,082.8	9,285,022.2
2.1. Income on financial operations	31	15,232,622.6	15,175,692.6
2.2. Expenses on financial operations	32	2,439,268.0	4,190,076.0
2.3. Unrealised losses	33	2,092,748.4	2,100,594.4
2.4. Income on transfers from risk provisions and on reversal of write-downs on financial assets	34	0.0	400,000.0
2.5. Expenses on transfers to risk provisions and on write-downs on financial assets	34	2,467,523.4	0.0
3. Net result on fees and commissions		4,547.5	5,706.2
3.1. Fees and commissions income	35	37,138.5	59,667.6
3.2. Fees and commissions expenses	36	32,591.0	53,961.4
4. Income on shares and participating interests	37	11,284.0	15,016.7
5. Other income	38	104,230.2	84,923.6
A. Total net income [1+2+3+4+5]		9,404,022.5	10,257,756.3
6. Salaries and social contributions	39	464,529.7	477,380.6
7. Administrative expenses	40	239,671.2	232,602.7
8. Depreciation and amortisation expenses	41	81,121.8	84,840.3
9. Expenses on issue of banknotes and coins	42	311,340.4	250,932.1
10. Other expenses	43	31,578.6	11,013.9
B. Financial result for the current year [A-6-7-8-9-10]	44	8,275,780.8	9,200,986.7

Director of the Accounting and Finance Department of Narodowy Bank Polski:
/-/ Krzysztof Kruszewski

Management Board of Narodowy Bank Polski:

/-/ Adam Glapiński
/-/ Piotr Wiesiołek
/-/ Anna Trzecińska
/-/ Jacek Bartkiewicz
/-/ Andrzej Kaźmierczak
/-/ Ryszard Kokoszczczyński
/-/ Paweł Samecki
/-/ Paweł Szalamacha
/-/ Katarzyna Zajdel-Kurowska

Warsaw, 24 March 2017

Condensed notes

1. Introduction

The summary financial statements of Narodowy Bank Polski (hereinafter referred to as 'NBP') have been prepared based on the audited annual financial statements of NBP as at 31 December 2016 and include:

- Balance sheet of NBP as at 31 December 2016,
- Profit and loss account of NBP for the year ended 31 December 2016,
- condensed notes, including an introduction to the summary financial statements of NBP and selected explanatory notes.

The summary financial statements of NBP have been prepared in compliance with the requirements set forth in Resolution No. 45/2013 of the Management Board of Narodowy Bank Polski of 12 December 2013 on performing tasks in the area of accounting at Narodowy Bank Polski, as amended. The summary financial statements include necessary information at the level of aggregation ensuring a reliable presentation of financial position of NBP. For the full understanding of financial position of NBP, the summary financial statements of NBP should be read in conjunction with the audited annual financial statements of NBP.

The audited annual financial statements of NBP, together with the auditor's opinion and the long-form auditor's report, are published on the NBP website.

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

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

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

- the Act of 29 August 1997 on Narodowy Bank Polski (Journal of Laws of 2013, item 908, as amended), hereinafter referred to as the "Act on NBP",
- the Act of 29 August 1997 – Banking Law (Journal of Laws of 2016, item 1998, as amended),
- the Treaty on European Union and the Treaty on the functioning of the European Union (consolidated texts: Journal of Laws of the EU 2016 C 202 of 7 June 2016, p. 1).

Pursuant to Article 2 of the Act on NBP, NBP has a legal personality and is not subject to entry into the register of State enterprises. NBP performs its activities in the territory of the Republic of Poland, and its registered office is in Warsaw.

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

- organising payments,
- managing the foreign exchange reserves,
- conducting foreign exchange activities within the bounds stipulated by relevant laws,
- providing banking services to the State budget,
- regulating the liquidity of banks and providing them with refinancing facilities,
- establishing the necessary conditions for the development of the banking system,
- acting in favour of the stability of the financial system,
- acting with the aim of eliminating or mitigating systemic risk in the financial system.
- compiling monetary and banking statistics, the balance of payments and the international investment position,
- performing other tasks as specified by laws.

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

1. President of NBP (appointed for a six-year term of office),
2. Monetary Policy Council (its members are appointed for a six-year non-renewable term of office),
3. Management Board of NBP (its members are appointed for a six-year term of office).

The composition of NBP bodies as at 31 December 2016 was as follows:

President of NBP

Adam Glapiński – appointed by the Sejm of the Republic of Poland on 10 June 2016; took over the office of the President of NBP on 21 June 2016.

The term of office of the President of NBP Marek Belka expired as of 11 June 2016. He performed the duties of the President of NBP from 12 June 2016 to 20 June 2016.

Monetary Policy Council¹

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

Management Board of NBP²

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

¹ In 2016 the term of office of the following members of the Monetary Policy Council ended:

- as of 20 January 2016 – Andrzej Bratkowski and Elżbieta Chojna-Duch,
- as of 24 January 2016 – Jerzy Hausner, Andrzej Rzońca and Jan Winiecki,
- as of 9 February 2016 – Anna Zielińska-Głębocka,
- as of 19 February 2016 – Adam Glapiński and Andrzej Kaźmierczak.

In 2016 the following members of the Monetary Policy Council were appointed for a six-year term of office starting:

- as of 25 January 2016 – Marek Chrzanowski (following his resignation from the post of a member of the Monetary Policy Council he was recalled on 6 October 2016), Eugeniusz Gatnar and Jerzy Kropiwnicki,
- as of 9 February 2016 – Grażyna Ancyparowicz and Eryk Łon,
- as of 20 February 2016 – Łukasz Hardt and Kamil Zubelewicz,
- as of 30 March 2016 – Jerzy Żyżyński,
- as of 16 November 2016 – Rafał Sura.

² In 2016

- the following persons stopped acting as members of the Management Board of NBP: as of 22 January 2016 – Eugeniusz Gatnar (recalled following his resignation as member of the Management Board of NBP), as of 7 September 2016 – Andrzej Raczko (following the end of his term of office),
- from 1 March 2016 to 9 June 2016 Adam Glapiński acted as member of the Management Board of NBP,
- the following persons were appointed as members of the Management Board of NBP: as of 16 July 2016 – Andrzej Kaźmierczak, and as of 6 October 2016 – Paweł Szałamacha.

1.2. Legal basis of preparation of the financial statements

The financial statements of NBP as at 31 December 2016 were prepared on the basis of the following provisions:

- the Act on NBP,
- Resolution No. 16/2003 of the Monetary Policy Council of 16 December 2003 on the accounting principles, format of the balance sheet and the profit and loss account of Narodowy Bank Polski (NBP Official Journal No. 22, item 38, as amended),
- Resolution No. 12/2010 of the Monetary Policy Council of 14 December 2010 on the principles for creating and releasing the provision against the foreign exchange rate risk of the zloty at Narodowy Bank Polski (NBP Official Journal No. 17, item 19) hereinafter referred to as "Resolution No. 12/2010",
- Resolution No. 45/2013 of the Management Board of Narodowy Bank Polski of 12 December 2013 on performing tasks in the area of accounting at Narodowy Bank Polski, as amended.

1.3. Period covered by the financial statements

The financial statements cover the calendar year from 1 January 2016 to 31 December 2016. Comparable data in the financial statements cover the calendar year from 1 January 2015 to 31 December 2015.

1.4. Certified auditor and its selection

The annual financial statements of NBP prepared as at 31 December 2016 are subject to audit and evaluation by the certified auditor Ernst & Young Audyt Polska Spółka z ograniczoną odpowiedzialnością sp.k. with its registered office in Warsaw. The certified auditor was appointed by the Monetary Policy Council, hereinafter referred to as the "MPC", in 2015 in accordance with Article 69 para. 1 of the Act on NBP. The selection was made following an open tendering, pursuant to the Act of 29 January 2004 – Public Procurement Law (Journal of Laws of 2013, item 907, as amended), for a period of two years (audit of the financial statements for the years 2015 and 2016).

1.5. Information on the adoption and approval of NBP financial statements for the year 2015

The annual financial statements of NBP prepared as at 31 December 2015 were adopted by the MPC by Resolution No. 1/2016 on 5 April 2016 and approved by the Council of Ministers by Resolution No. 83/2016 on 6 July 2016. The certified auditor in charge of auditing the financial statements – Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp.k. – issued an unqualified opinion on the audited financial statements.

In the financial statements prepared as at 31 December 2015, NBP recorded a financial result of PLN 8,275,780.8 thousand. Consequently, in 2016, in accordance with Article 69 para 4 of the Act on NBP, NBP paid a contribution from profit to the State budget in the amount of PLN 7,861,991.8 thousand. In accordance with Article 62 of the Act on NBP, 5% of NBP's profit, i.e. PLN 413,789.0 thousand, was allocated to reserve fund.

2. Description of significant accounting principles

2.1. Basic accounting principles

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

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

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

2.2. Going concern

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

2.3. Recognition of transactions in the accounting books

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

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

- it is likely that any future economic benefits will flow in or obligations will be settled,
- risks or rewards related to an asset or a liability were transferred to NBP,
- the value of an asset or a liability and of income or expense can be measured reliably.

When recognising transactions in the accounting books, NBP follows the so-called economic approach as laid down in the ECB Guideline. Consequently, the following rules are applied:

- foreign currencies and gold purchased or sold in a spot transaction or a forward transaction are recognised in the accounting books (on off-balance-sheet accounts) on the trade date,
- interest, discount and premium on assets and liabilities as well as on off-balance-sheet instruments are recognised in the profit and loss account at the end of each operating day.³

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

2.4. Valuation as at the balance sheet date

In financial statements, for gold, foreign currencies, securities purchased by NBP (except for securities held to maturity and non-marketable securities) and off-balance-sheet financial instruments the principle of balance sheet valuation at market prices/exchange rates is applied. The results of the assets and liabilities valuation at market prices/exchange rates effective as at the balance sheet date are recognised in accordance with the following rules:

- unrealised losses (revaluation losses) are recognised in the financial result,
- unrealised gains (revaluation gains) are not recognised in the financial result – they are recognised on the liabilities side of the balance sheet as *Revaluation accounts*.

The remaining assets and liabilities are valued on the basis of historical cost.

2.5. Principles for recognition and valuation of assets, liabilities and off-balance-sheet financial instruments and for recognition of income and expenses in the financial result

2.5.1. Gold

Gold purchased is recognised in the accounting books at purchase price, while gold receivables and liabilities – at the average market price of gold as at the date of recognition of the economic event in the accounting books. The prices of an ounce of gold expressed in USD are translated into domestic currency according to the average NBP exchange rate of the USD effective as at the date of recognition of the economic event in the accounting books.

³ Except for:

- interest on nostro accounts balances, which is recognised as at the payment date,
- interest payable on the required minimum reserve and interest on assets and liabilities related to own administrative activities, which is recognised at the month-end,
- interest on initial margins related to futures, which is recognised in the financial result on the payment date.

Assets and liabilities in gold, including spot transactions recognised on off-balance-sheet accounts and off-balance-sheet financial instruments in gold, constitute a holding of gold, for which the average cost is calculated. The average cost of gold holding, which is the average cost of purchasing an ounce of gold by NBP, is used to calculate income and expenses arising from the sale of gold (realised foreign exchange gains or losses) and determine the results of balance sheet valuation. At the end of the operating day, the value in domestic currency of positions in gold is adjusted to the average cost of gold holding.

At the balance sheet date, gold is valued according to the average market price of an ounce of gold, translated into domestic currency according to the average NBP exchange rate of the USD effective as at the balance sheet date. No distinction is made between the results of currency and price valuation of gold – they are treated jointly as currency revaluation differences. Unrealised losses, recognised in the financial result on the balance sheet date, change the average cost of gold holding.

2.5.2. Foreign currency

Foreign currency purchased or sold by NBP for:

- domestic currency – is recognised in the accounting books at the exchange rate specified in an agreement or in a separate regulation,
- other foreign currency – is recognised in the accounting books in the amount of quoted foreign currency, which was translated into domestic currency at the average exchange rate effective as at the date of recognition of the economic event in the accounting books.

In other cases foreign currency is translated into domestic currency at the average NBP exchange rate effective as at the date of the economic event or at the average NBP exchange rate effective as at the date of recognition of the economic event in the accounting books.

Assets and liabilities in a foreign currency, including spot transactions recognised on off-balance-sheet accounts and off-balance-sheet financial instruments in that foreign currency, constitute a holding of foreign currency, for which the average cost is calculated. A holding of foreign currency is formed for each foreign currency separately. The average cost of foreign currency holding, which is the average cost of purchasing a unit of foreign currency by NBP, is used to calculate income and expenses arising from the sale of foreign currency (realised foreign exchange gains or losses) and determine the results of balance sheet valuation. At the end of the operating day, the value in domestic currency of positions in foreign currency is adjusted to the average cost of a foreign currency holding.

At the balance sheet date, foreign currencies are valued at the average NBP exchange rates effective as at the balance sheet date. Unrealised losses related to a given holding of foreign currency (gold) are not netted with unrealised gains on any other holding of foreign currency

(gold). Unrealised losses recognised in the financial result on the balance sheet date change the average cost of a foreign currency holding.

Special Drawing Right (SDR) is treated as a separate foreign currency. Transactions that entail a change of the SDR position are either transactions denominated in SDR, or transactions in foreign currencies replicating the basket composition of SDR (according to the respective basket definition and weightings). When recognising unrealised gains and losses at the balance sheet date, it is assumed that a holding of SDRs includes individual designated foreign currency holdings underlying the SDR basket.

2.5.3. Securities purchased by NBP

Securities purchased in a spot transaction are recognised in the accounting books at purchase price.

Discount and premium on securities purchased are recognised in the financial result (as discount income or premium expenses, respectively) at the end of each operating day in amounts calculated according to the internal rate of return. Interest on securities purchased is recognised in the financial result (as interest income) at the end of each operating day in amounts calculated pro-rata to the time elapsed between the purchase date and the end of each day.

Securities with the same code (ISIN), in relation to which NBP has a defined business intention, constitute a holding of securities.

For marketable securities not classified as securities held to maturity the average cost of holding is calculated. The average cost of securities holding, which is the average cost of purchasing by NBP a security of a given code (adjusted for the amortised discount and premium), is used to calculate income and expenses arising from the sale of securities (realised price gains or losses) and to determine the results of balance sheet valuation.

At the balance sheet date, marketable securities not classified as securities held to maturity are valued at the average market price effective as at the balance sheet date. Unrealised losses related to a given holding of securities are not netted with unrealised gains on any other holding of securities. Unrealised losses recognised in the financial result on the balance sheet date change the average cost of a securities holding.

Marketable securities held to maturity and non-marketable securities are valued as at the balance sheet date at purchase price, adjusted for the amortised discount/premium, less impairment.

2.5.4. Shares and participating interests

Shares and participating interests are recognised in NBP accounting books at purchase price. As at the balance sheet date, the following are valued:

- non-marketable shares and participating interests – at purchase price less impairment,
- marketable shares – at average market price.

2.5.5. Repo / reverse repo transactions

A repo transaction is a contract under which an entity agrees to sell securities and, simultaneously, agrees to re-purchase these securities after a stated time, for an agreed price. This transaction is recognised in NBP balance sheet liabilities as a received deposit collateralised with securities whose holding is not decreased on the trade date.

A reverse repo transaction is a contract under which an entity agrees to purchase securities and, simultaneously, agrees to re-sell these securities after a stated time, for an agreed price. This transaction is recognised in NBP balance sheet assets as a loan granted, collateralised with securities whose holding is not increased on the trade date. Securities purchased in reverse repo transactions are not subject to valuation and no income or expense on these securities is recognised in the financial result.

The difference between the agreed selling and re-purchasing (purchasing and re-selling) price of securities that constitute a collateral of the repo/reverse repo transactions is taken to the profit and loss account at the end of each operating day in amounts calculated pro-rata to the time elapsed between the date of asset or liability recognition and the end of each day.

2.5.6. Banknotes and coins in circulation

Banknotes and coins in circulation are recognised in NBP balance sheet liabilities at nominal value of banknotes and coins issued, decreased by nominal value of banknotes and coins:

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

Expenses on issue of banknotes and coins are recognised in the financial result on the date they are incurred, regardless of the date banknotes and coins are put into circulation.

2.5.7. Securities issued by NBP

Securities issued by NBP are recognised in NBP balance sheet liabilities at nominal value.

Discount and premium on securities issued by NBP are recorded as accruals and recognised in the financial result (as discount expenses or premium income, respectively) at the end of each operating day in the amounts calculated for the period for which a given security was issued, pro-rata to the time elapsed between the date of liability recognition and the end of each day.

Interest on securities issued by NBP is recognised in the financial result (as interest expenses) at the end of each operating day in the amounts calculated for the period for which a given security was issued, pro-rata to the time elapsed between the date of liability recognition and the end of each day.

2.5.8. Tangible and intangible fixed assets

Tangible and intangible fixed assets are recognised in NBP balance sheet assets at:

- purchase price, increased by costs directly related to the purchase and adaptation of an asset to the condition enabling its use, or
- production cost.

Tangible and intangible fixed assets are depreciated/amortised according to the straight-line method beginning from the month which follows the month when the asset was made available for use. The table below presents the estimated periods of use for particular groups of tangible and intangible fixed assets prevailing as at 31 December 2016.

Tangible assets	Periods of use (in months)
Land	Unlimited
<i>including: right to perpetual usufruct of land</i>	800
Buildings and premises	480-780
Land and water engineering objects	267-480
Boilers and energy machinery	86-300
General application machines, devices and appliances	48-240
Specialist machines, devices and appliances	86-204
Technical devices	36-300
Vehicles	72-180
Tools, technical instruments, movables and equipment	78-240
<i>including: objects of art, museum exhibits, collector objects</i>	Unlimited
Intangible assets	Periods of use (in months)
Copyrights, including the rights related to inventions, trademarks, utility and industrial designs	120
IT software licences	72 or 144
IT software developed by NBP	120

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

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

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

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

As at the balance sheet date, tangible and intangible fixed assets are valued at initial value less depreciation/amortisation and impairment.

2.5.9. Inventories

Inventories are recognised in NBP balance sheet assets at:

- purchase price – materials and goods, gold not conforming to international standards of purity and other precious metals,
- production cost – products,
- nominal value – collector valuables (banknotes and coins) not in circulation.

As at the balance sheet date, inventories are valued at purchase price/production cost less impairment; in the case of collector valuables (banknotes and coins) not in circulation – at nominal value.

2.5.10. Impairment of assets

Impairment of assets is determined on the balance sheet date by comparing the book value of assets with their value in use or market value, or if it is highly probable that a given asset will not generate expected economic benefits in the future.

2.5.11. Provisions for future liabilities

Provisions for future liabilities are recognised in the accounting books of NBP when NBP is under an obligation arising from past events or from identified risk and when it is probable that the fulfilment of the obligation or the materialisation of the identified risk will reduce the economic benefits of NBP, and the amount of this obligation and the amount adequate to cover the identified risk can be measured reliably. Provisions are created and recognised as expense in

the amount that would have to be paid not later than on the balance sheet date to fulfil the above mentioned obligation or would be sufficient to cover the identified risk mentioned above.

As at the balance sheet date, provisions for future liabilities are adjusted. Provisions for future liabilities unused due to full or partial cessation of obligation or risk justifying their creation are released as income.

2.5.12. Provision against the foreign exchange rate risk of the zloty

The provision against the foreign exchange rate risk of the zloty is estimated on the basis of financial risk assessment methods which are generally accepted and consistently applied by NBP (see Chapter 9.1.4.).

The provision is created, used and released on the balance sheet date.

The provision is created and recognised as expense and must not lead to a negative financial result of the current year for NBP.

The provision is used – by recognising it as income – exclusively to cover unrealised losses arising from changes in the foreign exchange rate of the zloty in the amount that could result in a loss.

The surplus of provision is released and recognised as income.

2.5.13. Gold revaluation account

Gold revaluation account is released as income in the amount:

- of unrealised gold revaluation losses taken to the profit and loss account on the balance sheet date,
- corresponding to the pro-rata decrease in gold holding as compared with its holding at the balance sheet date of the previous financial year.

2.5.14. Foreign exchange forward

Currency purchased or sold in a foreign exchange forward transaction is recognised from the trade date to the settlement date on off-balance-sheet accounts at the agreed spot exchange rate. The difference between the agreed forward exchange rate and the spot rate is recognised in the financial result at the end of each operating day in the amounts calculated pro-rata to the time elapsed between the date commonly adopted for the settlement of a spot transaction and the settlement date of a foreign exchange forward transaction.

2.5.15. Foreign exchange swap

Currency purchased or sold and, respectively, re-sold or re-purchased in a foreign exchange swap transaction is recognised from the trade date to the settlement date on off-balance-sheet accounts at the agreed spot exchange rate. The difference between the agreed forward exchange rate and the spot rate is recognised in the financial result at the end of each operating day in the amounts calculated pro-rata to the time elapsed between the settlement date of the spot transaction and the settlement date of the foreign exchange forward transaction.

2.5.16. Forward transactions in securities

Securities purchased or sold in a forward transaction are recognised from the trade date to the settlement date on off-balance-sheet accounts at an agreed price. On the trade date, securities purchased or sold in a forward transaction do not change the holding of securities.

Securities purchased or sold in a forward transaction are valued at the balance sheet date at the market price of such transactions effective as at the valuation date. The rules for recognition of unrealised gains and losses are applied to income and expenses arising from this valuation.

On the transaction settlement date, securities purchased in a forward transaction increase the holding of securities, while securities sold in a forward transaction decrease the holding of securities.

The result of transaction settlement is calculated:

- for securities purchased in a forward transaction – as the difference between the market price and the agreed price, adjusted for revaluation losses recognised at the balance sheet date,
- for securities sold in a forward transaction – as the difference between the agreed price and the average cost of a securities holding, adjusted for revaluation losses recognised at the balance sheet date.

If more than one transaction for the forward purchase or sale of securities has been entered into, valuation and settlement of these transactions are carried out separately.

2.5.17. Futures

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

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

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

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

2.6. Events after the balance sheet date

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

3. Changes in accounting principles

In 2016, NBP did not change the accounting principles.

4. Values based on professional judgement and estimates

When preparing financial statements, NBP makes specific estimates and assumptions that affect the amounts recognised in the financial statements. The estimates and assumptions are based, among others, on historical data and expectations about future events that are believed to be reasonable at the date of the financial statements preparation. As the existing circumstances and expectations about future events may change as a result of market changes or an occurrence of factors beyond NBP's control, the estimates made by NBP are reviewed on a regular basis.

The key area where NBP makes estimates is the calculation of the amount of the provision against the foreign exchange rate risk of the zloty (see Chapter 9.1.4.). In accordance with Resolution No. 12/2010, the estimated provision against the foreign exchange rate risk of the zloty is equal to the amount that would cover the potential change in the value of foreign currency holdings due to identified foreign exchange rate risk of the zloty, decreased by estimated unrealised foreign currency revaluation gains. The estimated provision must not be lower than the amount of uncovered accumulated loss from previous years that has arisen from changes in the foreign exchange rate of the zloty.

Other areas in which NBP makes estimates relate, in particular, to setting:

- the amount of provisions for liabilities due to retirement and disability severance payments and jubilee awards (provisions are estimated on the basis of actuarial assessment carried out periodically by an independent actuary),
- the periods of use of tangible and intangible fixed assets,
- the amount of asset impairment,
- accruals and prepaid expenses.

5. Explanatory notes to balance sheet

Note 1 Gold and gold receivables

<i>PLN thousand</i>	31.12.2015	31.12.2016	Change
Gold stored at NBP	651,497.4	761,593.6	110,096.2
Gold on accounts with foreign banks, of which	13,061,874.5	15,274,177.3	2,212,302.8
- <i>current accounts in gold</i>	3,402.7	3,673.5	270.8
- <i>term deposits in gold</i>	13,058,471.8	15,270,503.8	2,212,032.0
Total	13,713,371.9	16,035,770.9	2,322,399.0
<i>of which gold revaluation differences</i>	9,374,594.8	11,692,060.2	2,317,465.4

<i>Thousands of ounces</i>	31.12.2015	31.12.2016	Change
Gold stored at NBP	157.2	157.2	0.0
Gold on accounts with foreign banks, of which	3,152.0	3,153.1	1.1
- <i>current accounts in gold</i>	0.8	0.8	0.0
- <i>term deposits in gold</i>	3,151.2	3,152.3	1.1
Total	3,309.2	3,310.3*	1.1

* Which corresponds to the weight of 103.0 tons

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

Gold held at the Bank of England is:

- held on the current account in the Bank of England,
- invested in term deposit transactions with foreign commercial banks and central banks; interest on term deposits in gold is accrued and paid in USD (see Note 3 and Note 29).

As compared with 31 December 2015, the increase in the balance by 1.1 thousand ounces resulted from the settlement of term deposit transactions in gold and concerned differences in the weight of gold bars received at the end of the term deposit against the weight of gold bars placed into term deposits (the differences are settled in USD).

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

Note 2 Receivables from the IMF

<i>PLN thousand</i>	31.12.2015	31.12.2016	Change
Reserve tranche	1,249,943.4	1,302,060.8	52,117.4
Current account with the IMF	5,121,205.3	1,775,124.3	-3,346,081.0
Term deposit with the IMF	38,263.5	40,119.7	1,856.2
Loans extended to the IMF	1,333,328.8	1,277,403.0	-55,925.8
Total	7,742,741.0	4,394,707.8	-3,348,033.2
<i>of which SDR currency revaluation differences</i>	962,663.9	115,136.4	-847,527.5

<i>SDR thousand</i>	31.12.2015	31.12.2016	Change
Reserve tranche	231,077.3	229,575.6	-1,501.7
Current account with the IMF	946,758.4	312,984.7	-633,773.7
Term deposit with the IMF	7,073.8	7,073.8	0.0
Loans extended to the IMF	246,492.8	225,228.0	-21,264.8
Total	1,431,402.3	774,862.1	-656,540.2

The item comprises SDR-denominated:

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

<i>PLN thousand</i>	31.12.2015	31.12.2016	Change
<i>Member quota in the IMF</i>	9,226,226.1	22,122,554.9	12,896,328.8
<i>No. 1 Account of the IMF</i>	-7,976,282.7	-20,820,494.1	-12,844,211.4
Reserve tranche	1,249,943.4	1,302,060.8	52,117.4

<i>SDR thousand</i>	31.12.2015	31.12.2016	Change
<i>Member quota in the IMF</i>	1,688,400.0	4,095,400.0	2,407,000.0
<i>No. 1 Account of the IMF</i>	-1,457,322.7	-3,865,824.4	-2,408,501.7
Reserve tranche	231,077.3	229,575.6	-1,501.7

The quota in the IMF of each member country is determined on the basis of selected macroeconomic indicators and paid in full amount (in domestic currency and in foreign currencies). The size of member quota determines for a given country, among others, the

number of its voting rights in the IMF, the assigned amount of SDR allocation and the limits of loans granted to that country.

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

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

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

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

On 26 January 2016, Resolution 66-2 of the IMF Board of Governors on the implementation of the 14th General Review of Quotas and Reform of the Executive Board entered into force⁴, which resulted in an increase in the Republic of Poland's member quota in the IMF from SDR 1,688,400.0 thousand to SDR 4,095,400.0 thousand. Consequently, on 2 February 2016, NBP paid in:

- 75% of the value of acquired member quota (SDR 1.805.250,0 thousand) in domestic currency through crediting PLN 10,093,258.9 thousand to the No. 1 Account of the IMF,
- 25% of the value of acquired member quota (SDR 601,750.0 thousand) in SDR from funds accumulated on the current account with the IMF, which resulted in a change in the structure of the item *Receivables from the IMF*, that is in an increase in the reserve tranche and a decrease in the funds on the current account with the IMF in the amount as above.

The decrease in the item in the original currency was due to:

- member quota in the IMF being paid up in PLN by other IMF member countries in the amount of SDR 603,325.0 thousand, which resulted in a decrease in reserve tranche,

⁴ The Resolution of the Board of Governors of the IMF of 15 December 2010.

- crediting No. 2 Account of the IMF (see Note 14) with funds from No. 1 Account of the IMF in the amount of SDR 73.3 thousand which resulted in an increase in reserve tranche,
- a decrease in receivables due to loans extended to the IMF under NAB, which resulted from the partial repayment of the debt towards NBP by the IMF in the amount of SDR 21,323.8 thousand with a simultaneous increase in the interest accrued in the amount of SDR 59.0 thousand,
- settlements of interest and fees with the IMF in the amount of SDR 32,023.7 thousand, which resulted in a decrease in the current account with the IMF.

The domestic currency value of the item was also affected by the currency revaluation of SDR (see Note 22 and Note 33).

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

<i>PLN thousand</i>	31.12.2015	31.12.2016	Change
Current accounts in foreign currency , of which	2,847,147.0	15,599,875.3	12,752,728.3
- current account with the ECB for settlements in TARGET2	1,162,185.5	3,660,897.8	2,498,712.3
Term deposits in foreign currency	34,718,174.9	32,324,537.1	-2,393,637.8
Reverse repo transactions in foreign currency	11,908,632.8	76,444,450.1	64,535,817.3
Securities denominated in foreign currency , of which	299,263,199.9	332,892,291.0	33,629,091.1
- discount securities	31,953,191.3	42,166,508.3	10,213,317.0
- interest-bearing securities	267,310,008.6	290,725,782.7	23,415,774.1
Foreign banknotes and coins in stock	126,274.5	154,066.5	27,792.0
Other claims in foreign currency , of which	4,201.7	1,436,977.0	1,432,775.3
- initial margins related to bond futures denominated in foreign currency	0.0	266,055.0	266,055.0
- interest on term deposits in gold	4,201.7	4,732.3	530.6
- other	0.0	1,166,189.7	1,166,189.7
Total	348,867,630.8	458,852,197.0	109,984,566.2
<i>of which</i>			
- currency revaluation differences	23,492,133.7	37,033,262.2	13,541,128.5
- price revaluation differences	1,100,632.3	473,484.1	-627,148.2

The item comprises mostly the main investment instruments of foreign currency reserves in USD, EUR, GBP, AUD, NOK and NZD, that is: securities (discount securities and fixed-interest-rate

securities), term deposits, and reverse repo transactions. In 2016, NBP ceased investing in government securities denominated in the currencies of developing countries (Brazilian real – BRL, Mexican peso – MXN).

Investment instruments of foreign currency reserves by foreign currency are presented below.

31.12.2015	Term deposits	Reverse repo transactions	Securities	Total
<i>PLN thousand</i>				
USD	3,592,972.5	1,729,978.1	125,708,831.1	131,031,781.7
EUR	8,556,728.5	0.0	88,164,335.8	96,721,064.3
GBP	627,224.1	10,178,654.7	37,868,205.4	48,674,084.2
AUD	3,025,482.8	0.0	29,906,633.4	32,932,116.2
NOK	13,386,781.0	0.0	9,105,322.7	22,492,103.7
NZD	5,528,986.0	0.0	4,294,194.6	9,823,180.6
BRL	0.0	0.0	1,209,449.3	1,209,449.3
MXN	0.0	0.0	3,006,227.6	3,006,227.6
Total	34,718,174.9	11,908,632.8	299,263,199.9	345,890,007.6

31.12.2016	Term deposits	Reverse repo transactions	Securities	Total
<i>PLN thousand</i>				
USD	1,943,818.0	51,017,525.8	155,017,068.9	207,978,412.7
EUR	13,138,993.3	4,138,207.1	92,964,819.3	110,242,019.7
GBP	806,148.0	21,288,717.2	41,958,804.5	64,053,669.7
AUD	267,409.5	0.0	27,468,530.4	27,735,939.9
NOK	10,829,562.5	0.0	10,301,305.8	21,130,868.3
NZD	5,338,605.8	0.0	5,181,762.1	10,520,367.9
BRL	0.0	0.0	0.0	0.0
MXN	0.0	0.0	0.0	0.0
Total	32,324,537.1	76,444,450.1	332,892,291.0	441,661,278.2

All securities in foreign currency purchased by NBP are marketable securities and are valued according to average market prices. Neither on 31 December 2015 nor on 31 December 2016 did NBP hold securities classified as held-to-maturity.

The increase in the item resulted mainly from an increase in investment in reverse repo transactions in USD and GBP. Under the NBP investment policy, these transactions are usually

executed simultaneously with repo transactions (see Note 16). Moreover, an increase in the holding of debt securities denominated in USD and GBP and a rise in the level of funds held on current accounts in EUR had an influence on the increase in the item. Additionally, the change in the item resulted from currency revaluation (see Note 22 and Note 33).

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

<i>PLN thousand</i>	31.12.2015	31.12.2016	Change
Credits and loans granted in domestic currency	180,576.7	0.0	-180,576.7
Interest receivable for non-compliance with the obligation to maintain the required minimum reserve	420.9	420.9	0.0
Other claims in domestic currency	3.3	3.1	-0.2
Total	181,000.9	424.0	-180,576.9

As at 31 December 2016, the item comprised:

- claims on a credit union due to interest for non-compliance with the obligation to maintain the required minimum reserve,
- claims on domestic banks due to the settlements related to the deliveries of domestic coins and notes.

As at 31 December 2015, the item comprised also a claim on a domestic bank due to a refinancing loan for the restoration of bank's liquidity granted in 2015. Following the declaration of a winding up procedure for the bank⁵, the claim was reclassified to Assets item A.10.5 *Sundry* of NBP Balance sheet, due to a change in the statistical classification of the entity⁶ (see Note 9).

⁵ On 22 February 2016, the District Court for the Capital City of Warsaw in Warsaw, X Economic Division for Bankruptcy and Restructuring proceedings, changed the ongoing winding up proceedings of a domestic bank from composition proceedings to proceedings concerning liquidation of assets of the bankrupt.

⁶ On 29 February 2016, the bank ceased to be classified as a monetary financial institution.

Note 5 Tangible and intangible fixed assets

<i>PLN thousand</i>	31.12.2015	31.12.2016	Change
Gross tangible fixed assets	1,729,351.8	1,757,171.9	27,820.1
Depreciation	-906,730.0	-905,618.0	1,112.0
Impairment	-26,673.4	-26,438.3	235.1
<i>Net tangible fixed assets</i>	<i>795,948.4</i>	<i>825,115.6</i>	<i>29,167.2</i>
Gross intangible fixed assets	406,205.1	430,161.9	23,956.8
Amortisation	-317,254.5	-338,872.5	-21,618.0
Impairment	-8.9	-8.9	0.0
<i>Net intangible fixed assets</i>	<i>88,941.7</i>	<i>91,280.5</i>	<i>2,338.8</i>
Total	884,890.1	916,396.1	31,506.0

As at 31 December 2016, similarly as at 31 December 2015, the balance sheet value of the item comprised mainly real estates, machines, devices and IT software.

Note 6 Other financial assets

<i>PLN thousand</i>	31.12.2015	31.12.2016	Change
Shares and participating interests in domestic entities, of which	128,848.9	128,848.9	0.0
- shares in Krajowy Depozyt Papierów Wartościowych S.A.	51,708.1	51,708.1	0.0
- shares in Krajowa Izba Rozliczeniowa S.A.	75,312.5	75,312.5	0.0
- participating interests in Bazy i Systemy Bankowe Sp. z o.o.	1,820.0	1,820.0	0.0
- participating interests in housing cooperatives	8.3	8.3	0.0
Shares and participating interests in foreign entities, of which	143,390.3	149,419.4	6,029.1
- shares in the Bank for International Settlements	54,092.0	56,716.0	2,624.0
- participating interests in S.W.I.F.T.	675.4	701.1	25.7
- participating interests in the European Central Bank	88,622.9	92,002.3	3,379.4
Total	272,239.2	278,268.3	6,029.1

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

The participation of NBP in domestic entities did not change in comparison to 31 December 2015, and as at 31 December 2016 was as follows:

Entity	Share capital (PLN thousand)	Nominal price per share/participating interest (PLN thousand)	Number of shares/participating interests held by NBP	NBP's participation in the share capital (%)
	31.12.2016	31.12.2016	31.12.2016	31.12.2016
Krajowy Depozyt Papierów Wartościowych S.A. (KDPW) <i>Central Securities Depository of Poland</i>	21,000.0	1.0	7,000	33.33%
Krajowa Izba Rozliczeniowa S.A. (KIR) <i>National Clearing House</i>	5,445.0	0.5	3,750	34.44%
Bazy i Systemy Bankowe Sp. z o.o. (BSB)	10,000.0	10.0	1,000	100.00%

The participation of NBP in foreign entities was as follows:

- shares of the Bank for International Settlements (BIS).
As at 31 December 2015 and 31 December 2016, NBP held 8,000 shares that translated into the same number of votes. 25% of the nominal value of shares (the nominal value of 1 share amounts to SDR 5.0 thousand) was paid up, which totals SDR 10,000.0 thousand. The share of NBP in the share capital of BIS amounts to 1.43%.
- participating interests in S.W.I.F.T.
As at 31 December 2015 and as at 31 December 2016, NBP had 53 shares (in the amount of EUR 158.5 thousand) of the total number of 110,251 shares as at 31 December 2015 and 110,137 shares as at 31 December 2016.
- participating interests in the European Central Bank.
Since 1 May 2004, i.e. the day of Poland's accession to the European Union, NBP has had participating interest in the ECB's capital. As at 31 December 2016, the capital paid up by NBP to the ECB amounted to PLN 92,002.3 thousand (EUR 20,796.2 thousand).

In accordance with Article 28 of the Statute of the European System of Central Banks and the European Central Bank, hereinafter referred to as the "Statute of the ESCB and ECB", only the national central banks of the ESCB are entitled to subscribe the ECB's capital. The ECB's capital is subscribed according to the subscription key determined in Article 29 of the Statute of the ESCB and ECB, i.e. shares of national central banks in the ECB's capital are expressed in percentage and correspond to the shares of individual member states in the population and the combined gross domestic product of EU states (in equal consideration). The subscription key of the ECB capital is regularly adjusted every five years, as well as at the time a new country joins the European Union. The last regular adjustment of the key took place on 1 January 2014. As a result, the share of NBP in the ECB's subscribed capital increased from 4.8581% to 5.1230%, which corresponded to the increase in participating interest from EUR 525,889.7 thousand to EUR 554,565.1 thousand.

NBP, as a central bank from outside the euro area, is required to pay up the minimum percentage of the ECB's capital subscribed by it, which was specified by the ECB General

Council (pursuant to Article 47 of the Statute of the ESCB and the ECB) and constitutes NBP's contribution to the operational costs of the ECB. The percentage has amounted to 3.75% since 29 December 2010. Unlike euro area central banks, NBP has no right to participate in the ECB's profits nor is required to cover its losses. As a result of the last adjustment of ECB's capital subscription key on 1 January 2014, the share of NBP in paid up capital increased from EUR 19,720.9 thousand to EUR 20,796.2 thousand. Upon entry of Poland into the euro area, NBP will be required to pay up the remaining 96.25% of the ECB's capital subscribed by it, i.e. EUR 533,768.9 thousand.

The weightings in the capital subscription key, and the amounts of capital subscribed and capital paid up by individual national central banks of the ESCB had not changed in comparison with 31 December 2015 and as at 31 December 2016 were as follows:

	Capital subscription key	Subscribed capital	Paid-up capital
	31.12.2016	31.12.2016	31.12.2016
<i>EUR</i>			
Oesterreichische Nationalbank	1.9631%	212,505,713.78	212,505,713.78
Nationale Bank van België/ Banque Nationale de Belgique	2.4778%	268,222,025.17	268,222,025.17
Central Bank of Cyprus	0.1513%	16,378,235.70	16,378,235.70
Eesti Pank	0.1928%	20,870,613.63	20,870,613.63
Suomen Pankki	1.2564%	136,005,388.82	136,005,388.82
Banque de France	14.1792%	1,534,899,402.41	1,534,899,402.41
Bank of Greece	2.0332%	220,094,043.74	220,094,043.74
Banco de España	8.8409%	957,028,050.02	957,028,050.02
De Nederlandsche Bank	4.0035%	433,379,158.03	433,379,158.03
Central Bank of Ireland	1.1607%	125,645,857.06	125,645,857.06
Lietuvos bankas	0.4132%	44,728,929.21	44,728,929.21
Banque centrale du Luxembourg	0.2030%	21,974,764.35	21,974,764.35
Latvijas Banka	0.2821%	30,537,344.94	30,537,344.94
Central Bank of Malta	0.0648%	7,014,604.58	7,014,604.58
Deutsche Bundesbank	17.9973%	1,948,208,997.34	1,948,208,997.34
Banco de Portugal	1.7434%	188,723,173.25	188,723,173.25
Národná banka Slovenska	0.7725%	83,623,179.61	83,623,179.61
Banka Slovenije	0.3455%	37,400,399.43	37,400,399.43
Banca d'Italia	12.3108%	1,332,644,970.33	1,332,644,970.33
<i>National central banks in the euro area total</i>	<i>70.3915%</i>	<i>7,619,884,851.40</i>	<i>7,619,884,851.40</i>
Българска народна банка (Bulgarian National Bank)	0.8590%	92,986,810.73	3,487,005.40
Croatian National Bank	0.6023%	65,199,017.58	2,444,963.16
Česka národní banka	1.6075%	174,011,988.64	6,525,449.57
Danmarks Nationalbank	1.4873%	161,000,330.15	6,037,512.38
Narodowy Bank Polski	5.1230%	554,565,112.18	20,796,191.71
Banca Națională a României	2.6024%	281,709,983.98	10,564,124.40
Sveriges Riksbank	2.2729%	246,041,585.69	9,226,559.46
Magyar Nemzeti Bank	1.3798%	149,363,447.55	5,601,129.28
Bank of England	13.6743%	1,480,243,941.72	55,509,147.81
<i>National central banks outside the euro area total</i>	<i>29.6085%</i>	<i>3,205,122,218.22</i>	<i>120,192,083.17</i>
Total	100.0%	10,825,007,069.61	7,740,076,934.57

Note 7 Off-balance-sheet instruments revaluation differences

<i>PLN thousand</i>	31.12.2015	31.12.2016	Change
Currency revaluation differences	325,079.1	52,667.6	-272,411.5
Price revaluation differences	0.0	0.0	0.0
Total	325,079.1	52,667.6	-272,411.5

The item comprises currency revaluation gains on spot transactions in foreign currency recognised on off-balance-sheet accounts (see Note 25). Both as at 31 December 2016 and as at 31 December 2015 there were not any price revaluation gains on forward transactions in securities denominated in foreign currency (see Note 22 and Note 26).

Note 8 Accruals and prepaid expenses

<i>PLN thousand</i>	31.12.2015	31.12.2016	Change
Accruals related to discount on issued securities	21,597.0	10,868.6	-10,728.4
Prepaid expenses related to services	18,299.4	19,048.8	749.4
Total	39,896.4	29,917.4	-9,979.0

The decrease in the item was the result of a lower discount to be amortised on monetary bills issued by NBP (see Note 11), with a simultaneous increase in the balance of prepaid expenses relating to services concerning NBP's own administrative activities (mainly due to payments for IT services ordered by NBP).

Note 9 Sundry

<i>PLN thousand</i>	31.12.2015	31.12.2016	Change
Inventories	31,963.5	17,056.6	-14,906.9
Credit and loans to employees	20,605.4	20,358.4	-247.0
Other loans extended in domestic currency	0.0	133,362.0	133,362.0
Receivables from financial operations, of which	23,186.3	12,263.4	-10,922.9
- interest on the debt of a bank in liquidation	12,344.5	12,141.9	-202.6
Claims on public authorities	2,707.3	2,350.2	-357.1
Claims on customers and suppliers	913.8	8,798.9	7,885.1
Adjustment of off-balance-sheet instruments to the average cost of holding	47,497.9	116,887.9	69,390.0
Other	18,632.9	17,078.0	-1,554.9
Total	145,507.1	328,155.4	182,648.3

The increase in the item *Other loans extended in domestic currency* was caused by the 2016 reclassification of a claim on a domestic bank under winding-up proceedings, which was related to a refinancing loan for the restoration of bank's liquidity granted in 2015 (see Note 4). As at 31 December 2015, the outstanding balance of the claim amounted to PLN 180,576.7 thousand. The decrease in the outstanding balance in 2016 was the result of the received by NBP repayments of claims on loan agreements, which were assigned in favour of NBP as collateral to the loan extended (see Note 28).

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

Note 10 Banknotes and coins in circulation

<i>PLN thousand</i>	31.12.2015	31.12.2016	Change
Domestic banknotes in circulation	158,945,406.2	182,999,892.6	24,054,486.4
Domestic coins in circulation	4,280,371.8	4,574,956.9	294,585.1
Total	163,225,778.0	187,574,849.5	24,349,071.5

The item comprises banknotes and coins in circulation issued by NBP, including collector banknotes and coins, whose value as at 31 December 2016 amounted to PLN 279,868.8 thousand as compared with PLN 273,893.5 thousand as at 31 December 2015.

The average level of banknotes and coins in circulation throughout 2016 amounted to PLN 174,247.2 million as compared with PLN 151,012.4 million in 2015.

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

PLN thousand	31.12.2015	31.12.2016	Change
Current accounts, of which	48,666,911.2	25,878,583.9	-22,788,327.3
- current accounts of banks	48,079,390.3	25,143,102.8	-22,936,287.5
- required minimum reserve accounts of banks not having a current account with NBP and of KSKOK	587,520.9	686,618.8	99,097.9
- interest on required minimum reserve funds in domestic currency	0.0	48,862.3	48,862.3
Deposit facilities, of which	558,107.6	7,366,064.8	6,807,957.2
- accrued interest	7.6	201.8	194.2
Other monetary policy operations, of which	74,121,000.0	81,308,470.0	7,187,470.0
- main operations	74,121,000.0	59,846,070.0	-14,274,930.0
- fine-tuning operations	0.0	21,462,400.0	21,462,400.0
Total	123,346,018.8	114,553,118.7	-8,792,900.1

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

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

The amount of funds held by banks, credit unions and KSKOK with NBP due to the required minimum reserve depends on the basis for calculating the required minimum reserve and the

required minimum reserve rate in force. The required minimum reserve is an averaged value in the maintenance period. As at 31 December 2016, the level of the required reserve amounted to PLN 40,033.1 million as compared with PLN 37,115.2 million as at 31 December 2015.

- liabilities to domestic banks due to deposit facilities – in 2016, domestic banks used the possibility to deposit their liquidity surplus on term deposit accounts with NBP in the form of interest-bearing overnight deposit. Typically, the largest amounts were deposited on the last days of the required minimum reserve maintenance periods;
- liabilities to domestic banks due to the issue of monetary bills by NBP under the open market main⁷ and fine-tuning⁸ operations, which are aimed to absorb liquidity.

The funds of the required minimum reserve and deposit facilities bear interest, whereas monetary bills are issued at a discount (see Note 8).

As at 31 December 2016 the interest rates which are the basis for remuneration of the required minimum reserve funds, deposit facilities and for determining discount on monetary bills issued by NBP under open market operations did not change as compared with 31 December 2015, and were as follows:

%	31.12.2016
Required minimum reserve*	1.35
Deposit facility**	0.50
Monetary bills***	1.50

*0.9 of NBP reference rate; **NBP deposit rate; ***NBP reference rate

The decrease in NBP liabilities due to monetary policy operations by PLN 8,792,900.1 thousand as at 31 December 2016 in comparison with the previous year was a result of a decrease in the liquidity of the banking sector in 2016. The main reason for the drop of liquidity was a significant increase in currency in circulation in 2016 (see Note 10).

31 December 2016 was the last day of the required minimum reserve maintenance period in December. Having invested funds in NBP monetary bills under open market main operations (PLN 59,846,070.0 thousand), banks invested a portion of the remaining funds in NBP monetary bills under the fine-tuning operation made by NBP on the last business day of the required minimum reserve maintenance period (PLN 21,462,400.0 thousand). Banks left on current

⁷ In 2016, the maturity of main operations was mostly 7 days (there were also main operations with maturity of 6 or 8 days).

⁸ In 2016, the maturity of fine-tuning operations was 1 day, 2, 3 or 4 days.

account funds in the amount which enabled them to meet the minimum reserve requirement, while they placed the remaining funds on a deposit facility at NBP (PLN 7,365,863.0 thousand).

On the contrary, 31 December 2015 was the first day of the required minimum reserve maintenance period. Having invested part of their funds in NBP monetary bills as part of an open market main operation in the amount of PLN 74,121,000.0 thousand, banks placed funds amounting to PLN 558,100.0 thousand on a deposit facility, while leaving the remaining funds on a current account.

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

PLN thousand	31.12.2015	31.12.2016	Change
Settlements in the domestic payment systems of KIR, of which	128,051.3	463,560.8	335,509.5
- in the Elixir system	78,004.6	387,857.8	309,853.2
- in the Express Elixir system	50,046.7	75,703.0	25,656.3
Other liabilities denominated in domestic currency	4,656.6	5,262.2	605.6
Total	132,707.9	468,823.0	336,115.1

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

- payment orders of NBP's customers submitted for settlement in the domestic payment system Elixir, which were under settlement as at 31 December 2016,
- funds accumulated in the account which is used to settle payments in the Express Elixir system,
- substitution cash services provided by domestic banks; it concerns cash disbursements carried out in domestic banks by State budget units and offices providing services to fiscal bodies which are located outside the cities in which NBP offers cash services.

Note 13 Liabilities to other residents denominated in domestic currency

<i>PLN thousand</i>	31.12.2015 data from the approved financial statements	31.12.2015 comparable data*	31.12.2016	Change
Liabilities to general government, of which	5,917,451.3	5,917,451.3	4,962,840.1	-954,611.2
- State budget accounts	4,071,306.0	4,073,453.2	3,669,504.9	-403,948.3
- accounts of social insurance funds	1,766,180.9	1,766,180.9	1,238,588.1	-527,592.8
- accounts of other entities of general government sector	79,964.4	77,817.2	54,747.1	-23,070.1
Other liabilities	24,781.5	24,781.5	17,729.2	-7,052.3
Total	5,942,232.8	5,942,232.8	4,980,569.3	-961,663.5

* Changes result from a statistical reclassification in 2016 of selected types of funds due to the general government.

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

Note 14 Liabilities to non-residents denominated in domestic currency

<i>PLN thousand</i>	31.12.2015	31.12.2016	Change
Accounts of international financial institutions and central banks, of which	5,906.9	8,858.3	2,951.4
- No. 2 Account of the IMF	69.7	102.5	32.8
Accounts of international non-financial organisations	2,240,062.0	4,360,434.1	2,120,372.1
Total	2,245,968.9	4,369,292.4	2,123,323.5

The item comprises current accounts in domestic currency operated by NBP for international financial and non-financial organisations and central banks, including the account in domestic currency operated by NBP for the IMF, which is used for the Fund's administrative expenditures (so-called No. 2 Account).⁹

⁹ The IMF funds accumulated on No. 2 Account are subject to revaluation, as requested by the IMF. This revaluation is made on the basis of the PLN/SDR exchange rate announced by the Fund. The results of the revaluation are recorded as other income/expenses on financial operations (see Note 31 and Note 32).

Note 15 Liabilities to residents denominated in foreign currency

<i>PLN thousand</i>	31.12.2015	31.12.2016	Change
State budget accounts	8,946,863.2	22,565,158.1	13,618,294.9
Accounts of domestic banks for settlements in TARGET2	1,070,084.3	3,560,478.0	2,490,393.7
Other liabilities	39,829.2	1,143,772.6	1,103,943.4
Total	10,056,776.7	27,269,408.7	17,212,632.0
<i>of which currency revaluation differences</i>	<i>364,624.0</i>	<i>1,116,251.0</i>	<i>751,627.0</i>

The item comprises mainly funds held on accounts in foreign currency operated by NBP for:

- the State budget – current, auxiliary and term deposit accounts,
- domestic banks – current accounts in EUR used for settlements in TARGET2.

Moreover, the item comprises liabilities arising from settlements of NBP's customers with foreign counterparties (among others, non-settled payment orders, liabilities due to the sale of banker's cheques).

Note 16 Liabilities to non-residents denominated in foreign currency

<i>PLN thousand</i>	31.12.2015	31.12.2016	Change
Repo transactions in foreign currency, of which	11,907,090.0	76,439,867.9	64,532,777.9
- repo transactions in USD	1,729,961.7	51,015,037.0	49,285,075.3
- repo transactions in EUR	0.0	4,137,862.0	4,137,862.0
- repo transactions in GBP	10,177,128.3	21,286,968.9	11,109,840.6
Accounts of international non-financial organisations	44,721.7	44,288.6	-433.1
Other liabilities	91,991.0	1,264,209.4	1,172,218.4
Total	12,043,802.7	77,748,365.9	65,704,563.2
<i>of which currency revaluation differences</i>	<i>1,036,253.3</i>	<i>7,352,661.4</i>	<i>6,316,408.1</i>

The item comprises mainly:

- repo transactions carried out with foreign financial institutions. Under the NBP investment policy, the above repo transactions are usually executed simultaneously with reverse repo transactions (see Note 3);
- accounts in foreign currency operated by NBP for international non-financial organisations;

- liabilities denominated in foreign currency due to cross-border payment orders of domestic banks and NBP's customers in the course of settlement which had been sent to the STEP2 system (a clearing system for retail payments in euro) as well as NBP's own non-settled transactions denominated in foreign currency.

Note 17 Liabilities to the IMF

<i>PLN thousand</i>	31.12.2015	31.12.2016	Change
SDR allocation	7,057,646.7	7,401,999.6	344,352.9
<i>of which SDR currency revaluation differences</i>	<i>877,485.4</i>	<i>193,924.1</i>	<i>-683,561.3</i>

<i>SDR thousand</i>	31.12.2015	31.12.2016	Change
SDR allocation	1,304,748.7	1,305,099.0	350.3

SDR allocation was conducted in the second half of 2009. Under the general and special allocation, the Republic of Poland received a total of SDR 1,304,639.7 thousand.

Liabilities to the IMF due to the SDR allocation bear the interest calculated according to the rate determined by the IMF.

The increase in the item in original currency resulted from the increase in accrued interest by SDR 350.3 thousand.

The change in the domestic currency value of the item was mainly affected by the currency revaluation of SDR (see Note 22 and Note 33).

Note 18 Off-balance-sheet instruments revaluation differences

<i>PLN thousand</i>	31.12.2015	31.12.2016	Change
Currency revaluation differences	50,463.8	112,265.6	61,801.8
Price revaluation differences	0.0	1,805.8	1,805.8
Total	50,463.8	114,071.4	63,607.6

The item comprises currency revaluation losses on spot transactions in foreign currency recognised on off-balance-sheet accounts (see Note 25) and price revaluation losses on forward transactions in securities denominated in foreign currency (see Note 26 and Note 33).

Note 19 Accruals and deferred income

<i>PLN thousand</i>	31.12.2015	31.12.2016	Change
Accruals	50,029.5	56,289.7	6,260.2
Deferred income, of which	76,835.1	75,338.5	-1,496.6
- interest on the debt of a bank in liquidation	12,344.5	12,141.9	-202.6
Total	126,864.6	131,628.2	4,763.6

The increase in the item concerned mainly accruals related to NBP's own administrative activities (salaries and services from third parties), and management of foreign currency reserves (fees and commissions).

Note 20 Sundry

<i>PLN thousand</i>	31.12.2015	31.12.2016	Change
Employee Benefit Fund	19,112.5	18,502.4	-610.1
Liabilities on financial operations	5,192.3	285.4	-4,906.9
Liabilities to public authorities	26,252.9	25,469.2	-783.7
Liabilities to suppliers	20,093.1	16,811.4	-3,281.7
Adjustment of off-balance-sheet instruments to the average cost of holding	324,791.4	60,195.5	-264,595.9
Other	595.2	607.0	11.8
Total	396,037.4	121,870.9	-274,166.5

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

Note 21 Provisions for future liabilities

PLN thousand	31.12.2015	31.12.2016	Change
Provisions for future liabilities to employees, of which	125,562.8	124,596.4	-966.4
- due to retirement severance payments	51,115.8	62,235.8	11,120.0
- due to disability severance payments	1,791.8	1,688.4	-103.4
- due to jubilee awards	55,818.7	49,710.2	-6,108.5
- due to untaken leaves	9,276.5	8,162.0	-1,114.5
- due to additional severance payments and additional benefits	7,560.0	2,800.0	-4,760.0
Other	7,704.6	8,717.6	1,013.0
Total	133,267.4	133,314.0	46.6

The change in the item resulted mainly from:

- the use of provisions for retirement severance payments and jubilee awards and changes to financial and demographic assumptions of the model used for estimation thereof,
- the use in 2016 of provisions for severance payments and additional employee benefits, in connection with the execution of the *Programme of employment optimisation in NBP* commenced in 2014, which ended in January 2016.

Note 22 Revaluation accounts

PLN thousand	31.12.2015	31.12.2016	Change
Currency revaluation gains, of which	33,589,083.2	41,291,274.5	7,702,191.3
- on gold	9,374,594.8	11,692,060.2	2,317,465.4
- on foreign currencies	24,214,488.4	29,599,214.3	5,384,725.9
Price revaluation gains, of which	1,438,258.1	1,403,474.0	-34,784.1
- on securities	1,438,258.1	1,403,474.0	-34,784.1
- on off-balance-sheet financial instruments	0.0	0.0	0.0
Gold revaluation account	1,618,023.2	1,618,023.2	0.0
Total	36,645,364.5	44,312,771.7	7,667,407.2

Currency revaluation gains are determined for:

- gold – by comparing the average cost of gold holding with the average market price of gold expressed in PLN, which is higher than the average cost,

- foreign currencies – by comparing the average cost of foreign currency holding with the average NBP exchange rate, which is higher than the average cost.¹⁰

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

PLN	Average cost of holding	Average NBP exchange rate/Average price of gold	Average cost of holding	Average NBP exchange rate/Average price of gold
	31.12.2015		31.12.2016	
AUD	2.7815474073	2.8546	2.8770933978	3.0180
BRL	1.2672493104	0.9851	-	1.2838
EUR	4.1828658257	4.2615	4.2656978807	4.4240
GBP	5.3373270404	5.7862	5.2769729159	5.1445
MXN	0.2309055561	0.2242	-	0.2015
NOK	0.4694532178	0.4431	0.4572716446	0.4868
NZD	2.5817621826	2.6765	2.7625797543	2.9058
USD	3.3503676585	3.9011	3.5587564302	4.1793
SDR	4.7366679244	5.4092	5.5230104169	5.6716
Ounce of gold*	1,311.1032898126	4,143.9435	1,312.1863174561	4,844.2266

* Price of an ounce of gold expressed in USD was respectively: USD 1,062.25 as at 31.12.2015 and USD 1,159.10 as at 31.12.2016.

Currency revaluation gains by foreign currency are presented below.

PLN thousand	31.12.2015	31.12.2016	Change
AUD	819,814.7	1,311,176.8	491,362.1
EUR	1,648,613.3	3,381,536.1	1,732,922.8
GBP	2,961,800.5	0.0	-2,961,800.5
NOK	0.0	1,275,691.0	1,275,691.0
NZD	333,207.9	541,345.3	208,137.4
USD	18,358,632.0	23,088,509.4	4,729,877.4
SDR	91,903.9	0.0	-91,903.9
Other	516.1	955.7	439.6
Total	24,214,488.4	29,599,214.3	5,384,725.9

Price revaluation gains on securities are determined by comparing the average cost of securities holding with the average market price of these securities, which is higher than the average cost. Price revaluation gains by securities denominated in individual foreign currencies are presented below.

¹⁰ In the case of a negative holding of foreign currency, currency revaluation gains are determined by comparing the average cost of foreign currency holding with the average NBP exchange rate, which is lower than the average cost.

<i>PLN thousand</i>	31.12.2015	31.12.2016	Change
Securities in GBP	327,156.4	452,106.4	124,950.0
Securities in EUR	118,200.0	287,746.9	169,546.9
Securities in NOK	307,679.9	242,101.6	-65,578.3
Securities in NZD	196,244.3	206,279.0	10,034.7
Securities in USD	161,105.6	139,355.0	-21,750.6
Securities in AUD	299,243.3	75,885.1	-223,358.2
Securities in other currencies	28,628.6	0.0	-28,628.6
Total	1,438,258.1	1,403,474.0	-34,784.1

Both as at 31 December 2016 and as at 31 December 2015 there were not any price revaluation gains on off-balance-sheet financial instruments (forward transactions in securities denominated in foreign currency).

Due to the fact that as at 31 December 2016:

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

NBP, similarly to 31 December 2015, did not release the gold revaluation account.

Note 23 Capital and reserves

<i>PLN thousand</i>	31.12.2015	31.12.2016	Change
Statutory fund	1,500,000.0	1,500,000.0	0.0
Reserve fund	993,645.5	1,007,434.5	13,789.0
Reserves	11,207,911.6	10,807,911.6	-400,000.0
Total	13,701,557.1	13,315,346.1	-386,211.0

The item comprises:

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

The change in the item resulted from:

- allocation of 5% of NBP's profit for 2015 to the reserve fund in the amount of PLN 413,789.0 thousand (see Chapter 1.5).
- partial use of the reserve fund in the amount of PLN 400,000.0 thousand to cover loss of previous years (see Note 24);
- the release of the provision against the foreign exchange rate risk of the zloty in the amount of PLN 400,000.0 thousand (see Note 34 and Chapter 9.1.4.).

The change in the provision against the foreign exchange rate risk of the zloty in 2015 and 2016 is presented in the table below:

<i>PLN thousand</i>	Opening balance	Increase	Use	Release	Closing balance
2015	8,740,388.2	2,467,523.4	0.0	0.0	11,207,911.6
2016	11,207,911.6	0.0	0.0	-400,000.0	10,807,911.6

Note 24 Financial result

As at 31 December 2016, the item comprised:

- financial result of the current year in the amount of PLN 9,200,986.7 thousand (see Note 44).
- uncovered loss of previous years in the amount of PLN 10,807,911.6 thousand, which is the result of NBP's loss for the year 2007 in the amount of PLN 12,427,261.7 thousand and its partial coverage from the reserve fund:
 - in 2008 – in the amount of PLN 969,350.0 thousand;
 - in 2015 – in the amount of PLN 250,000.0 thousand;
 - in 2016 – in the amount of PLN 400,000.0 thousand.

6. Explanatory notes to off-balance-sheet items

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

<i>PLN thousand</i>	31.12.2015	31.12.2016	Change
Currency to be received in spot transactions, of which	2,303,405.6	1,656,266.9	-647,138.7
- AUD	0.0	425,233.7	425,233.7
- CHF	1,181.8	0.0	-1,181.8
- GBP	0.0	103,315.5	103,315.5
- NZD	0.0	672,700.3	672,700.3
- USD	2,302,223.8	455,017.4	-1,847,206.4
Currency to be delivered in spot transactions, of which	2,303,405.6	1,656,266.9	-647,138.7
- AUD	597,946.9	0.0	-597,946.9
- EUR	1,492,213.1	352,149.7	-1,140,063.4
- GBP	0.0	102,867.6	102,867.6
- NOK	0.0	116,715.2	116,715.2
- NZD	213,164.4	0.0	-213,164.4
- PLN	81.2	0.0	-81.2
- USD	0.0	1,084,534.4	1,084,534.4

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

Note 26 Off-balance-sheet financial instruments

<i>PLN thousand</i>	31.12.2015	31.12.2016	Change
Securities denominated in foreign currency sold in forward transactions, of which	0.0	1,899,643.2	1,899,643.2
- securities in AUD	0.0	1,899,643.2	1,899,643.2
Bond futures purchased denominated in foreign currency, of which	0.0	15,324,666.9	15,324,666.9
- bond futures in USD	0.0	12,244,542.9	12,244,542.9
- bond futures in GBP	0.0	1,548,635.2	1,548,635.2
- bond futures in EUR	0.0	1,531,488.8	1,531,488.8
Bond futures sold denominated in foreign currency, of which	0.0	940,295.0	940,295.0
- bond futures in EUR	0.0	940,295.0	940,295.0

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

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

New Arrangements to Borrow (NAB)

As of 15 November 2011, NBP became a participant in the New Arrangements to Borrow (NAB), which can be joined by member countries of the IMF or their central banks. As a participant in the NAB, NBP has made a commitment to extend to the IMF an interest-bearing loan of up to the arranged limit. The funds are transferred by NBP at the request of the IMF.

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

As at 31 December 2016, the NBP's commitment under NAB amounted to SDR 1,060,251.3 thousand (PLN 6,013,321.2 thousand according to the average NBP exchange rate as at the balance sheet date).

SDR thousand	Opening balance	Increase		Decrease		Closing balance
		limit set	loan repayment	loan extension	limit decreased	
2011	0.0	2,528,590.0	0.0	-174,000.0	0.0	2,354,590.0
2012	2,354,590.0	0.0	2,500.0	-127,000.0	0.0	2,230,090.0
2013	2,230,090.0	0.0	27,200.0	-51,600.0	0.0	2,205,690.0
2014	2,205,690.0	0.0	72,827.5	-54,400.0	0.0	2,224,117.5
2015	2,224,117.5	0.0	102,200.0	-44,200.0	0.0	2,282,117.5
2016	2,282,117.5	0.0	21,323.8	0.0	-1,243,190.0	1,060,251.3
		Total	226,051.3	-451,200.0	-1,243,190.0	

The New Arrangements to Borrow currently in force will expire on 16 November 2017. On 4 November 2016, the Executive Board of the IMF took a decision to renew NAB for a subsequent period. The decision will enter into force on 17 November 2017 and will be valid for the next five years (i.e. until 16 November 2022). On 9 February 2017, the Management Board of NBP gave its consent to continue NBP's participation in NAB at the current maximum level of financial engagement.

Bilateral loan agreement

On 15 March 2013, NBP and the IMF concluded a bilateral loan agreement, in accordance with which NBP committed to extend interest-bearing loans to the IMF amounting up to the SDR equivalent of EUR 6,270,000.0 thousand. The funds are to be transferred by NBP at the request of

the IMF. The IMF will be able to use these funds provided that it exhausts other available resources originating from quotas of member countries and loans under the NAB.

Bilateral loan agreements, including the agreement with NBP, were entered into by the IMF for the period of two years, with the option to extend it for two one-year periods. In 2014, the Executive Board of the IMF, after consultation with signatories of the agreements (including NBP), decided to extend the period of the agreements by one year. Subsequently, in 2015, having received the consent of the signatories of the agreements (NBP Management Board took the decision on this issue on 9 July 2015), the Executive Board of the IMF approved the extension of the agreements (including with NBP) for a second one-year period, i.e. until March 2017.

In the second half of 2016, the IMF conducted talks with all signatories of the bilateral loan agreements (including NBP) on the possibility of their extension. Therefore, on 20 October 2016 the Management Board of NBP agreed to enter a bilateral agreement with the IMF for the next period, i.e. until the end of 2019, with a possibility to extend it for one year (subject to NBP's consent) until the end of 2020. The loan agreement entered into force on 23 January 2017. The limit of the loan was set at the previous level.

Until 31 December 2016, the IMF did not use the funds made available under the bilateral loan agreement with NBP. Therefore, as at 31 December 2016, the NBP's commitment to the bilateral loan agreement with the IMF amounted to EUR 6,270,000.0 thousand (PLN 27,738,480.0 thousand according to the average NBP exchange rate as at the balance sheet date).

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

The item comprises mainly:

- collateral received in connection with a refinancing loan for the restoration of bank's liquidity in the form of claims of the domestic bank arising from loan agreements. These claims were assigned in favour of NBP (see Note 4 and Note 9). According to data provided by the domestic bank under winding-up proceedings which received the refinancing loan from NBP, as at 31 December 2016 the updated nominal value of the claims reduced by the provisions created by the domestic bank in line with the Polish accounting standards, amounted to PLN 337,694.1 thousand in comparison with PLN 945,641.4 thousand as at 31 December 2015;
- collateral received in connection with the NBP's own administrative activities – mainly guarantees and sureties received to secure the due performance of contracts for the deliveries and services by NBP contractors, and mortgage collateral established in favour of NBP related to loans extended to NBP employees; as at 31 December 2016, the value of collateral amounted to PLN 28,243.8 thousand, as compared with PLN 28,729.2 thousand as at 31 December 2015;

- interest on the debt of a bank in liquidation accrued after the date the bank was put into liquidation; as at 31 December 2016 the value of interest on the debt of the bank in liquidation did not change compared with the previous year and amounted to PLN 1,183,103.7 thousand.

7. Explanatory notes to profit and loss account

Note 29 Interest, discount and premium income

<i>PLN thousand</i>	2015	2016	Change
Income on securities denominated in foreign currency, of which	5,802,288.3	5,729,280.4	-73,007.9
- discount	108,834.9	126,436.4	17,601.5
- interest	5,693,453.4	5,602,844.0	-90,609.4
Interest income on NBP bank accounts in foreign currency and gold, of which	406,445.7	459,037.7	52,592.0
- on current accounts	43.4	26.2	-17.2
- on term deposits, of which	324,527.3	230,831.8	-93,695.5
• on term deposits in gold	28,705.5	29,756.4	1,050.9
- on reverse repo transactions	81,875.0	228,179.7	146,304.7
Interest income on credits and loans, of which	7,670.9	3,237.5	-4,433.4
- in foreign currency	682.7	1,046.8	364.1
- in domestic currency	6,988.2	2,190.7	-4,797.5
Other interest income, of which	72,291.6	48,525.1	-23,766.5
- on the debt of a bank in liquidation	65,231.8	202.6	-65,029.2
- on bank accounts operated by NBP in foreign currency	3,676.4	17,675.6	13,999.2
Total	6,288,696.5	6,240,080.7	-48,615.8

The item comprises mainly income:

- on investment instruments of foreign currency reserves (see Note 3), that is:
 - interest and discount income on securities denominated in foreign currency,
 - interest income on term deposits denominated in foreign currency,
 - interest income on reverse repo transactions in foreign currency,
- on investment instruments in gold (see Note 1).

In 2016, the decrease in the item resulted mainly from:

- lower by PLN 21,449.6 thousand (from PLN 6,179,985.1 thousand in 2015 to PLN 6,158,535.5 thousand in 2016) interest and discount income on investment instruments of foreign currency reserves, which was to a large extent the result of the following factors:

- increase in the foreign currency reserves¹¹ in average annual terms (their average amount stood at PLN 338,664.8 million in 2016 as compared with PLN 324,450.3 million in 2015); the change in foreign currency reserves by individual currency is presented below,

Average annual level of foreign currency reserves by foreign currency

<i>million units of original currency</i>	2015	2016	Change
USD	31,712.1	37,231.1	5,519.0
EUR	26,313.1	23,682.7	-2,630.4
GBP	5,877.1	6,726.4	849.3
AUD	9,787.5	8,179.7	-1,607.8
NOK	43,230.5	40,182.1	-3,048.4
NZD	3,253.8	3,211.4	-42.4
BRL	1,280.3	91.1	-1,189.2
MXN	12,136.9	3,841.1	-8,295.8

- change in the share of individual investment instruments in the structure of foreign currency reserves – the increase in the share of interest-bearing securities, with a simultaneous decrease in the share of other investment instruments,

Investment structure of NBP foreign currency reserves in average annual terms

%	2015	2016	Change
Term deposits	11.3	11.0	-0.3 p.p.
Reverse repo transactions (stand alone)	2.5	0.8	-1.7 p.p.
Discount securities	14.5	10.9	-3.6 p.p.
Interest-bearing securities	71.7	77.3	5.6 p.p.

- change in the average daily amounts invested in simultaneous reverse repo and repo transactions,

¹¹ Foreign currency reserves include term deposits, reverse repo transactions in securities (stand alone), discount securities and interest-bearing securities.

Average daily amounts invested in simultaneous reverse repo and repo transactions

<i>million units of original currency</i>	2015	2016	Change
USD	1,027.6	8,015.9	6,988.3
EUR	73.4	302.1	228.7
GBP	2,343.5	2,802.9	459.4
AUD	100.3	9.1	-91.2

- change in the average annual exchange rates of the zloty – a depreciation of the zloty against USD, EUR, AUD, NOK and NZD, with a simultaneous appreciation of the zloty against GBP, BRL and MXN,

Average annual foreign exchange rates

<i>PLN</i>	2015	2016	Change
USD	3.7701	3.9431	0.1730
EUR	4.1839	4.3625	0.1786
GBP	5.7637	5.3431	-0.4206
AUD	2.8352	2.9330	0.0978
NOK	0.4681	0.4695	0.0014
NZD	2.6375	2.7500	0.1125
BRL	1.1496	1.1375	-0.0121
MXN	0.2380	0.2113	-0.0267

- change in the average interest rate on investment instruments of foreign currency reserves, in particular the decrease in the average annual interest rate on term deposits in NOK and NZD and interest-bearing securities denominated in USD, GBP and AUD, with a simultaneous increase in the average annual interest rate on reverse repo transactions in USD;
- lower by PLN 65,029.2 thousand interest income on debt of a bank in liquidation, owing to repayments of interest to NBP lower than in 2015 (see Note 9 and Note 19);
- lower by PLN 4,813.8 thousand interest income on a refinancing loan for the restoration of bank's liquidity. Following the declaration of the winding up of the bank, as of 22 February 2016 NBP ceased to calculate interest on that loan (see Note 4 and Note 9);

- higher by PLN 13,999.2 thousand interest income on banks' accounts operated by NBP in foreign currency, which was mainly related to interest income on repo transactions denominated in EUR.

In 2016 also included under this item is income, classified as *Other interest income*, in the amount of PLN 28,180.8 thousand due to a refund of tax liabilities paid by NBP for the years 2009-2015, related to the so-called withholding tax. The refund was received on the basis of a favourable tax interpretation (see Note 30).

Note 30 Interest, discount and premium expenses

PLN thousand	2015	2016	Change
Premium expenses on securities denominated in foreign currency	3,111,118.1	3,418,130.5	307,012.4
Discount expenses on issued securities denominated in domestic currency	1,444,464.0	1,105,379.0	-339,085.0
Interest expenses on bank accounts operated by NBP in foreign currency, of which:	72,811.0	197,565.2	124,754.2
- on repo transactions	72,536.5	187,471.4	114,934.9
Interest expenses on bank accounts operated by NBP in domestic currency, of which	530,674.6	551,260.6	20,586.0
- on required minimum reserve	507,770.4	528,398.0	20,627.6
- on deposit facilities	2,953.7	3,784.8	831.1
Other interest expenses, of which	78,750.8	100,657.8	21,907.0
- on NBP bank accounts in foreign currency	48,135.6	94,349.5	46,213.9
Total	5,237,818.5	5,372,993.1	135,174.6

The item comprises mainly expenses on:

- instruments used by NBP under monetary policy operations (see Note 11), that is:
 - discount expenses on NBP monetary bills issued under main and fine-tuning monetary policy operations,
 - interest expenses on the required minimum reserve and deposit facilities,
- on investment instruments of foreign currency reserves (see Note 3 and Note 16), that is:
 - premium expenses on securities denominated in foreign currency,
 - interest expenses on repo transactions in foreign currency,
- interest on accounts operated by NBP for entities other than banks (mostly the State budget).

In 2016 the increase in the item resulted mainly from:

- higher, by PLN 307,012.4 thousand, premium expenses on discount and interest-bearing securities in foreign currency. The increase in premium expenses on discount securities related to securities denominated in EUR and was mainly caused by the increase in their negative yields. As for interest-bearing securities, there was an increase in premium expenses on securities denominated in EUR, with a simultaneous drop of premium expenses on securities denominated in USD.
- higher, by PLN 114,934.9 thousand, interest expenses on repo transactions in foreign currency. The increase in expenses concerned mainly repo transactions in USD, which was mainly a result of:
 - increase in the average daily amounts invested in simultaneous reverse repo and repo transactions in USD (see Note 29),
 - depreciation of the zloty against USD, in average annual terms (see Note 29),
 - increase in the average interest rate on repo transactions in USD;
- higher, by PLN 46,213.9 thousand, interest expenses on NBP bank accounts in foreign currency, which was mainly caused by the increase in a negative interest rate on term deposits in EUR;
- higher, by PLN 20,627.6 thousand, interest expenses on the required minimum reserve, which resulted from the rise in the average level of the required minimum reserve during the year, with a simultaneous fall in the average annual interest rate on the required minimum reserve;

Average size of required minimum reserve* and average annual interest rate of required minimum reserve**

PLN million / %	2015	2016	Change
Required minimum reserve	35,595.0	38,821.5	3,226.5
Interest rate on required minimum reserve	1.43	1.35	-0.08 p.p.

* Amounts of the required minimum reserve are calculated based on reserve periods weighted with the number of days in the period.

** Funds of the required minimum reserve bear an interest of 0.9 of the NBP reference rate.

- lower, by PLN 339,085.0 thousand, discount expenses on issued securities denominated in domestic currency, due to a decrease in the average annual issue of NBP monetary bills, and a decrease in the average annual reference rate.

Average annual size of main and fine-tuning operations* and average annual reference rate

PLN million / %	2015	2016	Change
Main operations	87,955.6	71,198.1	-16,757.5
Fine-tuning operations	1,107.9	1,210.7	102.8
NBP reference rate	1.59	1.50	-0.09 p.p.

* All calendar days from 1 January to 31 December were taken into account in the calculation of the average annual level of main and fine-tuning operations.

In 2015, the item comprised also expenses on liabilities to public authorities, classified as *Other interest expenses*, in the amount of PLN 27,107.0 thousand, related to the corporate income tax on non-residents' income earned in Poland (so-called withholding tax). These stemmed from the calculation and payment by NBP of tax liabilities, mainly on repo transactions entered into by NBP in the years preceding 2015 (see Note 29).

Note 31 Income on financial operations

PLN thousand	2015	2016	Change
Realised foreign exchange gains	12,874,818.0	10,845,941.7	-2,028,876.3
Realised price gains, of which	2,357,802.9	4,329,748.3	1,971,945.4
- on spot transactions in securities	1,958,961.3	1,768,344.1	-190,617.2
- on off-balance-sheet financial instruments, of which	398,841.6	2,561,404.2	2,162,562.6
• on forward transactions in securities	328,157.6	571,245.2	243,087.6
• on bond futures	70,684.0	1,990,159.0	1,919,475.0
Other income on financial operations	1.7	2.6	0.9
Total	15,232,622.6	15,175,692.6	-56,930.0

In 2016, the item comprised mainly:

- realised foreign exchange gains on transactions in foreign currency and gold,

<i>PLN thousand</i>	2015	2016	Change
AUD	537,911.9	926,123.6	388,211.7
BRL	0.0	33,434.3	33,434.3
EUR	855,732.2	1,428,157.7	572,425.5
GBP	2,233,141.4	636,111.4	-1,597,030.0
MXN	0.1	301.8	301.7
NOK	131,185.4	619,265.0	488,079.6
NZD	367,337.0	620,953.7	253,616.7
SDR	150,081.9	112,458.7	-37,623.2
USD	8,594,748.8	6,465,878.4	-2,128,870.4
Gold	906.3	0.2	-906.1
Other	3,773.0	3,256.9	-516.1
Total	12,874,818.0	10,845,941.7	-2,028,876.3

- realised price gains on the sale of securities in spot transactions,

<i>PLN thousand</i>	2015	2016	Change
Securities in USD	508,679.0	628,623.8	119,944.8
Securities in GBP	419,128.1	582,048.0	162,919.9
Securities in AUD	406,526.6	322,419.5	-84,107.1
Securities in EUR	619,035.0	186,561.6	-432,473.4
Securities in other currencies	5,592.6	48,691.2	43,098.6
Total	1,958,961.3	1,768,344.1	-190,617.2

- realised price gains on daily revaluation of bond futures.

<i>PLN thousand</i>	2015	2016	Change
Bond futures in USD	19,381.2	1,276,212.0	1,256,830.8
Bond futures in EUR	30,909.7	426,280.5	395,370.8
Bond futures in GBP	20,393.1	287,666.5	267,273.4
Total	70,684.0	1,990,159.0	1,919,475.0

Note 32 Expenses on financial operations

<i>PLN thousand</i>	2015	2016	Change
Realised foreign exchange losses	1,602,185.3	1,527,150.5	-75,034.8
Realised price losses, of which	837,077.8	2,662,923.6	1,825,845.8
- on spot transactions in securities	629,911.7	254,507.6	-375,404.1
- on off-balance-sheet financial instruments, of which	207,166.1	2,408,416.0	2,201,249.9
• on forward transactions in securities	138,736.8	107,631.5	-31,105.3
• on bond futures	68,429.3	2,300,784.5	2,232,355.2
Other expenses on financial operations	4.9	1.9	-3.0
Total	2,439,268.0	4,190,076.0	1,750,808.0

In 2016, the item comprised mainly:

- realised foreign exchange losses on foreign currency transactions,

<i>PLN thousand</i>	2015	2016	Change
AUD	189,533.0	63,267.8	-126,265.2
BRL	22,558.0	4.7	-22,553.3
EUR	531,357.0	113,644.7	-417,712.3
GBP	121,519.8	672,094.3	550,574.5
MXN	0.1	108,475.5	108,475.4
NOK	124,187.3	11,995.6	-112,191.7
NZD	348,206.0	48,252.8	-299,953.2
SDR	11.0	0.4	-10.6
USD	264,756.7	509,035.9	244,279.2
Other	56.4	378.8	322.4
Total	1,602,185.3	1,527,150.5	-75,034.8

- realised price losses on the sale of securities in spot transactions,

<i>PLN thousand</i>	2015	2016	Change
Securities in USD	194,096.4	151,803.9	-42,292.5
Securities in GBP	136,711.7	41,582.7	-95,129.0
Securities in AUD	134,055.1	44,314.4	-89,740.7
Securities in EUR	165,048.5	16,806.6	-148,241.9
Total	629,911.7	254,507.6	-375,404.1

- realised price losses on daily revaluation of bond futures.

<i>PLN thousand</i>	2015	2016	Change
Bond futures in USD	7,148.1	1,621,179.4	1,614,031.3
Bond futures in EUR	23,771.7	382,313.0	358,541.3
Bond futures in GBP	37,509.5	297,292.1	259,782.6
Total	68,429.3	2,300,784.5	2,232,355.2

Note 33 Unrealised losses

<i>PLN thousand</i>	2015	2016	Change
Currency revaluation losses	1,755,122.6	1,168,798.6	-586,324.0
Price revaluation losses, of which	337,625.8	931,795.8	594,170.0
- price revaluation losses on securities	337,625.8	929,990.0	592,364.2
- price revaluation losses on off-balance-sheet instruments	0.0	1,805.8	1,805.8
Total	2,092,748.4	2,100,594.4	7,846.0

Foreign currency revaluation losses are determined by comparing the average cost of foreign currency holding with the average NBP exchange rate, which is lower than the average cost¹² (see Note 22). Currency revaluation losses by foreign currency are presented below.

¹² In the case of a negative holding of foreign currency, currency revaluation losses are determined by comparing the average cost of foreign currency holding with the average NBP exchange rate, which is higher than the average cost. As at the end of 2016 such a case materialised as concerns SDR, the holding of which was negative.

<i>PLN thousand</i>	2015	2016	Change
BRL	346,413.0	0.0	-346,413.0
GBP	0.0	1,091,492.6	1,091,492.6
MXN	89,058.9	0.0	-89,058.9
NOK	1,319,595.6	0.0	-1,319,595.6
SDR	0.0	77,301.8	77,301.8
Other	55.1	4.2	-50.9
Total	1,755,122.6	1,168,798.6	-586,324.0

Price revaluation losses on securities are determined by comparing the average cost of securities holding with the average market price of these securities, which is lower than the average cost. Price revaluation losses by securities denominated in individual foreign currencies are presented below.

<i>PLN thousand</i>	2015	2016	Change
Securities in USD	208,227.0	762,962.2	554,735.2
Securities in AUD	3,725.0	66,117.5	62,392.5
Securities in EUR	22,178.2	56,043.8	33,865.6
Securities in BRL	79,327.7	0.0	-79,327.7
Securities in other currencies	24,167.9	44,866.5	20,698.6
Total	337,625.8	929,990.0	592,364.2

As at 31 December 2016, price revaluation losses on off-balance-sheet financial instruments related to securities denominated in AUD sold in forward transactions (see Note 26).

Note 34 Income on transfers from risk provisions and on reversal of write-downs on financial assets / expenses on transfers to risk provisions and on write-downs on financial assets

In 2016, income in the amount of PLN 400,000.0 thousand resulted from the release of the provision against the foreign exchange risk of the zloty to the minimum level commensurate to the uncovered cumulative loss of previous years, which arose from the changes in the exchange rate of the zloty against foreign currencies (see Note 23).

In 2015, expenses in the amount of PLN 2,467,523.4 thousand resulted from the replenishment of the provision against the foreign exchange rate risk of the zloty to its minimum level.

Note 35 Fees and commissions income

<i>PLN thousand</i>	2015	2016	Change
On the operation by NBP of bank accounts	557.2	537.8	-19.4
On the execution of payment orders	26,586.7	29,204.6	2,617.9
Other fees and commissions income	9,994.6	29,925.2	19,930.6
Total	37,138.5	59,667.6	22,529.1

Note 36 Fees and commissions expenses

<i>PLN thousand</i>	2015	2016	Change
On the opening and operation of NBP accounts	8,576.7	7,164.8	-1,411.9
On the execution of own payment orders	3,118.5	3,476.1	357.6
Due to substitution cash services	8,242.4	7,033.2	-1,209.2
Other fees and commissions expenses	12,653.4	36,287.3	23,633.9
Total	32,591.0	53,961.4	21,370.4

Note 37 Income on shares and participating interests

The item comprises income on dividends from shares and participating interests held by NBP in domestic and foreign entities (see Note 6).

<i>PLN thousand</i>	2015	2016	Change
Dividends received, of which	11,284.0	15,016.7	3,732.7
- <i>Krajowa Izba Rozliczeniowa S.A.</i>	1,700.0	5,463.7	3,763.7
- <i>Bank for International Settlements</i>	9,584.0	9,553.0	-31.0

Note 38 Other income

The item comprises mainly income on the sale of collector coins and banknotes, income on rental of office premises, income on precious metals obtained from the remelting of collector coins withdrawn from sale, income on the release of provisions for future liabilities to employees and income on the adjustments of income/expenses related to previous years.

In 2016, the item amounted to PLN 84,923.6 thousand and was lower by PLN 19,306.6 thousand as compared with 2015, which was mainly driven by a decrease in income on precious metals from the remelting of collector coins.

Note 39 Salaries and social contributions

PLN thousand	2015	2016	Change
Expenses on salaries	370,225.5	380,075.6	9,850.1
Expenses on provisions for future liabilities to employees due to jubilee awards, retirement severance payments, disability severance payments and untaken leaves	12,104.5	13,262.6	1,158.1
Expenses on social contributions	82,199.7	84,042.4	1,842.7
Total	464,529.7	477,380.6	12,850.9

In 2016, the average headcount at NBP amounted to 3,296 employees and was lower by 91 employees as compared with 2015, which was predominantly the effect of the execution of the *Programme of employment optimisation in NBP*, and the implementation in the NBP regional branches of the centralisation of services provided for account holders as well as streamlining of the process of banknote counting and sorting.

In 2016, higher salary expenses resulted mainly from the adopted Human Resources and payroll policy.

Note 40 Administrative expenses

PLN thousand	2015	2016	Change
Materials and energy used	22,903.1	22,763.9	-139.2
Benefits for employees and other eligible persons, of which	19,023.5	13,606.4	-5,417.1
- developing professional qualifications	9,284.2	7,929.2	-1,355.0
- provision for additional severance payments and additional benefits for employees	4,378.6	455.0	-3,923.6
Business travels	4,652.1	4,388.1	-264.0
Services from third parties, of which	125,189.3	137,549.8	12,360.5
- IT systems operation	56,792.7	61,271.2	4,478.5
- renovation, repairs, maintenance and overhauls	27,130.8	30,167.1	3,036.3
- data and news transmission	19,113.2	20,698.7	1,585.5
Taxes and fees	31,211.2	26,321.4	-4,889.8
Transfers to Employee Benefit Fund	4,419.4	4,321.7	-97.7
Other administrative expenses, of which	32,272.6	23,651.4	-8,621.2
- expenses on informational, promotional and educational activities	27,023.8	19,582.6	-7,441.2
- expenses on international conferences, seminars and workshops organised under Technical Cooperation	3,189.2	2,126.3	-1,062.9
Total	239,671.2	232,602.7	-7,068.5

The change in the item resulted mainly from lower:

- expenses on informational, promotional and educational activities, mainly due to lower costs of subsidising educational projects,
- expenses on the creation of provision for additional severance payments and additional benefits for employees (see Note 21),
- expenses on taxes and fees, mostly due to lower NBP expenses on membership fees.

At the same time expenses on services from third parties increased, mostly as regards:

- IT software updates and support,
- refurbishment of infrastructure in the premises of NBP Head Office and regional branches.

Note 41 Depreciation and amortisation expenses

PLN thousand	2015	2016	Change
Tangible fixed assets depreciation expenses	58,496.3	62,688.3	4,192.0
Intangible fixed assets amortisation expenses	22,625.5	22,152.0	-473.5
Total	81,121.8	84,840.3	3,718.5

In 2016, as in 2015, tangible fixed assets depreciation expenses related mainly to the depreciation of machines and devices as well as buildings, while intangible fixed assets amortisation expenses related to IT software.

Note 42 Expenses on issue of banknotes and coins

The item comprises the expenses on the issue of banknotes and coins, including collector banknotes and coins.

In 2016, the item amounted to PLN 250,932.1 thousand and was by PLN 60,408.3 thousand lower as compared with 2015. The decline in the item resulted mainly from:

- decrease in the expenses on the issue of general circulation banknotes due to a decline in the total number of banknotes ordered and a larger share in the order structure of banknotes whose unit costs are lower; at the same time in 2016 new banknotes of the face value of 500 zloty were delivered, which will be put into circulation in 2017,
- decrease in the expenses on the issue of general circulation coins resulting from a decline in the number of coins ordered and lower production prices of coins of the face value from 10 grosz to 5 zloty.

Note 43 Other expenses

The item comprises mainly expenses corresponding to the nominal value of collector coins and banknotes sold, expenses on the sale of tangible fixed assets, expenses on provisions for future liabilities due to court proceedings and expenses on adjustments of income/expenses related to previous years.

In 2016, the item amounted to PLN 11,013.9 thousand and was lower by PLN 20,564.7 thousand as compared with 2015, which was mainly the effect of lower expenses on the sale of tangible fixed assets.

Note 44 Financial result for the current year and its allocation

The NBP financial result for 2016 amounted to PLN 9,200,986.7 thousand.

In accordance with Article 62 and Article 69 of the Act on NBP, the NBP's profit shall be allocated (within 14 days following the approval of the annual financial statements of NBP by the Council of Ministers) to:

- NBP reserve fund (5% of profit) – PLN 460,049.3 thousand,
- the State budget, as NBP's contribution from profit – PLN 8,740,937.4 thousand.

8. Other explanatory notes

Note 45 Flexible Credit Line

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

The current Flexible Credit Line as at 31 December 2016 was granted to Poland by the Executive Board of the IMF on 14 January 2015 for two years (i.e. until 13 January 2017). On 13 January 2016, the Executive Board of the IMF accepted the application of Poland for reducing the amount of the Flexible Credit Line from SDR 15.5 billion to SDR 13.0 billion. The Government of the Republic of Poland is the authorising entity of the FCL, while NBP acts as the fiscal agency of the Government.

On 13 January 2017 the Executive Board of the IMF accepted the request of Poland for granting the renewed access to the Flexible Credit Line in the amount of SDR 6.5 billion. Poland received access to this IMF instrument for a period of two years (i.e. until January 2019). As in the case of the instrument made available to Poland in 2015, the Government of the Republic of Poland is the authorising entity of the FCL, while NBP acts as the fiscal agency of the Government.

Note 46 Events after the balance sheet date

Until the day of approval of the Financial statements of Narodowy Bank Polski as at 31 December 2016, no events occurred of which information was received after the balance sheet date, i.e. 31 December 2016, and which would have a significant impact on the contents of the financial statements.

9. Financial and operational risk

NBP operates a risk management system, which is a continuous and repeatable decision-making process that supports the attainment of NBP goals, while using appropriate organisational, procedural and technical solutions. It includes:

- as relates to financial risk – the activity of the Financial Risk Management Department (Departament Zarządzania Ryzykiem Finansowym – DZRF) responsible for financial risk management;
- as relates to operational risk:
 - decentralised operational risk management by directors of Head Office departments and NBP regional branches who monitor operational risk, perform the assessment of its level and take measures mitigating risk occurrence in their units;
 - the activity of the Operational Risk and Compliance Department (Departament Ryzyka Operacyjnego i Zgodności – DROZ), which on an ongoing basis monitors and analyses operational risk identified in NBP as a whole, prepares regulations and drafts measures related to changes to operational risk management. It also prepares reports on operational risk for the Commission for Operational Risk Management and for the Management Board of NBP;
 - Commission for Operational Risk Management (Komisja ds. Zarządzania Ryzykiem Operacyjnym – KZRO), which assesses the effectiveness of operational risk management in NBP, monitors the current level of operational risk and analyses the causes underlying materialisation of risk on high or unacceptable level. The Commission also recommends to the Management Board of NBP proposed solutions and changes in the area of operational risk management.
- strategic decision-making by the Management Board of NBP, based on information concerning financial and operational risk.

The tasks carried out as part of risk management comprise:

- on-going identification and analysis of individual types of risk,
- measurement of risk level,
- selection and application of risk mitigation mechanisms,
- monitoring and day-to-day control of the efficiency of applied risk mitigation mechanisms,
- provision of periodical information about the results of risk management,
- acceptance / no acceptance of the existing risk level.

9.1. Financial risk

The main types of financial risk underlying the activities of NBP are: credit risk, liquidity risk and market risk (interest rate risk and foreign exchange rate risk). The accepted level of financial risk is set through the system of limits, determination of which takes also into account mitigation of

concentration risk. Exposure to various types of risk, under the adopted constraints, is monitored on an on-going basis by DZRF. The analysis of exposure to financial risk is presented to the Management Board of NBP on a regular basis.

9.1.1. Credit risk

Credit risk is related to potential financial losses arising from counterparty default (in particular, failure to repay, in full or in part, principal or interest within the agreed time), or due to a decline in the market value of investment instruments arising from a deterioration in the issuer's creditworthiness.

9.1.1.1. Credit risk in foreign exchange reserve management

In the process of foreign exchange reserve management, NBP uses the following credit risk mitigation methods:

- limiting the share of term deposit transactions and non-government securities,
- criteria for the selection of counterparties and on-going monitoring of their creditworthiness,
- limits imposed on counterparties of term deposit transactions and foreign currency transactions,
- limitation of the maturity of term deposit transactions,
- criteria for the selection of issuers of securities,
- limits for issuers of securities,
- entering into master agreements with counterparties,
- collateral in reverse repo transactions.

Credit risk analyses are conducted by NBP using both data related to the financial position of counterparties and assignments of rating agencies as well as risk valuation reflected in market quotations.

The dominant portion of foreign exchange reserves is invested in government securities of high rating countries characterised by the highest level of safety and liquidity. Non-government securities held in the investment portfolios are issued primarily by international institutions and government agencies; the scale of investment in the corporate bond market is small. The share of term deposits in foreign exchange reserves is also low – transactions are concluded for short periods with banks of high creditworthiness.

9.1.1.2. Credit risk underlying domestic credit operations

To support the liquidity of the financial system, NBP may grant a refinancing loan in zloty to banks in order to supplement their financial resources. Banks use intraday credit and marginal

lending facility (Lombard credit), in particular. Banks also use intraday credit in euro. The risk underlying these operations is mitigated through the use of eligible collateral meeting the criteria set by NBP. Treasury and NBP securities denominated in PLN are the primary collateral presented by banks, though the list of assets accepted as collateral comprises also other securities deposited with the Central Securities Depository of Poland [Krajowy Depozyt Papierów Wartościowych S.A.], including covered bonds, municipal bonds, corporate bonds, bonds issued by the European Investment Bank denominated in PLN, as well as EUR-denominated Treasury bonds. In the case of a refinancing loan for the restoration of a bank's liquidity, a wider range of collateral may apply.

When setting the required level of collateral, the haircut rate is applied, with the purpose to reduce the probability of a drop in the market value of the collateral below the value of extended credit, among others, as a result of unfavourable changes in the market price of securities and/or exchange rates. The haircut rate for marginal lending facility (Lombard credit) and intraday credit is set with reference to the nominal value of accepted securities.

Intraday credit in euro is extended in accordance with the principles laid down by the ECB, and it may be collateralised by Treasury bonds participating in BondSpot S.A. fixing (in addition, haircut related to the exchange rate risk is taken into account).

9.1.1.2.1. Overdue claims on domestic credit operations

As at 31 December 2016, NBP had an overdue claim in the amount of PLN 133,362.0 thousand from a domestic bank under winding-up proceedings, which was related to the refinancing loan for the restoration of the bank's liquidity granted in 2015 (see Note 4 and Note 9). As at the balance-sheet date, the outstanding portion of the loan was collateralised with the claims of the domestic bank arising from loan agreements which were assigned in favour of NBP (see Note 28). Under the assessment carried out, it was established that as at 31 December 2016 the discounted value of expected cash flows from the collateral fully covers the carrying amount of the claim. Claims of the domestic bank arising from loan agreements which were assigned in favour of NBP as collateral to the refinancing loan for the restoration of bank's liquidity are not included in the bankruptcy estate of the domestic bank, in accordance with the provisions of Article 67 para 2 and 3 of the Act of 28 February 2003 on the Bankruptcy and Restructuring Law¹³ (Journal of Laws of 2015, item 233, as amended).

¹³ As of 1 January 2016, pursuant to Article 428 subparagraph 1 of the Act of 15 May 2015 – Restructuring Law (Journal of Laws, item 978), the act reads as follows "Bankruptcy Law". Nonetheless, pursuant to Article 449 of the Act (i.e. the Restructuring Law), in matters for which a motion for bankruptcy was filed before the act entered into force, i.e. before 1 January 2016, the regulations binding theretofore shall apply, that is regulations of the Bankruptcy and Restructuring Law in the wording in force prior to 1 January 2016.

9.1.2. Liquidity risk

Liquidity risk is associated with the possibility of incurring additional expenses, if an urgent need arises to raise liquid funds.

As NBP has the exclusive right to issue banknotes and coins of the Republic of Poland, NBP is capable of creating liquidity in domestic currency. This is, however, constrained by the responsibility of NBP for the stability of domestic currency. The assumptions of monetary policy are set annually by the MPC, which, based on the above assumptions, also approves the financial plan of NBP.

In the process of foreign currency reserves management, NBP ensures adequate liquidity of funds by matching current and expected cash flows. Investments are made in markets that ensure immediate availability of funds – reserve currencies and investment instruments are principally characterised by high liquidity.

9.1.3. Interest rate risk

Interest rate risk is related to a potential decline in the market value of financial instruments due to an unfavourable change in their market yield.

The primary measure of interest rate risk applied by NBP is *modified duration* that specifies the sensitivity of investment portfolios values to changes in the yield on financial instruments.

To mitigate the interest rate risk in the process of managing foreign currency reserves, NBP defines the benchmark level of *modified duration* of foreign currency reserves, along with admissible fluctuation bands. In 2016, the *modified duration* of the reserves was kept at a level similar to the level binding in the preceding year.

The sensitivity analysis, conducted based on *modified duration* (MD)¹⁴, showed that a change in interest rates by 100 basis points (for each foreign exchange portfolio, evenly distributed along the yield curve) would result in a change of the value of securities portfolios by PLN 6,825.0 million as at 31 December 2016 (as at 31 December 2015 – by PLN 6,280.3 million). The change in value of securities portfolios in individual currencies in response to a change in interest rates by 100 basis points, as estimated based on MD analysis, is presented below.

¹⁴ In the sensitivity analysis NBP applied the MD ratio for individual foreign-currency securities portfolios as at 31 December 2015 and 31 December 2016 as a linear measure of the relationship between price and yield, as well as the holding of securities portfolios as at 31 December 2015 and 31 December 2016 based on values used in the monitoring of MD.

MD-based estimate of a change in values of securities portfolios in individual currencies in response to a 100 bp change in interest rates

PLN million	31.12.2015	31.12.2016	Change
USD	2,186.16	2,706.47	520.31
EUR	1,496.20	1,597.06	100.86
GBP	1,197.87	1,299.95	102.08
AUD	878.99	788.23	-90.76
NOK	254.15	272.01	17.86
NZD	142.68	161.25	18.57
BRL	20.69	0.00	-20.69
MXN	103.51	0.00	-103.51
Total	6,280.25	6,824.97	544.72

In accordance with the accounting principles of NBP, price revaluation gains on securities at the end of the year are recorded as revaluation accounts on the liabilities side of the balance sheet, while losses are debited to NBP's financial result.

9.1.4. Foreign exchange rate risk

Foreign exchange rate risk arises out of a potential decline in the value of foreign currency holdings as a result of unfavourable exchange rates fluctuations in the foreign exchange market.

The assessment of exposure to foreign exchange rate risk is carried out based on the parametric Value at Risk (VaR) methodology. The level of VaR calculated as at the balance sheet date is taken into account for calculating the amount of the provision against the foreign exchange rate risk of the zloty (see Chapter 4).

In the process of foreign currency reserves management, NBP defines the currency structure of the strategic benchmark, along with admissible fluctuation bands. In 2016, the share of EUR, AUD and NOK in the strategic benchmark currency composition was limited – the benchmark was as follows:

- 44% USD (in 2015 – 39%),
- 27% EUR (in 2015 – 29%),
- 12% GBP (in 2015 – 12%),
- 8% AUD (in 2015 – 10%),
- 6% NOK (in 2015 – 7%),
- 3% NZD (in 2015 – 3%),

In addition, investments in currencies of developing countries – MXN and BRL – were discontinued.

9.1.4.1. Exposure to foreign exchange rate risk

Below, foreign currency holdings of NBP as at 31 December 2015 and 31 December 2016 by currency are presented, wherein items in foreign currency related to own administrative activities are presented as part of PLN holdings since they are immaterial.

31.12.2015	PLN	USD	EUR	GBP	AUD	NOK	NZD	BRL	MXN	SDR	Gold	Other currencies	Total
ASSETS													
1. Gold and gold receivables	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	13,713,371.9	0.0	13,713,371.9
2. Claims on non-residents denominated in foreign currency	0.0	131,080,183.0	99,504,053.3	48,683,749.4	32,933,778.9	22,465,211.3	9,824,039.2	1,209,471.3	3,006,307.9	7,742,741.0	0.0	122,836.5	356,610,371.8
3. Claims on residents denominated in foreign currency	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4. Claims on non-residents denominated in domestic currency	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5. Claims on other domestic monetary financial institutions related to monetary policy operations denominated in domestic currency	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
6. Other claims on other domestic monetary financial institutions denominated in domestic currency	181,000.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	181,000.9
7. Securities of residents denominated in domestic currency	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
8. Claims on general government denominated in domestic currency	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
9. Items in course of settlement	1,149,148.7	325,053.8	118,946.7	0.0	13,822.0	0.0	6,623.4	0.0	0.0	54,092.0	0.0	25.3	1,667,611.9
10. Other assets	0.0	325,053.8	27,082.5	0.0	13,822.0	0.0	6,623.4	0.0	0.0	0.0	0.0	25.3	372,577.0
<i>of which, adjustment and revaluation differences on off-balance-sheet items</i>													
TOTAL ASSETS	1,330,149.6	131,413,236.8	99,622,000.0	48,683,749.4	32,947,600.9	22,465,211.3	9,830,662.6	1,209,471.3	3,006,307.9	7,796,633.0	13,713,371.9	122,861.8	372,172,356.5
LIABILITIES													
1. Banknotes and coins in circulation	163,225,776.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	163,225,776.0
2. Liabilities to other domestic monetary financial institutions related to monetary policy operations denominated in domestic currency	123,346,016.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	123,346,016.8
3. Other liabilities to other domestic monetary financial institutions denominated in domestic currency	132,707.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	132,707.9
4. Liabilities to other residents denominated in domestic currency	5,942,232.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5,942,232.8
5. Liabilities to non-residents denominated in domestic currency	2,245,968.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2,245,968.9
6. Liabilities to residents denominated in foreign currency	0.0	1,456,619.3	8,459,428.6	50.4	0.0	0.9	0.0	0.0	0.0	0.0	0.0	100,677.5	10,056,776.7
7. Liabilities to non-residents denominated in foreign currency	0.0	1,729,961.7	136,712.7	10,177,128.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	12,043,802.7
8. Liabilities to the IMF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	7,657,646.7	0.0	0.0	7,657,646.7
9. Items in course of settlement	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
10. Other liabilities	193,851.8	324,822.1	31,408.2	303.9	15,368.0	1.1	7,579.0	0.0	0.0	0.0	0.0	31.7	573,365.8
<i>of which, adjustment and revaluation differences on off-balance-sheet items</i>													
11. Provisions for future liabilities	0.0	324,766.2	27,543.7	0.0	15,341.0	0.0	7,579.0	0.0	0.0	0.0	0.0	25.3	375,265.2
12. Revaluation accounts	133,267.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	133,267.4
13. Capital and reserves	35,207,106.4	161,105.6	118,200.0	327,156.4	295,243.3	307,679.9	195,244.3	0.0	28,628.6	0.0	0.0	0.0	36,646,364.5
14. Financial result	13,701,557.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	13,701,557.1
<i>of which, adjustment and revaluation differences on off-balance-sheet items</i>													
TOTAL LIABILITIES	341,196,356.3	3,672,506.7	8,785,749.5	10,504,639.0	314,611.3	307,681.9	203,823.3	0.0	28,628.6	7,657,646.7	0.0	100,709.2	372,172,356.5
OFF-BALANCE-SHEET ITEMS													
Currency to be received as a result of spot transactions	0.0	2,302,223.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,161.8	2,303,405.6
Currency to be delivered as a result of spot transactions	81.2	0.0	1,482,213.1	0.0	597,946.9	0.0	213,164.4	0.0	0.0	0.0	0.0	0.0	2,303,405.6
NET HOLDING	-339,866,289.9	130,042,951.9	89,344,937.4	38,179,110.4	32,035,042.7	22,187,529.4	9,413,674.9	1,209,471.3	2,977,679.3	739,186.3	13,713,371.9	23,334.4	23,334.4
<i>of which:</i>													
Balance sheet holding*	-339,866,208.7	127,740,440.5	90,837,641.7	38,179,110.4	32,634,508.6	22,187,529.4	9,627,794.9	1,209,471.3	2,977,679.3	739,186.3	13,713,371.9	22,152.6	22,152.6
Off-balance-sheet holding*	-81.2	2,302,511.4	-1,492,704.3	0.0	-599,465.9	0.0	-214,120.0	0.0	0.0	0.0	0.0	1,181.8	1,181.8

*The effects of the adjustments to the average cost of holding and currency revaluation of the off-balance-sheet holding in foreign currency (presented in items A, 10 and L.10) are accounted for in the off-balance-sheet holding. Values presented in the tables may not add up to totals due to rounding.

31.12.2016	PLN	USD	EUR	GBP	AUD	NOK	NZD	BRL	MXN	SDR	Gold	Other currencies	Total
ASSETS													
1. Gold and gold receivables	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	16,035,770.9	0.0	16,035,770.9
2. Claims on non-residents denominated in foreign currency	0.0	209,681,425.7	125,175,919.4	64,126,925.8	27,738,618.6	21,389,669.4	10,521,317.3	0.0	0.0	4,394,707.8	0.0	218,320.8	463,246,904.8
3. Claims on residents denominated in foreign currency	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4. Claims on non-residents denominated in domestic currency	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5. Claims on other domestic monetary financial institutions related to monetary policy operations denominated in domestic currency	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
6. Other claims on other domestic monetary financial institutions denominated in domestic currency	424.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	424.0
7. Securities of residents denominated in domestic currency	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
8. Claims on general government denominated in domestic currency	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
9. Items in course of settlement	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
10. Other assets	1,283,391.5	98,914.3	106,635.7	0.0	19,728.9	7,079.7	32,940.7	0.0	0.0	56,716.0	0.0	0.0	1,605,404.8
<i>of which, adjustment and revaluation differences on off-balance-sheet items</i>	0.0	98,914.3	10,883.9	0.0	19,728.9	7,079.7	32,940.7	0.0	0.0	0.0	0.0	0.0	169,555.9
TOTAL ASSETS	1,283,815.5	209,780,340.0	125,282,555.1	64,126,925.8	27,756,345.5	21,396,749.1	10,554,258.0	0.0	0.0	4,451,423.8	16,035,770.9	218,320.8	480,885,504.5
LIABILITIES													
1. Banknotes and coins in circulation	187,574,849.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	187,574,849.5
2. Liabilities to other domestic monetary financial institutions related to monetary policy operations denominated in domestic currency	114,553,118.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	114,553,118.7
3. Other liabilities to other domestic monetary financial institutions denominated in domestic currency	468,823.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	468,823.0
4. Liabilities to other residents denominated in domestic currency	4,980,569.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4,980,569.3
5. Liabilities to non-residents denominated in domestic currency	4,369,292.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4,369,292.4
6. Liabilities to residents denominated in foreign currency	0.0	1,239,466.3	25,840,936.4	137.5	60.4	2.3	0.0	0.0	0.0	0.0	0.0	188,825.8	27,269,408.7
7. Liabilities to non-residents denominated in foreign currency	0.0	52,179,341.0	4,281,794.8	21,287,230.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	77,748,365.9
8. Liabilities to the IMF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	7,401,999.6	0.0	0.0	7,401,999.6
9. Items in course of settlement	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
10. Other liabilities	186,884.4	93,837.5	17,618.3	491.5	24,288.9	7,081.2	37,307.4	0.0	0.0	0.0	0.0	81.3	387,570.5
<i>of which, adjustment and revaluation differences on off-balance-sheet items</i>	0.0	92,521.7	12,664.2	447.9	22,440.7	7,079.7	37,306.9	0.0	0.0	0.0	0.0	0.0	172,461.1
11. Provisions for future liabilities	133,314.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	133,314.0
12. Revaluation accounts	42,909,297.6	139,355.0	287,746.9	452,108.4	75,885.1	242,101.6	206,279.1	0.0	0.0	0.0	0.0	0.0	44,312,771.7
13. Capital and reserves	13,315,246.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	13,315,246.1
14. Financial result	-1,606,924.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-1,606,924.9
TOTAL LIABILITIES	366,884,570.1	53,651,979.8	30,428,096.4	21,739,965.5	100,214.4	249,185.1	243,586.5	0.0	0.0	7,401,999.6	0.0	188,907.1	480,885,504.5
OFF-BALANCE-SHEET ITEMS													
Currency to be received as a result of spot transactions	0.0	455,017.4	0.0	103,315.5	425,233.7	0.0	672,700.3	0.0	0.0	0.0	0.0	0.0	1,656,266.9
Currency to be delivered as a result of spot transactions	0.0	1,084,534.4	352,149.7	102,867.6	0.0	116,715.2	0.0	0.0	0.0	0.0	0.0	0.0	1,656,266.9
NET HOLDING	-365,600,754.6	155,498,843.2	94,502,309.0	42,387,408.2	28,083,364.8	21,030,848.8	10,983,371.8	0.0	0.0	-2,950,575.8	16,035,770.9	29,413.7	29,413.7
<i>of which:</i>													
Balance sheet holding*	-365,600,754.6	155,121,967.6	94,856,229.0	42,387,408.2	27,660,844.9	21,147,584.0	10,915,037.7	0.0	0.0	-2,950,575.8	16,035,770.9	29,413.7	29,413.7
Off-balance-sheet holding*	0.0	-623,124.4	-353,920.0	0.0	422,519.9	-116,715.2	668,334.1	0.0	0.0	0.0	0.0	0.0	0.0

* The effects of the adjustments to the average cost of holding and currency revaluation of the off-balance-sheet holding in foreign currency (presented in items A.10 and L.10) are accounted for in the off-balance-sheet holding. Values presented in the tables may not add up to totals due to rounding.

9.1.4.2. Value at Risk and provision against the foreign exchange rate risk of the zloty

At NBP, the Value at Risk (VaR) methodology is used to perform the analysis of changes in the foreign exchange rate risk of the zloty. It estimates the loss expected due to fluctuations of the foreign exchange rate of the zloty, which in normal conditions and with an assumed probability should not be exceeded within the adopted time horizon.

The Value at Risk is then decreased by unrealised foreign currency revaluation gains estimated on the basis of statistical distribution analysis. The estimation is based on the foreign currency holdings in the structure of foreign currency reserves as at the balance sheet date along with historical time series of the average cost of currency holdings and the average NBP exchange rates for these currencies. Such an approach makes it possible to determine a stable level of unrealised gains and thus limits volatility of the provision against the foreign exchange rate risk of the zloty.

As at 31 December 2015, the provision amounted to PLN 11,207,911.6 thousand and was equal to the amount of uncovered accumulated loss of previous years arising from changes in the exchange rate of the zloty against foreign currencies, which determines the minimum level of the provision (in accordance with Resolution No. 12/2010). Due to a partial use of the reserve fund in the amount of PLN 400,000.0 thousand to cover loss of previous years, the required minimum level of the provision decreased and as at 31 December 2016 the provision was partly released as income. As at 31 December 2016, the amount of the provision was set at PLN 10,807,911.6 thousand.

9.1.5. Capital of NBP

As the central bank of the State, NBP is not subject to regulations on capital adequacy of banks.

According to practice adopted by central banks, NBP classifies the following as its capital components:

- statutory fund,
- reserve fund,
- provision against the foreign exchange rate risk of the zloty,
- gold revaluation account,
- currency and price revaluation gains,
- NBP's balance sheet loss,
- a part of profit of current year at the disposal of NBP (i.e. 5%), which will be allocated to the reserve fund of NBP.

The table below presents values of the components of NBP's capital.

<i>PLN thousand</i>	31.12.2015	31.12.2016
Statutory fund	1,500,000.0	1,500,000.0
Reserve fund	993,645.5	1,007,434.5
Provision against the foreign exchange rate risk of the zloty	11,207,911.6	10,807,911.6
Gold revaluation account	1,618,023.2	1,618,023.2
Revaluation gains	35,027,341.3	42,694,748.5
Balance sheet loss of previous years	-11,207,911.6	-10,807,911.6
Part of the profit at the disposal of NBP*	413,789.0	460,049.3
Total	39,552,799.0	47,280,255.5
<i>% of the balance sheet total of NBP</i>	10.6%	9.8%

*5% of NBP profit which in 2016 amounted to PLN 9,200,986.7 thousand; in 2015 it amounted to PLN 8,275,780.8 thousand.

9.2. Operational risk

At NBP operational risk is defined as the potential possibility of incurring financial or non-financial damages, including failure to carry out tasks or a negative impact on NBP reputation, resulting from inadequate or failed internal processes, personnel or systems, or from external events.

In 2016, four operational risk sub-categories were defined at NBP: safety risk, personnel risk, legal risk and technological risk, which is divided into ICT technological risk (related, inter alia, to IT and ICT systems, IT software and hardware) and non-ICT technological risk (related, inter alia, to construction facilities and elements of mobile equipment).

The risk mitigation mechanisms used at NBP include, in particular:

- external and internal regulations,
- the scope of job responsibilities and division of duties,
- data reconciliation, and the “four-eyes” principle,
- the system of (financial, time) limits and restrictions,
- implementation of access control as well as IT and telecommunications, physical and electronic safeguards,
- backup copies, contingency and evacuation plans,
- insurance,
- control and internal audit.

Since 2016 a new resolution on operational risk management has been in force in NBP, which reflects the organisational changes in the bank and streamlines operational risk management. The changes in operational risk management include:

- a quarterly self-assessment being substituted by an annual self-assessment, the aim of which is risk identification and assessment by NBP organisational units, extended with an analysis of future risk that may have an impact on the performance of duties,
- a review of Key Risk Indicators (KRIs), development of new KRIs along with adding specified thresholds which allow monitoring risk tolerance,
- determining the levels of unacceptable risk for incidents, annual and current self-assessment and indicating procedures in such events, which enables faster response by taking preventing measures,
- requirement to develop preventive action plans which mitigate operational risk in the event of identification of an unacceptable level of operational risk.

In 2016 the Commission for Operational Risk Management held 12 meetings and issued 15 recommendations. The topics discussed included ICT security, business continuity plans, current issues that may affect the level of operational risk in NBP.

In 2016, as part of compliance risk management, the rules were promoted of just, fair and professional conduct of employees, which are in line with the standards set by the President of NBP in the Code of Ethics for Narodowy Bank Polski employees.

Director of the Accounting
and Finance Department
of Narodowy Bank Polski:
/-/ Krzysztof Kruszewski

Management Board
of Narodowy Bank Polski:

/-/ Adam Glapiński
/-/ Piotr Wiesiołek
/-/ Anna Trzecińska
/-/ Jacek Bartkiewicz
/-/ Andrzej Kaźmierczak
/-/ Ryszard Kokoszcyński
/-/ Paweł Samecki
/-/ Paweł Szałamacha
/-/ Katarzyna Zajdel-Kurowska

Warsaw, 24 March 2017

The Polish original should be referred to in matters of interpretation.
Translation of auditor's report originally issued in Polish.

REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY FINANCIAL STATEMENTS

To the Monetary Policy Council of Narodowy Bank Polski

The accompanying summary financial statements for the year ended 31 December 2016 of Narodowy Bank Polski (hereinafter 'NBP'), with its registered office in Warsaw 00-919, at Świętokrzyska 11/21, which comprise the balance sheet as at 31 December 2016, the profit and loss account for the year ended 31 December 2016 and the condensed notes (hereinafter 'the accompanying summary financial statements') are derived from the audited financial statements of NBP for the year ended 31 December 2016 (hereinafter 'the audited financial statements').

We expressed an unqualified opinion on the audited financial statements in our report dated 24 March 2017. The audited financial statements, as well as the accompanying summary financial statements, do not reflect the effects of events which occurred subsequent to the date of our report on the audited financial statements.

The summary financial statements do not contain all the disclosures required for the preparation of the annual financial statements. The annual financial statements were prepared in accordance with Act of 29 August 1997 on Narodowy Bank Polski (Journal of Laws of 2013, item 908 with subsequent amendments), Resolution No. 16/2003 of the Monetary Policy Council of 16 December 2003 on the accounting principles, format of the balance sheet and the profit and loss account of Narodowy Bank Polski (NBP Official Journal, No. 22, item 38 with subsequent amendments), Resolution No. 12/2010 of the Monetary Policy Council of 14 December 2010 on the principles for creating and releasing the provision against the foreign exchange rate risk of the zloty at Narodowy Bank Polski (NBP Official Journal, No. 17, item 19) and Resolution No. 45/2013 of the Management Board of Narodowy Bank Polski of 12 December 2013 on performing tasks in the area of accounting at Narodowy Bank Polski, with subsequent amendments. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements.

Responsibility of the NBP's Management Board for the accompanying summary financial statements

NBP's Management Board is responsible for the preparation of the accompanying summary financial statements on the basis described in point 1 of condensed notes to the accompanying summary financial statements.

Auditor's Responsibility

Our responsibility is to express an opinion on the accompanying summary financial statements based on procedures, which were conducted in accordance with National Auditing Standard 810 'Engagements to Report on Summary Financial Statements'.

Opinion

In our opinion, the accompanying summary financial statements derived from the audited financial statements are consistent, in all material respects, with those audited financial statements, on the basis described in point 1 of condensed notes to the accompanying summary financial statements.

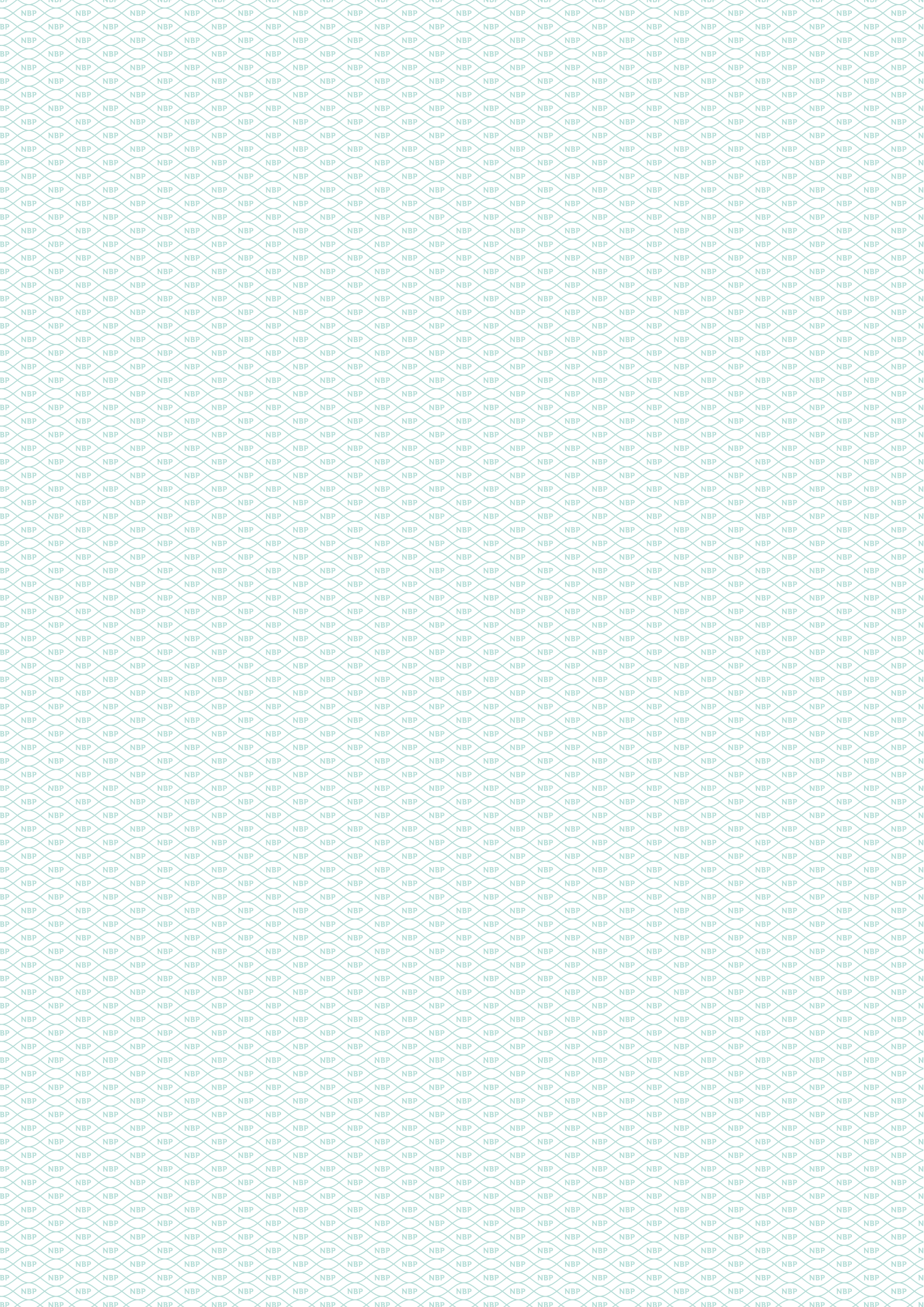
Warsaw, 15 May 2017

Key Certified Auditor

(-)

Arkadiusz Krasowski
Certified Auditor
No. 10018

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



Statistical annex



Table I. Basic statistical data

Period	1. Industrial output			2. Construction output			3. Consumer Price Index			4. Producer Price Index	
	current prices	constant prices		current prices	constant prices		the same month previous year = 100	previous month = 100	December previous year = 100	the same month previous year = 100	previous month = 100
		the same month previous year = 100	previous month = 100		the same month previous year = 100	previous month = 100					
	million zloty	%	%	million zloty	%	%	%	%	%	%	
1	2	3	4	5	6	7	8	9	10	11	
December 2015	104 783.1	106.7	96.4	10 211.2	99.6	127.7	99.5	99.8	99.5	99.2	99.8
January 2016	92 389.6	101.3	91.9	3 249.4	91.4	31.9	99.1	99.5	99.5	98.8	99.5
February	98 618.8	106.8	106.9	3 705.8	89.5	114.3	99.2	99.9	99.4	98.5	99.6
March	105 169.2	100.7	107.0	4 473.8	84.2	120.6	99.1	100.1	99.5	98.1	99.7
April	101 921.6	106.0	96.9	4 915.4	85.1	109.9	98.9	100.3	99.8	98.8	100.3
May	99 074.5	103.2	96.1	5 310.4	86.3	107.8	99.1	100.1	99.9	99.6	101.2
June	106 546.3	106.0	107.4	6 018.4	87.0	113.4	99.2	100.2	100.1	99.2	100.2
July	95 758.5	96.6	90.0	5 810.6	81.2	96.6	99.1	99.7	99.8	99.5	99.9
August	98 540.2	107.5	103.4	5 659.2	79.5	97.2	99.2	99.8	99.5	99.9	99.6
September	109 056.0	103.2	110.4	6 726.0	84.7	118.7	99.5	100.0	99.5	100.2	100.3
October	106 893.7	98.7	97.5	6 613.4	79.9	98.3	99.8	100.5	100.1	100.6	100.5
November	109 993.1	103.1	101.8	6 970.2	87.2	105.4	100.0	100.1	100.2	101.8	101.2
December	106 304.1	102.1	95.5	9 409.8	92.0	134.8	100.8	100.7	100.8	103.2	101.2

Period	5. Construction Price Index		6. Number of employed, corporate sector total	7. Average employment, corporate sector total	8. Number of unemployed	9. Unemployment rate	10. Average monthly employee earnings, gross, corporate sector	11. National budget revenue & expenditure		
	the same month previous year = 100	previous month = 100						revenue	expenditure	financial surplus/ deficit and net foreign lending/ borrowing
	%	%	thousands	thousands	thousands	%	zloty	million zloty	million zloty	million zloty
	12	13	14	15	16	17	18	19	20	21
December 2015	99.1	99.9	5 867	5 626	1 563.3	9.7	4 515.28	289 136.7	331 743.4	-31 205.9
January 2016	99.3	99.9	5 942	5 703	1 647.5	10.2	4 101.36	30 724.5	28 964.6	7 282.1
February	99.3	99.9	5 955	5 711	1 652.7	10.2	4 137.55	56 164.7	59 263.0	-2 069.4
March	99.2	99.9	5 974	5 727	1 600.5	9.9	4 351.45	76 818.0	86 405.2	-11 997.1
April	99.3	100.0	5 982	5 730	1 521.8	9.4	4 313.57	105 385.1	116 510.6	-14 569.3
May	99.4	100.0	5 987	5 734	1 456.9	9.1	4 166.28	129 127.8	142 610.3	-20 689.1
June	99.5	100.1	6 014	5 753	1 392.5	8.7	4 252.19	151 610.8	170 294.6	-28 164.8
July	99.6	100.1	6 018	5 762	1 361.5	8.5	4 291.85	188 565.4	202 952.7	-25 850.8
August	99.8	100.1	6 016	5 761	1 346.9	8.4	4 212.56	214 529.0	229 458.4	-28 042.3
September	99.8	100.0	6 037	5 771	1 324.1	8.3	4 217.96	238 606.5	259 221.9	-34 426.5
October	99.9	100.0	6 048	5 779	1 308.0	8.2	4 259.37	268 628.7	293 270.0	-31 836.9
November	100.0	100.1	6 064	5 792	1 313.6	8.2	4 329.71	294 487.3	322 055.0	-19 577.5
December	100.2	100.1	6 065	5 799	1 335.2	8.3	4 635.77	.	.	.

Table I. Basic statistical data, cont'd

Period	12. Corporate financial performance												
	revenues		operating costs		pre-tax profit/loss	statutory deductions	net profit/loss	cost to sales ratio	net margin	quick liquidity ratio	total current assets	accounts receivable and associated claims	accounts payable
	total	of which: sales of goods & services	total	of which: cost of sales									
	million zloty	million zloty	million zloty	million zloty	million zloty	million zloty	million zloty	%	%	%	million zloty	million zloty	million zloty
22	23	24	25	26	27	28	29	30	31	32	33	34	
December 2015	2 520 937.8	1 498 883.5	2 412 760.6	1 543 999.1	108 215.2	16 674.0	91 541.1	95.7	3.6	101.0	806 897.0	283 182.9	277 950.9
January 2016	.	.	.	.	.	.	.	.	.	.	.	.	.
February	.	.	.	.	.	.	.	.	.	.	.	.	.
March	604 487.0	361 246.9	573 955.1	370 191.5	30 531.9	5 084.8	25 447.1	94.9	4.2	102.8	809 456.4	289 019.1	267 903.7
April	.	.	.	.	.	.	.	.	.	.	.	.	.
May	.	.	.	.	.	.	.	.	.	.	.	.	.
June	1 254 700.2	743 464.6	1 183 722.9	762 392.5	70 977.3	9 455.0	61 522.4	94.3	4.9	101.8	846 232.2	304 753.6	284 871.3
July	.	.	.	.	.	.	.	.	.	.	.	.	.
August	.	.	.	.	.	.	.	.	.	.	.	.	.
September	1 904 815.2	1 128 795.2	1 801 379.3	1 160 165.1	103 435.9	14 546.7	88 889.2	94.6	4.7	104.5	848 208.8	303 943.7	284 882.5
October	.	.	.	.	.	.	.	.	.	.	.	.	.
November	.	.	.	.	.	.	.	.	.	.	.	.	.
December	2 620 280.8	1 548 918.4	2 488 863.1	1 590 579.8	131 417.7	20 354.6	111 063.1	95.0	4.2	102.0	872 218.5	309 344.1	307 990.6

Table II. Financial market – basic information

Period	1. NBP interest rates					2. Reserve requirement						
	Reference rate	Lombard rate	Deposit rate	Rediscount rate	Discount rate	Reserve requirement ratio on zloty deposits		Reserve requirement ratio on foreign currency deposits (zloty equivalent)		Reserve requirement ratio on repo operations	Interest on reserve requirement ¹	Total required reserves held
						demand	time	demand	time			
	%	%	%	%	%	%	%	%	%	%	%	million zloty
1	2	3	4	5	6	7	8	9	10	11	12	
December 2015	1.50	2.50	0.50	1.75	.	3.5	3.5	3.5	3.5	0.0	0.9	37 115.2
January 2016	1.50	2.50	0.50	1.75	.	3.5	3.5	3.5	3.5	0.0	0.9	37 115.2
February	1.50	2.50	0.50	1.75	.	3.5	3.5	3.5	3.5	0.0	0.9	37 696.7
March	1.50	2.50	0.50	1.75	.	3.5	3.5	3.5	3.5	0.0	0.9	38 344.5
April	1.50	2.50	0.50	1.75	.	3.5	3.5	3.5	3.5	0.0	0.9	38 344.5
May	1.50	2.50	0.50	1.75	.	3.5	3.5	3.5	3.5	0.0	0.9	39 020.3
June	1.50	2.50	0.50	1.75	.	3.5	3.5	3.5	3.5	0.0	0.9	39 052.6
July	1.50	2.50	0.50	1.75	.	3.5	3.5	3.5	3.5	0.0	0.9	39 052.6
August	1.50	2.50	0.50	1.75	.	3.5	3.5	3.5	3.5	0.0	0.9	39 453.9
September	1.50	2.50	0.50	1.75	.	3.5	3.5	3.5	3.5	0.0	0.9	39 496.3
October	1.50	2.50	0.50	1.75	.	3.5	3.5	3.5	3.5	0.0	0.9	39 773.6
November	1.50	2.50	0.50	1.75	.	3.5	3.5	3.5	3.5	0.0	0.9	40 033.1
December	1.50	2.50	0.50	1.75	.	3.5	3.5	3.5	3.5	0.0	0.9	40 033.1

¹ Rediscount rate – as from 9 October 2014 NBP reference rate.

Period	3. Treasury bill tenders					
	Number of tenders during month	Face value of bills offered for sale	Demand declared by bidders (at face value)	Face value of bills sold	Yield on bills purchased, weighted average	Bills outstanding from tender sales at month end (purchase prices)
		million zloty	million zloty	million zloty	%	million zloty
	13	14	15	16	17	18
December 2015	0	0.00	0.00	0.00	0.00	0.00
January 2016	2	2 400.00	11 765.00	2 400.30	1.37	2 380.09
February	2	2 400.00	6 060.00	2 390.00	1.29	4 751.07
March	1	2 000.00	1 757.00	1 692.00	1.35	6 426.79
April	0	0.00	0.00	0.00	0.00	6 426.79
May	0	0.00	0.00	0.00	0.00	6 426.79
June	0	0.00	0.00	0.00	0.00	6 426.79
July	0	0.00	0.00	0.00	0.00	6 426.79
August	0	0.00	0.00	0.00	0.00	4 046.70
September	0	0.00	0.00	0.00	0.00	1 675.72
October	0	0.00	0.00	0.00	0.00	1 675.72
November	0	0.00	0.00	0.00	0.00	0.00
December	0	0.00	0.00	0.00	0.00	0.00

Table II. Financial market – basic information, cont'd.

Period	4. Tenders for NBP money-market bills					
	Number of tenders during month	Face value of bills offered for sale	Demand declared by bidders (at face value)	Face value of bills sold	Yield on bills purchased, weighted average	Bills outstanding from tender sales at month end (purchase prices)
		million zloty	million zloty	million zloty	%	million zloty
	19	20	21	22	23	24
December 2015	6	475 000.00	433 345.82	433 345.82	1.50	74 096.32
January 2016	5	379 000.00	356 639.77	355 479.77	1.50	84 054.55
February	5	390 000.00	340 546.77	340 546.77	1.50	72 067.73
March	6	344 000.00	333 392.59	329 588.29	1.50	75 411.07
April	6	398 000.00	383 008.78	374 716.38	1.50	78 831.15
May	5	316 500.00	294 285.55	294 285.55	1.50	74 876.88
June	7	299 000.00	295 576.44	288 878.40	1.50	64 611.53
July	6	375 500.00	336 633.04	336 633.04	1.50	79 432.70
August	5	302 000.00	284 589.70	284 589.70	1.50	66 636.19
September	5	324 500.00	342 730.09	324 500.00	1.50	64 981.02
October	5	294 500.00	273 117.20	273 117.20	1.50	67 808.19
November	6	380 000.00	326 606.08	326 130.00	1.50	84 098.44
December	6	432 000.00	374 859.67	374 859.67	1.50	81 290.83

Period	5. Data on trading sessions of Warsaw Stock Exchange										
	Number of companies at month end	Capitalisation at month end	P/E ratio at month end	Warsaw Stock Exchange Index (WIG) at month end	WIG monthly average	mWIG40 at month end	mWIG40 monthly average	sWIG80 at month end	sWIG80 monthly average	Monthly turnover	Turnover ratio
		million zloty								million zloty	%
	25	26	27	28	29	30	31	32	33	34	35
December 2015	487	516 785.2	18.2	1 859.2	1 841.7	3 567.1	3 511.7	13 211.2	12 843.7	16 419.8	41.8
January 2016	487	497 025.7	16.8	1 780.3	1 735.3	3 373.4	3 378.5	12 451.0	12 543.8	13 995.8	39.1
February	486	507 096.8	17.6	1 824.1	1 799.8	3 469.7	3 405.1	12 739.6	12 497.2	13 835.6	34.2
March	484	543 725.1	41.5	1 997.7	1 915.3	3 612.3	3 538.9	13 605.3	13 084.4	16 665.2	39.2
April	484	527 820.2	44.9	1 896.6	1 932.9	3 614.3	3 595.2	13 773.7	13 642.0	13 166.6	30.1
May	487	509 150.7	53.8	1 808.2	1 835.8	3 484.2	3 532.4	13 668.1	13 715.3	12 379.2	31.0
June	483	496 094.1	53.5	1 750.7	1 782.8	3 393.0	3 444.6	13 177.9	13 206.1	15 274.9	35.8
July	483	508 509.5	51.4	1 759.7	1 761.2	3 596.9	3 468.5	13 690.8	13 308.2	16 907.8	41.4
August	482	526 014.3	37.8	1 793.6	1 811.7	3 942.6	3 799.5	14 221.0	14 002.2	15 415.9	34.5
September	484	515 670.7	35.4	1 709.5	1 754.2	4 030.1	4 007.3	14 382.7	14 245.3	16 494.1	37.4
October	486	532 713.7	34.9	1 814.7	1 759.2	4 116.2	4 059.0	14 381.1	14 321.2	15 774.0	37.0
November	488	526 679.1	36.2	1 798.2	1 772.3	4 103.5	4 014.6	14 011.5	14 018.7	18 002.7	45.0
December	487	557 123.6	34.7	1 947.9	1 904.8	4 215.5	4 191.4	14 259.5	14 074.8	21 539.4	48.8

Table III. PLN/USD and PLN/EUR daily exchange rates

Days	December 2015			January 2016			February 2016		
	NBP average exchange rates		USD/EUR	NBP average exchange rates		USD/EUR	NBP average exchange rates		USD/EUR
	PLN/USD	PLN/EUR		PLN/USD	PLN/EUR		PLN/USD	PLN/EUR	
	1	2	3	4	5	6	7	8	9
1	4.0248	4.2651	1.0597	3.9011	4.2615	1.0924	4.0638	4.4104	1.0853
2	4.0305	4.2815	1.0623	3.9011	4.2615	1.0924	4.0333	4.4015	1.0913
3	4.0400	4.2665	1.0561	3.9011	4.2615	1.0924	4.0325	4.4024	1.0917
4	3.9607	4.3141	1.0892	3.9281	4.2935	1.0930	3.9492	4.4078	1.1161
5	3.9607	4.3141	1.0892	4.0073	4.3176	1.0774	3.9420	4.4135	1.1196
6	3.9607	4.3141	1.0892	4.0073	4.3176	1.0774	3.9420	4.4135	1.1196
7	3.9853	4.3111	1.0818	4.0085	4.3475	1.0846	3.9420	4.4135	1.1196
8	3.9877	4.3282	1.0854	3.9963	4.3457	1.0874	3.9525	4.4185	1.1179
9	3.9705	4.3402	1.0931	3.9963	4.3457	1.0874	3.9771	4.4490	1.1187
10	3.9601	4.3440	1.0969	3.9963	4.3457	1.0874	3.9383	4.4366	1.1265
11	3.9718	4.3471	1.0945	4.0085	4.3635	1.0886	3.9219	4.4407	1.1323
12	3.9718	4.3471	1.0945	4.0170	4.3621	1.0859	3.9074	4.4136	1.1295
13	3.9718	4.3471	1.0945	4.0068	4.3345	1.0818	3.9074	4.4136	1.1295
14	3.9695	4.3500	1.0959	3.9990	4.3605	1.0904	3.9074	4.4136	1.1295
15	3.9523	4.3580	1.1026	4.0411	4.4075	1.0907	3.9220	4.3960	1.1209
16	3.9644	4.3304	1.0923	4.0411	4.4075	1.0907	3.9404	4.4042	1.1177
17	3.9646	4.3048	1.0858	4.0411	4.4075	1.0907	3.9431	4.3905	1.1135
18	3.9558	4.2816	1.0824	4.1133	4.4835	1.0900	3.9416	4.3902	1.1138
19	3.9558	4.2816	1.0824	4.0917	4.4490	1.0873	3.9531	4.3830	1.1088
20	3.9558	4.2816	1.0824	4.0877	4.4659	1.0925	3.9531	4.3830	1.1088
21	3.9200	4.2545	1.0853	4.1303	4.4987	1.0892	3.9531	4.3830	1.1088
22	3.8787	4.2411	1.0934	4.1031	4.4460	1.0836	3.9391	4.3655	1.1082
23	3.8872	4.2460	1.0923	4.1031	4.4460	1.0836	3.9671	4.3655	1.1004
24	3.8695	4.2411	1.0960	4.1031	4.4460	1.0836	3.9803	4.3720	1.0984
25	3.8695	4.2411	1.0960	4.1346	4.4720	1.0816	3.9705	4.3739	1.1016
26	3.8695	4.2411	1.0960	4.1475	4.4961	1.0841	3.9545	4.3570	1.1018
27	3.8695	4.2411	1.0960	4.1144	4.4730	1.0872	3.9545	4.3570	1.1018
28	3.8663	4.2448	1.0979	4.0872	4.4588	1.0909	3.9545	4.3570	1.1018
29	3.8659	4.2440	1.0978	4.0723	4.4405	1.0904	3.9935	4.3589	1.0915
30	3.8801	4.2423	1.0933	4.0723	4.4405	1.0904			
31	3.9011	4.2615	1.0924	4.0723	4.4405	1.0904			
Average monthly rate	3.9417	4.2905	X	4.0397	4.3935	X	3.9565	4.3960	X

Table III. PLN/USD and PLN/EUR daily exchange rates, cont'd.

Days	March 2016			April 2016			May 2016		
	NBP average exchange rates		USD/EUR	NBP average exchange rates		USD/EUR	NBP average exchange rates		USD/EUR
	PLN/USD	PLN/EUR		PLN/USD	PLN/EUR		PLN/USD	PLN/EUR	
	10	11	12	13	14	15	16	17	18
1	3.9924	4.3365	1.0862	3.7193	4.2387	1.1396	3.8738	4.4078	1.1378
2	3.9861	4.3333	1.0871	3.7193	4.2387	1.1396	3.8195	4.3842	1.1478
3	3.9805	4.3250	1.0865	3.7193	4.2387	1.1396	3.8195	4.3842	1.1478
4	3.9545	4.3340	1.0960	3.7254	4.2355	1.1369	3.8300	4.3992	1.1486
5	3.9545	4.3340	1.0960	3.7337	4.2452	1.1370	3.8475	4.4003	1.1437
6	3.9545	4.3340	1.0960	3.7510	4.2577	1.1351	3.8732	4.4236	1.1421
7	3.9515	4.3292	1.0956	3.7414	4.2601	1.1386	3.8732	4.4236	1.1421
8	3.9333	4.3325	1.1015	3.7701	4.2930	1.1387	3.8732	4.4236	1.1421
9	3.9395	4.3215	1.0970	3.7701	4.2930	1.1387	3.8730	4.4123	1.1392
10	3.9320	4.3131	1.0969	3.7701	4.2930	1.1387	3.8853	4.4275	1.1396
11	3.8903	4.3226	1.1111	3.7587	4.2826	1.1394	3.8855	4.4241	1.1386
12	3.8903	4.3226	1.1111	3.7490	4.2867	1.1434	3.8811	4.4275	1.1408
13	3.8903	4.3226	1.1111	3.7771	4.2827	1.1339	3.8775	4.4016	1.1352
14	3.8470	4.2813	1.1129	3.8174	4.3016	1.1268	3.8775	4.4016	1.1352
15	3.8649	4.2824	1.1080	3.8176	4.3000	1.1264	3.8775	4.4016	1.1352
16	3.8749	4.2980	1.1092	3.8176	4.3000	1.1264	3.8625	4.3727	1.1321
17	3.8037	4.2989	1.1302	3.8176	4.3000	1.1264	3.8508	4.3610	1.1325
18	3.7882	4.2705	1.1273	3.8010	4.2978	1.1307	3.9005	4.3937	1.1264
19	3.7882	4.2705	1.1273	3.7925	4.2977	1.1332	3.9161	4.3960	1.1225
20	3.7882	4.2705	1.1273	3.7842	4.3004	1.1364	3.9358	4.4163	1.1221
21	3.7838	4.2603	1.1259	3.7981	4.2885	1.1291	3.9358	4.4163	1.1221
22	3.8005	4.2590	1.1206	3.8399	4.3283	1.1272	3.9358	4.4163	1.1221
23	3.8010	4.2533	1.1190	3.8399	4.3283	1.1272	3.9513	4.4293	1.1210
24	3.8240	4.2715	1.1170	3.8399	4.3283	1.1272	3.9789	4.4482	1.1179
25	3.8174	4.2630	1.1167	3.8962	4.3860	1.1257	3.9684	4.4238	1.1148
26	3.8174	4.2630	1.1167	3.8935	4.3978	1.1295	3.9684	4.4238	1.1148
27	3.8174	4.2630	1.1167	3.8793	4.3926	1.1323	3.9393	4.4063	1.1185
28	3.8174	4.2630	1.1167	3.8695	4.3940	1.1355	3.9393	4.4063	1.1185
29	3.8037	4.2535	1.1183	3.8738	4.4078	1.1378	3.9393	4.4063	1.1185
30	3.7495	4.2445	1.1320	3.8738	4.4078	1.1378	3.9470	4.3945	1.1134
31	3.7590	4.2684	1.1355				3.9369	4.3820	1.1131
Average monthly rate	3.8644	4.2934	X	3.7985	4.3068	X	3.8991	4.4076	X

Table III. PLN/USD and PLN/EUR daily exchange rates, cont'd.

Days	June 2016			July 2016			August 2016		
	NBP average exchange rates		USD/EUR	NBP average exchange rates		USD/EUR	NBP average exchange rates		USD/EUR
	PLN/USD	PLN/EUR		PLN/USD	PLN/EUR		PLN/USD	PLN/EUR	
	19	20	21	22	23	24	25	26	27
1	3.9350	4.3895	1.1155	3.9548	4.3921	1.1106	3.9040	4.3576	1.1162
2	3.9204	4.3944	1.1209	3.9548	4.3921	1.1106	3.8820	4.3484	1.1201
3	3.9384	4.3913	1.1150	3.9548	4.3921	1.1106	3.8516	4.3135	1.1199
4	3.9384	4.3913	1.1150	3.9886	4.4304	1.1108	3.8588	4.2971	1.1136
5	3.9384	4.3913	1.1150	3.9963	4.4501	1.1136	3.8542	4.2975	1.1150
6	3.8602	4.3835	1.1356	4.0225	4.4469	1.1055	3.8542	4.2975	1.1150
7	3.8298	4.3533	1.1367	4.0036	4.4380	1.1085	3.8542	4.2975	1.1150
8	3.8150	4.3377	1.1370	4.0001	4.4295	1.1073	3.8706	4.2912	1.1087
9	3.8126	4.3334	1.1366	4.0001	4.4295	1.1073	3.8482	4.2693	1.1094
10	3.8545	4.3558	1.1301	4.0001	4.4295	1.1073	3.8250	4.2632	1.1146
11	3.8545	4.3558	1.1301	4.0060	4.4170	1.1026	3.8297	4.2674	1.1143
12	3.8545	4.3558	1.1301	3.9807	4.4224	1.1110	3.8219	4.2626	1.1153
13	3.8943	4.3900	1.1273	3.9809	4.4016	1.1057	3.8219	4.2626	1.1153
14	3.9483	4.4363	1.1236	3.9681	4.4070	1.1106	3.8219	4.2626	1.1153
15	3.9351	4.4155	1.1221	3.9598	4.4121	1.1142	3.8219	4.2626	1.1153
16	3.9469	4.4445	1.1261	3.9598	4.4121	1.1142	3.7929	4.2700	1.1258
17	3.9412	4.4363	1.1256	3.9598	4.4121	1.1142	3.8075	4.2863	1.1258
18	3.9412	4.4363	1.1256	3.9853	4.4032	1.1049	3.7826	4.2837	1.1325
19	3.9412	4.4363	1.1256	3.9582	4.3811	1.1068	3.7905	4.2884	1.1314
20	3.8724	4.3945	1.1348	3.9790	4.3776	1.1002	3.7905	4.2884	1.1314
21	3.8741	4.3935	1.1341	3.9685	4.3706	1.1013	3.7905	4.2884	1.1314
22	3.8945	4.3900	1.1272	3.9504	4.3564	1.1028	3.8090	4.3030	1.1297
23	3.8593	4.3806	1.1351	3.9504	4.3564	1.1028	3.8061	4.3139	1.1334
24	3.9994	4.4526	1.1133	3.9504	4.3564	1.1028	3.8174	4.3116	1.1295
25	3.9994	4.4526	1.1133	3.9697	4.3600	1.0983	3.8190	4.3095	1.1284
26	3.9994	4.4526	1.1133	3.9682	4.3694	1.1011	3.8328	4.3270	1.1289
27	4.0263	4.4485	1.1049	3.9739	4.3695	1.0995	3.8328	4.3270	1.1289
28	4.0030	4.4244	1.1053	3.9389	4.3736	1.1104	3.8328	4.3270	1.1289
29	3.9905	4.4140	1.1061	3.9364	4.3684	1.1097	3.8789	4.3395	1.1187
30	3.9803	4.4255	1.1119	3.9364	4.3684	1.1097	3.8858	4.3395	1.1168
31				3.9364	4.3684	1.1097	3.9082	4.3555	1.1145
Average monthly rate	3.9200	4.4019	X	3.9707	4.3966	X	3.8354	4.3003	X

Table III. PLN/USD and PLN/EUR daily exchange rates, cont'd.

Days	September 2016			October 2016			November 2016			December 2016		
	NBP average exchange rates			NBP average exchange rates			NBP average exchange rates			NBP average exchange rates		
	PLN/USD	PLN/EUR	USD/EUR	PLN/USD	PLN/EUR	USD/EUR	PLN/USD	PLN/EUR	USD/EUR	PLN/USD	PLN/EUR	USD/EUR
	28	29	30	31	32	33	34	35	36	37	38	39
1	3.9116	4.3607	1.1148	3.8558	4.3120	1.1183	3.9488	4.3267	1.0957	4.1987	4.4620	1.0627
2	3.9164	4.3796	1.1183	3.8558	4.3120	1.1183	3.8954	4.3169	1.1082	4.2150	4.4885	1.0649
3	3.9164	4.3796	1.1183	3.8252	4.2976	1.1235	3.8965	4.3238	1.1097	4.2150	4.4885	1.0649
4	3.9164	4.3796	1.1183	3.8472	4.2984	1.1173	3.8862	4.3133	1.1099	4.2150	4.4885	1.0649
5	3.8937	4.3480	1.1167	3.8307	4.3014	1.1229	3.8862	4.3133	1.1099	4.2213	4.4897	1.0636
6	3.8869	4.3396	1.1165	3.8405	4.2974	1.1190	3.8862	4.3133	1.1099	4.1825	4.5035	1.0767
7	3.8515	4.3289	1.1240	3.8505	4.2853	1.1129	3.9132	4.3283	1.1061	4.1268	4.4232	1.0718
8	3.8255	4.3122	1.1272	3.8505	4.2853	1.1129	3.9169	4.3285	1.1051	4.1107	4.4401	1.0801
9	3.8385	4.3264	1.1271	3.8505	4.2853	1.1129	3.9305	4.3455	1.1056	4.1772	4.4385	1.0626
10	3.8385	4.3264	1.1271	3.8307	4.2835	1.1182	3.9856	4.3424	1.0895	4.1772	4.4385	1.0626
11	3.8385	4.3264	1.1271	3.8487	4.2767	1.1112	3.9856	4.3424	1.0895	4.1772	4.4385	1.0626
12	3.8668	4.3460	1.1239	3.8851	4.2825	1.1023	3.9856	4.3424	1.0895	4.2090	4.4583	1.0592
13	3.8734	4.3520	1.1236	3.9164	4.3065	1.0996	3.9856	4.3424	1.0895	4.1905	4.4505	1.0620
14	3.8716	4.3455	1.1224	3.8965	4.2955	1.1024	4.0805	4.3892	1.0757	4.1768	4.4389	1.0628
15	3.8587	4.3356	1.1236	3.8965	4.2955	1.1024	4.0837	4.4098	1.0799	4.2329	4.4453	1.0502
16	3.8497	4.3244	1.1233	3.8965	4.2955	1.1024	4.1380	4.4345	1.0717	4.2296	4.4253	1.0463
17	3.8497	4.3244	1.1233	3.9265	4.3142	1.0987	4.1375	4.4386	1.0728	4.2296	4.4253	1.0463
18	3.8497	4.3244	1.1233	3.9148	4.3137	1.1019	4.1968	4.4484	1.0600	4.2296	4.4253	1.0463
19	3.8586	4.3071	1.1162	3.9285	4.3204	1.0998	4.1968	4.4484	1.0600	4.2255	4.4157	1.0450
20	3.8438	4.3019	1.1192	3.9359	4.3189	1.0973	4.1968	4.4484	1.0600	4.2493	4.4128	1.0385
21	3.8601	4.3034	1.1148	3.9800	4.3300	1.0879	4.1748	4.4390	1.0633	4.2484	4.4180	1.0399
22	3.8128	4.2856	1.1240	3.9800	4.3300	1.0879	4.1507	4.4199	1.0649	4.2222	4.4089	1.0442
23	3.8328	4.2939	1.1203	3.9800	4.3300	1.0879	4.1588	4.4131	1.0611	4.2199	4.4126	1.0457
24	3.8328	4.2939	1.1203	3.9690	4.3225	1.0891	4.1880	4.4261	1.0569	4.2199	4.4126	1.0457
25	3.8328	4.2939	1.1203	3.9543	4.3058	1.0889	4.1628	4.4106	1.0595	4.2199	4.4126	1.0457
26	3.8324	4.3075	1.1240	3.9517	4.3178	1.0926	4.1628	4.4106	1.0595	4.2199	4.4126	1.0457
27	3.8227	4.2972	1.1241	3.9760	4.3388	1.0912	4.1628	4.4106	1.0595	4.2120	4.4022	1.0452
28	3.8264	4.2918	1.1216	3.9696	4.3293	1.0906	4.1521	4.4190	1.0643	4.2260	4.4127	1.0442
29	3.8354	4.3014	1.1215	3.9696	4.3293	1.0906	4.1827	4.4328	1.0598	4.2161	4.4131	1.0467
30	3.8558	4.3120	1.1183	3.9696	4.3293	1.0906	4.1721	4.4384	1.0638	4.1793	4.4240	1.0586
31				3.9488	4.3267	1.0957				4.1793	4.4240	1.0586
Average monthly rate	3.8567	4.3250	X	3.9075	4.3086	X	4.0600	4.3839	X	4.2049	4.4371	X

Table IV. Average MFI interest rates on outstanding amounts, PLN denominated (in %)

	Sector	Category	Original maturity	No.	December 2015	January	February	March
					2016			
Deposits in PLN	households and non-profit institutions serving households	overnight		1	0.52	0.51	0.51	0.52
		with agreed maturity	up to 2 years	2	1.71	1.71	1.66	1.67
			over 2 years	3	2.29	2.32	2.27	2.31
			total	4	1.73	1.74	1.69	1.70
		total, overnight included		5	1.09	1.09	1.06	1.07
	non-financial corporations	overnight		6	0.62	0.62	0.57	0.57
		with agreed maturity	up to 2 years	7	1.73	1.69	1.60	1.54
			over 2 years	8	1.71	1.72	1.66	1.64
			total	9	1.72	1.69	1.60	1.54
		total, overnight included		10	1.10	1.06	1.00	0.97
		total, overnight excluded		11	1.73	1.73	1.67	1.66
	total, overnight included		12	1.09	1.08	1.04	1.04	
Loans in PLN	households and non-profit institutions serving households	revolving loans and overdrafts		13	8.10	8.04	8.05	8.09
		credit cards		14	8.17	8.15	8.33	8.16
		for consumption	up to 1 year	15	5.22	5.16	5.32	5.35
			over 1 and up to 5 years	16	8.50	8.42	8.51	8.39
			over 5 years	17	8.53	8.47	8.61	8.44
			total	18	8.44	8.37	8.49	8.35
		for house purchases	up to 1 year	19	n/a	n/a	n/a	n/a
			over 1 and up to 5 years	20	5.82	5.77	5.65	5.65
			over 5 years	21	3.57	3.54	3.60	3.54
			total	22	3.59	3.57	3.62	3.56
		for other purposes	up to 1 year	23	4.38	4.56	3.73	4.34
			over 1 and up to 5 years	24	5.27	5.30	5.21	5.29
			over 5 years	25	3.87	3.65	3.60	3.86
	total		26	4.14	3.98	3.89	4.14	
	total, overdrafts included		27	5.29	5.24	5.29	5.25	
	non-financial corporations	revolving loans and overdrafts		28	3.42	3.42	3.35	3.31
		credit cards		29	7.90	8.30	7.96	7.94
		up to 1 year		30	3.04	3.00	3.06	2.97
		over 1 and up to 5 years		31	3.63	3.59	3.55	3.43
		over 5 years		32	3.62	3.76	3.74	3.74
total		33	3.58	3.66	3.63	3.59		
total, overdrafts included		34	3.53	3.58	3.54	3.50		
total, overdrafts included		35	4.72	4.72	4.74	4.69		

n/a – category not available due to confidentiality issues.

Note: since December 2014 a new methodology of calculating average interest rates has been employed.

Table IV. Average MFI interest rates on outstanding amounts, PLN denominated (in %)

April	May	June	July	August	September	October	November	December
2016								
0.51	0.50	0.49	0.5	0.49	0.49	0.50	0.50	0.47
1.60	1.56	1.52	1.7	1.64	1.60	1.58	1.56	1.56
2.21	2.23	2.31	2.2	2.24	2.24	2.23	2.22	2.22
1.63	1.59	1.56	1.7	1.67	1.64	1.61	1.60	1.60
1.03	1.00	0.98	1.1	1.04	1.02	1.02	1.00	0.98
0.64	0.63	0.59	0.6	0.56	0.57	0.57	0.55	0.56
1.52	1.51	1.49	1.5	1.54	1.52	1.52	1.53	1.49
1.59	1.63	1.57	1.6	1.61	1.58	1.58	1.62	1.61
1.52	1.52	1.49	1.5	1.54	1.52	1.52	1.54	1.49
0.99	0.99	0.96	1.0	0.99	0.98	0.99	0.97	0.93
1.61	1.57	1.54	1.7	1.64	1.61	1.59	1.59	1.57
1.02	1.00	0.97	1.1	1.03	1.01	1.01	1.00	0.97
7.99	8.01	8.04	7.95	7.96	7.94	7.86	7.93	7.65
7.99	8.15	7.96	7.80	8.05	7.94	7.97	7.93	7.89
5.39	4.82	4.97	4.66	4.69	4.66	4.66	4.63	4.63
8.34	8.11	8.13	7.80	7.78	7.82	7.74	7.77	7.67
8.43	8.31	8.35	8.15	8.12	8.19	8.09	8.14	8.11
8.32	8.14	8.17	7.95	7.93	7.99	7.90	7.94	7.88
n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
5.69	5.65	5.69	5.63	5.55	5.57	5.57	5.47	5.28
3.55	3.52	3.56	3.57	3.59	3.63	3.61	3.66	3.63
3.57	3.54	3.58	3.59	3.60	3.65	3.62	3.68	3.64
4.18	3.96	4.29	3.92	3.96	4.23	4.02	4.08	4.29
5.28	5.18	5.32	5.22	5.24	5.29	5.17	5.25	5.02
3.63	3.53	3.82	4.49	4.39	4.53	4.39	4.42	4.50
3.95	3.84	4.11	4.63	4.56	4.68	4.54	4.58	4.60
5.22	5.18	5.24	5.22	5.22	5.27	5.21	5.25	5.20
3.32	3.33	3.34	3.46	3.47	3.43	3.44	3.47	3.38
7.97	8.05	7.88	6.98	7.20	6.93	6.75	6.54	6.76
3.00	3.08	3.08	3.24	3.25	3.26	3.31	3.35	3.27
3.44	3.40	3.46	3.81	3.84	3.79	3.83	3.86	3.79
3.68	3.70	3.72	3.97	3.99	3.96	3.95	3.99	3.96
3.55	3.56	3.59	3.87	3.89	3.86	3.87	3.90	3.85
3.48	3.49	3.51	3.74	3.76	3.73	3.74	3.78	3.72
4.67	4.65	4.70	4.8	4.77	4.79	4.75	4.80	4.74

Table V. Average MFI interest rates on new and renegotiated business, PLN denominated (in %)

	Sector	Category	Original maturity, initial rate fixation	No.	December	January	February	March
					2015	2016		
Deposits in PLN	households and non-profit institutions serving households	with agreed maturity	up to 1 month	1	1.54	1.45	1.39	1.39
			over 1 and up to 3 months	2	1.89	1.89	1.85	1.80
			over 3 and up to 6 months	3	1.85	1.79	1.77	1.65
			over 6 months and up to 1 year	4	1.92	1.85	1.83	1.79
			over 1 year	5	1.79	1.70	1.70	1.46
			total	6	1.76	1.71	1.67	1.61
	non-financial corporations	with agreed maturity	up to 1 month	7	1.39	1.28	1.15	1.11
			over 1 and up to 3 months	8	1.83	1.63	1.53	1.49
			over 3 and up to 6 months	9	1.90	1.79	1.79	1.70
			over 6 months and up to 1 year	10	1.90	1.88	1.81	1.79
			over 1 year	11	1.74	1.45	1.47	1.40
			total	12	1.49	1.36	1.24	1.21
			total	13	1.57	1.49	1.41	1.36
Loans in PLN	households and non-profit institutions serving households	for consumption	floating rate and up to 3 months initial rate fixation	14	9.04	9.13	8.94	8.91
			over 3 months and up to 1 year initial rate fixation	15	3.77	4.26	4.26	4.22
			over 1 year and up to 5 years initial rate fixation	16	7.35	7.00	7.31	7.41
			over 5 years initial rate fixation	17	7.93	7.96	7.71	7.58
			total	18	8.04	8.20	8.15	8.12
		annual percentage rate of charge (APRC)	19	15.29	15.32	15.17	14.99	
		for house purchases	floating rate and up to 3 months initial rate fixation	20	4.52	4.57	4.63	4.64
			over 3 months and up to 1 year initial rate fixation	21	n/a	n/a	n/a	n/a
			over 1 year initial rate fixation	22	n/a	n/a	n/a	n/a
			total	23	4.40	4.44	4.41	4.41
			annual percentage rate of charge (APRC)	24	4.60	4.61	4.58	4.56
		for sole proprietors and unincorporated partnerships	floating rate and up to 3 months initial rate fixation	25	5.26	5.22	5.69	5.60
			over 3 months and up to 1 year initial rate fixation	26	n/a	n/a	n/a	n/a
			over 1 year initial rate fixation	27	n/a	5.44	n/a	n/a
			total	28	5.34	5.29	5.75	5.63
			annual percentage rate of charge (APRC)	29	5.01	5.68	5.74	5.41
		for other purposes	floating rate and up to 3 months initial rate fixation	29	5.01	5.68	5.74	5.41
			over 3 months and up to 1 year initial rate fixation	30	n/a	n/a	n/a	n/a
			over 1 year initial rate fixation	31	-	-	-	-
	total		32	5.05	5.72	5.69	5.40	
	annual percentage rate of charge (APRC)		33	6.23	6.43	6.47	6.41	
	non-financial corporations	up to PLN 1 million, overdrafts excluded	floating rate and up to 3 months initial rate fixation	34	3.15	3.07	3.16	3.13
			over 3 months and up to 1 year initial rate fixation	35	3.34	3.33	3.30	3.69
			over 1 year initial rate fixation	36	n/a	n/a	n/a	n/a
			total	37	3.16	3.08	3.17	3.16
		over PLN 1 million up to PLN 4 million, overdrafts excluded	floating rate and up to 1 year initial rate fixation, with original maturity over 1 year	38	3.33	3.29	3.40	3.43
			floating rate and up to 3 months initial rate fixation	39	3.68	3.35	3.22	3.11
			over 3 months and up to 1 year initial rate fixation	40	3.24	n/a	n/a	n/a
			over 1 year initial rate fixation	41	n/a	n/a	n/a	n/a
		over PLN 4 million, overdrafts excluded	total	42	3.66	3.35	3.23	3.12
			floating rate and up to 1 year initial rate fixation, with original maturity over 1 year	43	4.07	3.87	3.61	3.57
			floating rate and up to 3 months initial rate fixation	44	3.69	3.35	3.43	3.28
			over 3 months and up to 1 year initial rate fixation	45	4.51	n/a	n/a	n/a
over 1 year initial rate fixation			46	n/a	n/a	n/a	n/a	
total			47	3.75	3.44	3.56	3.39	
floating rate and up to 1 year initial rate fixation, with original maturity over 1 year	48	3.73	3.41	3.46	3.51			
total	49	3.56	3.34	3.37	3.28			
		total	50	4.79	4.74	5.08	4.90	

n/a – category not available due to confidentiality issues.

Note: since December 2014 a new methodology of calculating average interest rates has been employed.

Table V. Average MFI interest rates on new and renegotiated business, PLN denominated (in %)

April	May	June	July	August	September	October	November	December
2016								
1.36	1.31	1.26	1.29	1.36	1.32	1.27	1.22	1.12
1.79	1.77	1.82	1.95	1.83	1.84	1.88	1.79	1.68
1.56	1.51	1.50	1.79	1.69	1.71	1.68	1.63	1.60
1.78	1.77	1.74	1.80	1.78	1.78	1.79	1.70	1.65
1.35	1.36	1.19	1.46	1.28	1.54	1.29	1.41	1.66
1.57	1.53	1.52	1.68	1.61	1.63	1.62	1.56	1.49
1.14	1.15	1.17	1.17	1.19	1.20	1.16	1.13	1.06
1.44	1.43	1.48	1.55	1.53	1.56	1.55	1.55	1.53
1.72	1.65	1.60	1.70	1.71	1.68	1.73	1.72	1.71
1.79	1.79	1.74	1.81	1.78	1.80	1.72	1.87	1.81
1.49	1.75	1.35	1.82	1.44	n/a	1.79	1.75	1.61
1.23	1.23	1.25	1.29	1.29	1.31	1.29	1.26	1.20
1.36	1.35	1.35	1.45	1.42	1.43	1.42	1.38	1.31
8.78	8.80	8.70	8.69	8.84	8.64	8.67	8.62	8.26
4.34	3.61	3.84	3.32	3.06	2.98	3.05	2.82	2.73
7.84	7.48	7.35	6.72	6.48	6.61	6.52	6.39	6.42
7.65	7.61	7.94	7.56	7.54	7.56	7.84	8.06	8.39
8.19	8.02	8.07	7.79	7.79	7.78	7.79	7.73	7.60
14.98	14.73	14.90	15.59	15.58	15.50	15.70	15.24	14.94
4.74	4.64	4.60	4.57	4.54	4.51	4.56	4.49	4.52
n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
4.53	4.48	4.47	4.49	4.48	4.42	4.45	4.39	4.41
4.71	4.65	4.63	4.70	4.69	4.59	4.68	4.61	4.59
5.33	5.70	5.44	5.30	5.34	5.60	5.67	5.53	5.68
n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
5.39	5.71	5.50	4.92	4.92	5.27	5.36	5.20	5.37
4.99	5.76	4.96	5.32	4.07	5.37	5.49	6.18	6.08
n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
n/a	-	-	n/a	n/a	n/a	n/a	n/a	n/a
5.04	5.59	4.92	5.22	4.12	5.28	5.49	6.14	6.06
6.37	6.52	6.41	6.26	6.11	6.31	6.28	6.25	6.22
3.20	3.15	3.13	3.38	3.41	3.38	3.50	3.36	3.29
3.53	3.35	3.53	3.53	3.70	3.40	3.50	3.44	3.37
n/a	n/a	n/a	3.09	2.77	2.75	2.45	n/a	2.53
3.22	3.16	3.16	3.38	3.42	3.37	3.49	3.36	3.29
3.61	3.57	3.46	3.86	3.79	3.81	3.95	3.90	3.91
3.28	3.25	3.55	3.80	3.55	3.82	4.02	3.77	3.85
n/a	n/a	3.34	n/a	n/a	3.55	n/a	n/a	3.61
n/a	n/a	n/a	n/a	n/a	n/a	3.30	n/a	n/a
3.28	3.23	3.55	3.79	3.53	3.80	3.99	3.72	3.82
3.85	3.91	3.96	4.47	4.03	4.32	4.83	4.47	4.17
3.71	3.72	3.88	3.97	3.62	3.96	3.92	3.61	3.68
n/a	n/a	n/a	n/a	n/a	2.86	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
3.76	3.65	3.91	3.82	3.68	3.59	3.82	3.56	3.68
3.69	3.80	4.00	4.12	3.83	3.49	4.03	3.87	3.89
3.50	3.41	3.61	3.68	3.55	3.54	3.72	3.50	3.57
5.15	5.16	5.06	5.00	4.99	4.93	5.13	4.89	4.87

Table VI. Average MFI interest rates on new and renegotiated business, EUR denominated (in %)

	Sector	Category	Original maturity, initial rate fixation	No.	December 2015	January	February	March	
					2016				
Deposits in EUR	households and non-profit institutions serving households	overnight ¹		1	0.08	0.07	0.06	0.06	
		with agreed maturity	up to 1 month		2	0.47	n/a	n/a	n/a
			over 1 and up to 3 months		3	0.45	0.55	0.38	0.40
			over 3 and up to 6 months		4	0.48	0.43	0.42	0.38
			over 6 months and up to 1 year		5	0.52	0.43	0.43	0.34
			over 1 year		6	0.35	0.33	0.37	0.35
			total		7	0.47	0.45	0.45	0.43
	non-financial corporations	overnight ¹		8	0.03	0.03	0.02	0.02	
		with agreed maturity	up to 1 month		9	0.09	0.09	0.04	0.03
			over 1 and up to 3 months		10	0.22	0.13	0.13	0.07
			over 3 and up to 6 months		11	0.24	0.29	n/a	0.24
			over 6 months and up to 1 year		12	0.34	0.10	n/a	n/a
			over 1 year		13	0.11	0.04	0.05	0.08
			total		14	0.10	0.09	0.06	0.05
		total, overnight excluded		15	0.14	0.17	0.22	0.19	
Loans in EUR	households and non-profit institutions serving households	revolving loans and overdrafts ¹		16	1.87	1.90	1.90	1.86	
		for consumption	total		17	n/a	n/a	-	n/a
			annual percentage rate of charge (APRC)		18	n/a	n/a	-	n/a
		for house purchases	total		19	3.64	n/a	3.30	3.25
			annual percentage rate of charge (APRC)		20	3.82	n/a	3.43	3.36
		for other purposes		21	1.96	1.82	1.79	1.87	
		total, overdrafts excluded		22	2.18	2.24	2.30	2.19	
	non-financial corporations	revolving loans and overdrafts ¹		23	1.29	1.37	1.31	1.26	
		up to EUR 1 million		24	1.43	1.24	1.40	1.49	
		over EUR 1 million		25	2.08	n/a	n/a	1.60	
		total, overdrafts excluded		26	2.04	1.84	n/a	1.58	
		total, overdrafts excluded		27	2.02	1.85	n/a	1.59	

¹ Category calculated on a basis of an outstanding amounts. Excluded from "total" average.

n/a – category not available due to confidentiality issues.

Note: since December 2014 a new methodology of calculating average interest rates has been employed.

Table VI. Average MFI interest rates on new and renegotiated business, EUR denominated (in %)

April	May	June	July	August	September	October	November	December
2016								
0.06	0.05	0.05	0.03	0.03	0.02	0.02	0.02	0.02
n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
0.38	0.28	0.35	0.53	0.46	0.37	0.37	0.34	0.32
0.34	0.32	0.32	0.41	0.37	0.30	0.37	0.27	0.33
0.36	0.36	0.36	0.40	0.41	0.49	0.49	0.48	0.44
0.33	0.33	0.36	0.35	0.30	0.20	0.23	0.32	0.56
0.40	0.37	0.36	0.43	0.40	0.37	0.37	0.35	0.34
0.02	0.01	0.01	0.01	0.01	0.02	0.02	0.02	0.01
0.02	0.02	0.02	0.01	0.02	0.02	0.02	0.02	0.02
0.15	0.14	0.14	0.09	0.08	0.09	0.10	0.07	n/a
0.13	0.07	0.10	0.05	0.08	0.24	0.20	n/a	0.10
n/a	0.12	n/a	0.08	0.25	0.31	n/a	n/a	n/a
0.05	0.07	n/a	0.02	n/a	0.04	0.15	n/a	n/a
0.04	0.05	0.05	0.03	0.02	0.03	0.04	0.04	0.04
0.15	0.16	0.13	0.14	0.13	0.13	0.10	0.13	0.09
1.79	1.81	1.79	1.87	1.98	1.83	1.84	1.71	1.74
n/a	n/a	-	n/a	n/a	5.54	n/a	n/a	2.89
n/a	n/a	-	n/a	n/a	7.40	n/a	n/a	3.15
n/a	n/a	n/a	3.07	3.18	3.63	3.49	3.66	3.64
n/a	n/a	n/a	3.30	3.41	3.66	3.75	3.88	4.06
1.78	1.63	n/a	1.49	1.60	1.96	2.10	1.43	2.13
2.41	2.12	2.17	2.67	2.81	3.20	3.11	2.88	2.66
1.25	1.27	1.32	1.41	1.44	1.44	1.46	1.48	1.44
1.42	1.27	1.44	1.55	1.49	1.64	1.53	1.44	1.32
1.94	n/a	1.74	1.91	1.55	1.79	1.47	2.08	1.84
1.89	1.33	1.70	1.86	1.55	1.77	1.48	1.96	1.76
1.89	1.35	1.74	1.89	1.58	1.80	1.56	1.99	1.80

Table VII. Aggregated balance sheet of other monetary financial institutions (million zloty)**Assets**

Period								other domestic residents ¹
	Loans to domestic residents	monetary financial institutions	general government	other domestic residents ¹	Holdings of securities other than shares issued by domestic residents	monetary financial institutions	general government	
	1	2	3	4	5	6	7	
December 2015	1 172 644.5	97 066.2	80 713.9	994 864.4	326 071.4	85 509.3	212 103.5	28 458.6
January 2016	1 178 789.6	90 623.7	80 877.6	1 007 288.3	352 971.1	95 719.6	228 337.8	28 913.7
February	1 169 902.5	89 202.8	80 275.4	1 000 424.3	368 438.0	83 735.2	256 522.6	28 180.2
March	1 159 594.0	81 669.1	79 068.3	998 856.6	379 303.2	86 730.8	263 883.9	28 688.5
April	1 168 815.8	75 047.2	79 468.9	1 014 299.7	381 287.8	88 520.6	264 131.0	28 636.2
May	1 167 738.9	75 220.6	79 708.5	1 012 809.8	380 907.0	83 849.9	268 281.9	28 775.2
June	1 190 081.6	87 440.4	80 457.7	1 022 183.5	373 607.2	74 847.1	269 585.7	29 174.4
July	1 177 423.8	73 992.0	80 768.4	1 022 663.4	387 132.4	89 663.9	268 253.3	29 215.2
August	1 187 819.2	84 743.2	80 514.3	1 022 561.7	377 687.5	76 983.8	270 576.3	30 127.4
September	1 201 694.2	90 957.5	80 463.8	1 030 272.9	376 522.7	75 863.4	270 885.1	29 774.2
October	1 205 646.1	90 476.7	81 067.9	1 034 101.5	380 387.1	77 190.5	273 479.8	29 716.8
November	1 217 246.9	89 003.4	82 411.4	1 045 832.1	406 381.7	93 146.0	283 365.3	29 870.4
December	1 213 497.4	85 544.4	83 453.7	1 044 499.3	398 219.2	90 458.6	278 226.0	29 534.6

Period					External assets	Fixed assets ²	Remaining assets	Total assets
	Money Market Fund shares/units	Holdings of shares / other equity issued by domestic residents	monetary financial institutions	other domestic residents ¹				
	9	10	11	12				
December 2015	0.0	17 713.2	5 205.1	12 508.1	72 876.1	49 345.9	42 747.2	1 681 398.3
January 2016	0.0	17 651.3	4 976.6	12 674.7	78 551.4	49 763.7	43 594.2	1 721 321.3
February	0.0	17 778.4	5 133.4	12 645.0	68 857.0	49 582.9	40 693.7	1 715 252.5
March	0.0	17 795.3	5 287.6	12 507.7	67 316.9	49 522.4	38 342.4	1 711 874.2
April	0.0	18 151.3	5 444.3	12 707.0	67 119.2	49 557.7	39 992.2	1 724 924.0
May	0.0	18 020.8	5 329.5	12 691.3	75 724.6	49 795.1	40 090.9	1 732 277.3
June	0.0	17 874.7	5 414.1	12 460.6	74 404.6	49 581.9	38 574.2	1 744 124.2
July	0.0	18 146.8	5 654.8	12 492.0	67 060.1	49 859.1	37 183.2	1 736 805.4
August	0.0	19 666.3	7 170.6	12 495.7	67 770.9	50 037.1	36 861.5	1 739 842.5
September	0.0	18 200.2	5 701.3	12 498.9	67 832.1	49 871.5	37 006.3	1 751 127.0
October	0.0	18 322.8	5 743.1	12 579.7	70 872.9	49 933.0	39 208.2	1 764 370.1
November	0.0	18 378.7	5 733.9	12 644.8	73 674.6	49 959.8	37 111.5	1 802 753.2
December	0.0	18 559.5	5 895.1	12 664.4	72 367.8	50 520.4	36 688.9	1 789 853.2

¹ Non-monetary financial institutions and non-financial sector.² Excluding financial fixed assets, included in column 10.

Table VII. Aggregated balance sheet of other monetary financial institutions (million zloty)

Liabilities

Period								
	Deposits of domestic residents	Monetary financial institutions	Central government	Other domestic residents ¹	overnight	with agreed maturity	redeemable at notice	repurchase agreements
	1	2	3	4	5	6	7	8
December 2015	1 094 150.4	47 259.0	23 864.3	1 023 027.1	540 624.1	475 134.6	1.3	7 267.1
January 2016	1 106 579.5	51 208.3	37 354.0	1 018 017.2	533 722.0	476 710.4	1.3	7 583.5
February	1 116 835.5	41 184.4	50 508.7	1 025 142.4	547 578.3	472 410.8	1.3	5 152.0
March	1 119 875.2	41 979.1	50 127.0	1 027 769.1	551 339.2	471 591.3	1.3	4 837.3
April	1 130 026.6	42 987.8	47 817.7	1 039 221.1	552 640.4	480 978.8	1.3	5 600.6
May	1 143 633.7	45 473.8	50 157.7	1 048 002.2	568 274.4	474 267.9	1.4	5 458.5
June	1 146 726.4	46 225.2	44 233.9	1 056 267.3	576 489.2	474 343.1	1.3	5 433.7
July	1 144 163.4	44 957.3	42 115.2	1 057 090.9	573 029.3	478 176.3	1.2	5 884.1
August	1 151 951.8	43 438.2	49 343.0	1 059 170.6	584 118.4	469 053.8	1.2	5 997.2
September	1 163 202.1	49 595.1	49 450.6	1 064 156.4	587 270.4	471 131.8	1.1	5 753.1
October	1 169 849.5	46 628.2	51 908.8	1 071 312.5	591 330.5	474 342.3	1.1	5 638.6
November	1 200 238.0	48 277.8	61 919.9	1 090 040.3	613 568.3	471 276.4	1.1	5 194.5
December	1 190 845.7	49 369.3	29 486.2	1 111 990.2	639 650.7	466 099.8	1.1	6 238.6

¹ Non-monetary financial institutions, local government, social security funds and non-financial sector.

Period								External liabilities	Remaining liabilities	Total liabilities
	Money Market Fund shares / units	Debt securities issued	Capital and reserves	Tier-1 capital	Tier-2 capital	reserves				
	9	10	11	12	13	14				
December 2015	0.0	59 213.4	250 100.7	161 623.4	4 340.7	84 136.6	234 894.4	43 039.4	1 681 398.3	
January 2016	0.0	59 319.3	252 199.8	161 697.5	4 522.0	85 980.3	254 635.6	48 587.1	1 721 321.3	
February	0.0	59 583.0	254 266.4	161 382.7	5 143.2	87 740.5	242 219.9	42 347.7	1 715 252.5	
March	0.0	59 251.9	255 524.3	164 779.7	5 343.0	85 401.6	235 769.4	41 453.4	1 711 874.2	
April	0.0	59 476.0	254 957.4	165 724.9	4 745.9	84 486.6	238 604.4	41 859.6	1 724 924.0	
May	0.0	61 699.6	255 564.0	165 670.6	4 346.6	85 546.8	231 489.2	39 890.8	1 732 277.3	
June	0.0	64 105.2	255 651.5	170 823.8	2 393.2	82 434.5	232 265.8	45 375.3	1 744 124.2	
July	0.0	64 473.0	257 030.6	171 531.7	2 091.9	83 407.0	228 996.4	42 142.0	1 736 805.4	
August	0.0	64 813.4	259 023.0	171 576.5	2 523.4	84 923.1	224 128.4	39 925.9	1 739 842.5	
September	0.0	65 224.9	259 545.6	171 603.8	1 859.0	86 082.8	222 449.1	40 705.3	1 751 127.0	
October	0.0	67 773.8	259 773.6	171 598.7	1 035.4	87 139.5	223 165.0	43 808.2	1 764 370.1	
November	0.0	68 223.3	256 525.7	169 988.8	-792.0	87 328.9	231 506.1	46 260.1	1 802 753.2	
December	0.0	68 040.4	259 071.9	172 990.0	-569.3	86 651.2	228 187.5	43 707.7	1 789 853.2	

Table VIII. Balance sheet of Narodowy Bank Polski (million zloty)**Assets**

Period	Loans to domestic residents	other monetary financial institutions	general government	other domestic residents ¹	Holdings of securities other than shares issued by domestic residents	other monetary financial institutions	general government	Holdings of shares / other equity issued by domestic residents	other monetary financial institutions	other domestic residents ¹	External assets	Fixed assets ²	Remaining assets	Total assets
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
December 2015	201.1	180.5	0.0	20.6	0.0	0.0	0.0	128.8	0.0	128.8	378 445.6	2 129.2	525.3	381 430.0
January 2016	228.7	208.6	0.0	20.1	0.0	0.0	0.0	128.8	0.0	128.8	414 347.0	2 130.2	329.0	417 163.7
February	192.0	0.0	0.0	192.0	0.0	0.0	0.0	128.8	0.0	128.8	416 691.6	2 145.1	333.0	419 490.5
March	178.0	0.0	0.0	178.0	0.0	0.0	0.0	128.8	0.0	128.8	399 388.8	2 146.9	216.0	402 058.5
April	590.9	416.1	0.0	174.8	0.0	0.0	0.0	128.8	0.0	128.8	428 264.0	2 148.7	276.7	431 409.1
May	172.8	0.0	0.0	172.8	0.0	0.0	0.0	128.8	0.0	128.8	446 651.5	2 152.0	213.9	449 319.0
June	170.5	0.0	0.0	170.5	0.0	0.0	0.0	128.8	0.0	128.8	460 304.3	2 160.8	583.7	463 348.1
July	167.4	0.0	0.0	167.4	0.0	0.0	0.0	128.8	0.0	128.8	450 564.0	2 165.4	2 031.4	455 057.0
August	166.1	0.0	0.0	166.1	0.0	0.0	0.0	128.8	0.0	128.8	451 360.9	2 181.0	1 970.5	455 807.3
September	163.9	0.0	0.0	163.9	0.0	0.0	0.0	128.8	0.0	128.8	452 922.4	2 185.2	2 826.7	458 227.0
October	163.3	0.0	0.0	163.3	0.0	0.0	0.0	128.8	0.0	128.8	467 316.5	2 177.0	4 508.9	474 294.5
November	156.3	0.0	0.0	156.3	0.0	0.0	0.0	128.8	0.0	128.8	483 972.1	2 170.7	1 901.2	488 329.1
December	153.7	0.0	0.0	153.7	0.0	0.0	0.0	128.8	0.0	128.8	500 254.8	2 181.0	292.7	503 011.0

¹ Non-monetary financial institutions and non-financial sector.² Excluding financial fixed assets, included in column 8.**Liabilities**

Period	Currency in circulation	Deposits of domestic residents	other monetary financial institutions	central government	other domestic residents ¹	Debt securities issued	Capital and reserves	Tier-1 capital	reserves	External liabilities	Remaining liabilities	Total liabilities
	1	2	3	4	5	6	7	8	9	10	11	12
December 2015	162 951.9	65 179.9	50 295.1	13 100.0	1 784.8	74 121.0	48 829.5	2 493.6	46 335.9	29 324.5	1 023.2	381 430.0
January 2016	163 500.7	61 425.0	40 332.6	20 259.0	833.4	84 077.5	63 297.8	2 493.6	60 804.2	44 036.6	826.1	417 163.7
February	163 328.0	64 396.4	49 687.2	13 917.9	791.3	72 088.8	57 824.3	2 493.6	55 330.7	61 181.6	671.4	419 490.5
March	165 638.5	55 676.4	41 303.4	13 770.9	602.1	75 433.1	45 484.0	2 493.6	42 990.4	59 107.3	719.2	402 058.5
April	169 495.7	61 736.4	34 301.4	26 682.9	752.1	78 851.3	56 757.0	2 493.6	54 263.4	63 711.7	857.0	431 409.1
May	172 000.0	62 120.1	33 389.3	28 132.1	598.7	74 898.8	57 431.7	2 493.6	54 938.1	81 706.1	1 162.3	449 319.0
June	175 112.1	72 436.1	42 080.6	29 761.9	593.6	64 630.4	63 002.4	2 493.6	60 508.8	87 387.4	779.7	463 348.1
July	177 704.3	61 359.2	29 632.5	30 970.1	756.6	79 453.3	51 717.1	2 907.4	48 809.7	83 904.8	918.3	455 057.0
August	177 025.5	77 344.1	41 944.1	34 769.6	630.4	66 655.7	49 936.2	2 907.4	47 028.8	84 204.6	641.2	455 807.3
September	177 377.4	77 135.2	42 362.5	34 119.8	652.9	65 000.0	47 069.0	2 907.4	44 161.6	90 990.9	654.5	458 227.0
October	179 686.7	74 818.7	44 401.4	29 582.1	835.2	67 828.0	49 910.9	2 907.4	47 003.5	101 426.9	623.3	474 294.5
November	182 295.3	58 766.0	41 428.3	16 656.5	681.2	84 123.0	61 221.6	2 907.4	58 314.2	101 029.3	893.9	488 329.1
December	187 295.0	64 308.1	36 756.1	26 291.5	1 260.5	81 308.5	57 456.6	2 507.4	54 949.2	110 342.4	2 300.4	503 011.0

¹ Non-monetary financial institutions, local government, social security funds and non-financial sector.

Table IX. Consolidated balance sheet of monetary financial institutions (million zloty)

Assets

Period	Loans to domestic residents			Holdings of securities other than shares issued by domestic residents			Holdings of shares / other equity ² issued by other domestic residents ¹	External assets	Fixed assets ³	Remaining assets ⁴	Total assets
	1	General government	Other domestic residents ¹	4	General government	Other domestic residents ¹					
		2	3		5	6					
December 2015	1 075 598.9	80 713.9	994 885.0	240 562.1	212 103.5	28 458.6	12 636.9	451 321.7	51 475.1	30 036.2	1 861 630.9
January 2016	1 088 186.0	80 877.6	1 007 308.4	257 251.5	228 337.8	28 913.7	12 803.5	492 898.4	51 893.9	32 455.0	1 935 488.3
February	1 080 891.7	80 275.4	1 000 616.3	284 702.8	256 522.6	28 180.2	12 773.8	485 548.6	51 728.0	29 943.3	1 945 588.2
March	1 078 102.9	79 068.3	999 034.6	292 572.4	263 883.9	28 688.5	12 636.5	466 705.7	51 669.3	26 844.5	1 928 531.3
April	1 093 943.4	79 468.9	1 014 474.5	292 767.2	264 131.0	28 636.2	12 835.8	495 383.2	51 706.4	28 617.8	1 975 253.8
May	1 092 691.1	79 708.5	1 012 982.6	297 057.1	268 281.9	28 775.2	12 820.1	522 376.1	51 947.1	28 056.4	2 004 947.9
June	1 102 811.7	80 457.7	1 022 354.0	298 760.1	269 585.7	29 174.4	12 589.4	534 708.9	51 742.7	27 221.6	2 027 834.4
July	1 103 599.2	80 768.4	1 022 830.8	297 468.5	268 253.3	29 215.2	12 620.8	517 624.1	52 024.5	27 145.1	2 010 482.2
August	1 103 242.1	80 514.3	1 022 727.8	300 703.7	270 576.3	30 127.4	12 624.5	519 131.8	52 218.1	26 600.9	2 014 521.1
September	1 110 900.6	80 463.8	1 030 436.8	300 659.3	270 885.1	29 774.2	12 627.7	520 754.5	52 056.7	27 949.0	2 024 947.8
October	1 115 332.7	81 067.9	1 034 264.8	303 196.6	273 479.8	29 716.8	12 708.5	538 189.4	52 110.0	30 949.8	2 052 487.0
November	1 128 399.8	82 411.4	1 045 988.4	313 235.7	283 365.3	29 870.4	12 773.6	557 646.7	52 130.5	27 223.2	2 091 409.5
December	1 128 106.7	83 453.7	1 044 653.0	307 760.6	278 226.0	29 534.6	12 793.2	572 622.6	52 701.4	24 085.5	2 098 070.0

¹ Non-monetary financial institutions and non-financial sector.

² Including units in investment funds and financial fixed assets.

³ Excluding financial fixed assets, incorporated in column 7.

⁴ Including rights issues.

Liabilities

Period	Currency in circulation		Deposits of central government		Deposits of other domestic residents ¹		Money Market Fund shares/ units	Debt securities issued	Capital and reserves	External liabilities	Remaining liabilities	Excess of inter-MFI liabilities	Total liabilities	
	1	2	3	overnight	with agreed maturity	redeemable at notice								repurchase agreements
				4	5	6								7
December 2015	149 715.5	36 964.3	1 024 811.9	542 408.9	475 134.6	1.3	7 267.1	0.0	47 825.1	293 725.1	264 218.9	44 062.7	307.4	1 861 630.9
January 2016	152 032.5	57 613.0	1 018 850.6	534 555.4	476 710.4	1.3	7 583.5	0.0	47 677.2	310 521.0	298 672.2	49 413.1	708.7	1 935 488.3
February	152 244.6	64 426.6	1 025 933.7	548 369.6	472 410.8	1.3	5 152.0	0.0	47 936.6	306 957.3	303 401.5	43 019.1	1 668.8	1 945 588.2
March	153 924.6	63 897.9	1 028 371.2	551 941.3	471 591.3	1.3	4 837.3	0.0	47 954.2	295 720.7	294 876.7	42 172.6	1 613.4	1 928 531.3
April	157 844.6	74 500.6	1 039 973.2	553 392.5	480 978.8	1.3	5 600.6	0.0	49 806.7	306 270.1	302 316.1	42 716.6	1 825.9	1 975 253.8
May	159 751.6	78 289.8	1 048 600.9	568 873.1	474 267.9	1.4	5 458.5	0.0	52 748.5	307 666.2	313 195.3	41 053.2	3 642.4	2 004 947.9
June	163 175.8	73 995.8	1 056 861.0	577 082.9	474 343.1	1.3	5 433.7	0.0	53 888.5	313 239.8	319 653.2	46 154.8	865.5	2 027 834.4
July	165 634.7	73 085.3	1 057 847.5	573 785.9	478 176.3	1.2	5 884.1	0.0	54 262.4	303 092.9	312 901.2	43 060.4	597.8	2 010 482.2
August	164 794.5	84 112.6	1 059 801.0	584 748.8	469 053.8	1.2	5 997.2	0.0	54 485.3	301 788.6	308 333.0	40 567.0	639.1	2 014 521.1
September	165 493.4	83 570.4	1 064 809.3	587 923.3	471 131.8	1.1	5 753.1	0.0	54 361.5	300 913.3	313 440.0	41 359.8	1 000.1	2 024 947.8
October	166 919.4	81 490.9	1 072 147.7	592 165.7	474 342.3	1.1	5 638.6	0.0	58 411.3	303 941.4	324 591.9	44 431.6	552.8	2 052 487.0
November	170 505.8	78 576.4	1 090 721.5	614 249.5	471 276.4	1.1	5 194.5	0.0	59 200.3	312 013.4	332 535.4	47 154.0	702.7	2 091 409.5
December	174 398.9	55 777.7	1 113 250.7	640 911.2	466 099.8	1.1	6 238.6	0.0	58 890.3	310 633.4	338 529.9	46 008.2	580.9	2 098 070.0

¹ Non-monetary financial institutions, local government, social security funds and non-financial sector.

Table Xa. M3 and counterparts (million zloty)

M3

Period											M1
	Currency in circulation (excluding vault cash)	currency in circulation (including vault cash)	cash in banks vaults	Overnight deposits and other liabilities	households	non-monetary financial institutions	non-financial corporations	non-profit institutions serving households	local government	social security funds	
	1	2	3	4	5	6	7	8	9	10		11
December 2015	149 715.6	162 951.9	13 236.3	542 408.9	341 115.2	20 302.3	145 975.4	12 518.0	18 867.8	3 630.2	692 124.4
January 2016	152 032.5	163 500.7	11 468.2	534 555.4	345 020.0	22 186.2	137 845.1	12 403.1	15 148.5	1 952.3	686 587.9
February	152 244.7	163 328.0	11 083.4	548 369.7	348 367.2	23 813.4	143 080.6	12 415.2	18 678.7	2 014.6	700 614.3
March	153 924.7	165 638.5	11 713.8	551 941.3	353 822.4	23 973.5	139 614.6	12 438.4	20 584.7	1 507.8	705 866.0
April	157 844.6	169 495.7	11 651.1	553 392.5	357 839.2	24 818.5	136 285.6	12 791.0	18 835.0	2 823.2	711 237.1
May	159 751.5	172 000.0	12 248.5	568 873.1	362 075.3	25 623.3	144 334.8	13 293.2	21 728.9	1 817.6	728 624.6
June	163 175.7	175 112.1	11 936.4	577 082.8	371 060.9	24 584.4	144 885.3	13 662.8	20 994.4	1 895.0	740 258.5
July	165 634.7	177 704.3	12 069.6	573 785.9	373 941.3	23 330.0	140 643.2	13 961.3	19 621.1	2 289.1	739 420.6
August	164 794.5	177 025.5	12 231.0	584 748.8	376 075.3	25 533.4	146 256.8	14 240.7	20 862.8	1 779.8	749 543.3
September	165 493.5	177 377.4	11 884.0	587 923.3	378 411.4	25 047.4	146 630.1	14 240.4	21 835.8	1 758.1	753 416.7
October	166 919.4	179 686.7	12 767.3	592 165.7	382 820.0	24 042.7	146 914.6	14 401.8	22 246.6	1 740.0	759 085.1
November	170 505.8	182 295.3	11 789.5	614 249.5	392 155.7	25 830.4	156 466.7	14 294.7	23 406.5	2 095.6	784 755.4
December	174 398.9	187 295.0	12 896.1	640 911.3	402 006.7	25 898.9	169 755.4	14 911.5	25 254.6	3 084.2	815 310.1

Period													M3
	Deposits and other liabilities with agreed maturity up to 2 years and blocked deposits	households	non-monetary financial institutions	non-financial corporations	non-profit institutions serving households	local government	social security funds	Deposits redeemable at notice up to 3 months	M2	Repurchase agreements	Debt securities issued with maturity up to 2 years	Money Market Fund shares	
	12	13	14	15	16	17	18	19	20	21	22	23		24
December 2015	453 133.1	304 872.6	30 516.0	103 365.4	7 022.0	5 633.5	1 723.7	1.3	1 145 258.8	7 267.1	2 466.7	0.0	1 154 992.6
January 2016	454 362.2	307 719.1	29 204.0	98 866.5	7 427.5	9 780.8	1 364.3	1.3	1 140 951.3	7 583.5	2 636.6	0.0	1 151 171.5
February	449 777.8	310 027.5	27 549.7	92 031.3	7 497.6	11 283.3	1 388.3	1.2	1 150 393.4	5 152.0	3 363.1	0.0	1 158 908.4
March	448 868.8	308 193.2	28 081.4	90 918.4	7 766.2	11 532.7	2 376.8	1.3	1 154 736.1	4 837.3	3 029.6	0.0	1 162 603.0
April	458 555.3	307 781.7	26 639.8	100 971.8	7 899.9	13 910.1	1 352.0	1.2	1 169 793.7	5 600.6	2 947.6	0.0	1 178 341.9
May	452 014.3	306 077.7	24 280.3	97 993.4	7 704.4	14 059.1	1 899.4	1.3	1 180 640.2	5 458.5	3 272.2	0.0	1 189 370.9
June	451 773.7	305 858.9	25 031.6	98 319.9	7 549.0	13 062.1	1 952.2	1.3	1 192 033.5	5 433.7	3 418.7	0.0	1 200 886.0
July	455 318.2	305 327.2	25 692.7	100 083.5	7 899.0	14 384.8	1 931.0	1.2	1 194 740.0	5 884.1	3 380.5	0.0	1 204 004.5
August	445 737.7	303 272.0	24 082.1	95 656.5	7 830.7	13 100.6	1 795.9	1.2	1 195 282.2	5 997.2	3 350.2	0.0	1 204 629.5
September	447 211.9	301 637.3	24 200.2	99 029.0	7 882.5	12 541.6	1 921.3	1.1	1 200 629.7	5 753.1	3 718.7	0.0	1 210 101.4
October	449 872.1	300 742.6	25 239.2	101 313.1	7 938.0	12 389.7	2 249.5	1.1	1 208 958.2	5 638.6	3 678.5	0.0	1 218 275.3
November	446 416.7	302 270.5	23 609.7	98 765.1	7 943.2	11 771.0	2 057.0	1.1	1 231 173.1	5 194.5	3 313.3	0.0	1 239 680.9
December	440 909.4	302 915.8	23 246.1	99 234.4	7 251.0	5 886.8	2 375.3	1.0	1 256 220.5	6 238.6	3 216.1	0.0	1 265 675.2

Table Xb. M3 and counterparts (million zloty)

M3 counterparts

Period	Net external assets		External liabilities	Credit to other domestic residents	Loans to other domestic residents				
	External assets	External liabilities			households	non-monetary financial institutions	non-financial corporations	non-profit institutions serving households	
	1	2	3	4	5	6	7	8	9
December 2015	187 102.8	451 321.7	264 218.9	1 089 010.6	1 029 144.7	632 523.3	58 344.0	297 950.1	6 067.6
January 2016	194 226.2	492 898.5	298 672.2	1 102 052.2	1 041 558.1	637 110.7	54 531.7	309 580.4	6 085.6
February	182 147.1	485 548.6	303 401.5	1 094 114.2	1 034 379.6	638 187.5	49 494.5	306 862.9	6 071.3
March	171 829.1	466 705.7	294 876.7	1 092 294.6	1 032 216.2	636 299.5	52 241.0	304 445.3	6 048.8
April	193 067.1	495 383.2	302 316.1	1 107 703.3	1 047 513.0	645 395.0	52 995.0	310 009.6	6 074.8
May	209 180.8	522 376.1	313 195.3	1 105 932.5	1 045 648.6	646 340.0	51 916.8	308 641.9	6 084.0
June	215 055.6	534 708.9	319 653.3	1 114 703.2	1 054 431.2	652 856.8	54 781.0	308 537.8	6 178.4
July	204 723.0	517 624.1	312 901.1	1 115 178.3	1 054 785.8	653 030.4	53 014.6	310 578.5	6 207.4
August	210 798.7	519 131.8	308 333.1	1 115 938.7	1 054 581.8	653 688.7	51 824.5	310 957.0	6 257.6
September	207 314.5	520 754.5	313 440.0	1 122 838.3	1 061 961.6	656 294.8	52 273.8	315 549.8	6 318.5
October	213 597.5	538 189.4	324 591.9	1 126 556.2	1 065 679.7	658 577.8	52 817.2	316 532.3	6 337.5
November	225 111.4	557 646.7	332 535.4	1 138 216.7	1 077 183.3	664 838.9	54 415.4	320 357.7	6 376.5
December	234 092.7	572 622.6	338 529.9	1 137 438.9	1 076 471.2	665 106.3	58 546.0	314 516.1	6 484.7

Period	Holdings of securities other than shares		of which issued by			Holdings of shares/other equity	of which:		
	local government	social security funds	non-monetary financial institutions	non-financial corporations	local government		non-monetary financial institutions	non-financial corporations	
	10	11	12	13	14	15	16	17	18
December 2015	34 259.5	0.2	47 228.9	2 358.9	26 099.7	18 770.3	12 637.0	10 381.5	2 255.5
January 2016	34 249.6	0.2	47 690.5	2 433.4	26 480.3	18 776.8	12 803.6	10 568.8	2 234.8
February	33 763.2	0.2	46 960.7	2 540.2	25 640.0	18 780.5	12 773.9	10 517.2	2 256.7
March	33 181.4	0.2	47 441.9	2 555.7	26 132.8	18 753.3	12 636.5	10 398.8	2 237.7
April	33 038.3	0.2	47 354.4	2 437.6	26 198.6	18 718.3	12 835.9	10 604.1	2 231.8
May	32 665.8	0.2	47 463.8	2 289.7	26 485.5	18 688.6	12 820.2	10 529.1	2 291.0
June	32 077.0	0.2	47 682.6	2 579.0	26 595.4	18 508.2	12 589.4	10 345.3	2 244.2
July	31 954.8	0.2	47 771.6	2 526.9	26 688.3	18 556.5	12 620.9	10 393.6	2 227.3
August	31 853.8	0.2	48 732.4	3 469.5	26 657.9	18 605.0	12 624.6	10 404.1	2 220.5
September	31 524.5	0.3	48 248.9	3 726.4	26 047.8	18 474.7	12 627.8	10 432.6	2 195.1
October	31 414.7	0.1	48 168.0	3 835.5	25 881.3	18 451.2	12 708.5	10 588.8	2 119.7
November	31 194.7	0.1	48 259.8	3 812.8	26 057.7	18 389.4	12 773.6	10 613.0	2 160.6
December	31 818.0	0.1	48 174.4	3 940.6	25 593.9	18 639.9	12 793.2	10 607.8	2 185.5

Table Xb. M3 and counterparts (million zloty), cont'd.

M3 counterparts

Period	Credit to central government, net	Credit to central government	of which:		Deposits of central government	Longer-term financial liabilities	Deposits with agreed maturity over 2 years and deposits redeemable at notice over 3 months	households
			loans	debt securities issued				
			19	20					21	22	23	24	25	26
December 2015	201 343.4	239 787.4	1 141.7	193 333.2	38 444.0	359 605.4	22 001.5	16 552.1
January 2016	197 542.2	256 188.8	1 143.6	209 561.0	58 646.6	376 876.3	22 348.4	16 931.0
February	218 790.4	284 254.2	1 011.0	237 742.1	65 463.8	373 126.8	22 633.1	17 195.3
March	226 295.6	291 017.3	992.8	245 130.6	64 721.7	362 544.1	22 722.6	17 402.8
April	215 554.0	291 843.1	988.7	245 412.7	76 289.1	373 764.3	22 423.6	17 170.0
May	216 831.1	296 635.9	973.3	249 593.3	79 804.8	377 881.3	22 253.7	17 057.8
June	224 622.5	299 458.0	998.0	251 077.5	74 835.5	385 439.4	22 569.4	17 351.8
July	224 306.7	298 510.3	1 007.3	249 696.8	74 203.6	375 714.7	22 858.1	17 657.1
August	215 201.8	300 631.6	989.9	251 971.3	85 429.8	374 922.7	23 316.2	18 110.3
September	216 975.8	301 349.4	1 366.4	252 410.4	84 373.5	374 673.1	23 920.0	18 581.1
October	221 488.3	304 681.6	1 342.2	255 028.6	83 193.3	381 441.9	24 470.3	19 068.5
November	235 631.1	316 192.5	1 238.2	264 976.0	80 561.4	390 775.2	24 859.8	19 519.4
December	253 546.6	311 221.7	973.0	259 586.2	57 675.1	389 600.7	25 190.4	19 838.8

Period								Fixed assets (excluding financial fixed assets)	Other items (net)
	non-monetary financial institutions	non-financial corporations	non-profit institutions serving households	local government	social security funds	Debt securities issued with maturity over 2 years	Capital and reserves		
	27	28	29	30	31	32	33			34	35
December 2015	4 623.8	732.8	68.1	24.7	0.1	43 878.8	293 725.2	51 475.1	-14 333.9
January 2016	4 586.3	731.2	76.7	23.0	0.1	44 007.0	310 521.0	51 893.9	-17 666.7
February	4 610.4	732.3	77.1	17.9	0.1	43 536.3	306 957.4	51 728.1	-14 744.7
March	4 493.9	724.5	83.5	17.9	0.1	44 100.8	295 720.8	51 669.2	-16 941.4
April	4 428.2	724.3	83.0	18.0	0.1	45 070.6	306 270.1	51 706.4	-15 924.5
May	4 372.3	723.9	81.8	17.9	0.1	47 961.2	307 666.3	51 947.1	-16 639.4
June	4 345.0	773.1	81.5	17.9	0.1	49 630.1	313 239.9	51 742.8	-19 798.7
July	4 307.8	778.6	95.9	18.8	0.0	49 763.6	303 092.9	52 024.5	-16 513.3
August	4 318.3	773.6	95.2	18.7	0.0	49 817.9	301 788.7	52 218.1	-14 605.1
September	4 439.4	780.7	100.4	18.4	0.0	49 839.7	300 913.3	52 056.6	-14 410.8
October	4 523.3	761.0	99.1	18.3	0.0	53 030.3	303 941.3	52 110.1	-14 034.9
November	4 453.7	764.9	103.2	18.6	0.0	53 902.0	312 013.4	52 130.5	-20 633.6
December	4 454.0	776.5	102.1	19.0	0.0	53 776.8	310 633.4	52 701.4	-22 503.7

Table XI. Reserve money and counterparts (million zloty)

Period	External assets, net	Official reserve assets	Refinancing credit	rediscount credit	Lombard credit	credit for rehabilitation programmes	credit for central government investment projects	other credit	overdue credit
	1	2	3	4	5	6	7	8	9
December 2015	349 121.1	370 296.7	180.5	0.0	0.0	0.0	0.0	0.0	180.5
January 2016	370 310.4	406 190.8	208.6	0.0	30.0	0.0	0.0	0.0	178.6
February	355 510.0	394 940.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
March	340 281.5	377 895.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
April	364 552.2	406 763.1	416.1	0.0	416.1	0.0	0.0	0.0	0.0
May	364 945.5	425 248.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
June	372 916.8	438 896.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
July	366 659.2	429 161.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
August	367 156.2	429 964.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
September	361 931.5	431 536.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
October	365 889.6	446 332.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
November	382 942.8	462 448.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
December	389 912.4	478 076.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Period	Open market operations, net	auction credit	auction deposits	NBP bills	Credit to central government, net	Other items, net	Central bank reserve money	currency in circulation (including vault cash)	bank current accounts	reserve requirements accounts
	10	11	12	13	14	15	16	17	18	19
December 2015	-74 121.0	0.0	0.0	-74 121.0	-13 100.0	-49 903.8	212 176.9	162 951.9	48 637.5	587.5
January 2016	-84 077.5	0.0	0.0	-84 077.5	-20 259.0	-63 111.4	203 071.1	163 500.7	38 718.4	851.9
February	-72 088.8	0.0	0.0	-72 088.8	-13 917.9	-57 098.6	212 404.8	163 328.0	48 425.5	651.2
March	-75 433.1	0.0	0.0	-75 433.1	-13 770.9	-45 051.5	206 026.0	165 638.5	39 725.5	662.0
April	-78 851.3	0.0	0.0	-78 851.3	-26 682.9	-57 204.1	202 230.0	169 495.7	31 964.6	769.7
May	-74 898.8	0.0	0.0	-74 898.8	-28 132.1	-56 927.2	204 987.4	172 000.0	32 123.3	864.2
June	-64 630.4	0.0	0.0	-64 630.4	-29 761.9	-64 288.2	214 236.3	175 112.1	38 437.8	686.5
July	-79 453.3	0.0	0.0	-79 453.3	-30 970.1	-49 706.9	206 528.9	177 704.3	28 079.2	745.4
August	-66 655.7	0.0	0.0	-66 655.7	-34 769.6	-47 434.8	218 296.2	177 025.5	40 515.4	755.2
September	-65 000.0	0.0	0.0	-65 000.0	-34 119.8	-45 429.1	217 382.5	177 377.4	39 265.0	740.0
October	-67 828.0	0.0	0.0	-67 828.0	-29 582.1	-45 303.6	223 175.9	179 686.7	42 767.3	721.9
November	-84 123.0	0.0	0.0	-84 123.0	-16 656.5	-60 800.9	221 362.5	182 295.3	38 385.7	681.5
December	-81 308.5	0.0	0.0	-81 308.5	-26 291.5	-61 821.8	220 490.6	187 295.0	32 509.0	686.6

Methodological notes

Table I. Basic statistical data

Information contained in Table I is derived from the “Statistical Bulletin” of the Central Statistical Office (GUS). Definitions of the categories presented in the Table can be found in the GUS publications.

- 1 Data presented in pts. 1, 2, 6, 7, 10 and 12 comprise national economy entities regardless of their ownership type.
- 2 The corporate sector comprises entities, which conduct their economic activities in the fields of: forestry, including the provision of services; marine fishing; mining and quarrying, manufacturing; electricity, water, gas and conditioned air production and supply; sanitation management and other sanitation services and re-cultivation services; construction; wholesale and retail trade; repair of motor vehicles, motorcycles; transport, storage and communication; hotels and restaurants; information and communication; real estate market services; legal services; accounting and tax services, head offices activities, management solutions; architecture and engineering services; technological research and analysis; advertising; market and public opinion polls; other professions, technical or academic activity; administration and support; recreational, cultural, sporting and other services computer repair and maintenance for individual clients; other business activities.
- 3 According to the Polish Statistical Classification of Economic Activities (PKD 2007), the notion of “industry” applies to the following sections: “mining and quarrying”, “manufacturing” and “electricity, gas and water production and supply” as well as water supply sanitation management and other sanitation services and re-cultivation services. 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.
- 4 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.
- 5 Construction and assembly production data (pt. 2) refer to works performed in Poland on commission (i.e. for third-party) and directly (i.e. without subcontractors) by the business entities of the construction sector, i.e. classified under “construction” according to the PKD 2007.
- 6 Information on the sold production of industry (pt. 1) and the construction assembly production (pt. 2) are disclosed without seasonal adjustments.
- 7 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.

- 8 Unemployment rate (pt. 9) is calculated as a percentage share of the unemployed in the total of employed and unemployed persons over 15 years of age.
- 9 Revenues from privatisation do not constitute the current revenues of the state budget; instead they finance the budget deficit (pt. 11).
- 10 Data on financial results of enterprises (pt. 12) pertain to business units that keep accounting books (except for the following units, classified according to PKD 2007 under “agriculture, forestry hunting and fishing” and “financial and insurance services”) with more than 49 employees.

Table II. Financial market – basic information

Information comprised in Table II has been derived from Narodowy Bank Polski (save for the data in pt. 6, supplied by the Warsaw Stock Exchange).

- 1 Interest rates in Table II are presented on an annual basis at the level which was binding on the last day of a given month. The average monthly interest rate has been given only for the weighted average yield on purchased T-bills or the NBP money-market bills.
- 2 As from 1 January 2011, the NBP no longer sets the central bank discount rate.
- 3 Total reserve requirements (pt. 2, col. 12) pertain to the volumes declared by banks and binding on the last day of the month. Since 28 February 2002, the total reserve requirements are held exclusively on the NBP accounts.
- 4 Information on Treasury bill tenders (pt. 3, except for the stocks of bills in circulation at the end of the month – col. 18) comprises data from tenders conducted within one month. The average yield on bills purchased is weighted by the share of the sales of bills with different maturities in the total value of bills purchased. The stock of bills in circulation at month end has been determined on the basis of the agreed maturity, calculated from the day after the tender which resulted in the sale of the bill. The above stock does not include bills in circulation which do not stem from tenders.
- 5 Information on tenders for the NBP money-market bills (pt. 4, except for the stock of bills in circulation at month end – col. 24) comprises data from tenders conducted within one month. The average yield on bills purchased is weighted by the share of the sales of bills with different maturities in the total value of bills purchased.
- 6 The below presentation of indices comprises precise data involving the situation of the largest (WIG 20), medium (mWIG40) and small stock companies (sWIG80).

-
- WIG20 index has been calculated since 16 April 1994 based on the value of portfolio with shares in 20 major and most liquid companies in the main stock market. The initial value of WIG20 index was 1,000 points. It is a price index and thus when it is calculated it accounts only for prices of underlying shares whereas dividend income is excluded. The WIG20 index may not include more than 5 companies from a single exchange sector.
 - mWIG40 index is successor of MIDWIG index and has been calculated since 31 December 1997 and comprises 40 medium size companies listed at WSE. The initial value of index was 1,000 points. mWIG40 is a price index and thus when it is calculated it accounts only for prices of underlying shares whereas dividend income is excluded. The mWIG40 index excludes WIG20 and sWIG80 index participants and foreign companies listed at WSE and other markets with the market capitalization at the ranking date above EUR 1 billion.
 - sWIG80 index is successor of WIRR index that has been calculated since 31 December 1994 and comprised 1% of smaller companies listed at WSE. The initial value of index was 1,000 points. sWIG80 is a price index and thus when it is calculated it accounts only for prices of underlying shares whereas dividend income is excluded. The sWIG80 index excludes WIG20 and mWIG40 index participants and foreign companies listed at WSE and other markets with the market capitalization at the ranking date above EUR 100 million.
- 7 The indices comprise companies from all the quotation markets.
 - 8 Capitalization refers only to domestic companies.
 - 9 The P/E ratio shows the relation of the market price to net earnings and is calculated as a quotient of the total market value of companies at month end to their aggregated profits and losses generated within the last 4 quarters, for which financial data are available.
 - 10 The turnover ratio shows the relation between the value of sold shares to the average value of shares quoted in a given month.
 - 11 The monthly turnover value and the turnover ratio comprise the continuous quotation and fixing.

Table III. PLN/USD and PLN/EUR daily exchange rates

The information has been based on the data of Narodowy Bank Polski.

- 1 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).

Monetary statistics

Narodowy Bank Polski releases monetary statistics based on data received from monetary financial institutions (MFI), which comprise banks operating in Poland and branches of foreign credit institutions and foreign banks, credit unions and money market funds.¹

Sectoral classification

Financial sector comprises the following sub-sectors:

- monetary financial institutions² (including the central bank and other monetary financial institutions); in Poland, the concept of other monetary financial institutions applies to banks, credit unions (SKOK) and money market funds;
- insurance corporations and pension funds;
- other financial intermediaries (including: investment funds, financial leasing companies, factoring companies, brokerage offices, and financial companies created for securitization of assets);
- financial auxiliaries (including bureaux de change, bourses, hire purchase institutions).

Non-financial sector comprises the following sub-sectors:

- state-owned corporations;
- private corporations and co-operatives;
- individual entrepreneurs;³
- farmers;
- individuals;
- non-profit institutions serving households.

In the publications of Narodowy Bank Polski, claims and liabilities of banks to the non-financial sector will be presented in accordance with the EU standards, i.e. sub-divided into three sectors:

- households – comprising:
 - individuals;
 - farmers;
 - individual entrepreneurs;
- non-financial corporations – comprising:
 - state-owned corporations;
 - private corporations and co-operatives (including: individual entrepreneurs with more than 9 employees);
 - non-profit institutions serving households: (separate legal entities, which serve households; their principal resources, apart from those derived from occasional sales, are derived from voluntary contributions in cash or in kind from households, from payments made by general governments and from property income);

¹ As from January 2012, the MFI definition no longer includes money market funds as none of the investment funds meet the definition.

² In accordance with the ECB definition, monetary financial institutions (MFIs) comprise financial institutions whose business is to receive deposits or close substitutes for deposits from entities other than MFIs and, for their own account, to grant credits or to make investments in securities.

³ Natural persons conducting business activities on their own account, with a maximum of 9 employees.

-
- general government – comprises the following sub-sectors:
 - central government (including public governing bodies, government administration bodies, state control and law protection bodies, courts and tribunals, public universities, state institutions of culture and welfare etc.);
 - local government (including, among others, local administrative offices [at województwo, gmina and powiat level], local parliaments, public elementary schools administered by local government units, institutions of culture financed by local governments, welfare institutions, etc.);
 - social security funds (comprise the Social Insurance Institution and the Agricultural Social Insurance Fund and the funds they manage, and the national healthcare Fund and its branches).

Table IV. Average MFI interest rates on outstanding amounts, PLN denominated

Data on zloty denominated businesses refer to all businesses at the end of the reporting month, these concluded prior to the reporting month and still binding as well as new businesses. This interest rate is a quotient of interest on average zloty denominated business by average volume of businesses per reporting month, commissions and other charges excluded.

The interest rate is calculated based on data received from the following banks (25):

- 1 Powszechna Kasa Oszczędności Bank Polski SA
- 2 Bank Handlowy w Warszawie SA
- 3 ING Bank Śląski SA
- 4 Bank BPH SA
- 5 Bank Zachodni WBK SA
- 6 mBank SA
- 7 Bank Millennium SA
- 8 Bank Polska Kasa Opieki SA
- 9 Euro Bank SA
- 10 Bank Ochrony Środowiska SA
- 11 Raiffeisen Bank Polska SA
- 12 Deutsche Bank Polska SA
- 13 Bank Polskiej Spółdzielczości SA
- 14 Credit Agricole Bank Polska SA
- 15 Idea Bank SA
- 16 Bank BGŻ BNP Paribas SA
- 17 Santander Consumer Bank SA
- 18 mBank Hipoteczny SA
- 19 Getin Noble Bank SA
- 20 Alior Bank SA
- 21 Polski Bank Spółdzielczy w Ciechanowie
- 22 Krakowski Bank Spółdzielczy
- 23 Podkarpacki Bank Spółdzielczy
- 24 Wielkopolski Bank Spółdzielczy
- 25 Bank Spółdzielczy w Brodnicy.

At the end-December 2015, the above banks held 86% of deposits of residents and 85% of credit to households and non-financial corporations. From December 2014 onwards, new methodology for calculating average weighted interest has been applied. New method involves using data on reporting agent's homogenous groups (layers). For more information please refer to http://www.nbp.pl/statystyka/pieniezna_i_bankowa/dwn/instrukcja_mir.pdf.

Table V. Average MFI interest rates on new and renegotiated business, PLN denominated

Information refers to agreements carried out in a given reporting month. Renegotiated existing agreements shall be deemed new businesses.

Interest rates in the statistics on new businesses differ from those in Table IV. The formula is applied to statistical information on new businesses, also known as Narrowly Defined Effective Rate (NDER). The concept of Narrowly Defined Effective Rate was coined as an opposite to widely understood effective interest rate or Real Interest Rate (RIR). The NDER included, the new business statistics provides RIR for the second category of consumer and house purchase loans. As opposed to the NDER, which covers for interest costs of capital the real interest rate incorporates all charges paid by the borrower. These charges are most of all commissions (brokers included) but also compulsory loan insurance premiums against death or unemployment of the borrower.

The Table IV sample of banks applies. Weighted average is calculated with the use of the same method.

Table VI. Average MFI interest rates on new and renegotiated business, EUR denominated

General rule of calculating interest rate are the same as for Table IV and Table V. Table IV and V sample of banks applies as well.

General comments on Tables VII, VIII, IX

- 1 The figures refer to the end of each reporting month and have been derived from balance sheets received from the banks within the framework of the Banking Reporting Information system (BIS) and from the balance sheet of Narodowy Bank Polski and credit unions (SKOK) and money market funds.
- 2 The presentation is structured in accordance with the ECB standards.
- 3 Assets in Tables VII, VIII, IX are shown gross of provisions, accumulated depreciation and write downs (except for securities presented at a market price).

-
- 4 Apart from external assets/liabilities debt securities issued and partly capital and reserves, all categories reflect operations with residents.

Table VII. Aggregated balance sheet of other monetary financial institutions – assets and liabilities

- 1 The category credits, loans and other claims to domestic residents (assets col. 1) include current accounts, reserve requirements, open market operations, deposits, loans and credits, debt purchased, realised guarantees and sureties, other claims, interest due and claims on securities purchased under repurchase agreements.
- 2 Debt securities issued by domestic residents (assets col. 5) held by other monetary financial institutions.
- 3 Money market funds shares/units purchased by other MFIs (assets col. 9). Starting from January 2012 the list of Polish monetary financial institutions (MFIs) does not include money market funds (MMFs), as no investment fund meets the criteria of MMF definition as set forth in the regulation of the European Central Bank No. 1071/2013 of 24 September 2013 concerning the balance sheet of the monetary financial institutions sector (ECB/2013/33). As a consequence of the above change shares/units issued by MMFs deleted from the list of MFIs and held by banks have been reclassified to “Holdings of shares and other equity issued by domestic residents – other domestic residents”.
- 4 Securities and other shares and other equity issued by domestic residents (assets col. 10) include shares, investment fund participation units, investment certificates and fixed financial assets (shares).
- 5 External assets (assets col. 13) include all assets of non-residents denominated in zloty and foreign currencies.
- 6 Fixed assets (assets col. 14) include total fixed assets except for financial fixed assets.
- 7 Other assets (assets col. 15) include vault cash i.e. cash and other cash equivalents held at other monetary financial institutions, as well as other claims and interest due and not due against the liabilities of all sectors, settlement accounts, claims on various debtors, deferred income and expenditure, other financial assets, value adjustments, rights issue, other assets, other operations, interest on securities purchased under repurchase agreement.
- 8 Deposits and other liabilities to domestic residents (liabilities col. 1) represent overnight deposits, deposits with agreed maturity, blocked deposits, deposits redeemable at notice, received credit and loans, including refinancing, auction (open market operations) and claims from cash collateral (classified to “with agreed maturities”), other liabilities and claims on repurchase agreements, subordinated claims save for those in securities issued.

-
- 9 Money market funds shares/units issued by the MMF (liabilities col. 9). Zero-sum in “Money market fund shares/units” results from change indicated in pt. 3 above.
 - 10 Debt securities issued (liabilities col. 10) are liabilities on own debt securities issued by other monetary financial institutions and subordinated claims in securities issued (purchased by residents and non-residents).
 - 11 Capital and reserves (liabilities col. 11) are divided into:
 - a) core fund comprising share paid-in capital, called-up capital unpaid, own shares, accumulated reserves, general risk provisions, reserve capital and retained earnings,
 - b) supplementary funds i.e. revaluation reserves and other supplementary funds specified in 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, subordinated liabilities, other operations, interest on subordinated liabilities, value adjustments.

Table VIII. Balance sheet of Narodowy Bank Polski – assets and liabilities

- 1 The item credits, loans and other claims to domestic residents (assets col. 1) comprises receivables from granted loans, including rediscount, lombard, refinancing for central investments, loans granted from foreign credit facilities, open market operations, other loans and receivables from current and fixed term deposits.
- 2 Debt securities issued by domestic residents (assets col. 5) are securities held by Narodowy Bank Polski.
- 3 Securities and other shares and other equity issued by domestic residents (assets col. 8) – at the moment in the case of 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 NBP debt securities issued by NBP.
 - 9 Capital and reserves (liabilities col. 7) in the case of NBP it comprises equity i.e. authorised capital, as well as reserve fund and provisions, which include specific provisions, accumulated depreciation and valuation allowances, current year profit/loss, loss from previous years and valuation adjustment.
 - 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.

**Table IX. Consolidated balance sheet of monetary financial institutions
– assets and liabilities**

- 1 Table IX comprises a consolidated balance sheet of monetary financial institutions.
- 2 In the assets and liabilities of the above-mentioned balance sheet, domestic inter-MFI operations have been netted out.
- 3 Starting from January 2012 the list of Polish monetary financial institutions (MFIs) does not include money market funds (MMFs), as no investment fund meets the criteria of MMF definition as set forth in the regulation of the European Central Bank 1071/2013 of 24 September 2013 concerning the balance sheet of the monetary financial institutions sector (ECB/2013/33).

As a consequence of the above change shares/units issued by MMFs deleted from the list of MFIs and held by banks have been reclassified to “Holdings of shares and other equity issued by domestic residents – other domestic residents” (assets col. 7) and zero-sum in “Money market fund shares/units” (liabilities col. 8)

- 4 Other assets (assets col. 10) and currency in circulation (liabilities col. 1) were decreased by cash in vaults of other monetary financial institutions.

List of the most important abbreviations

BFG	Bank Guarantee Fund (Bankowy Fundusz Gwarancyjny)
BIS	Bank for International Settlements
bp	basis point
CPI	Consumer Price Index
EBA	European Banking Authority
EBRD	European Bank for Reconstruction and Development
EC	European Commission
ECB	European Central Bank
ECOFIN	Economic and Financial Affairs Council
ESCB	European System of Central Banks
ESRB	European Systemic Risk Board
EU	European Union
FCL	Flexible Credit Line
Fed	Federal Reserve System
FSC	Financial Stability Committee (Komitet Stabilności Finansowej)
GDP	Gross Domestic Product
GUS	Central Statistical Office (Główny Urząd Statystyczny)
IMF	International Monetary Fund
KDPW SA	National Depository for Securities (Krajowy Depozyt Papierów Wartościowych SA)
KDPW SA_CCP	National Depository for Securities – Central Counterparty
KIR SA	National Clearing House (Krajowa Izba Rozliczeniowa SA)
KNF	Polish Financial Supervision Authority (Komisja Nadzoru Finansowego)
MF	Ministry of Finance
MPC	Monetary Policy Council
NBP	Narodowy Bank Polski (National Bank of Poland)
OECD	Organisation for Economic Co-operation and Development
SDR	Special Drawing Rights
SEPA	Single Euro Payments Area
SORBNET2	Real-Time Gross Settlement System [RTGS] at the NBP Head Office
TARGET2	Trans-European Automated Real-Time Gross Settlement Express Transfer System
WB	World Bank

www.nbp.pl

